

**ALL-INDIA
RURAL CREDIT SURVEY**

**DISTRICT MONOGRAPH
SORATH**



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 district Monographs on West Khandesh and Osmanabad have already been published. The present monograph is the third 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 agricultural credit policy with reference to different types of economic conditions and in devising measures for dealing with problems of special importance to particular agricultural tracts.

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

SORATH

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. This monograph was prepared by Dr. S. G. Madiman of the Division of Rural Economics. The responsibility for the views expressed is that of the author and not of the Reserve Bank of India.

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Reserve Bank of India,
Central Office,
BOMBAY, November 4, 1957.

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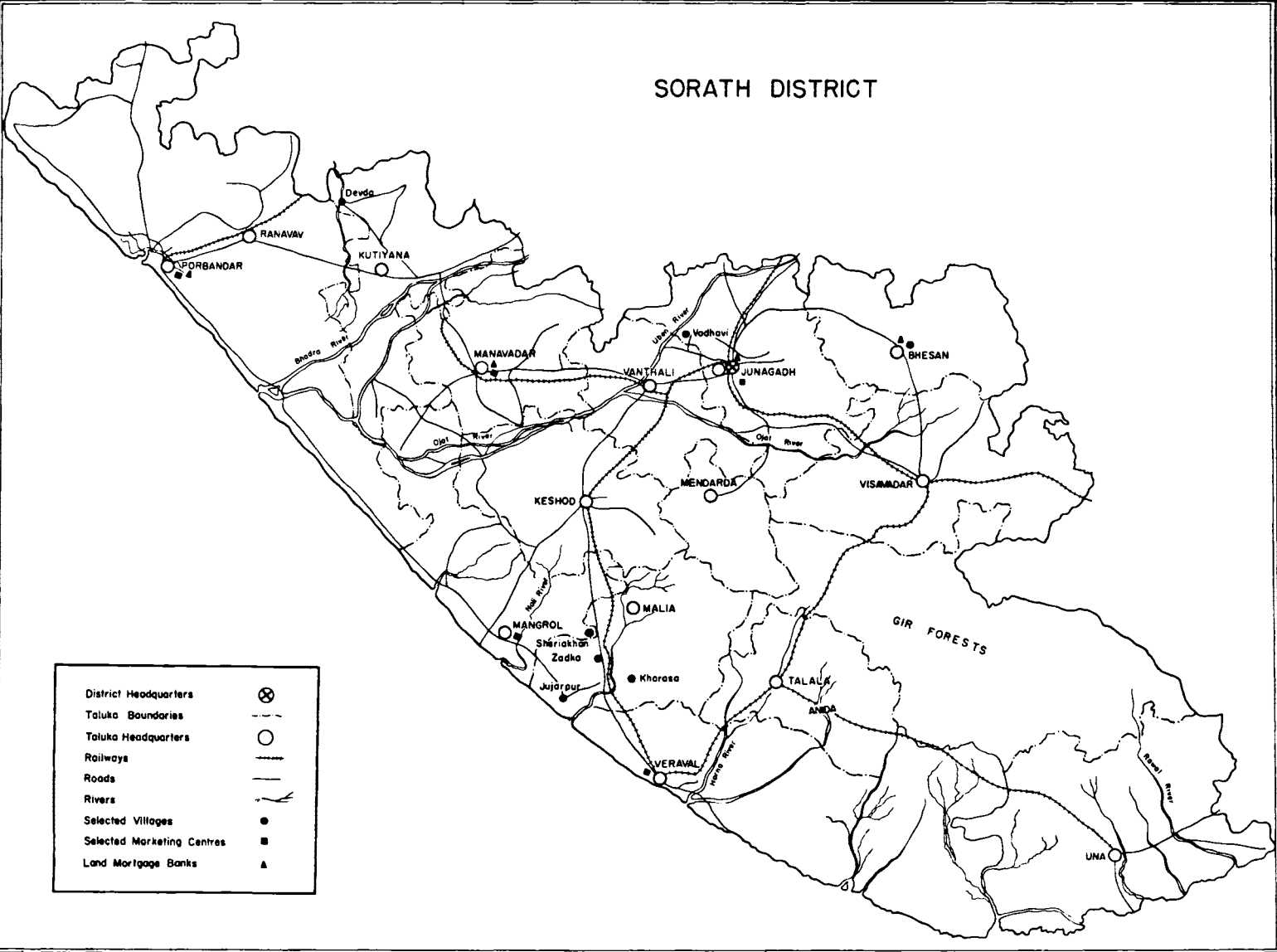
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The following symbols have been used in the tables :

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

SORATH DISTRICT



District Headquarters	⊗
Taluka Boundaries	- - - - -
Taluka Headquarters	○
Railways	—+—+—+—
Roads	— — — — —
Rivers	~~~~~
Selected Villages	●
Selected Marketing Centres	■
Land Mortgage Banks	▲

CHAPTER I

GENERAL FEATURES

I.1 LOCATION

The Saurashtra State, of which Sorath district is a part, came into existence on 15 February 1948 with the integration of princely States and other Estates in the peninsula of Kathiawar. Before the integration, the peninsula of Kathiawar comprised about 222 States and Estates, of which fourteen were salute States with full jurisdiction, 62 were semi-jurisdictional States and 146 were non-jurisdictional Estates. Thirty-one rulers of these States, including those of thirteen salute States entered into a covenant in January 1948 with the concurrence of the Government of India, to integrate their territories into a united State. Several other semi-jurisdictional and non-jurisdictional talukdars also signed merger agreements and the State of Saurashtra came into existence in February 1948. On 20 January 1949 Junagadh, Manavadar, Mangrol, Bantwa, Sardargadh and Babariawad were also merged with Saurashtra.

The Sorath district, which is situated at the south-west end of Saurashtra is bounded on the north by Madhya Saurashtra and Halar, on the east by Madhya Saurashtra and Gohilwad and on the south and the west by the Arabian Sea. (See map of Sorath district.) The district had in 1951 a population of 10,01,154 distributed over an area of 3,427* square miles. The density of population per square mile worked out at about 292* as against 224* for the whole of Saurashtra. In 1951, the number of villages and towns in the district totalled 1,052 and 22, respectively. The rural population numbered 6,72,489, accounting for about 67 per cent of the total population. Sixty-five per cent of the occupied houses enumerated in the Census were in the rural areas.

The villages in the district were mostly of a small size, as the villages with a population of less than 500 persons numbered 562, and those with a population between 500 and 1,000 about 300, the two groups together accounting for 82 per cent of the total number of villages. There were 147 villages with a population between 1,000 and 2,000 and 48 villages with a population between 2,000 and 5,000; these included five places which have been classified as towns for Census purpose. The number of persons living in villages with a population of less than 1,000 formed about 36 per cent of the total population and those in villages with a population of over 1,000 about 33 per cent.

* According to village papers.

TABLE I.1—AREA AND POPULATION IN SORATH DISTRICT

Taluka	Area in square miles	Number of villages	Number of towns	Number of persons living in rural areas	Total population
	1	2	3	4	5
Bhesan.....	176.2	48	—	31,423	31,423
Junagadh.....	181.8	80	2	51,685	1,21,079
Keshod.....	222.5	56	1	54,593	63,724
Kutiyana.....	238.9	51	1	37,887	50,466
Malia.....	215.5	63	2	37,356	52,480
Manavadar.....	201.4	51	3	41,397	70,888
Mangrol.....	226.9	63	1	45,944	66,029
Mendarda.....	65.2	34	1	12,777	17,329
Patan-Veraval.....	261.3	96	3	55,909	1,12,978
Porbandar.....	394.6	69	2	64,232	1,27,001
Ranavav.....	206.4	34	1	30,048	38,246
Talala.....	184.6	98	—	37,782	37,782
Una.....	382.4	156	2	79,352	96,026
Vanthali.....	169.8	50	2	40,475	58,156
Visavadar.....	299.8	103	1	51,629	57,547
Total.....	3,427.3	1,052	22	6,72,489	10,01,154

(Source: District Census Handbook, 1951, Sorath and Agricultural Statistics, 1952-3, Saurashtra.)

1.2 PHYSICAL FEATURES

Near Junagadh, the headquarters of the district, there are the famous 'Girnar' mountains, at the foot of which lie the 'Gir' forests. On the western side of the district, there are the 'Barda' hills, which again are surrounded by forests. These forests provide good grazing facilities for the cattle from the surrounding villages and have thus facilitated development of animal husbandry.

The annual rainfall in the district varies from less than 25 inches in some parts to about 50 inches in others, and is received mainly in the South-West monsoons. In some parts like Ranavav and Kutiyana maximum rainfall recorded in some years goes even to about 80 to 90 inches. Though along the coastal strip the monsoons reach early in June, the rainfall is generally received over a large part of the district in the latter half of June. The *kharif* is the more important agricultural season. In the low-lying areas of the central-western part of the district, which get submerged due to the flood waters of rivers, only the *rabi* crops are grown.

The initial outburst of monsoons is generally followed by a dry spell for a few weeks which, if not too prolonged, is very helpful, as it allows the cultivators to enter the fields and carry out the agricultural operations. If the dry spell continues long, it leads to withering away of the young crops. The occurrence of prolonged dry spells is relatively less frequent in this district than in some other districts in Saurashtra.

However, the rainfall during the year 1951-2 was not only insufficient in many parts of the district but the period of dry spell was too long and scarcity conditions prevailed in some parts of the district. The villages in Mangrol, Porbandar, Manavadar, Keshod, Kutiyana and Bhesan talukas were more adversely affected and the

crop yields, particularly of cotton and groundnut, were reported to be much below the normal. It was reported that in 95 out of 988 villages for which reports were available, the crop condition was as low as 25 per cent of the normal (i.e. less than 4 annas), while in 481 villages the crop condition was between 25 and 40 per cent of the normal. Of the eight villages selected for the Rural Credit Survey, the two villages, namely, Bhesan and Jujarpur suffered from inadequate rainfall.

Soils of the Sorath district have been formed partly from sedimentary rocks and partly from igneous. The soils are calcareous in general, rich in potassium content but comparatively deficient in nitrogen and humus. The degree to which the last two constituents occur in soils varies to a very large extent depending on the nature of soils and the climatic conditions.

Of the different soils found in the district, the coastal alluvial and calcareous soils with relatively high calcium content, particularly suitable to horticultural and garden crops, are found in parts of Porbandar, Mangrol, Ranavav, Una and Veraval talukas. The black cotton soils suitable for cotton cultivation are common in the parts of Vanthali, Manavadar, Keshod and Kutiyana mahals other than *ghed* area. The most important cash crop in these areas is cotton. Medium black soils, which are suitable for cotton and groundnut cultivation are met with commonly in parts of Keshod, Junagadh, Veraval, Una, Talala, Malia, Bhesan and Visavadar. The low-lying areas of Porbandar, Mangrol, Una, Veraval and Kutiyana are locally known as *ghed* areas which are so water-logged during the *kharif* season that only *rabi* crops can be grown in these areas.

1.3 LAND USE

Of the total area of 22.07 lakh acres, about 15.76 lakh acres or 72 per cent had been occupied for cultivation. Land not available for cultivation and cultivable waste land accounted for 25 and 3 per cent of the total area, respectively.

TABLE 1.2—LAND UTILIZATION IN SORATH DISTRICT (1952-3)

Type of land use	Area (Acres)
1. Total area occupied for cultivation.....	15,76,268
2. Land not available for cultivation :	
2.1 Uncultivable land.....	2,16,922
2.2 Assigned for special or public uses including forests.....	3,38,509
2.3 Used for buildings and other non-agricultural purposes.....	598
3. Total cultivable waste.....	74,666
Gross Area.....	22,06,963

(Source : *Agricultural Statistics, 1952-3, Saurashtra.*)

Of the total occupied area, food crops and non-food crops accounted for 68 and 32 per cent, respectively. Among the food crops *bajra* and *jowar* were more important

occupying 48 and 16 per cent of the total occupied area. Groundnut and cotton were the two main commercial crops grown in the district, the area under them being 19 and 10 per cent, respectively, of the total occupied area.

TABLE 1.3—CROP PATTERN IN SORATH DISTRICT (1952-3)

Principal crops	Total area (Acres)	Percentage to the total	Standard normal yield in lbs. per acre
Food crops	9,04,709	68.1	—
Rice.....	37,122	2.8	1,100
Jowar.....	2,08,699	15.7	300
Bajra.....	6,35,283	47.9	300
Wheat, irrigated.....	21,266	1.6	1,450
Wheat, dry.....	693	0.1	400
Gram, irrigated.....	1,054	0.1	300
Gram, dry.....			200
Maize.....	592	—	200
Barley, irrigated.....	—	—	400
Barley, dry.....			200
Non-food crops	4,22,895	31.9	—
Groundnut.....	2,53,688	19.1	600 (nuts in shell)
Sesamum.....	24,410	1.8	150
Castorseed.....	3,070	0.2	200
Sugar-cane.....	3,668	0.3	6,720 (gur)
Cotton.....	1,38,059	10.4	120 (lint- Mathio) 110 (lint- Dhollera)

(Source : *Agricultural Statistics, 1952-3, Saurashtra.*)

Bajra is the major crop grown in all the talukas and petas of the district. Next in importance are cotton, groundnut and *jowar* depending upon the type of soil and climatic conditions. Thus in Bhesan, Junagadh, Keshod, Malia, Mendarda, Talala, Vanthali and Visavadar areas, *bajra* and groundnut, in Mangrol, Ranavav, Una and Veraval, *jowar* and *bajra* and in Kutiyana, Manavadar and Porbandar areas, *bajra* and cotton are the most predominant crops.

Cultivation of paddy is restricted to the central and eastern parts, viz., Talala Keshod, Junagadh, Visavadar, Vanthali and Malia talukas. The western parts comprising Porbandar and Manavadar talukas, are predominantly cotton growing areas because of the prevalence of the black cotton soils. The central-southern parts of the district comprising Malia, Veraval, Talala, southern parts of Mendarda and eastern parts of Malia, however, claim a large portion of the garden crops like chillies, garlic, mangoes, coconuts, etc. *Bajra*, *jowar*, maize for fodder and in some areas paddy (known as *dangar*) are sown in the hot weather.

Bajra mixed with pulses, followed by groundnut is the popular system of crop rotation in the medium black soils of the eastern parts of the district. Similarly, *jowar* is rotated with cotton in the black cotton soils of the central-western areas. *Kharif* fallow generally precedes the cultivation of wheat. Paddy is restricted to

the low-lying irrigable areas in all the parts of the district and is rotated with a mixture of leguminous crops and oilseeds in certain areas. Wheat and gram are restricted to the *ghed* areas.

The total number of *kutch*a and *pucca* wells in use in 1952-3 was 5,374 and 17,359, respectively. The next important source of irrigation was the Government owned canal system. The total number of Government canals was 40. In addition there were about 110 tanks and 33 *bandharas* in the district in 1952-3.

TABLE 1.4—SOURCE OF IRRIGATION (1952-3)

Types of irrigation	Number
Wells.....	22,733
Government canals.....	40
Tanks.....	110
<i>Bandharas</i>	33

(Source : *Agricultural Statistics, 1952-3, Saurashtra.*)

Mention has been made above of the 'Gir' forests and forests near the foot of the 'Barda' hills. According to the available information, about 15 per cent of the total area was under forests. No detailed statistics regarding the main forest products, etc., are available.

1.4 DEMOGRAPHIC FEATURES

The rural population, according to the 1951 Census, totalled 6,72,489, of which the agricultural classes accounted for 69 per cent. Cultivators of land wholly or mainly owned and their dependents accounted for 51 per cent, while cultivators of land wholly or mainly unowned and their dependents formed another 12 per cent. Cultivating labourers and their dependents formed 6 per cent, and the non-cultivating owners of land, agricultural rent receivers and their dependents 1 per cent of the rural population.

It may be noted that about 11 per cent of the urban population consisted of cultivators of land and their dependents. Thus, nearly 51 per cent of the total population derived its livelihood from agriculture.

Data relating to classification according to various livelihood classes are available not only in respect of the total population but also separately for self-supporting persons, earning dependents and non-earning dependents. Of the total rural population, 1,70,121 were self-supporting persons, 1,54,959 were earning dependents and 3,47,409 were non-earning dependents. Classification of the self-supporting persons according to various livelihood categories is given on page 7.

Next to the category of cultivators and cultivating labourers, production other than cultivation, is an important source of livelihood, as it accounts for 14

per cent of the total number of self-supporting persons in the rural area. Of these, 8,652 persons derive their livelihood from processing of cotton textiles, wearing apparel and footwear, and another 5,904 persons from stock raising. The next important livelihood category is commerce accounting for 4 per cent of the total number of rural self-supporting persons.

TABLE I.5—POPULATION ACCORDING TO LIVELIHOOD CLASSES

Principal livelihood classes	RURAL		URBAN		TOTAL	
	Number	Percentage	Number	Percentage	Number	Percentage
	1	2	3	4	5	6
1. Cultivators of land wholly or mainly owned and their dependents.....	3,42,340	51	34,089	10	3,76,429	38
2. Cultivators of land wholly or mainly unowned and their dependents.....	78,183	12	2,274	1	80,457	8
3. Cultivating labourers and their dependents.....	37,890	6	3,715	1	41,605	4
4. Non-cultivating owners of land, agricultural rent receivers and their dependents.....	8,260	1	3,783	1	12,043	1
5. Production other than cultivation.....	93,778	14	63,465	19	1,57,243	16
6. Commerce.....	26,413	4	76,326	23	1,02,739	10
7. Transport.....	3,938	—	21,341	7	25,279	3
8. Other services and miscellaneous sources.....	81,687	12	1,23,672	38	2,05,359	20

(Source : District Census Handbook, 1951, Sorath.)

Next to the cultivators of land, apparently the two important livelihood categories which need mention here are agricultural labourers and livestock raisers. Apart from casual labour for seasonal agricultural operations the two principal modes of hiring farm labour are *chakar* (i.e., *sathi*, *santhi*) system and *bhagia* system. Under the former system, the labourer is generally paid cash wages for a stipulated period of service, while under the latter system, the labourer is paid a certain share of gross produce as his return. Most of the persons who derive their income mainly from livestock raising, are nomadic tribes moving with their cattle from one part of Saurashtra to the other. Sometimes, they even migrate to the northern districts of Gujerat. These are mostly *rabaris*, *charans*, and *bharwads*. It is reported that the credit for breeding such fine cattle breeds like 'Gir' cattle goes to these professional breeders. Generally, they buy from the settled cultivators cows which are not in lactation or heifers, and subsequently sell these animals back to the cultivators when they are in milk.

TABLE 1.6—RURAL SELF-SUPPORTING PERSONS ACCORDING TO LIVELIHOOD CLASSES IN 1951

	Number of self-supporting persons	Percentage
1. Agricultural	1,15,209	67.7
1.1 Cultivators of land.....	98,623	58.0
1.2 Cultivating labourers.....	14,318	8.4
1.3 Non-cultivating owners of land and agricultural rent receivers.....	2,268	1.3
2. Non-Agricultural	51,934	30.5
2.1 Stock raising.....	5,904	3.5
2.2 Plantation industries, forestry and collection of products not elsewhere specified and fishery.....	1,087	0.6
2.3 Processing and manufacture of cotton textiles.....	4,522	2.7
2.4 Processing and manufacture of wearing apparel and made up textile goods and leather, leather products and footwear.....	4,130	2.4
2.5 Processing and manufacture of foodgrains and pulses, vegetable oils, dairy products and tobacco.....	870	0.5
2.6 Processing and manufacture of wood and wood products other than furniture and fixtures.....	2,206	1.3
2.7 Processing and manufacture of metals, chemicals, and other items not elsewhere specified.....	3,906	2.3
2.8 Commerce.....	7,043	4.1
2.9 Health, education and public administration.....	2,816	1.7
2.10 Other non-agricultural (i.e. excluding 2.1 to 2.9)....	19,450	11.4
3. Unproductive activities.....	2,978	1.8
Total.....	1,70,121	100.0

(Source : *District Census Handbook, 1951, Sorath.*)

The agriculturists mainly belong to *kunbi*, *koli*, *ayar* and *meher* castes. *Banias* and *lvanas* are reported to dominate the moneylending and trading professions. Some of the well-to-do *kunbi* cultivators, especially in Vantthali, Manavadar and Keshod mahals, have also taken to trading.

No marked seasonal migrations are noticed in the district. Seasonal migration of agricultural labour to cities is, however, noticeable. The Mohammedan cultivators, especially those in the south-eastern part of the district migrate during slack season, to the eastern centres like Veraval, for seasonal employment in the industrial establishments.

1.5 INDUSTRIES

One cement factory, one textile mill, one chemical works, four lime quarries, seven ginning and pressing factories, and twenty oil mills among others provide the major sources of industrial employment. The details regarding the industries in Sorath district are given below.

Industry	Number
1. Cement works.....	1
2. Tile works.....	1
3. Potteries.....	1
4. Lime-stone.....	4
5. Chemical works.....	1
6. Ginning and pressing factories.....	7
7. Cotton textile mills.....	1
8. Power-loom factories.....	1
9. Power-houses.....	6
10. Bonemeal factory.....	1
11. Hosiery factories.....	3
12. Hume-pipe factory.....	1
13. Match works.....	3
14. Salt works.....	1
15. Oil expellers.....	20

(Source : *Industries of Saurashtra, Government of Saurashtra, May 1959.*)

1.6 TRANSPORT

Several small railway lines constructed during the pre-integration period have now been merged with the Western Railway. It may be stated that most of the big marketing and industrial centres are connected by railways. There are no inland waterways ; but the four ports, viz., Veraval, Porbandar, Mangrol, and Navabandar, have considerably facilitated the exports of groundnut, cotton, spices and *ghee* from the district.

Of the total road mileage of about 970, hardly one per cent were black top roads, 53 per cent were *macadam* roads and 21 per cent were constructed with *muram* as the base. The remaining 25 per cent were earth roads.

Villages in the interior are only accessible by cart tracks. In the *ghed* area, all the villages get isolated from the rest of the district during the monsoons, since even the pack animals cannot walk over flooded tracks. In other areas, camels are used during the wet season. Practically all the non-motorable roads are only fair weather roads. Pack animals are very commonly used in Porbandar and Mangrol talukas. *Ghee* and other commodities from 'Barda' Hills mostly come on pack animals to Navabandar.

1.7 LAND TENURE SYSTEM

Before we proceed to describe the land tenure systems then prevalent in the district it may be pointed out that there were nearly 222 rulers and a landed gentry consisting of 51,700 families in these States. Prior to the integration, the area included in Saurashtra covered 4,415 villages and towns of which nearly 2,726 villages were properly surveyed. Before 1948, the following types of tenure system were prevalent.

1. Occupancy tenure

Under this tenure land was held by the tenant directly from the State. This tenure was prevalent in Junagadh, Bhavnagar, etc., where the survey and settlement of land were carried out. Under this tenure full or qualified occupancy rights were given to the tenants.

2. Girasdari tenure

The term *girasdar* included the *talukdars*, *bhagdars*, *mulgirasias*, *bhayats*, etc. The *talukdars* and *bhagdars* were petty chiefs who were granted some kind of revenue jurisdiction under the general supervision of the paramount power. The *mulgirasias* and *bhayats* had a little different status. They were classed as landholders with proprietary interest, as distinguished from mere alienees of land revenue.

3. Barkhali tenure

Barkhalidars comprised the *inamdars*, *dharmadas*, *dharmada* institutions, *chakariyats* and *pasaitas*. The *inamdars* were holders of *inam* lands. The *chakariyats* and *pasaitas* were holders of lands granted for village service, and could hold land only for the period of the service. These lands were resumable at the will of the grantor. The *barkhalidars* were originally mere alienees of land revenue but during the course of time they acquired an interest in land which was almost undistinguishable from the *girasdari* rights.

There were about 17,264 *khatedar*s who were tenants holding lands from superior land holders. The total number of *khatedar*s or cultivators in the areas covered by the *khalsa* tenure was 53,686. More than 60 per cent of the villages in Sorath district were under the *khalsa* type of tenure.

In May 1950, the Government of India appointed the Saurashtra Agrarian Reforms Commission which submitted its Report in December 1950. According to the Report, roughly one-third of the villages were under the *girasdari* or *barkhali* system of tenure while the remaining two-thirds were under *khalsa* tenure. The Commission came to the conclusion that the *talukdars*, *bhagdars*, *mulgirasias* and *bhayats* had some kind of proprietary rights in the lands held by them. The other tenure holders, however, had no such interest in land as they were mere alienees of land revenue.

Consequent on the recommendations in this Report the Saurashtra Land Reforms Act, 1951, the Saurashtra Barkhali Abolition Act, 1951 and the Saurashtra Estates Acquisition Act, 1952 were passed.

The Saurashtra Land Reforms Act, 1951 came into force with effect from 1 September 1951. This Act governed the relationship between 28,000 *girasdars* on the one hand, and 55,000 tenants on the other. The Act divested the *girasdars* of the rights acquired by them and made all lands held by them liable to payment of land revenue. The Act further vests in the tenants occupancy right on payment of an amount equal to six times the assessment on land held. On conferment of the occupancy right, the tenant becomes an occupant holding the

land directly from the State. The only right given to the *girasdar* is to recover rent at one and a half times the assessment till the tenant pays occupancy price and acquires the tenancy certificate. Provision has also been made for resumption of land for personal cultivation by the *girasdar* under certain specified conditions.

The Saurashtra Barkhali Abolition Act, 1951, also came into force on 1 September 1951. As the *barkhalidars* were mere alienees of land revenue with some additional qualified rights, the tenants were granted occupancy rights without any payment of occupancy price. Protection was given for dwelling houses as in the case of the Land Reforms Act. Provision has also been made for resumption of land for personal cultivation by the *barkhalidars* under certain conditions. The number of tenants benefited by the Act was 28,553, holding 5,53,370 acres of land.

The Estates Acquisition Act of 1952 deals with the interests held by the *girasdars* and *barkhalidars* in the non-agricultural assets. It empowers the Government to abolish by a notification the rights, title and interests of the *girasdars* and *barkhalidars* in respect of an estate or a part of an estate and to vest the same in the State.

Along with the tenure reforms, Government took certain measures for protection of tenants in the *khalsa* areas also. On 15 April 1948, a proclamation was issued conferring full occupancy rights on tenants in all the unalienated villages with rights of transfer and inheritance. In order to bring about some uniformity in the revenue system, an ordinance was issued in August 1948 applying some of the provisions of the Bombay Land Revenue Code to Saurashtra. Measures were also taken for conversion of the crop share system into cash assessment system on an *ad hoc* basis in the unalienated villages. Several other steps like removal of arbitrary cesses, and establishment of a unified Survey and Settlement Department were also taken.

With the implementation of the above measures all the cultivated area would be held by cultivators under occupancy rights directly from Government. It might, however, be noted that most of these Acts came into force in the latter half of 1951 when the Rural Credit Survey investigations were being conducted.

The work of land reforms was undertaken with the assistance of a special machinery set up by Government consisting of a special *mamlatdar* in-charge of each subdivision. A touring court or office implementing the reforms prepared the relevant new records and passed them over to the taluka officer for consolidation with the normal records. The process was expedited with the provision of loans for payment of occupancy price by the Saurashtra Central Co-operative Land Mortgage Bank, the working of which has been discussed in detail in Chapter 11.

1.8 RURAL CREDIT SURVEY : METHODS AND COVERAGE

In the All-India Rural Credit Survey, the working of rural credit system was studied in relation to its two aspects, namely, the demand for credit from rural families and the supply of credit by credit agencies, both institutional and private. These two aspects are hereafter referred to as the 'demand' and 'supply' aspects respectively, of the Survey. According to the design of the Survey for the 'demand'

side investigation, eight villages—Bhesan, Devda, Khorasa and Vadhavi where primary co-operative credit societies existed and Anida, Jujarpur, Sheriakhan and Zadka where no such societies existed—were selected from the district. All the families in each of the selected villages were investigated using the General Schedule. Within each selected village a sample of fifteen cultivating families was selected for detailed investigation. For this purpose a cultivating family was defined as a family engaged in the cultivation of any piece of land, owned or leased other than small garden plots. The selection of cultivating families for this purpose was made by first arranging all cultivating families in each selected village in the descending order of magnitude of the size of cultivated holding, dividing them into ten strata or deciles containing roughly equal number of families and selecting at random two cultivating families from each of the first five deciles and one cultivating family from each of the last five deciles.

The field investigations on the 'demand' side were conducted in two rounds. The first round commenced in the first week of December 1951 and was completed in March 1952. The second round followed immediately in April 1952 and was over by May 1952. During the first round, information on capital investment in agriculture and non-farm business expenditure on some important items of family expenditure, borrowings and repayments for a period of twelve months preceding the month of investigation and the outstanding debt as on the date of interview was collected in the General Schedule in respect of all the rural families in the selected villages. In the intensive enquiry, data relating to farm business, credit and marketing transactions, and the assets position were collected in respect of the sample of cultivating families. Information on farm expenses such as on purchases of fodder and other cattle feed, cash wages paid to hired labour, payments in kind made immediately after harvest, purchase of grain for payment of wages in kind, other current farm expenditure, source of finance for expenditure on specified items such as capital investment in agriculture, non-farm business expenses, family expenditure, and sale of assets and on cash receipts during the period was collected in schedules 3, 4 and 5, in two rounds. The coverage of families investigated through the General Schedule was almost complete in most of the villages, the proportion of families covered to the total number of resident families was more than 99 per cent. A very small number of families could not be covered because of the difficulties in contacting the head of the family or the family itself having temporarily left the village. The response from the families investigated was reported to be good.

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

selected from the first five and from the last five deciles ; these are referred to as the upper and lower strata cultivators, respectively.

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

The ensuing chapters contain an analysis of the data collected in the district in the All-India Rural Credit Survey conducted in 1951-2. The methods of enquiry followed and the concepts used in this Report have already been described in detail in the "Survey Report, Vol. I" and the "Technical Report, Vol. III" of the Report of the Committee of Direction of the All-India Rural Credit Survey. Hence, the reader who is interested in the details regarding the method of enquiry and concepts may refer to the said Reports.

CHAPTER 2

SELECTED VILLAGES AND SIZE OF FARM BUSINESS

In this chapter, it is proposed to describe the principal features of agricultural economy of the eight selected villages and also to discuss the size of farm business of the cultivators investigated. The discussion on the main features of the agricultural economy of the selected villages is based largely on the village notes prepared by the field staff, and on data collected in the Survey. The discussion on farm business operations is based entirely on the Survey data.

2.1 SELECTED VILLAGES

The eight selected villages were Bhesan, Devda, Khorasa, Vadhavi, Anida, Jujarpur, Sheriakhan and Zadka. Of these eight villages four villages, namely Sheriakhan, Zadka, Khorasa and Jujarpur, which are not far apart from one another are centrally situated in the southern part of the district. The area in which these villages are situated generally has coastal alluvial and calcareous soils with relatively high calcium content. Some parts of this area are particularly suitable for horticultural and garden crops. As against these four villages, Bhesan, Vadhavi and Devda are situated in the northern part of the district which claims a large part of the area under *jowar*, *bajra* and groundnut. Medium black and black cotton soils are commonly found within this area. The village Anida on the other hand, is situated in the densely forested eastern parts of the district.

The population, according to 1951 Census, ranged from 3,400 in Bhesan to 162 in Zadka. The total cultivated area, according to village papers, was the highest at 8,056 acres in Bhesan and the lowest at 349 acres in Zadka. Some relevant data are given in Table 2.1 below.

TABLE 2.1—IMPORTANT FEATURES OF SELECTED VILLAGES

Village	Total population	Number of occupied houses	Total number of literate persons	MAJOR LIVELIHOOD CLASSES (including dependents)			
				CULTIVATORS OF LAND		Cultivating labourers	All others
				Wholly or mainly owned	Wholly or mainly unowned		
	1	2	3	4	5	6	7
Bhesan.....	3,400	593	473	1,543	236	236	1,385
Devda.....	1,906	293	394	1,151	16	19	720
Khorasa.....	2,338	206	354	1,375	23	98	842
Vadhavi.....	1,416	259	164	825	40	73	478
Anida.....	310	60	20	208	-	10	92
Jujarpur.....	568	78	5	473	-	5	90
Sheriakhan.....	583	103	56	400	10	7	162
Zadka.....	162	32	3	145	-	-	17

(Source : *District Census Hand Book, 1951, Sorath.*)

2.1.1 Bhesan

The village Bhesan, which is situated in the Bhesan peta, covers an area of 14.0 square miles and had, in 1951, a population of 3,400, of which about 14 per cent was literate.

TABLE 2.2—AVERAGE SIZE OF CULTIVATED HOLDINGS IN THE SELECTED VILLAGES

Village	Number of families interviewed with the General Schedule	PER CULTIVATING FAMILY			
		GENERAL SCHEDULE DATA	INTENSIVE ENQUIRY DATA		
		Average size of cultivated holding	Average value of gross produce	Average cash receipts from sale of crops and fodder	Average cash receipts from sources other than from sale of crops and fodder
		(Acres)	(Rs)	(Rs)	(Rs)
1	2	3	4	5	
Bhesan.....	586	29.5	1,314	476	75
Devda.....	286	19.8	1,664	492	225
Khorasa.....	345	18.3	1,714	1,830	26
Vadhavi.....	250	16.2	1,532	657	132
Anida.....	55	18.1	1,557	604	160
Jujarpur.....	77	12.4	918	615	199
Sheriakhan.....	104	23.4	1,031	542	98
Zadka.....	31	12.7	592	237	207

According to the 1951 Census, cultivators of land wholly or mainly owned and their dependents formed nearly 45 per cent of the total population. Cultivators of land wholly or mainly unowned as also cultivating labourers and their dependents, accounted for roughly 7 per cent each of the total population. Persons who derived their livelihood mainly from production other than cultivation as also from commerce and their dependents accounted for 14 per cent and 6 per cent of the total population, respectively.

The total cultivated area was 8,056 acres, of which 430 acres or about 5 per cent was under irrigation.

Bajra and *jowar* were the principal food crops grown. The main cash crop was groundnut. Sugar-cane was grown on some farms but the extent of it was very small.

The *girasdari* tenure was prevalent in the village before the land reforms legislation was enacted. As will be seen from Table 2.2, the average size of cultivated holding per cultivating family was 30 acres. Livestock of the village was also poor in quality. The draught cattle used for cultivation purposes are known as *vadhiyari* which are imported from Gujerat. There were no industries or factory establishments worth mentioning either in the village or in the nearby places which could provide subsidiary occupation to the villagers. The rainfall during the year of the Survey was slightly abnormal and the condition of the crop in some parts was slightly below normal.

2.1.2 Devda

The village Devda which is situated in Kutiyana peta, covers an area of 10·2 square miles and had in 1951 a population of 1,906.

Cultivators of land wholly or mainly owned and their dependents accounted for about 61 per cent of the total population while the cultivating labourers and their dependents accounted for only 1 per cent. Persons who derived their livelihood mainly from production other than cultivation and commerce constituted about 21 per cent and 6 per cent of the total population, respectively.

The *khalsa* system of tenure was prevalent prior to the land reforms. Of the total cultivated area of about 3,153 acres, about 166 acres or roughly 5 per cent was irrigated. Groundnut, *bajra* and *jowar* were among the major crops grown. In some garden lands, *popaiyas* were grown. However, the main cash crops in the village were groundnut, onions and chillies. The village is an important *ghee* producing centre. *Ghee* is further processed and packed at Porbandar for export to foreign countries like Africa.

Porbandar, a big industrial and business centre, is at a distance of about twelve miles from Devda. It provides the main outlet for the agricultural produce from this village and also subsidiary occupation to the villagers.

The average size of cultivated holding, according to the Survey data was about twenty acres per cultivating family.

2.1.3 Khorasa

The village Khorasa, which is in the Malia taluka, is about three miles away from the Chorwad railway station. The village covers an area of about 8·7 square miles and had a population of 2,338 in 1951 of which about 15 per cent was literate.

According to the 1951 Census, about 59 per cent of the total population consisted of cultivators of land wholly or mainly owned and their dependents, while cultivating labourers and their dependents accounted for about 4 per cent of the population. Persons who derived their livelihood mainly from production other than cultivation and commerce accounted for about 15 per cent and 6 per cent of the total population, respectively. Khorasa has all along been a *khalsa* village and the agricultural population consists mainly of *kunbis* and *kolis*. *Kunbis* are known for their efficient cultivation of land while *kolis* are less favourably placed and constitute the bulk of the agricultural labourers. Of the total cultivated area of about 3,785 acres, about 384 acres or 10 per cent was irrigated. There were about 117 wells in the village and three oil engines were used for pumping water. Groundnut, *bajra*, *jowar*, paddy, wheat, onions and chillies were the principal crops grown. Groundnut, onions and chillies were the major cash crops of the village. Though the *kunbi* cultivators do not generally seek employment in subsidiary occupations, the *koli* population depends to a large extent on employment in industries in nearby places, such as the match works and the pottery works in Gadu village.

The average size of cultivated holding was about eighteen acres per cultivating family.

2.1.4 Vadhavi

The village Vadhavi situated at a distance of ten miles from Junagadh City which is the headquarters of Sorath district, covers an area of about five square miles and had a population of 1,416 in 1951 of which about 12 per cent was literate. As in the case of other villages described above, about 61 per cent of the total population derived their income mostly from cultivation of land. Cultivating labourers accounted for about 5 per cent of the total population.

The village Vadhavi, which has all along been a *khalsa* village, has a cultivated area of about 2,353 acres, of which about 1,000 acres were under irrigation. Groundnut and *bajra* were the major crops. Vegetables were grown to a small extent for sale in Junagadh City. Cultivators are mostly *kunbis* and *ayars* by caste. In view of the demand for fresh milk in Junagadh, many cultivators keep milch animals. *Rabaris* keep a large number of cattle and also collect surplus milk from other cultivators for sale in Junagadh City. The cultivators who keep milch animals do not generally go themselves to the market for sale of milk but they usually employ agricultural labour for transporting milk from Vadhavi to Junagadh. Incidentally this provides some employment to agricultural labourers. Both the cultivating and non-cultivating population of village Vadhavi find some employment in Junagadh City as well as in the 'Gir' forests areas.

The average size of cultivated holding was about sixteen acres per cultivating family.

2.1.5 Anida

Anida, a village in the 'Gir' forests area, is situated at a distance of about four miles from the Jambur railway station, and covers an area of about 2.3 square miles. It had a population of 310 in 1951 of which about 7 per cent was literate. Sixty-seven per cent of the population in the village consisted of cultivators of land wholly or mainly owned and their dependents, while cultivating labourers accounted for only 3 per cent. About 12 per cent of the population was dependent on production other than cultivation and commerce. The nearest bazar village is Talala which is about six miles from Anida.

The village being surrounded by the 'Gir' forests has a cultivable area of 600 acres only, of which only about 20 acres are irrigated. *Bajra*, groundnut, *jowar* and paddy were among the major crops grown. The cultivators are *Karadiya Rajputs* by caste and agriculture is said to be relatively backward. Manure from dried and fallen leaves, etc., being cheap and easily available is widely used for fertilizing the soil.

As the village is surrounded by forests abounding in wild animals such as lions, etc., there are no marketing centres near the village. Transport and communication facilities are practically non-existent. The only cash crop which is generally sent out for sale is groundnut.

The average size of cultivated holding was about eighteen acres per cultivating family.

2.1.6 Jujarpur

Jujarpur in the Malia taluka is a small village with an area of about 2.7 square miles and a population of 568 persons in 1951 of which less than 1 per cent was literate. About 83 per cent of the total population is accounted for by cultivators of land wholly or mainly owned and their dependents, while only about 4 per cent derived its livelihood mainly from production other than cultivation and commerce.

Jujarpur is a *khalsa* village with a total cultivated area of about 650 acres, a large portion of which is affected by salt incrustation. Therefore, the yield per acre of land on many farms was reported to be low. However, betel leaves of *kapuri* and other varieties and bananas were grown in garden lands and were exported outside the district and thus accounted for a substantial portion of cash receipts from sale of crops. Mangoes were also grown on a large area.

This village had the lowest average size of cultivated holding amongst the selected villages, the average being only twelve acres per cultivating family. Some of the cultivators of the village were also undertaking cultivation of betel leaves, bananas and mangoes.

2.1.7 Sheriakhan

Sheriakhan is situated in the Mangrol taluka and is at a distance of about three miles from the Bhanduri railway station. The total population of the village was 583 in 1951 of which about 10 per cent was literate. Cultivators of land wholly or mainly owned and their dependents accounted for about 69 per cent of the total population. Prior to the merger of Mangrol State in Saurashtra, letting of lands on a crop sharing basis was prevalent. Subsequent to the merger, occupancy rights were conferred on the tenants and share croppers. Of the total cultivated area of about 1,800 acres, roughly 8 per cent was under irrigation. There were about 35 wells in the village. *Bajra*, groundnut and paddy were the major crops grown.

The nearest marketing centre for the village is Veraval. There were few opportunities for subsidiary employment and agriculture continued to be the major source of income to the villagers.

2.1.8 Zadka

The village Zadka situated at a distance of three miles from the Chorwad railway station, covers an area of less than one square mile and had a population of 162 in 1951 of which less than 2 per cent was literate. About 90 per cent of the population derived its income from cultivation of land wholly or mainly owned while the remaining 10 per cent derived its livelihood mainly from transport and other services and miscellaneous sources.

Poultry-keeping which used to be an important occupation till recently is declining in its importance. Prior to the recent land reforms, the system of tenure was *bhagbatai* or crop-sharing system. Groundnut was an important cash crop which was sold either at village Bhanduri or at the nearby village Gadu. The pottery and match factories at Chorwad provide some employment to the villagers.

2.2 VARIATIONS IN THE SIZE OF FARM BUSINESS OPERATIONS

2.2.1 Classification of families

As already stated, data collected using the General Schedule are presented for the four groups of cultivators, viz., the big, the large, the medium and the small cultivators, and those collected in the intensive enquiry for two groups, viz., the upper strata and the lower strata cultivators. The selected cultivating families have also been classified into six groups according to the value of gross produce reported between April 1951 and March 1952.

2.2.2 Size of cultivated holdings

Of the 1,734 rural families enumerated in the eight selected villages with the General Schedule, 930 were cultivating families. The number of cultivating families enumerated in the Survey varied from 22 in Zadka to 261 in Bhesan. The average size of cultivated holding per family in respect of each of the four groups in the eight selected villages is given in Table 2.3 below.

TABLE 2.3—AVERAGE SIZE OF CULTIVATED HOLDING—INTER-GROUP VARIATIONS

[General Schedule data]

Village	Number of rural families enumerated	Number of cultivating families enumerated	AVERAGE SIZE OF CULTIVATED HOLDING PER FAMILY (in acres) : TYPE OF CULTIVATORS			
			Big	Large	Medium	Small
			1	2	3	4
Bhesan.....	586	261	67	50	26	14
Devda.....	286	155	43	32	18	10
Khorasa.....	345	192	43	32	16	7
Vadhavi.....	250	139	34	27	15	7
Anida.....	55	38	29	25	19	9
Jujarpur.....	77	48	23	20	11	5
Sheriakhan.....	104	75	45	39	23	10
Zadka.....	31	22	24	19	11	6
Total.....	1,734	930	31	26	16	8

The average size of cultivated holdings of the big cultivators in the district, as will be seen from the table above, varied from 23 acres in Jujarpur to 67 acres in Bhesan. In the village Bhesan, among the big cultivators, the size of cultivated holdings ranged from 52 acres to 122 acres. As against this, in Jujarpur it ranged between 21 acres and 25 acres. In Zadka, a cultivator whose size of cultivated holding was

twenty acres was also included in this group. The proportion of area cultivated by the big cultivators to the total area cultivated was 22 per cent for the group of eight villages; the proportion varied from about 20 per cent in Jujarpur to 26 per cent in Zadka. All the families in the big cultivators' group reported that they were owning plough cattle.

The average size of cultivated holdings of the large cultivators, who accounted for about one-third of the total number of cultivators was as high as 50 acres in Bhesan and as low as 19 acres in Zadka. The size of cultivated holding in this group of cultivators in Bhesan ranged between 32 acres and 122 acres. In Zadka it varied from 14 acres to 28 acres. Proportion of area cultivated by the large cultivators to the total cultivated area was as high as 54 per cent in Zadka and as low as 48 per cent in Anida. Except in Vadhavi and Khorasa, where the percentage of families owning plough cattle was 93 and 97 respectively, all the families of this group owned plough cattle.

The medium cultivators accounted for about 38 per cent of all cultivating families. The proportion of area cultivated by them varied from 33 per cent in Zadka to 38 per cent in Anida. The average size of cultivated holding in this group was the highest at 26 acres for Bhesan and lowest at 11 acres in Jujarpur and Zadka. More than 97 per cent of the cultivating families in this group owned plough cattle except in Vadhavi and Zadka, where the percentage of families owning plough cattle was 89 and 88, respectively.

In no case the small cultivators, who constituted 29 per cent of the cultivating families, accounted for more than 15 per cent of the cultivated area. The average size of cultivated holding of this group was as low as 5.4 acres in Jujarpur. Though the small cultivators accounted for about one-third of the cultivating families, the area cultivated by them was less than one-eighth of the total cultivated area.

TABLE 2.4—VARIATION IN THE SIZE OF CULTIVATED HOLDING

[General Schedule data]

Group	Proportion of families (Per cent)	Average size of cultivated holding (Acres)	RANGE IN THE SIZE OF CULTIVATED HOLDING		Area cultivated by this group as percentage of total cultivated area	Proportion of families owning plough cattle (Per cent)	Average number of plough cattle per family
			Maximum	Minimum			
			(Acres)	(Acres)			
	1	2	3	4	5	6	7
Big cultivators.....	12	31	122	20	22	100	5
Large cultivators.....	33	26	122	14	50	100	4
Medium cultivators.....	38	16	32	7	37	96	3
Small cultivators.....	29	8	20	2	13	82	2
All Cultivators.....	100	17	122	2	100	93	3

Even though the average size of cultivated holding in the district for all cultivating families was seventeen acres, it was as low as eight acres for the small cultivators. The small cultivators who accounted for 29 per cent of the cultivating families cultivated only 13 per cent of the total cultivated holdings. Further, as will be seen from Table 2.4 on page 19, only 82 per cent of the families in the small cultivators' group reported as owning plough cattle.

2.2.3 Cultivated holding and value of gross produce per acre

As stated earlier 120 families were selected for intensive enquiry which have been classified into two groups for the presentation of data. The average size of cultivated holdings of the cultivators of upper strata was 24 acres, as against 10 acres of the cultivators of lower strata. The average value of gross produce per family worked out at Rs 1,451 in the case of the former and Rs 664 in the case of the latter group. Average cash receipts from sale of crops and fodder were also higher in the former than in the latter. It is, however, noteworthy that the cash receipts from sources other than from sale of crops and fodder were actually higher in the case of lower strata cultivators than in the case of upper strata cultivators; this point will be discussed in detail in section 8.3.

TABLE 2.5—CULTIVATED HOLDING AND GROSS PRODUCE

[Intensive enquiry data. Amount in rupees per family]

Strata	Average size of holding per family	Average area sown per family	Average value of owned assets	Value of gross produce	Cash receipts from sale of crops and fodder	Cash receipts from other sources
	(Acres)	(Acres)				
	1	2	3	4	5	6
Upper strata.....	24	24	9,208	1,451	705	140
Lower strata.....	10	10	5,451	664	338	185
All Cultivators.....	17	17	7,329	1,057	522	163

Though the intensive enquiry data would be commonly presented in the subsequent chapters for upper and lower strata, we have sometimes given intensive enquiry data after classifying the families according to gross produce groups.

Before we proceed to comment on the data relating to gross produce, some general observations, however, appear to be necessary. First, we have no measure of the net income of cultivators. We have, however, data relating to value of gross produce, cash proceeds from sale of crops and fodder and cash receipts from other sources. The value of gross produce is the value of all farm produce whether sold or retained for consumption or seed. It is believed that there was some under-reporting of the quantity produced and its sale price, and that some minor items might not have

been included in the reports. Data relating to some important items are presented in Table 2.6 below.

TABLE 2.6—GROSS PRODUCE-GROUPS
[Intensive enquiry data]

Gross produce group	Proportion of families	Average size of cultivated area per family	Average value of gross produce per family	Average value of total owned assets per family
	(Per cent)	(Acres)	(Rs)	(Rs)
	1	2	3	4
Less than Rs 400.....	20.2	9	197	4,312
Rs 400 - Rs 600.....	20.2	10	510	5,257
Rs 600 - Rs 1,000.....	14.3	16	833	6,490
Rs 1,000 - Rs 2,000.....	32.3	22	1,402	8,870
Rs 2,000 - Rs 3,000.....	10.2	28	2,317	12,059
Rs 3,000 and above.....	2.9	30	3,656	12,897

The data presented in the table above indicate considerable disparity between the cultivators with large sized holdings and those with small sized holdings. Area cultivated and the average value of assets of cultivators whose gross produce exceeds Rs 3,000 is three times that of the cultivators whose gross produce is less than Rs 400.

While interpreting the data relating to families classified according to gross produce, limitations of the method of classification need to be noted. In Table 2.7 we give the frequency distribution of 120 cultivating families in the upper and lower strata according to the value of gross produce.

TABLE 2.7—FREQUENCY DISTRIBUTION OF SELECTED CULTIVATORS ACCORDING TO STRATA AND GROSS PRODUCE-GROUPS

Gross produce group	TOTAL NUMBER OF CULTIVATING FAMILIES	
	Upper strata	Lower strata
Less than Rs 400.....	3	9
Rs 400 - Rs 600.....	6	7
Rs 600 - Rs 1,000.....	11	9
Rs 1,000 - Rs 3,000.....	53	14
Rs 3,000 and above.....	7	1
Total.....	80	40

It will be seen from the above table that though there is no close correspondence between the two types of groupings, the divergence between the two methods of classification is too minor to lead to any aberration of averages for the groups of cultivators. An important reason for the minor divergence observed would be that while the classification of cultivating families according to the value of gross produce has been made for all the selected cultivating families, the division into deciles and

strata was made separately for each village. On this account alone our classification of cultivating families into six classes according to value of gross produce would not correspond completely with the division, based on size of holding. A similar situation would arise in case a selected village suffers from scarcity or famine conditions during the year as a result of which even large cultivators would have reported low value of gross produce. Differences in the productivity of land cultivated would also lead to divergence. It should, however, be noted that as a large part of the discussion in the subsequent chapters is based on differences in results in the sample between the upper and lower strata, the indication that, in the main, the classification made by us on the basis of physical acres (for want, of course, of any other easily available and quickly applicable criteria of classification) does give results that are generally in conformity with the gradation in economic status as indicated by value of gross produce, is of importance.

2.3 COMPOSITION OF ASSETS

Information regarding value of assets was collected in respect of the selected cultivating families only. It was not possible during the course of intensive enquiry to make any attempt at independent evaluation of the assets owned by each cultivating family. Further, no data either relating to inventories in kind or resources in cash were collected. Data relating to value of owned bullion and ornaments were also not collected. It was also not possible to collect data relating to lendings by rural families to others. The data, therefore, represent the returns made by cultivating families in response to questions relating to value of their assets, and are only broadly indicative of the economic position of the respondents. In Section 2.2.3 (Table 2.5) we referred to the average value of total assets owned by cultivating families. We observed that the average value of owned assets showed an increase consistently with the increase in the size of the holding.

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

Strata	Land	Building	Livestock	Imple- ments and machinery	Out- standing dues	Financial (other) assets	Total
	1	2	3	4	5	6	7
Upper strata.....	4,412	2,502	1,598	688	8	0.2	9,208
Lower strata.....	2,646	1,660	815	330	-	-	5,451
All Cultivators .	3,529	2,081	1,206	509	4	0.1	7,329

In Table 2.8, we give data relating to assets of the cultivators of the upper strata and the lower strata separately. About half of the total value of assets is accounted for by land while buildings accounted for about one-fourth of the total assets. Livestock accounted for about a little less than one-fifth while implements accounted for less than one-tenth of the total value of assets. Both the outstanding dues and financial and other assets appear to be relatively very small.

CHAPTER 3

INDEBTEDNESS

In this Chapter, we discuss the extent of indebtedness, size, incidence, growth and other aspects of debt on the basis of the data collected in the General Schedule as also in the intensive enquiry. Before we proceed, it is necessary to point out that debt as reported in the General Schedule refers to the outstanding indebtedness as on the date on which the family was interviewed, i.e., any time between December 1951 and March 1952. It refers mainly to cash transactions. Indebtedness as reported in the intensive enquiry refers to the position as at the time of the second round of the Survey, the period covered being April 1951 to March 1952. Loan transactions in kind were covered in the intensive enquiry, but they have been treated separately. No account of them is taken in any of the statistics relating to debt, borrowing and repayments in monetary values, particularly because it was difficult to incorporate the data relating to debt in kind in the data relating to money debts. Further, in some villages, the data collected referred to the position as in December 1951 and January 1952 while in others it referred to the position as in February and March 1952. But, for the district as a whole, the figures represented in a broad way the average conditions prevailing during the period covered by the investigation.

3.1 EXTENT OF INDEBTEDNESS

Of the 930 cultivating families interviewed in the eight selected villages, 408 families or 44 per cent did not report any outstanding debt at the time of interview. The proportion of families who were not indebted to the total number of cultivating families interviewed was 11 per cent in Sheriakhan, 18 per cent in Zadka, 42 per cent in Bhesan, 45 per cent in Devda, 47 per cent in Vadhavi, 51 per cent in Khorasa, 58 per cent in Anida and 60 per cent in Jujarpur.

TABLE 3.1.—FREQUENCY DISTRIBUTION OF CULTIVATING FAMILIES ACCORDING TO SIZE OF OUTSTANDING DEBT

[General Schedule data]

Size of debt	Number of cultivating families	Percentage
Nil.....	408	44
Below Rs 50.....	3	—
Rs 50 – Rs 100.....	15	2
Rs 100 – Rs 150.....	48	5
Rs 150 – Rs 200.....	25	3
Rs 200 – Rs 250.....	67	7
Rs 250 – Rs 300.....	19	2
Rs 300 – Rs 400.....	69	7
Rs 400 – Rs 500.....	49	5
Rs 500 – Rs 750.....	102	11
Rs 750 – Rs 1,000.....	35	4
Rs 1,000 and above.....	90	10
Total.....	930	100

The amount of outstanding debt of about 10 per cent of the families was between Rs 50 and Rs 300, while in the case of about 16 per cent it was between Rs 200 and Rs 400. In about one-fifth of the cultivating families it varied from Rs 400 to Rs 1,000 while in about 10 per cent of the families it exceeded Rs 1,000.

The average outstanding debt per family is a value which is the result of two factors, namely, the level of debt per indebted family and the proportion of indebted families among all families. Among the cultivating families, the proportion of indebted families varied from 40 per cent in Jujarpur to 89 per cent in Sheriakhan. The average size of debt per indebted cultivating family varied from Rs 237 in Zadka to Rs 643 in Bhesan. The average debt per cultivating family was Rs 512 in Sheriakhan, Rs 372 in Bhesan, Rs 310 in Devda, Rs 294 in Vadhavi, Rs 266 in Khorasa, Rs 212 in Anida, Rs 194 in Zadka and Rs 104 in Jujarpur. In Table 3.2 we give some relevant data showing the range of variations.

TABLE 3.2—RANKING OF VILLAGES ACCORDING TO THE DEBT POSITION OF CULTIVATORS

[General Schedule data. Cultivating families]

PROPORTION OF FAMILIES INDEBTED		AVERAGE DEBT PER FAMILY		DEBT PER INDEBTED FAMILY		PERCENTAGE INCREASE IN DEBT	
Village	Per-centage	Village	Amount (Rs)	Village	Amount (Rs)	Village	Per-centage
1	2	3	4	5	6	7	8
Sheriakhan...	89	Sheriakhan...	512	Bhesan.....	643	Devda.....	533
Zadka.....	82	Bhesan.....	372	Sheriakhan...	573	Vadhavi.....	440
Bhesan.....	58	Devda.....	310	Devda.....	566	Jujarpur....	399
Devda.....	55	Vadhavi.....	294	Vadhavi.....	552	Bhesan.....	397
Vadhavi.....	53	Khorasa.....	266	Khorasa.....	544	Khorasa.....	174
Khorasa.....	49	Anida.....	212	Anida.....	504	Anida.....	143
Anida.....	42	Zadka.....	194	Jujarpur....	263	Sheriakhan...	125
Jujarpur....	40	Jujarpur....	104	Zadka.....	237	Zadka.....	114
District.....	64		264		415		145

The proportion of families indebted in the various groups does not indicate any trend, either consistent or inverse, with the increase in the size of holdings as can be seen from Table 3.3 below.

TABLE 3.3—SIZE OF DEBT

[General Schedule data]

Group	Proportion of indebted families (Per cent)	Average debt per family (Rs)	Debt per indebted family (Rs)	Average debt per acre of cultivated holding (Rs)
	1	2	3	4
Big cultivators.....	46	217	470	7
Large cultivators.....	55	224	407	9
Medium cultivators.....	72	362	504	22
Small cultivators.....	62	180	289	23
Non-cultivators.....	49	150	304	-

Proportion of indebted families, as also debt per family appears to be slightly higher in the case of medium cultivators. However, with regard to both average debt per family and average debt per indebted family, there appears to be no particular trend in relation to the size of holding.

It may be noted, however, that debt in relation to cultivated holding tends to increase consistently with the decline in the size of cultivated holding. This may perhaps indicate that the burden of debt on the large cultivators, was always somewhat low, in any case significantly lower than that on the medium and small cultivators' groups. If this is taken together with the fact (*vide* Table 3.14) that outstanding dues as reported are more concentrated in the group of large cultivators than elsewhere, it is obvious that the burden of debt per acre in the large cultivators' group is low and hence the financial solvency of this group is strikingly superior to that of others. The burden of debt per acre in the group of small cultivators is higher than in other groups. This may be partly the result of one important factor, namely, that some of the cultivators in this group, especially those in the last decile, may generally be persons who are, in the main, not agriculturists but are engaged in other types of work. The outstanding debt of these persons may, therefore, have been contracted in relation not to agricultural lands or farm business but to other economic activities which they might be carrying on. To the extent this is so, the comparison of per acre debt of small cultivators with that of other cultivators may prove misleading. We give in Table 3.4, the data collected through intensive enquiry for the upper and the lower strata.

TABLE 3.4—INCIDENCE OF DEBT

[Intensive enquiry data. Amount in rupees]

Strata	AVERAGE DEBT				
	Per family	Per acre of sown area	Per Rs 100 of gross produce	Per Rs 100 of value of owned land and buildings	Per Rs 100 of total value of owned assets
	1	2	3	4	5
Upper strata.....	311	13	21	4	3
Lower strata.....	319	30	48	7	6
All cultivators.....	315	18	30	6	4

These data also clearly indicate that the burden of debt in relation to the area sown is greater on the cultivators with small sized holdings. But it has already been noted that many small cultivators were also engaged in non-agricultural activity which introduces an element of non-comparability even in this measure of the debt burden. Apart from the difficulties arising out of the variations in the quality of land, there is also the problem relating to the ownership status or the variations in interests of the cultivators in the land cultivated by them. In case, there is a significant difference in the quality of holding rights as between different strata, the mere holding of land for cultivation purposes or the value of gross produce

of land would not be necessarily indicative of similar capacity to require or bear debt. More particularly, if the upper strata cultivators held exclusively or to a much greater degree superior rights in land and the lower strata cultivators inferior rights, neither the cultivated holding nor the total value of gross produce of cultivated holdings (a part of which may have to be handed over to landlord in lieu of rent in the case of tenant cultivators) in the two cases may indicate the same propensity for expenditure on farm business or the same capacity to bear the burden of debt. Further, we collected data regarding value of owned assets which could be used for getting a broad idea regarding proportion of debt to value of owned assets; these figures are given in columns 4 and 5 of Table 3.4. They also indicate that the incidence of debt was higher in the case of cultivators with holdings of smaller size.

3.2 GROWTH OF DEBT

The average debt per indebted family, as stated in the previous section, varied from Rs 643 in Bhesan to Rs 237 in Zadka. The amount of outstanding debt as reported at the time of interview is obviously influenced by many factors. In the first instance, it represents the amount of debt at a particular time or a particular period of the agricultural season. The variations may be specially important in more developed villages like Khorasa where it is necessary to borrow large amounts for current farm expenditure in relation to the requirements of production or for that matter even for family expenditure. Borrowing is usually cumulative through the agricultural season and is repaid to a very large extent when produce is disposed of and cash is received by the cultivator in lieu of crops sold. The importance and the extent of this feature will vary to a very large extent from one type of farming to another. For instance, in a village like Sheriakhan where *bajra* and groundnut are grown, a substantial portion of the debt may be paid, soon after the harvest, while in a village like Jujarpur where garden crops are cultivated, the date of repayment would vary with the period during which the garden crops are harvested and sold. In villages like Vadhavi and Devda, where sale of fluid milk or *ghee* is important, repayment of debt need not necessarily be confined to any particular period. Similarly, requirements of consumption finance would depend on whether the agricultural season is a normal one or whether the climatic conditions during the year are particularly unfavourable. In a number of years and for some strata of cultivators, it may be a regular annual necessity to borrow for current consumption purposes for some months immediately before the annual harvest. Consequently, the measurement of outstanding debt taken at any point of time from different villages would not represent the same position of indebtedness in relation to the annual operations.

The measure of outstanding debt obtained relates to the debt at the time of investigation in the case of the General Schedule data and to the time when the second round was conducted in the case of intensive enquiry data. Information was also collected regarding borrowings and repayments during the period of twelve months immediately preceding the month of investigation in the case of the General

Schedule data and between April 1951 and March 1952 in the case of intensive enquiry. Net borrowing or net repayment during the year can be obtained as the difference between the borrowings and the repayments and this gives a measure of the total increase or decrease in debt during the year. Deducting the increase in debt from or adding the decrease in debt to the debt outstanding at the end of the year, we get the debt outstanding at the beginning of the year. It is, thus, possible to obtain percentage increase or decrease in debt during the year covered by the Survey.

According to the General Schedule data, the increase in debt of cultivators ranged from 114 per cent in Zadka to 533 per cent in Devda (*vide* Table 3.2 on page 24), the average increase for the district being 145 per cent. Considering the inter-decile variations, it is found that the increase in debt was 170 per cent for big cultivators, 296 per cent for large cultivators, 100 per cent for medium cultivators, 154 per cent for small cultivators and 360 per cent for non-cultivators.

Moreover, according to the intensive enquiry, the increase in debt was 52 per cent for upper strata cultivators, 22 per cent for lower strata cultivators and 35 per cent for all the selected cultivators together. The relevant data are shown in Table 3.5 below.

TABLE 3.5—GROWTH OF DEBT DURING 1951-2

[Intensive enquiry data]

Strata	Proportion of families (Per cent)	Percentage increase in debt during the year
Upper strata.....	50·0	52
Lower strata.....	50·0	22
All Cultivators	100·0	35

Of the various factors which may have been responsible for a marked increase in the growth of debt, the decline in agricultural prices especially in prices of non-food crops observed towards the end of the year may have been a major one. The decline in prices of non-food crops which was generally marked to a greater extent than food crops must have affected greatly the cash receipts from farming and consequently the volume of repayments by cultivators. It is important to note, in this context, that the period immediately preceding the Survey year was one of buoyant prices for agricultural commodities. Presumably as a result of this, debt at the commencement of the year covered by the Survey was, in a number of cases, as revealed by the Survey data, quite low. Moreover, as the decline in agricultural prices became evident only during the second half of the Survey year, the borrowings of cultivators both for farm and family needs would have generally been a function of the level of expenditure to which they had become accustomed in the immediately preceding period of favourable prices.

Another factor which perhaps aided the trend towards the increase in debt was the incidence of drought and unfavourable seasonal conditions during the Survey year in the district. In Chapter 1, it has been pointed out that in about 58 per cent of the villages in the district, the crop outturn was reported to be less than 40 per cent of the normal (less than 6 annas). This may have adversely affected the cultivators' repaying capacity and also resulted in increased need for borrowing, in two of the eight selected villages namely, Bhesan and Jujarpur.

Apart from the operations of the general factors which may result in the growth of debt during a given period, the growth may also be recorded due to an aberration in the data. The timing of the enquiry at a particular point in the agricultural season would not, as such, necessarily lead to any distortion in the data. However, a defect in data may creep in owing to a failure in the reporting of repayments made in the earlier part of the twelve-month period of the enquiry, particularly, if these were met out of the sale proceeds of the crop of the previous agricultural season. The delay that occurred in the period of repayment during the Survey year may also affect the data. Thus, it may happen that repayments, either whole or part, out of the sale proceeds of neither the year preceding the Survey year nor the Survey year itself would be reported within the twelve-month period of the Survey year.

A comparison of the percentage increase in debt between the General Schedule data and the intensive enquiry data, shows that the extent of increase according to the intensive enquiry was relatively much less than that according to the General Schedule.

TABLE 3.6—GROWTH OF DEBT : COMPARISON

Group	PERCENTAGE INCREASE IN DEBT DURING THE YEAR	
	General Schedule data	Intensive enquiry data
Big cultivators.....	170	67
Large cultivators.....	296	83
Medium cultivators.....	100	23
Small cultivators.....	154	34
Non-cultivators.....	360	..

Even in respect of the selected cultivating families, the debt as reported to be outstanding in the General Schedule appears to be more than that reported at the close of the intensive enquiry, in at least four out of the eight selected villages. This can be seen from Table 3.7 on page 29.

TABLE 3.7—OUTSTANDING DEBT OF SELECTED CULTIVATORS : VILLAGE-WISE

Village	Period during which the General Schedule was filled in	Date of completion of intensive enquiry	AVERAGE OUTSTANDING DEBT PER FAMILY FOR THE SELECTED FAMILIES		
			As estimated at the beginning of the General Schedule year, i.e., an year before the date of interview	As reported in the General Schedule on the date of interview	As reported in intensive enquiry at the time of the second round of the Survey
			(Rs)	(Rs)	(Rs)
	1	2	3	4	5
Bhesan.....	5 Dec. 1951 to 20 Jan. 1952	12 April 1952	193.3	616.5	562.7
Devda.....	27 Feb. 1952 to 12 Mar. 1952	8 May 1952	120.0	285.0	174.4
Khorasa.....	29 Dec. 1951 to 27 Jan. 1952	16 April 1952	420.5	447.5	239.7
Vadhavi.....	27 Feb. 1952 to 6 Mar. 1952	15 May 1952	56.2	326.3	359.0
Anida.....	15 Mar. 1952 to 16 Mar. 1952	31 May 1952	60.0	111.8	131.8
Jujarpur.....	17 Mar. 1952 to 18 Mar. 1952	27 May 1952	-	64.3	96.6
Sheriakhan.....	10 Feb. 1952 to 15 Feb. 1952	26 April 1952	478.8	795.3	737.0
Zadka.....	18 Feb. 1952 to 20 Feb. 1952	24 April 1952	67.5	231.5	287.9

The intensive enquiry data relate to the position as at the end of the year of reference for the intensive enquiry. The interval between the filling of the General Schedule and this period coincides with the marketing of crops like cotton, groundnut, etc., and therefore, repayments are likely to be more during this intervening period. This would explain relatively smaller increase in debt as revealed by the intensive enquiry data.

3.3 NATURE AND COMPOSITION OF DEBT

3.3.1 Outstanding interest

In the intensive enquiry, we collected data regarding outstanding interest as at the end of the second round of the Survey. We did not, however, collect data regarding interest paid in respect of borrowings during the year which were fully repaid. The available data are given below.

TABLE 3.8—PRINCIPAL AND INTEREST OUTSTANDING

[Intensive enquiry data. Amount in rupees per family]

	Principal	Interest
Debt outstanding for more than one year.....	122	42
Debt outstanding for one year or less.....	140	11
Total debt outstanding at the time of the second round of the Survey.....	262	53
Borrowings during the year fully repaid.....	53	} Principal plus interest
Borrowings during the year not fully repaid.....	170	
Total borrowings during the year.....	222	
Repayments towards loans outstanding for more than one year	1	8
Repayments towards loans outstanding for one year or less....	30	1

Out of a total outstanding debt of Rs 315 per cultivating family, Rs 53 was in the form of outstanding interest and Rs 262 was the principal outstanding. Outstanding interest, thus, accounted for 17 per cent of the total outstanding debt ; the proportion of outstanding interest to the total outstanding debt was 9 per cent in the case of upper strata cultivators and 24 per cent in the case of cultivators of lower strata. Thus, the outstanding interest formed a larger proportion of the total debt in the case of lower strata cultivators as compared to the upper strata cultivators.

TABLE 3.9—OUTSTANDING INTEREST : INCIDENCE

[Intensive enquiry data. Amount in rupees]

Strata	OUTSTANDING DEBT PER FAMILY		OUTSTANDING INTEREST PER			
	Principal	Outstanding interest	Acre of sown area	Rs 100 of gross produce	Rs 100 of total cash receipts	Rs 100 of total owned assets
	1	2	3	4	5	6
Upper strata.....	282	29	1	2	3	0.3
Lower strata.....	241	77	7	12	15	1.4
All cultivators ..	262	53	3	5	8	0.7

Though in terms of absolute figures, the outstanding interest was not very large, in relation to the size of operations, the incidence was apparently greater on the lower strata cultivators than on the cultivators of the upper strata.

We also collected data relating to interest rates at which the outstanding debt was contracted. About 22 per cent of the debt, a great part of which was owed to relatives and traders giving interest-free loans, was contracted free of interest, while about 16 per cent was contracted at rates varying from $3\frac{1}{2}$ to 10 per cent per annum, the rest being incurred at rates 10 per cent or higher. It may be noted that about 50 per cent of the debt was at rates exceeding $12\frac{1}{2}$ per cent in the case of lower strata cultivators.

TABLE 3.10—OUTSTANDING DEBT ACCORDING TO RATE OF INTEREST

[Intensive enquiry data]

Rate of interest per annum	PROPORTION OF DEBT CONTRACTED AT THIS RATE OF INTEREST (Per cent)		
	Upper strata	Lower strata	All cultivators
Nil.....	24	20	22
Less than $3\frac{1}{2}$ per cent	1	—	—
$3\frac{1}{2}$ - 7 per cent	23	5	14
7 - 10 per cent	2	2	2
10 - $12\frac{1}{2}$ per cent	31	23	27
$12\frac{1}{2}$ - 18 per cent	—	30	15
18 - 25 per cent.	—	2	1
25 - 35 per cent	19	18	19
35 per cent and above	—	—	—
Total.....	100	100	100
Average debt per family	311	319	315

3.3.2 Security given for loans outstanding

Debt reported as interest-free is also likely to include debt contracted against usufructuary mortgage, which, however, accounted for only 1 per cent of the debt as can be seen from Table 3.11 below.

TABLE 3.11—OUTSTANDING DEBT AGAINST VARIOUS TYPES OF SECURITIES

[Intensive enquiry data]

Type of security	DEBT REPORTED AGAINST THIS SECURITY AS PERCENTAGE OF TOTAL DEBT		
	Upper strata	Lower strata	All cultivators
1. Personal.....	43	35	39
2. Bullion and ornaments.....	19	12	15
3. Immovable property.....	22	18	20
i) Simple mortgage.....	21	17	19
ii) Usufructuary mortgage.....	1	1	1
4. Movable property.....	—	—	—
5. Shares.....	—	—	—
6. Insurance policies.....	—	—	—
7. Commodities.....	16	35	26
8. Guarantee by third party.....	—	—	—
9. Any other security.....	—	—	—
10. Security not specified.....	—	—	—
Total.....	100	100	100

About two-fifths of the outstanding debt was against personal security, while about one-fifth of the debt was secured against immovable property.

3.3.3 Duration of debt

The following table gives classification of debt according to the duration for which it was outstanding.

TABLE 3.12—OUTSTANDING DEBT ACCORDING TO THE DURATION

[Intensive enquiry data]

Period	DEBT REPORTED FOR THIS DURATION AS PERCENTAGE OF TOTAL DEBT		
	Upper strata	Lower strata	All cultivators
1 year or less.....	54	42	48
1-2 years.....	21	10	15
2-3 years.....	11	17	15
3-4 years.....	14	—	7
4-5 years.....	—	—	—
5-10 years.....	—	30	15
Above 10 years.....	—	—	—
Period not specified.....	—	—	—
Total.....	100	100	100

It can be seen from Table 3.12 that about 37 per cent of the debt was outstanding for a duration of more than two years. About 63 per cent was outstanding for two years or less and about 48 per cent for one year or less.

3.3.4 Purpose of debt

Debt owed by the selected cultivating families to different credit agencies was classified into eight broad categories with reference to purposes and periods of borrowings ; these categories are short-term and long-term under each of the three purposes, namely, agricultural, non-agricultural and consumption purposes, and repayment of old debt and 'other' purposes. Long-term agricultural purposes have been taken to include medium-term agricultural purposes also. Proportion of debt incurred for the various purposes and periods to the total debt outstanding was 3 per cent for agricultural short-term, 23 per cent for agricultural long-term, 42 per cent for short-term consumption and 15 per cent for long-term consumption ; the remaining 18 per cent was for 'other' purposes.

Data on debt classified according to various purposes, are given in Table 3.13 below.

TABLE 3.13—OUTSTANDING DEBT FOR VARIOUS PURPOSES

[Intensive enquiry data]

Purpose	DEBT REPORTED FOR THIS PURPOSE AS PERCENTAGE OF TOTAL DEBT		
	Upper strata	Lower strata	All cultivators
Capital expenditure on farm	34	12	23
Current expenditure on farm	1	4	2
Non-farm business expenditure	—	—	—
Family expenditure	44	81	63
Other expenditure	1	2	2
More than one purpose and unspecified purposes	20	1	10
Total.....	100	100	100

Debt reported by cultivators for family expenditure accounted for about two-thirds of the total debt while that for capital expenditure on farm accounted for about a quarter only. The lower strata cultivators incurred debt for family expenditure which was nearly double that in respect of the upper strata cultivators.

3.4 DUES

Both in the General Schedule and in the intensive enquiry, we collected data regarding amounts due from others to the families interviewed. We, however, did not make allowance for dues receivable from others while compiling figures for average debt per family. The proportion of families reporting dues was very small, perhaps negligible when compared to the proportion of families indebted. Among the cultivating families, dues are likely to be reported by either those who are

cultivator-cum-moneylenders or those who had given small loans, perhaps even free of interest, to fellow cultivators or relatives. In the case of non-cultivators, which is not a homogeneous group, professional moneylenders, shopkeepers, village traders, smiths and carpenters may also report amounts due from others, the transactions having arisen out of their business dealings. As will be seen from Table 3.14 below, though the average amount due per reporting family was quite high, the proportion of families reporting dues was very small.

TABLE 3.14—OUTSTANDING DUES

[General Schedule data]

Group	Proportion of families reporting dues	Average amount due per reporting family	Dues reported by this group as percentage of the total dues reported
	(Per cent)	(Rs)	
Big cultivators.....	0.4	2,433	1.3
Large cultivators.....	3.6	394	5.7
Medium cultivators.....	1.0	223	1.0
Small cultivators.....	3.5	210	2.6
Non-cultivators.....	7.9	1,963	90.7

Dues were reported by all groups, though the large cultivators and non-cultivators together accounted for almost the whole of the total amount due to rural families. The intensive enquiry data, which have already been discussed earlier, show that outstanding dues were reported only by the cultivating families of the upper strata.

CHAPTER 4

BORROWINGS

4.1 VOLUME OF BORROWINGS

Enquiries into economic transactions and activities of rural families, undertaken as a part of the Survey, were limited to a period of one year. A complete enquiry into all economic activity responsible for these acts of borrowing and repayment would have involved obtaining a picture of all the cash and kind transactions of a family during the year. Such a detailed enquiry was considered impracticable and attention was concentrated on activities directly affecting debt position and the enquiry was confined to those transactions which might be presumed specially to lead to borrowings or repayments. The questions were, therefore, planned in relation to those items of expenditure which, apart from current needs of farm business or family living, might force or lead families into special borrowing activity. Information on important items of expenditure, together with the sources of finance for meeting the expenditures was, therefore, collected. This did not, of course, provide an exhaustive classification of purposes of all borrowings. In addition to this, information was directly sought relating to total borrowings during the twelve months preceding the month during which the enquiry was conducted in the case of the General Schedule; in the case of the intensive enquiry borrowings during April 1951 and March 1952 were covered. Total borrowings for all purposes were exhaustively enumerated and the purpose of each loan and the complete classification of purposes of all borrowings were derived from the information collected.

Technically, there is difference between the two sets of data. The questions on borrowing related to borrowings during the year and the purposes for which these borrowings were resorted to. This does not mean that the amounts borrowed were expended during the same twelve-month period during which borrowings were made. Further, borrowings which provided wholly or partly the source of finance for expenditure need not necessarily have been made during the twelve-month period during which the expenditure was incurred.

In this chapter, as in the case of the previous one, data relating to borrowings during the year are discussed separately in respect of proportion of borrowing families and the amount borrowed per borrowing family. The proportion of borrowing families in villages may tend to vary in a manner different from the amount borrowed per borrowing family. It will be seen from Table 4.1 that percentages of borrowing families do in fact vary in a manner different from amounts borrowed per borrowing family. Whereas, the amount borrowed per borrowing family was the highest in Khorasa at Rs 833, in which only half the number of families reported borrowings during the year, the proportion of borrowing families was the highest in Sheriakhan at 80 per cent, where the average borrowing per borrowing family was only Rs 456.

TABLE 4.1—BORROWINGS OF CULTIVATING FAMILIES

[Amount in rupees]

Village	GENERAL SCHEDULE DATA				INTENSIVE ENQUIRY DATA	
	Proportion of borrowing families	Average borrowing per borrowing family	Average borrowing per family	Total capital expenditure in agriculture per family	Average value of gross produce	Total cash receipts per family
	(Per cent)					
	1	2	3	4	5	6
Bhesan.....	55	664	364	506	1,314	551
Devda.....	54	618	335	585	1,664	717
Khorasa.....	50	833	412	348	1,714	1,857
Vadhavi.....	53	621	278	391	1,532	789
Anida.....	42	430	181	182	1,557	764
Jujarpur.....	38	277	104	150	918	814
Sheriakhan.....	80	456	365	284	1,031	640
Zadka.....	77	339	262	75	592	444
District.....	60	399	238	187	1,057	684

The percentage of borrowers in a community will depend very largely, as indicated earlier in the discussion on the outstanding debt, on the economy of the tract in relation both to farm business and family living. If the farm business required borrowing for current purposes as a general rule, the percentage of borrowers would necessarily be large. If the cultivators get cash from sale of produce, such as *ghee*, and fluid milk, at regular intervals almost throughout the year, which was the case in Devda and Vadhavi, the need for borrowing may be much less. Hence, proportion of borrowing families is likely to be influenced by the seasonality of the farm operations and business. Also, if the economy of the village were such that borrowing for consumption purposes during certain seasons of the year becomes a necessity, this would lead to a large proportion of borrowings, particularly, if the climatic conditions were unfavourable during the season. The size of borrowing for non-annual purposes, i.e., for capital expenditure or for occasional substantial consumption expenditure, would be related to the size of the expenditure on capital investment, durable consumer goods and other large occasional expenditure arising out of special circumstances or needs. In Anida, which is surrounded by forests and hence relatively isolated, the proportion of borrowing families was as low as 42 per cent. In Jujarpur, where there were scarcity conditions during the year of Survey, the low proportion of borrowing families has to be seen in the context of salt affected agricultural lands in the village.

It is difficult to isolate the precise factor responsible for a very high or an extremely low proportion of borrowing families in a particular village. The proportion of borrowing families ranged between 80 per cent in Sheriakhan and 38 per cent in Jujarpur. Agriculture in Jujarpur and Zadka appears to be relatively less developed among the eight selected villages. On the other hand, the agricultural economy

of Sheriakhan is not such as could be classified together with that of the relatively more developed villages like Khorasa and Devda.

Average borrowing per borrowing family was between Rs 500 and Rs 850 among the cultivators of four relatively well-developed villages of Khorasa, Devda, Vadhavi and Bhesan. In Anida and Sheriakhan, the size of borrowings per borrowing family was Rs 430 and Rs 456, respectively, while in Zadka and Jujarpur, it was less than Rs 350. It would appear that the size of borrowings was generally greater in the more developed villages, though the same could not be said of the proportion of borrowing families. As the average borrowing per family is a result of the two factors, namely, proportion of borrowing families and borrowing per borrowing family, it is not necessary to discuss these data in detail at this stage.

Of the total borrowings of cultivating families, the different groups of cultivators accounted for different proportions. The proportion of borrowing families did not indicate any consistent trend among the different groups, as can be seen from Table 4.2. The average borrowing per borrowing family was, however, higher in the case of bigger cultivators. The average borrowing per borrowing family in individual villages varied between Rs 1,583 in Khorasa and Rs 543 in Sheriakhan in the case of big cultivators ; in the case of small cultivators, it ranged from Rs 950 in Khorasa to Rs 250 in Anida.

For the district as a whole, whereas in the case of big cultivators the average borrowing per borrowing family was Rs 678 it was only Rs 300 in the case of small cultivators, and Rs 320 in the case of non-cultivators.

TABLE 4.2—BORROWINGS OF DIFFERENT GROUPS OF CULTIVATORS

[General Schedule data]

Group	Proportion of borrowing families	Average borrowing per family	Average borrowing per borrowing family	Proportion of borrowings by this group to the total borrowings
	(Per cent)	(Rs)	(Rs)	(Per cent)
	1	2	3	4
Big cultivators.....	46	314	678	16
Large cultivators.....	55	263	477	36
Medium cultivators.....	66	268	406	43
Small cultivators.....	57	170	300	21
All cultivators.....	60	238	399	100
Non-cultivators.....	44	142	320	78
All families.....	55	207	378	22
				100

It will be seen from Table 4.2 above that whereas the big cultivators who constitute only 12 per cent of the cultivators account for 16 per cent of the total borrowings of cultivators, the small cultivators who constitute about 29 per cent

of the total number of cultivators account for only 21 per cent. The average borrowing per family in the case of big cultivators was about twice that of small cultivators.

Among non-cultivators the proportion of borrowing families to the total was between 62 per cent in Sheriakhan and 17 per cent in Jujarpur. Average borrowing per borrowing non-cultivating family ranged between Rs 801 in Devda and Rs 122 in Jujarpur. The average borrowing per non-cultivating family was the highest at Rs 363 in Khorasa and was the lowest at Rs 21 in Jujarpur.

According to the General Schedule data, more than 75 per cent of the borrowings of cultivators was for family expenditure, the proportion being as high as 84 per cent in the case of small cultivators. Medium cultivators borrowed to a lesser extent for family expenditure; the proportion of borrowings of this group for capital expenditure in agriculture to the total borrowings was 30 per cent, which was the highest for any group of cultivators.

TABLE 4.3—BORROWINGS FOR VARIOUS PURPOSES IN DIFFERENT GROUPS OF CULTIVATORS

[General Schedule data. Amount in rupees per family]

Group	Total amount	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	7
Big cultivators.....	314	48 (15·3)	13 (4·2)	—	253 (80·5)	—	—
Large cultivators....	263	52 (19·7)	5 (1·8)	—	207 (78·4)	— (0·1)	—
Medium cultivators..	268	82 (30·4)	1 (0·3)	—	186 (69·3)	—	—
Small cultivators....	170	22 (12·9)	— (0·1)	5 (2·7)	143 (84·1)	— (0·2)	—
All cultivators.....	238	55 (22·9)	2 (0·8)	1 (0·6)	180 (75·6)	— (0·1)	—
Non-cultivators.....	142	25 (17·8)	—	62 (43·8)	55 (38·4)	—	—
All families.....	207	45 (21·8)	1 (0·6)	21 (10·2)	140 (67·3)	— (0·1)	—

(Figures in brackets are percentages to total)

Proportions of the total borrowings for capital expenditure and current farm expenditure, in the case of bigger cultivators varied from village to village. Thus, the proportion of borrowings for farm and non-farm business to the total borrowings of big cultivators ranged from nil in Anida and 4 per cent in Zadka to 96 per cent in Devda with its well-developed agriculture and animal husbandry. Similarly, in the case of large cultivators, the proportion ranged from 3 per cent in Anida to 68 per cent in Devda. The data for villages are given in Table 4.4 on page 38.

TABLE 4.4—BORROWINGS FOR FARM AND NON-FARM BUSINESS

[General Schedule data]

Group	PROPORTION OF BORROWINGS FOR FARM AND NON-FARM BUSINESS TO THE TOTAL BORROWINGS IN EACH GROUP (PER CENT)							
	Bhesan	Devda	Khorasa	Vadhavi	Anida	Jujar- pur	Sheria- khan	Zadka
	1	2	3	4	5	6	7	8
Big cultivators.....	41	96	48	35	-	73	22	4
Large cultivators.....	35	68	42	49	3	57	28	10
Medium cultivators.....	38	50	31	46	58	34	30	13
Small cultivators.....	52	26	72	27	10	29	13	-
All cultivators.....	40	52	50	40	27	40	26	10
Non-cultivators.....	50	68	68	26	57	-	63	75
All families.....	45	60	57	36	32	36	34	23

It will be seen that in Devda, Vadhavi, Jujarpur, Sheriakhan and Zadka, the proportion of borrowings for farm and non-farm business was more in the case of large cultivators, than in the case of small cultivators. On the other hand, in Bhesan and Khorasa relatively larger proportion of borrowings of small cultivators was for farm and non-farm business. These variations are largely influenced by variations in the proportion of borrowing families from group to group.

The data discussed heretofore related to the General Schedule. Data collected in the intensive enquiry are presented in the following paragraph for the cultivators of the upper strata and lower strata separately. The total borrowings during the year in the case of upper and lower strata cultivators amounted to Rs 281 and Rs 164 per family, respectively. In relation to area sown, value of gross produce and cash receipts, the volume of borrowings was greater in the case of lower strata cultivators.

TABLE 4.5—BORROWINGS IN DIFFERENT STRATA OF CULTIVATORS

[Intensive enquiry data. Amount in rupees]

Strata	TOTAL AMOUNT BORROWED DURING THE YEAR			
	Per family	Per acre of sown area	Per Rs 100 of gross produce	Per Rs 100 of total cash receipts
	1	2	3	4
Upper strata.....	281	12	19	33
Lower strata.....	164	16	25	31
All cultivators.....	222	13	21	32

The data collected through intensive enquiry relating to borrowing have been classified separately according to five broad purposes, viz., capital expenditure in agriculture, current farm expenditure, non-farm business expenditure, family expenditure, and other expenditure. Of about Rs 222 borrowed during the year

April 1951 to March 1952, Rs 58 or about 26 per cent was borrowed for capital expenditure, while Rs 8 or about 4 per cent was borrowed for current expenditure on farm. About 63 per cent of the borrowing was for family expenditure.

TABLE 4.6—BORROWINGS FOR VARIOUS PURPOSES

[Intensive enquiry data]

Purpose	PROPORTION OF BORROWINGS DURING THE YEAR FOR VARIOUS PURPOSES (Per cent)		
	Upper strata	Lower strata	All cultivators
Capital expenditure on farm.....	26.6	24.7	25.9
Current farm expenditure.....	2.0	6.8	3.7
Non-farm business expenditure.....	—	—	—
Family expenditure.....	61.9	65.1	63.1
Other expenditure.....	4.2	2.9	3.7
More than one purpose and unspecified purposes.....	5.3	0.5	3.6
Total.....	100.0	100.0	100.0
Amount borrowed per family in rupees	281.3	163.5	222.4

The intensive enquiry data have also been classified according to purposes and periods. According to this classification, it may be noted that about 56 per cent of the borrowing was for short-term consumption purposes, 11 per cent for long-term consumption purposes, and 26 per cent for long-term agricultural purposes.

TABLE 4.7—BORROWINGS FOR VARIOUS PURPOSE—PERIODS

[Intensive enquiry data]

PROPORTION OF BORROWING/DEBT FOR THIS PURPOSE—PERIOD TO THE TOTAL BORROWINGS/DEBT IN PER CENT

	AGRICULTURAL		NON-AGRICULTURAL		CONSUMPTION		Repayment of old debts	Other
	Short term	Long term	Short term	Long term	Short term	Long term		
	1	2	3	4	5	6		
Borrowings during the year.....	3.7	25.9	—	—	55.8	11.2	—	3.4
Debt outstanding at the end of the year.....	2.5	23.1	—	—	41.5	14.5	—	18.4

More than 60 per cent of the borrowings for long-term agricultural purposes was from Government which was advancing large number of loans for developmental purposes. Most of the borrowing on short-term consumption account was from traders and professional moneylenders.

4.2 NATURE OF BORROWINGS

4.2.1 Seasonality and borrowings

We observed in the preceding paragraphs that the volume of borrowing is largely influenced by the nature of the economy, as also by the prevailing seasonal conditions during the period covered.

Another important factor influencing the volume of borrowing is the seasonal nature of agricultural operations. Whereas the current farm expenditure is concentrated during one season, a substantial portion of cash through sale of produce is received in another. As the seasonal nature of the farm business would be discussed in greater detail in Chapter 8, we may briefly refer to some relevant data at this stage.

TABLE 4.8—SEASONALITY OF EXPENDITURE

[Intensive enquiry data. Amount in rupces per family]

Period	CURRENT FARM EXPENDITURE		Total	Value of gross produce	Cash receipts from sale of crops and fodder
	Cash expenditure	Kind expenditure			
	1	2			
		3	4	5	
April-September 1951.....	228	217	445	239	194
October 1951-March 1952.....	167	181	348	818	327
April 1951-March 1952.....	395	398	793	1,057	522

Whereas about 58 per cent of the current farm cash expenditure was incurred in April-September 1951, about 63 per cent of the cash receipts from sale of crops and fodder was received in October 1951-March 1952. Undoubtedly, the seasonal nature of operations has considerable influence on the magnitude of borrowing, though the borrowings need not necessarily be for current farm expenditure.

4.2.2 Borrowings as a source of finance

Data relating to the pattern of financing of expenditure appear both in the General Schedule and in the intensive enquiry. The General Schedule data are presented for all families, while those collected in the intensive enquiry are presented for cultivators only.

The proportion which expenditure financed out of borrowings bore to the total expenditure varied from item to item. Whereas in the case of digging and repair of wells, purchase of land, purchase of livestock, expenditure on death, marriage and other ceremonies more than 50 per cent of the total expenditure was financed out of borrowings, in the case of expenditure on construction and repairs of residential houses and other buildings, only 15 per cent was financed out of borrowings. This can be seen from Table 4.9 on page 41.

In para. 1 of this chapter we discussed that only certain important items of expenditure, which were presumed to be occasions for borrowings were covered in the General Schedule. In addition we collected details regarding total amount borrowed during the year; whereas the total amount spent per family on all the items of expenditure recorded in the General Schedule, which was financed out of borrowings was Rs 167, the average borrowing per family was Rs 207. The variation between these two figures, as will be seen in Chapter 6 on 'Family Expenditure' was largely due to the fact that we had not asked for details regarding expenditure

on consumption account even though borrowings for meeting this type of expenditure were reported under the item 'other family expenditure'. At this stage, it should suffice if we take note of the broad agreement between the pattern of borrowings as revealed by the data relating to source of finance of expenditure on the one hand and the data relating to purposes of borrowing on the other. On an average, out of Rs 207 borrowed by a rural family during the year, Re 1 was for current farm expenditure in agriculture, Rs 140 for family expenditure and Rs 21 for non-farm business expenditure.

TABLE 4.9—BORROWINGS AS A SOURCE OF FINANCE FOR MEETING EXPENDITURE ON RECORDED ITEMS

[General Schedule data. All families]

Item	Average expenditure per family which was financed out of borrowings	Proportion of expenditure financed out of borrowings to the total expenditure on this item
	(Rs)	(Per cent)
I Capital expenditure in agriculture		
1. Purchase of land.....	2	55
2. Reclamation of land.....	2	26
3. Bunding and other land improvements.....	—	5
4. Digging and repair of wells.....	16	56
5. Development of other irrigation resources.....	4	13
6. Laying of new orchards and plantations.....	—	—
7. Purchase of livestock.....	18	56
8. Purchase of implements, machinery and transport equipment.....	2	12
9. Construction of farm houses, cattle sheds, etc.....	—	9
10. Other capital expenditure in agriculture.....	1	11
Total capital expenditure in agriculture.....	45	33
II Non-farm business expenditure.....	22	32
III Family expenditure		
1. Construction and repairs of residential houses and other buildings.....	14	15
2. Purchase of household utensils, furniture, etc.....	—	9
3. Death ceremonies.....	5	60
4. Marriage and other ceremonies.....	43	54
5. Medical expenses.....	2	17
6. Educational expenses.....	—	1
7. Purchase of clothing, shoes, bedding, etc.....	36	15
8. Litigation charges.....	—	10
Total family expenditure.....	100	23
IV Other expenditure (i.e., repayment of debt and financial investment expenditure).....	—	—
V Average amount spent per family on items I to IV, which was financed out of borrowings.....	167	24

The data discussed in the previous paragraph were those collected through the General Schedule. The data relating to source of finance collected in the intensive enquiry are given in Table 4.10 on page 42.

TABLE 4.10—BORROWINGS AS A SOURCE OF FINANCE

[Intensive enquiry data]

Item	UPPER STRATA		LOWER STRATA	
	Average expenditure per family financed from all sources	Proportion of expenditure financed out of borrowing	Average expenditure per family financed from all sources	Proportion of expenditure financed out of borrowing
	(Rs)	(Per cent)	(Rs)	(Per cent)
	1	2	3	4
Capital expenditure in agriculture..	300	30	159	31
Capital expenditure in non-farm business.....	3	-	-	-
Current cash farm expenditure.....	531	23	259	34
Family expenditure.....	621	20	352	33
Financial investment expenditure..	-	-	-	-
Repayment of old debts.....	175	-	105	-

It would appear from the table that the proportion of expenditure financed out of borrowing to the total expenditure was generally higher in the case of lower strata cultivators. However, as the total expenditure per family was generally much higher in the case of upper strata cultivators, the average expenditure financed out of borrowing per family was generally smaller in the case of lower strata cultivators.

4.3 BORROWINGS : SECURITY AND INTEREST

About 64 per cent of the borrowings was against personal security. Borrowings against simple mortgage of immovable property accounted for about 17 per cent, those against usufructuary mortgage of immovable property for less than 1 per cent and against bullion and ornaments for 9 per cent of the total borrowings, while the remaining 10 per cent was against the security of commodities.

As can be seen from Table 4.11 on page 43, about 45 per cent of the total borrowings was free of interest, a large portion of which was from relatives and traders. Borrowings at rates between 3½ per cent and 10 per cent per annum accounted for 22 per cent of the total borrowings, while borrowings at rates between 10 per cent and 25 per cent per annum were 13 per cent of the total borrowings. About 18 per cent of the borrowings was at rates higher than 25 per cent per annum.

4.4 GRAIN LOANS

Data relating to grain loans were collected only in the intensive enquiry. Only about 3 per cent of the selected cultivating families reported borrowing of grain loans during the year. No commodity loans, other than grain loans, were reported in the district. Value of borrowings in grain constituted less than 10 per cent of the value of borrowings in cash.

TABLE 4.11—CASH LOANS BORROWED ACCORDING TO RATE OF INTEREST
[Intensive enquiry data]

Rate of interest per annum	PROPORTION OF TOTAL BORROWING AT THIS RATE OF INTEREST		
	Upper strata	Lower strata	All cultivators
Nil.....	51	35	45
Less than 3½ per cent.....	—	—	—
3½ - 7 per cent.....	22	9	17
7 - 10 per cent.....	3	7	5
10 - 12½ per cent.....	5	20	11
12½ - 18 per cent.....	2	1	1
18 - 25 per cent.....	—	3	1
25 - 35 per cent.....	16	21	18
35 - 50 per cent.....	—	—	—
50 per cent and above.....	—	—	—
Unspecified.....	1	5	2
Total.....	100	100	100

The average quantity of grains borrowed per family was 10 seers in the case of upper strata, the proportion of families reporting borrowing of grain loans being 5 per cent. Only 1.2 per cent of the cultivators of lower strata reported borrowing of grain loans, the average quantity of grain borrowed being 1.7 seers per family. *Bajra, jowar*, wheat and millets were the commodities advanced under grain loans.

TABLE 4.12—GRAIN LOANS
[Intensive enquiry data]

	Upper strata	Lower strata	All cultivators
Proportion of families borrowing grain loans..... (Per cent)	5.2	1.2	3.2
Quantity borrowed per family..... (Seers)	10.1	1.7	5.9
Quantity borrowed per reporting family..... (Seers)	194	145	185
Quantity borrowed and fully repaid during the year per family..... (Seers)	0.3	1.7	1.0
Quantity borrowed and fully repaid during the year as percentage of the quantity borrowed during the year....	2.5	100.0	16.7
Quantity outstanding..... (Seers)	11.7	—	5.9

Of the grain loans borrowed during the year, 92 per cent was borrowed by cultivators for family expenditure and 8 per cent for current farm expenditure. Cultivators of lower strata borrowed 16 per cent for current farm expenditure and 84 per cent for family expenditure, and repaid all their loans borrowed during the year fully during the year itself.

CHAPTER 5

REPAYMENTS

In studying repayments, a relation needs to be established between three types of credit transactions, viz., borrowings during the year, repayments during the year and the debt outstanding at the end of the year. Proportion of families reporting repayments, proportion of families reporting repayments to the number of borrowing families, and proportion of families reporting repayments to the number of indebted families are the three measures which could be used. The magnitude of repayment can be measured in terms of average repayment per family, average repayment per repaying family, repayments as proportion of borrowings during the year, and repayments as proportion of debt plus repayment. The last mentioned measure, needs to be used as repayments during the year, have to be related not merely to borrowings during the year but also to total debt outstanding at the beginning of the year. The amount of outstanding debt at the beginning plus borrowings during the year represents the total amount in relation to which repayments might have been made ; this total is equal to outstanding debt at the end of the year plus repayments made during the year.

Repayments in any period of time must be related, in the main, to two sets of conditions. Firstly, repayments are influenced by the ability of the borrower to repay during the year. This ability would ordinarily depend on the results of his economic activities during the year. In the context of our enquiry, this would, for the major part, be the receipts from farming business and other cash receipts of the cultivator. Further, the terms and conditions may have in a number of cases significant relation to the purposes of the loans. Ordinarily, this would be the case when loans are taken from organized or institutional lenders such as Government, co-operative societies, commercial banks, etc. When the loan is required for capital investment lasting for a long duration, the period of repayment and instalments of repayment over a period of time would be fixed appropriately. Therefore, volume of repayment would, definitely in the case of institutional lenders, depend a great deal on the purposes for which money is borrowed. Short-term working capital accommodation would tend to be repaid within a short period, whereas money borrowed for medium-term or long-term purposes would be repaid only in small instalments over a number of years. Borrowings from private moneylenders may not be as systematically governed, in relation to periods of repayments, as borrowings from institutional lenders.

Another important factor which is relevant to the data under consideration is that a considerable part of the debt is of comparatively recent origin. This fact

is brought out firstly, by the comparatively low level of outstanding debt at the beginning of the year and is emphasized by details regarding the period for which the debt has been outstanding.

An additional factor is the period to which the data relate and the point of time at which the final figures were obtained. It has been indicated in Chapter 3 on outstanding debt how repayment changed the percentage increase in growth of outstanding debt as witnessed by a comparison of the General Schedule data with the intensive enquiry data. It has also been indicated there that some variations in the nature of season may bring about postponement in relation to the repayment of current borrowings, which would affect in a significant manner the data collected for a strict twelve-month period. This could be due even to a slight fluctuation in the timing of repayment because of climatic or other reasons. It may even be due to postponement of sales at the end of the year by the cultivator because of a slump in prices or an expectation of a higher price a few months ahead.

The discussion above emphasizes caution in interpreting the data relating to repayments and it is difficult to judge repayments during the year in the light of the data relating to that year alone. The normal course of contraction of debt and its liquidation may be interrupted by extraordinary times in which the debt burden as a whole increases because of a decline in receipts either due to unfavourable weather conditions or due to sudden fall in prices ; and borrowing becomes a factor by which the requirements of production and consumption as normally established, are maintained as far as possible, in spite of the fall in income. Or, as pointed out above, a continuous increase in the level of debt with comparatively low repayments may indicate the beginning of a period of progressive capital development.

5.1 REPAYMENTS IN RELATION TO BORROWINGS

Whereas the average borrowings during the year and debt outstanding at the end of the year in the case of cultivating families amounted to Rs 238 and Rs 264, respectively, the average repayments per cultivating family during the year were Rs 82 only. The proportion of cultivating families reporting repayments was 31 per cent. The number of repaying families formed 51 per cent and 48 per cent, respectively, of the number of borrowing families and of the families reporting debt.

Though the proportion of repaying families to total number of cultivating families for the district as a whole was about 31 per cent, according to the General Schedule data, the proportion ranged from 10 per cent in Jujarpur to 55 per cent in Zadka as can be seen from Table 5.1 on page 46.

The proportion of repaying families was 32 per cent in Khorasa, 39 per cent in Sheriakhan and 55 per cent in Zadka while it was as low as 14 and 12 per cent in Bhesan and Vadhavi, respectively. In this regard, the figures relating to proportion of repaying families to the number of borrowing families would be a more useful measure. The proportion of repaying families to borrowing families for the district as a whole was 51 per cent, the proportion was 71 per cent in Zadka, 65 per cent in

Khorasa, 48 per cent in Sheriakhan, 44 per cent in Anida, 36 per cent in Devda, 26 per cent in Bhesan, 28 per cent in Jujarpur, and 23 per cent in Vadhavi.

TABLE 5.1—REPAYMENTS BY CULTIVATORS

[General Schedule data]

Village	Proportion of repaying families	Number of families repaying per 100 borrowing families	REPAYMENTS			
			Per family	Per repaying family	As percentage of borrowings	As percentage of debt plus repayments
	(Per cent)		(Rs)	(Rs)	(Per cent)	(Per cent)
	1	2	3	4	5	6
Bhesan.....	14	26	67	470	18	15
Devda.....	19	36	74	382	22	19
Khorasa.....	32	65	243	753	59	48
Vadhavi.....	12	23	38	312	14	11
Anida.....	18	44	56	304	31	21
Jujarpur.....	10	28	21	200	20	17
Sheriakhan.....	39	48	80	206	22	14
Zadka.....	55	71	159	292	61	45
District.....	31	51	82	268	35	24

Proportion of repaying families to the total number of indebted families ranged from 67 per cent in Zadka to 23 per cent in Vadhavi; for the district as a whole the proportion was 48 per cent. The average repayment per cultivating family, however, ranged from Rs 243 in Khorasa to only Rs 21 in Jujarpur, while the average repayment per repaying family ranged from Rs 753 in Khorasa to Rs 200 in Jujarpur. For the district as a whole repayment constituted 35 per cent of the borrowings and 24 per cent of the debt plus repayment. The proportion of the amount repaid to the amount borrowed was 61 per cent in Zadka, 59 per cent in Khorasa and was less than 35 per cent in all other villages. The proportion of repayments to debt plus repayments was 48 per cent in Khorasa, 44 per cent in Zadka and less than 25 per cent in other villages.

It has been observed in the above paragraph that the families in some villages are found to have repaid in greater proportionate number. The repayments in relation to the total amount borrowed, or to the total outstanding debt also varied considerably from village to village. This does not necessarily indicate that repayments in some villages were definitely higher than those in the other, but may merely indicate the need for repayment arising out of different purposes of borrowing and terms and conditions of repayment. In an earlier paragraph we also observed that repayments by the cultivators of upper strata were relatively higher than those by the cultivators of lower strata. However, if cultivators in the upper strata had borrowed, in particular, larger sums for current production purposes or for current consumption, larger volume of repayments both in relation to number of borrowers and proportion of amounts repaid is to be expected.

5.2 REPAYMENTS IN RELATION TO SIZE OF HOLDING, GROSS PRODUCE AND CASH RECEIPTS

The large difference between the proportion of repaying to borrowing families among the selected villages can be closely examined in relation to the variations in the size of operations. For this purpose, we have two methods of analysis. Firstly, there are the data collected in the General Schedule presented for big, large, medium and small cultivators. Secondly, we have the data collected in the intensive enquiry which are presented separately according to the upper and lower strata cultivators.

Considering the General Schedule data in respect of various groups of cultivators, it is observed that the proportion of repaying families does not indicate any definite trend though the proportion is relatively higher in the case of cultivating families as compared to that in the case of non-cultivating families.

TABLE 5.2—REPAYMENTS BY DIFFERENT GROUPS OF CULTIVATORS
[General Schedule data]

Group	Proportion of repaying families	Repayments per family	Repayments per reporting family	PROPORTION OF REPAYING FAMILIES TO		REPAYMENTS AS PER CENT OF	
				borrowing families	indebted families	borrowings	debt plus repayment
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Per cent)	(Per cent)	(Per cent)
	1	2	3	4	5	6	7
Big cultivators....	28	177	635	60	60	56	45
Large cultivators..	29	96	331	52	52	36	30
Medium cultivators	32	87	273	48	44	32	19
Small cultivators..	31	61	195	55	50	36	25
All cultivators.....	31	82	268	51	48	35	24
Non-cultivators...	7	25	336	17	15	17	14
All families.....	23	64	275	42	39	31	22

Average repayment per family was relatively greater in the case of bigger cultivators; this was also true in respect of repayment per reporting family. The proportion of repaying families to the number of borrowing families as well as to the number of indebted families, however, show a trend, though not a consistent one, towards a decline with the diminishing size of holdings. In the case of medium cultivators, however, the proportions were relatively lower than in the case of smaller cultivators. Volume of repayments as could be judged by the figures relating to proportion of repayment to borrowings as also to debt plus repayment appears to be relatively higher in the case of big and large cultivators, as compared to that of small and medium cultivators. Volume of repayments of non-cultivators was generally small as compared to that of cultivators, as also of small cultivators in particular.

The above discussion is based on the data collected in the General Schedule. According to the intensive enquiry, the average debt of cultivating families was Rs 315 of which Rs 163 was outstanding for more than one year (*vide* Chapter 3 Section 3.3.1). The total borrowings during the year were Rs 222 per family, while the total repayments per family amounted to Rs 140. Of Rs 140 repaid, Rs 53 represented full repayments towards loans borrowed during the year, Rs 8 represented partial repayments towards borrowings during the year and Rs 31 towards the partial repayment of loans outstanding for one year or less. No questions were specifically asked for eliciting data regarding full repayment of loans borrowed prior to April 1951, but it is possible to arrive at some rough estimates as we had asked for details regarding total repayments during the year. As the total repayments per cultivating family during the year were Rs 140, the full repayment of loans borrowed prior to April 1951 could be estimated at Rs 48. Details regarding repayments, separately towards the principal and interest are available only in respect of repayments towards debt outstanding at the end of the year; similar data in respect of full repayment of loans either borrowed during the year or those taken earlier are not available. The data are given in Table 5.3 below.

TABLE 5.3—REPAYMENTS CLASSIFIED ACCORDING TO PRINCIPAL AND INTEREST

[Intensive enquiry data]

Strata	Number of loans outstanding per 100 cultivating families	Proportion of loans towards which repayments were made (Per cent)	AMOUNT REPAID PER FAMILY			Amount borrowed and fully repaid (including principal and interest) (Rs)
			Total	Principal	Interest	
			(Rs)	(Rs)	(Rs)	
	1	2	3	4	5	6
1. Upper strata						75
1.1 Loans outstanding for one year or less..	70	38	51	48	3	
1.2 Loans outstanding for more than one year.....	20	20	17	1	16	
2. Lower strata						31
2.1 Loans outstanding for one year or less..	80	13	12	12	-	
2.2 Loans outstanding for more than one year.....	30	-	-	-	-	
3. All cultivators						53
3.1 Loans outstanding for one year or less..	80	25	31	30	1	
3.2 Loans outstanding for more than one year.....	30	8	9	1	8	

It appears from the above table that the repayments by the lower strata cultivators were less satisfactory. Whereas in the case of bigger cultivators repayments

were made in respect of one out of three loans outstanding for one year or less, and of one out of five loans outstanding for more than one year, in the case of smaller cultivators, repayments were made only in respect of about one out of eight loans outstanding for one year or less. No repayments were made by smaller cultivators towards loans outstanding for more than one year.

In Table 5.4, we give the data collected through intensive enquiry according to the two strata of cultivators. The intensive enquiry data presented in this table indicate that the volume of repayments in the case of bigger cultivators was generally better.

TABLE 5.4—REPAYMENTS
[Intensive enquiry data. Amount in rupees]

Strata	AVERAGE AMOUNT REPAID					REPAYMENT AS PERCENTAGE OF	
	Per family	Per acre of sown area	Per Rs 100 of gross produce	Per Rs 100 of cash receipts from sale of crops and fodder	Per Rs 100 of total cash receipts	Borrowing	Debt plus repayments
	1	2	3	4	5	6	7
Upper strata.....	175	7	12	25	21	62	36
Lower strata.....	105	10	16	31	20	64	25
All cultivators..	140	8	13	27	20	63	31

When the average repayments in the different groups of cultivators are considered in relation to other measures such as extent of area sown, value of gross produce and cash receipts, it is observed that the volume of repayment in relation to these variables was actually greater in the case of cultivators with smaller sized cultivated holdings; this, however, may well be due to the fact that the repayment requirements were quite large in relation to the size of operations.

5.3 SOURCE OF FINANCE FOR REPAYMENT

An important aspect of the repayment of loans is, the source through which it was financed. If a significant part of even the relatively small repayment of debt reported was made through borrowing or sale of assets, the position indicated thereby, would be greatly different from that indicated by repayment being made through, say, current income. If a high proportion of amount repaid is financed out of borrowings, then this may well indicate a tendency towards 'refinancing of debt' and consequently may imply that the burden of chronic debt is quite heavy. Therefore, data on source of finance for repayment were also collected, the four major sources of finance enumerated in the Survey being current income, past savings, sale of assets and borrowings. Details relating to sources of finance collected through the General Schedule, as also in the intensive enquiry are given in Table 5.5 on page 50.

TABLE 5.5—SOURCE OF FINANCE FOR REPAYMENTS

Type of data	PROPORTION OF REPAYMENTS FINANCED THROUGH DIFFERENT SOURCES TO TOTAL AMOUNT REPAID (PER CENT)					
	Current income	Past savings	Sale of assets	Borrowings	Other sources	Total
	1	2	3	4	5	6
General Schedule						
All families.....	92	—	8	—	—	100 (64)
Intensive enquiry						
Upper Strata.....	95	—	2	—	3	100 (175)
Lower Strata.....	91	—	9	—	—	100 (105)
All cultivators.....	93	—	5	—	2	100 (140)

(Figures in brackets indicate average amount repaid.)

Past savings in the form of real or financial assets could be drawn upon only by realization of the value of those assets. Hence, it would be difficult for the responding families to make a clear distinction between assets and past savings. The problem of demarcating between current income and past savings must have also been quite difficult. By current income is meant income accruing during the year surveyed. Any income accruing prior to this period is necessarily past income, i.e., past savings, and, therefore, is part of receipts which were presumably received before the beginning of the year to which the enquiry relates. In the light of these difficulties, for all practical purposes, current income and past savings as a source for repayment are better placed together for the purpose of analysis.

It will be observed from Table 5.5 that more than 90 per cent of the total repayments was financed out of current income. None of the families reported repayment out of past savings or borrowing.

The fact that borrowing was not resorted to for purposes of financing repayment of loan is a noteworthy feature of the credit operations in this district.

CHAPTER 6

FAMILY EXPENDITURE

In the case of a large majority of cultivators, it is difficult to separate family expenditure from expenditure on farm business. It is necessary, therefore, to take account of the operations of the cultivator in relation both to farm business and family living for arriving at an understanding of the operation of the credit system. Chapters 7 and 8 deal with capital expenditure in agriculture and current farm operations, respectively. In this chapter, we discuss the data regarding family expenditure which include expenditure on construction and repairs to residential houses, durable consumer goods and special occasions of family expenditure such as death and marriage ceremonies, sickness, education, litigation, collected mainly through the General Schedule. It is, however, necessary to note here that the General Schedule was not intended directly to constitute an enquiry into the family expenditure. Also, the items and classes into which the expenditure was grouped did not allow, by their nature, of precise definition, though it can be taken for granted that the interpretation of instructions within the district followed similar lines.

6.1 RECORDED ITEMS OF FAMILY EXPENDITURE

Data on important items of family expenditure incurred during the twelve months preceding the month of investigation were collected from all families in the selected villages. The main purpose in collecting these data was to ensure that the respondent recalled all the important occasions and items of expenditure, to finance which, borrowing might have been resorted to. For this and other reasons, the day-to-day expenses on current needs such as food, drink, tobacco and other items, were not included in the General Schedule. Although clothing, bedding, shoes and other apparel are also part of day-to-day consumption items, these were included in the General Schedule. In several regions, it is customary to purchase new clothes on certain festive occasions such as *Divali* and *Sankranti*, and this expenditure would be incurred in fairly large amounts on given occasions. Although no exact limit was prescribed, a general direction was issued that expenditures only of comparatively large amounts were generally to be noted. The items of family expenditure regarding which data were obtained are given in Table 6.1. The total of the various items, while covering a large part of cash expenditure which would be important from the point of view of credit operations, could not be termed, in any sense of the term, 'total family expenditure'. Any reference to such a total in the following discussion should clearly be understood as indicating merely the total of recorded items.

Table 6.1 gives the data relating to average expenditure per cultivating family. The total of expenditure on the recorded items does indicate the magnitude of

expenditure on consumption account. Even then it can be seen that expenditure on purchase of clothing, shoes and bedding, household utensils, furniture, etc., i.e., expenditure on durable consumer goods accounted for the bulk of the total recorded expenditure.

TABLE 6.1—FAMILY EXPENDITURE ON THE RECORDED ITEMS

[General Schedule data. Amount in rupees per cultivating family]

Item	Proportion of families reporting this expenditure	Average expenditure per family	Proportion of expenditure on this item to the total expenditure on recorded items	Expenditure per reporting family
	(Per cent)		(Per cent)	
	1	2	3	4
1. Construction and repairs of residential houses and other buildings.....	13·4	107	21·4	804
2. Purchase of household utensils, furniture, etc.....	19·8	5	1·0	23
3. Purchase of clothing, shoes, bedding, etc.....	99·5	268	53·7	269
4. Death ceremonies.....	7·2	8	1·6	115
5. Marriage and other ceremonies..	19·8	98	19·6	493
6. Medical expenses.....	25·2	10	2·0	38
7. Educational expenses.....	11·0	2	0·4	18
8. Litigation charges.....	1·1	1	0·2	141
9. Total	100·0	499	100·0	499

Not only did the expenditure on purchase of durable consumer goods, i.e., household utensils, furniture, clothing, shoes, bedding, etc., account for the major portion of the recorded family expenditure, but almost all the families reported this expenditure. As against this, only 13 per cent of the cultivating families reported expenditure on construction and repairs of residential houses, though about one-fifth of the total family expenditure was accounted for by this item. The third important item of expenditure was marriage and other ceremonies, which accounted for another one-fifth of the expenditure; about one out of five cultivators reported this expenditure. Expenditure on death ceremonies, medical expenses, educational expenses and litigation charges were relatively less important.

The average family expenditure per family not only varied between cultivators and non-cultivators but also from village to village. It was the highest at Rs 878 in Bhesan, and the lowest at Rs 358 in Zadka. The details are given in Table 6.2 on page 53.

6.2 CONSTRUCTION AND REPAIRS OF RESIDENTIAL HOUSES AND OTHER BUILDINGS

Expenditure on construction and repairs of residential houses and other buildings may be said to reflect both physical necessity and levels of standards of living. The average expenditure per cultivating family varied from Rs 234 in

Bhesan to Rs 67 in Sheriakhan ; none of the cultivators in village Zadka reported expenditure on this item. Proportion of expenditure on this item to the total family expenditure was 37 per cent in Anida and between 20 and 30 per cent in Bhesan, Devda, Khorasa and Jujarpur. It was 16 per cent in Vadhavi, and 12 per cent in Sheriakhan. Proportion of cultivating families reporting expenditure on this item was the highest at 36 per cent in Bhesan.

TABLE 6.2—TOTAL EXPENDITURE ON RECORDED ITEMS OF FAMILY EXPENDITURE

[General Schedule data]

Village	AVERAGE EXPENDITURE PER FAMILY IN RUPEES	
	Cultivators	Non-cultivators
Bhesan.....	878	514
Devda.....	729	347
Khorasa.....	725	354
Vadhavi.....	644	344
Anida.....	624	263
Jujarpur.....	424	146
Sheriakhan.....	537	569
Zadka.....	358	178
District.....	499	287

For the district as a whole, out of 930 cultivating families interviewed in the selected villages, about 718 families did not report any expenditure on construction and repairs of residential houses and other buildings. Thus, one in four cultivating families reported expenditure on this item. This is, however, a simple arithmetic total and not a weighted average, weighted average being 13 per cent. Of the 212 families reporting expenditure on this item, 47 reported expenditure of less than Rs 100, 29 between Rs 100 and Rs 200, 33 between Rs 200 and Rs 400 and 11 between Rs 400 and Rs 500. The remaining 92 families reported expenditure over Rs 500, of which, only 49 reported expenditure of Rs 1,000 and above. It would, therefore, appear that a large majority of families reporting expenditure on this item were reporting expenditure largely for repairs and maintenance and minor additions to houses than for construction of new buildings. Further, of the 92 families reporting expenditure above Rs 500, 59 families were from Bhesan, which is the mahal or peta and Khorasa, which is a relatively well-developed village. It can, therefore, be stated that much of the expenditure reported to have been incurred on the construction and repairs of residential houses was largely for maintenance and repairs.

That this expenditure moves up rapidly with an improvement in the resources of the cultivators is indicated by the data collected through the General Schedule which show that the average expenditure on this item in the case of big cultivators was the highest at Rs 472 per family. It amounted to Rs 246 for large cultivators, Rs 63 for medium cultivators, Rs 9 for small cultivators and Rs 52 for non-cultivators. The relevant data are given in Table 6.3 on page 54.

TABLE 6.3—EXPENDITURE ON CONSTRUCTION AND REPAIRS OF RESIDENTIAL HOUSES AND OTHER BUILDINGS

[General Schedule data]

Group	Average expenditure per family	Proportion of expenditure on this item to the total family expenditure reported by this group
	(Rs)	(Per cent)
Big cultivators.....	472	46
Large cultivators.....	246	34
Medium cultivators.....	63	14
Small cultivators.....	9	3
Non-cultivators.....	52	18

We may now consider how the expenditure on these items was financed. The General Schedule data regarding sources of finance refer to all the families in the selected villages ; no tabulation was done separately for cultivators or non-cultivators or for the different classes of cultivators. However, the data collected in the intensive enquiry were tabulated separately for the upper and the lower strata cultivators. In Table 6.4, we give both the sets of data.

TABLE 6.4—SOURCES OF FINANCE FOR EXPENDITURE ON CONSTRUCTION AND REPAIRS OF RESIDENTIAL HOUSES, ETC.

Type of data	Average expenditure per family	PROPORTION OF EXPENDITURE FINANCED FROM THIS SOURCE TO THE TOTAL EXPENDITURE INCURRED ON THIS ITEM				
		(Per cent)				
	(Rs)	Current income	Past savings	Borrowings	Sale of assets	Other sources
	1	2	3	4	5	6
General Schedule						
All families.....	89	3	82	15	-	-
Intensive enquiry						
Upper strata.....	201	2	94	4	-	-
Lower strata.....	19	5	82	13	-	-
All cultivators.....	110	2	93	5	-	-

We have already noted that the distinction between current income and past savings is too blurred to lend itself to any precise discussion. The two sources together accounted for 85 per cent of the expenditure on this item, the remaining 15 per cent being financed by borrowings. However, the table shows that smaller cultivators resorted to borrowing to a greater extent than the bigger cultivators for financing this item of expenditure.

6.3 PURCHASE OF DURABLE CONSUMER GOODS

We collected data in the General Schedule separately for purchase of household utensils, furniture, etc., as also for purchase of clothing, shoes, bedding, etc. Expenditure under these two items can be grouped under one broad heading of 'purchase of durable consumer goods'.

Purchase of household utensils, furniture, etc., accounted for only 1 per cent of the total expenditure on recorded items of family expenditure. Proportion of families reporting this expenditure was, however, 20 per cent for cultivators and 10 per cent for non-cultivators. Average expenditure per family was Rs 5 in the case of big cultivators and also medium cultivators while it was Rs 2 in the case of small cultivators and non-cultivators. Average expenditure per reporting family on this item was Rs 23 in the case of cultivators and Rs 21 in the case of non-cultivators. Thus, it is an item of relatively minor importance.

Unlike the expenditure on purchase of household utensils, furniture, etc., the expenditure on purchase of clothing, shoes, bedding, etc., appears to be more important; more than 99 per cent of the cultivators as well as non-cultivators reported expenditure on this item during the year of the Survey. Expenditure on this item accounted for 54 per cent of the total family expenditure by cultivators. Average expenditure on this item was Rs 376 in the case of big cultivators, Rs 317 in the case of large cultivators, Rs 264 in the case of medium cultivators, Rs 219 in the case of small cultivators and Rs 169 in the case of non-cultivators. In view of the importance of this item as also the close relationship between this item and the expenditure on the purchase of utensils, furniture, etc., in the following discussion we shall refer to the expenditure on purchase of durable consumer goods as a whole. Expenditure on purchase of durable consumer goods accounted for about 55 per cent of the total expenditure on recorded items. Expenditure on this item per cultivating family ranged from Rs 370 in Bhesan to Rs 245 in Zadka. Proportion of expenditure on this item to the total family expenditure was lowest in Bhesan at 42 per cent and highest in Zadka at 68 per cent.

Expenditure on these items may be looked upon as fairly representative of the general consumption account. In some ways, therefore, it may be regarded as an index of varying standards of current consumption from village to village and from group to group rather than any other type of expenditure. Physical considerations may not affect these items of expenditure as much as they might affect the expenditure on construction and repairs of residential houses and other buildings.

Proportion of expenditure on purchase of durable consumer goods to the total expenditure recorded was 37 per cent in the case of big cultivators, 45 per cent in the case of large cultivators, 59 per cent in the case of medium cultivators and 70 per cent in the case of small cultivators, which would indicate that a relatively larger portion of the expenditure in the case of smaller cultivators was accounted for by this item. Unlike in the case of expenditure on repairs and construction of houses and other buildings where the average expenditure in the case of big cultivators was very much larger than that in the case of small cultivators, the average expenditure on purchase of durable consumer goods ranged from Rs 381 in the case of big cultivators to Rs 221 in the case of small cultivators.

Table 6.5 on page 56 gives data relating to sources of finance for expenditure on purchase of durable consumer goods.

TABLE 6.5—SOURCES OF FINANCE FOR EXPENDITURE ON PURCHASE OF HOUSEHOLD UTENSILS, FURNITURE, CLOTHING, SHOES, BEDDING, ETC., i.e., DURABLE CONSUMER GOODS

Type of data	Average expenditure per family (Rs)	PROPORTION FINANCED FROM THIS SOURCE TO THE TOTAL EXPENDITURE INCURRED ON THIS ITEM (Per cent)				
		Current income	Past savings	Sale of assets	Borrowings	Other sources
		1	2	3	4	5
General Schedule						
All families.....	240	85	-	-	15	-
Intensive enquiry						
Upper strata.....	315	75	-	-	25	-
Lower strata.....	249	79	-	-	21	-
All cultivators.....	282	77	-	-	23	-

It would appear that nearly four-fifths of the expenditure was met from the current income. It may be seen that the proportion of expenditure on this item met out of borrowings was a little higher than that noted in the case of the expenditure on construction and repairs of residential houses.

6.4 EXPENDITURE ON CEREMONIES

Less than 2 per cent of the total family expenditure of cultivators was accounted for by death ceremonies while marriage and other ceremonies accounted for about 20 per cent, as can be seen from Table 6.1.

TABLE 6.6—EXPENDITURE ON DEATH AND MARRIAGE AND OTHER CEREMONIES

[General Schedule data]

Group	DEATH CEREMONIES		MARRIAGE AND OTHER CEREMONIES	
	Average expenditure per cultivating family (Rs)	Proportion of expenditure on this item to the total family expenditure reported by this group (Per cent)	Average expenditure per cultivating family (Rs)	Proportion of expenditure on this item to the total family expenditure reported by this group (Per cent)
	1	2	3	4
Big cultivators.....	1	0.1	148	14.6
Large cultivators.....	4	0.6	131	18.3
Medium cultivators.....	12	2.6	98	21.6
Small cultivators.....	9	2.9	60	19.0
Non-cultivators.....	7	2.4	40	13.9

According to the data collected in the intensive enquiry, average expenditure on death, marriage and other ceremonies per cultivating family was Rs 68, the average being Rs 75 in the case of upper strata cultivators and Rs 62 in the case of lower strata cultivators.

As expected, the variations with the increase in the size of holding are not very marked, largely because of the fact that this expenditure is more or less a function of social customs, etc. Even though the volume of expenditure did not markedly increase with the increase in the size of operations and even though expenditure on these items constituted only about one-fifth of the total family expenditure, expenditure financed out of borrowings accounted for a substantial portion of the total expenditure. Thus, more than half of the expenditure was financed out of borrowings, the proportion being 54 per cent for the rural families, 34 per cent for upper strata cultivators, and 80 per cent for lower strata cultivators.

TABLE 6.7—SOURCE OF FINANCE FOR EXPENDITURE ON DEATH, MARRIAGE AND OTHER CEREMONIES

Type of data	Average expenditure per family (Rs)	PROPORTION OF EXPENDITURE FINANCED FROM THIS SOURCE TO THE TOTAL EXPENDITURE ON THESE ITEMS (Per cent)				
		Current income	Past savings	Sale of assets	Borrowings	Other sources
		1	2	3	4	5
General Schedule						
All families.....	87	8	35	2	54	-
Intensive enquiry						
Upper strata.....	75	18	48	-	34	-
Lower strata.....	62	4	15	-	80	-
All cultivators.....	68	12	34	-	55	-

6.5 EXPENDITURE ON MEDICINE, EDUCATION AND LITIGATION

Of the total family expenditure recorded by cultivators, expenditure on medicine, education and litigation accounted for 2 per cent, 0.4 per cent and 0.2 per cent, respectively. Proportion of expenditure on these three items to the total expenditure ranged, however, between 6 per cent in Khorasa and 0.3 per cent in Zadka. None of the families in Jujarpur reported expenditure on these items.

TABLE 6.8—EXPENDITURE ON MEDICINE, EDUCATION AND LITIGATION

[General Schedule data]

Group	MEDICAL EXPENSES		EDUCATIONAL EXPENSES		LITIGATION CHARGES	
	Average expenditure per family (Rs)	Proportion to the total family expenditure reported by this group (Per cent)	Average expenditure per family (Rs)	Proportion to the total family expenditure reported by this group (Per cent)	Average expenditure per family (Rs)	Proportion to the total family expenditure reported by this group (Per cent)
	1	2	3	4	5	6
Big cultivators.....	10	1.0	4	0.4	-	-
Large cultivators.....	9	1.3	4	0.6	-	-
Medium cultivators.....	8	1.8	1	0.2	2	0.4
Small cultivators.....	13	4.1	1	0.3	2	0.6
Non-cultivators.....	13	4.5	3	1.0	-	-

Twenty-five per cent of the cultivating families reported medical expenditure, 11 per cent reported educational expenditure and 1 per cent reported expenditure on litigation. Average expenditure per reporting family was Rs 38, Rs 18 and Rs 141, respectively.

As the magnitude of expenditure on each of the three individual items appears to be relatively small, we give in the table below, data relating to sources of finance for expenditure on all of them together.

TABLE 6.9—SOURCE OF FINANCE FOR EXPENDITURE ON MEDICAL, EDUCATIONAL AND LITIGATION PURPOSES
[General Schedule data. All families]

Item	Average expenditure per family (Rs)	PROPORTION OF EXPENDITURE FINANCED FROM THIS SOURCE TO THE TOTAL EXPENDITURE ON THIS ITEM (Per cent)				
		Current income	Past savings	Sale of assets	Borrowings	Other sources
	1	2	3	4	5	6
Medical expenses.....	11	66.2	15.8	0.7	17.3	—
Educational expenses.....	2	99.1	—	—	0.9	—
Litigation charges.....	1	56.9	31.2	1.8	10.1	—

Borrowings appear to have been resorted to a greater extent for financing litigation charges and medical expenses than for financing educational expenses. As the number of entries are too small and scattered, it is difficult to assess precisely the role of borrowings in financing these three types of expenditure.

6.6 FAMILY EXPENDITURE AND BORROWINGS

All items of family expenditure were not included in the General Schedule. Most important among the items excluded was expenditure on various items of current consumption. It is not possible to estimate the magnitude of this expenditure. However, while ascertaining the purposes for which borrowing was resorted to, besides the items included on the expenditure side, a residual item called 'other family expenditure' was included. It is likely that in the borrowings for 'other family expenditure', a substantial part would have been incurred for purposes which are the nature of expenditure for current consumption. In view of the lack of data on residual family expenditure, it is difficult to assess the proportion which borrowings may form of the total of such expenditure.

Comparing the figures for expenditure on different items of family expenditure, which was financed out of borrowings, with the average amount which was borrowed for different items of family expenditure (see Table 6.10) on page 59, it is observed that there is generally a close correspondence between the two types of data, except for the fact that borrowings for 'other purposes' amounted to Rs 41 per rural family.

TABLE 6.10—FAMILY EXPENDITURE AND BORROWINGS

[General Schedule data. All families]

Item	SOURCE OF FINANCE DATA		BORROWINGS FOR DIFFERENT PURPOSES
	Proportion of expenditure financed out of borrowing to the total expenditure on this item (Per cent)	Average expenditure in rupees per rural family financed out of borrowing (Rs)	Average amount borrowed for this purpose (Rs)
	1	2	3
Construction and repairs of residential houses and other buildings...	15.4	14	16.3
Purchase of household utensils, furniture, etc.....	8.9	0.3	0.3
Clothing, shoes, bedding, etc.....	15.3	36	28.2
Death ceremonies.....	60.1	5	4.7
Marriage and other ceremonies.....	53.8	43	43.1
Medical expenses.....	17.3	2	1.8
Educational expenses.....	0.9	—	3.9
Litigation charges.....	10.1	—	0.1
Others.....	—	—	41.3
Total family expenditure.....		100	139.6

Borrowings for 'other family expenditure' formed, however, a significantly large proportion of total borrowings for family expenditure. About Rs 41 were borrowed for 'other purposes'. This is, however, not surprising in view of the fact that the total family expenditure of the residual type, including food and other consumption items and miscellaneous expenditure, is likely to be quite large in magnitude. It is difficult to comment on these data as the item is a residual item with a highly mixed and varying composition. It can, however, be concluded that in view of the broad agreement between figures relating to expenditure financed out of borrowings and those for purposes of borrowing, borrowings for financing food and other consumption items could not be much more than one-third of the total borrowings for family expenditure.

We may here refer to another aspect which has relevance to the objective of our enquiry, viz., the level of income in the past or level of income expectation and the resulting standard of living. These are important, not only in relation to the general level of family expenditure and its distribution among various types of consumption needs, but have also relevance to the average level of borrowings and repayments. We do not have any data relating to either past incomes or about income expectations. Hence, it would be very difficult to establish any direct relationship between family expenditure and the volume and extent of borrowing. We collected data relating to source of finance in the intensive enquiry, which are presented in Table 6.11 given on page 60 separately for the two groups of cultivators.

TABLE 6.11—IMPORTANCE OF BORROWINGS

[Intensive enquiry data]

Item	PROPORTION OF EXPENDITURE FINANCED OUT OF BORROWINGS TO THE TOTAL EXPENDITURE ON THIS ITEM		PROPORTION OF EXPENDITURE ON THIS ITEM FINANCED OUT OF BORROWINGS TO THE TOTAL EXPENDITURE ON RECORDED ITEMS OF FAMILY EXPENDITURE FINANCED OUT OF BORROWINGS	
	upper strata (Per cent)	lower strata (Per cent)	upper strata (Per cent)	lower strata (Per cent)
	1	2	3	4
Construction and repairs of residential houses and other buildings.....	4.2	13.0	6.7	2.2
Purchase of household utensils, furniture, etc.....	23.7	25.9	0.8	0.6
Purchase of clothing, shoes, bedding, etc.....	25.1	21.4	62.5	45.7
Death ceremonies.....	59.4	99.4	4.7	8.2
Marriage and other ceremonies.....	29.8	76.8	15.4	34.6
Medical expenses.....	4.9	53.9	0.5	7.0
Educational expenses.....	—	25.8	—	1.6
Litigation charges.....	83.3	—	9.4	—

Whereas one-third of the family expenditure of the lower strata cultivators was financed out of borrowings, in the case of upper strata cultivators only one-fifth was thus financed. Only for expenditure on purchase of durable consumer goods, the bigger cultivators resorted to borrowing to a greater extent. For financing all other recorded items of family expenditure, the lower strata cultivators resorted to borrowings to a larger extent. What is particularly striking is the fact that whereas only one-fifth of the expenditure financed by bigger cultivators out of borrowings was for ceremonies, in the case of smaller cultivators it was between one-third and one-half. It would appear that the levels of income have a significant relation not only to the level of family expenditure but also to the pattern of financing the expenditure.

CHAPTER 7

CAPITAL EXPENDITURE

The items of capital expenditure regarding which data were collected are classified into three categories, namely, financial investment expenditure, capital expenditure in non-farm business and capital investment in agriculture. Financial investment expenditure during the year of the Survey, together with financial assets as at the time of the first round of the Survey and the preferences of cultivators in respect of channels in which savings could be directed, present a total picture of financial savings and investments. Secondly, there is the omnibus class termed 'non-farm business investment expenditure' about which we have no detailed information but the total dimensions of which may be of significance for our enquiry. Thirdly, there is capital expenditure in agriculture consisting of nine specific items and one miscellaneous residual item, listed in Table 7.1. We have, it will be seen from the above, used the terms 'capital expenditure' and 'capital investment' as if the two are synonymous, even though the use of the term 'investment' may not be satisfactory. Having used the term investment in the demand schedules and as it was not possible to dispense with the use of the terms 'investment' and 'disinvestment' in discussion on the balance of capital transaction, the use of the term 'investment' is continued here.

Table 7.1 which gives data relating to capital expenditure by cultivators as reported in the General Schedule, shows that less than 1 per cent of the cultivating families reported capital expenditure on financial investment and in non-farm business. Expenditure on development of irrigation resources and purchase of new implements and machinery was, however, reported by the bulk of cultivating families. Less than one-fourth of the families reported expenditure on purchase of livestock, while less than one-fifth of the families reported expenditure on digging and repairs of wells, reclamation of land as also that on bunding and other land improvements.

Considering the proportion of expenditure on specified items to the total expenditure, it is noticed that expenditure on wells and irrigation resources together accounted for about 42 per cent of the total expenditure, the proportion in respect of the other important expenditure items being 21 per cent on purchase of livestock, 15 per cent on purchase of implements and machinery, about 6 per cent on land reclamation, 5 per cent for bunding and other land improvements and only 3 per cent on purchase of land. These are, however, figures for the district and there was considerable variation from village to village as will be seen in the following pages.

TABLE 7.1—CAPITAL EXPENDITURE BY CULTIVATING FAMILIES

[General Schedule data]

Item	Proportion of cultivating families reporting this expenditure	Proportion of expenditure on this item to the total capital expenditure
	(Per cent)	(Per cent)
1. Financial investment expenditure.....	0.2	—
2. Capital expenditure in non-farm business.....	0.1	2
3. Capital expenditure in agriculture.....	96.0	98
3.1 Purchase of land.....	0.8	3
3.2 Purchase of livestock.....	22.4	21
3.3 Reclamation of land.....	13.6	6
3.4 Bunding and other land improvements.....	19.5	5
3.5 Digging and repair of wells.....	17.0	20
3.6 Development of other irrigation resources....	77.5	22
3.7 Laying of new orchards and plantations....	7.2	1
3.8 Purchase of implements and machinery and transport equipment.....	81.8	15
3.9 Construction of farm houses, cattle sheds, etc.	2.5	1
3.10 Other capital expenditure in agriculture.....	8.4	4

7.1 FINANCIAL INVESTMENT EXPENDITURE

The discussion in this section is based on material collected from three different sources. The first source is the information collected in the General Schedule. In the intensive enquiry, data relating to ownership of financial assets of selected cultivating families as at the time of the first round of the Survey were also collected; sub-items in the class of 'financial assets' were somewhat different from the classification used for information in the General Schedule. This difference in classification enables us to elucidate further some points regarding the preferences for particular types of financial investments, data relating to which were collected through a specially devised questionnaire. Even though there are some apparent variations between the data yielded by returns in the General Schedule and those in the intensive enquiry, the differences are so minor as not to modify the total picture presented by the two types of data. Thirdly, there are the replies to the questionnaire on savings possibilities and savings behaviour; these replies cannot form the basis of any quantitative estimation. At the same time they are of importance as they give information relating to insurance and habits regarding purchase of bullion, ornaments, etc.

The financial investment expenditure items, in respect of which data were collected in the General Schedule, were (1) purchase of shares in co-operative societies, banks, etc., (2) additions to deposits in co-operative societies, postal savings, other banks, etc. and (3) purchase of National Savings Certificates, Treasury Bonds, etc. Additions to financial assets such as through loans made to others, additions to cash balances held by the family, etc., were not enquired into. Analysing the data for expenditure on these items, we find that in no case the proportion of families reporting expenditure was more than 0.5 per cent. Hence, in interpreting the data we have to be careful particularly because of small amounts and scattered entries. The relevant data are given in the following Table 7.2.

TABLE 7.2—FINANCIAL INVESTMENT EXPENDITURE*

[General Schedule data]

Group	PURCHASE OF SHARES IN CO-OPERATIVE SOCIETIES, BANKS, ETC.			ADDITIONS TO DEPOSITS IN CO-OPERATIVE SOCIETIES, POSTAL SAVINGS, OTHER BANKS, ETC.		
	Proportion of families reporting expenditure	Proportion of expendi- ture re- ported by this group to total expenditure reported under this item	Average expendi- ture per reporting family	Proportion of families reporting expenditure	Proportion of expendi- ture re- ported by this group to total expenditure reported under this item	Average expendi- ture per reporting family
	(Per cent)	(Per cent)	(Rs)	(Per cent)	(Per cent)	(Rs)
	1	2	3	4	5	6
Big cultivators.....	0·5	41	154	0·1	58	6,200
Large cultivators.....	0·3	57	143	—	58	6,200
Medium cultivators....	0·3	54	73	—	—	—
Small cultivators.....	—	—	—	—	14	1,222
Non-cultivators	0·1	9	43	—	28	1,514

* None of the cultivating families reported expenditure on purchase of National Savings Certificates, Treasury Bonds, etc. In the case of non-cultivators, however, the average expenditure per reporting family on this item was Rs 442; a negligible proportion of families reported this expenditure.

In the intensive enquiry, none of the selected families reported any financial investment expenditure. Less than 1 per cent of the families reported ownership of financial assets and hence no useful purpose would be served by commenting on these data. The extremely small number of entries does not also lend itself to a comparison of assets held to the expenditure incurred during the year. We may, therefore, proceed to a discussion on the data relating to savings preferences obtained from replies to the questionnaire on pattern of savings.

Number of cultivators in the first five deciles was 80, and in the last five deciles 40. Number of cultivators reporting holding of deposits in Postal Savings Banks, or holding of shares or deposits in co-operative societies and banks and holding of insurance policies was 2, 2 and 1, respectively; all these were from the first five deciles. None of the cultivators reported ownership of National Savings Certificates or Treasury Bonds or holding of deposits with private bankers.

Of the cultivators replying to the question as to why they did not own any of the financial assets, 24 cultivators said that there was no margin for savings, 19 cultivators said that they preferred to have cash while 15 showed preference for purchase of gold and jewellery. Preference for lending money was not reported by any cultivator as a reason for absence of financial assets.

To ascertain some of the difficulties involved in utilization of the institutional channels of savings such as postal savings, Government securities, etc., some of the more important of the probable difficulties were specified in our questionnaire. As to the postal savings, it was first sought to ascertain as to how many cultivators were

aware of the existence of the facility. Only about one-fifth of the total number of cultivators were aware of the existence of these facilities. The reason specified for the lack of holding in postal savings by cultivators who knew about it was the non-availability of local facilities. Very few families replied to the questions pertaining to the holding of Government securities ; these data, are therefore, not discussed. A reason which was commonly specified for lack of investment in insurance policies was that insurance was too complicated ; more than two-thirds of the total number of cultivating families gave this as the reason.

7.2 CAPITAL EXPENDITURE IN NON-FARM BUSINESS

As in the case of financial investment expenditure, interpretation of data in respect of capital expenditure in non-farm business is difficult owing to a relatively small number of scattered entries. Expenditure on non-farm business was reported by 7.7 per cent of the non-cultivators who include traders, artisans and those connected with cottage industries ; the proportion of cultivating families who reported this type of expenditure was less than 0.1 per cent.

7.3 CAPITAL EXPENDITURE IN AGRICULTURE

7.3.1 Purchase of land

In Chapter 1 (Section 1.7), we have referred to the implementation of land reform measures during the year of the Survey. It is likely that purchases made under these acts were reported in the General Schedule, though possibly none of the cultivators could have been financed by the Land Mortgage Bank, as it was registered only in September 1951. We do not know how many of the purchase transactions reported were made under the land reform measures.

Cultivators of Devda, Vadhavi and Sheriakhan reported expenditure on purchase of land, as can be seen from Table 7.3 below.

TABLE 7.3—PURCHASE OF LAND BY CULTIVATORS

[General Schedule data]

Villages in which either purchase or sale was reported	PURCHASE OF LAND		SALE OF LAND	
	Proportion of families reporting expenditure on purchase (Per cent)	Expenditure per family (Rs)	Proportion of families reporting receipts from sale (Per cent)	Receipts from sale of land per family (Rs)
	1	2	3	4
Bhesan.....	-	-	0.4	5
Devda.....	4.5	55	1.3	10
Khorasa.....	-	-	0.5	3
Vadhavi.....	6.5	53	2.9	34
Sheriakhan.....	2.7	14	-	-

Whereas purchase of land was reported by cultivators in three villages, sale of land was reported in four villages. In Anida, Jujarpur and Zadka neither sale nor purchase of land was reported by cultivators.

In village Bhesan, sale of land was reported by about 1 per cent of the medium cultivators; purchase of land was, however, not reported in the village. In Devda, the proportion of families reporting purchase was 6 per cent for big and large cultivators, 5 per cent for medium cultivators and 2 per cent for small cultivators. Sale of land was reported by 4 per cent of large cultivators. The net result of the total transactions for the village was a net purchase of land by all the groups of cultivators. In Vadhavi, all the groups of cultivators reported purchase of land but the net results of the transactions for the big and large cultivators was net sale while for others it was net purchase. In Khorasa only small cultivators and non-cultivators reported sale of land. In Sheriakhan, purchases were reported by large and small cultivators while sales were reported by non-cultivators. The position (for the district as a whole) is summarized in Table 7.4 below.

TABLE 7.4—NET PURCHASE OR SALE OF LAND

[General Schedule data]

Group	PURCHASE OF LAND			SALE OF LAND			Net purchase (+) or sale (-) of land per family (Rs)
	Proportion of families reporting purchase	Expenditure per family	Expenditure per reporting family	Proportion of families reporting sale	Receipts from sale of land per family	Receipts from sale of land per reporting family	
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)	
	1	2	3	4	5	6	7
Big cultivators.....	0.1	2	1,430	0.1	2	1,400	-
Large cultivators.....	1.2	9	800	0.1	2	1,167	+ 8
Medium cultivators.....	0.2	2	1,030	-	-	522	+ 1
Small cultivators.....	1.3	4	323	-	-	440	+ 4
All cultivators.....	0.8	5	617	0.1	1	1,048	+ 4
Non-cultivators.....	-	0.2	730	0.8	0.3	44	- 0.1
All families.....	0.6	3	619	0.3	1	182	+ 3

It would appear from the table above that proportion of families reporting sale was smaller than those reporting purchase of land. The average proceeds from sale of land were also not large though the receipts per reporting family were large. Amount of net purchase in the table above indicates the average amount per family by which the value of purchase of land during the year by members of the group exceeded the corresponding value of sale of land. Net sales show the opposite position. Considering both purchase and sale transactions, it is possible to interpret the data as indicating transfers within groups or classes only in a very small number of cases. Transfers from urban residents to cultivators appear to have taken place.

Number of entries on expenditure on purchase of land being too small in the intensive enquiry, there is no point in discussing these data relating to source of finance of selected cultivators. The General Schedule data for all families indicate that more than 55 per cent of the total expenditure was financed out of borrowings. Receipts from sale of assets were used for financing about 21 per cent of the

xpenditure, the rest being financed out of owned resources, i.e., current income and past savings.

7.3.2 Purchase of livestock

While discussing the composition of assets in Chapter 2, we observed that whereas the value of owned land accounted for about half the total assets, value of owned livestock accounted for about 16 per cent or about one-sixth of the total assets. Earlier in this chapter in Table 7.1, we have seen that whereas expenditure on purchase of land accounted for about 3 per cent of the total capital expenditure, that on purchase of livestock constituted about 21 per cent. The term 'livestock' includes plough and milch cattle, goats, sheep and all other farm animals, but mainly represents plough and milch cattle, except in those villages where goat and sheep-rearing or poultry-keeping is an important subsidiary activity of farmers.

The circumstances under which purchase of livestock takes place and the purposes served by it differ considerably. Firstly, there would be some cases in which purchase of livestock may represent a clear addition to assets. Secondly, there may be many others in which purchase of livestock is undertaken to replace cattle which are lost by death or incapacitated by sickness or old age. In such cases purchase of livestock represents the maintenance of assets by replacement. In view of the poor quality of a large proportion of agricultural livestock, the prevalent unsatisfactory conditions of feeding and maintenance, the needed rate of annual replacement is likely to be fairly high. Thirdly, the practice of cattle being sold soon after the completion of the cultivation season and purchased again just before the next cultivation season among some strata of cultivators is also prevalent in some villages. This may be due to several reasons such as the non-availability or high cost of fodder, the lack of grazing areas, the desire to purchase better cattle for the next season or the necessity to find finance immediately for certain purposes for which the sale of cattle offers a convenient source. In many villages, farmers find it more economical to sell cattle in the lean season to professional cattle breeders who take them away to areas where plenty of grazing space and fodder are available, and to repurchase the same cattle or others at the beginning of the following cultivation season. A similar practice prevails with regard to milch cattle, cows or she-buffaloes being sold when dry, to cattle breeders and freshly calved animals being purchased instead. The net cost of such exchange is, it is said, found to be less than that of maintenance by stall-feeding. Thus, there is an element in the purchase and sale of cattle which may merely represent a seasonal movement of cattle from cultivation areas to cattle breeding areas.

The data obtained for the Survey in respect of purchase and sale of livestock consist only of the value of livestock purchased and sold and, in the case of purchase, the source of finance for the purchase. There are no means of finding out directly from these data the nature of the transaction and of separating the different elements such as maintenance and replacement, seasonal purchase and sale and net addition to assets. However, for a study of the working of the credit system, the exact

nature of the transactions need not be gone into. It is undoubtedly a fact that farmers have to purchase livestock frequently for one or the other of the reasons mentioned above and that they require finance for the purpose.

According to the returns in the General Schedule, proportion of cultivating families reporting the purchase of livestock during the year under Survey varied between 46 per cent in Bhesan and 9 per cent in Zadka, the average for the district being 22 per cent. Non-cultivating families of only two villages, namely, Devda and Zadka reported expenditure on purchase of livestock, the proportion being less than 1 per cent in Devda and 22 per cent in Zadka. Considering the decile-group variations it is noticed that the proportion of families reporting purchase of livestock to the total number of families in the group was 21 per cent in the case of big cultivators, 24 per cent in the case of large cultivators, 23 per cent in the case of medium cultivators and 20 per cent in the case of small cultivators. The details for the district are given in Table 7.5 below.

TABLE 7.5—PURCHASE AND SALE OF LIVESTOCK
[General Schedule data]

Group	Proportion of families reporting purchase of livestock	Expenditure on purchase of livestock per reporting family	Proportion of families reporting sale of livestock	Average receipts from sale of livestock per reporting family
	(Per cent)	(Rs)	(Per cent)	(Rs)
	1	2	3	4
Big cultivators.....	21	165	—	—
Large cultivators.....	24	161	—	350
Medium cultivators.....	23	193	3	118
Small cultivators.....	20	179	5	75
Non-cultivators.....	5	380	0.3	240

Among the groups of cultivators the average expenditure on purchase of livestock per reporting family, it will be noticed, ranged between Rs 161 and Rs 193. The proportion of families reporting purchase of livestock ranged from 20 to 25 per cent in the various groups. There appears to be no consistent trend with regard to magnitude of expenditure on this item with the increase in the size of cultivated holdings.

Only about 3 per cent of the cultivating families and less than 1 per cent of the non-cultivating families reported sale of livestock. Average receipts from sale of livestock per reporting cultivating family ranged between Rs 50 in Sheriakhan and Rs 468 in Vadhavi, the average for the district being Rs 95 in the case of cultivating families. Whereas purchase of livestock was reported by cultivators of all the eight selected villages, sale of livestock was reported in only six villages.

Proportion of cultivating families reporting purchase of livestock was more than 40 per cent in Bhesan and Vadhavi, between 30 and 40 per cent in Devda, Khorasa and Sheriakhan, 23 per cent in Jujarpur, 18 per cent in Anida and 9.1

per cent in Zadka. In Anida, Zadka and Devda more than one out of four cultivators reported purchase of livestock during the year. The relevant data are given in Table 7.6 below.

TABLE 7.6—PURCHASE AND SALE OF LIVESTOCK BY CULTIVATORS

[General Schedule data]

Village	Proportion of families reporting purchase of livestock	Average expenditure per family on purchase of livestock	Proportion of families reporting sale of livestock	Receipts from sale of livestock per family	Net purchase (+) or sale (-) of livestock per family
	(Per cent)	(Rs)	(Per cent)	(Rs)	(Rs)
	1	2	3	4	5
Bhesan.....	46.0	126	1.9	2	+ 124
Devda.....	31.6	91	2.6	7	+ 84
Khorasa.....	31.3	92	1.6	4	+ 88
Vadhavi.....	42.4	103	3.6	17	+ 86
Anida.....	18.4	27	-	-	+ 27
Jujarpur.....	22.9	45	-	-	+ 45
Sheriakhan.....	36.0	65	1.3	1	+ 64
Zadka.....	9.1	11	9.1	8	+ 3
District.....	22.4	40	2.7	2	+ 37

For the district as a whole, about 22 per cent of the cultivating families reported purchase of livestock. Anida, which is isolated by forests and Zadka, which is a relatively backward village, had very low proportion of families reporting purchase of livestock. Hence, the net excess of purchase over sale of livestock was also relatively low in these villages. Proportion of families reporting sale of livestock for the district as a whole, was as low as 2.7 per cent. The highest proportion reported was in Zadka where it was as high as 9.1 per cent. However, even in Zadka, the total amount spent for purchase exceeded that of sale and hence, for the district as a whole, there was a net purchase of livestock over sale.

TABLE 7.7—NET PURCHASE OR SALE OF LIVESTOCK

[General Schedule data]

Group	Expenditure on purchase of livestock per family	Receipts from sale of livestock per family	Net purchase (+) or sale (-) of livestock per family
	(Rs)	(Rs)	(Rs)
	Big cultivators.....	34	-
Large cultivators.....	39	-	+ 39
Medium cultivators.....	44	4	+ 40
Small cultivators.....	36	4	+ 32
Non-cultivators.....	18	-	+ 18

There is nothing in the data collected, as has been pointed out above, to indicate the different circumstances leading to the different types of transactions and their

prevalence in the different villages. The data collected through intensive enquiry, however, help us to get a fuller picture of the position.

According to the data collected in the intensive enquiry, the average value of owned livestock as reported at the time of the first round of the intensive enquiry, was about Rs 1,600 in the case of upper strata cultivators and Rs 815 in the case of lower strata cultivators. On the other hand, the average expenditure per family between April 1951 and March 1952 on purchase of livestock was only Rs 34 and Rs 45, respectively. Cultivators of both strata reported a net purchase of livestock. However, the excess of purchase over sale constituted less than 6 per cent of the value of owned livestock as reported by the cultivators.

In Table 7.8, we give the relevant data collected through the intensive enquiry. In this table we give data relating to families which reported both purchase and sale of livestock as also those who reported only purchase of livestock. Whereas about 17 per cent of the upper strata cultivators reported only purchase of livestock, about 2 per cent reported both purchase and sale of livestock. More than 80 per cent of the families did not report either sale or purchase of livestock between April 1951 and March 1952. Proportion of families who reported both purchase and sale of livestock is of significance in interpreting the extent of prevalence of two types of transactions, namely, transactions in relation to the draught cattle sold after the season is over and repurchased in the following season and transactions in relation to the replacements of dry cattle by those in milk. The families of other category, i.e., those reporting only purchase, could not be included under the former category.

TABLE 7.8—LIVESTOCK—PURCHASES AND SALES

[Intensive enquiry data. Amount in rupees per family ; proportions in per cent]

Item	Upper strata	Lower strata
Value of owned livestock (as at the time of the first round of the Survey).....	1,598	815
Number of milch cattle owned per family.....	2.5	1.6
Number of plough cattle owned per family.....	3.4	2.0
Proportion of families reporting expenditure only on purchase of livestock.....	17.2	15.9
Proportion of families reporting purchase and sale of livestock.....	2.4	-
Proportion of families reporting neither purchase nor sale of livestock.....	80.4	84.1
Average expenditure on purchase of livestock.....	34	45
Receipts through sale of livestock.....	2.4	-
Net purchase (+) or sale (-) of livestock.....	+ 32	+ 45

Though the average expenditure per family on the purchases of livestock was higher in the case of lower strata cultivators than in the case of upper strata cultivators, it cannot be said that there was a marked difference in the volume of turnover in proportion to the value of livestock owned as between different groups of cultivators. The data also probably indicate that a large part of the reported expenditure on purchase of livestock was more in terms of maintenance and replacement or seasonal purchase and sale than towards net addition to assets.

The significant excess of purchase over sale of livestock can perhaps be partly attributed to the presence of *rabaris*, *bharwads* and other professional breeders in the district. In Chapter 1 we have already referred in detail to the practices of cattle-breeding followed by these professional cattle-breeders. It is common knowledge that cultivators generally buy cattle bred by these professional cattle-breeders, whether the cattle are meant for draught or milch purposes. It is, therefore, not surprising that there was a net purchase of livestock in the case of cultivators. The *rabaris* and *bharwads* are migratory tribes who do not usually settle in any one place or village and hence could not possibly have been enumerated to any significant extent in our enquiry. Different circumstances will, of course, reflect in varied ways in the statistics presented. Where cultivators are largely engaged in mixed farming and where livestock farming is not important, large purchases without any corresponding sales are normally to be expected.

We may now consider the way in which expenditure on purchase of livestock was financed. The data relating to sources of finance are given in Table 7.9 below, which have been compiled not only for all families on the basis of returns in the General Schedule but also for cultivators on the basis of intensive enquiry data. About 41 per cent of the total expenditure on the purchase of livestock by rural families was financed by owned resources, composed of current income and past savings. Borrowings contributed about 56 per cent, and about 3 per cent was financed through sale of assets. According to the intensive enquiry data, about 65 per cent of the expenditure of the cultivators of upper strata was financed by borrowings, while, in the case of cultivators of lower strata, it was only about 50 per cent. For all cultivators, about 56 per cent of the total expenditure on purchase of livestock was financed out of borrowings, sale of assets accounted for 3 per cent of the expenditure, the rest being financed through owned resources.

TABLE 7.9—SOURCE OF FINANCE FOR PURCHASE OF LIVESTOCK

Type of data	PROPORTION OF EXPENDITURE ON PURCHASE OF LIVESTOCK FINANCED THROUGH DIFFERENT SOURCES					
	(Per cent)					
	Total	Current income	Past savings	Sale of assets	Borrow- ings	Other sources
	1	2	3	4	5	6
General Schedule data						
All families.....	100	11	30	3	56	-
Intensive enquiry data						
Upper strata.....	100	17	12	7	65	-
Lower strata.....	100	40	10	-	50	-
All cultivators.....	100	30	11	3	56	-

It is also noteworthy that of the total average expenditure of Rs 230 on capital investment in agriculture by selected cultivators, about Rs 70 or nearly 30 per cent

was financed by borrowings. Of Rs 70 about Rs 22 or roughly one-third was for purchase of livestock.

7.4 CAPITAL EXPENDITURE IN AGRICULTURE : ITEMS OTHER THAN LAND AND LIVESTOCK

We have so far considered the position regarding capital expenditure on purchase of land and livestock. There remain to be considered types of capital expenditure undertaken in relation to land and other fixed assets on farm or in relation to farm equipment other than livestock ; all these put together may be called 'other capital expenditure in agriculture'. Data about the amount of expenditure incurred by each family during the period of twelve months preceding the date of investigation and the sources from which the expenditure was financed were specifically obtained with regard to (1) reclamation of land, (2) bunding and other land improvements, (3) digging and repair of wells, (4) development of other irrigation resources, (5) laying of new orchards and plantations, (6) purchase of implements, machinery and transport equipment and (7) construction of farm houses, cattle sheds, etc. While the first five items refer to the improvement of land surface or the availability of water, the remaining two are related to farm equipment and farm buildings. Provision was made for entering expenditure on any item of capital expenditure other than those mentioned above under a residual heading called 'other capital investment in agriculture'. To avoid confusion, this item is being termed 'miscellaneous capital expenditure in agriculture' in the discussion below.

7.4.1 Reclamation of land

The exact nature of the activity indicated under 'reclamation of land' would differ from village to village. Generally, it would mean, as for instance in Anida bringing uncultivated land or jungle land under plough by removing trees, shrubs or weeds or deep ploughing or both. But in some villages, like Jujarpur, where swampy land can be reclaimed for cultivation through proper drainage, or where salt incrustation is a serious problem, it may mean draining of marshy or low-lying land with a view to removing the salinity in the soil, etc. Due to the variations in the nature of reclamation work, the magnitude of expenditure incurred might also vary considerably.

About 14 per cent of the cultivating families reported expenditure on this item, though the proportion was generally higher in the case of bigger cultivators, it being 20 per cent in the case of big cultivators and 10 per cent in the case of small cultivators. The relevant data are given in Table 7.10.

Greater expenditure on reclamation of land appears to have been incurred by the big cultivators than by the small cultivators. Further, according to the General Schedule, about 26 per cent of the expenditure of all families was financed out of borrowing. As the amount involved and number of entries reported in the intensive enquiry were small, the intensive enquiry data are not discussed here.

TABLE 7.10—RECLAMATION OF LAND

[General Schedule data]

Group	Proportion of families reporting expenditure	Proportion of expenditure by each group to the total expenditure on this item by cultivators	Expenditure per acre of cultivated holding	Expenditure per reporting family
	(Per cent)	(Per cent)	(Rs)	(Rs)
	1	2	3	4
Big cultivators.....	20.4	44	1.2	191
Large cultivators.....	15.1	52	0.6	111
Medium cultivators.....	14.8	31	0.5	58
Small cultivators.....	10.3	16	0.8	58
Non-cultivators.....	—	—	—	—

7.4.2 Bunding and other land improvements

Bunding may mean an elaborate and costly process such as contour bunding practised to prevent soil erosion in areas subject to it, or it may mean merely replacing the bunds which demarcate one field from another. In villages where rice is grown as an irrigation crop, bunding may be of a different nature. In many areas, bunding may not be elaborate or costly but may yet be an important and also a recurrent item of capital expenditure.

About one-fifth of the cultivating families reported expenditure on this item.

TABLE 7.11—BUNDING AND OTHER LAND IMPROVEMENTS

[General Schedule data]

Group	Proportion of families reporting this expenditure (Per cent)	EXPENDITURE PER	
		reporting family	acre of cultivated holding
		(Rs)	(Rs)
Big cultivators.....	17.4	136	0.8
Large cultivators.....	20.5	74	0.6
Medium cultivators.....	19.0	40	0.5
Small cultivators.....	19.1	25	0.6
Non-cultivators.....	—	33	—

More than 90 per cent of the expenditure was financed out of owned resources according to the General Schedule.

7.4.3 Digging and repair of wells and development of other irrigation resources

We have already seen that out of the total capital expenditure of cultivators about 20 per cent and 22 per cent were accounted for by expenditure on digging and repair of wells and development of other irrigation resources, respectively (vide Table 7.1 on page 62). Considering the capital expenditure in agriculture by cultivators on items other than purchase of land and livestock, it is noticed that the proportion comes to about 57 per cent.

TABLE 7.12—DIGGING AND REPAIR OF WELLS AND DEVELOPMENT OF OTHER IRRIGATION RESOURCES

[General Schedule data]

Group	PROPORTION OF FAMILIES REPORTING EXPENDITURE ON		PROPORTION OF EXPENDITURE BY EACH CLASS TO THE TOTAL EXPENDITURE BY ALL CULTIVATORS ON		EXPENDITURE PER REPORTING FAMILY ON	
	Digging and repair of wells (Per cent)	Development of other irrigation resources (Per cent)	Digging and repair of wells (Per cent)	Development of other irrigation resources (Per cent)	Digging and repair of wells (Rs)	Development of other irrigation resources (Rs)
	1	2	3	4	5	6
Big cultivators.....	28.4	76.1	22	17	251	83
Large cultivators.....	17.6	84.1	40	40	265	63
Medium cultivators.....	21.4	81.4	58	41	271	57
Small cultivators.....	10.6	64.6	2	19	19	44
Non-cultivators.....	2.5	4.6	—	—	303	100

As compared to the expenditure on digging and repair of wells, that on development of other irrigation resources appears to be important considering the fact that about 78 per cent of the cultivating families reported expenditure on the latter as compared to less than one-fifth who reported expenditure on digging and repair of wells. The fact that a relatively high proportion of families reported expenditure on development of irrigation resources, even though a very small proportion of the total area was under irrigation can perhaps be explained in terms of the usual practice of each cultivator to have at least a small proportion of the total holding near tanks, *bandharas* or wells. Expenditure on digging of channels or waterways for diverting water from the irrigation source to the cultivation field would of course be included under this category. The average expenditure per reporting family on digging and repair of wells was, however, almost four times that on the development of other irrigation resources. Development of other irrigation resources includes minor irrigation works such as small tanks, bunds across small *nallas*, irrigation implements to lift water from wells, etc. The nature of activities would vary from locality to locality. It is, therefore, not surprising that the average expenditure per reporting family on development of other irrigation resources was much smaller than that on digging and repair of wells.

Whereas the proportion of families reporting expenditure on digging and repair of wells was about 28 per cent in the case of big cultivators it was only 11 per cent in the case of small cultivators. Proportion of expenditure incurred by small cultivators who constituted about 29 per cent of the cultivating families was only 2 per cent of the total expenditure incurred by cultivators on this item. On the other hand, the small cultivators accounted for about 19 per cent of the expenditure on development of other irrigation resources which might indicate that those cultivators, who could not afford large expenditure on digging of new wells and repair

of existing wells, reported expenditure on other irrigation resources, such as digging of water channels, etc.

Expenditure on digging and repair of wells and development of other irrigation resources accounted for 40 per cent of the total capital expenditure in the case of big cultivators; the proportions were 41 per cent in the case of large cultivators, 51 per cent in the case of medium cultivators, 28 per cent in the case of small cultivators and 5 per cent in the case of non-cultivators. The fact that a relatively very small proportion was accounted for by expenditure on this item, may indicate either lack of opportunities to the small cultivators for developing these resources or the inability to incur expenditure on these items. In fact, according to the sources of finance data collected in the intensive enquiry, it appears that the cultivators of the lower strata had to resort to borrowings to a greater extent for financing expenditure on this item than the cultivators of the upper strata.

TABLE 7.13—SOURCES OF FINANCE FOR DIGGING AND REPAIR OF WELLS AND DEVELOPMENT OF OTHER IRRIGATION RESOURCES

[Amount in rupees per family]

Item	SOURCES OF FINANCE					
	Total	Current income	Past savings	Sale of assets	Borrowings	Other sources
	1	2	3	4	5	6
DIGGING AND REPAIR OF WELLS						
General Schedule data						
All families.....	28 (100)	3 (10)	9 (33)	-	16 (56)	
Intensive enquiry data						
Upper strata.....	128 (100)	31 (24)	38 (29)	-	60 (47)	-
Lower strata.....	26 (100)	2 (6)	10 (37)	-	15 (57)	-
DEVELOPMENT OF OTHER IRRIGATION RESOURCES						
General Schedule data						
All families.....	31 (100)	27 (87)	-	-	4 (13)	-
Intensive enquiry data						
Upper strata.....	55 (100)	52 (94)	-	-	3 (6)	-
Lower strata.....	29 (100)	21 (72)	-	-	8 (28)	-

(Figures within brackets give percentages to total)

Whereas more than half of the total expenditure on digging and repair of wells was financed out of borrowings, in the case of expenditure on development and other irrigation resources borrowings accounted for only 13 per cent according to the General Schedule data. Borrowings for digging and repair of wells and development of other irrigation resources accounted for more than two-fifths of the total

borrowings used for capital expenditure in agriculture. In this respect borrowings for digging and repair of wells appear to be more important than borrowings for purchase of livestock.

7.4.4 Laying of new orchards and plantations

Laying of new orchards and plantations is a specialized type of activity restricted to only certain villages where agricultural conditions are particularly favourable. Only about 7 per cent of the cultivating families reported expenditure on this item while expenditure per reporting family was Rs 29. Details are given in Table 7.14 below.

TABLE 7.14—LAYING OF NEW ORCHARDS AND PLANTATIONS

[General Schedule data]

Group	Proportion of families reporting expenditure	Expenditure per reporting family	Proportion of expenditure on this item to the total expenditure on capital investment in agriculture
	(Per cent)	(Rs)	(Per cent)
Big cultivators.....	3.9	20	—
Large cultivators.....	9.9	45	2
Medium cultivators.....	6.7	14	—
Small cultivators.....	4.7	18	1
Non-cultivators.....	—	—	—

Expenditure on laying of new orchards and plantations was relatively less important having constituted only about 1 per cent of the total capital expenditure in agriculture, which was financed out of owned resources.

7.4.5 Purchase of implements, machinery and transport equipment

Expenditure on purchase of implements, machinery and transport equipment was reported in the General Schedule as an item under the broad group 'capital investment in agriculture'. In addition, in the intensive enquiry, we collected data relating to value of owned implements and machinery as at the time of the first round of the Survey.

Proportion of families reporting expenditure on purchase of implements and machinery was 82 per cent for the cultivators as a group which shows that of the specified items of capital expenditure in agriculture, the most common, i.e., that on which the largest proportion of families incurred expenditure was the purchase of implements, machinery and transport equipment. The average expenditure per family, however, was only Rs 29, the maximum amount being Rs 41 in the case of big cultivators. Even in the case of big cultivators the expenditure per reporting family was only Rs 59. Though the term 'implements, machinery and transport equipment' is a very broad one, expenditure on this item is perhaps restricted to that on purchase of small implements like iron ploughs, pumping sets and other implements, etc. The relevant data are given in Table 7.15 on page 76.

TABLE 7.15—PURCHASE OF IMPLEMENTS, MACHINERY AND TRANSPORT EQUIPMENT

[General Schedule data]

Group	Proportion of families reporting expenditure (Per cent)	Expenditure per reporting family (Rs)	Expenditure per acre (Per cent)
Big cultivators.....	69.5	59	1.3
Large cultivators.....	77.8	46	1.4
Medium cultivators.....	87.3	32	1.7
Small cultivators.....	79.0	29	2.9
Non-cultivators.....	2.5	26	—

From the above table, it appears that even though the expenditure per reporting family was greater in the case of big cultivators, in relation to the size of cultivated holdings, the expenditure was actually higher in the case of small cultivators. It is difficult to interpret this particular trend simply on the basis of this data. It is not possible to say that the high expenditure on this item reflects the high overhead costs in the case of smaller cultivators. With a view to getting a fuller picture of this position, we give in the table below data collected in the intensive enquiry.

TABLE 7.16—EXPENDITURE ON PURCHASE AND MAINTENANCE OF IMPLEMENTS

[Intensive enquiry data. Amount in rupees per family]

Item	Upper strata	Lower strata	All cultivators
Value of owned implements and machinery as at the time of the first round of the Survey.....	688	330	509
Expenditure on purchase of implements, machinery and transport equipment.....	40	28	34
Expenditure on repairs and maintenance of implements and machinery (which is included in the current farm expenditure)...	31	20	26

For the district as a whole less than 12 per cent of the total expenditure on this item was financed out of borrowings and according to the General Schedule data; the proportion being 3 and 16 per cent for the cultivating families of the upper strata and lower strata, respectively, according to the intensive enquiry. Proportion of expenditure on this item financed out of borrowings to the total capital expenditure in agriculture financed out of borrowings was 4 per cent according to the intensive enquiry data.

7.4.6 Construction of farm houses and cattle sheds

Sheds and shelter for cattle and other livestock cannot always be separated from residential dwellings. They are generally attached to the dwellings themselves and the same is the case regarding arrangements for storing of produce, tools, implements, etc. Except in places where there is a marked distinction between

houses in the village and buildings on farms, it would be difficult to separate the items of expenditure on construction or repair of residential buildings and other construction or repairs of farm houses. Only about 2.5 per cent of the cultivating families reported expenditure on this item. However, the proportion was 13 per cent in the case of big cultivators. The details are given in Table 7.17 below.

TABLE 7.17—CONSTRUCTION OF FARM HOUSES, CATTLE SHEDS, ETC.

[General Schedule data]

Group	Proportion of families reporting expenditure	Expenditure per family	Proportion of expenditure incurred by this to the total expenditure incurred by cultivators
	(Per cent)	(Rs)	(Per cent)
Big cultivators.....	12.6	11	60
Large cultivators.....	4.8	5	69
Medium cultivators.....	1.2	1	21
Small cultivators.....	1.5	1	10
Non-cultivators.....	-	-	-

Large cultivators, who constituted only 33 per cent of the cultivating families accounted for 69 per cent of the expenditure incurred by all cultivators. It was, perhaps, difficult especially for the small cultivators to distinguish between expenditure on residential houses and that on construction of farm houses, as many of the small cultivators did not have separate structures meant for farm animals and business purposes only. As the total expenditure reported on this item was very small, it is difficult to arrive at any correct picture regarding the source of finance for this item.

7.5 RECEIPTS FROM SALE OF ASSETS

In the earlier part of this chapter we have already referred to the data relating to sale of land and livestock. Here we shall broadly discuss the total receipts from sale of various kinds of assets, as these data would be of importance in the discussion on investment and disinvestment, which follows in the next section.

Data relating to sale of assets are available in respect of only six major categories namely, land, livestock, implements and machinery, houses and buildings, ornaments and bullion and financial and other assets. In the General Schedule none of the families reported receipts from sale of implements and machinery as also from sale of houses and buildings. The relevant data are given in Table 7.18.

Of the total receipts from sale of assets, those from sale of ornaments and bullion accounted for about two-fifths of the total receipts. However, among groups of cultivators receipts from sale of ornaments and bullion were reported only by large cultivators and small cultivators, the average receipts per family being Rs 2 and Rs 12, respectively. Average receipts from sale of bullion and ornaments per family

in the case of small cultivators were Rs 29 in Jujarpur, Rs 21 in Sheriakhan, Rs 17 in Vadhavi and Rs 4 in Bhesan.

TABLE 7.18—RECEIPTS FROM SALE OF VARIOUS TYPES OF ASSETS

[General Schedule data. Amount in rupees per family]

Group	Total	Sale of land	Sale of livestock	Sale of implements and machinery	Sale of houses and buildings	Sale of bullion and ornaments	Sale of financial and other assets
	1	2	3	4	5	6	7
Big cultivators.....	2	2	-	-	-	-	-
Large cultivators.....	4	2	-	-	-	2	-
Medium cultivators.....	4	-	4	-	-	-	-
Small cultivators.....	20	-	4	-	-	12	4
All cultivators.....	9	1	2	-	-	4	1
Non-cultivators.....	11	-	-	-	-	11	-
All families.....	10	1	2	-	-	6	1

Whereas the small cultivators reported, in addition, receipts from sale of livestock and other financial assets, medium cultivators did not report any receipts from assets other than livestock. Large cultivators reported receipts from sale of land as well as bullion and ornaments, while big cultivators reported receipts only from sale of land. With a view to assessing the importance of receipts from sale of assets in financing various types of expenditure, we give in Table 7.19 below some relevant data already discussed before.

TABLE 7.19—EXPENDITURE FINANCED BY SALE OF ASSETS

Item	PROPORTION OF EXPENDITURE FINANCED OUT OF SALE OF ASSETS TO THE TOTAL EXPENDITURE ON THIS ITEM (PER CENT)		
	GENERAL SCHEDULE	INTENSIVE ENQUIRY	
		All families	Upper strata
Capital expenditure in agriculture....	1	1	13
Current farm expenditure.....	..	-	-
Family expenditure.....	-	-	-

It will be seen from the above table that about 13 per cent of the capital expenditure in agriculture incurred by the cultivators of the lower strata was financed out of sale of assets while family expenditure financed out of sale of assets was negligible.

7.6 INVESTMENT AND DISINVESTMENT

It is not possible on the basis of data relating to debt, borrowings and repayments to throw any light on deficits in the economy. A large part of the borrowings

in particular villages or for particular strata of the population may be for capital expenditure of one kind or the other. An increase in the outstanding debt by itself will not, therefore, indicate any deterioration in the economic position of a family or a village. In the same way, a low level of repayments during a particular year may not also be a sign of economic deterioration. In fact, in the initial stages of economic development, such a low proportion may be indicative of a large and rapid long-term investment.

One way in which to determine whether the economic condition of an individual or a group has improved or deteriorated during a given period of time would be to compare the net assets position at the beginning and at the end of the period. However, detailed information required for assessing the net assets position of a family was not obtained during the Survey. In the first instance, data either relating to inventories in kind or resources in cash were not collected. Secondly, data relating to purchase of bullion and ornaments were also not asked for. Thirdly, it was also not possible to collect data relating to lendings by rural families to others. The main reason for not collecting these data was fear of arousing suspicion in the minds of respondents. Therefore, if we proceed to compare the position of rural families at the beginning and at the end of the year covered by the Survey on the basis of the data collected by us, the results are likely to be misleading.

An alternative way of arriving at a calculation of the deficits in the economy would be through full enumeration of all transactions during the period. Apart from the obvious difficulties of such enumeration in respect of a small and only partially monetized business as that of the Indian cultivators, an important feature of Indian rural economy further complicates such a task. The common feature is that the business and domestic economy of the cultivator are so mixed up that it would be impossible to obtain any clear idea of deficits or surpluses unless full details of family living are collected. A proper accounting of this type of consumption would require a detailed enquiry into family living which could not be attempted in a survey with the limited objectives of the Rural Credit Survey.

In view of the above, the only alternative method which could be followed was that of calculating deficits through data regarding capital expenditure and investment, sale of assets and borrowings and repayments. The underestimation or under-reporting of gross produce, or stocks, and of prices does not affect the total position as envisaged by us. The position is judged by us in terms only of definite changes in the extent of physical assets or financial assets owned and no surplus or deficit is recognised, unless it exhibits itself through a net change recorded during the year in the ownership either of types of capital assets or of financial obligations. The data for the district as a whole are given in Table 7.20.

Now it may be noted that in this calculation, attention is confined to the record of transactions on what may be called the capital account. It is assumed by us that if we collect information regarding the acquisition of assets and reduction of debts on the one side and the contraction of debts and sale of assets on the other,

TABLE 7.20—INVESTMENT—DISINVESTMENT

[General Schedule data. Amount in rupees per family]

Group	INVESTMENT				
	Capital expenditure in agriculture	Non-farm business expenditure	Financial investment expenditure	Repayments	Total
	1	2	3	4	5
Big cultivators.....	315	11	5	177	508
Large cultivators.....	239	4	2	96	341
Medium cultivators.....	204	1	—	87	292
Small cultivators.....	107	5	—	61	173
All cultivators.....	187	3	1	82	273
Non-cultivators.....	31	206	1	25	262
All families.....	137	69	1	64	270

Group	DISINVESTMENT			Net investment (+) or disinvestment (-)	Construction and repairs of residential houses and other buildings
	Borrowings	Sale of assets	Total		
	6	7	8		
Big cultivators.....	314	2	316	+192	472
Large cultivators.....	263	4	267	+ 74	246
Medium cultivators.....	268	4	272	+ 20	63
Small cultivators.....	170	20	190	- 17	9
All cultivators.....	238	9	247	+ 26	107
Non-cultivators.....	142	11	153	+109	52
All families.....	207	10	217	+ 53	89

the net change adequately summarizes the total result of economic activity during the year. The chief assumption in this calculation is that all significant changes or all significant deficits or surpluses would be reflected in the changes in capital assets and investments and in borrowings and debts. It will also be noticed that transactions leading to acquisition of assets, particularly lendings and purchases of bullion and ornaments are ignored. Stocks and inventories position is completely ignored and there is an assumption of investment effect of certain expenditure. The stocks and inventories position does not materially change in most years for the majority of rural families. For the major part, it is believed that most of these assumptions did not vitiate our conclusion to any material extent. The indications regarding surplus and deficit during the particular year by what we have called net investment or disinvestment calculations, appear to give a fair and, in the circumstances, the best approach to the problem indicating elements of deficits in the economy.

Apart from the deficiencies in our data pointed out in the previous paragraph, a calculation of net balance attempted on the basis of our data, must allow for the elements such as (1) livestock purchased which does not represent net addition to stock at the end of the year, (2) the repair and maintenance element for which allowances have to be made in the data relating to capital expenditure, (3) an allowance for the replacement element in the data relating to capital expenditure and (4) a small element in the sale of assets which represents sale of livestock which is a part of current farm investment and does not represent capital disinvestment.

There are, however, two major factors, for which allowances ought to be made and have actually been made in Part 1, Volume 1 of the Report on the Rural Credit Survey; these have not been made in the district report. The major allowances on the two sides are (1) for lendings adding to the investment side and (2) for the maintenance and replacement element reducing the value of the investment. It is obvious that the addition would be important only for the upper decile cultivators and in particular for the big cultivators. The deductions, on the other hand, would affect the figures for all the deciles in somewhat similar proportions; or possibly the deductions regarding repair, maintenance and replacement may even have to be proportionately larger for the lower decile cultivators than for the upper. It is impossible to work out the effect of this in detail on the fortunes of the various groups.

In Volume 1, the Survey Report of the All-India Rural Credit Survey, with a view to accounting for these limitations, due allowances are made in the data relating to investment and disinvestment. There, the figures for the groups and regions are also discussed in detail. It is, however, not possible to discuss these data at the district level as it introduces major complications in computation as well as in presentation.

For all classes of cultivating families, the most important item of investment was capital investment in agriculture, other classes of investment were substantial only for the big cultivators. For all the groups of cultivators, except small cultivators, the balance show a net investment position. For small cultivators, a net disinvestment was seen. The average net investment for the big cultivators was more than twice that of the large cultivators and more than nine times that of medium cultivators. Non-cultivators also show a net investment position.

In the case of small cultivators, who show a net disinvestment of Rs 17 per family, percentage increase in debt during the year was 154 as against 296 in the case of large cultivators. The net disinvestment position, as will be seen later, was largely a result of substantial borrowings for purposes other than farm and non-farm business, relatively large sale of assets and low capital investment in agriculture.

What is particularly striking about the small cultivators is that even if allowance is made for expenditure on construction and repair of residential houses, which could be taken for the time being on the investment side, the small

cultivators continue to show a net disinvestment position. Unlike the small cultivators, the medium cultivators, with their lower percentage increase in debt and with 31 per cent of the total borrowings for farm and non-farm business, show a net investment position.

TABLE 7.21—INVESTMENT-DISINVESTMENT AND SOME IMPORTANT TRANSACTIONS

[General Schedule data. Amount in rupees per family]

Group	Net invest- ment (+) or disinvest- ment (-) per family	Percentage increase in debt during the year	Expenditure on construc- tion and repair of residential houses	AVERAGE AMOUNT BOR- ROWED PER FAMILY FOR	
				Farm and non-farm business	Other purposes
	1	2	3	4	5
Big cultivators.....	+192	170	472	61	253
Large cultivators.....	+ 74	296	246	57	207
Medium cultivators.....	+ 20	100	63	83	186
Small cultivators.....	- 17	154	9	27	143
Non-cultivators.....	+109	360	52	87	55

We may now proceed to examine the data in respect of cultivating families for each of the eight selected villages in the district separately. It will be seen from the table below, that except in Sheriakhan and Zadka, the figures for average per cultivating family show a net investment position.

TABLE 7.22—INVESTMENT-DISINVESTMENT OF CULTIVATING FAMILIES

[General Schedule data. Amount in rupees per family]

Village	Net invest- ment (+) or disinvest- ment (-) per culti- vating family	Capital expendi- ture in agricul- ture per family	AMOUNT BORROWED FOR		Expendi- ture on construc- tion and repair of residen- tial houses	Family expendi- ture per cultivat- ing family
			Farm and non-farm business	Other purposes		
	1	2	3	4	5	6
Bhesan.....	+197	506	147	217	234	878
Devda.....	+333	585	173	162	149	729
Khorasa.....	+419	348	207	205	211	725
Vadhavi.....	+107	391	112	166	100	644
Anida.....	+ 52	182	48	133	232	624
Jujarpur.....	+ 56	150	42	62	123	424
Sheriakhan.....	- 8	284	94	271	67	537
Zadka.....	- 36	75	25	237	-	358
District.....	+ 26	187	58	180	107	499

In the three relatively advanced villages of Bhesan, Devda and Khorasa cultivators show a net investment position. In Bhesan and Devda, the capital expenditure was greater than the borrowings during the year. In Devda and Khorasa a

larger proportion of the borrowings was used for farm and non-farm business thus showing a more productive use of credit. In Khorasa, however, capital expenditure in agriculture per family was smaller than borrowings during the year. In spite of this, the cultivators of this village show the highest net investment position which can perhaps be ascribed to high repayments. Average repayment per cultivating family in Khorasa was the highest of all villages at Rs 243 ; cash receipts from sale of crops and fodder were also the highest at Rs 1,830 per selected cultivating family.

In Vadhavi and Jujarpur, though the cultivators show a net investment position for the village as a whole, the small cultivators of these villages show a net disinvestment position. We shall discuss this position a little later. In the village Anida, which is surrounded by forests, the economic conditions were materially different, at least as compared to villages like Khorasa, Devda, Bhesan and Vadhavi. The volume of borrowings was low and capital expenditure was relatively high in this village.

The investment-disinvestment position in Sheriakhan is such that in spite of a relatively high level of capital expenditure, at least higher than in village Anida and Jujarpur where the cultivators show a net investment position, the cultivators show a net disinvestment. Analysing the data, for different groups of cultivators, it is noticed that both the big and the large cultivators show a net investment. The explanation would, therefore, be that the bad fortunes of medium and small cultivators and the good fortunes of the big and large cultivators may actually co-exist and are compatible with high capital formation by classes which have done well during the year.

Finally, there is the village Zadka, where the cultivators show a net disinvestment position and the capital expenditure in agriculture is also low. In this village large, medium and small cultivators show a net disinvestment position. In the table below, we have enumerated only those groups of cultivators who have shown a net disinvestment position.

TABLE 7.23—GROUPS OF CULTIVATORS SHOWING NET DISINVESTMENT

[General Schedule data. Amount in rupees per family]

Village	Group of cultivators	Net disinvestment	AMOUNT BORROWED FOR		Capital expenditure on agriculture	Expenditure on construction and repair of residential houses
			Farm and non-farm business	Other purposes		
	1	2	3	4	5	6
Vadhavi.....	Small	-26	86	227	253	34
Jujarpur.....	Small	-17	35	84	96	31
Sheriakhan.....	Medium	-43	129	300	273	21
	Small	-56	32	211	162	1
Zadka.....	Large	-6	26	229	74	-
	Medium	-75	44	294	100	-
	Small	-27	-	172	42	-

Small cultivators of village Vadhavi reported a small proportion of borrowings for farm and non-farm business, especially when compared to the average for the village as a whole. Further, capital expenditure in agriculture was lower than the total borrowings of small cultivators. However, when allowance is made for expenditure on construction and repair of residential houses, the small cultivators show a net investment position.

Small cultivators of village Jujarpur show a net disinvestment position. The details as recorded in the General Schedule for small cultivators of Jujarpur are as follows :—

	(Average per family)	
Capital expenditure in agriculture	Rs 96	
Non-farm business expenditure.....	—	
Financial investment expenditure.....	—	
Repayments.....	Rs 35	
Total	—————	Rs 131
Borrowings.....	Rs 119	
Sale of assets	Rs 29	
Total	—————	Rs 148
Net disinvestment		Rs 17

Average receipts from sale of assets per small cultivator for the district as a whole was only Rs 20. In only two villages, namely, Jujarpur and Sheriakhan, the averages exceeded the district average, the figure being Rs 29 for Jujarpur and Rs 23 for Sheriakhan ; average receipts from sale of bullion and ornaments per small cultivator in Jujarpur and Sheriakhan was Rs 29 and Rs 21, respectively. The average borrowings per small cultivator in Jujarpur was the lowest in all the eight villages, except Anida, where it was Rs 91. In spite of this low level of borrowings the cultivators show a net disinvestment position. There is no doubt that the position of small cultivators in the village deteriorated during the year surveyed.

Both medium and small cultivators of the village Sheriakhan, and large, medium and small cultivators of the village Zadka show a net disinvestment position. In all these cases, borrowings for farm and non-farm business was low as compared to total borrowings, and capital expenditure in agriculture was much smaller than borrowings during the year. It cannot be said in any of these cases that repayments during the year were low. In fact as compared to the district average for percentage increase in debt of small cultivators, which is estimated at 154, percentage increase in debt during the year for the groups under consideration was low. The explanation for the net disinvestment position lies in large proportion of borrowings for family purposes, and low level of capital expenditure, accompanied in some cases, by large sale of assets. There was, in all these cases, a net deterioration in the position of these groups ; the position does not appear to improve even if allowances are made for expenditure on construction and repair of residential houses and other buildings.

In the discussion above, we have used only the General Schedule data. We shall now proceed to use the data collected through intensive enquiry. Data shown separately for cultivators of the first five deciles and the last five deciles show a net investment of Rs 189 and Rs 67, respectively.

TABLE 7.24—INVESTMENT—DISINVESTMENT

[Intensive enquiry data. Amount in rupees per family]

Strata	INVESTMENT					DISINVESTMENT			Net investment (+) or disinvestment (-)	Construction and repairs of residential houses and other buildings
	Capital expenditure in agriculture	Capital expenditure in non-farm business	Financial investment expenditure	Re-payment of old debt	Total	Borrowings	Sale of assets	Total		
	1	2	3	4	5	6	7	8		
Upper strata....	300	3	-	175	478	281	8	289	+189	201
Lower strata....	159	-	-	105	264	164	33	197	+ 67	19
All cultivators	230	1	-	140	371	222	21	243	+128	110

A positive overall balance for all families does not throw much light on individual families, as the figures we have used so far are all average figures in which the total balance for all families in a group is cast together. This is particularly brought out in Table 7.25 below.

TABLE 7.25—INVESTMENT AND DISINVESTMENT : GROSS PRODUCE GROUP

[Intensive enquiry data]

Strata	NUMBER OF FAMILIES CLASSIFIED ACCORDING TO VALUE OF GROSS PRODUCE WHICH SHOW INVESTMENT (+) OR DISINVESTMENT (-)					Net balance when figures are cast together (Average in rupees per family)
	Less than Rs 400	Rs 400- Rs 600	Rs 600- Rs 1,000	Rs 1,000- Rs 3,000	Rs 3,000 and above	
	1	2	3	4	5	
Upper strata.....	- 1 + 2	- 3 + 3	- 3 + 8	- 11 + 42	- + 7	+189
Lower strata.....	- 5 + 4	- 3 + 4	- 3 + 6	- 4 + 10	- 1 nil	+ 67

The above table gives the frequency distribution of 120 families showing investment and disinvestment according to the two strata and also according to the value

of gross produce. The weighted figures for the cultivators of the upper strata show a net investment of Rs 189 per family. However, of the 80 cultivating families in this group, 18 cultivating families show a net disinvestment position. Of the 40 cultivating families in the lower strata, 16 show a net disinvestment position. Now let us consider the position after classifying them according to the value of gross produce. Small cultivators show a net disinvestment of Rs 22 per family. Of the twelve cultivators in this group with less than Rs 400 of gross produce, six show a net disinvestment position, of which five were from the lower strata. With an increase in the value of gross produce the proportion of families reporting disinvestment to the total number of families gradually declines.

This clearly indicates that with the increase in the size of operations—whether the size is measured by physical acres of cultivated holdings or by value of gross produce—proportion of families showing a net investment position gradually increases. Broadly, the picture given by these data is one of the generally unfavourable year, and agrees with the general picture which the increase in outstanding debt presented. It is also a picture that shows a worsening of the position of cultivating families from the big cultivators to the group of small cultivators, in that order. The discussion, therefore, supports the conclusion that the movement towards a negative balance in the case of small cultivators is more marked than in the case of big cultivators and the movement towards a positive balance in the case of big cultivators is distinctly larger and more positive than in the case of small cultivators.

CHAPTER 8

CURRENT FARM OPERATIONS

8.1 CROP PATTERN

In this chapter, we discuss the data relating to current farm operations collected in the intensive enquiry from 120 selected cultivating families in the eight selected villages. The information was collected separately for two six-month periods, namely, April 1951 to September 1951 and October 1951 to March 1952. Data for the whole year, i.e., April 1951 to March 1952 have been used by adding figures for the two six-month periods.

In Chapter 1, we have already observed that *jowar*, *bajra*, groundnut and other oilseeds, and cotton are the major crops grown in the district. Roughly two-thirds of the area was under *jowar* and *bajra*, while groundnut and other oilseeds accounted for about 23 per cent of the total area in the year surveyed. However, in the selected villages, the pattern of crop production was slightly different, *jowar* and *bajra* accounting for more than 50 per cent of the cultivated area in all the selected villages except Sheriakhan, where gram and other pulses were relatively more important. Though, in most of the villages, the proportion of area under rice was relatively small, in Zadka about 23 per cent of the area was under this crop. Area under sugar-cane constituted less than 1 per cent of the area in Bhesan and Sheriakhan, while in Vadhavi and Sheriakhan wheat accounted for 2 per cent of the total cultivated area. Cotton was reported only in Vadhavi where it accounted for less than 1 per cent of the total cultivated area though in the district as a whole about 11 per cent of the total cultivated area was under this crop.

According to the intensive enquiry, about 58 per cent of the area cultivated by the selected families was under millets. Oilseeds, mostly groundnut, accounted for 23 per cent. Fruits and spices accounted for 1 per cent each, rice accounted for 3 per cent, while wheat accounted for 2 per cent.

The pattern of crop production as revealed by the data relating to proportion of gross produce of each crop to the total value of gross produce reported by the 120 selected cultivating families is generally similar to that indicated by the area under different crops; millets accounted for 38 per cent of the total produce while oil-seeds accounted for 16 per cent. Largely due to the high value of produce of certain crops, the proportion accounted by the crop to the total value of gross produce was 10 per cent in the case of spices, largely onions and chillies, 9 per cent in the case of fruits, mainly bananas, and 8 per cent each in the case of rice and wheat.

TABLE 8.1—CROP PATTERN IN SORATH DISTRICT

Crop	Proportion of area under this crop to the total cultivated area in the district (according to Revenue authorities*)	INTENSIVE ENQUIRY DATA FOR THE EIGHT SELECTED VILLAGES		
		Proportion of area under this crop to the total sown area	Proportion of value of gross produce of this crop to the total value of gross produce	Proportion of families with this as the major crop to the total number of selected cultivating families (Per cent)
		(Per cent)	(Per cent)	(Per cent)
	1	2	3	4
1. Rice.....	3	3	8	2.9
2. Wheat.....	2	2	8	3.8
3. Millets.....	64	58	38	54.2
4. Other cereals.....	-	10	5	-
5. Cotton.....	10	-	-	-
6. Sugar-cane.....	0.3	-	1	0.1
7. Oilseeds (including groundnut).....	21	23	16	12.7
8. Fruits.....	..	1	9	-
9. Spices (mostly onions and chillies).....	..	1	10	-
10. Betel leaf.....	..	-	2	-
11. Other crops.....	..	2	3	26.3
Total.....	100	100	100	100.0

* Information relates to the year ending 31 July 1953.

8.2 CURRENT FARM EXPENDITURE

The 'total farm expenses' noted by us included (1) value of seed and manure, both owned and purchased, (2) cash wages paid and value of payments made in kind to casual, annual and permanent farm servants, village artisans and others, (3) value of fodder and other cattle feed purchased and payments made for grazing facilities and rent paid for pastures and other type of current farm expenditure enumerated in Table 8.2 and Table 8.3. No attempt was made to evaluate the family labour employed and to include the value in total farm expenses. Similarly, no charges for services of owned draught cattle were added nor was any *ad hoc* allowance made on that account. The cost of owned fodder consumed on farm has also not been taken into account. As our study was not directed to farm employment costs or farm management, collection of data regarding farm expenditure was not carried out in as great a detail or as meticulously as would be required in studies which have that objective primarily in view. However, the data are of interest not only for a general study of the farming economy but also in relation to the volume of expenditure and the size of the potential credit requirements that they indicate. The data collected regarding current farm expenditure, both in cash and kind, are presented for the two groups of strata in Tables 8.2 and 8.3. It will be seen from the tables that data relating to owned fodder used in business are not presented as they were not collected. Secondly, expenses on remuneration to permanent farm servants were put under general expenses. Also in asking for information on

this item, the distinction between cash and kind expenditure was not maintained. Thus, we obtained an all inclusive total which was not capable of being split up into its cash and kind components. To that extent our breakdown between cash and kind expenses is not complete.

TABLE 8.2—CURRENT FARM EXPENDITURE—DETAILS

[Intensive enquiry data]

Item	UPPER STRATA		LOWER STRATA		ALL CULTIVATORS	
	Average per family	Proportion of total expenditure	Average per family	Proportion of total expenditure	Average per family	Proportion of total expenditure
	(Rs)	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)
	1	2	3	4	5	6
1. Cash expenditure on						
1.1 Seed	52.5	4.9	30.7	6.1	41.6	5.2
1.2 Manure.....	59.4	5.5	9.5	1.9	34.5	4.4
1.3 Fodder.....	128.0	11.9	103.1	20.3	115.6	14.6
1.4 Wages and purchase of grain for payment of wages.....	121.1	11.2	55.1	10.9	88.1	11.1
1.5 Other cash expenditure.....	169.5	15.7	60.5	11.9	115.0	14.5
Total current farm cash expenditure.....	530.6	49.2	259.0	51.1	394.8	49.8
2. Expenditure in kind on						
2.1 Seed.....	162.6	15.1	46.5	9.2	104.5	13.2
2.2 Manure.....	208.9	19.4	108.2	21.3	158.5	20.0
2.3 Wages in kind other than at harvest time	9.2	0.8	4.7	0.9	7.0	0.9
2.4 Value of total disposals in kind made immediately after harvest.....	166.9	15.5	88.5	17.5	127.7	16.1
Total current farm kind expenditure.....	547.6	50.8	247.9	48.9	397.7	50.2
Total.....	1,078.2	100.0	506.9	100.0	792.5	100.0

It is observed that about half of the total current farm expenditure recorded in the intensive enquiry was incurred in cash. Of the current farm cash expenditure, more than one-fourth was accounted for by fodder. Expenditure on purchase of seed and manure together accounted for about one-fifth of the total current farm cash expenditure. As regards the expenditure in kind, it is noticed that value of owned seed and manure alone accounted for about two-thirds and of total disposals in kind immediately after harvest for one-third. There are two major items in Table 8.2, details in respect of which need to be studied viz., 'other cash expenditure' and 'value of total disposals in kind immediately after harvest'. Of the 'other cash expenditure on farm,' about 41 per cent was accounted for by land revenue and other agricultural charges while about one-fifth by expenditure on maintenance and repairs of implements and machinery. Salaries paid to annual farm servants

also accounted for about 20 per cent of this expenditure. The details are given in Table 8.3 below.

TABLE 8.3—OTHER CURRENT FARM CASH EXPENDITURE

[Intensive enquiry data]

Item	PERCENTAGE TO TOTAL CURRENT FARM CASH EXPENDITURE		ALL CULTIVATORS	
	Upper strata	Lower strata	Amount in rupees per family	Percentage to total other current farm cash expenditure
	1	2	3	4
1. Cash contributions to tenants, co-sharers and partners.....	-	-	-	-
2. Purchase of materials for farming*.....	-	-	0.2	-
3. Maintenance and repair of implements and machinery....	19	34	25.8	22
4. Hire of implements and bullocks.....	1	2	1.9	2
5. Transport charges for marketing.....	-	-	-	-
6. Sale commissions.....	-	-	-	-
7. Storage and other marketing costs.....	-	-	0.1	-
8. Salaries paid to annual or permanent farm servants.....	24	9	23.1	20
9. Cash rent paid to landlords....	4	1	3.5	3
10. Land revenue and other agricultural charges.....	40	42	46.9	41
11. Interest paid on loans.....	10	11	11.7	10
12. Other cash farm expenses.....	2	1	1.9	2
Total amount in rupees per family.....	170	61	115	

* Other than seed, manure and fodder.

About 16 per cent of the total current farm expenditure was in the form of disposals in kind immediately after harvest. Of these disposals rent share to landlords and co-sharers accounted for about 20 per cent while wages to labourers for harvesting accounted for about 18 per cent. More than half of the total value of disposals was in the form of remuneration to artisans and services; this would indicate that about 9 per cent of the current farm expenditure was for these purposes. The details are given in Table 8.4 on page 91.

The value of payments in kind for the purposes of Table 8.4 was estimated on the basis of harvest prices prevailing during the year of the Survey.

8.3 CASH RECEIPTS

Before proceeding on to details regarding total produce on the farm as also cash receipts from sale of crops and fodder and from other sources, it may be useful to examine the total figures regarding value of gross produce. Value of gross produce is the value of total produce grown on farm including fodder but not livestock

products such as milk, or poultry products. It is the value of total produce of crops, whether sold, disposed of in other ways or retained for consumption, for use in farm business or for sale later. It is obvious that the reliability of reporting depends on a number of factors such as completeness of reporting of quantities of produce or value of sale of produce or the evaluation according to some assumed price of the product not sold. There are a number of considerations which make it likely that the value of gross produce sold is an item of information which is less reliable than many other items derived from our enquiry. Largely due to the activities of procurement agencies in the district and partly due to the definite bias in the direction of under-reporting which is evident in most enquiries of this type, physical quantities may be underestimated, prices of sales reported thus may be less than what they were and total sales may also be minimized. The total value is thus underestimated in our returns.

TABLE 8.4—DISPOSALS IN KIND

[Intensive enquiry data]

Item	UPPER STRATA	LOWER STRATA	ALL CULTIVATORS	
	Average amount in rupees per family	Average amount in rupees per family	Average amount in rupees per family	Proportion to the total disposals in kind (Per cent)
	1	2	3	4
Rent share to landlord or co-sharer.....	27.3	23.0	25.2	20
Wages to labour for harvesting, etc.....	31.4	13.5	22.5	18
Remuneration to artisans and services.....	98.2	43.5	70.9	55
Other payments at harvest time	9.9	8.5	9.2	7
Total.....	166.9	88.5	127.7	100

'Cash receipts' included cash proceeds from sale of crops and fodder (either raised in the year of the Survey or in the years preceding the Survey or obtained by way of rent or other payments) and receipts from sale of milk and milk products, poultry and poultry products, seeds, plants, fruits, vegetables and manure, carting, cash wages, cash rent, interest on amounts lent to others and remittances received. 'Cash receipts' did not include earnings from any subsidiary occupations other than those specifically mentioned above, in which the cultivator may have been engaged. This type of income is, however, likely to assume considerable importance in some villages. It is, however, not possible to make a definite estimate of the size and addition made to the resources of the cultivating families on account of those sources of income which were not included in our enquiry. This would, therefore, indicate that there may have been certain kind of underestimation of both gross value of produce and cash receipts. This, however, does not affect the total picture and would of course, not be additive to the total required for the

underestimation of the value of gross produce and for the non-inclusion in the income for non-farm business.

The cash receipts can be divided into two main groups, namely, (1) cash proceeds from sale of crops and fodder and (2) other cash receipts. The details have been given in Table 8.5. We have already referred to the fact that cash receipts from sources other than from sale of crops and fodder were generally higher in the case of small cultivators. Average cash receipts from 'other sources' per family was Rs 185 in the case of lower strata cultivators, as against Rs 140 in the case of upper strata cultivators. Particularly due to the smaller cash receipts from sale of crops and fodder, importance of 'other cash receipts' is much greater in the case of smaller cultivators. We may, therefore, examine these data in greater detail. Items included under this category were: sale of milk and milk products, sale of poultry and poultry products, sale of seed and plants, sale of manure, cash wages, remittances received, carting, cash rent and interest received. In Table 8.5 below, we give the detailed breakdown of 'other cash receipts'.

TABLE 8.5—VALUE OF GROSS PRODUCE AND CASH RECEIPTS

[Intensive enquiry data]

Item	UPPER STRATA		LOWER STRATA		ALL CULTIVATORS	
	Amount in rupees per family	Percentage to total cash receipts	Amount in rupees per family	Percentage to total cash receipts	Amount in rupees per family	Percentage to total cash receipts
	1	2	3	4	5	6
Gross Produce	1,451	-	664	-	1,057	-
Cash receipts from Sale of Crops and fodder	705	83.4	338	64.6	522	76.2
Other cash receipts	140	16.6	185	35.4	163	23.8
1. Sale of milk and milk products.....	43	5.1	37	7.0	40	5.8
2. Sale of poultry and poultry products.....	1	0.1	1	0.2	1	0.1
3. Sale of seed and plants...	41	4.8	21	4.0	31	4.5
4. Sale of manure	2	0.3	1	0.2	2	0.3
5. Cash wages.....	2	0.3	82	15.7	42	6.2
6. Remittances received.....	-	-	-	-	-	-
7. Carting.....	16	1.9	34	6.5	25	3.7
8. Rent received.....	33	3.9	9	1.8	21	3.1
9. Interest received.....	2	0.2	-	-	1	0.1
Total cash receipts	845	100	523	100	685	100

Whereas in the case of upper strata cultivators cash receipts from sale of crops and fodder accounted for 83 per cent of the total cash receipts, in the case of lower strata cultivators such receipts accounted for about 65 per cent. In other words the smaller cultivators received a substantial part of their cash income from sources other than from sale of farm produce. It may, however, be noted that the sale of milk and milk products accounted for a relatively higher proportion of the total cash receipts of the lower strata cultivators. Perhaps the most significant item which was responsible for a higher magnitude of other cash receipts in the case of lower strata cultivators was cash receipts in the form of wages. Whereas the average cash receipts in the form of wages, in the case of upper strata cultivators was only Rs 2 per family, it was about Rs 82 in the case of lower strata cultivators. Wages accounted for about 16 per cent of the total receipts of the lower strata cultivators, as against less than 1 per cent in the case of upper strata cultivators. Similarly, whereas about 7 per cent was accounted for by receipts by way of hiring or carting charges in the case of lower strata cultivators, it was less than 2 per cent in the case of upper strata cultivators. This would, therefore, indicate that in order to make up for the smaller volume of cash receipts from sale of crops and fodder, the smaller cultivators resorted to other means such as working on other people's farms and also hiring out carts and bullocks.

As would be expected, the total cash receipts from sale of crops and fodder was higher in the case of cultivators of upper strata than in the case of lower strata. Further, of the total cash receipts of cultivators of the upper strata, 83 per cent was accounted for by cash receipts from sale of crops and fodder as against only 65 per cent in the case of lower strata cultivators. As has been observed before, other cash receipts were relatively of greater importance to smaller cultivators than to bigger cultivators. Milk and milk products accounted for 5 to 7 per cent of the total cash receipts. The average cash receipts from sale of milk and milk products in the two strata were not materially different which indicates equal importance of animal husbandry to both the groups of cultivators. This source of income must have been of importance to cultivators of Vadhavi and Devda. Receipts from sale of fluid milk were important in the case of Vadhavi while receipts from sale of *ghee* were of greater importance in the case of village Devda. Though receipts from sale of poultry and poultry products accounted for a very small proportion of the total cash receipts, they were reported by both the groups of cultivators.

Receipts from sale of seed, plants and manure accounted for about 5 per cent and from carting about 4 per cent of the total cash receipts. Receipts from carting formed a higher proportion of the total receipts in lower strata than in the upper strata cultivators, the respective percentages being 7 and 2. Similarly, a negligible proportion of the total receipts was received in form of wages in cash in the case of upper strata cultivators, whereas they formed about 16 per cent in the case of lower strata cultivators. It is a common practice in the villages of Sorath district for small cultivators to work on other's farms, to give bullocks on hire and to transport agricultural produce of other cultivators to marketing centres in their

carts. About one-fifth of the total cash receipts of the cultivators of the lower strata, it will be observed, was in the form of wages in cash and carting charges. As is to be expected, receipts in form of cash rent in the case of upper strata cultivators were almost three to four times larger than those in the case of lower strata cultivators. Some of the small cultivators, it appears, had also given land on lease and thus a small amount, about 2 per cent of the total cash receipts, was reported under rent in the lower strata cultivators.

Subject to the limitations mentioned above, in Table 8.6, we give figures for the two groups of strata relating to both expenses and receipts, which may give a very broad picture of the total transactions of the farm business.

TABLE 8.6—EXPENSES AND RECEIPTS : CURRENT FARM OPERATIONS

[Intensive enquiry data. Amount in rupees per family]

Item	Upper strata	Lower strata
Current farm cash expenditure.....	530·6	259·0
Current farm kind expenditure.....	547·6	247·9
Total current farm expenditure.....	1,078·2	506·9
Value of gross produce.....	1,450·8	663·6
Cash receipts from sale of crops and fodder.....	705·3	338·1
Cash receipts from other sources.....	140·1	185·3

The data indicate that the small cultivators because of relatively small r farm output resort to other activities for supplementing their cash incomes.

8.4 SEASONALITY IN FARM EXPENDITURE AND RECEIPTS

Another important aspect revealed by the data on farm business is the extent of seasonality in expenditure on farm business and also in cash receipts. In the intensive enquiry, data relating to current farm business expenses were collected for two six-months periods separately; other expenses such as those of family expenditure on consumption account were not noted, the discussion is confined to the former only.

TABLE 8.7—SEASONALITY : FARM EXPENSES AND RECEIPTS

[Intensive enquiry data. Amount in rupees per family]

Item	April to September 1951	October 1951 to March 1952
Upper strata		
Total current cash farm expenditure.....	297	234
Value of gross produce.....	332	1,119
Cash receipts from sale of crops and fodder.....	260	445
Other cash receipts.....	72	68
Lower strata		
Total current cash farm expenditure.....	159	100
Value of gross produce.....	146	517
Cash receipts from sale of crops and fodder.....	129	209
Other cash receipts.....	89	96

The seasonality of cash farm expenses is a function of the nature of agricultural production and the types of crops grown by the cultivator. For growing particular crops in a particular area with a particular technique, expenditure of given amounts has to be incurred during different periods of time. It will be noticed from Table 8.7 on page 94, that a substantial portion of the current farm expenditure reported by cultivators was actually incurred between April to September 1951. Expenditure on purchase of seed and manure was also largely incurred during the same period. As against this, more than three-fifths of the produce sold was actually sold in the period from October 1951 to March 1952, and particularly towards the latter part of this period. After all, the receipts are a function of the maturity of agricultural produce and the harvest and its availability for sale is usually concentrated heavily in particular seasons. Cash receipts from sources other than from sale of crops and fodder, however, indicate a certain amount of stability and a virtual absence of seasonality. The receipts from milk and milk products did not appear to be highly seasonal while the receipts from cash wages have a limited seasonality.

8.5 SOURCE OF FINANCE FOR CURRENT FARM CASH EXPENSES

The element of seasonality observed above would have a definite bearing on the pattern of financing the expenditure, especially, the current farm expenditure. As the cash receipts are concentrated in the period from October to March, and current farm expenditure is concentrated in the period from April to September, it is natural that a relatively higher proportion of the current farm expenditure would have to be financed out of borrowings in the latter period than in the former period. Table 8.8 below shows that whereas one-third of the current farm cash

TABLE 8.8—BORROWINGS AND CURRENT CASH FARM EXPENDITURE

[Intensive enquiry data]

Item	CURRENT FARM CASH EXPENDITURE FINANCED OUT OF BORROWINGS							
	UPPER STRATA				LOWER STRATA			
	APRIL TO SEPTEMBER 1951		OCTOBER 1951 TO MARCH 1952		APRIL TO SEPTEMBER 1951		OCTOBER 1951 TO MARCH 1952	
	Proportion to the total expenditure (Per cent)	Average expenditure financed out of borrowings (Rs)	Proportion to the total expenditure (Per cent)	Average expenditure financed out of borrowings (Rs)	Proportion to the total expenditure (Per cent)	Average expenditure financed out of borrowings (Rs)	Proportion to the total expenditure (Per cent)	Average expenditure financed out of borrowings (Rs)
1	2	3	4	5	6	7	8	
Seed.....	65.0	22.7	22.7	11.6	58.6	4.0	10.1	1.1
Manure.....	7.6	3.3	—	0.5	6.8	—	9.5	0.2
Fodder.....	60.7	60.5	3.9	48.2	60.6	1.1	8.1	1.9
Wages.....	27.9	18.1	13.7	16.4	53.9	7.7	23.0	5.7
Others.....	9.5	5.1	—	2.7	12.5	—	—	—
Total.....	37.0	109.7	5.5	79.4	50.0	12.8	8.9	8.9

expenditure incurred during the period April to September was financed out of borrowings, the proportion so financed during the period October to March was less than one-tenth.

We may also note that the importance of borrowing as revealed by the data relating to source of finance for expenditure is more than that revealed by the data relating to purposes of borrowing during the year. This may happen if a part of the current farm expenditure financed out of borrowings was actually financed through amounts borrowed immediately prior to the period from April 1951 to March 1952 covered by the Survey. It may also be noted that more than half of the current farm expenditure financed out of borrowings was on purchase of fodder. Six of the fifteen selected families from village Jujarpur reported large amounts having been spent on this account. This also may have some relationship with the high proportion of current farm expenditure financed out of borrowings.

8.6 CURRENT FARM EXPENDITURE: PATTERN

The data relating to current farm operations collected from the selected cultivators in the intensive enquiry have been classified according to six different methods of classification. The first classification divides the families into two groups; the first group comprises the first five deciles of the cultivators while the second group comprises the last five deciles of the cultivators. This is a classification which we have commonly used in the preceding chapters. The second classification is based on the size of farm business as reflected by the value of gross produce. The third classification is according to the extent of commercialization of farm business as measured by the proportion of the value of produce of cash crops to the value of gross produce; in this context cash crops comprise all crops other than foodgrains (cereals and pulses). The fourth criterion for classification of the families is the major crop, i.e., the crop which makes the largest contribution to the value of gross produce during the year. The fifth classification is based on the proportion of cash rent paid to landlord and the payments in kind on account of rent share to landlord and co-sharer to the value of gross produce. We have not discussed the data based on this classification as it was not found to be particularly useful so far as this district is concerned. The sixth classification which we have not used for the purposes of this District Report though it has been attempted in the All-India Report, is according to whether they owned land or not. It has already been stated that as a result of the land reforms which were being implemented from 1951 onwards, the land ownership pattern during the period of the Survey was of a fluid nature; this classification was also not, therefore, of particular importance in this district.

In this section, after studying the variations in the level of expenditure from village to village, we shall briefly discuss three types of classification of families, namely, (i) that according to the extent of cash crops, (ii) according to major crop, and (iii) according to value of gross produce.

8.6.1 Inter-village variations

We can discuss the inter-village variations on the basis of the data relating to selected families from each of the eight villages. The figures relating to average per family in individual villages are based on the data relating to fifteen families only. Hence, it is not possible to discuss these inter-village variations to any great extent. As far as possible, we have, in the earlier chapters, discussed the inter-village variations on the basis of the General Schedule data. Data relating to current farm expenditure and receipts are available only from the intensive enquiry. This makes it particularly difficult to arrive at any precise conclusions regarding the variations in the agricultural economy, from village to village.

We have already observed in the discussion based on the General Schedule data that of the eight selected villages, Khorasa, Devda, Bhesan and Vadhavi were found to be generally in a class separate from the other villages. The economic conditions in Anida and Jujarpur did not appear to be as favourable as in the earlier mentioned four villages. Finally, Zadka and Sheriakhan appear to stand very much apart from the other six villages, particularly because of the unfavourable trends in agricultural and economic conditions, which were revealed by the data collected during the Survey. The relevant data collected in the intensive enquiry are given in Table 8.9. These figures, however, are subject to limitations, which have been referred to before. In particular it has to be noted that the average for a village is based on returns of only fifteen selected families and hence it is not possible to subject these data to a detailed analysis.

TABLE 8.9—INTER-VILLAGE VARIATIONS : CURRENT FARM OPERATIONS

[Intensive enquiry data]

Village	Current cash farm expenditure per family	Current cash farm expenditure as percentage of the total current farm expenditure	Gross produce per family	Cash receipts from sale of crops and fodder per family	Other cash receipts per family
	(Rs)		(Rs)	(Rs)	(Rs)
	1	2	3	4	5
Bhesan.....	487.7	41	1,314	476	75
Devda.....	700.5	63	1,664	492	225
Khorasa.....	443.9	44	1,714	1,830	26
Vadhavi.....	496.4	39	1,532	657	132
Anida.....	506.3	46	1,557	604	160
Jujarpur.....	398.2	60	918	615	199
Sheriakhan.....	495.7	55	1,031	542	98
Zadka.....	143.8	35	592	237	207

The above table indicates that the value of current cash farm expenditure per cultivating family was the highest at Rs 701 in Devda and lowest at Rs 144 in Zadka. There was materially very little difference in the remaining six villages where the current farm expenditure per family ranged from about Rs 400 to about Rs 500.

The volume of gross produce per cultivating family, however, shows a much greater variation from village to village. It was the highest at Rs 1,714 in Khorasa followed immediately by Devda. It was less than Rs 1,000 in Jujarpur and only Rs 592 in Zadka. In Sheriakhan, it was only Rs 1,031. Cash receipts from sale of crops and fodder were the highest at Rs 1,830 in Khorasa and the lowest at Rs 237 in Zadka. These data again indicate that three villages, namely, Jujarpur, Sheriakhan and Zadka as a group are distinct from Devda and Khorasa.

8.6.2 Cash crops

One of the methods of classification of the selected cultivating families was according to the proportion of the value of cash crops (non-food crops) grown to the value of gross produce. The data based on this classification are given in Table 8.10 below.

TABLE 8.10—SELECTED FAMILIES CLASSIFIED ACCORDING TO VALUE OF CASH CROPS : CURRENT FARM OPERATIONS

[Intensive enquiry data]

Proportion of value of gross produce of cash crops to the value of total gross produce	Proportion of families	Average area sown per family	AVERAGE VALUE OF GROSS PRODUCE	
			Per family	Per acre of sown area
			(Rs)	(Rs)
	(Per cent)	(Acres)	3	4
	1	2		
Nil.....	10.7	10.1	159	16
Less than 10 per cent.....	0.4	14.5	1,315	91
10-20 per cent.....	12.3	17.2	1,278	74
20-30 " ".....	19.4	20.2	1,226	61
30-40 " ".....	17.9	20.1	1,241	62
40-50 " ".....	6.9	18.4	792	43
50-60 " ".....	7.3	21.3	1,257	59
60-70 " ".....	9.5	18.9	1,411	75
70-80 " ".....	11.0	13.2	877	66
80-90 " ".....	2.3	11.3	1,393	123
90 per cent and above.....	2.3	3.7	383	103

For the purposes of the above table, cash crops comprised crops other than foodgrains (cereals and pulses). About 11 per cent of the families did not produce any cash crops. Proportion of cash crops to the value of gross produce was between 10 and 30 per cent in respect of 32 per cent families and between 30 and 60 per cent in respect of another 32 per cent. The remaining 25 per cent of the cultivating families reported that 60 per cent or more of the total produce was from cash crops.

8.6.3 Major crops

Another criterion for classification of families was according to the 'major crop', that is, the crop which made the largest contribution to the value of gross

produce realised by the family during the year. Table 8.11 below gives the relevant data regarding seven major crops, these are millets (which include *jowar* and *bajra*), groundnut, wheat, other oilseeds, rice, sugar-cane, and other crops.

TABLE 8.11—MAJOR CROPS : CURRENT FARM OPERATIONS

[Intensive enquiry data]

Major crop grown	Proportion of families	Average sown area per family
	(Per cent)	(Acres)
Millets.....	54.2	17.7
Groundnut.....	10.4	21.0
Wheat.....	3.8	15.3
Other oilseeds.....	2.3	7.2
Rice.....	2.9	33.2
Sugar-cane.....	0.1	23.0
Other crops.....	26.3	14.4

More than half of the cultivating families reported millets as the major crop, while about 13 per cent reported groundnut and other oilseeds. Rice and wheat cultivators accounted for roughly 3 and 4 per cent of the total cultivators, while sugar-cane was grown as a major crop by less than one per cent of the cultivating families.

8.6.4 Gross produce

The data relating to current farm expenses and receipts from farming business as well as from other cash receipts, are given in Table 8.12 in respect of six groups of families, which have been classified according to the value of gross produce.

TABLE 8.12—CURRENT FARM OPERATIONS OF SELECTED CULTIVATORS IN RELATION TO SIZE OF GROSS PRODUCE

[Amount in rupees per family]

Gross produce group	Proportion of families	Value of gross produce	Cash receipts from sale of crops and fodder	Other cash receipts
	1	2	3	4
Less than Rs 400.....	20.2	197	99	297
Rs 400-Rs 600.....	20.2	510	145	103
Rs 600-Rs 1,000.....	14.3	833	502	144
Rs 1,000-Rs 2,000.....	32.3	1,402	687	120
Rs 2,000-Rs 3,000.....	10.2	2,317	1,210	131
Rs 3,000 and above.....	2.9	3,656	1,906	310
District.....	100.0	1,057	522	163

The limitations of these figures have already been discussed. The data given in the table emphasize the importance of alternative sources of employment

or income to cultivators who have small cultivated holdings. The fact that in the case of cultivators with gross produce of less than Rs 400, the other cash receipts were valued at Rs 297 as against only Rs 99 with regard to cash receipts from sale of crops and fodder, indicates that these cultivators were virtually part-time farmers.

In the statistical picture set out in this chapter, especially while comparing expenses with receipts, the main allowances to be made are twofold, namely, for an underestimation of the value of gross produce reported, and for the underestimation owing to non-inclusion of non-farm business income among total cash receipts. The larger part of the income from non-farm business would accrue to cultivating families, especially to those of the higher deciles, in the form of cash and a much smaller part of it would be available in kind; the correction to be made for non-inclusion of non-farm income would thus be mainly in the cash receipts data. A third defect in the statistical picture is the underestimation of cash receipts from sale of produce, which would be even greater than the underestimation in the value of gross produce. However, it is only in contexts in which special importance is attached to calculations of resources in cash that this underestimation of cash receipts becomes important. It may, however, be claimed that, while the deficiencies noted above are important, the accounts framed on the basis of the data do not raise doubts regarding the general size and distribution of other data collected during the Survey.

CHAPTER 9

CREDIT AGENCIES

We may now proceed to assess the role of various credit agencies on the basis of the data collected in both the 'demand' and the 'supply' aspects of the Survey. In this chapter, we shall assess the relative importance of various credit agencies as revealed by the 'demand' side data. In the subsequent three chapters, besides describing the working of various credit agencies, viz., Government, co-operative societies and private agencies, we also study the relative importance of different credit agencies to the various groups of cultivators and non-cultivators on the basis of both the demand and supply side data.

The agencies which supply credit have been classified into nine classes, viz., Government, co-operatives, relatives, landlords, agriculturist moneylenders, professional moneylenders, traders and commission agents, commercial banks and 'others' and all loans are classified according to source of borrowing. Under "Government" all borrowings from Government through various departments and under various schemes such as the Grow More Food campaign and schemes for the rehabilitation of displaced persons, the Land Improvement Loans Act, 1883 and the Agriculturists' Loans Act, 1884, have been included. Borrowings from different types of co-operative institutions such as primary credit societies, marketing societies, central co-operative banks and land mortgage banks were treated together under "co-operatives". Only interest-free loans given by relatives were treated as loans from relatives; loans bearing interest from relatives were classified as from one or the other of the appropriate agency such as the agriculturist moneylender, professional moneylender, etc., according to the principal business of the relative. Loans from landlords to their own tenants were classified separately. If a cultivator received a loan from a landlord, of whom he was not a tenant, then such a loan was not recorded as from a landlord but was classified under the appropriate agency according to the business of the landlord. An agriculturist moneylender was defined as one whose major profession was agriculture and whose moneylending business was comparatively of minor importance. The professional moneylender was defined to include all those who earned a substantial part of their income from moneylending and who could not be classified as agriculturist moneylenders. No distinction was made between professional moneylenders living in towns and those living in the rural areas. Borrowings from persons who were, in the main, traders, commission agents, etc., were put separately. Borrowings from all banks, scheduled and non-scheduled, including the Imperial Bank of India, were classified under 'commercial banks'. Borrowings not included in any of the above categories were classified as borrowings from 'others'.

The average amount borrowed per cultivating family in the Sorath district during the year covered by the General Schedule was Rs 238, of which Government and relatives accounted for Rs 13 and Rs 27, respectively ; and professional money-lenders, traders and commission agents and commercial banks for Rs 173, Rs 24 and Re 1, respectively. The average debt per cultivating family at the end of the year covered by the General Schedule was Rs 264 of which Government accounted for Rs 21, relatives, professional moneylenders and traders and commission agents for Rs 29, Rs 204 and Rs 10, respectively. The relevant data are given in Table 9.1 below.

TABLE 9.1—RELATIVE IMPORTANCE OF CREDIT AGENCIES—CULTIVATORS
[General Schedule data]

Credit Agencies	BORROWINGS			DEBT	
	Proportion of families borrowing from the specified agency	Proportion of borrowings from the specified agency to the total borrowings from all agencies	Average borrowings per family from the specified agency	Average debt per family owed to the specified agency	Proportion of debt owed to the specified agency to the total debt
	(Per cent)	(Per cent)	(Rs)	(Rs)	(Per cent)
	1	2	3	4	5
Government	4	6	13	21	8
Co-operatives	—	—	—	—	—
Relatives	10	11	27	29	11
Landlords	—	—	—	—	—
Agriculturist moneylenders	—	—	—	—	—
Professional moneylenders	50	72	173	204	77
Traders and Commission Agents	7	10	24	10	4
Commercial Banks	—	1	1	—	—
Others	—	—	—	—	—
Total		100	238	264	100

About four per cent of the cultivating families were being financed by Government to the extent of about six per cent of the total borrowings of cultivators. About eight per cent of the outstanding debt of cultivators was owed to Government. None of the cultivating families reported borrowings from co-operatives. As will be seen later, the Co-operative Movement in the district was at its early stage and the progress achieved in 1951-2 was very little. About ten per cent of the cultivating families reported interest-free loans from relatives, accounting for about the same proportion of total borrowings. About 72 per cent of the total borrowings of cultivators was that by professional moneylenders ; about 50 per cent of the cultivating families reported borrowings from this agency. About seven per cent of the cultivating families reported borrowings from traders and commission agents, such borrowings accounting for about ten per cent of the total borrowings. Commercial banks were relatively unimportant and accounted for one per cent of

the total credit obtained by cultivators. It would, therefore, appear that the private agencies, particularly professional moneylenders and traders and commission agents, supplied more than 80 to 90 per cent of the total credit obtained by cultivators.

The foregoing discussion is based on the total borrowings and debt. However, Government usually give loans only for certain specified purposes ; the role of different agencies in different types of loans may, therefore, differ widely. The data available in this connection relate to the reported purposes of borrowings. These data were classified according to each credit agency only for the selected cultivating families covered in the intensive enquiry. The loans borrowed by these families during the period covered by the intensive enquiry and outstanding at the time of the second round of the Survey were classified into eight broad categories with reference to the purpose and period of borrowings. These categories include short-term and long-term needs for each of the three purposes, namely, agricultural, non-agricultural and consumption purposes, the remaining two purposes being repayment of old debts and 'other' purposes. In this context, long-term agricultural purposes include medium-term agricultural purposes also.

It is obvious that any classification of this type is subject to many limitations and that all reported loans could not necessarily fit into one of these several categories. However, it was thought necessary to adopt some classification for convenience of handling the data and the classification adopted by us is detailed below. Purchase of seed, manure and fodder, payment of wages and other purposes of current farm expenditure were grouped together under the category of short-term agricultural purposes, while loans for bunding and other land improvements, digging and repair of wells, purchase of livestock, reclamation of land and such other capital expenditure purposes were classified under long-term agricultural purposes. In respect of borrowings on consumption account, loans for purchase of household utensils, furniture, clothing, shoes, bedding, etc., medical and educational expenses, other occasional expenditure and other family expenses were classified under short-term consumption group, and the loans for construction and repairs to houses, death and marriage ceremonies and litigation charges were grouped under the category of long-term consumption finance. Detailed classification of purposes into different types of finance is given in Table 9.2 on page 104.

About 14 per cent of short-term agricultural borrowings of cultivators was supplied by Government as against 60 per cent by the professional moneylenders. In the case of agricultural long-term borrowings, Government accounted for 63 per cent of the total borrowings, while relatives and the other private agencies for 12 and 25 per cent, respectively. Borrowings for short-term consumption purposes were generally from professional moneylenders and traders, while about half of the total borrowings for long-term consumption purposes were from relatives, the remaining half being from the agriculturist moneylenders, the professional moneylenders and the traders.

TABLE 9.2—BORROWINGS AND DEBT OF CULTIVATORS CLASSIFIED ACCORDING TO PURPOSE-DURATION AND CREDIT AGENCY

	PROPORTION OF BORROWINGS FROM THE SPECIFIED CREDIT AGENCY FOR EACH PURPOSE TO THE TOTAL BORROWINGS FROM ALL AGENCIES FOR THE RESPECTIVE PURPOSE-DURATION (PER CENT)							PROPORTION OF DEBT OWED TO THE SPECIFIED CREDIT AGENCY ON LOANS BORROWED FOR EACH PURPOSE TO THE TOTAL DEBT OWED TO ALL AGENCIES ON LOANS BORROWED FOR THE RESPECTIVE PURPOSE-DURATION (PER CENT)		
	Government	Relatives	Landlords	Agriculturist money-lenders	Professional money-lenders	Traders and commission agents	Others	Government	Co-operatives	Other agencies
	1	2	3	4	5	6	7	8	9	10
Agricultural										
Short-term.....	14.3	1.5	-	-	60.1	-	24.2	8.0	-	92.0
Long-term.....	63.2	12.2	0.8	0.5	22.2	1.1	-	68.0	-	32.0
Non-agricultural										
Short-term.....	-	-	-	-	-	-	-	-	-	-
Long-term.....	-	-	-	-	-	-	-	-	-	-
Consumption										
Short-term.....	-	10.8	-	-	43.5	45.7	-	-	-	100.0
Long-term.....	-	51.5	-	19.3	28.1	1.1	-	-	-	100.0
Repayment of old debts....	-	-	-	-	-	-	-	-	-	-
Other purposes	-	7.3	-	-	72.7	20.0	-	-	-	100.0

CHAPTER 10

GOVERNMENT FINANCE

10.1 LEGAL BASIS AND ADMINISTRATIVE STRUCTURE

Government assistance in the form of loans and subsidies is given to agriculturists in Saurashtra under the Land Improvement Loans Act, 1883, the Agriculturists' Loans Act, 1884 and under the Grow More Food campaign and other schemes.

10.1.1 Land Improvement Loans Act and Agriculturists' Loans Act

The Agriculturists' Loans Act, 1884 and the Land Improvement Loans Act, 1883 were adopted with slight modifications in the Saurashtra State. Loans under the Land Improvement Loans Act, 1883, can be given for effecting any improvement in land, 'improvement' being defined as any work which adds to the letting value of land and includes among others the following :

- (i) the construction of wells, tanks and other works for the storage, supply or distribution of water for the purposes of agriculture or for the use of men and cattle employed in agriculture,
- (ii) the preparation of land for irrigation,
- (iii) the drainage, reclamation from rivers, erosion control, improvement of grassland, etc.,
- (iv) the reclamation, clearance, etc., of land for agricultural purposes,
- (v) the renewal or reconstruction of any of the foregoing works, or alterations therein, or additions thereto, and
- (vi) such other works as the Government may from time to time declare as 'improvements' for the purpose of the Act.

The Agriculturists' Loans Act enables Government to give loans for purposes not specified in the Land Improvement Loans Act but enumerated with agricultural objects. "The Saurashtra Taccavi Rules" under section 10 of the Land Improvement Loans Act, were published in the notification dated 23 May 1950.

A cultivator who wants to take a *taccavi* loan under these Acts is required to present his loan application to a revenue officer not below the rank of *Aval Karkun*, who in his turn either makes an enquiry himself or causes one to be made by a revenue officer not below the rank of a circle inspector for the purpose of ascertaining the particulars in the loan application form. The circle inspector then makes enquiries and verifies the details in the application. He ascertains the solvency of the surety and the borrower's repaying capacity. The circle inspector thereafter records the

particulars with his recommendations on the application form and forwards the same to the *mamlatdar* for necessary action.

If the officer (*mahalkari* or *mamlatdar*) is so empowered under the *taccavi* rules, he may himself grant or refuse the loan, or otherwise forward the application with his report and recommendations thereon to the assistant or deputy collector of his division as the case may be.

The delegation of powers to sanction the loan (as in 1951-2) was reported to be as follows :—

	<i>Seed purposes</i>	<i>Other purposes</i>
(1) <i>Mamlatdar/Mahalkari</i> upto Rs 200	upto Rs 500
(2) Deputy collector upto Rs 250	upto Rs 1,000
(3) Collector upto Rs 500	upto Rs 5,000

Collectors and deputy collectors may call for such detailed plans and estimates or professional opinion on the project for which the loan is required as may seem necessary.

After such enquiry as is necessary, the officer receiving the application, if empowered, either grants or refuses the loan, and if he has no such power of sanction he forwards the same together with his report and recommendations to the officer so authorized through the proper channel. No loan is to be given unless the borrower satisfies the sanctioning authority about the solvency of his surety and also of his own capacity to repay it within the specified period. No loan is given except with the permission of Government, so long as the previous loan is outstanding or in case more than one year's land revenue is in arrears.

If the loan is sanctioned, the sanctioning authority concerned (the deputy collector, collector, etc.) endorses the application as sanctioned and the *mamlatdar* or *mahalkari* arranges for payment of *taccavi* loan to the cultivator from taluka or mahal treasuries. The order granting a loan is to be endorsed on the application and at the time or before the issue of the loan, is to be signed by the applicant and other persons concerned in token of understanding and agreeing to the conditions therein.

All loans are liable to be repaid by fixed instalments specified in the agreement entered into by the borrower with Government. As a general rule no instalment is to be less than 25 per cent of the annual revenue paid by the person receiving it. All loans for plantation of sugar-cane and purchase of seed are recovered from the crop for which the seed is required, i.e., they are repaid within a year. If the borrower fails to complete the work or part of the work for which he received the loan in the prescribed time, steps are to be taken to recover summarily with simple interest the whole or misapplied portion as is to be decided by the grantor.

Arrears of loans when they become due are recoverable either from the person receiving the loan or from his surety as arrears of land revenue. Recovery of

instalments due may be suspended when for reasons beyond the control of the borrower there has been such a failure of his crops as to make repayment unduly burdensome. When any loan or portion of loan is irrecoverable, it can be written off by the collector, on his own authority, if the loan amount is Rs 100 or less ; otherwise, previous sanction of Government is required.

10.1.2 Grow More Food Schemes and other schemes

In addition to loans given under the two Acts, the Government of Saurashtra also gave loans under the Grow More Food schemes such as the scheme for sinking new wells and for repairing and deepening old wells, (adopted in April 1950) and the scheme for supplying manure (adopted in June 1950). For our purpose, it would suffice if various aspects of the special schemes are illustrated by reference to the rules and procedure for granting loans under these two schemes.

The rules laid down for granting of loans and subsidies for sinking, repairing and deepening of wells under the Revenue Department Resolution dated April 26 1950, were as under :

The maximum amount of loan for sinking a new well is Rs 1,200 and for repairing and deepening an old well is Rs 300. One-third of the actual expenditure incurred by the cultivator for sinking a new well and for deepening an existing (old) well is to be treated as subsidy from Government. This subsidy is not to exceed Rs 400 in the case of the former and Rs 100 in the case of the latter.

A cultivator desiring a loan or subsidy under this scheme has to present an application in triplicate to the *mamlatdar* of the taluka or mahal in the prescribed form. The *mamlatdar*, after seeing that the application contains all the required information sends one copy to the *talati* for enquiry and one copy to the Director of Food Production for information. The *talati* has to, *inter alia*, enquire on the following points and submit his report to the *mamlatdar* within a few days of the receipt of the application :

- (i) whether sub-soil water suitable for irrigation is likely to be available at the place where the well is to be sunk,
- (ii) whether the estimate of expenditure is reasonable, and
- (iii) whether the financial condition and capacity of the borrower and his surety are sound.

Soon after the receipt of the *talati's* report, the *mamlatdar*, in consultation with the taluka Food Production Committee, sanctions the loan amount and pays one half of the sanctioned amount to the cultivator forthwith. The undisbursed portion of the sanctioned loan is to be paid when the earlier disbursed amount has nearly been spent by the borrower for the purpose for which the loan is sanctioned.

While paying the first instalment of the sanctioned amount to the cultivator the *mamlatdar* has to get a bond executed by the borrower under the rules containing the following conditions :

- (i) that the amount will be repaid in three equal annual instalments commencing one year after completion of the well,

- (ii) that the amount will be spent only for the purpose for which it is obtained within an agreed period not exceeding three months. Failure in this regard would render the borrower liable to immediate payment of the whole loan amount with interest and
- (iii) that the whole piece of land for which the well is sunk or repaired will be devoted to the growing of foodgrains only, for the first two years and subsequently two-thirds of the area will be devoted to the growing of foodgrains only.

The rate of interest is $5\frac{1}{2}$ per cent per annum (simple interest) and the subsidy payable is to be written off against the last repayment instalment. The loans granted under these rules are deemed to have been granted under the *taccavi* rules.

Under the scheme for supplying manure, adopted by the Saurashtra Government in June 1950, the loan in the form of manure is supplied by an officer (Assistant Agricultural Officer) of the Agricultural Department, while the scrutiny of the loan application is primarily done in the Revenue Department. A cultivator desiring a manure-loan has to procure a certificate from the *mamlatdar* or *mahalkari* of the taluka in which the cultivator resides to the effect that he is entitled to apply for the manure-loan. Before certifying, the *mamlatdar* or *mahalkari* enquires into the financial stability of the applicant, size of his owned land, and his requirements. He also gets the necessary documents regarding security duly signed. After procuring this certificate, the cultivator submits his application to the Assistant Agricultural Officer together with certain other details regarding his manure requirements, etc. The Assistant Agricultural Officer then supplies manure and asks the *mamlatdar* or *mahalkari* to make necessary book entries. The value of manure supplied is recovered with interest within one year in one instalment immediately after sale of produce. Simple interest at $5\frac{1}{2}$ per cent is charged on these loans. The procedure regarding sanction, disbursement and recovery of loans are otherwise governed by the *taccavi* rules.

10.2 ROLE OF GOVERNMENT AS A CREDIT AGENCY

The discussion in this section is based on data collected from three different sources. Firstly, we have the data supplied by the State Government regarding loans advanced for agricultural purposes during 1950-1 in Sorath district as a whole. Secondly, the data collected in the General Schedule can be used to get an idea of the importance of Government as a credit agency. Thirdly, we have the intensive enquiry data regarding all loans which were borrowed and fully repaid during the year of the Survey, as also regarding those which were outstanding on the date of visit, with particular reference to purposes for which loans were borrowed.

10.2.1 Lendings of Government

The total number of cultivating families in Sorath District, according to the 1951 Census, was about 98,000. However, the total number of applications received during the year 1950-1 for loans from Government was about 11,000. Of these, about 6,000 applications were for loans under the Grow More Food schemes involving

a sum of Rs 19 lakhs. Details regarding the number of applications received and those sanctioned are given in Table 10.1 below.

**TABLE 10.1—GOVERNMENT FINANCE FOR AGRICULTURAL PURPOSES :
AMOUNT SANCTIONED DURING 1950-1**

(Amount in hundreds of rupees)

District data	APPLICATIONS RECEIVED		APPLICATIONS SANCTIONED		
	Number	Amount applied for	Number	Amount applied for	Amount sanctioned
	1	2	3	4	5
Loans under the Land Improvement Loans Act, 1883, or similar Acts in force.....	1,559	856	984	501	359
Loans under the Agriculturists' Loans Act, 1884, or similar Acts in force.....	3,377	9,739	2,614	2,271	1,898
Loans under the Grow More Food Campaign.....	6,225	19,209	3,490	18,535	17,715
Cash subsidies under the Grow More Food Campaign.....	197	773	1	4	4

About Rs 36,000 were sanctioned under the Land Improvement Loans Act, for bunding, reclamation of land and other land improvement purposes.

Of about Rs 17.7 lakhs sanctioned under the Grow More Food schemes, about Rs 11,000 were sanctioned for land improvement purposes. Loans for well digging and other irrigation purposes, amounting to Rs 9.59 lakhs, were sanctioned under the Grow More Food schemes. Subsidies towards expenditure on well digging and other irrigation purposes amounting to Rs 400 were also sanctioned during 1950-1. Grow More Food loans for purchase of implements and for seed, involving Rs 7.60 lakhs and Rs 38,000, respectively, were also sanctioned.

Almost the whole of the amount of about Rs 1.9 lakhs sanctioned under the Agriculturists' Loans Act, was for purchase of draught animals; loans given under this Act for purchase of fodder and for consumption purposes amounted to Rs 3,100 and Rs 200, respectively.

Thus, of the total amount of Rs 20 lakhs sanctioned in 1950-1 under the various Acts and schemes, about Rs 9.6 lakhs were for well digging and other irrigation purposes, Rs 7.6 lakhs for purchase of implements and about Rs 1.9 lakhs for purchase of draught animals. The total amount sanctioned for consumption as also for "other purposes" was Rs 8,000 which constituted only 0.4 per cent of the total amount sanctioned in 1950-1.

10.2.2 Importance of Government as a credit agency

According to the General Schedule data, the proportion of cultivating families who borrowed during the year of Survey from Government and reported debt to Government at the end of the year was 4.1 per cent and 5.2 per cent, respectively.

Borrowings from Government accounted for 5·5 per cent of the total borrowings during the year and debt owed to Government formed 8·1 per cent of the total debt of cultivators.

TABLE 10.2—ROLE OF GOVERNMENT AS A CREDIT AGENCY

[General Schedule data]

Group	BORROWINGS		DEBT	
	Proportion of families borrowing from Government	Proportion of borrowings from Government to the total borrowings	Proportion of families indebted to Government	Proportion of debt owed to Government to the total debt owed
	(Per cent)	(Per cent)	(Per cent)	(Per cent)
	1	2	3	4
Big cultivators.....	9·5	1·7	14·9	14·8
Large cultivators.....	4·6	2·4	6·5	7·1
Medium cultivators.....	6·6	10·6	7·1	11·2
Small cultivators.....	0·2	0·4	1·4	1·4
All cultivators.....	4·1	5·5	5·2	8·1
Non-cultivators.....	2·3	13·7	2·3	12·9

Even though the proportion of borrowings of medium cultivators from Government to the total borrowings of all cultivators from Government is high for the district, the data relating to individual villages show that in only two villages, namely, Bhesan and Sheriakhan, the borrowings of medium cultivators from Government were larger than those of large cultivators. In Anida, only the medium cultivators reported borrowings from Government. In the case of non-cultivators also, borrowings from Government were reported only in Bhesan, Vadhavi and Zadka. In Bhesan, the volume of borrowings from Government was smaller in the case of small cultivators than in the case of non-cultivators. In Zadka, a few non-cultivating families borrowed large amounts from Government which explains the relatively high figure for the non-cultivators in the district as a whole. The distribution of Government finance amongst the various classes of cultivators does show that it has been available more to the large and the medium cultivators than to the small cultivators. About fourteen per cent of the borrowings of non-cultivators was from Government.

As stated before, borrowings and debt of selected cultivating families were classified according to the different purpose-duration categories. In Table 10.3, borrowings from and debt owed to Government as reported by the selected cultivating families, classified according to purpose and duration, are shown.

TABLE 10.3—LOANS FROM GOVERNMENT CLASSIFIED ACCORDING TO PURPOSE

[Intensive enquiry data. Amount in rupees per family]

Purpose/Duration	BORROWINGS		DEBT		Proportion of borrowings for each purpose to total borrowings from Government for all purposes (Per cent)	Proportion of debt owed on loans borrowed for each purpose to total debt owed to Government on loans borrowed for all purposes (Per cent)
	Average borrowings from Government for each purpose	Proportion of borrowings from Government for each purpose to total borrowings from all agencies for each purpose (Per cent)	Average debt owed to Government on loans borrowed for each purpose	Proportion of debt owed to Government on loans borrowed for each purpose to all agencies on loans borrowed for each purpose (Per cent)		
Agricultural :						
Short-term.....	1.2	14.3	0.6	8.0	3.7	2.5
Long-term.....	36.4	63.2	43.0	68.0	25.9	23.1
Non-agricultural :						
Short-term.....	-	-	-	-	-	-
Long-term.....	-	-	-	-	-	-
Consumption :						
Short-term.....	-	-	-	-	55.8	41.5
Long-term.....	-	-	-	-	11.2	14.5
Repayment of old debts ...	-	-	-	-	-	-
Other purposes.....	-	-	-	-	3.4	18.4

Of the total borrowings of cultivators for short-term agricultural purposes, about fourteen per cent was provided by Government, while about eight per cent of the debt incurred by cultivators for these purposes was owed to Government. Of the total borrowings for long-term agricultural purposes 63 per cent was from Government, while 68 per cent of the debt owed for long-term agricultural purposes was owed to Government. This would show that Government was the major agency in the district which provided credit for long-term agricultural purposes, though its role in supplying short-term agricultural finance appeared to be relatively minor.

10.3 LOAN OPERATIONS AND WORKING

The discussion in this section is based chiefly on the data collected in the case-study of the sample of sanctioned and rejected applications for loans from Government. In the district, 105 sanctioned and 25 rejected applications for loans under the major Acts and schemes of Government finance in force in the district, were studied. The applications studied are generally those sanctioned or rejected in 1950-1. The

procedure for selection of loans has already been described in detail in Section 1.8 of Chapter 1.

10.3.1 Size and duration of loans for specific purposes

Of the 105 loan applications studied in the Sorath district, 55 were for digging and repair of wells, 27 were for purchase of livestock, six were for purchase of implements, machinery and transport equipment, three for bunding and other land improvements, two for purchase of seed, three for 'other' purposes and nine for more than one purpose. It would, therefore, appear that in relation to the number of loans advanced for some purposes the number of loans studied was too small to enable us to arrive at a conclusion regarding the average quantum of loan given by Government. However, the relevant data are given in the table below.

TABLE 10.4—CASE-STUDIES OF LOANS : SIZE OF LOANS DISBURSED FOR SPECIFIC PURPOSES

Purpose	No. of loans disbursed	Average size of loans disbursed (Rs)
	1	2
Purchase of seed	2	100
Purchase of manure	—	—
Purchase of livestock	27	272
Digging and repair of wells	55	532
Reclamation of land	—	—
Purchase of implements, machinery and transport equipment . .	6	221
Bunding and other land improvements	3	297

It will be seen from the above table that the average size of loan for digging and repair of wells was more than Rs 530, while it was more than Rs 270 in the case of loans for purchase of livestock. The average size of loans for purchase of implements, machinery and transport equipment worked out at about Rs 220 and for bunding and other land improvements at about Rs 300.

Loans for purchase of seed were given for a duration of one year or less. About 28 per cent of the amount for purchase of livestock were for a duration of one year or less, 60 per cent for a duration of one to three years, and 8 per cent for a duration of three to five years. With regard to loans for digging and repair of wells, about four-fifths of the amount disbursed were for duration of one to three years, while about three-fourths of the amount disbursed for purchase of implements, machinery and transport equipment were for a duration of one to three years. More than half of the total amount disbursed for bunding and other land improvements had been given for a duration of three to five years.

10.3.2 Security offered

Of the 105 loans studied, about 60 loans involving about 68 per cent of the total amount involved were given against the security of immovable property. Sixteen loans involving about eleven per cent of the total amount disbursed were given against guarantee by third party, the rest being against more than one security.

10.3.3 Rate of interest charged

Ninety-eight out of the 105 loans studied constituting about 94 per cent of the total amount involved were given at interest rates ranging between five and six per cent per annum, the other loans for which the relevant information was available having been given at still lower rates of interest.

10.3.4 Procedure

The procedure regarding scrutiny of the loan application, sanctioning of the loan and the disbursement of the amount has been discussed earlier. Common complaints made against Government loans are those relating to delay in disbursement of loan. An attempt was made in the Survey to obtain information relating to the date of application and the date of disbursement of loan with a view to ascertaining the time-lag between the date of application and the date of disbursement. The data collected by us suffered from some limitations. In the first instance, we considered all Government loans given for various purposes and schemes together even though the purposes and procedures are different in the different categories; this detracts from the value of the data. Further, of the 105 loans studied, in the case of about 34 loans, the exact time-lag involved could not be ascertained either because the necessary details were not available, or the amounts were disbursed in two or more instalments. In Table 10.5 we give the proportion of the number of loans and the amount disbursed after varying periods of time-lag between the dates of application and disbursement, to the total number of loans studied and the amount involved therein.

TABLE 10.5—CASE-STUDIES OF LOANS : NUMBER AND AMOUNT OF LOANS CLASSIFIED ACCORDING TO THE TIME-LAG BETWEEN THE DATE OF APPLICATION AND THE DATE OF DISBURSEMENT

[Figures in brackets denote percentages to total number and amount of loans disbursed, respectively.]

	Upto one month	One to three months	Three to five months	Five to eight months	More than eight months	Time-lag not specified	Disbursement in more than one instalment	Total
	1	2	3	4	5	6	7	8
No. of loans disbursed...	41 (39)	17 (16)	10 (9)	2 (2)	1 (1)	7 (7)	27 (26)	105 (100)
Amount disbursed (Rs).	9,360 (23)	4,850 (12)	2,850 (7)	750 (2)	300 (1)	1,065 (3)	21,165 (52)	40,340 (100)

It will be seen from the above table that about 39 per cent of the loans involving about 23 per cent of the total amount were disbursed with a time-lag of less than a month, while about sixteen per cent of the loans were disbursed after a time-lag of one to three months. The proportion of the number of loans and amounts disbursed after a time-lag of three months and more was twelve per cent and ten per cent, respectively.

It is also possible to get an idea of the time-lag between the date of application and the date of receipt of loans, on the basis of the replies of the selected cultivating families in the intensive enquiry. Of the 120 cultivators investigated, sixteen cultivators replied to the question relating to the time-lag between date of application and date of receipt of loan. Of these sixteen cultivators, eleven cultivators said that the loan was received in less than one month's time, while three said that the time-lag was between one to three months. Both the types of data, therefore, indicate that though in some cases time taken was fairly long, generally the disposal of application was done fairly expeditiously.

Another common complaint made against Government finance is that cultivators have to go to distant places to ensure that the concerned authorities are taking quick steps with regard to their loan applications as also to receive the loan amounts. In the case-studies, we collected information as to whether the loan was disbursed at the applicant's place of residence or not. It was found that in 97 out of 105 loans disbursed by Government, the loans were disbursed outside the place of the applicant's residence, which confirms the common view that the cultivators have to go outside their villages to get the loan amount.

It is also sometimes stated that the loans given by Government are used for purposes other than those stipulated in the Act. It is not possible on the basis of the data collected during the Survey to measure the extent of misutilization of loan. It is, however, possible for us to examine whether the purposes for which the loans were utilized were different from those stipulated in the loan application by comparing the data regarding the purposes of borrowing from Government, obtained on the 'demand' side, with the corresponding data obtained on the 'supply' side. It should suffice if we compare the proportion of borrowings for purposes other than those for capital and current agricultural purposes as arrived at on the basis of the two types of data. If the proportion of borrowing for purposes other than capital and current agricultural as reported by the cultivators is far greater than that arrived at on the basis of the data relating to loans advanced by Government for various purposes, then, subject to some limitation, the data could be said to indicate a divergence between the stipulated (by Government) purposes for which loans were advanced and the actual purposes for which loans were utilized. The data for the district, however, do not show that the proportion of loans from Government utilized for consumption, non-farm business and other purposes (of the 'demand' side) were higher than those reported to have been advanced by Government for this purpose according to the 'supply' side data; in the case of both the types of data the proportion of loans for these purposes was less than one per cent. It can, therefore, be stated that there was no divergence between the purpose stipulated by the Government and those for which the cultivators appeared to have utilized the loan.

Lastly, it is also sometimes reported that the amount of loan sanctioned by Government is much smaller than the amount applied for by the cultivator, thus

making it difficult for the cultivator to finance the expenditure proposed by him. In the intensive enquiry on the 'demand' side we attempted to collect information regarding the amount applied for and sanctioned by Government through a questionnaire. Of the fifteen cultivators who responded, eleven stated that the amount sanctioned constituted between 75 to 100 per cent of the amount applied for, while three cultivators stated that it constituted between 25 and 75 per cent. One cultivator reported that the amount constituted less than 25 per cent of the amount applied for.

10.3.5 Study of Rejected loan applications

With a view to ascertaining, in particular, the reasons for the rejection of loan applications, 25 rejected loan applications were also included in the case-study. Of these applications, six were rejected for lack of adequate security. Another six were rejected because of non-approval of purpose of loan. Five were rejected because the treasury quota of loans for the period had been exhausted and another five were rejected because the applicants had not repaid some outstanding dues to Government. One application was rejected because of the failure on the part of the cultivator to plead for the loan, while the remaining two were for miscellaneous reasons.

Government finance in the district appears to be particularly important in financing expenditure on development and improvement of agriculture. For long-term loans, Government appears to be the major credit agency. However, working of Government finance appears to be limited by certain characteristics of the operative agency like inadequacy of financial provision, emphasis on the ability of the borrower to provide immovable property as security, disbursement of loan at places away from the place of residence of the borrower, etc. The general complaint regarding frequent inadequacy of the financial provision appears to have some basis, particularly because it is the small cultivator whose credit needs are least met by Government. Emphasis on the ability of the applicant to provide immovable property as security, which prevents Government finance from reaching many small cultivators who are otherwise creditworthy, and limited financial allotments for this purpose, indicate the limitations of the operations of Government finance.

CHAPTER II

CO-OPERATIVE FINANCE

It was with the coming into existence of the Saurashtra State that the Co-operative Movement could be said to have started in this State. Before that time, the only co-operative effort worth mentioning was the organization of a few agricultural co-operative credit societies in the erstwhile Bhavanagar and Baroda States. The Saurashtra Co-operative Societies Act, 1948, which is modelled on the Bombay Co-operative Societies Act, 1925, provided the legal framework for the co-operative structure.

II.1 STRUCTURE OF THE CO-OPERATIVE MOVEMENT

As on 30 June 1951, there were 759 co-operative societies in the whole of Saurashtra. During the year 1951-2, several new societies were registered and as on 30 June 1952, there were 887 co-operative societies in Saurashtra, of which 565 were resource societies, 212 producers' societies, 85 consumers' societies, 18 housing societies and 7 general societies. Of the 565 resource societies, 237 were agricultural credit societies, 234 were agricultural multipurpose societies, and 28 other types of agricultural societies. There were three financing institutions of which one was a district co-operative bank and the other two were taluka co-operative banks. At the apex, there was the Saurashtra State Co-operative Bank registered in October 1951. There were no primary land mortgage banks in the State; the Saurashtra Central Co-operative Land Mortgage Bank organized in September 1951 had just started functioning during the period covered by the Survey.

II.1.1 The Saurashtra State Co-operative Bank

This Bank was registered with an authorised capital of Rs 20 lakhs, under the Saurashtra Co-operative Societies Act on 15 October 1951 and started functioning as from 4 May 1952. As on 30 June 1952, the total paid-up share capital amounted to Rs 5.25 lakhs, of which Rs 5.00 lakhs were contributed by Government, Rs 0.18 lakhs by individuals and Rs 6,700 by co-operative societies.

As on 30 September 1952, the paid-up share capital amounted to Rs 5.55 lakhs, while the deposits from societies and individuals were reported at Rs 1.45 lakhs. Out of loans advanced to co-operative societies about Rs 1.24 lakhs remained due to the Bank as on 30 September 1952. Eleven of these loans were advanced to agricultural societies. It would, therefore, appear that during the year of the Survey, the operations of this bank were very limited. Since then this Bank has made rapid progress.

11.1.2 The Saurashtra Central Co-operative Land Mortgage Bank

Another noteworthy development during the year 1951-2 was the registration of the Saurashtra Central Co-operative Land Mortgage Bank on 6 September 1951, mainly for purposes of financing tenants in acquiring occupancy rights under the Saurashtra Land Reforms Act, a reference to which has been made in Section 1.7 of Chapter 1.

In the Saurashtra Land Reforms Act, a provision was made under Section 38 for grant of loans to tenant-cultivators towards the payment of cash compensation to the landlords to obtain occupancy rights over lands occupied by them and the amount was to be paid by them under Section 28 of the Act to the treasury, for subsequent payment to their respective landlord *girasdars* on final adjudication of their applications filed for gaining the occupancy rights. Subsequently, it was thought fit to delegate this work to a co-operative institution and accordingly an amendment was effected in the Act to include a co-operative society registered under the Saurashtra Co-operative Societies Act. It was decided to entrust this work to a central co-operative land mortgage bank.

In the Saurashtra State, the number of tenant-cultivators under the *girasdari* landlords was about 55,000 and with one or two exceptions, the *girasdari* villages were distributed in each and every taluka of the State, as a result of which the work of this bank extended over the whole State. To accommodate the tenant-cultivators, and as the work of granting loans to such tenants was closely associated with that of the Revenue Department, it was thought fit to make the taluka towns, the centres of this bank's activity; and accordingly, the branches of this bank were organized at each taluka town with the revenue officer viz. *mamlatdar* as the branch manager, under sanction of the Government. Further, due to the difficulty of estimating the quantum of work in the early stages, as also to the need for co-ordination between the activities of the Bank and the Revenue Department in as much as the same were inter-dependent for record, utilization of village machinery, etc., it was decided to entrust the work to the staff of the treasury and revenue sections of the *mamlatdar's* office with extra allowances. This has resulted in considerable reduction of overhead charges. This bank posted separate clerks at such taluka places where the work was found heavy.

According to the bye-laws of the Bank, only a share-holder member is entitled to borrow from the Bank. For tenants under land reform measures, it is obligatory to hold a single share of Rs 10 and pay an entrance fee of Re 1 in order to be eligible for a loan from the Bank, whereas for other borrowers, it is necessary to hold shares to the extent of five per cent of the amount of loan sanctioned. Government tried to strengthen the finances of the Bank by contributing at the outset, a sum of Rs 5 lakhs towards the share capital of the Bank. The authorised share capital of the Bank is Rs 50 lakhs out of which Rs 25 lakhs had been issued and 74,721 shares for the value of Rs 7,47,210 had been paid up upto 30 June 1952.

As the advancing of loans was to be effected at the taluka level, the Government sanctioned the opening of a Personal Deposit Account in the name of the Bank at each district treasury with a provision to receive share moneys and such other contributions at all the taluka sub-treasuries in the said account. Further, for disbursement of loans, it was arranged that, as per loan demands communicated by the branch managers in advance on the basis of loan applications sanctioned by them under the powers vested in them, the Central Office issued cheques to the respective branch managers. These cheques, in the first instance, passed through the concerned district treasury and were eventually adjusted at the respective taluka sub-treasuries, to the credit of the respective tenant borrowers to whom a treasury challan was issued. The same was essential under Section 28 of the Land Reforms Act for being appended to their application for occupancy rights as a proof of the requisite cash compensation having been paid by them or by the Bank on their behalf.

As the Bank was established to cater to the immediate need of the hour, viz., supplying loans to tenants under the Land Reforms Act and the work was to be completed within a prescribed period, it was not possible immediately to raise the necessary finance by issuing debentures as they have to be raised on the security of lands mortgaged with the Bank. Of course, a provision exists in the Saurashtra Land Reforms Act enabling a tenant to mortgage his occupancy rights in lands in advance and such mortgages are to be deemed as valid mortgages. Government placed with the Bank necessary funds by way of fixed deposits (bearing interest) and upto 30 June 1952, the Bank received deposits to the extent of Rs 1.21 crores, whereas the loans to tenants stood at Rs 1.27 crores on that date.

The progress of this Bank was so remarkable that by the end of the year 1951-2, the activities of the Bank had spread to 1,025 of about 4,400 villages in Saurashtra. The total membership of the Bank stood at 24,186 and 21,793 members were financed to the extent of Rs 127 lakhs by 30 June 1952. The relevant details are given below.

TABLE II.1—THE SAURASHTRA CENTRAL CO-OPERATIVE LAND MORTGAGE BANK

(As on 30 June 1952)

	Membership	Share capital	Outstanding loans owed by members to the Bank
	1	(Rs) 2	(Rs) 3
Sorath district.....	1,552	15,740	5,38,328
Saurashtra State (including figures for Sorath).....	24,186	7,47,210	1,26,58,251 (advanced to 21,793 members)

(Source : *Annual Report on the Co-operative Movement in Saurashtra for the year 1951-2*).

11.2 CO-OPERATIVES IN SORATH DISTRICT (1951-2)

11.2.1 Role of Co-operatives

In none of the eight selected villages of the district, did the resident families, whether cultivating or non-cultivating, report any borrowings from co-operatives, even though four of these villages, it was reported, had co-operative societies. Hence, co-operative finance was of little or no importance according to the data collected on the 'demand' side.

11.2.2 Study of Co-operatives

Of the 887 co-operative societies (excluding those in liquidation) in Saurashtra as on 30 June 1952, 107 were in the Sorath District ; these consisted of 45 resource societies, 40 producers' societies, 21 consumers' societies and one housing society ; these exclude the branches of the Saurashtra Central Co-operative Land Mortgage Bank. However, some of these societies were not functioning at all and some others, which were registered prior to or during the year of the Survey, had not even started working when the investigations were conducted. We do not know the exact number of such dormant societies. It was also reported that some of the societies were doing nothing more than running a ration-shop or handling manure distributed by Government.

No central co-operative bank or banking union was operating in the district. The Saurashtra State Co-operative Bank started functioning, as mentioned earlier, only from 4 May 1952, and hence some of the primary societies were financed directly by the State Government. The Saurashtra Central Co-operative Land Mortgage Bank was also directly financing the individuals through its branches situated in the district.

In Chapter 1 (Section 1.8) it has been stated that four villages with primary co-operative credit society were selected for investigation viz., Bhesan, Devda, Khorasa and Vadhavi.

In addition to the societies operating in the villages selected for the 'demand' aspect of the Survey, four other societies one each from the Visavadar and Keshod talukas, and Vanthali and Kutiyana mahals were selected.

The field staff was also required to study credit societies, land mortgage banks and marketing societies in the additional centres selected for the 'supply' aspect of the Survey and at district headquarters ; accordingly a society in one of the four selected centres in the district, was studied. Branches of the Saurashtra Central Co-operative Land Mortgage Bank operating in Porbandar, Manavadar, Bhesan and Junagadh were also studied.

11.3 PRIMARY SOCIETIES—FINANCIAL POSITION

11.3.1 Society No. 1

This society was registered in February 1951, on a proposal for registration made by 20 cultivators. Subsequent to its registration most of the promoters were reported to have ceased to take interest in the society. Only six promoters

subscribed Rs 1,000 each as share capital and the society decided to run an iron and steel depot. Later on three of the promoters withdrew their subscriptions thus leaving the society with an actual membership of only three. Legally speaking, this institution could not be called a "co-operative society" at all. Further, the iron depot, it was reported was actually managed, by a trader who got 2½ per cent commission on the profits. The society did not advance any loans during the year 1951-2.

11.3.2 Three Societies in the selected villages

These three societies which were registered either during the year of Survey or immediately prior to it had not started functioning. For all practical purposes, the societies just did not exist during the year of Survey.

11.3.3 Society No. 5

This society is from a village in Visavadar taluka. It was registered in 1926, when this village was in the erstwhile Baroda State. At that time, this society was financed by the Amreli District Co-operative Bank. Subsequently, for a short period immediately prior to the coming into existence of Saurashtra State, the village was administered by the Government of Bombay; during this period the society was financed by the Dhari Taluka Co-operative Bank. The loan received from the Dhari Taluka Co-operative Bank was repaid in December 1949. Since then, the society has not been affiliated to any central financing agency. During 1951-2, the society was not active.

11.3.4 Society No. 6

This society is from a village in Keshod taluka and villages within five miles of the society were served by this society. The society was registered in September 1949 and had a membership of 85 in the year 1950-1. The owned funds of the society amounted to Rs 6,500. The society was attempting to take up marketing activities in respect of groundnut, onion, paddy, etc., though during the year 1950-1 the society was not reported to be particularly active in this direction. Daily requisites were sold through a shop maintained by the society.

11.3.5 Society No. 7

This society is from a small village in Vanthali mahal. The society was registered in June 1949 and was actively engaged in the distribution of foodgrains, iron, corrugated sheets, cement, oilcake, etc. Villages within five miles radius were served by the society. In the Co-operative year 1950-1, it had a membership of 114 and a total working capital of Rs 27,000. It owed a sum of Rs 11,495 to Government. The society advanced Rs 7,240 as loans during 1950-1. During the year of the Survey, it also bought shares worth Rs 500 of the Saurashtra State Co-operative Bank.

11.3.6 Society No. 8

This society is from a village in Kutiyana mahal. The society was registered in November 1950. This society also serves the four other nearby villages. The

society raised necessary funds and organized a shop to sell the requisites of the cultivators. Subsequently, it opened an iron depot and started distributing iron on behalf of the Government. In 1950-1 it had owned funds to the tune of Rs 14,322. The society was also carrying on some marketing operations and the value of commodities handled either on outright purchase or on commission basis amounted to Rs 64,500. The commission earned by the society on sales during 1950-1 was Rs 200, and the net profit earned was about Rs 900. However, the whole of the amount of Rs 7,800 owed by members to this society was overdue.

11.3.7 Society No. 9

This society is from one of the four selected taluka centres in which "supply" side investigations were carried out. The society was promoted mostly by Mohammedan *Ghanchi* cultivators and was registered in November 1951. By the end of the year 1951-2, the membership had risen to 159. In 1951-2 it advanced loans to the extent of Rs 1,200; during the year, the society also had arrangements with Mangrol municipality under which the municipal refuse was being supplied for manurial purposes to the members of the society. One of the reasons given for the remarkable growth of the society was the prevalence of group solidarity in members, most of whom were Mohammedan *Ghanchi* cultivators. The society was attempting to sell fruits on commission basis for export to the Bombay market; not much progress, however, appeared to have been made in this direction.

11.4 LOAN OPERATIONS OF PRIMARY CO-OPERATIVE CREDIT SOCIETIES

On the 'supply' side of the Survey, as stated before, we also collected details regarding loans advanced in 1950-1 or in any of the latest year for which information was available. In all 98 loans involving a sum of Rs 16,820 were studied in respect of the societies investigated.

Of the loans studied, fifteen per cent was given in amounts of less than Rs 100 each, while 39 per cent was of size ranging between Rs 100 and Rs 200.

TABLE 11.2—SIZE OF LOANS ADVANCED BY PRIMARY SOCIETIES*

	Total number of loans studied	NUMBER/AMOUNT OF LOANS ADVANCED IN THE RANGE SPECIFIED AS PERCENTAGE OF TOTAL NUMBER/AMOUNT OF LOANS ADVANCED							Total
		Less than Rs 100	Rs 100 to Rs 200	Rs 200 to Rs 300	Rs 300 to Rs 400	Rs 400 to Rs 500	Rs 500 to Rs 1,000	Rs 1,000 and above	
	1	2	3	4	5	6	7	8	9
Number of loans . . .	98	15	39	33	9	—	4	—	100
Amount disbursed . .	16,820	5	26	39	16	—	14	—	100

* During 1950-1 or the latest year for which information was available.

About one-third of the total loans was given in size of Rs 200 to Rs 300. It is thus seen that 72 per cent of the loans accounting for 65 per cent of the total amount was in size varying between Rs 100 and Rs 300. About 79 per cent of the number of loans had been given for current farm expenditure, while about 87 per cent had been given at interest rates ranging between $7\frac{13}{16}$ and $9\frac{3}{8}$ per cent per annum. Most of the loans were given either against security of agricultural commodities or against guarantee by third party; 44 per cent of the total number of loans were given against the former and 53 per cent against the latter type of security. All the loans studied had been given for a period of one year or less.

11.5 LAND MORTGAGE BANK

Four branches of the Saurashtra Central Co-operative Land Mortgage Bank were studied during the Survey. The number of members of Bhesan and Porbandar branches in December 1952 was 270 and 146, respectively, while that of Junagadh and Manavadar branches was 118 and 106, respectively. The number of loans advanced ranged from 261 in the Bhesan branch to 104 in the Manavadar branch. The details of loans are given below :—

TABLE 11.3—SELECTED BRANCHES OF THE SAURASHTRA CENTRAL CO-OPERATIVE LAND MORTGAGE BANK

[Data relate to the period upto 15 December 1952]

Branch at	LOANS ADVANCED	
	Number	Amount (in hundreds of rupees)
Porbandar.....	105	369
Manavadar.....	104	759
Bhesan.....	261	1,622
Junagadh.....	107	490

11.6 LOAN OPERATIONS OF THE SELECTED BRANCHES OF THE SAURASHTRA CENTRAL CO-OPERATIVE LAND MORTGAGE BANK

As in the case of the primary credit societies, loan operations of selected branches of the Saurashtra Central Co-operative Land Mortgage Bank were studied with a special schedule. The total number of loans studied was 570, involving a sum of Rs 3.22 lakhs. The total amount advanced in the Sorath district by the branches in 1951-2 was Rs 5.38 lakhs.

The proportion of loans advanced in size of less than Rs 1,000 each to the total number of loans ranged from 98 per cent in the case of Junagadh branch to 87 per cent in the case of Manavadar branch. Loans of Rs 1,000 to Rs 3,000 accounted for a very small proportion of loans.

TABLE II.4—LOANS ADVANCED DURING 1951-2 BY THE SELECTED BRANCHES OF THE SAURASHTRA CENTRAL CO-OPERATIVE LAND MORTGAGE BANK

Branch at	Total number of loans studied	PROPORTION OF THE NUMBER OF LOANS ADVANCED IN THE SPECIFIED SIZE TO THE TOTAL NUMBER OF LOANS STUDIED (PER CENT)				
		Less than Rs 1,000	Rs 1,000 to Rs 3,000	Rs 3,000 to Rs 5,000	Rs 5,000 and above	Total
		1	2	3	4	5
Porbandar.....	102	94	5	1	—	100
Manavadar.....	104	87	13	—	—	100
Bhesan.....	261	87	13	—	—	100
Junagadh.....	103	98	2	—	—	100

Out of 570 loans studied, only in one case the quantum was more than Rs 3,000. All the loans had been given for a period of ten years or for an even lesser period. The time-lag between the date of application and the date of sanction was less than three months in all cases. As already stated, all the loans were given for financing acquisition of occupancy right by tenants under the Saurashtra Land Reforms Act.

CHAPTER 12

PRIVATE CREDIT AGENCIES

12.1 LEGAL STRUCTURE

The four important aspects of the legal framework within which the private credit agencies have to operate generally are (1) Acts attempting direct regulation of moneylenders, (2) regulation of mortgage credit attempted through restrictions on sale and mortgage of land, (3) legislation (passed chiefly in the depression and post-depression era) for scaling down or adjusting debt, and (4) regulation of markets. During the period covered by the Survey, no legislation either for regulating money-lending activities or for regulation of markets was passed in the Saurashtra State. As regards regulation of mortgage credit and debt-relief legislation, no acts as such had been passed in the Saurashtra State since it came into existence in 1949.

Mention may, however, be made of the Encumbered Estates Act, 1934 and the Agriculturists' Relief Act 1934-35. Under the earlier mentioned Act a landholder was defined to include a *mulgirasia*, *bhayat*, or *barkhalidar* who depended wholly or principally on the produce or income of such land for his maintenance. The Act provided for the institution of an enquiry into the nature and amount of debts and liabilities and the sufficiency of the debtor's property to discharge the same on an application of any landholder or his creditor or on information otherwise received that the landholder is subject to debts and liabilities or that his immovable property is charged with debts or liabilities in excess of his income and property. On the basis of the enquiry the application may be dismissed or an officer appointed to manage the immovable property of the debtor and to arrange for the liquidation of his debts. The Act also provided for a moratorium on debts during the period the estate was managed. The Agriculturists' Relief Act which was enacted with a view to relieving agricultural classes from indebtedness provided for the reopening by the court of the loan transactions of agriculturists. For the purposes of this Act the term agriculturist was so defined as to include a person who by himself or by his family or by his servants or by his tenants earned livelihood wholly or principally by agriculture or who ordinarily engaged personally in agricultural labour.

12.2 METHOD OF COLLECTION OF DATA

There is no generally accepted classification of private agencies in the field of rural credit. Apart from institutions like co-operatives and commercial banks, all the creditors are individuals and private firms, and most of them operate a mixed business. While collecting information regarding the loan transactions of the families investigated on the 'demand' aspect of the Survey, we attempted initially to distinguish money-lending proper, from credit operations connected chiefly with other activities such as trading.

For certain classes of private credit agencies, we have, in addition, the information collected in the questionnaires on the 'supply' aspect of the enquiry. Through one supply questionnaire, an attempt was made to obtain information regarding credit operations of all the traders in agricultural commodities in the selected villages and some selected traders in Junagadh, Porbandar, Veraval, Manavadar and Mangrol. Through another supply questionnaire, all the moneylenders in the selected villages and some selected moneylenders in the four selected centres and at the district headquarters were approached for information regarding the mode of operations. An attempt was also made to study a sample of the loans given by each moneylender in all those cases where the necessary details were made available. It has, however, not been possible to classify the data collected in respect of moneylenders separately for professional and agriculturist moneylenders so as to correspond with the classification adopted for the 'demand' side data; on the 'supply' side, a two-fold classification of moneylenders as between village and urban moneylenders was made. A supply questionnaire was specifically devised for collecting further detailed information from moneylenders who could be classed as indigenous bankers. Another supply questionnaire, addressed to all the commercial banks in the selected districts, was used for obtaining information regarding the advances of commercial banks for agricultural production. In the case of relatives and landlords, no investigation on the lending operations of these agencies was made on the 'supply' aspect of the enquiry and we have to depend on the 'demand' side data alone. In all, on the 'supply' side, we studied 23 village moneylenders, 55 urban moneylenders, 8 indigenous bankers and 143 traders. Returns from eleven out of thirteen commercial banks in the district were also received.

12.3 RELATIVES

We have already seen in Chapter 9 that relatives supplied about 11 per cent of the total credit obtained by cultivators and about 10 per cent of the cultivating families reported borrowings from this agency. Data relating to credit transactions in respect of various types of cultivators as also non-cultivators are given in Table 12.1 below.

TABLE 12.1—RELATIVES

[General Schedule data]

Group	BORROWINGS			DEBT	
	Proportion of families borrowing from relatives	Proportion of borrowings from relatives to the total borrowings	Average borrowing from relatives per family borrowing from the agency (Rs)	Proportion of debt owed to relatives to the total debt owed	Average debt owed to relatives per family
	(Per cent)	(Per cent)	(Rs)	(Per cent)	(Rs)
	1	2	3	4	5
Big cultivators.....	4.6	4.2	284	4.1	9
Large cultivators.....	10.6	10.6	262	9.4	21
Medium cultivators.....	10.8	9.8	242	9.4	34
Small cultivators.....	7.6	14.7	332	18.3	33
Non-cultivators.....	6.0	7.9	187	8.7	13

Whereas about five per cent of the big cultivators borrowed from this agency the proportion was eleven per cent in the case of medium cultivators and eight per cent in the case of small cultivators. It would also be seen that the average amount borrowed per family borrowing from this agency was also relatively large in the case of small cultivators. The average borrowing from relatives per borrowing family ranged from Rs 242 in the case of medium cultivators to Rs 332 in the case of small cultivators, though in the case of non-cultivators, relatives as a source of credit appear to be comparatively less important. According to the data relating to borrowings from relatives classified according to the various purposes and periods, relatives supplied about 11 per cent of the total borrowings for short-term consumption purposes, while more than half of the total borrowings for long-term consumption purposes were supplied by this agency. More than three-fourths of the total borrowings from relatives were for consumption purposes, while only about 21 per cent of the borrowings from this agency were for long-term agricultural purposes.

12.4 VILLAGE MONEYLENDERS, URBAN MONEYLENDERS AND INDIGENOUS BANKERS

As stated before, 23 village moneylenders, 55 urban moneylenders and 8 indigenous bankers were studied. The 23 village moneylenders were residing in six of the eight selected villages. In Sheriakhan only one moneylender could be interviewed, while in Anida and Vadhavi we were able to interview two and three moneylenders, respectively. The number of moneylenders interviewed in Devda, Khorasa and Bhesan was four, five and eight, respectively. Ordinarily, questions requiring them to give quantitative information, such as they may usually not be inclined to give, were not included in the questionnaire; only questions which yielded affirmative or negative reply were generally included. This makes the problem of giving a factual description of the working of the private credit agencies difficult. It is also not possible to assess the degree of reliability of information on some aspects obtained from some of the moneylenders. In very few cases was it possible for our investigators to have access to the account books and records of these moneylenders. The field staff was instructed to study about ten selected loans given by each moneylender as a case study if they were prepared to show their account books. However, it was not possible to study more than fifteen loans given by village moneylenders in the whole of the district. The size of the sample of loans selected for case-study is, therefore, too small to yield any useful conclusions. Further the questionnaires completed for these agencies were also incomplete in some respects. Some of the respondents did not give specific answers to the questions and some were *prima facie* incorrect. Hence, while discussing the data in this chapter we shall be considering only those replies which appear to be generally consistent and those alone were considered for purposes of tabulation.

Four per cent of the urban moneylenders and nine per cent of the village moneylenders did not report any other business except moneylending, while the remaining reported one or more of the following types of business: cultivator, non-cultivating land-owner, shopkeeper, trader in agricultural commodities, general merchant, broker,

commission agent, goldsmith and jeweller. About 78 per cent of the urban moneylenders and 44 per cent of the village moneylenders answering the question reported that they were also traders in agricultural commodities, while about 38 per cent of the urban moneylenders and 57 per cent of the village moneylenders reported that they were general merchants. About 15 per cent of the urban moneylenders and 9 per cent of the village moneylenders reported that they were goldsmiths and jewellers. Six per cent of the urban moneylenders and nine per cent of the village moneylenders reported that they were also cultivators. This would indicate that moneylending is being carried on as a business by persons who are engaged in other business activities also. A large majority of the moneylenders were advancing loans against standing or harvested crops and many of them were handling produce for marketing.

In Table 12.2 we give data relating to the number of moneylenders advancing loans against harvested crops. The table also gives the number of moneylenders who stipulated for the possession of crops while advancing loans.

TABLE 12.2—LOANS AGAINST CROPS : MONEYLENDERS

[Supply side investigation]

	PROPORTION OF MONEYLENDERS ADVANCING LOANS AGAINST CROPS AND TRADING IN CROPS TO THE TOTAL NUMBER OF MONEYLENDERS ANSWERING THE QUESTION (PER CENT)	
	Village	Urban
	1	2
Loans against standing crops.....	65.2	43.6
Loans against harvested crops and produce.....	78.3	72.7
Stipulation for possession of the crops.....	86.4	85.4
Handling of produce for marketing.....	86.4	86.0

It is seen from the above table that most of the moneylenders reported dealings in agricultural commodities and crops and more than 85 per cent from both the classes of moneylenders reported that they stipulated for the possession of crop when advancing loans to cultivators.

In the questionnaire addressed to the moneylenders questions eliciting information regarding the supervision over the utilization of the loan exercised by them had also been included. All the village moneylenders and roughly half the number of urban moneylenders reported that the purpose of the loan was inquired into by them before giving loans. However, about three-fifths of the number of village moneylenders and about three-fourths of the number of urban moneylenders answering the question reported that they did not watch the actual utilization of the loan. All the village moneylenders and 96 per cent of the urban moneylenders reported that they stipulated a definite period for the repayment of the loan. Between 82 and 83

per cent of both the classes of moneylenders answering the question reported that in respect of 25 per cent or less of the loans advanced to agriculturists repayment of loans was made after the expiry of the stipulated period. About 58 per cent of the village moneylenders and 67 per cent of the urban moneylenders answering the question reported that 10 per cent or less of the total amount lent to agriculturists was considered by them as doubtful. More than 80 per cent of both the classes of moneylenders stated that the proportion of loans in respect of which they had to enter into litigation for recovery was 10 per cent or less.

About 83 per cent of the village moneylenders and 76 per cent of the urban moneylenders answering the question reported that they did not accept deposits. In this connection, it may be noted that we had defined an indigenous banker as one who accepted deposits and dealt in *hundis*. In respect of all those moneylenders who were identified as indigenous bankers, another questionnaire was also to be filled in by the field staff. However, many of the indigenous bankers either refused to reply to this questionnaire or replies given were *prima facie* incorrect. Some of the questions included in the questionnaire appear to have been answered relatively more consistently and possibly more correctly. An attempt is, therefore, made to analyse only these data.

In the district, eight indigenous bankers responded to the questionnaire addressed to them. Six indigenous bankers reported that they also dealt with agriculturists. Five of them said that agriculturists constituted 10 per cent or less of the total clientele, while, one said that agriculturists constituted between 25 and 50 per cent. Six indigenous bankers reported that the loans advanced to agriculturists constituted 25 per cent or less of the total advances made by them. Seven indigenous bankers reported that they gave loans for trade in agricultural commodities largely on a cash credit basis. Only one indigenous banker reported that he financed traders in agriculture as well as village moneylenders by issuing demand *hundis*. About six indigenous bankers reported that the rate of interest charged by them on cash credit allowed to village moneylenders and traders varied between $6\frac{1}{4}$ and $9\frac{3}{8}$ per cent per annum.

Of the eight indigenous bankers, five reported deposits either as on 30 September 1951 or on 31 March 1952. Two indigenous bankers did not report any deposits at all while one indigenous banker refused to disclose any information. Of the five indigenous bankers, three reported only current deposits, one indigenous banker reported only savings deposits and another reported holding two or more types of deposits, which included current deposits, savings deposits, etc. Most of the indigenous bankers reported that traders, commission agents and other businessmen were the usual depositors. Only three of the seven indigenous bankers replied to the questions soliciting information on the interest rate on deposits. Of these, two reported that the rate of interest on short-term deposits varied between 3 and $6\frac{1}{4}$ per cent per annum, while one reported that it was between $6\frac{1}{4}$ and $9\frac{3}{8}$ per cent per annum. All the three indigenous bankers who responded to the questions stated

that the deposits constituted between 10 and 25 per cent of the total resources (owned and borrowed) of the indigenous bankers. Only three out of eight indigenous bankers gave some details regarding their dealings in *hundis*. One reported that he dealt both in demand and usance *hundis* while two others reported that they dealt only in demand *hundis*.

12.5 LANDLORDS

Less than one per cent of the families reported borrowings from landlords in the General Schedule as also in the intensive enquiry. This agency accounted for less than 1 per cent of the total borrowings of the cultivators. This is, however, not surprising in view of the land reforms which were being introduced in the year of the Survey. As is well-known, the implementation of the Saurashtra Land Reforms Act resulted in considerable opposition from *girasdars* and other expropriated landlords. According to knowledgeable sources, many of these landlords who did not intend to take to personal cultivation of land, refused to take any interest in agriculture and hence a negligible proportion of the cultivators reported borrowings from this agency.

12.6 AGRICULTURIST MONEYLENDERS

An agriculturist moneylender, for purposes of the 'demand' side of the Survey, was defined as one whose major profession was agriculture and whose moneylending business was of comparatively minor importance. On the other hand, the category of professional moneylenders was defined to include all those who earned a substantial part of their income from moneylending and who could not be classified as agriculturist moneylenders. According to the data relating to borrowings from agriculturist moneylenders, as reported in the General Schedule, the proportion of families borrowing from these moneylenders was only 0.1 per cent for the cultivators as a group, while about 0.2 per cent of the non-cultivators reported borrowings from this agency.

12.7 PROFESSIONAL MONEYLENDERS

About three-fourths of the total borrowings of cultivators were, according to the General Schedule data, from professional moneylenders. About half the total number of cultivating families reported borrowings from this agency. The proportion of borrowings from professional moneylenders to the total borrowings was 60 per cent in the case of the big cultivators, 69 per cent in the case of the large cultivators, 73 per cent in the case of the medium cultivators and 78 per cent in the case of the small cultivators. The relevant data are given in Table 12.3.

Proportion of families borrowing from this agency to the total number of families was the highest at 58 per cent in the case of the medium cultivators. The figures relating to the proportion of families borrowing from this agency indicate that as compared to the big and the large cultivators the medium and the small cultivators resorted to borrowing from this agency to a greater extent. The data relating to the proportion of total borrowings from this agency appear to indicate that for a

relatively larger proportion of their total credit requirements, small cultivators are depending on professional moneylenders. It is, however, difficult to come to any precise conclusion in this regard because many of the professional moneylenders were also carrying on other business activities like trading in agricultural commodities, etc. Hence, it is not possible to study the variations and importance of this agency only on the basis of data relating to borrowings from professional moneylenders.

TABLE 12.3—PROFESSIONAL MONEYLENDERS

[General Schedule data]

Group	BORROWINGS			DEBT	
	Proportion of families borrowing from professional money-lenders	Proportion of borrowings from professional money-lenders to the total borrowings	Average borrowings from professional money-lenders per family borrowing from the agency	Proportion of debt owed to professional money-lenders to the total debt owed	Average debt owed to professional money-lenders
	(Per cent)	(Per cent)	(Rs)	(Per cent)	(Rs)
	1	2	3	4	5
Big cultivators.....	35.1	59.8	533	67.7	147
Large cultivators.....	43.0	69.3	425	77.2	173
Medium cultivators.....	58.4	72.9	335	77.3	280
Small cultivators.....	45.5	77.6	290	76.1	137
Non-cultivators.....	27.6	59.5	307	60.0	90

Borrowings from this agency, as reported in the intensive enquiry, were classified into eight categories depending upon the purpose and period. The relevant data are given in Table 12.4.

The professional moneylenders appear to be the only and the most important credit agency for supplying short-term agricultural finance, in as much as 60 per cent of the total borrowings for short-term agricultural purposes was accounted for by this agency. With regard to borrowings for long-term agricultural purposes, we have already seen that Government supplied the bulk of the total credit obtained, and hence the professional moneylenders supplied only 22 per cent of the total credit for this purpose. About 44 per cent of the borrowings for short-term consumption purposes and 28 per cent of the borrowings for long-term purposes was also supplied by this agency. This would, therefore, indicate that the cultivators were dependent on professional moneylenders for the large portion of credit required by them for short-term agricultural purposes, as also for consumption purposes.

In the intensive enquiry, details relating to security and rate of interest had also been collected. According to this data, about 45 per cent of the total debt

owed to private credit agencies was secured against commodities while 36 per cent was against personal security. Only 18 per cent of the debt owed to this agency was against the security of bullion and ornaments. About 0.4 per cent of the debt was against the simple mortgage of immovable property.

TABLE 12.4—PROFESSIONAL MONEYLENDERS : PURPOSE—DURATION

[Intensive enquiry data]

Purpose/Duration	BORROWINGS FROM PROFESSIONAL MONEYLENDERS		
	Average borrowing per family	Proportion of borrowings from professional moneylenders to the total borrowings from all agencies for the specified purpose (Per cent)	Proportion of borrowings for the specified purpose to the total borrowings for all purposes from professional moneylenders (Per cent)
	(Rs)		
	1	2	3
Agricultural			
Short-term.....	5.0	60.1	5.9
Long-term.....	12.8	22.2	15.3
Non-agricultural			
Short-term.....	—	—	—
Long-term.....	—	—	—
Consumption			
Short-term.....	54.0	43.5	64.1
Long-term.....	7.0	28.1	8.3
Repayment of old debts.....	—	—	—
Other purposes.....	5.4	72.7	6.4
Total.....	84.1	37.8	100.0

Of the total borrowings from professional moneylenders as reported by the selected cultivating families in the intensive enquiry, about 22 per cent was reported to be free of interest, while in respect of about 13 per cent of the total borrowings, interest rate varied between 7 and 10 per cent per annum. Twenty-six per cent of the borrowings from this agency was at rates varying between 10 and 12½ per cent per annum, while about 5 per cent of the borrowings was at rates varying between 12½ and 25 per cent per annum. The most noteworthy feature of these data is that about 29 per cent of the borrowing was at rates varying between 25 and 35 per cent per annum which are, by any standard, exorbitant rates of interest.

12.8 TRADERS AND COMMISSION AGENTS

Borrowings from persons who are, in the main, traders and commission agents, etc., were treated together under the category of "traders and commission agents", referred to, hereafter, as traders. About 7 per cent of the cultivating families borrowed from traders and the proportion of borrowings from traders to the total

borrowings from all agencies was about 10 per cent in the case of cultivators. The proportion of families borrowing from traders was 9 per cent in the case of the big cultivators, 8 per cent in the case of the large cultivators, 7 per cent in the case of the medium as also the small cultivators. Borrowings from traders accounted for a relatively higher proportion of the borrowings of the big cultivators as compared to those of the small cultivators. In fact, in the case of the big cultivators, about 34 per cent of the total borrowings was accounted for by traders as against only 7 per cent in the case of the small cultivators and 19 per cent in the case of non-cultivators. This would indicate that traders as a credit agency were relatively more important to the big cultivators as compared to the small cultivators.

TABLE 12.5—TRADERS AND COMMISSION AGENTS

[General Schedule data]

Group	BORROWINGS			DEBT	
	Proportion of families borrowing from traders and commission agents	Proportion of borrowings from traders and commission agents to the total borrowings	Average borrowings from traders and commission agents per family borrowing from the agency (Rs)	Proportion of debt owed to traders and commission agents to the total debt owed	Average debt owed to traders and commission agents
	(Per cent)	(Per cent)	(Rs)	(Per cent)	(Rs)
	1	2	3	4	5
Big cultivators.....	9.3	34.3	1,162	13.4	29
Large cultivators.....	7.6	17.7	614	6.3	14
Medium cultivators.....	6.6	5.4	219	1.9	7
Small cultivators.....	7.0	7.2	176	4.4	8
Non-cultivators.....	11.6	18.5	227	18.0	27

About 96 per cent of the borrowings from traders were for short-term consumption purposes. About 46 per cent of the total borrowings of cultivators for short-term consumption purposes were accounted for by this agency as can be seen from Table 12.6 on page 133.

About 31 per cent of the debt of the selected cultivators at the time of the second round of the Survey owed to traders were secured against immovable property, 28 per cent being against simple mortgage and 3 per cent against usufructuary mortgage. About 26 per cent of the debt were secured against bullion and ornaments, and the remaining 43 per cent against personal security. It is, however, not unlikely that a substantial portion of the loans which was advanced prior to the harvesting of the crop and was virtually against the security of standing crop with the stipulation that the crop would be sold to the creditor (in this case the trader) after harvest, has been included largely under the category of personal security.

TABLE 12.6—TRADERS AND COMMISSION AGENTS—PURPOSE—DURATION

[Intensive enquiry data]

Purpose—Duration	BORROWINGS		
	Average borrowing per family	Proportion of borrowings from traders and commission agents to the total borrowings from all agencies for the specified purpose (Per cent)	Proportion of borrowings for the specified purpose to the total borrowings for all purposes from traders and commission agents (Per cent)
	(Rs)		
	1	2	3
Agricultural			
Short-term.....	—	—	—
Long-term.....	0·7	1·1	1·1
Non-Agricultural			
Short-term.....	—	—	—
Long-term.....	—	—	—
Consumption			
Short-term.....	58·7	45·7	95·9
Long-term.....	0·3	1·1	0·5
Repayment of old debts.....	—	—	—
Other purposes.....	1·5	20·0	2·5
Total.....	59·1	26·6	100·0

About 69 per cent of the total borrowings from traders were reported to be free of interest while 29 per cent were reported to be carrying interest at rates varying between 10 and 35 per cent per annum. It is difficult to give a full explanation for such a high proportion of interest-free loans from traders, though one possible explanation is that a substantial portion of these borrowings from traders was against the security of standing crops and the cultivators were committed to sell the produce through the trader-cum-moneylender. To a large extent, it is possible that these interest-free loans represented the advances to growers by traders and wholesalers on the condition that the entire produce would be sold to them immediately after harvest, which would in effect, sometimes mean, that the produce would be sold at rates lower than the prevailing market rates. In all such instances, the relationship between the debtor and the creditor would be influenced by the nature of the sale transaction, and it is, therefore, imperative that the loans which were reported as interest-free be examined in the broader context of the relationship between the trader-cum-moneylender and the cultivator. This interlinking between marketing and credit activities which is a special feature of the private agencies, appears to be a development which needs to be taken account of, particularly, because of the fact that more than 80 per cent of the total produce sold by cultivators is sold to traders and commission agents, as can be seen from the table on page 134.

TABLE 12.7—VALUE OF CROPS AND FODDER MARKETED THROUGH DIFFERENT AGENCIES : SELECTED CULTIVATORS

[Intensive enquiry data. Amount in rupees per family]

Group	VALUE OF CROPS AND FODDER SOLD TO				Value of crops and fodder sold	Value of crops and fodder sold to traders and commission agents as percentage of total value of crops and fodder sold to all agencies	Total value of crops and fodder sold as percentage of value of gross produce
	Traders and commission agents	Factories	Co-operatives	Other agencies (including Government)			
	1	2	3	4			
Upper strata..	583	1	—	121	705	82.7	48.6
Lower strata..	300	1	—	37	338	83.6	51.0
All cultivators	441	1	—	79	522	84.6	49.3

The value of produce sold by cultivators during the year covered by the intensive enquiry constituted about 50 per cent of the total value of gross produce reported and of the total produce sold about 85 per cent was actually sold to traders. It is, therefore, needless to stress the point that even if the terms of trade in the case of sale of produce are unfavourable to cultivators even to a very small extent, the repercussions of this on the total financial resources of the cultivators would be quite significant. This aspect of the interlinking between credit and marketing transactions is particularly emphasized by the data regarding the marketing operations collected in the intensive enquiry. The relevant data are given in Table 12.8 which show that in respect of more than two-fifths of the total number of sale transactions with traders, prices had been settled even before delivery.

TABLE 12.8—SALE TRANSACTIONS WITH TRADERS AND COMMISSION AGENTS

[Intensive enquiry data]

	Upper strata	Lower strata
Number of cultivators interviewed.....	80	40
Number of sale transactions entered into with traders and commission agents.....	194	66
Proportion* of sale transactions in which the commodity was delivered in the village of residence (Per cent).....	71.5	69.4
Proportion* of sale transactions in which price was settled before delivery (Per cent).....	47.9	43.1
Proportion* of sale transactions in which advance was received before delivery (Per cent).....	17.0	16.7
Proportion* of sale transactions in which money was borrowed in anticipation of sales (Per cent).....	35.6	42.4
Proportion* of sale transactions in which money was owed prior to sale (Per cent).....	50.0	63.6

*Proportions refer to the total number of sale transactions in respect of which proper answers had been given and not to the total number of sale transactions.

In respect of more than half the sale transactions entered into by cultivators with traders, the cultivator owed money even prior to the actual sale of the commodity. The traders, who had also been specially interviewed with a questionnaire addressed to them, also replied that many of them gave loans against the security of standing crops as also against the harvested crops and produce. About 37 per cent of the total number of traders answering the question reported that they advanced loans against standing crops while 70 per cent of the traders reported that they advanced loans against harvested crops and produce.

Considering that, in respect of about 70 per cent of the sale transactions entered into by cultivators with traders, the produce was delivered in the village itself, this interlinking between credit and marketing appears to be a very noteworthy feature of the operations of private credit agencies.

12.9 COMMERCIAL BANKS

Less than 1 per cent of the cultivating families reported in the General Schedule borrowings from commercial banks. None of the cultivators in the big, large or small cultivator groups reported borrowings from this agency. However, less than 1 per cent of the medium cultivators reported borrowings from commercial banks. The proportion of borrowings of the medium cultivators from commercial banks to the total borrowing was about 1.3 per cent. In the intensive enquiry, none of the selected cultivating families reported borrowings from commercial banks.

There were in the district only thirteen offices of the commercial banks of which eleven sent completed returns to us in response to the questionnaire mailed to them. The total amount outstanding as on 30 September 1951, on loans advanced for 'agriculture' for the district as a whole on the basis of the returns received came to only about Rs 39,000, the whole of which was against the security of bullion and other collateral. Commercial banks are not important as a source of credit so far as the cultivators are concerned.

12.10 FINANCIAL SUPERSTRUCTURE OF PRIVATE CREDIT AGENCIES

With a view to studying the superstructure of private credit agencies, in the questionnaire addressed to moneylenders, among others, the following two questions were included: "*Are you able to meet the heavy demands completely from your own resources, i.e., without resorting to borrowings? If not, what are the sources through which you can obtain funds?*" The sources listed were (i) commercial banks, (ii) indigenous bankers, (iii) other moneylenders, (iv) drawing of *hundis* and (v) other sources. In the questionnaire addressed to traders, additional sources of credit, viz., manufacturing and processing concerns and wholesalers and export firms were also listed. The data asked for were in terms of proportion of finance obtained from the named source to the total credit obtained, during the period of one year, and no attempt was made to collect any more precise information in absolute amounts. The information given in response to these questions are presented in Table 12.9 on page 136.

TABLE 12.9—FINANCIAL SUPERSTRUCTURE : PRIVATE CREDIT AGENCIES

[Supply side investigations]

	Number responding	Number of respondents who had to borrow and reported borrowings	NUMBER OF RESPONDENTS WHO SAID THAT THEY BORROWED FROM THE SPECIFIED SOURCE AS PERCENTAGE OF THE TOTAL NUMBER OF RESPONDENTS WHO HAD TO BORROW AND REPORTED BORROWINGS						
			Commercial banks	Indigenous bankers	Money-lenders	Manufacturing and processing concerns	Wholesalers and export firms	By drawing <i>hundis</i>	Other sources
	1	2	3	4	5	6	7	8	9
Village money-lenders.....	23	15	-	6.7	66.7	-	-	6.7	20.0
Urban money-lenders.....	55	7	28.6	-	71.4	-	-	-	-
Traders.....	143	49	8.2	14.3	24.5	16.3	26.5	22.4	16.3

About 65 per cent of the village moneylenders, 13 per cent of the urban moneylenders and 34 per cent of the traders interviewed reported that they could not meet the demand for funds from their clientele totally from their owned resources. Of the village moneylenders who had to resort to borrowings, 67 per cent reported that they borrowed from other moneylenders and 7 per cent reported that they borrowed from indigenous bankers. Of the urban moneylenders who had to borrow, 29 per cent reported that they had to borrow from commercial banks while about 71 per cent reported that they borrowed from other moneylenders, presumably the bigger moneylenders. Drawing of *hundis* as a means of financing was relatively unimportant in either case. In the case of traders, however, wholesalers and export firms as well as manufacturing and processing concerns appear to be important sources of credit. About 27 per cent and 16 per cent of the traders reported that they had to borrow from wholesalers and export firms and manufacturing and processing concerns, respectively. As against this, only 25 per cent and 14 per cent of the traders reported that they had to borrow from moneylenders and indigenous bankers. Only about 8 per cent of the traders reported that they had to borrow from commercial banks. Financing their trade through *hundis* appears to be an important source of credit to traders in as much as 22 per cent of the traders who had to borrow reported that they got finance by this method.

CHAPTER 13

CONCLUDING REMARKS

The two most prominent features which appear to have left their marks on almost every aspect of the rural economy of this district are the antiquated land tenure system prevailing till the year immediately preceding the Survey in some parts of the district, and the political and administrative machinery of the princely states prior to the creation of the Sorath district in 1949. Both these features might have been responsible to a large extent for the virtual absence of the Co-operative Movement in the district. The record of the active role played by the Government in financing agriculturists does not go beyond the year 1949. It is, therefore, not surprising to find that the entire credit structure in the rural areas is dominated by the private credit agencies.

13.1 CREDIT TRANSACTIONS

About 60 per cent of the cultivators of the district reported borrowings during the year covered by the Survey, 50 per cent having borrowed from professional moneylenders, many of whom were carrying on trading activities and 7 per cent of the cultivators from traders and commission agents. The average borrowing per borrowing family was about Rs 400, while the average debt per indebted family was Rs 415; about 64 per cent of the cultivating families were indebted. As is to be expected, the volume of debt per family in the case of the bigger cultivators was higher. The incidence of debt in relation to the size of operations was, however, greater in the case of smaller cultivators.

A substantial portion of the debt was contracted during the year itself; only 15 per cent of the debt was outstanding for more than five years. Outstanding interest constituted less than one-fifth of the total debt. However, the burden of accumulated interest was greater on the smaller cultivators, having constituted 12 per cent of the gross produce and 15 per cent of the total cash receipts. That the outstanding interest was less than 1 per cent of the total owned assets is a satisfactory feature of the economy. The interest rates charged by private credit agencies were quite exorbitant as about 19 per cent of the total debt were contracted at 25 per cent or higher rates per annum.

About two-thirds of the borrowings were for family expenditure, borrowings for farm business accounting for less than 30 per cent. About 60 per cent of the borrowings were for short-term, mostly for consumption purposes; about one-fourth of the borrowings was for medium and long-term agricultural purposes.

Only about one-fifth of the debt was against security of immovable property; about one-fourth was against the security of commodities and less than one-fifth

against bullion and ornaments. The rest was against personal security. It would appear that land as security for obtaining finance was not insisted to any great extent by private credit agencies.

13.2 EXPENDITURE AND SOURCE OF FINANCE

More than 50 per cent of the expenditure on death and marriage ceremonies and about 15 per cent of the expenditure on construction and repair of houses, etc., as also that on purchase of durable consumers' goods were financed out of borrowings. Of the total borrowings for family expenditure, ceremonies accounted for about one-third, while expenditure on construction of houses, etc., and purchase of durable goods accounted for another one-third; of the remaining amounts borrowed for family expenditure, the major portion appeared to be largely on consumption account. It has to be conceded that family expenditure levels during a period are influenced by levels of income in the past years. In particular if the levels of income in the previous years have been higher than the levels of income in the current years, the pattern of expenditure in the year under consideration would continue to be largely influenced by the levels of income in previous years. Moreover, as the year of the Survey witnessed a decline in prices after a period of relatively favourable prices, the borrowings for family expenditure would have been largely a function of the level of expenditure to which the rural families had been accustomed in the immediately preceding period of favourable prices. This rigidity in the levels of outlay on family expenditure would, therefore, have considerable bearing on the volume of borrowings during the year.

Of the total capital expenditure, the proportion of expenditure on different items was 3 per cent in the case of purchase of land, 21 per cent for purchase of livestock, 42 per cent for digging of wells and development of other irrigation resources and 15 per cent on purchase of implements, machinery and transport equipment. Though the expenditure on purchase of land was small, net transfer of some lands from urban residents to rural residents appears to have taken place. A substantial proportion of the expenditure on purchase of livestock appears to have been incurred in the context of the peculiar nature of purchase and sale transactions, whereby cultivators sell heifers and dry cattle to the professional breeders and buy cattle in milk from them. About 56 per cent of the expenditure on purchase of livestock more than half of the expenditure on digging and repair of wells, less than one-fifth of the expenditure on development of other irrigation resources and about 12 per cent of the expenditure on purchase of implements and machinery were financed out of borrowings.

About 50 per cent of the total current farm expenditure recorded in the Survey was in cash. However, a significant aspect of the current farm expenditure is the seasonality in expenses as also in receipts. Whereas a large portion of the expenditure was incurred between April and September, cash receipts from sale of produce were concentrated in the October to March period. About three-fourths of the total cash receipts of cultivators were in lieu of sale of crops and fodder. Cash receipts

from sources other than from sale of crops and fodder show less seasonality. The other cash receipts in the form of wages appear to be important in augmenting the meagre resources of small cultivators.

Receipts from sale of crops and fodder constituted about 50 per cent of the value of gross produce harvested. Disposals in kind immediately after harvest in lieu of rent, wages, remuneration to artisans, etc., constituted less than one-sixth of the gross produce.

13.3 NET BALANCE OF CAPITAL TRANSACTIONS

The relatively disadvantageous position of smaller cultivators is further highlighted by the calculations of deficits, through data relating to capital expenditure, repayments, sale of assets and borrowings. The calculations for the district regarding net investment and dis-investment, in terms of definite changes in physical assets or financial assets owned, indicate that only small cultivators show a net disinvestment position. That is to say, the total results of economic activity during the year were such that the small cultivators were worse off at the end of the year. Broadly, for the district as a whole, the picture presented by our data was one of the generally unfavourable year, marked by some increase in debt and a move towards negative balance on capital transactions in the case of less favourably placed cultivators. The data clearly indicate that the movement towards a negative balance in the case of smaller cultivators was more marked than in the case of bigger cultivators and that the movement towards a positive balance in the case of bigger cultivators was distinctly larger and more positive than in the case of smaller cultivators.

13.4 CREDIT AGENCIES

The relatively unfavourable position of small cultivators is also indicated by the fact that finance from Government appears to be more easily available to large and medium cultivators than to small cultivators. Largely because of the emphasis by Government on the ability of the borrower to give landed property as security for loans and partly because of the inferior economic status of the small cultivators, a substantial portion of loans from Government appears to have been advanced to the large and medium cultivators. Further, the co-operative movement was practically non-existent in the district.

The cultivators were thus left with no other source but private credit agencies for meeting their credit needs. More than 80 per cent of the borrowings were from professional moneylenders, traders and commission agents. More than 80 per cent of the urban moneylenders and more than half of the village moneylenders reported that they were also trading in agricultural commodities, while about three-fourths of the number of moneylenders said that they were giving loans against standing crops or against produce with the stipulation that the produce be handed over to them for marketing. This is of great significance because more than 80 per cent of the produce sold by cultivators was to traders and commission agents. Further, in the case of about half and two-thirds of the number of sale transactions

of cultivators of upper strata, and lower strata, respectively, money was owed to the trader-cum-moneylender even prior to the actual sale. This interlinking between credit and marketing coupled with the fact that in respect of about 70 per cent of the sale transactions, the produce was delivered in the village itself ensured a complete domination of the moneylender-cum-trader on the credit structure of the rural Sorath.

It is against this background that the reportedly 'interest-free' borrowings from professional moneylenders and traders need to be understood. About one-fifth of the borrowings from professional moneylenders and two-thirds of the borrowings from traders and commission agents were reported by cultivators as interest-free. It is possible that these interest-free loans represented to a large extent advances to cultivators against the stipulation that the produce, immediately after harvest would be sold to the creditors, which might, in effect, mean that the produce would be sold at rates lower than either the prevailing market rates or the rates which the cultivators would have got had they withheld the produce from the market for some more time. In all such instances, the relationship between the debtor and creditor would be influenced by the nature of sale transactions and the relative bargaining strength of the two parties concerned. There is yet another set of data which convincingly show that the interest rates charged by many moneylenders were exorbitantly high. Thus about one-third of the borrowings from professional moneylenders and one-fourth of the borrowings from traders were at rates exceeding 25 per cent per annum. It is needless to state that, by any standards, the level of interest rates charged was high.

As regards the complicated relationship between the different agencies which finance the moneylenders and traders, it can be stated that the private credit structure has the moneylender and trader chiefly as the primary units and has the indigenous banker, the commercial banks and other moneylenders as units at the higher level. There is a much greater mixture of functions in this system, so that the commercial banks may have direct relations with traders or may finance an urban moneylender or an export firm or a processing concern which finances the trader, who in turn finances the cultivator. The Survey data show that the private credit agencies operate as a solid block and that the commercial banks stand at the back of this private credit system.

In contrast to the relatively well-knit financial super-structure behind the private credit agencies, the co-operative credit system betrayed a lack of integration and internal organizational ties. The primary units at the village level were either conspicuous by their absence or were generally weak and disorganised, with very few exceptions. Central financing agencies at the intermediate level had not been organised. This weak link or the absence of the link itself in the co-operative credit structure could be said to be largely responsible for the undeveloped state of the movement. The stagnant nature of many of the selected societies clearly indicate the urgent need for strengthening the financial superstructure behind the

primary co-operatives. On the whole, the position regarding co-operatives as revealed by the Survey data was one which emphasises the inadequacy of the scope and growth of the Movement. It also gives clear indication that the progress in this regard can come only from development of credit agencies at the higher tiers of the co-operative credit structure and from proper linking of co-operative marketing with co-operative credit so as to ensure members' loyalty towards co-operatives vis-a-vis the private moneylender-cum-trader.