

**ALL-INDIA  
RURAL CREDIT SURVEY**

**DISTRICT MONOGRAPH  
COIMBATORE**



**BOMBAY - 1959**

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## FOREWORD

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

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

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

## FOREWORD

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

4. A draft monograph on Coimbatore was prepared by Shri C. G. Subrahmanyam and late Shri C. Gopalakrishna Murthy under the direction of Shri T. S. Rao of the Reserve Bank of India. The monograph was edited for publication by Shri C. V. Rao of the Department of Statistics. The responsibility for the views expressed is that of the authors and not of the Reserve Bank of India.

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Reserve Bank of India,  
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July 4, 1959.

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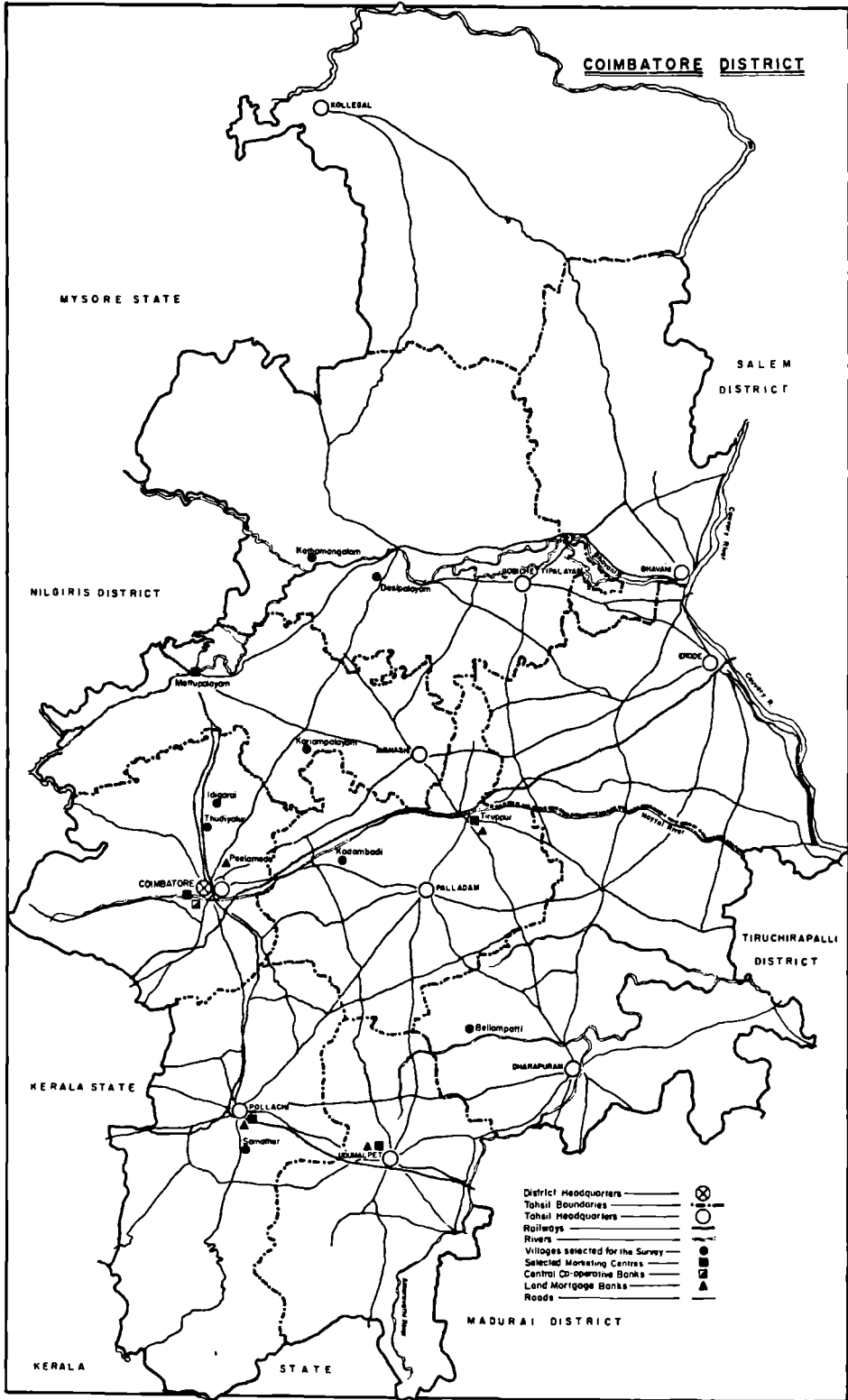
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The following symbols have been used in the tables :

— to represent 'nil' or a negligible figure.

.. to indicate that the figure is not available.



# CHAPTER I

## GENERAL FEATURES

### I.1 LOCATION, AREA AND POPULATION

The Coimbatore district is an inland district situated in the southern part of the peninsula. It is bounded on the north by the Mysore State and the Salem district, on the east by the Salem and the Tiruchirapalli districts, on the south by the Madurai district and the United State of Travancore and Cochin (now the Kerala State) and on the west by the Malabar and the Nilgiris districts. On the north-west, the west and the south, the district is enclosed by mountain ranges of the Western Ghats. The district consists of ten taluks and these are grouped into three revenue divisions with headquarters at Pollachi, Erode and Gobichettipalayam. The taluk-wise details of area and population according to the 1951 Census are presented in the following table.

**TABLE I.1—AREA AND POPULATION**

Taluk	Area in square miles	Number of villages	Number of towns	Number of occupied houses	POPULATION			
					Rural	Urban	Total	Density of population per square mile
					1	2	3	4
Coimbatore.....	528	77	6	78,434	2,83,652	2,78,870	<b>5,62,522</b>	1,065
Pollachi.....	709	132	4	70,441	3,04,896	79,781	<b>3,84,677</b>	543
Udumalpet.....	555	83	1	35,109	1,67,133	23,309	<b>1,90,442</b>	343
Palladam.....	585	99	3	59,893	2,81,553	70,181	<b>3,51,734</b>	601
Dharapuram.....	854	83	1	68,541	2,99,144	24,163	<b>3,23,307</b>	379
Erode.....	599	190	1	92,377	3,82,065	57,576	<b>4,39,641</b>	734
Gobichettipalayam	1,129	115	2	74,934	3,49,895	44,372	<b>3,94,267</b>	349
Kollegal.....	1,076	78	1	20,884	1,19,928	18,980	<b>1,38,908</b>	129
Avanashi.....	493	80	3	46,509	2,28,729	43,807	<b>2,72,536</b>	553
Bhavani.....	572	58	1	44,117	2,23,037	12,133	<b>2,35,170</b>	411
<b>Total.....</b>	<b>7,100</b>	<b>995</b>	<b>23</b>	<b>5,91,239</b>	<b>26,40,032</b>	<b>6,53,172</b>	<b>32,93,204</b>	<b>464</b>

(Source : *District Census Handbook, 1951, Coimbatore*)

It will be seen that the density of population is generally high except in Kollegal taluk which is a forest and hilly region. It was the highest in Coimbatore taluk which is a highly industrialized area. For the district as a whole the density of population was 464 persons per square mile as against a density of 446 persons per square mile for the State as a whole.

### 1.2 PHYSICAL FEATURES

The taluks of Kollegal, Bhavani and Gobichettipalayam are situated on a high level adjacent to the Mysore plateau. The rest of the district (including some portions of Gobichettipalayam, Bhavani and the seven remaining taluks) is a gently undulating plain with an elevation of about 900 feet above the sea-level. This southern plain is traversed by the four rivers, Cauvery, Bhavani, Noyyal and Amaravathi. The Cauvery coming from the Mysore State flows along the northern and eastern boundaries of the Kollegal taluk and enters the Salem district and again flows along part of the eastern boundary of Bhavani taluk and the entire eastern boundary of Erode taluk of the Coimbatore district before entering the Tiruchirapalli district. The Bhavani and the Amaravathi are perennial rivers mainly dependent upon the South-West monsoon and run a course of a little over 100 miles within the district. The Noyyal is a jungle stream subject to floods and runs a course of 108 miles bisecting the district.

The district is shut out on the north-west, the west and the south by mountain chains of the Western Ghats but a gap is left on the west coast. This gap known as 'Palghat Gap' influences to a great extent the climate and commerce of the district.

The varieties of soil found in this district are chiefly red sand and gravel, with a moderate area of red and black loam. Of the total area, red loam and sand constitute about 68 per cent and 22 per cent respectively while black clay, loam and sand account for 3 per cent, 6 per cent and 1 per cent respectively. In most parts of the district, surface soils are extremely thin and the sub-soil consists of semi-decomposed rock.

The climate and rainfall of the district are considerably influenced by the Palghat Gap which is only about 40 miles from the Arabian Sea. The South-West monsoon benefits only those parts of Coimbatore taluk which lie to the south of the railway line running across the district and a major portion of Pollachi taluk which is situated opposite the Palghat Gap. This monsoon which is heavy in Malabar and South Kanara, does not benefit this district much as the district is shut out by mountains on the west and the south. Further the rains during this monsoon are not evenly distributed over the district. The rainfall during the North-East monsoon is more or less uniform in the district but it is scanty and coming as it does during the dry weather, is not of much significance.

The average rainfall in the district during the decade 1940-1 to 1949-50 and the rainfall during 1950-1 are shown below.

**TABLE 1.2—RAINFALL**

[ In inches ]

	South-West monsoon	North-East monsoon	Hot weather	Total
Average rainfall during 1940-1 to 1949-50 .....	6.5	16.1	7.1	29.7
Rainfall during 1950-1 .....	6.2	9.2	10.2	25.6



The climatic conditions are not the same throughout the district. In the parts lying to the south of the Ghats the climate is comparatively cool. Coimbatore has a pleasant climate as it is situated at an altitude of about 1,300 feet above the mean sea-level. In the three taluks of Erode, Bhavani and Gobichettipalayam the climate is generally very hot. While Pollachi has a moist climate, the climate in the remaining parts is fairly dry.

### 1.3 LAND UTILIZATION

The details of land utilization in the district during the year 1951-2 are shown below.

**TABLE 1.3—LAND UTILIZATION IN THE DISTRICT—1951-2**

[ Area in '000 acres ]

Land use	Area	Land use	Area
<b>Total area according to village papers</b> .....	<b>45,52</b> <b>(100.00)</b>	Miscellaneous tree crops.....	9 (0.2)
Forests.....	1,443 (31.7)	Current fallows.....	601 (13.2)
Barren and uncultivable land.....	145 (3.2)	Other fallow lands.....	74 (1.6)
Land put to non-agricultural uses...	141 (3.1)	Net area sown.....	1,948 (42.8)
Cultivable waste.....	133 (2.9)	Area sown more than once.....	340 (7.5)
Permanent pastures and grazing lands.....	58 (1.3)	<b>Total cropped area</b> .....	<b>22,88</b> <b>(50.3)</b>

Source : *Season and Crop Report of the Madras State—1951-2*

Note : Figures in brackets denote percentages to total.

It is seen that about 50 per cent of the total area in the district was under cultivation. Forests occupied as much as 32 per cent of the total area. Though large areas have been classified as cultivable wastes most of such lands are not considered quite economical for cultivation in view of their rocky nature. Double cropping is also not generally practised in this district.

Irrigation facilities are not available in the district on an extensive scale and only about 22 per cent of the cultivated area was under irrigation, the main source of irrigation being wells. Wells numbering over a lakh at the time of the Survey served over 70 per cent of the irrigated area. Besides wells, the rivers Bhavani, Cauvery, Amaravathi and a few tanks also irrigate some lands.

### 1.4 CROP PATTERN

Crop-wise details of area under cultivation for each year during the quinquennium ending with 1950-1 are shown in Table 1.4 on page 4.

**TABLE 1.4—DETAILS OF CROPPED AREA DURING THE PERIOD FROM 1946-7 TO 1950-1**

[ Area in '000 acres ]

Crop	1946-7	1947-8	1948-9	1949-50	1950-1	Average
Paddy.....	1,40	1,42	1,45	1,37	1,13	1,35
Millets.....	9,53	7,01	10,07	8,54	8,82	8,79
Pulses.....	2,03	2,92	2,93	1,78	1,81	2,29
Cotton.....	2,75	1,63	2,38	1,69	1,87	2,06
Groundnut.....	2,07	2,30	2,31	2,57	2,63	2,38
Gingelly.....	30	37	36	56	22	36
Sugar-cane.....	15	20	15	15	19	17
Tobacco.....	19	30	28	23	24	25

The taluk-wise details of cropped area during 1950-1 are shown below.

**TABLE 1.5—AREA UNDER IMPORTANT CROPS—1950-1**

[ Area in '000 acres ]

Crop	Taluk	Ava-	Bha-	Coim-	Dha-	Erode	Gobi-	Kolle-	Polla-	Palla-	Udu-	Total
		nashi	vani	batore	rapu-		chetti-	gal	chi	dam	mal-	
		1	2	3	4	5	6	7	8	9	10	11
Paddy.....		6	3	9	11	21	29	8	12	2	12	113
Cotton.....		18	3	27	13	12	6	2	29	37	40	187
Samai.....		8	12	14	1	-	6	4	24	2	16	87
Kora.....		3	2	4	1	-	2	1	7	3	5	28
Cholam.....		63	25	65	43	33	34	3	36	79	30	411
Cambu.....		18	30	2	52	88	55	6	5	9	1	266
Ragi.....		3	8	6	6	4	20	46	5	5	2	105
Horsegram.....		6	2	17	20	4	6	11	26	34	19	145
Greengram.....		1	-	2	1	1	1	-	1	2	2	11
Redgram.....		1	1	2	-	1	2	-	3	1	1	12
Gingelly.....		-	2	-	13	4	3	-	-	-	-	22
Castor seed.....		1	1	-	-	-	1	1	1	-	-	5
Groundnut.....		38	36	18	2	40	15	4	102	4	4	263
Chillies.....		-	1	2	1	1	2	1	1	1	1	11

It is seen that millets constituted the most important food crop in this district accounting for as much as 50 per cent of the total cropped area. Though paddy was the only cereal crop in the district the cultivation of paddy was not extensive. Cotton and groundnut were also of considerable importance to the district accounting for 12.1 per cent and 14.0 per cent respectively of the total cultivated area. Besides cotton and groundnut, other commercial crops grown in the district are tobacco, sugar-cane and gingelly. Millets are grown extensively in all parts of the district, while paddy is cultivated as a major crop in areas where perennial supply of water is available. Coimbatore, Pollachi, Palladam and Udumalpet taluks are the major cotton growing areas of the district. Except in the backward areas of Palladam, Dharapuram and Udumalpet groundnut cultivation is also extensive. Pollachi taluk was most important from the point of view of groundnut cultivation, accounting for over a third of the total area under groundnut in the district.

**1.5 FAMINE CONDITIONS**

Certain parts of the district, particularly the three taluks of Palladam, Udumalpet and Dharapuram, are liable to famines. The conditions became more pronounced during the forties owing to the failure of rains. Particularly by 1949-50 many of the wells which were the main source of irrigation had become dry and as a result large areas were left fallow. In times of these famine conditions relief measures were organized by the various departments. At times the services of the army also were utilized in works such as deepening of wells.

**1.6 FORESTS**

We have seen that a large part of the district is covered with forests. The forest area lies in two sections, in the north in Kollegal, Bhavani and Gobichettipalayam taluks in the hills bordering Mysore and in the south in Pollachi and Udumalpet taluks on the Anamalai hills. At the foot of the Nilgiris, in Coimbatore taluk also, there is some forest area. These forests serve as good grazing grounds for cattle and provide valuable sandalwood and timber in addition to miscellaneous minor forest products.

**1.7 OCCUPATIONAL DISTRIBUTION**

Data on occupational distribution in the rural areas and urban areas of the district are presented in the following table.

**TABLE 1.6—POPULATION ACCORDING TO LIVELIHOOD CLASSES**

Principal livelihood classes	RURAL		URBAN	
	Number of persons	Percentage to total for the class	Number of persons	Percentage to total for the class
	1	2	3	4
<b>Agricultural classes.....</b>	<b>16,72,352</b>	<b>100·0</b>	<b>89,510</b>	<b>100·0</b>
1. Cultivators of land wholly or mainly owned and their dependents.....	9,01,216	53·9	33,935	37·9
2. Cultivators of land wholly or mainly unowned and their dependents.....	1,92,846	11·5	16,139	18·0
3. Cultivating labourers and their dependents.....	5,46,101	32·7	31,214	34·9
4. Non-cultivating owners of land, agricultural rent receivers and their dependents.....	32,189	1·9	8,222	9·2
<b>Non-agricultural classes.....</b>	<b>9,67,680</b>	<b>100·0</b>	<b>563,662</b>	<b>100·0</b>
1. Production other than cultivation.....	4,72,012	48·7	174,409	30·9
2. Commerce.....	1,16,954	12·1	134,216	23·8
3. Transport.....	16,993	1·8	34,814	6·2
4. Other services and miscellaneous sources.....	3,61,721	37·4	220,223	39·1
<b>Total.....</b>	<b>26,40,032</b>		<b>653,172</b>	

(Source : *District Census Handbook, 1951, Coimbatore*)

It is seen that only a very small proportion (5·1 per cent) of the agricultural population lived in urban areas while non-agricultural classes were found both in

rural as well as urban areas. Of the agricultural population residing in rural areas nearly a third were agricultural labourers. Non-cultivating classes such as landlords, rent receivers, etc., formed only a very small proportion, viz., 2 per cent of the agricultural classes and practically two-thirds of the agricultural population in the rural areas were cultivators. Most of the non-agricultural classes in the rural areas were engaged in production other than cultivation and miscellaneous services etc., while a good proportion (24 per cent) of the non-agricultural classes in the urban areas was engaged in commerce.

### 1.8 INDUSTRIES

Coimbatore is one of the highly industrialized districts in the south. There were over 40 textile mills in the district. Most of them were located in and around Coimbatore town itself. There were also about 80 cotton ginning factories in this area. The textile industry provides enough work to the landless labourers and also provides opportunities to cultivators to supplement their income.

The district is also famous for its engineering industries manufacturing textile tools and farm equipment. Other industries found in the district are oil pressing, sericulture, blanket weaving and coffee, tea and cinchona plantations. Butter and *ghee* industries also exist in the district. The important cottage industries are handloom weaving, jaggery making, tanning, tobacco curing, etc.

### 1.9 TRANSPORT AND COMMUNICATIONS

The district has good transport and communication facilities. Five taluks of the district, viz., Coimbatore, Palladam, Pollachi, Udumalpet and Erode are connected by railways. The total railway mileage in the district was about 200 miles including both broad-gauge and meter-gauge.

The total road mileage in the district was about 3,330 miles of which a little over 1,800 miles represented rural roads. Besides the Madras-Calicut trunk road which passes through Bhavani, Erode, Avanashi and Coimbatore taluks, there are other metalled roads connecting the important centres in the district. The transport facilities in the rural areas of Bhavani, Kollegal and Udumalpet taluks were, however, poor.

### 1.10 LAND TENURES AND TENANCY SYSTEM

With the abolition of the *zamindari* system, the only type of tenure prevailing in the district is the *ryotwari* system. Tenant cultivators as well as owner cultivators are common. In the case of lands leased out to tenants, the term of lease usually extends from three to five years; both cash rents and rents in kind are in vogue in this district, the rents varying from Rs 200 to Rs 300 per acre depending on the nature of the land. In some areas of the district the *varam* tenancy under which the landlord and tenant share equally the produce is common. Expenditure of a capital nature on land is usually borne by the owners themselves and the tenants are expected to incur only current farm expenses. In some cases besides paying the stipulated rent, the tenants are also required to plough the landlord's lands which are under his own cultivation, and besides supplying fodder for his cattle also make available their carts to the landlord whenever required.

## CHAPTER 2

### DESCRIPTION OF THE SURVEY

The object of the all-India Rural Credit Survey was to study the main aspects of working of rural credit, viz., the demand for credit from rural families and the supply of credit by credit agencies, both institutional and private. In connexion with the 'demand' investigations, i.e., the study of the demand for credit by rural families a sample of eight villages was selected from each of the selected districts, half of these villages being those covered by co-operative credit societies and the other half not covered by co-operative societies. The selection of the sample of villages within each group, i.e., those covered by co-operatives and those not covered by co-operatives, was done with probability of selection proportional to the population of the villages. The particulars of the villages selected in Coimbatore district for these investigations are shown below.

**TABLE 2.1—PARTICULARS OF THE SELECTED VILLAGES**

Village	Total population in 1951*	NUMBER OF FAMILIES ENUMERATED IN THE GENERAL SCHEDULE			Taluk in which situated
		Total	Culti-vators	Non-culti-vators	
		1	2	3	
<b>Villages with co-operative societies</b>					
1. Desipalayam .....	4,923	887	539	348	Gobichettipalayam
2. Idigarai .....	4,976	745	312	433	Coimbatore
3. Kadambadi .....	2,948	571	266	305	Palladam
4. Kothamangalam .....	3,346	626	302	324	Gobichettipalayam
<b>Villages without co-operative societies</b>					
1. Bellampatti .....	1,391	264	111	153	Dharapuram
2. Kariampalayam .....	2,952	541	242	299	Avanashi
3. Samathur .....	3,184	475	195	280	Pollachi
4. Thudiyalur .....	3,076	540	175	365	Coimbatore

(\*Source : *District Census Handbook, 1951, Coimbatore*)

For the 'demand' aspect, all resident families in the selected villages were investigated using a schedule called the General Schedule. In this schedule information was collected in relation to the size of cultivated holdings, expenditure on specified items of capital expenditure in farm and non-farm business, family expenditure, sale of assets, borrowings, outstandings, and repayments during the period of twelve months immediately preceding the month of visit. The General Schedule was canvassed during the period November 1951 to April 1952 in different villages. Further, a sample of fifteen cultivating families from each of the selected villages was

investigated intensively using six schedules and five questionnaires. Intensive enquiry data were collected in two rounds of visits. The information, collected during the first round undertaken immediately after the General Schedule information was collected, related to the period April to September 1951 while in the second round, details for the period October 1951 to March 1952 were obtained. Data in relation to various aspects of the cultivators' economy, such as assets position, acquisition and liquidation of assets, farm and family expenditure, farm receipts, credit transactions, etc., were collected in the intensive enquiry.

For selecting the sample of fifteen cultivating families for the intensive enquiry, all cultivating families in each of the selected villages were first arranged in descending order of magnitude of the size of their cultivated holdings. These families in each village were then divided into ten strata or 'deciles' with roughly equal number of families in each decile. Two families were selected at random from each of the first five deciles and one from each of the last five deciles, thus making a total of fifteen cultivating families in each village.

The investigations on the 'supply' aspect of the Survey covered the various credit agencies, viz., Government, co-operatives, private moneylenders, indigenous bankers, traders and commercial banks. The investigations were conducted in the villages selected for the 'demand' side enquiry as also in four other selected tahsil or marketing centres. In connexion with the 'supply' side investigation seven schedules were used, one in respect of Government finance, two in respect of primary co-operative credit societies, two in respect of land mortgage banks, one in respect of co-operative marketing society and one for case study of loans by different agencies. Five 'supply' questionnaires were also used for obtaining information regarding the method of operation of primary co-operative credit societies, traders in agricultural commodities, moneylenders and indigenous bankers and commercial banks.

For the purpose of analysis of data collected through the General Schedule, the cultivating families were grouped into four classes, viz., 'big', 'large', 'medium' and 'small'. The cultivators in the first decile formed the class of big cultivators. The cultivators of the first three deciles together formed the second class, namely, the large cultivators. In the same manner the cultivators of the next four deciles formed the class which was termed the medium cultivators. Cultivators forming the last three deciles were called the small cultivators.

For the purpose of analysis of data collected through the intensive enquiry, the selected cultivators were classified into two groups, viz., the upper strata and the lower strata. The selected families in the first five deciles formed the upper strata and those in the last five the lower strata.

## CHAPTER 3

### INDEBTEDNESS

#### 3.1 VOLUME OF DEBT AND EXTENT OF INDEBTEDNESS

##### 3.1.1. Proportion of indebted families

In this chapter we discuss the proportion of indebted families, debt per family, debt of the different classes of cultivators, debt per indebted family and other relevant aspects of the problem of indebtedness. The data collected in both the General Schedule and the intensive enquiry have been made use of in the following discussion. Table 3.1 on page 10 gives the debt position in respect of the cultivating and non-cultivating families in the selected villages.

From the table it will be seen that 76 per cent of the cultivators and a little over 54 per cent of the non-cultivators were indebted at the end of the Survey year. The proportion indebted for all families was 63·7. The debt per family was Rs 1,204 for cultivators whereas for non-cultivators it was only Rs 142, the average debt per family for all families working to Rs 607. The reasons for the higher level of indebtedness among cultivators as compared to non-cultivators are obvious. While the former are more or less invariably in need of credit for productive purposes irrespective of the size of their holdings, the credit needs of the latter are to some extent smaller. The non-cultivating population comprise the various categories such as landlords, traders, etc., who are usually not in need of credit to the same extent as are the cultivators. Further, usually, the non-cultivators engaged in production other than cultivation find it difficult to obtain credit due to lack of security whereas the creditors, particularly the private moneylenders, without hesitation advance loans to the cultivators, however small their holdings may be. These various factors contribute to the relatively higher level of indebtedness among cultivators as compared to non-cultivators.

##### 3.1.2 Debt among different classes of cultivators

Table 3.2 on page 11 gives the indebtedness among the four classes of cultivators, viz., big, large, medium and small cultivators.

It will also be seen that the proportion of indebted families was uniformly high among all the four classes of cultivators, this proportion increases from 66·7 per cent among the small to 82·8 per cent among the large cultivators. The average debt was the highest at Rs 4,338 per family for the big cultivators and declined to Rs 388 per family for the small cultivators.

Table 3.3 on page 11 throws further light on the share of indebtedness among the four classes of cultivators and of cultivators and non-cultivators.

**TABLE 3.1—PROPORTION OF INDEBTED FAMILIES, AVERAGE DEBT PER FAMILY AND AVERAGE DEBT PER INDEBTED FAMILY**

[ General Schedule data ]

Village	CULTIVATORS			NON-CULTIVATORS			ALL FAMILIES		
	Proportion of indebted families (Per cent)	Debt per family (Rs)	Debt per indebted family (Rs)	Proportion of indebted families (Per cent)	Debt per family (Rs)	Debt per indebted family (Rs)	Proportion of indebted families (Per cent)	Debt per family (Rs)	Debt per indebted family (Rs)
	1	2	3	4	5	6	7	8	9
Desipalayam.....	73.8	789	1,041	42.0	109	260	61.3	510	832
Idigarai.....	75.0	1,535	2,046	66.3	156	234	69.9	733	1,048
Kadambadi.....	83.1	1,213	1,460	50.5	101	200	65.7	619	943
Kothamangalam.....	82.8	1,113	1,345	67.3	238	353	74.8	660	883
Bellampatti.....	79.3	1,078	1,361	56.9	154	270	66.3	542	818
Kariampalayam.....	67.4	973	1,446	26.1	71	272	44.5	475	1,066
Samathur.....	75.9	1,929	2,541	60.7	186	306	66.9	901	1,347
Thudiyalur.....	70.3	1,100	1,565	62.5	128	205	65.0	443	682
<b>District.....</b>	<b>76.0</b>	<b>1,204</b>	<b>1,583</b>	<b>54.1</b>	<b>142</b>	<b>262</b>	<b>63.7</b>	<b>607</b>	<b>953</b>

Village	BIG CULTIVATORS			LARGE CULTIVATORS		
	Proportion of indebted families (Per cent)	Debt per family (Rs)	Debt per indebted family (Rs)	Proportion of indebted families (Per cent)	Debt per family (Rs)	Debt per indebted family (Rs)
	10	11	12	13	14	15
Desipalayam.....	81.5	2,515	3,088	80.9	1,580	1,954
Idigarai.....	62.5	4,245	6,792	76.6	2,921	3,814
Kadambadi.....	88.9	3,106	3,494	90.1	2,176	2,415
Kothamangalam.....	68.8	2,790	4,057	77.2	1,928	2,497
Bellampatti.....	91.7	3,153	3,439	91.2	2,323	2,548
Kariampalayam.....	92.0	3,324	3,613	74.0	1,975	2,670
Samathur.....	95.0	12,318	12,966	86.7	4,918	5,675
Thudiyalur.....	65.0	2,639	4,060	74.5	1,945	2,610
<b>District.....</b>	<b>82.6</b>	<b>4,338</b>	<b>5,251</b>	<b>82.8</b>	<b>2,484</b>	<b>2,999</b>

Village	MEDIUM CULTIVATORS			SMALL CULTIVATORS		
	Proportion of indebted families (Per cent)	Debt per family (Rs)	Debt per indebted family (Rs)	Proportion of indebted families (Per cent)	Debt per family (Rs)	Debt per indebted family (Rs)
	16	17	18	19	20	21
Desipalayam.....	80.5	590	734	58.0	195	335
Idigarai.....	75.0	1,308	1,743	73.4	448	610
Kadambadi.....	81.0	1,044	1,290	78.8	460	585
Kothamangalam.....	88.3	894	1,012	81.1	575	708
Bellampatti.....	86.4	711	823	57.6	287	498
Kariampalayam.....	66.3	651	982	62.2	400	643
Samathur.....	76.3	834	1,092	64.4	300	466
Thudiyalur.....	67.2	839	1,248	69.8	554	793
<b>District.....</b>	<b>77.9</b>	<b>832</b>	<b>1,068</b>	<b>66.7</b>	<b>388</b>	<b>583</b>



**TABLE 3.2—INDEBTEDNESS AMONG DIFFERENT CLASSES OF CULTIVATORS**

[ General Schedule data ]

	CLASS OF CULTIVATORS			
	Big	Large	Medium	Small
	1	2	3	4
Proportion of indebted families (Per cent).....	82.6	82.8	77.9	66.7
Debt per cultivating family (Rs)....	4,338	2,484	832	388
Debt per indebted cultivating family (Rs).....	5,251	2,999	1,068	583

**TABLE 3.3—SHARE OF DEBT AMONG THE FOUR CLASSES OF CULTIVATORS AND OF CULTIVATORS AND NON-CULTIVATORS**

[ General Schedule data ]

Village	DEBT OWED BY THE CLASS AS PERCENTAGE OF THE TOTAL DEBT OWED BY CULTIVATORS				DEBT OWED BY THE GROUP AS PERCENTAGE OF THE TOTAL DEBT OWED BY ALL FAMILIES	
	Big cultivators	Large cultivators	Medium cultivators	Small cultivators	All cultivators	Non-cultivators
	1	2	3	4	5	6
Desipalayam.....	32.8	61.8	30.6	7.6	91.6	8.4
Idigarai.....	28.4	57.3	33.9	8.8	87.7	12.3
Kadambadi.....	26.0	54.6	34.0	11.4	91.3	8.7
Kothamangalam.....	26.5	52.7	31.9	15.4	81.4	18.6
Bellampatti.....	31.6	66.0	26.1	7.9	83.6	16.4
Kariampalayam.....	35.3	61.2	26.2	12.6	91.7	8.3
Samathur.....	65.5	78.5	16.8	4.7	87.8	12.2
Thudiyalur.....	27.4	55.6	29.2	15.2	80.4	19.6
<b>District.....</b>	<b>37.8</b>	<b>63.2</b>	<b>27.1</b>	<b>9.7</b>	<b>86.9</b>	<b>13.1</b>

It will be seen from the above table that while the large cultivators comprising 30 per cent of the cultivating families accounted for nearly two-thirds of the total debt, the medium cultivators forming 40 per cent of the cultivators accounted for about 27 per cent of the total debt, and the small cultivators comprising 30 per cent of the cultivators accounted for only about 10 per cent of the total debt of all cultivators. The big cultivators alone, though forming only 10 per cent of the cultivating families, accounted for as much as 37.8 per cent of the total debt. The concentration of debt among the large cultivators was mainly due to the higher average debt reported per indebted family by the big cultivators as compared to the medium and small cultivators, but it does not signify that indebtedness was more extensive among the large cultivators compared to the lower classes of cultivators. The total debt of all cultivators who accounted for about 46 per cent of the rural families in the district formed about 87 per cent of the total debt of all families.

### 3.2 INCIDENCE OF DEBT

We now proceed to discuss the incidence of debt on the cultivating families. Table 3.4 gives the debt per family and debt per acre of cultivated holding in the different deciles.

**TABLE 3.4—INCIDENCE OF DEBT**

[ General Schedule data. Amount in rupees ]

	First decile	Sec- ond decile	Third decile	Four- th decile	Fifth decile	Sixth decile	Seven- th decile	Eighth decile	Ninth decile	Tenth decile
	1	2	3	4	5	6	7	8	9	10
Average debt per family . . .	4,338	1,688	1,343	1,153	935	729	502	518	343	304
Average debt per acre of cultivated holding . . . . .	122	116	127	138	150	149	129	178	168	257

The above table indicates that the incidence of debt was the heaviest on the tenth decile of cultivators. The average debt per acre of cultivated holding increased more or less from the first decile to the last decile. The figures of average debt per acre are, however, of limited utility as these are obtained by dividing the total debt in a particular decile by the total cultivated holdings of all cultivators in that decile irrespective of whether they were indebted or not. The incidence of debt in relation to the value of gross produce and value of total assets also reveal similar trend but these measures also suffer from the same limitations as the debt per acre of cultivated holding and are, therefore, of limited utility.

### 3.3 GROWTH OF DEBT

In view of the large differences observed between cultivators and non-cultivators in respect of debt it would not seem appropriate to base our discussion on the average for all families. The position of change in debt is, therefore, discussed below separately for the cultivators and non-cultivators. An idea about the change in the debt position during the year can be had from the figures of debt at the end of the year and borrowings and repayments made during the year. Making use of these data, the percentage increase in debt in respect of the different classes of cultivators and non-cultivators are worked out and presented below.

**TABLE 3.5—OUTSTANDING DEBT AND PERCENTAGE INCREASE DURING THE YEAR**

[ General Schedule data ]

Group	Outstanding debt per family (Rs)	Increase in debt (Per cent)
Big cultivators . . . . .	4,338	37
Large cultivators . . . . .	2,484	47
Medium cultivators . . . . .	832	52
Small cultivators . . . . .	388	44
All cultivators . . . . .	1,204	48
Non-cultivators . . . . .	142	61

It will be seen from the table that there has been on an average a rather significant increase in debt during the Survey year. While the average debt of the cultivating families increased by 48 per cent, that of the non-cultivating families increased by 61 per cent. The high rate of increase for the non-cultivating families was mainly because of the low average debt for this group and hence much significance cannot be attached to this large percentage increase. On the other hand, considering the level of indebtedness of the cultivators, the figures of percentage increase in debt indicate a significant deterioration in this regard. The position in respect of the large and medium cultivators particularly appears to be more serious as in their case the absolute increase in debt assumes very high magnitudes. The main factors that have contributed to this increase in the level of indebtedness are the large volume of borrowings and the low rate of repayment performance during the Survey year. These are discussed further in detail in the chapters on borrowings and repayments.

### 3.4 NATURE OF DEBT

#### 3.4.1 Debt according to purpose

A classification of the debt according to different purposes on the basis of the data collected in the intensive enquiry is presented in the following table.

**TABLE 3.6—DEBT OF THE SELECTED CULTIVATORS CLASSIFIED ACCORDING TO PURPOSE**

[ Intensive enquiry data. Amount in rupees per family ]

	AGRICULTURAL PURPOSES		NON-AGRICULTURAL PURPOSES		CONSUMPTION PURPOSES		Repayment of old debts	Other purposes
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term		
	1	2	3	4	5	6		
Amount.....	155.8	358.2	-	28.4	293.8	137.6	146.4	203.8
Percentage to total.....	11.8	27.0	-	2.1	22.2	10.4	11.1	15.4

A large portion of the debt was incurred in connexion with agricultural and consumption purposes. The agricultural purposes themselves accounted for nearly 39 per cent of the total debt of cultivators. Of this 12 per cent represented the debt incurred for short-term agricultural purposes while the remaining 27 per cent represented the debt incurred for long-term agricultural purposes. Consumption purposes also accounted for a large portion, viz., 32.6 per cent of the total debt. A greater portion of the consumption purposes was of a short-term nature being 22.2 per cent while the balance of 10.4 per cent was incurred for long-term consumption purposes such as construction of houses, marriages, etc. Only a very small portion of the debt of cultivators was reported for non-agricultural purposes, this percentage being 2.1. Repayment of old debts also constituted an important purpose accounting for as much as 11.1 per cent of the total debt. The balance of 15.4 per cent of the debt was incurred for various other purposes.

**3.4.2 Debt according to duration**

The following table gives classification of debt according to duration.

**TABLE 3.7—DURATION OF OUTSTANDING DEBT OF THE SELECTED CULTIVATORS**

[ Intensive enquiry data. Amount in rupees per family ]

Strata	Total	One year or less	One to two years	Two to three years	Three to four years	Four to five years	Five to ten years	Above ten years	Period not specified
	1	2	3	4	5	6	7	8	9
Upper strata cultivators	<b>1,973.7</b>	716.0 (36.3)	393.2 (19.9)	306.4 (15.5)	203.4 (10.3)	156.6 (7.9)	185.3 (9.4)	— (—)	12.8 (0.7)
Lower strata cultivators	<b>674.1</b>	266.2 (39.5)	210.2 (31.2)	128.0 (19.0)	4.2 (0.6)	16.6 (2.5)	42.9 (6.3)	— (—)	6.0 (0.9)
<b>All cultivators....</b>	<b>1,323.9</b>	<b>491.1</b> (37.1)	<b>301.7</b> (22.8)	<b>217.2</b> (16.4)	<b>103.8</b> (7.8)	<b>86.6</b> (6.6)	<b>114.1</b> (8.6)	— (—)	<b>9.4</b> (0.7)

(Figures in brackets denote percentages to total)

An interesting feature of the data on duration is that whereas nearly 90 per cent of the total debt of the lower strata cultivators was outstanding for a period of less than three years, in respect of the upper strata cultivators, the corresponding proportion was about 72 per cent. Considering all the cultivators together, it would appear that about 76 per cent of the total debt was outstanding for periods less than three years while the balance of 24 per cent of the debt was outstanding for longer periods. No debt was, however, reported outstanding for more than ten years in respect of both the upper and the lower strata cultivators.

**3.4.3 Debt according to security**

The table on page 15 gives classification of outstanding debt according to type of security, separately for the upper strata cultivators and lower strata cultivators as well as for all cultivators.

It will be seen from the table, that security other than personal security and immovable property were practically of negligible importance. Personal security was by far the most important type of security accounting for 71.0 per cent of the total debt of all cultivators. This percentage for the upper strata cultivators was somewhat greater being 72.6 per cent as against 66.5 per cent for the lower strata cultivators. The only other security of importance was immovable property which accounted for 27 per cent of the total debt of all cultivators. Thus, personal security and security of immovable property accounted for practically the entire outstanding debt. Bullion and ornaments and guarantee by third party also figured as securities but these accounted for only a negligible portion of total debt. The pattern of debt according to security in respect of the upper and lower strata cultivators was similar to that presented for all cultivators.

**TABLE 3.8—DEBT OF THE SELECTED CULTIVATORS CLASSIFIED ACCORDING TO SECURITY**

[ Intensive enquiry data. Amount in rupees per family ]

Strata	Total	SECURITY			
		Personal	Bullion and ornaments	Immovable property	Guarantee by third party
	1	2	3	4	5
<b>Upper strata cultivators</b>					
Loans outstanding for one year or less.....	<b>716·0</b>	549·6 (76·7)	16·2 (2·3)	146·6 (20·5)	3·6 (0·5)
Loans outstanding for more than one year.....	<b>1,257·7</b>	882·0 (70·1)	— (—)	368·6 (29·3)	7·1 (0·6)
<b>Total.....</b>	<b>1,973·7</b>	<b>1,431·6</b> (72·6)	<b>16·2</b> (0·8)	<b>515·2</b> (26·1)	<b>10·7</b> (0·5)
<b>Lower strata cultivators</b>					
Loans outstanding for one year or less.....	<b>266·2</b>	191·0 (71·8)	9·4 (3·5)	54·9 (20·6)	10·9 (4·1)
Loans outstanding for more than one year.....	<b>407·8</b>	257·6 (63·2)	— (—)	143·8 (35·2)	6·5 (1·6)
<b>Total.....</b>	<b>674·1</b>	<b>448·6</b> (66·5)	<b>9·4</b> (1·4)	<b>198·7</b> (29·5)	<b>17·4</b> (2·6)
<b>All cultivators</b>					
Loans outstanding for one year or less.....	<b>491·1</b>	370·3 (75·4)	12·8 (2·6)	100·8 (20·5)	7·2 (1·5)
Loans outstanding for more than one year.....	<b>832·8</b>	569·8 (68·4)	— (—)	256·2 (30·8)	6·8 (0·8)
<b>Total.....</b>	<b>1,323·9</b>	<b>940·1</b> (71·0)	<b>12·8</b> (1·0)	<b>357·0</b> (27·0)	<b>14·0</b> (1·0)

(Figures in brackets denote percentages to total)

**3.4.4 Debt according to rate of interest**

A classification of the outstanding debt according to the rate of interest is presented in the table on page 16.

It is seen that in the case of all cultivators the major part of debt, namely, 90 per cent was bearing interest ranging from  $3\frac{1}{2}$  per cent to  $12\frac{1}{2}$  per cent per annum. There were only a few cases where interest above 25 per cent was reported and these few cases were from the upper strata cultivators. A small proportion of the debt, viz., 3·3 per cent was reported to be without interest. No significant difference in the rate of interest as paid by the upper strata cultivators and the lower strata cultivators was noticeable.

**TABLE 3.9—OUTSTANDING DEBT CLASSIFIED ACCORDING TO RATE OF INTEREST**

[ Intensive enquiry data. Amount in rupees per family ]

Rate of interest per cent per annum	UPPER STRATA CULTIVATORS		LOWER STRATA CULTIVATORS		All cultivators	
	Debt per family	Percentage to total	Debt per family	Percentage to total	Debt per family	Percentage to total
	(Rs)		(Rs)		(Rs)	
	1	2	3	4	5	6
<i>Nil</i> .....	47.8	2.4	40.2	6.0	44.0	3.3
<i>Less than 3½</i> .....	—	—	—	—	—	—
<i>3½ - 7</i> .....	540.4	27.4	132.5	19.7	336.4	25.4
<i>7 - 10</i> .....	385.5	19.5	72.1	10.7	228.8	17.3
<i>10 - 12½</i> .....	903.6	45.8	330.0	48.9	616.8	46.6
<i>12½ - 18</i> .....	8.6	0.5	37.4	5.5	23.0	1.7
<i>18 - 25</i> .....	83.0	4.2	50.0	7.4	66.5	5.0
<i>25 - 35</i> .....	—	—	—	—	—	—
<i>35 and above</i> .....	4.4	0.2	—	—	2.2	0.2
<i>Not specified</i> .....	0.4	—	11.9	1.8	6.2	0.5

## CHAPTER 4

### BORROWINGS

#### 4.1 VOLUME AND EXTENT OF BORROWINGS

In this chapter it is proposed to discuss the various aspects of borrowings of rural families on the basis of the information collected both in the General Schedule and the intensive enquiry. Table 4.1 below shows the extent and level of borrowings of the different classes of cultivators, non-cultivators and all families together.

**TABLE 4.1—BORROWINGS OF RURAL FAMILIES**  
[ General Schedule data. Amount in rupees ]

Group	Proportion of borrowing families	Average borrowing per family	Average borrowing per borrowing family
	1	2	3
Big cultivators.....	63·0	1,722	2,731
Large cultivators.....	59·7	1,054	1,785
Medium cultivators.....	48·8	327	669
Small cultivators.....	36·4	148	406
All cultivators.....	48·4	495	1,023
Non-cultivators.....	27·6	59	215
<b>All families.....</b>	<b>36·7</b>	<b>250</b>	<b>682</b>

It is seen that nearly half of the cultivators and almost a fourth of the non-cultivators reported borrowings during the Survey year. The level of borrowings of non-cultivators was much lower as compared to that of the cultivators and the reasons for this are the same as those explained in the previous chapter while discussing the low level of indebtedness of non-cultivators.

Considering the borrowings among the different classes of cultivators, it will be seen that both in respect of proportion of borrowing families as well as average borrowing, the figures were higher among the first three deciles. Thus, about 60 per cent of the large cultivators reported borrowings, the average borrowing per family being Rs 1,054. On the other hand about 49 per cent of the medium cultivators and about 36 per cent of the small cultivators reported borrowings and the corresponding average borrowings per family were Rs 327 and Rs 148 respectively. The proportion of borrowing families as well as the average borrowing per family were the highest among the big cultivators. In this class 63 per cent of the cultivators reported borrowings of Rs 2,731 per borrowing family. For all cultivators, it may

be observed, the proportion of borrowing families was about 48 per cent with the corresponding average borrowing per family of Rs 495. Only about 28 per cent of the non-cultivators reported borrowings and in their case the average borrowing per family was also very small at Rs 59. In view of the large differences observed in respect of both the proportions of borrowing families and average borrowings between the cultivators and non-cultivators, the estimates for all rural families are of little significance.

It is seen that as in the case of total debt, the uppermost deciles accounted for a large proportion of the total borrowings of all cultivators. Big cultivators alone accounted for as much as 36·5 per cent of the total borrowings of all cultivators. The borrowings of large cultivators were a little over 65 per cent of the total borrowings of all cultivators, while those of the medium and small cultivators were 26 per cent and 9 per cent respectively of total borrowings. The borrowings of non-cultivators formed only 13·3 per cent of the borrowings of all rural families.

#### 4.2 BORROWINGS CLASSIFIED ACCORDING TO PURPOSE

In this section, the various purposes for which the borrowings were resorted to and the relative importance of these purposes are discussed. Table 4.2 shows a detailed break-up of the average borrowings of different classes of cultivators, non-cultivators and all rural families according to different purposes.

**TABLE 4.2—BORROWINGS FOR VARIOUS PURPOSES**

[ General Schedule data. Amount in rupees per family ]

Group	Total	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.....	<b>1,722</b>	706 (41·0)	197 (11·4)	82 (4·8)	388 (22·6)	313 (18·2)	36 (2·0)
Large cultivators.....	<b>1,054</b>	457 (43·4)	118 (11·2)	28 (2·7)	271 (25·7)	163 (15·4)	16 (1·6)
Medium cultivators.....	<b>327</b>	111 (34·0)	55 (16·7)	7 (2·2)	104 (31·9)	19 (5·9)	30 (9·3)
Small cultivators.....	<b>148</b>	29 (19·7)	14 (9·4)	3 (2·2)	88 (59·7)	11 (7·4)	2 (1·6)
All cultivators.....	<b>495</b>	192 (38·8)	62 (12·5)	12 (2·5)	151 (30·4)	61 (12·3)	18 (3·5)
Non-cultivators.....	<b>59</b>	3 (5·8)	1 (2·0)	5 (8·2)	43 (72·9)	6 (10·2)	— (0·9)
All families.....	<b>250</b>	86 (34·4)	28 (11·1)	8 (3·3)	90 (36·1)	30 (12·0)	8 (3·1)

(Figures in brackets denote percentages to total)



An examination of this table shows that out of Rs 495 borrowed per cultivating family as much as Rs 254 or 51·3 per cent were for agricultural purposes. A considerable portion of this was for capital expenditure in agriculture which accounted for 38·8 per cent of total borrowings of cultivators while the current farm expenditure accounted for a relatively smaller proportion, viz., 12·5 per cent. Equally important was family expenditure which accounted for 30·4 per cent of the total borrowings of cultivators. Borrowings for non-farm business expenditure were practically negligible forming as they did only 2·5 per cent of the total borrowings of cultivators.

An interesting feature that may be observed from the estimates for the different classes of cultivators is that while current farm expenditure accounted for more or less uniform proportion of the total borrowings for every class of cultivators, the borrowings reported for capital expenditure in agriculture were significantly higher among the large cultivators as compared to the small cultivators. For the big cultivators as well as for the large cultivators the borrowings for capital expenditure in agriculture accounted for more than 40 per cent of their total borrowings. On the other hand for the medium cultivators the proportion was 34 while for the small cultivators it was much less at about 20 per cent. Another significant observation that may be made in this regard relates to the borrowings for family expenditure. The borrowings for family expenditure in the last few deciles, particularly for the small cultivators formed a high proportion of their total borrowings. Thus, while 32 per cent of the borrowings of medium cultivators were for this purpose, the corresponding proportion in the case of small cultivators was about 60 per cent. On the other hand, only about a fourth of the borrowings of the big as well as the large cultivators was for family expenditure.

An examination of the corresponding data for non-cultivators reveals that in their case, the bulk of the borrowings were for family expenditure which accounted for nearly 73 per cent of their total borrowings. Non-farm business expenditure accounted for a small proportion of 8·2 per cent of the total borrowings.

#### **4.3 BORROWINGS CLASSIFIED ACCORDING TO THE TYPE OF SECURITY AND DURATION**

A detailed classification of the total borrowings according to type of security, period and interest is available from the data collected in the intensive enquiry in respect of the selected sample of cultivators. The following discussion is based on these data in respect of the selected cultivators.

##### **4.3.1 Security for borrowings**

The classification of the borrowings according to security is presented in the table on page 20.

The data reveal that a major portion of the borrowings, viz., about 60 per cent in respect of all cultivators were without any security or on personal security. The only other form of security, which was of importance, was the security of immovable property which accounted for about 36 per cent of the total borrowings. Though bullion and ornaments and guarantee by third party also figured as securities, these

two types of securities accounted for only very small proportions of the borrowings, viz., 2.6 per cent and 1.8 per cent respectively. In respect of the lower strata cultivators relatively greater proportion of the borrowings were against personal security, this proportion being 72.7 per cent as against the corresponding proportion of 55.9 for the upper strata cultivators. On the other hand, the proportion of borrowings against immovable property was less among the lower strata cultivators, this proportion being only 19.2 per cent as against 40.9 per cent for the upper strata cultivators.

**TABLE 4.3—BORROWINGS CLASSIFIED ACCORDING TO SECURITY**

[ Intensive enquiry data. Amount in rupees per family ]

Strata	Total amount borrowed	No security or personal security	Bullion and ornaments	Immovable property	Guarantee by third party
	1	2	3	4	5
Upper strata cultivators.....	<b>945.9</b>	528.5 (55.9)	22.4 (2.4)	387.0 (40.9)	8.0 (0.8)
Lower strata cultivators.....	<b>282.0</b>	205.0 (72.7)	9.3 (3.3)	54.3 (19.2)	13.5 (4.8)
<b>All cultivators.....</b>	<b>614.0</b>	<b>366.8</b> (59.7)	<b>15.8</b> (2.6)	<b>220.7</b> (35.9)	<b>10.7</b> (1.8)

(Figures in brackets denote percentages to total)

#### 4.3.2 Borrowings according to duration

An idea about the period for which loans were borrowed can be had from the purposes for which these borrowings were resorted to. All borrowings for capital expenditure in agriculture were naturally of a long-term nature and we have seen that this purpose accounted for 38.8 per cent of the total borrowings of cultivators. Borrowings for non-farm business expenditure are also usually long-term loans but we have observed that borrowings for this purpose were of a very small order. Consumption expenditure on the other hand could be both short-term as well as long-term expenditure. A break-up of the borrowings for consumption expenditure into short-term and long-term is available from the intensive enquiry data. These indicate that borrowings for short-term and long-term consumption purposes are equal. A significant feature revealed by these data for the upper and lower strata cultivators is that, whereas for the upper strata cultivators the long-term consumption expenditure accounted for a major part of the borrowings for consumption, for the lower strata cultivators it was the short-term consumption expenditure that accounted for a major part of the borrowings for consumption expenditure.

#### 4.4 RATE OF INTEREST ON BORROWINGS

The intensive enquiry data on rate of interest on borrowings presented in Table 4.4 show that the bulk of borrowings carried an interest-rate varying from 10 per cent to 18 per cent per annum. Actually 43.0 per cent of borrowings carried an interest-rate between 10 per cent and 12½ per cent while another 23.8

per cent carried interest varying between 12½ per cent and 18 per cent. While borrowings carrying an interest of less than 10 per cent were also quite common, borrowings with an interest-rate higher than 18 per cent were rare among the upper strata cultivators whereas nearly 16 per cent of the borrowings of the lower strata cultivators carried interest-rates higher than 18 per cent. On the other hand, whereas none of the lower strata cultivators reported any borrowings with interest-rates higher than 25 per cent, a small fraction of the borrowings of the upper strata cultivators carried an interest-rate varying between 25 to 50 per cent.

**TABLE 4.4—BORROWINGS CLASSIFIED ACCORDING TO RATE OF INTEREST**  
[ Intensive enquiry data. Amount in rupees per family ]

Strata	RATE OF INTEREST					
	<i>Nil</i>	<i>Less than 3½ per cent</i>	<i>3½ - 7 per cent</i>	<i>7 - 10 per cent</i>	<i>10 - 12½ per cent</i>	<i>12½ - 18 per cent</i>
	1	2	3	4	5	6
Upper strata cultivators.....	3.9 (0.4)	— (—)	113.3 (12.0)	109.7 (11.6)	412.8 (43.6)	256.3 (27.1)
Lower strata cultivators.....	20.0 (7.1)	— (—)	37.6 (13.3)	17.5 (6.2)	114.7 (40.7)	36.0 (12.8)
<b>All cultivators.....</b>	<b>11.9</b> (1.9)	<b>—</b> (—)	<b>75.5</b> (12.3)	<b>63.6</b> (10.4)	<b>263.8</b> (43.0)	<b>146.2</b> (23.8)

Strata	RATE OF INTEREST				
	<i>18 - 25 per cent</i>	<i>25 - 35 per cent</i>	<i>35 - 50 per cent</i>	<i>50 per cent and above</i>	<i>Rate of interest unspecified</i>
	7	8	9	10	11
Upper strata cultivators.....	44.5 (4.7)	1.5 (0.2)	3.5 (0.4)	— (—)	0.4 (—)
Lower strata cultivators.....	44.2 (15.7)	— (—)	— (—)	— (—)	12.0 (4.2)
<b>All cultivators.....</b>	<b>44.3</b> (7.2)	<b>0.7</b> (0.1)	<b>1.8</b> (0.3)	<b>—</b> (—)	<b>6.2</b> (1.0)

(Figures in brackets denote percentages to total)

## CHAPTER 5

### REPAYMENTS

In this chapter we consider the repayment performance of the indebted families as indicated by the proportion of repaying families and the proportion of repayments to total borrowings as also to total debt.

#### 5.1 PROPORTION OF REPAYING FAMILIES

The number of families repaying debt expressed as percentages of the total families, borrowing families and indebted families are shown in the following table.

**TABLE 5.1—PROPORTION OF FAMILIES REPORTING REPAYMENTS**

[ General Schedule data. In per cent ]

Group	PROPORTION OF REPAYING FAMILIES TO		
	Total families	Borrowing families	Indebted families
	1	2	3
Big cultivators.....	15·0	23·8	18·2
Large cultivators.....	9·1	15·3	11·0
Medium cultivators.....	4·8	9·9	6·2
Small cultivators.....	6·0	16·5	9·0
All cultivators.....	6·5	13·3	8·5
Non-cultivators.....	2·5	8·9	4·5

It can be seen that only a small proportion, viz., 8·5 per cent of all indebted cultivating families and 4·5 per cent of the indebted non-cultivating families reported some repayments during the Survey year. The proportion of indebted families repaying was somewhat higher for the big cultivators, this proportion being 18·2 per cent. The proportions of total families and borrowing families also reveal a similar pattern.

#### 5.2 AVERAGE REPAYMENT

Table 5.2 on page 23 gives the average repayments per family and per repaying family in respect of the different classes of cultivators and non-cultivators.

It would be seen from the table that the average repayments per family as well as per repaying family were the highest for the big cultivators as compared to the cultivators from the lower deciles.\* These differences are, however, to be expected in view of the higher level of borrowings and indebtedness among the big cultivators as compared to the cultivators in the lower deciles. For all cultivators

together, the average repayment per family worked out to Rs 105. As in the case of average borrowing and debt per family, repayments among the non-cultivators were only of a very small order, viz., rupees six per family.

**TABLE 5.2—REPAYMENT PER FAMILY AND PER REPAYING FAMILY**

[ General Schedule data. In rupees per family ]

Group	Repayment per family	Repayment per repaying family
	1	2
Big cultivators.....	554	3,696
Large cultivators.....	261	2,871
Medium cultivators.....	42	866
Small cultivators.....	29	490
All cultivators.....	105	1,629
Non-cultivators.....	6	238

**5.3 REPAYMENTS IN RELATION TO BORROWINGS AND OUTSTANDING DEBT PLUS REPAYMENTS**

An idea of the clearance of debt among the different classes of families can be had by instituting a comparison of the average repayment with the corresponding total debt, i.e., debt at the end of the year plus repayments made during the year.

**TABLE 5.3—REPAYMENTS IN RELATION TO BORROWINGS AND OUTSTANDING DEBT PLUS REPAYMENTS**

[ General Schedule data. In per cent ]

Group	PROPORTION OF REPAYMENTS TO	
	Borrowings	Debt plus repayments
	1	2
Big cultivators.....	32.2	11.3
Large cultivators.....	24.8	9.5
Medium cultivators.....	12.8	4.8
Small cultivators.....	19.8	7.0
All cultivators.....	21.3	8.0
Non-cultivators.....	9.9	4.0

The above data show that the repayments made during the year by the cultivators formed a substantial proportion of the total borrowings during the year. In the uppermost class this proportion was particularly high. For the large cultivators, the repayments worked out to a fourth of their total borrowings during the Survey year while for the small cultivators this was less than a fifth of their total borrowings during the year. Considering the repayments in relation to the volume of total debt for each of the classes of cultivators, it can be seen that the

proportions of repayments as well as the differences between the proportions are of a very small order. Thus, while for the large cultivators, the repayments formed about 10 per cent of their total debt, for the medium and small cultivators the corresponding proportions were about 5 per cent and 7 per cent respectively. As for the non-cultivators, it is seen that their total repayments formed about a tenth of their borrowings during the year while only 4 per cent of their total debt was cleared during the year.

#### 5.4 SOURCE OF FINANCE FOR REPAYMENTS

Data on the source of finance for repayments for the upper and lower strata cultivators are available from the intensive enquiry. These are presented in the following table.

**TABLE 5.4—REPAYMENTS CLASSIFIED ACCORDING TO SOURCE OF FINANCE**

[ Intensive enquiry data. Amount in rupees per family ]

Strata	Total	Current income	Past savings	Sale of assets	Borrowings	Other sources
	1	2	3	4	5	6
Upper strata cultivators.....	186.6	116.1 (62.2)	3.4 (1.8)	25.0 (13.4)	42.1 (22.6)	- (-)
Lower strata cultivators.....	65.0	21.0 (32.3)	- (-)	29.9 (46.0)	14.1 (21.7)	- (-)
<b>All cultivators.....</b>	<b>125.8</b>	<b>68.5</b> <b>(54.5)</b>	<b>1.7</b> <b>(1.4)</b>	<b>27.5</b> <b>(21.8)</b>	<b>28.1</b> <b>(22.3)</b>	- (-)

(Figures in brackets denote percentages to total)

It would be seen that for all cultivators together, the most important source of finance for repayments was the current income, which alone accounted for 54.5 per cent of the total repayments. Sale of assets and borrowings were of almost equal importance as sources of finance each accounting for about 22 per cent of the total repayments.

The break-up of these figures for the upper and lower strata cultivators reveals some interesting differences. While for the upper strata cultivators the current income accounted for a major part of the repayments (62.2 per cent), for the lower strata cultivators it accounted for only a third of their total repayments. Borrowings, however, accounted for equal proportion of repayments (about 22 per cent) both for the upper and lower strata cultivators. Sale of assets as a source of finance for repayment of debts figured only 13 per cent of the total repayments in the case of upper strata cultivators. On the other hand, this source was the major source of finance for the lower strata cultivators accounting for as much as 46 per cent of the total repayments of this group.

## CHAPTER 6

### FAMILY EXPENDITURE

Items of family expenditure on which information was collected in the General Schedule include the major items of family expenditure such as construction and repairs of residential and other buildings, purchase of household utensils, furniture, clothing, etc., ceremonies such as marriages and deaths, medical and educational expenses, litigation charges, etc. As in the case of outstanding debt, borrowings and repayments, wide disparities have been noticed between cultivators and non-cultivators in respect of the estimates relating to family expenditure also. As far as possible, therefore, position of cultivators and non-cultivators is discussed below separately. Further, as the non-cultivators themselves do not form any homogeneous group but cover various types of families such as landlords, rent collectors and labourers, etc., the observations regarding the non-cultivators are of restricted utility.

#### 6.1 EXPENDITURE ON DIFFERENT ITEMS OF FAMILY EXPENDITURE

The following table gives the proportion of families reporting expenditure and average expenditure per family and per reporting family in respect of the different items of family expenditure enumerated above.

**TABLE 6.1—EXPENDITURE ON THE SPECIFIED ITEMS OF FAMILY EXPENDITURE**  
[ General Schedule data ]

Item	CULTIVATORS			NON-CULTIVATORS		
	Proportion of families reporting the expenditure (Per cent)	Average per family (Rs)	Average per reporting family (Rs)	Proportion of families reporting the expenditure (Per cent)	Average per family (Rs)	Average per reporting family (Rs)
	1	2	3	4	5	6
1. Construction and repairs of residential houses and other buildings.....	6.6	57	865	4.4	16	362
2. Purchase of household utensils, furniture, etc....	1.4	10	720	0.5	1	172
3. Purchase of clothing, shoes, bedding, etc.....	99.5	240	241	95.2	105	110
4. Death ceremonies.....	0.9	4	453	1.6	1	61
5. Marriage and other ceremonies.....	9.9	95	965	5.5	18	321
6. Medical expenses.....	8.0	20	251	4.2	6	151
7. Educational expenses.....	13.5	32	235	6.0	8	130
8. Litigation charges.....	0.9	6	671	0.4	2	476

At the outset it may be observed that while purchase of clothing, shoes, bedding, etc., was almost universally reported by all cultivators, expenditure on the remaining items enumerated was not a common feature. This is as to be expected, because items such as construction and repairs of residential houses and other buildings, purchase of household utensils, furniture, etc., and death, marriage and other ceremonies are not items of annual expenditure. In fact, without the relevant data on the periodicity of such expenditure the information on these items is practically of little utility as the estimates in this regard do not indicate the expenditure incurred by an average cultivator. At the same time, all these items are also important generally to all families and the low proportion of families reporting expenditure on these items does not signify that the items are important only to a few families. The only item of an annual nature other than purchase of clothing, shoes, bedding, etc., is the expenditure on education. With regard to this item, therefore, it is possible to say that only a small proportion, namely, 13·5 per cent of the cultivators reported some expenditure on this item. The average expenditure per reporting family was considerably high being Rs 235. The data in respect of the non-cultivating families show that uniformly in respect of all the items recorded the average expenditure per family as well as per reporting family was considerably lower than the corresponding expenditure for cultivating families. As in the case of cultivators, purchase of clothing, shoes, bedding, etc., has also been more or less universally reported by non-cultivators ; the average expenditure per family, however, was less than half of the expenditure reported on this item by a cultivating family.

Expenditure on purchase of clothing, shoes, bedding, etc., was reported by all classes of rural families and it would be appropriate to make a comparison of the expenditure on this item among the different classes of cultivators and non-cultivators. The following table shows the total expenditure on all the specified family expenditure items, expenditure on purchase of clothing, shoes, bedding, etc., and its proportion to total expenditure for the different classes of cultivators and non-cultivators.

**TABLE 6.2—TOTAL FAMILY EXPENDITURE AND EXPENDITURE ON CLOTHING, SHOES, BEDDING, ETC.**

[ General Schedule data ]

Group	Total family expenditure per family	EXPENDITURE ON CLOTHING, SHOES, BEDDING, ETC.	
		Average per family	Proportion to total family expenditure (Per cent)
	(Rs)	(Rs)	(Per cent)
	1	2	3
Big cultivators .....	1,287	515	40·0
Large cultivators .....	801	364	45·4
Medium cultivators .....	339	208	61·4
Small cultivators .....	283	154	54·4
All cultivators .....	463	240	51·8
Non-cultivators .....	156	105	67·3



The total expenditure on all the family expenditure items as well as that on the purchase of clothing, shoes, bedding, etc., was, as should be expected, higher among the large cultivators as compared to the medium and the small cultivators. The proportions of expenditure incurred on purchase of clothing, shoes, bedding, etc., indicate that this item was equally important for all classes of cultivators. For the big and large cultivators this item accounted for somewhat less than 50 per cent whereas for the medium and small cultivators the expenditure on this item formed more than 50 per cent of their total expenditure on all the enumerated items of family expenditure. For non-cultivators, this item accounted for as much as 67 per cent of their total expenditure on the recorded items.

### 6.2 SOURCE OF FINANCE FOR FAMILY EXPENDITURE

The following table presents the data on the source of finance in respect of the expenditure on each of the enumerated items of family expenditure. In the case of the General Schedule data on the sources of finance no tabulations were done separately for cultivators, non-cultivators and different classes of cultivators and hence the figures presented here relate to all families, i.e., those including cultivators and non-cultivators.

**TABLE 6.3—SOURCE OF FINANCE FOR DIFFERENT ITEMS OF FAMILY EXPENDITURE—ALL FAMILIES**

[ General Schedule data ]

Item	Average expenditure per reporting family (Rs)	PROPORTION OF EXPENDITURE FINANCED BY THIS SOURCE TO THE TOTAL EXPENDITURE			
		Owned funds	Sale of assets	Borrowings	Other sources
		(Per cent)	(Per cent)	(Per cent)	(Per cent)
	1	2	3	4	5
1. Construction and repairs of residential houses and other buildings.....	644	46.8	0.7	47.2	5.3
2. Purchase of household utensils, furniture, etc. . .	537	58.0	38.4	3.5	0.2
3. Purchase of clothing, shoes, bedding, etc. . . . .	169	99.1	—	0.7	0.2
4. Death ceremonies. . . . .	182	68.4	—	31.6	—
5. Marriage and other ceremonies. . . . .	696	49.5	0.5	49.2	0.8
6. Medical expenses. . . . .	211	68.6	1.1	27.5	2.8
7. Educational expenses. . . .	197	96.3	—	1.7	2.0
8. Litigation charges. . . . .	606	55.8	3.0	41.2	—

It can be seen that owned funds and borrowings accounted for the bulk of the expenditure on the specified items of family expenditure. Except in respect of purchase of household utensils, furniture, etc., where sale of assets also figured prominently, the sources of finance other than owned funds and borrowings were of negligible importance.

It is interesting to note that in respect of expenditure on purchase of clothing, shoes, bedding, etc., which alone was universally reported, practically the entire expenditure was financed out of owned funds only. On the other hand, the expenditure

on education also, which was reported only by a relatively smaller proportion of the families was also almost entirely financed out of owned funds. This would show that while in the case of purchase of clothing, shoes, bedding, etc., which is next in importance only to food, the rural families met the entire expenditure out of owned funds, only a few of the rural families who were in a position to spare funds from owned sources gave some education to their children. Borrowings played an important part in providing finance for the remaining items of family expenditure, viz., construction and repairs of residential houses, death, marriage and other ceremonies, medical expenses and litigation charges. In respect of these two items the expenditure was financed equally out of owned funds and through borrowings.

As was already mentioned the above data are not separately available for the cultivators and non-cultivators and it is, therefore, not possible to present a picture of the pattern of finance for the cultivators on the basis of the above data. However, the intensive enquiry data provide some information in this respect and on the basis of these data the pattern of finance for the family expenditure by cultivators is analysed below. The following table presents the data in respect of the sources of finance for the specified items of family expenditure.

**TABLE 6.4—SOURCE OF FINANCE FOR DIFFERENT ITEMS OF FAMILY EXPENDITURE—STRATA-WISE**

[ Intensive enquiry data. In per cent ]

Source of finance	PROPORTION OF EXPENDITURE FINANCED BY THIS SOURCE TO THE TOTAL EXPENDITURE								
	Total family expenditure	Construction and repairs of residential houses and other buildings	Purchase of household utensils, furniture, etc.	Death ceremonies	Marriage and other ceremonies	Medical expenses	Educational expenses	Clothing, shoes, bedding, etc.	Litigation charges
	1	2	3	4	5	6	7	8	9
<b>Upper strata cultivators</b>									
Owncd funds.....	77.4	55.1	100.0	49.8	52.0	95.4	98.1	94.2	100.0
Sale of assets.....	—	—	—	—	—	—	—	—	—
Borrowings.....	21.5	44.9	—	50.2	48.0	4.6	—	3.4	—
Other sources.....	1.1	—	—	—	—	—	1.9	2.4	—
<b>Lower strata cultivators</b>									
Owncd funds.....	92.8	100.0	100.0	100.0	56.3	100.0	73.6	100.0	—
Sale of assets.....	—	—	—	—	—	—	—	—	—
Borrowings.....	6.5	—	—	—	43.7	—	—	—	—
Other sources.....	0.6	—	—	—	—	—	26.4	—	—
<b>All cultivators</b>									
Owncd funds.....	82.2	64.6	100.0	79.8	52.7	97.7	94.3	96.4	100.0
Sale of assets.....	—	—	—	—	—	—	—	—	—
Borrowings.....	16.8	35.4	—	20.2	47.3	2.3	—	2.1	—
Other sources.....	1.0	—	—	—	—	—	5.7	1.5	—

The source of finance data for each of the specified items show that borrowings were rarely resorted to by cultivators for purchase of household utensils, furniture, clothing, shoes, bedding, etc., and educational, medical and litigation expenses ; and practically the entire expenditure on these items was met out of owned funds. The expenditure of the upper strata cultivators on the other items, viz., construction and repairs of residential and other buildings, death and marriage ceremonies was met equally through owned funds and borrowings. The lower strata cultivators resorted to borrowings only in connexion with marriages and other ceremonies, the proportion of their expenditure on this item met through borrowings being nearly 44 per cent.

## CHAPTER 7

### CAPITAL EXPENDITURE

The various items of capital expenditure can be grouped into three broad categories, viz., (1) financial investment expenditure, (2) capital expenditure in non-farm business and (3) capital expenditure in agriculture. Information under each of the above categories was collected mostly through the General Schedule and these are discussed below.

#### 7.1 FINANCIAL INVESTMENT

##### 7.1.1 General observations

At the outset it may be noted that financial investments of any nature have only rarely been reported either by cultivators or by non-cultivators. Both in terms of proportion of reporting families as well as average expenditure per family, financial investments were only of little importance for the rural population and expenditure on this item was reported only in a few isolated cases. Some useful information on the pattern of savings is, however, available from the intensive enquiry data and it is proposed to discuss later some of the reasons for this absence of financial investments on the part of cultivators. As the intensive enquiry schedules were canvassed a few months after the completion of the investigation through the General Schedule, the data collected through these two schedules are not strictly comparable. However, the broad pattern revealed by these two sets of data remains the same in respect of the financial investments of cultivators.

##### 7.1.2 Deposits in postal savings banks, shares in co-operative societies, etc.

Deposits in postal savings banks, holding of National Savings Certificate or Treasury Bonds and deposits in private banks were not at all reported except in one or two isolated cases from the upper strata cultivators. Deposits and shares in co-operative societies and holding of insurance policies were reported by a few cultivators both from the upper strata and lower strata. The number of cultivators reporting these two types of investments in the lower strata was relatively much smaller. Thus, whereas 18 of the 80 cultivators interviewed from the upper strata reported to have held deposits and shares in co-operative societies, from the lower strata only 6 out of a total of 40 reported holding of shares and deposits in co-operatives. Also, while nine of the cultivators from the upper strata were holding insurance policies only one cultivator from the lower strata reported to have held a policy. The main reason for the majority of the cultivators not holding financial investments of the nature discussed above appears to be the lack of margin for savings. Thus, 50 (i.e., 61·3 per cent) of the cultivators from the upper strata and 30 (i.e., 77·5 per cent) from the lower strata gave this as the reason for not holding these investments. The low rate of interest and the difficulties in encashing National Savings Certificates, Treasury

Bonds, etc., and also withdrawals, of deposits in postal savings banks seemed to have discouraged a sizeable number of the upper strata cultivators from investing in these types of investment. Similarly, lack of local facilities, procedural complications and difficulties in paying the premia regularly seemed to have discouraged some of the upper strata cultivators in investing in insurance policies. A fairly good proportion, viz., 10 per cent of the upper strata cultivators, also preferred to hold cash to other types of investment. Six of them reported to prefer lending money to any other type of investment.

### 7.2 CAPITAL EXPENDITURE IN NON-FARM BUSINESS

As was the case with financial investments, investment in non-farm business was also very rarely reported by the rural families. The position was the same in respect of cultivators as well as non-cultivators. The proportion of families reporting capital expenditure in non-farm business, expenditure per family and per reporting family in respect of the different classes of cultivators, all cultivators and non-cultivators and all rural families are presented in the following table.

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

Group	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family
	(Per cent)	(Rs)	(Rs)
	1	2	3
Big cultivators.....	5.0	324	6,477
Large cultivators.....	2.3	117	5,073
Medium cultivators.....	1.4	13	900
Small cultivators.....	0.8	5	634
All cultivators.....	1.5	42	2,850
Non-cultivators.....	0.8	2	300
<b>All families.....</b>	<b>1.1</b>	<b>20</b>	<b>1,806</b>

It may be observed that only a small proportion of the rural families reported capital expenditure in non-farm business. Whatever little non-farm business activities reported in the rural area, were mainly of the nature of subsidiary occupation of the cultivators themselves and the non-cultivators played a very negligible part in this sphere. Among the cultivators the big cultivators alone accounted for nearly 80 per cent of the total capital expenditure in non-farm business of all cultivators. Though a small proportion of the medium and the small cultivators reported capital expenditure in non-farm business, their expenditure accounted for a small portion of the total capital expenditure in non-farm business of all cultivators. In respect of the big cultivators, while the average expenditure per family was Rs 324, the average per reporting family was as high as Rs 6,477. An examination of the data on source of finance for capital expenditure in non-farm business indicate that about 68 per cent of this expenditure by all rural families was met through owned

funds while another 28 per cent was met through borrowings, the balance being met through other sources.

### 7.3 CAPITAL EXPENDITURE IN AGRICULTURE

#### 7.3.1 Purchase and sale of land

The following table gives the proportion of reporting families, average per family and average per reporting family in respect of both purchase and sale of land for the different classes of cultivators and non-cultivators.

**TABLE 7.2—PURCHASE AND SALE OF LAND**

[ General Schedule data ]

Group	EXPENDITURE ON PURCHASE OF LAND				RECEIPTS FROM SALE OF LAND				Net purchase (+) or sale (-) per family (Rs)
	Proportion of families reporting the expenditure	Average per family	Average per reporting family	Expenditure on the item as proportion to total expenditure by all families (Per cent)	Proportion of families reporting the receipts	Average per family	Average per reporting family	Receipts as proportion to total receipts from sale of land by all families (Per cent)	
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Per cent)	(Rs)	(Rs)	(Per cent)	
	1	2	3	4	5	6	7	8	9
Big cultivators.....	6.3	406	6,445	39.8	2.2	207	9,521	28.3	+199
Large cultivators.....	4.8	240	5,024	68.4	1.3	91	6,788	36.4	+149
Medium cultivators.....	2.3	38	1,621	13.8	1.3	37	2,747	18.8	+ 1
Small cultivators.....	1.4	57	4,165	16.0	1.7	99	5,680	38.9	- 42
All cultivators.....	2.8	105	3,782	98.2	1.5	72	4,862	94.1	+ 33
Non-cultivators.....	0.1	2	1,415	1.8	0.2	4	1,820	5.9	- 2
<b>All families.....</b>	<b>1.3</b>	<b>47</b>	<b>3,642</b>	<b>100.0</b>	<b>0.8</b>	<b>34</b>	<b>4,421</b>	<b>100.0</b>	<b>+ 13</b>

It will be seen that while generally only a small proportion of the cultivators (2.8 per cent) reported purchase of land, this proportion was somewhat higher for the large cultivators as compared to the lower classes of cultivators. In fact, nearly 68 per cent of the total expenditure on purchase of land by all families was accounted for by the large cultivators alone. Sales of land were, on the whole, reported by a much smaller proportion of families. Whereas purchases of land by non-cultivators were practically negligible, sales of land by non-cultivators accounted for about 6 per cent of the total value of sales by all families. Among the cultivators the sales by the large cultivators were much smaller as compared to their purchases. Consequently, as against nearly 68 per cent of the purchases made by the large cultivators, the sales by this class of cultivators formed only about 36 per cent of the total sales by all families. The proportion of sales made by the lower

classes of cultivators was correspondingly higher, the small cultivators alone contributing as much as 39 per cent.

### 7.3.2 Net purchase or sale of land

The figures of net purchases and sales of land for the different classes of rural families give an approximate idea of the transfer of land from one class to another. From Table 7.2 it will be seen that for all rural families there was a net addition of Rs 13 per family in the form of purchase of land indicating that there was a net transfer of lands from non-resident land owners to the resident population. It is also obvious that lands have been purchased mainly by the cultivators. Thus, whereas there was actually a net addition of land of Rs 33 per family to the holdings of cultivators, there was a small balance of sales over purchases of land to the extent of rupees two per non-cultivating family. Again, an examination of the position among the different classes of cultivators shows that it was only in respect of the upper classes that there was a net balance of purchases over sales. Thus, while for the big and the large cultivators the net purchases of land were of the order of Rs 199 and Rs 149 per family, for the medium class the purchases and sales almost balanced and for the small class there was actually a net balance of sales over purchases to the extent of Rs 42 per family. Thus, on the whole, there was a transfer of lands from the small cultivators, non-cultivators and, perhaps, some non-residential land owners to the large cultivators.

### 7.3.3 Source of finance for purchase of land

The data on the source of finance for purchase of land in respect of all rural families is presented below.

**TABLE 7.3—SOURCE OF FINANCE FOR PURCHASE OF LAND—ALL FAMILIES**  
[ General Schedule data. Amount in rupees per family ]

Total	Current income	Past savings	Sale of assets	Borrowings	Other sources
47.0	6.0 (12.7)	7.7 (16.3)	9.5 (20.3)	20.7 (44.0)	3.1 (6.6)

(Figures in brackets denote percentages to total)

It will be seen from the above table that borrowings were commonly resorted to for purchase of land and use of owned funds was relatively much smaller. Thus, purchases through owned funds formed 29 per cent of the total purchases of all families, borrowings accounted for as much as 44 per cent of the total purchases. Sale of assets was also important accounting for over 20 per cent of the expenditure on purchase of land.

### 7.3.4 Purchase and sale of livestock

The data on the purchase and sale of livestock for the different classes of cultivators, non-cultivators and all rural families are presented in Table 7.4 on page 34.

**TABLE 7.4—PURCHASE AND SALE OF LIVESTOCK**  
[ General Schedule data ]

Group	EXPENDITURE ON PURCHASE OF LIVESTOCK				RECEIPTS FROM SALE OF LIVESTOCK				Net purchase (+) or sale (-) per family
	Proportion of families reporting the expenditure	Average per family	Average per reporting family	Expenditure on the item as proportion to the total expenditure by all families	Proportion of families reporting the receipts	Average per family	Average per reporting family	Receipts from sale of live-stock as proportion to the total receipts by all families	
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Per cent)	(Rs)	(Rs)	(Per cent)	
	1	2	3	4	5	6	7	8	9
Big cultivators.....	22.2	153	692	49.4	5.4	22	412	20.1	+ 131
Large cultivators.....	14.7	73	498	68.6	4.6	14	303	36.7	+ 59
Medium cultivators....	6.4	19	297	22.9	3.2	13	394	42.3	+ 6
Small cultivators.....	3.5	7	195	6.3	2.7	5	197	13.8	+ 2
All cultivators.....	8.0	32	397	97.8	3.5	11	309	92.9	+ 21
Non-cultivators.....	0.3	1	176	2.2	0.5	1	130	7.1	-
<b>All families.....</b>	<b>3.7</b>	<b>14</b>	<b>386</b>	<b>100.0</b>	<b>1.8</b>	<b>5</b>	<b>281</b>	<b>100.0</b>	<b>+ 9</b>

It will be seen that as in the case of land, purchases of livestock also were very rarely reported by non-cultivators. Similarly, a larger proportion of the cultivators reported purchases as compared to those reporting sales. Thus, whereas 8 per cent of the cultivators reported purchases, the proportion of cultivators reporting sales of livestock was only 3.5 per cent. The position in this regard was similar among all classes of cultivators. While the purchases among the upper classes of cultivators were significantly higher as compared to the purchases of the lower classes, the differences in respect of sales among the different classes of cultivators were very small. It will be seen that for all rural families there was a balance of purchases of livestock over sales to the extent of Rs 9 per family. The non-cultivators played only a negligible part in livestock transactions, both purchase and sale being of the order of rupee one per family. For all cultivators the balance of purchases over sales of livestock was Rs 21 per family.

Obviously, as there was no possibility of any transactions in livestock by urban population, as in the case of land, it would appear that this balance of purchases over sales for the cultivators as a whole may be interpreted as having been the result of purchases from traders who deal in livestock. Considering the different classes of cultivators, it will be seen that the balance of purchases over sales among the lower classes, i.e., medium and small cultivators was comparatively of a smaller order.



On the other hand, for the large cultivators there was a net addition of nearly Rs 60 per family in the form of acquisition of livestock.

### 7.3.5 Source of finance for purchase of livestock

The data on source of finance for purchase of livestock are presented below.

**TABLE 7.5—SOURCE OF FINANCE FOR PURCHASE OF LIVESTOCK—ALL FAMILIES**

[ General Schedule data. Amount in rupees per family ]

Total	Current income	Past savings	Sale of assets	Borrowings	Other sources
14	5 (37·6)	2 (12·8)	— (3·2)	6 (45·4)	— (1·0)

(Figures in brackets denote percentages to total)

The above data show that a little over 50 per cent of the total purchases were made through owned funds, while borrowings provided about 45 per cent of the finance for this purpose. Sale of assets and other sources provided the balance of the finance. As a break-up of this information for the different categories of rural population is not available, a further discussion on the pattern of finance for purchase of livestock by the different classes of cultivators is not possible.

### 7.4 'OTHER' CAPITAL EXPENDITURE IN AGRICULTURE

The items of capital expenditure in agriculture other than purchase of land and livestock on which separate information was collected during the Survey comprise (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, (7) construction of farm houses, cattle sheds, etc., and (8) other miscellaneous capital expenditure in agriculture.

#### 7.4.1 Relative importance of the specified items of 'other' capital expenditure

Table 7.6 on pages 36 and 37 gives the proportion of reporting families, average expenditure per family and average expenditure per reporting family on each of the above mentioned items for the different classes of cultivators, non-cultivators and all rural families.

Very rarely was any expenditure reported by the non-cultivators on any of the above items and it would seem more appropriate to discuss the expenditure for these purposes with reference to the cultivators only. An examination of the table shows that digging and repair of wells and purchase of implements, machinery and transport equipment are the main items under which 'other' capital expenditure was reported.

The expenditure incurred by all cultivators under these two items together was 84 per cent of the total expenditure on 'other' capital expenditure in agriculture.

The relative importance of each of the items for the different classes of cultivators can be seen from Table 7.7 on page 38 which gives the proportion of expenditure on each of the items of 'other' capital expenditure in agriculture.

**TABLE 7.6—' OTHER ' CAPITAL EXPENDITURE IN AGRICULTURE**

[ General Schedule data ]

Group	RECLAMATION OF LAND			BUNDING AND OTHER LAND IMPROVEMENTS		
	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)
	1	2	3	4	5	6
Big cultivators.....	3.9	31	783	5.0	28	558
Large cultivators.....	2.2	19	865	2.3	11	459
Medium cultivators.....	0.7	-	70	0.2	-	223
Small cultivators.....	-	-	-	0.5	1	119
All cultivators.....	0.9	6	632	0.9	4	383
Non-cultivators.....	-	-	-	0.1	-	188
<b>All families.....</b>	<b>0.4</b>	<b>3</b>	<b>632</b>	<b>0.5</b>	<b>2</b>	<b>359</b>

Group	DIGGING AND REPAIR OF WELLS			DEVELOPMENT OF OTHER IRRIGATION RESOURCES		
	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)
	7	8	9	10	11	12
Big cultivators.....	44.8	866	1,934	4.3	62	1,424
Large cultivators.....	35.6	476	1,337	1.9	22	1,126
Medium cultivators.....	13.9	102	733	1.1	10	920
Small cultivators.....	6.7	21	313	-	-	-
All cultivators.....	18.4	192	1,044	1.0	11	1,039
Non-cultivators.....	0.4	3	772	0.1	-	553
<b>All families.....</b>	<b>8.3</b>	<b>86</b>	<b>1,038</b>	<b>0.5</b>	<b>5</b>	<b>1,008</b>

**TABLE 7.6—'OTHER' CAPITAL EXPENDITURE IN AGRICULTURE—Concluded**  
[ General Schedule data ]

Group	LAYING OF NEW ORCHARDS AND PLANTATIONS			PURCHASE OF IMPLEMENTS, MACHINERY AND TRANSPORT EQUIPMENT		
	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)
	13	14	15	16	17	18
Big cultivators.....	2.2	14	622	17.8	388	2,178
Large cultivators.....	1.2	6	501	12.0	174	1,448
Medium cultivators.....	0.6	1	200	4.8	25	516
Small cultivators.....	—	—	—	1.1	2	219
All cultivators.....	0.6	2	379	5.8	64	1,091
Non-cultivators.....	—	—	—	0.1	—	184
<b>All families.....</b>	<b>0.3</b>	<b>1</b>	<b>379</b>	<b>2.6</b>	<b>28</b>	<b>1,074</b>

Group	CONSTRUCTION OF FARM HOUSES, CATTLE SHEDS, ETC.			OTHER (MISCELLANEOUS) CAPITAL EXPENDITURE IN AGRICULTURE		
	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family	Proportion of families reporting expenditure	Expenditure per family	Expenditure per reporting family
	(Per cent)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)
	19	20	21	22	23	24
Big cultivators.....	8.7	147	1,692	3.0	41	1,341
Large cultivators.....	4.1	54	1,309	1.3	14	1,076
Medium cultivators.....	1.0	3	316	0.5	5	1,014
Small cultivators.....	0.4	1	166	0.2	1	460
All cultivators.....	1.8	18	1,006	0.7	7	996
Non-cultivators.....	0.1	1	650	0.1	—	210
<b>All families.....</b>	<b>0.8</b>	<b>8</b>	<b>985</b>	<b>0.3</b>	<b>3</b>	<b>1,017</b>

It will be seen that among all classes of cultivators the item digging and repair of wells accounted for the major portion of total expenditure under 'other' capital expenditure in agriculture. For all cultivators together the proportion of expenditure accounted for by this item was about 63.4 per cent. Next in importance was

the item purchase of implements, machinery and transport equipment which accounted for about 21 per cent of the total expenditure. The proportions of expenditure accounted for by this item were larger for the upper classes than for the

**TABLE 7.7—RELATIVE IMPORTANCE OF VARIOUS ITEMS OF 'OTHER' CAPITAL EXPENDITURE IN AGRICULTURE**

[ General Schedule Data ]

Group	RECLAMATION OF LAND		BUNDING AND OTHER LAND IMPROVEMENTS		DIGGING AND REPAIR OF WELLS		DEVELOPMENT OF OTHER IRRIGATION RESOURCES	
	Expenditure per family	Proportion to total	Expenditure per family	Proportion to total	Expenditure per family	Proportion to total	Expenditure per family	Proportion to total
	(Rs)	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)
	1	2	3	4	5	6	7	8
Big cultivators.....	31	2.0	28	1.8	866	54.9	62	3.9
Large cultivators.....	19	2.4	11	1.4	476	61.4	22	2.8
Medium cultivators.....	-	0.3	-	0.3	102	69.0	10	6.8
Small cultivators.....	-	-	1	2.4	21	81.5	-	-
All cultivators.....	6	2.0	4	1.2	192	63.4	11	3.5
Non-cultivators.....	-	-	-	4.9	3	67.1	-	7.2
<b>All families.....</b>	<b>3</b>	<b>1.9</b>	<b>2</b>	<b>1.2</b>	<b>86</b>	<b>63.4</b>	<b>5</b>	<b>3.6</b>

Group	LAYING OF NEW ORCHARDS AND PLANTATIONS		PURCHASE OF IMPLEMENTS, MACHINERY, AND TRANSPORT EQUIPMENT		CONSTRUCTION OF FARM HOUSES, CATTLE SHEDS, ETC.		OTHER (MISCELLANEOUS) CAPITAL EXPENDITURE IN AGRICULTURE		Total expenditure per family
	Expenditure per family	Proportion to total	Expenditure per family	Proportion to total	Expenditure per family	Proportion to total	Expenditure per family	Proportion to total	
	(Rs)	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)	
	9	10	11	12	13	14	15	16	17
Big cultivators.....	14	0.9	388	24.6	147	9.3	41	2.6	<b>1,576</b>
Large cultivators.....	6	0.8	174	22.4	54	6.9	14	1.9	<b>775</b>
Medium cultivators.....	1	0.9	25	16.9	3	2.2	5	3.6	<b>148</b>
Small cultivators.....	-	-	2	9.6	1	2.4	1	4.0	<b>26</b>
All cultivators.....	2	0.8	64	21.1	18	5.9	7	2.3	<b>303</b>
Non-cultivators.....	-	-	-	4.0	1	14.1	-	2.7	<b>4</b>
<b>All families.....</b>	<b>1</b>	<b>0.8</b>	<b>28</b>	<b>20.8</b>	<b>8</b>	<b>6.1</b>	<b>3</b>	<b>2.3</b>	<b>135</b>

lower classes of cultivators. The only other item of some importance was construction of farm houses, cattle sheds, etc., which accounted for about 6 per cent of the total expenditure. Expenditure on the remaining items such as reclamation of land, bunding and other land improvements was only of minor importance.

An examination of the proportion of expenditure incurred by the different classes of cultivators, presented in Table 7.8, shows that the small cultivators reported very little expenditure under 'other' capital expenditure in agriculture.

**TABLE 7.8—SHARE OF EACH CLASS OF CULTIVATORS IN 'OTHER' CAPITAL EXPENDITURE IN AGRICULTURE**

[ General Schedule data ]

Class	EXPENDITURE INCURRED BY EACH CLASS OF CULTIVATORS AS PERCENTAGE OF THE TOTAL EXPENDITURE BY ALL CULTIVATORS							
	Recla- mation of land	Bund- ing and other land impro- vements	Digging and repair of wells	Deve- lopment of other irriga- tion re- sources	Laying of new orchards and planta- tions	Purchase of im- ple- ments, machi- nery and trans- port equip- ment	Con- struc- tion of farm houses, cattle sheds, etc.	Other miscel- laneous items of capital expen- diture in agri- culture.
	1	2	3	4	5	6	7	8
Big cultivators.....	54.4	81.6	47.4	60.9	60.9	63.9	86.2	62.9
Large cultivators.....	96.8	90.4	75.9	62.6	78.5	83.5	91.7	64.8
Medium cultivators....	3.2	4.3	20.8	37.4	21.5	15.3	7.2	30.6
Small cultivators.....	—	5.3	3.3	—	—	1.2	1.1	4.6

The only item of some importance of this group was bunding and other land improvements. Medium cultivators incurred sizeable expenditure on digging and repair of wells, development of other irrigation resources, laying of new orchards and plantations, and purchase of implements, machinery and transport equipment. It was, however, mainly the upper classes of cultivators that reported considerable capital expenditure in agriculture. The large cultivators alone, though forming only 30 per cent of the total cultivators, accounted for over 60 per cent of this expenditure. In respect of digging and repair of wells even the medium cultivators reported considerable expenditure and the proportion of the expenditure incurred by them in respect of this item formed about 21 per cent of the total expenditure by all cultivators on this item.

#### 7.4.2 'Other' capital expenditure in agriculture per acre of cultivated holding

Data on 'other' capital expenditure in agriculture per acre of cultivated holding are presented in Table 7.9 on page 40.

**TABLE 7.9—' OTHER ' CAPITAL EXPENDITURE IN AGRICULTURE PER ACRE OF CULTIVATED HOLDING**

[ General Schedule data. In rupees ]

Class	Recla- mation of land	Bund- ing and other land improve- ments	Digging and repair of wells	Deve- lopment of other irriga- tion re- sources	Laying of new orchards and planta- tions	Purchase of imple- ments, machi- nery and trans- port equip- ment	Con- struc- tion of farm houses, cattle sheds, etc.	Other (miscel- laneous) items of capital expen- diture in agri- culture
	1	2	3	4	5	6	7	8
Big cultivators.....	0.9	0.8	24.5	1.7	0.4	11.0	4.2	1.2
Large cultivators.....	0.9	0.5	23.3	1.1	0.3	8.5	2.6	0.7
Medium cultivators.....	0.1	0.1	17.4	1.7	0.2	4.2	0.6	0.9
Small cultivators.....	-	0.3	10.3	-	-	1.2	0.3	0.5
<b>All cultivators.....</b>	<b>0.6</b>	<b>0.4</b>	<b>21.0</b>	<b>1.2</b>	<b>0.3</b>	<b>7.0</b>	<b>2.0</b>	<b>0.7</b>

It will be seen from the above table that except in respect of the two items, viz., 'digging and repair of wells' and 'purchase of implements, machinery and transport equipment', the capital expenditure rarely exceeded rupee one per acre of cultivated holding of cultivators. The position in this regard was more or less the same in respect of the different classes of cultivators, except that the large cultivators reported somewhat significant expenditure on construction of farm houses, cattle sheds, etc., also. In respect of all items of expenditure except digging and repair of wells and purchase of implements, machinery and transport equipment, etc., the capital expenditure per acre incurred by the small cultivators did not exceed rupee one. The expenditure per acre incurred on digging and repair of wells was Rs 10 for this class of cultivators which was less than half of what was incurred by the large cultivators, viz., Rs 23. Similarly, the expenditure incurred per acre on purchase of implements, machinery and transport equipment by the small cultivators was very small being about Re 1 as against nearly Rs 9 incurred by the large cultivators.

#### 7.4.3 Source of finance for 'other' capital expenditure in agriculture

The table on page 41 gives a break-up of 'other' capital expenditure in agriculture according to the different sources of finance.

It will be seen that owned funds and borrowings together accounted for practically the whole of the expenditure incurred on 'other' capital expenditure in agriculture. Owned funds alone accounted for as much as 56.7 per cent of the expenditure while borrowings provided another 41.1 per cent. Sale of assets was practically negligible and the balance of 2.2 per cent of the finance was provided by other sources.

**TABLE 7.10—SOURCE OF FINANCE FOR 'OTHER' CAPITAL EXPENDITURE IN AGRICULTURE**

[ General Schedule data. Amount in rupees per family ]

Source of finance	'OTHER' CAPITAL EXPENDITURE IN AGRICULTURE								
	Total	Recla- mation of land	Bund- ing and other land im- prove- ments	Digging and re- pair of wells	Deve- lop- ment of other irriga- tion re- sources	Laying of new or- chards and planta- tions	Pur- chase of imple- ments, machi- nery and trans- port equip- ment	Con- struc- tion of farm houses, cattle sheds, etc.	Other miscel- laneous capital expen- diture in agri- culture
	1	2	3	4	5	6	7	8	9
Current income.....	<b>48</b> (35·8)	1 (52·4)	1 (64·8)	26 (30·4)	1 (14·5)	1 (73·3)	12 (43·6)	4 (46·1)	2 (66·3)
Past savings.....	<b>28</b> (20·9)	— (—)	— (24·4)	14 (16·5)	2 (42·2)	— (19·0)	9 (30·6)	3 (41·7)	— (2·7)
Sale of assets.....	— (—)	(5·2)	(—)	(0·2)	(—)	(—)	(0·3)	(—)	(—)
Borrowings.....	<b>55</b> (41·1)	1 (42·4)	— (10·8)	43 (50·6)	2 (43·3)	— (7·7)	7 (23·5)	1 (12·2)	1 (31·0)
Other sources.....	<b>3</b> (2·2)	— (—)	— (—)	2 (2·3)	— (—)	— (—)	1 (2·0)	— (—)	— (—)
<b>Total.....</b>	<b>136</b>	<b>3</b>	<b>2</b>	<b>86</b>	<b>5</b>	<b>1</b>	<b>28</b>	<b>8</b>	<b>3</b>

(Figures in brackets denote percentages to total expenditure financed by all sources)

An examination of the source of finance data for the two major items of 'other' capital expenditure in agriculture, viz., 'digging and repair of wells' and 'purchase of implements, machinery and transport equipment' shows that for the purpose of digging and repair of wells both borrowings and owned funds provided about equal amounts while for purchase of implements and machinery borrowings were resorted to a much smaller extent. This might be due to the fact that whereas both the large and the small cultivators reported expenditure on digging and repair of wells, expenditure for purchase of implements, machinery and transport equipment, was reported mainly by the big cultivators who could finance the purchases from owned funds.

### 7.5 INVESTMENT AND DISINVESTMENT

Capital expenditure in agriculture, capital expenditure in non-farm business, financial investments and repayment of old debts are considered as constituents of total investments and the total borrowings during the year and sale of assets are considered as items of disinvestment. The table on page 42 presents the total investments and disinvestments along with their break-up under the constituent items and the net investment or net disinvestment in respect of each class of cultivators, non-cultivators and all rural families.

**TABLE 7.11—INVESTMENT-DISINVESTMENT**

[ General Schedule data. Amount in rupees per family ]

Group	INVESTMENT					DISINVESTMENT			Net investment (+) or disinvestment (-)
	Total	Capital expenditure in agriculture	Non-farm business expenditure	Financial investment expenditure	Repayment of old debts	Total	Borrowings	Sale of assets	
	1	2	3	4	5	6	7	8	
Big cultivators.....	<b>3,116</b>	2,136	324	102	554	<b>1,953</b>	1,722	231	+ 1,163
Large cultivators.....	<b>1,520</b>	1,088	117	53	261	<b>1,164</b>	1,054	110	+ 356
Medium cultivators.....	<b>260</b>	204	13	1	42	<b>376</b>	327	49	- 116
Small cultivators.....	<b>124</b>	90	5	-	29	<b>256</b>	148	108	- 132
All cultivators.....	<b>604</b>	440	42	17	105	<b>580</b>	495	85	+ 24
Non-cultivators.....	<b>15</b>	6	2	1	6	<b>66</b>	59	7	- 51
<b>All families.....</b>	<b>273</b>	<b>196</b>	<b>20</b>	<b>8</b>	<b>49</b>	<b>291</b>	<b>250</b>	<b>41</b>	- 18

An examination of the above table shows that the investment expenditure reported by non-cultivators was of a very small order being only Rs 15 per family the corresponding figure in the case of cultivators being a little over Rs 600. This would indicate the insignificance of the contribution by non-cultivators to the investment in the rural area. Among cultivators themselves considerable investment expenditure was reported by all classes of cultivators. Compared to the upper classes of cultivators, the investment expenditure reported by the lower classes was, however, much smaller. Thus, whereas the large cultivators reported total investment expenditure of Rs 1,520 per family, the investment expenditure per family among the small cultivators was only Rs 124. The break-up of the investment expenditure under the constituent items would show that in the case of all cultivators, non-farm business expenditure and financial investment expenditure accounted only for about 7 per cent and 3 per cent respectively of the total investment. Capital expenditure in agriculture and repayment of old debts together accounted for nearly 90 per cent of the total investment. Capital expenditure in agriculture alone accounted for as much as 72·8 per cent of the total investment expenditure. The figures of investment for the different classes of cultivators show that, though for the lower classes of cultivators the non-farm business and financial investment were practically of negligible importance, for the upper classes these two items contributed significantly towards their total investment. Thus, for the large cultivators capital expenditure in agriculture alone accounted for 72 per cent of the investment expenditure, while non-farm business and financial investment together formed about 11 per cent of the total investment expenditure. Repayment of old debts was equally important for all classes of cultivators accounting for 17·2 per cent of the investment expenditure of large cultivators and 16·2 per cent and 23·4 per cent respectively of the investment of medium and small cultivators.



The figures of disinvestment show that the volume of disinvestment was larger among the upper classes of cultivators, the total disinvestment per family among the large cultivators being Rs 1,164 which is nearly six times the disinvestment per family in respect of small cultivators. As in the case of investment expenditure the volume of disinvestment of non-cultivators was relatively much smaller. The break-up of the disinvestment figure into its constituents, viz., borrowings and sale of assets, shows that for all families borrowings accounted for the bulk of the disinvestment, viz., 86 per cent while sale of assets accounted for the balance of 14 per cent. An interesting feature noticed in this regard is that, whereas for the upper classes of cultivators sale of assets formed only a small proportion of their total disinvestments, for the lower classes, particularly for small cultivators, sale of assets was almost as important as borrowings. Thus, while for large cultivators sale of assets formed only 9.5 per cent of their total disinvestment, for small cultivators sale of assets accounted for as much as 42.2 per cent of their total disinvestment.

A further break-up of the sale of assets of the cultivators is presented in the following table.

**TABLE 7.12—RECEIPTS FROM SALE OF VARIOUS TYPES OF ASSETS**

[ General Schedule data. In rupees per family ]

Group	Total receipts	RECEIPTS FROM THE SALE OF					
		Land	Livestock	Imple- ments and machinery	House and buildings	Ornaments and bullion	Financial and other assets
		1	2	3	4	5	6
Big cultivators...	231	207	22	2	—	—	—
Large cultivators.	110	91	14	1	—	4	—
Medium culti- vators.....	49	37	13	—	—	—	—
Small cultivators.	108	99	5	—	3	1	—
All cultivators...	85	72	11	—	1	1	—
Non-cultivators..	7	4	1	—	1	1	—
<b>All families....</b>	<b>41</b>	<b>34</b>	<b>5</b>	<b>—</b>	<b>1</b>	<b>1</b>	<b>—</b>

From the above table it will be seen that land and livestock were practically the only items in respect of which sales were reported. The other items such as sale of implements and machinery, sale of house and buildings, and sale of ornaments and bullion were reported very rarely. As between land and livestock, land was the more important item of sales accounting for as much as 85 per cent of the total sales for all cultivators. The position was more or less the same among the different classes of cultivators.

A perusal of the figures of net investment or disinvestment shown in Table 7.11 will show that for the rural families as a whole there was a net balance of

disinvestment. This net negative balance might have arisen from various factors such as transfer of assets from rural to urban families, borrowings from urban families, borrowings for consumption expenditure, etc. The figures for the different classes of cultivators as well as non-cultivators give an idea of the relative position of each of these classes. It will be seen that for cultivators as a whole there was an excess of investment over disinvestment to the extent of Rs 24 per family, whereas for the non-cultivators there was an excess of disinvestment over investment expenditure to the extent of Rs 51 per family.

An examination of the investment-disinvestment data for different classes of cultivators shows that, while the upper classes of cultivators reported considerable balance of investment expenditure over disinvestment, the lower classes of cultivators, on the other hand, reported considerably heavy excesses of disinvestment over investment. For the big cultivators particularly, the investment balance was very high at Rs 1,163 per family. While the large cultivators reported an investment balance of Rs 356 per family, the medium and the small cultivators reported excesses of disinvestment over investment to the extent of Rs 116 and Rs 132 per family respectively.

## CHAPTER 8

### CURRENT FARM OPERATIONS

This chapter deals with a discussion of the various aspects of current farm operations on the basis of the relevant data collected in the intensive enquiry in respect of the selected sample of cultivators. This information was collected separately for the two six-month periods, viz., April to September 1951 and October 1951 to March 1952 and the data for the separate periods afford some comparison relating to the seasonality of farm receipts and expenses.

#### 8.1 CASH EXPENSES ON FARMING

The following table gives the total cash expenses and their break-up into five categories of expenses, viz., (1) purchase of seed, (2) purchase of manure, (3) purchase of fodder, (4) cash wages and (5) other cash expenses. The data are presented separately for the upper and lower strata cultivators.

**TABLE 8.1—CURRENT CASH FARM EXPENDITURE**

[ Intensive enquiry data. In rupees per family ]

Strata	Total	Purchase of seed	Purchase of manure	Purchase of fodder	Cash wages	Other cash expen- diture
	1	2	3	4	5	6
Upper strata cultivators.....	2,196·2	51·2	379·0	407·1	304·3	1,054·7
Lower strata cultivators.....	461·9	23·0	66·6	81·2	132·8	158·4
<b>All cultivators.....</b>	<b>1,329·0</b>	<b>37·1</b>	<b>222·9</b>	<b>244·1</b>	<b>218·5</b>	<b>606·5</b>

It will be seen from the above table that nearly 50 per cent of the total current cash farm expenses were reported under other cash expenditure which covers various miscellaneous items such as land revenue, salaries paid to annual or permanent farm servants, etc. Among the remaining items of cash expenditure three items, viz., purchase of manure, purchase of fodder and cash wages accounted for about equal proportions of the total cash expenditure, each forming about one sixth of the total cash expenditure. The only remaining item, viz., purchase of seed accounted for only a very small proportion, of about 3 per cent, of the total cash expenditure. An examination of the details for the upper and lower strata cultivators would show that the total cash expenditure incurred by the lower strata cultivators was about one-fifth of the corresponding expenditure by the upper strata cultivators.

The break-up of the cash expenditure in farming according to the source of finance is shown in Table 8.2 on page 46.

**TABLE 8.2—SOURCE OF FINANCE FOR CURRENT CASH FARM EXPENDITURE**  
[ Intensive enquiry data. In per cent ]

Source of finance	Total	Purchase of seed	Purchase of manure	Purchase of fodder	Cash wages	Other cash expenditure
	1	2	3	4	5	6
<b>Upper strata cultivators</b>						
Current income.....	87.6	98.4	88.5	95.0	97.9	80.8
Past savings.....	1.0	1.0	0.7	2.6	0.4	0.7
Sale of assets.....	—	—	—	—	—	—
Borrowings.....	4.2	—	9.7	1.9	1.4	4.2
Other sources.....	7.2	0.6	1.1	0.5	0.3	14.3
<b>Lower strata cultivators</b>						
Current income.....	77.0	99.6	84.6	89.6	93.3	50.4
Past savings.....	—	—	—	—	—	—
Sale of assets.....	—	—	—	—	—	—
Borrowings.....	10.7	—	10.8	9.2	6.2	16.9
Other sources.....	12.3	0.4	4.6	1.2	0.5	32.7
<b>All cultivators</b>						
Current income.....	85.7	98.7	87.9	94.1	96.5	76.8
Past savings.....	0.8	0.8	0.6	2.2	0.3	0.6
Sale of assets.....	—	—	—	—	—	—
Borrowings.....	5.4	—	9.8	3.1	2.8	5.9
Other sources.....	8.1	0.5	1.7	0.6	0.4	16.7

It will be seen from the above table that a very large proportion of the current cash expenditure was met through owned funds, the current income alone providing as much as 85.7 per cent of the total cash expenditure. The balance of this expenditure was met through borrowings and other sources. Borrowings accounted for 5.4 per cent of the cash expenditure. Sale of assets was not reported by any of the cultivators for this purpose. Past savings provided a very small part of the expenditure on this account for the upper strata cultivators.

### 8.2 SEASONALITY IN FARM BUSINESS OPERATIONS

The table on page 47 gives data on the total cash farm expenses and receipts on various accounts separately for the two six-month periods, viz., April to September 1951 and October 1951 to March 1952 for the upper and lower strata cultivators as well as for all cultivators.

A perusal of the above table would show that for all cultivators a larger proportion of the cash expenditure on current farm operations was incurred during the first six-month period, April to September, when most of the pre-harvest agricultural operations take place. The expenditure incurred during this half of the year was nearly double that incurred in the other half of the year. In respect of the lower strata cultivators, however, the differences in the expenditure incurred during these two periods were small. This might be due to the comparatively smaller scale of operations by this class of cultivators. On the other hand, the expenditure incurred by the upper strata cultivators in the first half of the year was significantly higher compared to the expenditure during the second half.

**TABLE 8.3—SEASONALITY IN FARM BUSINESS OPERATIONS**

[ Intensive enquiry data. In rupees per family ]

Item	APRIL-SEPTEMBER 1951			OCTOBER 1951-MARCH 1952		
	Upper strata cultivators	Lower strata cultivators	All cultivators	Upper strata cultivators	Lower strata cultivators	All cultivators
	1	2	3	4	5	6
<b>Total current cash farm expenditure.....</b>	<b>1,405.2</b>	<b>286.5</b>	<b>845.8</b>	<b>791.0</b>	<b>175.2</b>	<b>483.2</b>
Cash receipts from						
1. Sale of crops and fodder	638.1	180.9	409.5	807.0	178.0	492.5
2. Sale of milk and milk products.....	32.4	18.3	25.4	26.4	21.9	24.2
3. Sale of poultry and poultry products.....	0.5	—	0.3	0.4	—	0.2
4. Sale of seed and plants..	—	—	—	6.0	—	3.0
5. Sale of manure.....	—	0.6	0.3	—	—	—
6. Cash wages.....	43.5	74.5	59.0	39.8	85.8	62.8
7. Remittances.....	82.5	51.3	66.9	48.4	55.2	51.8
8. Carting.....	23.6	6.0	14.8	25.2	7.2	16.2
9. Cash rent.....	35.1	—	17.5	70.8	0.6	35.7
10. Interest.....	18.9	5.0	11.9	10.1	6.0	8.0
11. Other sources.....	25.1	—	12.6	—	—	—
<b>Total cash receipts.....</b>	<b>899.7</b>	<b>336.6</b>	<b>618.2</b>	<b>1,034.1</b>	<b>354.7</b>	<b>694.4</b>

The seasonal pattern in respect of cash farm receipts was, however, somewhat different. The receipts during these two periods were of the same order. This was true both for the upper strata cultivators and lower strata cultivators. It is, however, of interest to note that whereas the total cash expenses of the upper strata cultivators in farming were almost five times the cash expenditure incurred by the lower strata cultivators, the cash receipts from farming of the upper strata cultivators were only about three times the corresponding receipts of the lower strata cultivators. Though this is suggestive of the relatively smaller returns for the upper strata cultivators, it would, however, be necessary to consider the value of gross produce in each of these cases for a proper study of the relative returns of the two strata of cultivators.

### 8.3 CROP-WISE PATTERN OF RECEIPTS AND EXPENSES

It is not possible to present a complete picture of the crop-wise pattern of farm expenses as their allocation among the different crops, particularly in respect of a few items such as 'expenditure on fodder' and 'other cash expenditure' is not available. In view of the fact that these two items account for a substantial portion of the total farm expenses, exclusion of these items would render the interpretation of the results of limited significance. It would, however, be worthwhile to study the expenditure pattern according to the 'major' crops cultivated by them. So the cultivators reporting rice, millets, groundnut, sugar-cane and cotton as 'major'

crops are considered and their farm expenses, gross produce, disposals and capital expenditure are discussed. The following table shows the expenditure per acre of area sown on seed, manure and total farm expenses, value of gross produce per acre of area sown, disposals in kind at harvest as percentage of gross produce and the capital expenditure per acre of cultivated holding for the above mentioned five major crops.

**TABLE 8.4—EXPENDITURE PER ACRE OF AREA SOWN, VALUE OF GROSS PRODUCE, DISPOSALS IN KIND AND CAPITAL EXPENDITURE IN AGRICULTURE**  
[ Intensive enquiry data. Amount in rupees ]

Major crop grown	EXPENDITURE PER ACRE OF AREA SOWN			Gross produce per acre of area sown	Disposals in kind at harvest as percentage of gross produce	Capital expenditure in agriculture per acre of cultivated holding
	Seed	Manure	Total farm expenses			
	1	2	3			
Rice.....	33.28	37.77	395.12	372.52	22.74	46.21
Millets.....	5.56	27.08	106.60	75.14	12.53	18.35
Groundnut.....	19.82	16.61	103.93	120.16	8.59	35.28
Sugar-cane.....	9.90	68.54	445.73	553.02	4.37	141.33
Cotton.....	7.97	60.47	225.16	215.41	5.68	84.63

The total farm expenses were the highest at Rs 446 per acre of area sown for the cultivators with sugar-cane as the major crop. In respect of the remaining two cash crops, viz., groundnut and cotton the farm expenses were much less at Rs 104 and Rs 225 per acre of area sown. The farm expenses were Rs 395 in respect of rice. The cultivation costs per acre of area sown were also comparatively smaller for the millet growing cultivators, the total farm expenses in respect of this class of cultivators being Rs 107 per acre. It was also noticed that the holdings of cultivators reporting cash crops, particularly groundnut and cotton, were relatively larger and the somewhat smaller cultivation expenses in these cases might have been due to the large size of the holdings.

Considering the value of gross produce per acre of area sown, it would appear that cultivators growing cash crops except sugar-cane were not, in any way, in a better position as compared to the cultivators growing mainly paddy. In the case of sugar-cane the value of gross produce was Rs 553 per acre of area sown, the corresponding farm expenses being less than the gross produce by nearly Rs 100. In respect of groundnut the value of gross produce per acre of area sown was only about Rs 16 more than the farm expenses, and in respect of cotton the value of gross produce was about Rs 10 less than the total farm expenses. In respect of paddy, though the value of gross produce per acre of area sown was quite high at Rs 373, this was about Rs 22 less than the corresponding farm expenses. The value of gross produce at Rs 75 per acre of area sown was least in respect of cultivators growing mainly millets.

Another interesting feature that is noticed is in respect of the value of disposals in kind at harvest. In respect of cultivators growing mainly paddy or millets, a substantial part of the gross produce (23 per cent in respect of paddy and 13 per cent in respect of millets) was disposed of in kind at harvest itself, whereas in respect of cultivators growing mainly cash crop, the value of disposals in kind at harvest was less than 10 per cent.

From the figures of capital expenditure in agriculture per acre of cultivated holding presented in the last column of the above table it will be seen that this expenditure was the least in respect of millets, being only of the order of Rs 18 per acre of cultivated holding. In both paddy and groundnut cultivation, the capital expenditure per acre was more or less of the same order being Rs 46 and Rs 35 respectively. Those cultivators, who grew mainly sugar-cane and cotton, reported relatively higher capital expenditure per acre. The capital expenditure was the highest at Rs 141 per acre in respect of sugar-cane-growers while for cotton-growers it was Rs 85 per acre.

## CHAPTER 9

### CREDIT AGENCIES

In this chapter the relative role of various credit agencies in providing finance to cultivators and non-cultivators is discussed on the basis of borrowings from and debt owed to different agencies reported in the General Schedule. A classification of borrowings and debt according to creditor and purpose is also discussed in this chapter.

#### 9.1 BORROWINGS FROM AND DEBT OWED TO DIFFERENT CREDIT AGENCIES

The total borrowings of the different classes of cultivators, non-cultivators and all rural families and their classification according to the different credit agencies are presented in the following table.

**TABLE 9.1—PROPORTION OF BORROWINGS FROM DIFFERENT CREDIT AGENCIES**  
[ General Schedule data ]

Group	Bor- row- ings per family  (Rs)	BORROWINGS FROM THE AGENCY AS PERCENTAGE OF TOTAL BORROWINGS FROM ALL AGENCIES								
		Gov- ern- ment	Co- oper- atives	Rela- tives	Land- lords (to ten- ants)	Agri- cul- turist mone- ylen- ders	Pro- fes- sional mone- ylen- ders	Tra- ders and com- mis- sion agents	Com- mer- cial banks	Others
		1	2	3	4	5	6	7	8	9
Big cultivators.....	<b>1,722</b>	0.5	1.9	1.0	0.7	48.1	33.4	0.7	13.7	—
Large cultivators.....	<b>1,054</b>	0.3	2.6	1.9	0.8	49.1	33.3	0.5	11.4	0.1
Medium cultivators.....	<b>327</b>	0.4	5.2	1.3	1.3	35.7	51.6	—	3.2	1.3
Small cultivators.....	<b>148</b>	0.5	7.0	4.1	1.0	38.0	40.0	2.9	5.9	0.6
All cultivators.....	<b>495</b>	0.4	3.7	2.0	0.9	44.6	38.6	0.6	8.8	0.4
Non-cultivators.....	<b>59</b>	—	2.3	9.6	1.9	28.9	48.1	1.1	7.3	0.8
<b>All families.....</b>	<b>250</b>	<b>0.3</b>	<b>3.5</b>	<b>3.0</b>	<b>1.0</b>	<b>42.5</b>	<b>39.9</b>	<b>0.7</b>	<b>8.6</b>	<b>0.5</b>

It will be seen from the above table that by far the most important agency from the point of view of supply of credit was private moneylenders including both the agriculturist moneylenders and professional moneylenders. These two agencies together provided as much as 82.4 per cent of the total credit for all rural families. The agency next in importance to the private moneylender was the commercial banks which provided a little over 8 per cent of the total credit of all rural families. Co-operatives provided only 3.5 per cent of the total credit for the rural families.



The position in respect of cultivating families was practically the same as that revealed by the figures for all rural families ; the borrowings by non-cultivators formed only a small proportion, i.e., 13.3 per cent of the total borrowings of all families. It is, however, noticeable that the lower classes of cultivators, i.e., the medium and small cultivators, reported relatively somewhat higher percentage of borrowings from the co-operatives as compared to the upper classes of cultivators, i.e., the big as well as the large cultivators. On the other hand the proportions of borrowings from the commercial banks were significantly higher among the upper classes as compared to the lower classes of cultivators.

A classification of the debt according to the credit agencies also reveals the same situation as that revealed by the figures of borrowings during the Survey year in so far as the relative positions of these different agencies are concerned. The relevant data are presented in the following table.

**TABLE 9.2—PROPORTION OF DEBT OWED TO DIFFERENT CREDIT AGENCIES**

[ General Schedule data ]

Group	Debt per family (Rs)	DEBT OWED TO THE AGENCY AS PERCENTAGE OF TOTAL DEBT OWED TO ALL AGENCIES							
		Gov-ern-ment	Co-operatives and com-mer-cial banks	Rela-tives	Land-lords (to ten-ants)	Agri-cul-turist money-lenders	Pro-fes-sional money-lenders	Tra-ders and com-mis-sion agents	Others
		1	2	3	4	5	6	7	8
Big cultivators.....	<b>4,338</b>	1.9	7.1	3.5	0.3	27.5	59.7	-	-
Large cultivators.....	<b>2,484</b>	1.9	6.9	2.8	0.2	32.2	56.0	-	-
Medium cultivators....	<b>832</b>	1.3	5.4	1.0	0.2	37.8	54.2	0.1	-
Small cultivators.....	<b>388</b>	0.4	8.2	4.2	0.1	40.4	45.2	1.1	0.5
All cultivators.....	<b>1,204</b>	1.6	6.6	2.5	0.2	34.5	54.4	0.1	0.1
Non-cultivators.....	<b>142</b>	0.1	4.6	9.2	0.6	29.7	54.5	1.2	0.1
<b>All families.....</b>	<b>607</b>	<b>1.4</b>	<b>6.3</b>	<b>3.3</b>	<b>0.2</b>	<b>33.9</b>	<b>54.5</b>	<b>0.3</b>	<b>0.1</b>

**9.2 PURPOSE-WISE ANALYSIS OF BORROWINGS FROM AND DEBT OWED TO DIFFERENT CREDIT AGENCIES**

A classification of the amounts borrowed from each of the various agencies according to different purposes is available from the intensive enquiry data. The purposes under which the borrowings were classified are, (1) agricultural purposes (short-term and long-term), (2) non-agricultural purposes (short-term and long-term), (3) consumption purposes (short-term and long-term), (4) repayment of old debts and (5) other purposes. These details are presented in Table 9.3 on page 52.

**TABLE 9.3—PURPOSE-WISE ANALYSIS OF BORROWINGS OF THE SELECTED CULTIVATORS FROM DIFFERENT CREDIT AGENCIES**

[ Intensive enquiry data. Amount in rupees per family ]

Credit agency	Total borrowings	AGRICULTURAL PURPOSES		NON-AGRICULTURAL PURPOSES		CONSUMPTION PURPOSES		Repayment of old debts	Other purposes
		Short-term	Long-term	Short-term	Long-term	Short-term	Long-term		
		1	3	4	5	6	7		
Government.....	-	-	-	-	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Co-operatives.....	29.1	-	11.8	-	-	5.3	-	12.1	-
		(-)	(40.4)	(-)	(-)	(18.1)	(-)	(41.5)	(-)
Relatives.....	3.5	-	-	-	-	0.4	3.0	-	-
		(-)	(-)	(-)	(-)	(13.1)	(86.9)	(-)	(-)
Landlords.....	7.0	4.5	-	-	-	2.5	-	-	-
		(64.1)	(-)	(-)	(-)	(35.9)	(-)	(-)	(-)
Agriculturist money-lenders.....	306.4	64.1	104.4	-	-	42.7	57.5	37.7	-
		(20.9)	(34.1)	(-)	(-)	(13.9)	(18.8)	(12.3)	(-)
Professional money-lenders.....	175.4	4.9	19.8	-	125.7	14.2	1.1	2.2	7.5
		(2.8)	(11.3)	(-)	(71.6)	(8.1)	(0.6)	(1.3)	(4.3)
Traders and commission agents.....	18.1	7.5	4.5	-	-	6.0	-	-	-
		(41.8)	(24.8)	(-)	(-)	(33.4)	(-)	(-)	(-)
Commercial banks....	22.6	12.9	2.0	-	-	7.7	-	-	-
		(57.1)	(8.9)	(-)	(-)	(34.0)	(-)	(-)	(-)
Others.....	51.9	0.5	2.5	-	-	7.7	25.8	-	15.4
		(1.0)	(4.9)	(-)	(-)	(14.9)	(49.5)	(-)	(29.7)
<b>Total.....</b>	<b>614.0</b>	<b>94.5</b>	<b>145.0</b>	<b>-</b>	<b>125.7</b>	<b>86.6</b>	<b>87.4</b>	<b>52.0</b>	<b>22.9</b>
		(15.4)	(23.6)	(-)	(20.5)	(14.1)	(14.2)	(8.5)	(3.7)

(Figures in brackets denote percentages to total)

It will be seen from the above table that a larger part of the borrowings from the agriculturist moneylenders, traders and commission agents and commercial banks was for agricultural purposes while borrowings for this purpose from the remaining agencies were comparatively very small. Thus, for instance, whereas 55 per cent of the borrowings from agriculturist moneylenders were for agricultural purposes, both short-term and long-term, only about 14 per cent of the borrowings from professional moneylenders were reported to be for agricultural purposes. Borrowings from co-operatives were reported equally for agricultural purposes and for the repayment of old debts. Consumption purposes also accounted for a substantial portion of the borrowings from co-operatives and agriculturist moneylenders.

The position of debt owed to different agencies according to purpose is presented in the table on page 53.

It will be seen from the table that while the bulk of the debt owed to Government was outstanding against agricultural purposes, equal amounts were outstanding for agricultural and consumption purposes against the private credit

agencies. The major portion of the debt owed to co-operatives was, however, incurred in connexion with repayment of old debts.

**TABLE 9.4—DEBT OF THE SELECTED CULTIVATORS CLASSIFIED ACCORDING TO PURPOSE**

[ Intensive enquiry data. Amount in rupees per family ]

Credit agency	Total debt owed	AGRICULTURAL PURPOSES		NON-AGRICULTURAL PURPOSES		CONSUMPTION PURPOSES		Repayment of old debts	Other purposes
		Short-term	Long-term	Short-term	Long-term	Short-term	Long-term		
		1	2	3	4	5	6		
Government.....	<b>17.7</b>	5.4 (30.5)	5.6 (31.6)	— (—)	— (—)	0.8 (4.2)	— (—)	— (—)	6.0 (33.7)
Co-operatives.....	<b>74.6</b>	2.4 (3.2)	12.5 (16.7)	— (—)	— (—)	5.3 (7.1)	— (—)	54.5 (73.0)	— (—)
Other agencies.....	<b>1,231.6</b>	148.1 (12.0)	340.1 (27.6)	— (—)	28.4 (2.3)	287.7 (23.4)	137.6 (11.2)	91.9 (7.5)	197.8 (16.0)

(Figures in brackets denote percentages to total)

## CHAPTER 10

### GOVERNMENT FINANCE

In the Coimbatore district, as in other districts of Madras State, Government finance is made available to the agriculturists under two Acts, viz., (1) the Agriculturists' Loans Act, 1884 and (2) the Land Improvement Loans Act, 1883. Under the Agriculturists' Loans Act, loans up to a period of ten years are granted to cultivators for purchase of bullocks, implements, seed, manure, etc. Loans under the other measure, viz., the Land Improvement Loans Act, are mainly for land improvement purposes such as sinking and repair of wells, reclamation of land, etc. The period of such developmental loans may run upto 20 years. In addition to the above, funds are also earmarked from time to time for advancing long-term loans to the agriculturists for the purchase and installation of oil-engines, pump-sets, etc. Loans under the above-mentioned measures are sanctioned only against the security of immovable property, the amount of loan sanctioned being usually one-third of the total value of the security offered. The recoveries are made in annual instalments, the interest charged being  $4\frac{1}{2}$  per cent per annum.

#### 10.1 ROLE OF GOVERNMENT

The role played by Government is examined on the basis of three types of data, viz., (1) loans advanced by Government during 1950-1, (2) borrowings from and debt owed to Government on the basis of the General Schedule data and (3) purpose-wise analysis of loans borrowed during the Survey year as reported in the intensive enquiry.

#### 10.2 GOVERNMENT LOANS

Particulars relating to the loan operations of Government in the district are presented in the table given on page 55.

An examination of the number of applications sanctioned and the amounts sanctioned would show that Government is able to meet only a very small portion of the credit needs of the cultivators. Thus, as against 4,775 applications for loans under the Land Improvement Loans Act, only 1,342 were sanctioned and the amount sanctioned was a little smaller than one-fourth of the total amount applied for in all applications received. The position was more or less similar as regards the loans made available under the remaining measures. In this connexion it is also necessary to mention that the number of applications received and the amounts applied for thereunder do not represent the full credit needs of the cultivators ; for in actual practice, because of the necessity of providing suitable security, etc., only a very small proportion of the cultivating population applies for loans under these measures. The negligible role played by Government in providing rural credit can be seen from an examination of the data collected in the General Schedule.

**TABLE 10.1—GOVERNMENT FINANCE FOR AGRICULTURAL PURPOSES DURING THE YEAR 1950-1**

[ Amount in hundreds of rupees ]

	APPLICATIONS RECEIVED		APPLICATIONS SANCTIONED		
	Number	Amount applied for	Number	Amount applied for	Amount sanctioned
	1	2	3	4	5
Land Improvement Loans Act, 1883.....	4,775	33,789	1,342	8,062	7,760
Agriculturists' Loans Act, 1884.....	3,999	16,865	2,190		5,228
Cash subsidies under the Grow More Food campaign†.....	1,645	13,088	267	2,003	2,003*

	PURPOSE FOR WHICH AMOUNT WAS SANCTIONED						
	Purchase of seed	Purchase of manure	Purchase of fodder	Purchase of implements	Purchase of draught animals	Well-digging and other irrigation	Land improvement
	6	7	8	9	10	11	12
Land Improvement Loans Act, 1883.....	—	—	—	—	—	7,713	47
Agriculturists' Loans Act, 1884....	584	323	4,142	8	172	—	—
Cash subsidies under the Grow More Food campaign†.....	..	..	..	..	..	..	..

\* Does not include Rs 411 granted for purchase of iron implements.

† Loans were not granted under this campaign during the year 1950-1.

Data collected in the General Schedule showed that only 0·5 per cent of the cultivators reported borrowings from Government and the borrowings formed only 0·4 per cent of the total borrowings of cultivators. No borrowings from Government were reported by non-cultivators. The analysis of data for different classes of cultivators also showed that only 2·0 per cent of the big cultivators and 0·3 per cent of the small cultivators reported borrowings from Government. The borrowings from Government agency were 0·5 per cent of the total borrowings in the case of big and small cultivators and even less in the case of other classes of cultivators. Table 10.2 gives the borrowings from and debt owed to Government for all classes of cultivators and all families.

**TABLE 10.2—BORROWINGS FROM AND DEBT OWED TO GOVERNMENT BY THE DIFFERENT CLASSES OF CULTIVATORS, NON-CULTIVATORS AND ALL FAMILIES**

[ General Schedule data ]

Group	BORROWINGS FROM GOVERNMENT			DEBT OWED TO GOVERNMENT		
	Proportion of families reporting borrowings	Borrowings per reporting family	Borrowings from the agency as percentage of total borrowings from all agencies	Proportion of indebted families	Debt per indebted family	Debt owed to the agency as percentage of the total debt owed to all agencies
	(Per cent)	(Rs)		(Per cent)	(Rs)	
	1	2	3	4	5	6
Big cultivators.....	2.0	400	0.5	12.4	667	1.9
Large cultivators.....	1.0	350	0.3	8.0	577	1.9
Medium cultivators.....	0.2	733	0.4	3.4	324	1.3
Small cultivators.....	0.3	225	0.5	1.1	151	0.4
All cultivators.....	0.5	376	0.4	4.1	462	1.6
Non-cultivators.....	—	—	—	0.1	117	0.1
<b>All families.....</b>	<b>0.2</b>	<b>376</b>	<b>0.3</b>	<b>1.9</b>	<b>450</b>	<b>1.4</b>

It is seen from the above table that 12.4 per cent of the big cultivators and 1.1 per cent of the small cultivators were indebted to Government. There was a gradual decline in proportion of indebted families from the big to the small cultivators. The debt owed to Government was 1.9 per cent of the total debt in the case of the big and large cultivators. In the case of the medium and small cultivators the percentages were 1.3 and 0.4 respectively. Only 0.1 per cent of the non-cultivators were indebted to Government and the debt owed to Government by the non-cultivators was 0.1 per cent of the total debt.

**10.3 PURPOSE-WISE ANALYSIS OF LOANS**

The following table provides a purpose-wise analysis of Government loans made during the year 1950-1.

**TABLE 10.3—AMOUNT OF LOANS SANCTIONED BY GOVERNMENT FOR AGRICULTURAL PURPOSES DURING THE YEAR 1950-1**

[ Amount in hundreds of rupees ]

	Total	Current farm expenditure	Purchase of livestock	Capital expenditure on farm (excluding purchase of livestock)
	1	2	3	4
Amount.....	12,98.8	5,04.9	17.2	7,76.7
Percentage to total.....		38.9	1.3	59.8

It may be observed that current farm expenditure and capital expenditure on farm (excluding purchase of livestock) account for almost all of the loans advanced during the year. The former accounted for 38·9 per cent and the latter 59·8 per cent of the amount advanced in the district during the year 1950-1. The loans for current farm expenditure amounted to Rs 5·0 lakhs and those for capital expenditure on farm to Rs 7·8 lakhs. Fodder loans were confined practically to the three taluks of Dharapuram, Palladam and Udumalpet. Loans for well-digging were also largely concentrated in these three taluks though the loans for a sizeable amount for this purpose have also been disbursed in Avanashi and Coimbatore taluks. Purchase of draught animals forms the next important purpose though the number and amount of loans for this purpose form a very small proportion of the total loans.

#### 10.4 CASE-STUDIES OF LOANS

A detailed study of 122 loan applications, received in the four taluk centres selected for investigation of Government finance was made. Out of these applications, seventeen were rejected, four were withdrawn by the applicants themselves and the remaining were sanctioned. In the following paragraphs the nature of Government finance as revealed by these studies is discussed.

##### 10.4.1 Time-lag between the date of application and the date of disbursement of loans

The scrutiny of applications, the verifications of the applicant's status, solvency, genuineness of requirements, etc., involve considerable time and the procedure is tedious from the standpoint of the cultivator. To assess the position in this regard information was collected from a sample of loans by ascertaining the time-lag between the date of application and the date of disbursement of loans.

**TABLE 10.4—CASE-STUDIES OF LOANS: NUMBER AND AMOUNT OF LOANS CLASSIFIED ACCORDING TO TIME-LAG BETWEEN THE DATE OF APPLICATION AND THE DATE OF DISBURSEMENT**

	TIME-LAG				
	One month or less	One to three months	Three to five months	Five to eight months	More than eight months
	1	2	3	4	5
Number of loans disbursed...	23 (22·8)	42 (41·6)	16 (15·8)	13 (12·9)	7 (6·9)
Amount disbursed (Rs).....	15,750 (23·7)	27,150 (40·8)	7,600 (11·4)	10,050 (15·1)	6,000 (9·0)

(Figures in brackets denote percentages to total)

It will be seen from the above table that 23 per cent of the loans had a time-lag of one month or less between the date of application and the date of disbursement of loans. About 42 per cent of the loans had a time-lag of one to three months. About 36 per cent of the loans had a time-lag of above three months.

More than 60 per cent of the amount was disbursed within three months after the application was made. The amounts disbursed with a time-lag of three to five months, five to eight months and above eight months were 11·4 per cent, 15·1 per cent and 9·0 per cent respectively of the total amount disbursed.

The above figures do not show as much time-lag between the date of application of loan and its disbursement as is generally contended. But the information collected in the schedules regarding the place of disbursement does largely support the complaint that cultivators have to leave their village often during the busy season to receive the amount sanctioned.

It has also often been contended that fear of attachment of property or prosecution in case of default is an important factor discouraging cultivators from resorting to loans from Government. The case-studies showed that only in the case of one out of 101 loans disbursed, had extraordinary steps to be taken for recovery.

#### 10.4.2 Purpose of loans disbursed

The following table shows the purpose-wise distribution of loans disbursed.

**TABLE 10.5—CASE STUDIES OF LOANS : NUMBER AND AMOUNT OF LOANS CLASSIFIED ACCORDING TO PURPOSE**

Purpose	Number of loans disbursed	Amount disbursed (Rs)
	1	2
Digging and repair of wells.....	76	57,750
Purchase of livestock.....	6	3,000
Purchase of seed.....	1	500
Other purposes.....	18	5,300
	101	66,550

'Digging and repair of wells' is mentioned as the purpose in the case of 76 out of 101 loans which were disbursed. These loans accounted for 86·8 per cent of the amount sanctioned. Of the remaining loans, 'other purposes' accounted for Rs 5,300, that is 8·0 per cent of the total amount. The purpose-wise analysis also brings out vividly how, owing to the failure of rains in the district, loans for digging and repair of wells attained considerable importance.

#### 10.5 REJECTION OF LOAN APPLICATIONS

With a view to ascertaining, in particular, the reasons for which loan applications were rejected, a sample of rejected applications was also studied. Table 10.6 on page 59 gives the data, relating to such applications.

Of the rejected applications, about a half were rejected owing to exhaustion of treasury quota of loan for the period. Lack of security or inadequate security and purpose of loans not approved were other important reasons for the rejection of loan applications. 'Lack of security or inadequate security' refers to cases where



the value of land offered as security falls short of the requirements under the Acts. Sometimes, there are prior encumbrances on land. 'Purposes not approved' refer to cases where the actual examination of the person's property revealed that there was no need for taking a loan for the purpose stated. For instance a loan application for deepening a well was rejected because on examination it was found that there was no need for deepening the well. 'Miscellaneous' reasons included cases where owing to joint *pattas*, the applicant could not be given a loan. In the case of joint holders, unless all the *pattadars* agree to a loan being raised, the security offered cannot be properly valued.

**TABLE 10.6—CASE-STUDIES OF REJECTED APPLICATIONS : REASONS FOR REJECTION OF LOAN APPLICATIONS**

Reasons for rejecting loan applications	Number of loan applications	Amount (Rs)
Lack of security or inadequate security.....	2	4,500
Purpose of loans not approved.....	2	1,500
Exhaustion of treasury quota of loans for the period.....	7	3,800
Miscellaneous reasons.....	5	3,500
Under consideration.....	1	2,500

#### 10.6 GENERAL FEATURES

It has already been stated that in spite of the disbursement of increased funds in recent years, Government finance makes very inadequate contribution to the supply of agricultural credit requirements of farmers. It is reported that there is considerable delay at every stage and that the sanction of loan could be hoped for only in cases where influence is brought to bear on the officials concerned. It is also alleged that the practice of demanding a commission by the smaller revenue officials is also not uncommon. Disbursement of funds at the taluk headquarters is stated to be another source of expense and inconvenience to the borrower. Repayment of loans is made in instalments during the *kist* season. This season does not, in some cases, coincide with the harvest season and thus creates some hardship to the cultivators. Collection is normally rigid, although in the last two years when famine conditions prevailed, remissions are reported to have been given. There are a few tracts in the district which were formerly under *zamindari*, and these have not yet been surveyed. Hence, the cultivators of these regions are not eligible for finance from Government or from other institutions like land mortgage banks. Even in the surveyed villages the existence of a large number of joint-partners is also a source of technical difficulty on account of which *taccavi* loans cannot be granted.

## CHAPTER II

### CO-OPERATIVE FINANCE

The organization and structure of co-operative finance in the Coimbatore district are on the same lines as in other districts of Madras State. Primary agricultural credit societies, primary land mortgage banks and marketing or sales societies are the main co-operative institutions providing finance to the agriculturists. The credit societies supply mainly short-term loans and to a small extent medium-term loans. Long-term loans are exclusively provided by the land mortgage banks. The marketing societies undertake marketing of the members' produce and provide advance against such produce. The credit and marketing societies depend on the central financing agency, viz., the Coimbatore-Nilgiris Co-operative Central Bank, for short-term and medium-term funds. The Madras Central Land Mortgage Bank, provides the necessary long-term funds to the primary land mortgage banks. Besides the provision of finance, the Central Bank also undertakes the supervision of co-operative societies through supervising unions. The unions are intermediary bodies, to which are affiliated the primary societies in the district. The unions also scrutinize the loan applications of societies and their recommendations are taken into account by the Central Bank in sanctioning applications. The Central Bank is affiliated to the Madras State Co-operative Bank, which is the apex co-operative financing institution in the State.

During the Survey year there were in the Coimbatore district one central bank, 735 rural credit societies, 11 land mortgage banks and 6 marketing societies. Of these, the following were investigated :

Central bank	..	..	..	..	..	..	1
Primary credit societies	..	..	..	..	..	..	13
Land mortgage banks	..	..	..	..	..	..	4
Marketing societies	..	..	..	..	..	..	5

#### 11.1 PRIMARY CO-OPERATIVE CREDIT SOCIETIES

Out of thirteen credit societies studied twelve were working and the remaining one was dormant. Eight of these societies were situated in the selected villages and the remaining societies were selected purposively.

Membership varied from society to society. Three societies had less than 50 members each, four societies had between 50 to 100 members and the remaining five societies had 100 or more members. On an average the proportion of cultivators in the membership of the societies was roughly 75 per cent. In four of them, the membership consisted entirely of cultivators and in no society was the proportion of cultivators less than 50 per cent.

In four societies day to day work including writing of accounts was looked after by honorary presidents, and in four others, the secretaries were entrusted with their administration. All the secretaries generally worked on an honorary basis, but in one society, the secretary received a remuneration as he was specially appointed to collect the arrears and put the society back on a sound footing. Societies running ration shops or stores sections employed paid clerical staff while others did not.

### 11.1.1 Working capital

The following table gives the composition of the working capital of the twelve selected working primary co-operative credit societies.

**TABLE 11.1—WORKING CAPITAL OF THE SELECTED PRIMARY CO-OPERATIVE CREDIT SOCIETIES AS ON 30 JUNE 1951**

	Total working capital	OWNED FUNDS				De- posits	BORROWED FUNDS		
		Total	Paid-up share capital	Reserve fund	Other funds		Total	Loans from Central or Apex Bank	Loans from Government
	1	2	3	4	5	6	7	8	9
Amount in rupees . . . .	<b>2,83,562</b>	<b>1,21,784</b>	60,562	53,257	7,965	<b>3,071</b>	<b>1,58,707</b>	1,57,607	1,100
Percentage to total working capital.		<b>42.9</b>	21.4	18.8	2.8	<b>1.1</b>	<b>56.0</b>	55.6	0.4

It may be seen that the owned funds of the societies were substantial, the reserve fund accounting for 19 per cent in 1950-1. The resources of the societies consisted largely of borrowings from the Central Co-operative Bank which is the main financing agency for the societies and the borrowings of the societies from the Central Bank stood at Rs 1.58 lakhs at the close of the year 1950-1. The deposits raised by these primary credit societies were negligible, being Rs 3,071 out of which Rs 3,000 were deposited by a single member in one of the societies. No efforts seemed to have been made by these societies to tap local savings, although some societies were fairly long standing and the agriculturists in some areas were well-to-do. The societies had come to be regarded only as a credit agency. One society had recently introduced a small savings scheme through *hundi* boxes. In fact, the surpluses that were available in the hands of the bigger cultivators were stated to have been deposited with the textile mills in the district or were lent out.

The maximum borrowing power of many societies was Rs 10,000 but that of a few societies with fairly large membership was even as high as Rs 50,000. The maximum borrowing power in the case of a member of a society was generally fixed at Rs 500 but was upto Rs 1,500 in few cases.

### 11.1.2 Loan operations

The particulars about the loan operations of the twelve selected working primary co-operative societies are as follows.

Loan operations	Rupee
Loans advanced .. .. .	201,795
Loans repaid .. .. .	143,394
Loans outstanding at the end of the year 1950-1 .. .. .	242,966
Of which overdue .. .. .	25,806
Of which bad and doubtful .. .. .	2,032

It may be seen from above that loan operations of the co-operative credit societies during the year 1950-1 were of considerable magnitude. Loans advanced amounted to Rs 2.02 lakhs. Outstandings including interest at the end of the year stood at Rs 2.43 lakhs, of which overdues were Rs 0.26 lakhs. Bad and doubtful debts were small.

### 11.1.3 Other services

Five of the societies that were investigated ran ration or fair price shops ; that was the only activity other than the supply of credit, in which they were engaged. Generally, such shops had been profitable, though in two societies they had to be discontinued after rationing was abolished. Only one society had constructed a godown to enable the members to store their produce. The intention of the society was to work the controlled credit scheme.

The picture of the co-operative credit movement that emerges from the above discussion is that several of the credit societies were financially sound. But their usefulness would be enhanced if certain drawbacks are eliminated from their working. The drawbacks generally noticed were that :

1. The societies did not serve to a sufficiently large number of the cultivators in the area of their operations.
2. In some societies there were factions among the members leading to stagnation.
3. Loans were issued by the societies only once in a year and not issued as and when needed. In fact, some societies were functioning for just about two months of the year when the old dues were collected and fresh loans were made, while for the rest of the year there was no activity at all. In the absence of any full-time paid staff in many of the societies, consideration of applications for loans was conditioned by the convenience of the President or Secretary, who was all in all in the institution. If he was absent, owing to illness or was otherwise preoccupied, the cultivators were forced to go without loans from the society. In such cases, the cultivators had no other way than to go to a moneylender.

4. The societies were not borrowing adequately and fully though their borrowing power would enable them to do so.
5. The societies had neither encouraged the habit of thrift among members nor tapped local resources even to a small extent.
6. Many societies could not have paid staff because their membership and loan operations were limited.
7. Services other than credit were hardly provided by the societies to their members.

#### 11.1.4 Analysis of loans advanced by primary co-operative credit societies during the year 1950-1.

In this section, loans advanced by 10 societies during 1950-1 and by two societies in the previous year are analysed. In all, 925 loans for Rs 2.40 lakhs are examined with reference to their main characteristics.

#### Size of loans

The following table gives the distribution of loans according to size.

**TABLE 11.2—PRIMARY CO-OPERATIVE CREDIT SOCIETIES : LOANS ADVANCED DURING THE YEAR 1950-1 CLASSIFIED ACCORDING TO SIZE**

	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
Number of loans . . . . .	<b>925</b>	151 (16.3)	218 (23.6)	212 (22.9)	186 (20.1)	51 (5.5)	82 (8.9)	25 (2.7)
Amount in rupees . . . . .	<b>2,39,895</b>	7,474 (3.1)	27,843 (11.6)	47,604 (19.9)	60,764 (25.3)	22,030 (9.2)	47,680 (19.9)	26,500 (11.0)

(Figures in brackets denote percentages to total)

Nearly two-thirds of the number of loans were issued for amounts ranging between Rs 100 and Rs 400 and they accounted for 56.8 per cent of the total amount. Loans for less than Rs 100 each and for more than Rs 400 each numbered 151 and 158 respectively accounting for one-sixth each of the total number of loans studied. But the former absorbed only 3.1 per cent of the total amount. A few loans for Rs 1,000 and over were also given by societies.

#### Purpose

As many as 774 loans for Rs 1.85 lakhs forming 83.7 per cent of the total number and 77.1 per cent of the total amount were given for current farm expenditure and family expenditure. Thus, loans for current farm expenditure and consumption loans were greatly in demand from credit societies. The size of loans for agricultural operations varied more commonly between Rs 200 and Rs 400 while the consumption loans were smaller in size, the majority being less than Rs 200 each. Next in importance were loans for the purchase of livestock, the number of loans being 78 amounting to Rs 21,572. A few loans for digging and repair of wells and land improvement were also sanctioned.

**Security**

The table below gives the distribution of loans according to security.

**TABLE 11.3—PRIMARY CO-OPERATIVE CREDIT SOCIETIES : LOANS ADVANCED DURING THE YEAR 1950-1 CLASSIFIED ACCORDING TO SECURITY**

	<b>Total</b>	<b>Personal security</b>	<b>Immovable property</b>	<b>Guarantee by third party</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Number of loans.....	<b>925</b>	13 (1.4)	119 (12.9)	793 (85.7)
Amount disbursed (Rs).....	<b>2,39,895</b>	4,300 (1.8)	57,693 (24.0)	1,77,902 (74.2)

(Figures in brackets denote percentages to total)

Loans were granted mainly on the guarantee by third party or against landed security. Loans guaranteed by third party were by far the most important and accounted for 85.7 per cent of the total number of loans and 74.2 per cent of the amount of loans disbursed.

**Duration**

Period-wise classification of loans advanced by co-operative credit societies is given in the following table.

**TABLE 11.4—PRIMARY CO-OPERATIVE CREDIT SOCIETIES : LOANS ADVANCED DURING THE YEAR 1950-1 CLASSIFIED ACCORDING TO DURATION**

	<b>Total</b>	<b>One year or less</b>	<b>One to three years</b>	<b>Three to five years</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Number of loans.....	<b>925</b>	746 (80.6)	158 (17.1)	21 (2.3)
Amount in rupees.....	<b>2,39,895</b>	1,68,322 (70.2)	58,399 (24.3)	13,174 (5.5)

(Figures in brackets denote percentages to total)

From the above table it may be seen that 80.6 per cent of the number of loans were short-term loans for periods of one year or less, and 17.1 per cent were medium-term loans, running for a period of one to three years. The remaining loans were for three to five years. The ratio of short-term to medium-term (between one and five years) loans made by the societies would roughly be 4 : 1.

**Rate of Interest**

The analysis of loans according to rate of interest charged by co-operative credit societies reveals that nearly two-thirds of the number as well as amount of loans were charged interest at  $6\frac{1}{4}$  per cent per annum. For the rest of the loans the interest rate varied between  $6\frac{1}{4}$  per cent and  $7\frac{13}{16}$  per cent.

## 11.2 CENTRAL FINANCING AGENCY

**The Coimbatore-Nilgiris Co-operative Central Bank**

The Coimbatore-Nilgiris Co-operative Central Bank, which is one of the strong and well-established central banks of the Madras State, was established in 1911. At its inception, the authorized capital of the Bank was Rs 1 lakh, divided into 1,000 shares of Rs 100 each, all of which were fully paid-up. The area of its operation was, to start with, confined to the revenue district of Coimbatore, but was extended in 1912 to the districts of Nilgiris, South Kanara and Malabar. The latter two districts were, however, financed by the Bank only till 1915 and 1918 respectively. In the early years, individual shareholders predominated in the membership and controlled its management. During the second decade of its working, several far-reaching changes were introduced. In 1919, additional 1,500 shares were issued to meet the growing demand of the society members. At the same time, the allotment of shares to applicants other than societies was restricted to 1,250 shares. Societies and unions in the district were allowed representation on the board of management of the Bank. Side by side, with the growth of the Bank's activities, a large number of societies, particularly non-credit societies, were also being formed in the district and in 1924-5, the Coimbatore-Nilgiris District Co-operative Federation was established for effective supervision of the societies and education of the *panchayatdars*. The proportion of individual shareholders on the board of management was fixed at one half of the representatives of the unions, and they were to be elected by the general body composed of individual members and society members. In 1930, the District Federation was amalgamated with the Bank, the latter taking over the supervision work completely. A branch of the Bank was also opened during the year at Ootacamund to provide better facilities to the societies in the Nilgiris district. The first paid secretary of the Bank was appointed in 1932. The progress of the Bank since its inception can be seen from the figures given in the following table.

**TABLE II.5—PROGRESS OF THE COIMBATORE-NILGIRIS CO-OPERATIVE CENTRAL BANK**

[ Amount in thousands of rupees ]

30th June of	NUMBER OF MEMBERS		Paid-up share capital	Reserve fund	Working capital	Loans out-standing	Net profit
	Individuals	Societies					
	1	2					
1911.....	118	-	19	0.14	88	88	0.57
1916.....	162	16	75	8	505	491	11
1921.....	172	209	130	27	1,144	1,072	19
1926.....	183	505	225	80	2,895	2,037	42
1931.....	176	639	246	172	3,751	3,052	75
1936.....	172	633	253	245	4,190	3,133	66
1941.....	172	745	275	286	5,160	2,832	41
1946.....	170	825	294	344	7,614	3,580	76
1951.....	169	1,330	465	462	13,154	10,289	157

The Bank has been making a steady progress during the past 40 years by improving its financial position and loan operations.

The following figures give an idea of the working funds of the Bank as on 30 June 1951.

	Sub-item (Rupees in thousands)	Total (Rupees in thousands)
<b>OWNED FUNDS</b>		
1. Paid-up share capital.....		4,65
2. Statutory reserve fund.....		4,62
3. <b>Other funds</b>		
a) Bad and doubtful debt reserve .....	48	
b) Dividend equalization fund .....	23	
c) Reserve for depreciation of securities ....	25	
d) Common good fund .....		
e) Building fund.....	150	
f) Others .....	13	2,59
<b>Total owned funds</b>		<b>11,86</b>
Percentage of owned funds to working capital		9.0
<b>BORROWED FUNDS</b>		
<b>Deposits</b>		
1. Current		
a) Primary societies .....	11,53	
b) Individuals including public bodies ....	13,69	
c) Other central banks .....	42	25,64
Percentage to total deposits .....		26.3
2. Savings		
a) Primary societies.....	25	
b) Individuals including public bodies ....	2,43	2,68
Percentage to total deposits .....		2.8
3. Fixed		
a) Primary societies .....	15,51	
b) Individuals including public bodies ....	18,78	34,30
Percentage to total deposits .....		35.2
4. Other deposits		
a) Reserve fund deposits of societies.....	29,69	
b) Others .....	507	34,76
Percentage to total deposits .....		35.7
<b>Total deposits</b> .....		<b>97,38</b>
Percentage to working capital .....		74.0



	Sub-item (Rupees in thousands)	Total (Rupees in thousands)
<b>Other borrowings</b>		
1. Loans from the Madras State Co-operative Bank .....	12,00	
2. Overdrafts from		
a) The Madras State Co-operative Bank....	3,10	
b) Imperial Bank of India .....	7,19	
<b>Total</b> .....		<b>22,30</b>
Percentage to working capital .....		<i>17.0</i>
<b>Total working capital</b> .....		<b>1,31,54</b>

Note : Credit balance of Rs 8,99,301 in cash credit accounts of members is excluded from deposits.

The above table shows the composition of the working funds of the Bank as at the end of 1950-1. Two striking features about the financial position are that the Bank has built up strong reserves and that deposits form the bulk of its working capital showing thereby the strength and popularity of the Bank. The owned funds of the Bank were Rs 11.86 lakhs. Its statutory reserve fund which stood at Rs 4.62 lakhs on 30 June 1951, was almost equal to its paid-up share capital amounting to Rs 4.65 lakhs, but the Bank continued to carry over 25 per cent of the net profits to the reserve fund as per its bye-laws. There were also other reserves to the tune of Rs 2.59 lakhs, which included, among others, bad and doubtful debt fund, reserve for depreciation of securities and a building fund of Rs 1.50 lakhs.

The deposits of the Bank stood at Rs 97.4 lakhs which formed 74.0 per cent of the working capital. Of the total deposits, current deposits were about Rs 26 lakhs, fixed deposits about Rs 34 lakhs and other deposits (consisting mostly of the reserve fund deposits of societies) another Rs 35 lakhs. The savings deposits constituted a very small proportion, viz., 2.8 per cent of the total deposits.

Besides deposits, the funds for the Bank have been mainly raised by borrowing from the Madras State Co-operative Bank, the Imperial Bank of India and the Reserve Bank of India. The Bank enjoyed a cash credit accommodation for Rs 5 lakhs with the Madras State Co-operative Bank and similar cash credit facilities with the Imperial Bank of India for Rs 14.59 lakhs in 1950-1. The Bank also approached the Reserve Bank for concessional finance and was sanctioned credit limits for Rs 20 lakhs. The actual borrowings against the limit from the Reserve Bank amounted to Rs 19 lakhs at the concessional rate of 2½ per cent through the Madras

State Co-operative Bank out of the credit limit sanctioned for financing agricultural credit societies. It repaid Rs 9 lakhs during the year leaving a balance outstanding at Rs 10 lakhs on 30 June 1951. Over and above these borrowings, it also raised a loan of Rs 2 lakhs from the Madras State Co-operative Bank by pledging Government securities to meet the increased demand for funds.

To enable the Bank to raise adequate funds, its borrowing limits had to be extended beyond the normal borrowing power, which was 12 times the paid-up share capital and reserve fund. During 1949-50, it was allowed to borrow upto 15 times the paid-up share capital and reserve fund, the extra allowance being earmarked exclusively for financing co-operative stores for import of foodgrains. The borrowing power was fixed at 14 times the paid-up share capital and reserve fund in the following year upto 23 June 1951 and 17 times thereafter.

The following table shows the loan transactions of the Bank during the year 1950-1.

**TABLE II.6—LOAN OPERATIONS OF THE COIMBATORE-NILGIRIS CO-OPERATIVE CENTRAL BANK DURING THE YEAR 1950-1**

[ Rupees in lakhs ]

	Outstandings at the beginning of the year	Loans issued during the year	Loans repaid during the year	Outstandings at the end of the year
Individuals.....	0.47	1.55	1.13	0.89
<b>Societies</b>				
Medium-term.....	28.90	21.59	16.67	33.82
Short-term.....	46.68	76.55	66.39	56.84
Liquidated societies.....	0.09	—	—	0.09
<b>Total.....</b>	<b>76.14</b>	<b>99.69</b>	<b>84.19</b>	<b>91.64</b>
Cash credit.....				11.24
<b>Total.....</b>				<b>102.89</b>

It will be observed that the loan operations of the Bank were sizeable, the outstandings at the end of 1950-1 being Rs 102.89 lakhs. The Bank was able to collect the entire demand from the societies both under principal and interest for the past six years in succession in spite of bad seasonal conditions. The overdues of the Bank were only those relating to liquidated societies which amounted to a meagre sum of Rs 0.09 lakh.

Of the total loans issued during the year 1950-1, medium-term loans accounted for Rs 21.59 lakhs and short-term loans, for Rs 76.55 lakhs. It may be concluded from these data that roughly 20 to 25 per cent of the loans were medium-term and the rest short-term loans.

### 11.3 LAND MORTGAGE BANKS

Four primary land mortgage banks were investigated in the Coimbatore district.

#### 11.3.1 Peelamedu Land Mortgage Bank

This Bank was registered in 1927 and is the oldest of the land mortgage banks investigated. During the first three years of its working, it floated its own debentures to raise funds, but thereafter, it is being financed by the Madras Central Land Mortgage Bank. At the time of the Survey, the Bank was one of the foremost institutions of its type in Madras State and it served the agriculturists in 96 villages within its area of operation, which extended to the whole of Coimbatore taluk, and Mettupalayam and Sirumugai *firkas*. The lands in the jurisdiction of the Bank are mostly dry and are either rain-fed or irrigated by wells, the most important crop of the tract being groundnut. Management of the Bank had throughout been in the hands of efficient personnel. It had a paid secretary who looked after the day to day functions.

#### 11.3.2 The Pollachi Co-operative Land Mortgage Bank

This Bank was started on 12 August 1933 and its area of operation extended to 31 villages covering the whole of Pollachi taluk and some villages of the bordering taluks. It issued loans in all the villages excepting those where the lands, being situated amidst forests, had no saleable value. The Bank had a paid secretary, a clerk and a supervisor.

#### 11.3.3 The Co-operative Land Mortgage Bank, Udumalpet

This Bank was registered on 18 November 1935 and started functioning from 18 December 1935. Its area of operation extended to Udumalpet taluk and a few other *firkas* surrounding it.

#### 11.3.4 The Tiruppur Co-operative Land Mortgage Bank

The Bank was registered on 14 August 1933. Its area of operation extended over 60 villages in Palladam taluk and 49 villages in Avanashi taluk. The area covered by the Bank consisted mostly of lands irrigated by wells.

#### 11.3.5 Financial position of the land mortgage banks

Table 11.7 on page 70 gives a consolidated picture of the financial position of the four banks investigated in the district.

The four banks had a membership of 6,010. There were 2,196 'A' class share holders (who had voting rights) and 3,814 'B' class share holders (holding nominal shares of rupee one each and without voting rights).

Loans to the tune of Rs 5.84 lakhs were disbursed by the banks to cultivators and Rs 2.14 lakhs were recovered. There were also advance repayments towards loans to the tune of Rs 0.46 lakhs. Loans outstanding against members stood at Rs 32.29 lakhs at the end of the year 1950-1. Practically the entire demand under both principal and interest was collected by the banks, overdues forming a negligible percentage of the total outstandings. There were no bad and doubtful debts at all

in any of the institutions. Thus, the picture that emerges from the above discussion is one of a strong and active land mortgage banking movement in the district.

**TABLE II.7—FINANCIAL POSITION AND LOAN OPERATIONS OF THE LAND MORTGAGE BANKS DURING THE YEAR 1950-I**

( Amount in thousands of rupees )

Institution	NUMBER OF MEMBERS			Total working capital	Paid-up share capital	Reserve funds	Other funds	LOANS AND DEPOSITS FROM	
	Total	A class members	B class members					Individuals and other sources	Central Land Mortgage Bank
	1	2	3					4	5
Peelamedu Land Mortgage Bank.....	1,526	560	966	1,032	80	42	-	2	908
The Pollachi Co-operative Land Mortgage Bank.....	1,375	557	818	..	..	..	..	-	591@
The Co-operative Land Mortgage Bank, Udumalpet.....	1,198	517	681	..	..	..	..	-	757@
The Tiruppur Co-operative Land Mortgage Bank.....	1,911	562	1,349	950	63	18	1	1	867

Institution	Loans advanced during the year	LOANS REPAID DURING THE YEAR		Loans outstanding at the end of the year	DEMAND DURING THE YEAR		RATE OF INTEREST PER CENT PER ANNUM ON	
		Total	Of which advance repayments		Total	Of which overdue	Borrowings	Lendings
		10	11		12	13	14	15
Peelamedu Land Mortgage Bank.....	177	56	11	939@	92	0.31	4½	5½
The Pollachi Co-operative Land Mortgage Bank.....	150	51	13	616*	38@	0.11	4½	5½
The Co-operative Land Mortgage Bank, Udumalpet.....	108	52	9	782*	43	-	4½	5½
The Tiruppur Co-operative Land Mortgage Bank.....	149	55	13	892@	42	-	4½	5½

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

\* Represents the principal outstanding; data on interest were not available.

Because of its earlier start and efficient management, the bank at Peelamedu had a record of good working, having made loans of Rs 17·40 lakhs since its inception. Although it disposed of a large number of applications every year, it had to employ a special sub-registrar to deal with accumulated applications in 1951.

The following is a brief outline of some of the limitations pointed out by observers as regards the working of land mortgage banks :

1. The banks had not covered all the villages in the area of their operations.
2. The banks issued loans practically for only one purpose, viz., discharge of prior debts. Loans for other purposes, particularly, for land improvement were insignificant.
3. The banks were very strict in the matter of collection of dues. But some hardship seemed to have been caused to the cultivators by such a policy, particularly in times of famine. In fact, some cultivators, it appears, resorted to borrowings from the credit societies, merely for the purpose of repaying debts due to land mortgage banks. A plan by which repayments could more closely be aligned to the varying economic conditions of the borrower, enabling him to pay more when he could and less when he could not, was suggested.
4. There was a general complaint as regards delays in sanctioning loans.
5. A general feeling seemed to prevail that the amount sanctioned was not sufficient to meet the needs of the borrower and was not also commensurate with the extent of land taken as security. In this district usually dry lands were offered as security and the banks valued these on a rather conservative basis. This was because (1) the sale statistics on which the valuation was arrived at were not as abundant or reliable as in the case of wet lands and (2) the possibility of crops being raised was less certain because of the dependence on nature for irrigation. The banks were therefore reluctant to be liberal in assessing the repaying capacity of the borrowers.

#### **11.3.6 Analysis of loans advanced by the land mortgage banks during the year 1950-1**

##### **Size of loans**

Table 11.8 on page 72 shows the size distribution of loans issued by the four land mortgage banks during 1950-1.

It will be seen from the table that about 52·4 per cent of the loans accounting for 29·3 per cent of the amount were of size ranging between Rs 1,000 and Rs 3,000. About 22·7 per cent of loans accounting for 26·3 per cent of the amount were varying in size between Rs 3,000 to Rs 5,000. Loans for amounts less than Rs 1,000 each were small in number. There were very few loans for sums over Rs 10,000 each.

**TABLE 11.8—LAND MORTGAGE BANKING INSTITUTIONS : LOANS ADVANCED DURING THE YEAR 1950-1 CLASSIFIED ACCORDING TO SIZE**

[ Amount in rupees ]

Institution	Total		SIZE OF LOAN			
	Number of loans	Amount	Less than Rs 1,000		Rs 1,000 to Rs 3,000	
			Number of loans	Amount	Number of loans	Amount
	1	2	3	4	5	6
Peelamedu Land Mortgage Bank...	41	1,76,625	4	2,175	11	20,300
The Pollachi Co-operative Land Mortgage Bank.....	45	1,49,550	5	3,575	23	41,225
The Co-operative Land Mortgage Bank, Udumalpet.....	35	1,08,000	-	-	21	35,400
The Tiruppur Co-operative Land Mortgage Bank.....	64	1,47,900	6	3,850	42	73,950

Institution	SIZE OF LOAN					
	Rs 3,000 to Rs 5,000		Rs 5,000 to Rs 10,000		Rs 10,000 and above	
	Number of loans	Amount	Number of loans	Amount	Number of loans	Amount
	7	8	9	10	11	12
Peelamedu Land Mortgage Bank...	14	52,550	8	53,400	4	48,200
The Pollachi Co-operative Land Mortgage Bank.....	8	32,050	7	43,000	2	29,700
The Co-operative Land Mortgage Bank, Udumalpet.....	8	26,800	4	25,800	2	20,000
The Tiruppur Co-operative Land Mortgage Bank.....	12	41,900	4	28,200	-	-

**Security, period and purpose of loans**

The security for loans advanced by the land mortgage banks was only land and the period of every loan was 20 years.

Table 11.9 on page 73 shows the purpose-wise distribution of loans.

By far the largest number of loans and the largest amounts were advanced for discharging prior debts. Loans for improvement of land numbered only 6 out of 185 loans advanced.

**Time-lag**

The time-lag between the date of application and the date of sanction in the case of 185 loans advanced by the banks is shown in Table 11.10 on page 73.

Out of 185 loans, 72 applications took three to six months for being sanctioned and 48 applications took six to twelve months. As many as 30 loans for Rs 91 thousand were sanctioned after a delay of one year. Only about a fifth of the loans were sanctioned within a period of three months.

**TABLE 11.9—LAND MORTGAGE BANKING INSTITUTIONS : LOANS ADVANCED DURING THE YEAR 1950-1 CLASSIFIED ACCORDING TO PURPOSE**

[Amount in rupees]

Name of institution	Total		REPAYMENT OF OLD DEBTS		IMPROVEMENT OF LAND		MORE THAN ONE PURPOSE	
	Number of loans	Amount	Number of loans	Amount	Number of loans	Amount	Number of loans	Amount
	1	2	3	4	5	6	7	8
Peelamedu Land Mortgage Bank.....	41	1,76,625	38 (92.7)	1,65,875 (93.9)	1 (2.4)	750 (0.4)	2 (4.9)	10,000 (5.7)
The Pollachi Co-operative Land Mortgage Bank.....	45	1,49,550	44 (97.8)	1,49,250 (99.8)	1 (2.2)	300 (0.2)	— (—)	— (—)
The Co-operative Land Mortgage Bank, Udumalpet.....	35	1,08,000	28 (80.0)	89,600 (83.0)	1 (2.9)	1,000 (0.9)	6 (17.1)	17,400 (16.1)
The Tiruppur Co-operative Land Mortgage Bank.....	64	1,47,900	61 (95.3)	1,42,700 (96.5)	3 (4.7)	5,200 (3.5)	— (—)	— (—)

(Figures in brackets denote percentages to total)

**TABLE 11.10—LAND MORTGAGE BANKING INSTITUTIONS : LOANS ADVANCED DURING THE YEAR 1950-1 CLASSIFIED ACCORDING TO TIME-LAG BETWEEN THE DATE OF APPLICATION AND THE DATE OF SANCTION**

	Total	Up to three months	Three months to six months	Six months to one year	One year and above
	1	2	3	4	5
Number of loans.....	185	35 (18.9)	72 (38.9)	48 (26.0)	30 (16.2)
Amount (Rupees in thousands)	582	102 (17.6)	196 (33.7)	192 (33.1)	91 (15.6)

(Figures in brackets denote percentages to total)

**11.4 CO-OPERATIVE MARKETING SOCIETIES**

Agricultural produce is sold by the producers to the merchants and middlemen in village *shandies* or markets and by the latter to the wholesalers and exporters in *mandies*. Out of 1,788 licensed markets in Madras State, there were, at the time of the Survey, 155 markets in the Coimbatore district. Perhaps this was the largest number of markets in a single district in the State. *Mandies* in the Coimbatore district numbered 19 out of 237 in the whole of Madras State and some of the urban centres where they were functioning, had become important marketing centres or wholesale markets in South India. In these *mandies* all kinds of agricultural produce grown

in the district are dealt with, and import and export of commodities also take place. The following is a list of the principal commodities and the markets in which they are handled in the district.

<b>Commodities</b>	<b>Centres</b>
1. Groundnut .....	Pollachi, Udumalpet
2. Potatoes } .....	Mettupalayam
3. Citrus fruits }	
4. Tobacco .....	Erode, Gobichettipalayam, Puliampatti, Kummandur and Palladam
5. Coffee .....	Mettupalayam and Coimbatore
6. Cotton .....	Tiruppur, Coimbatore, Pollachi and Udumalpet

The process by which the produce moves from the producer to the ultimate consumer follows more or less the same pattern in respect of all the above commodities. During the harvest season, the visiting middlemen or merchants from towns go to the villages and buy the produce outright from the agriculturists. Usually this kind of sale takes place in the *shandies* or if the cultivator was financed by the middleman during the production season on the condition that the produce must be sold to the latter, then the crop goes to the middleman without going to the market. The produce is then transported to the marketing centres where the *mandies* are situated. The produce is stored in godowns at the centres for sale at a future date on a wholesale basis and for export to the outside markets. Co-operative societies are also playing a notable role in marketing, although it is hard to say how far their presence is having a salutary effect in keeping a check over the private merchants and in regulating prices and quality of the produce.

Regulated markets exist in this district for three commodities, namely, cotton, groundnut and tobacco. After the passing of the Madras Commercial Crops Market Act of 1933, a committee known as the 'Tiruppur Cotton Market Committee' was constituted in 1936 in Tiruppur which is the most important cotton marketing centre in the district. One of the main clauses of the Act aims at regulating the trade allowances charged by middlemen and commission agents by providing that 'no trade allowance other than an allowance prescribed by the rules or bye-laws shall be made or received in a notified area in respect of the crop'. Penalties in the form of fines have been provided for breach of the Act and the rules and bye-laws. The Act was first applied to cotton in Tiruppur and in 1950 it was extended to the entire district. Along with the extension of the jurisdiction of the Act groundnut was also brought under the purview of the Committee and since then its name has been changed to the Coimbatore Market Committee with its headquarters still at Tiruppur. Since 1951, tobacco has also been notified as the third crop under the Act. But, at the time of the Survey, the Committee was dealing mainly in cotton. Even in respect of cotton, in some centres the agriculturists were not till then benefited by the regulation as market yards had not been opened in these centres.



The financing of marketing is mostly undertaken by commission agents who purchase cotton from producers, and pay them fully for cotton tendered for sale even before they recover the money from the buyers of cotton. Usually, the commission agents are accommodated by the indigenous bankers through *hundies*. Traders are known to supply the necessary finance by way of loans and advances to the agriculturists who grow tobacco. Interest rate charged on loans generally varies between 8 per cent and 15 per cent and the security is usually personal or ornaments. Advances are made up to 75 per cent of the value of the produce. In the case of potatoes, finance has a special bearing on production because the initial outlay in purchasing seed comes to nearly 50 per cent of the total cost of production. Commission agents, wholesale potato merchants and moneylenders extend the necessary help to the potato growers. The commission agents assist them both in kind (seed, castor cake, fertilizers, etc.) as well as in cash. They do not charge any interest but make it a condition that the produce when ready should be sold through them. The commission charged in such cases is about an anna per rupee on cash loans and half an anna per rupee for loans in kind. Big traders also advance loans to the growers in some places. When both commission agents and traders fail to reach the agriculturists, they (agriculturists) go to the moneylender and borrow at exorbitant interest rates varying between 15 per cent and 35 per cent. In such cases, a large part of the growers' profits goes towards the payment of interest. The Nilgiris Co-operative Marketing Society situated in the potato growing region, also advanced loans to its members but bound them to bring the produce to its marketing centre. In short, commission agents and merchants mainly finance the agriculturists and they, in their turn, depend on the indigenous bankers for their requirements.

The role of the co-operative societies in the field of marketing in the Coimbatore district is discussed in the following paragraph. The following five marketing societies were investigated for this purpose.

1. Tiruppur Co-operative Sale Society,
2. The Nilgiris Co-operative Marketing Society,
3. Coimbatore Co-operative Marketing Society, Sulur,
4. Pollachi Co-operative Sale Society, and
5. Udumalpet Sale Society.

The oldest of the societies is the Tiruppur Co-operative Sale Society, established in 1921, while the others were all established between 1933 and 1939. All the societies had both individuals and primary co-operative societies as their members. The objects of the societies are to advance loans to members on the security of agricultural produce, to arrange for the storage and sale on favourable terms of the produce of members, to promote the growth of good and improved varieties of commodities such as cotton, groundnut and potatoes, to supply agricultural requirements, such as seed, manure, etc., of members, and also to undertake other activities such as the procurement and distribution of controlled goods. The area of operation of each of

these societies includes several taluks and sometimes the whole district. In fact, the Nilgiris Co-operative Marketing Society's area of operation included the entire Nilgiris district and the municipal area of Mettupalayam in the Coimbatore district. Three of these societies (Tiruppur, Nilgiris and Udumalpet societies) were engaged in the actual marketing of agricultural produce besides other activities while the other two were only engaged in the distribution of grains and other controlled goods. Tiruppur Society was working the 'controlled credit scheme' through the Tiruppur Cotton Growers' Co-operative Society.

**TABLE II.11—CO-OPERATIVE MARKETING SOCIETIES : FINANCIAL POSITION AND LOAN AND MARKETING OPERATIONS DURING THE YEAR 1950-1**

[ Amount in hundreds of rupees ]

Institution	Commodities handled	NUMBER OF MEMBERS		OWNED FUNDS			
		Indivi- duals	Socie- ties	Total	Paid-up share capital	Reserve funds	Other funds
		2	3	4	5	6	7
Tiruppur Co-operative Sale Society*†	Cotton.....	3,817	95	2,599	503	1,881	214
Udumalpet Sale Society‡..	Cotton, groundnut, seeds and manure..	1,010	54	1,361	401	106	855
The Nilgiris Co-operative Marketing Society§.....	Potatoes and other vegetables.....	2,980	103	1,643	928	667	48
Coimbatore Co-operative Marketing Society, Sulur*	Foodgrains, manure, iron and steel.....	464	26	728	161	103	463
Pollachi Co-operative Sale Society*†	Foodgrains.....	1,670	41	1,032	644	252	136

Institution	LOANS HELD AT THE END OF THE YEAR FROM		Establish- ment expendi- ture	LOANS GIVEN TO MEMBERS DURING THE YEAR		
	Banks and societies	Other sources		Advances on com- modities	Advances for process- ing of produce	Other types of advances
	8	9		10	11	12
Tiruppur Co-operative Sale Society*†	-	-	828	4,690	-	-
Udumalpet Sale Society‡..	255	13	67	1,500	-	-
The Nilgiris Co-operative Marketing Society§	1,750	48		2,059	-	-
Coimbatore Co-operative Marketing Society, Sulur*	-	-	73	-	-	-
Pollachi Co-operative Sale Society*†	..		530	-	-	-

\* Data supplied to field staff; data in respect of other institutions are those obtained through the Co-operative Department. † Data relate to the year 1951. ‡ Data relate to the year 1951-2. § The society has its head office at Ootacamund (Nilgiris district) and a branch at Mettupalayam in the Coimbatore district; the data relate to the working of both the offices for the year 1951.

**TABLE II.II—CO-OPERATIVE MARKETING SOCIETIES : FINANCIAL POSITION AND LOAN AND MARKETING OPERATIONS DURING THE YEAR 1950-1**  
—Concluded

[ Amount in hundreds of rupees ]

Institution	Repay- ment during the year by members	OUTSTANDINGS FROM MEMBERS AT THE END OF THE YEAR			VALUE OF COMMODITIES	
		Total Amount	Over- dues	Bad and doubtful debts (out of overdue)	Purch- ased out- right	Collected on com- mission basis
Tiruppur Co-operative Sale Society*†.....	4,597	211	-	-	-	8,813
Udumalpet Sale Society‡... .	1,452	246	-	-	-	506
The Nilgiris Co-operative Marketing Society§.....	2,392	1,029	1,029	450	1,685	5,388
Coimbatore Co-operative Marketing Society, Sulur*	-	-	-	-	-	-
Pollachi Co-operative Sale Society*†.....	-	-	-	-	-	-

Institution	Value of sales during the year	Commis- sion earned on sales during the year	Value of seeds, manure, imple- ments, etc. supplied	Value of consump- tion goods supplied	Net profit (+) or loss (-)	Subsidies received during the year
Tiruppur Co-operative Sale Society*†.....	4,890	71	740	65,557	+822	-
Udumalpet Sale Society‡... .	1,178	13	1,077	-	- 56	29
The Nilgiris Co-operative Marketing Society§.....	5,605	162	626	-	-	-
Coimbatore Co-operative Marketing Society, Sulur*	-	-	-	8,573	+104	-
Pollachi Co-operative Sale Society*†.....	-	-	182	-	+105	-

\* Data supplied to field staff; data in respect of other institutions are those obtained through the Co-operative Department. † Data relate to the year 1951. ‡ Data relate to the year 1951-2. § The society has its head office at Ootacamund (Nilgiris district) and a branch at Mettupalayam in the Coimbatore district; the data relate to the working of both the offices for the year 1951.

It may be seen from the table that the marketing societies built up sizeable owned funds. For their working funds, they depended mostly on borrowings from the Coimbatore-Nilgiris Co-operative Central Bank, which gave loans as well as cash credit accommodation. The maximum borrowing power of the societies was

generally fixed at eight times the paid-up share capital plus reserve fund. The transactions of the societies were within this limit, which in view of the sizeable owned funds, was considerable. Three institutions were advancing loans against the security of commodities. The societies at Pollachi and Coimbatore did not, however, do so because they were not undertaking marketing of agricultural produce but were mainly engaged in the procurement and distribution of foodgrains. The commodities collected on commission by the societies (mainly potatoes by the Nilgiris Society, cotton by the Tiruppur Society, and cotton and groundnuts by the Udumalpet Society) were of the value of Rs 14·7 lakhs during 1950-1. The value of sales amounted to Rs 11·7 lakhs during the year, the commission earned being Rs 0·2 lakh. Besides this, all the societies supplied agricultural requirements of producers to the tune of Rs 2·6 lakhs and consumption goods, mainly foodgrains, to the extent of Rs 74·13 lakhs. All the societies except Udumalpet Society earned profit during the year 1950-1. Godowns were generally obtained on rent. The Tiruppur and Udumalpet societies alone possessed their own godowns. The former had to avail of the godowns rented by others in addition to godowns of its own. The main reason why the societies are not able to build their own godowns was lack of funds.

## CHAPTER 12

### PRIVATE FINANCE

The role played by private credit agencies, i.e., agencies other than Government and co-operative societies in the field of rural credit is discussed in this chapter. For purposes of the Survey the private credit agencies were classified into six categories, viz., relatives, landlords, traders and commission agents, agriculturist moneylenders, professional moneylenders and commercial banks. Only interest-free loans from relatives were treated as loans from relatives; otherwise these loans were classified under one of the appropriate agencies. Similarly, loans given by landlords to their tenants only were classified as loans from landlords. Among professional moneylenders, a distinction was made between transactions of moneylenders whose main profession was agriculture and the transactions of other moneylenders.

In addition to collecting data from the rural families on the debt owed to and borrowings from private credit agencies, credit operations of these agencies were also enquired into in some detail by means of special schedules. These investigations covered private moneylenders in the selected villages, selected marketing centres and the district headquarters, traders in agricultural commodities in the selected marketing centres and offices of commercial banks in the district.

Before proceeding to a discussion of the data, the important aspects of the legal frame-work within which the private credit agencies operated are briefly described.

#### 12.1 LEGAL STRUCTURE

The important enactments which influenced the operations of the moneylenders in the Coimbatore district were: (1) The Madras Debtors' Protection Act, 1934 along with the amendments of 1936, (2) The Madras Pawnbrokers Act, 1943 (amended in 1945 and re-enacted in 1948) and (3) The Madras Agriculturists' Relief Act, 1938. The first mentioned Act did not provide for licensing or registration of creditors but only required that they should maintain accounts and issue receipts for every payment received. The Madras Pawnbrokers Act provided for the licensing of pawnbrokers. Under the Madras Agriculturists' Relief Act, 1938 the interest chargeable was  $5\frac{1}{2}$  per cent. The Madras Pawnbrokers Act allowed a maximum rate of  $9\frac{3}{4}$  per cent on loans up to Rs 25 and  $6\frac{1}{4}$  per cent on loans exceeding this amount. The Madras Debtors' Protection Act allowed 9 per cent as the maximum interest chargeable on secured loans and 15 per cent on unsecured loans.

#### 12.2 EXTENT AND VOLUME OF BORROWINGS FROM DIFFERENT PRIVATE CREDIT AGENCIES

The creditor-wise details of the proportion of borrowing families, average amount borrowed per borrowing family and the proportion of borrowings to total borrowings are presented in the following table on page 80.

**TABLE 12.1—BORROWINGS FROM DIFFERENT PRIVATE CREDIT AGENCIES**  
[General Schedule data]

Credit agency	CULTIVATORS			NON-CULTIVATORS			ALL FAMILIES		
	Pro- por- tion of bor- row- ings from the agency to the total bor- row- ings (Per cent)	Pro- por- tion of fami- lies report- ing bor- row- ings from the agency (Per cent)	Aver- age amount bor- rowed from the agency per family bor- row- ing from the agency (Rs)	Pro- por- tion of bor- row- ings from the agency to the total bor- row- ings (Per cent)	Pro- por- tion of fami- lies report- ing bor- row- ings from the agency (Per cent)	Aver- age amount bor- rowed from the agency per family bor- row- ing from the agency (Rs)	Pro- por- tion of bor- row- ings from the agency to the total bor- row- ings (Per cent)	Pro- por- tion of fami- lies report- ing bor- row- ings from the agency (Per cent)	Aver- age amount bor- rowed from the agency per family bor- row- ing from the agency (Rs)
	1	2	3	4	5	6	7	8	9
Relatives.....	2.0	1.9	516	9.6	4.1	141	3.0	3.1	240
Landlords.....	0.9	0.4	1,122	1.9	1.1	98	1.0	0.8	323
Agriculturist money- lenders.....	44.6	17.5	1,266	28.9	7.3	234	42.5	11.8	904
Professional money- lenders.....	38.6	24.5	780	48.1	12.9	222	39.9	18.0	555
Traders and commission agents.....	0.6	0.4	711	1.1	0.9	78	0.2	0.7	248
Commercial banks.....	8.8	3.1	1,402	7.3	1.5	288	8.6	2.2	977

As was already observed in Chapter 9, agriculturist moneylenders and professional moneylenders accounted for the bulk of borrowings of all rural families, borrowings from these two agencies being 43 per cent and 40 per cent of the total borrowings. The remaining private credit agencies, viz., relatives, landlords, traders and commission agents and commercial banks were relatively of minor importance, the borrowings from all these agencies together being only about 13 per cent. The proportions of families reporting borrowings from the various agencies also reveal more or less a similar pattern. Average borrowing per borrowing family from commercial banks was the highest, being Rs 977 per borrowing family. Average borrowing from agriculturist moneylenders was also considerably high at Rs 904 per borrowing family. Though average borrowing from professional moneylenders was smaller than that from agriculturist moneylenders and commercial banks, it was sizeable at Rs 555 per borrowing family. On the other hand the average borrowings from relatives, landlords and traders and commission agents were much smaller being only Rs 240, Rs 323 and Rs 248 respectively. Considering the proportion of families borrowing from various private credit agencies, we would see that the relative importance of the agencies was more or less similar among cultivators and non-cultivators. It is, however, seen that the borrowings of non-cultivators per borrowing family from any of the agencies were much smaller than the corresponding borrowings of cultivators. This is expected, as the total borrowings of non-cultivators

were much smaller than the borrowings of cultivators. It is also noticed that even in respect of non-cultivators, some borrowings from landlords were reported. This is obviously due to reporting errors. Though the magnitude of the error on this account is small for the non-cultivators, this resulted in a significant discrepancy in the estimate of average borrowing per borrowing family for all rural families. It is seen that the average borrowing from landlords per reporting family was very high at Rs 1,122 for cultivator. But in view of the very small value reported for non-cultivators, the corresponding figure for all rural families was low. Thus as against the average borrowing of Rs 1,122 per cultivating family reporting borrowings from landlords, the corresponding figure for all rural families was only Rs 323.

### **12.3 PURPOSE-WISE CLASSIFICATION OF BORROWINGS FROM DIFFERENT PRIVATE CREDIT AGENCIES**

The data on the purposes for which borrowings were resorted to from private credit agencies were available from the intensive enquiry. All purposes were classified under the five broad categories, viz., agricultural purposes, non-agricultural purposes, consumption purposes, repayment of old debts and other purposes; the first three purposes were further classified into short-term and long-term purposes. The average amount borrowed from each of the private credit agencies and the same expressed as percentage of total borrowings for these purposes and total borrowings from each of these agencies are presented in the table on page 82.

It was observed in Chapter 9, that the major portion of the credit for agricultural as well as consumption purposes and for repayment of old debts was provided by agriculturist moneylenders. It is seen from the table that about 68 per cent of the total credit for short-term agricultural purposes and 72 per cent of the total credit for long-term agricultural purposes was provided by this agency while about 50 per cent of the credit for short-term and nearly 66 per cent of the credit for long-term consumption purposes was also provided by this agency. The borrowings from agriculturist moneylenders for repayment of old debts were as high as 73 per cent. Considering all the purposes together agriculturist moneylenders alone met over half of the total credit needs of all cultivators. Except in respect of non-agricultural purposes, the credit provided by the remaining agencies was much smaller than that provided by agriculturist moneylenders. In respect of non-agricultural purposes, the entire credit needs of the cultivators were met by professional moneylenders and this purpose alone accounted for as much as 72 per cent of all their borrowings from the professional moneylenders. These borrowings were all for long-term non-agricultural purposes. Borrowings from the remaining agencies with the exception of relatives were also mostly for agricultural purposes, while borrowings from relatives were resorted to only for consumption expenditure.

### **12.4 CLASSIFICATION OF DEBT OWED TO DIFFERENT PRIVATE CREDIT AGENCIES ACCORDING TO SECURITY**

The table on page 84 presents a classification of debt owed to private credit agencies according to security.

It is seen from the table that except in respect of commercial banks the debt owed to the private agencies was mostly on personal security. In respect of the debt owed to commercial banks, the main security was bullion and ornaments which accounted for 65 per cent of the total debt while the balance of 35 per cent of the debt owed to this agency was against personal security. It is also seen that the debt owed to landlords was entirely against personal security. In respect of the remaining agencies the only security of importance other than personal security was the security of immovable property.

**TABLE 12.2—BORROWINGS OF CULTIVATORS FROM DIFFERENT PRIVATE CREDIT AGENCIES CLASSIFIED ACCORDING TO PURPOSE**

[ Intensive enquiry data ]

Purpose	RELATIVES			LANDLORDS			AGRICULTURIST MONEYLENDERS		
	Average amount borrowed per family	Proportion of borrowings for the purpose to the total borrowings for all purposes from relatives	Proportion of borrowings from relatives to the total borrowings from all agencies for the purpose	Average amount borrowed per family	Proportion of borrowings for the purpose to the total borrowings for all purposes from landlords	Proportion of borrowings from landlords to the total borrowings from all agencies for the purpose	Average amount borrowed per family	Proportion of borrowings for the purpose to the total borrowings for all purposes from agriculturist money-lenders	Proportion of borrowings from agriculturist money-lenders to the total borrowings from all agencies for the purpose
	(Rs)	(Per cent)	(Per cent)	(Rs)	(Per cent)	(Per cent)	(Rs)	(Per cent)	(Per cent)
	1	2	3	4	5	6	7	8	9
<b>Agricultural</b>									
Short-term.....	—	—	—	4.5	64.1	4.8	64.1	20.9	67.9
Long-term.....	—	—	—	—	—	—	104.4	34.1	72.0
<b>Non-agricultural</b>									
Short-term.....	—	—	—	—	—	—	—	—	—
Long-term.....	—	—	—	—	—	—	—	—	—
<b>Consumption</b>									
Short-term.....	0.4	13.1	0.5	2.5	35.9	2.9	42.7	13.9	49.3
Long-term.....	3.0	86.9	3.4	—	—	—	57.5	18.8	65.8
<b>Repayment of old debts.....</b>	—	—	—	—	—	—	37.7	12.3	72.5
<b>Other purposes.....</b>	—	—	—	—	—	—	—	—	—
<b>All purposes.....</b>	<b>3.5</b>	<b>100.0</b>	<b>0.6</b>	<b>7.0</b>	<b>100.0</b>	<b>1.1</b>	<b>306.4</b>	<b>100.0</b>	<b>49.9</b>



**TABLE 12.2—BORROWINGS OF CULTIVATORS FROM DIFFERENT PRIVATE CREDIT AGENCIES CLASSIFIED ACCORDING TO PURPOSE—Concluded.**

[ Intensive enquiry data ]

Purpose	PROFESSIONAL MONEYLENDERS			TRADERS AND COMMISSION AGENTS			COMMERCIAL BANKS		
	Average amount borrowed per family	Pro- por- tion of bor- row- ings for the pur- pose to the total bor- row- ings for all pur- poses from pro- fes- sion- al money- lenders	Pro- por- tion of bor- row- ings from pro- fes- sion- al money- lenders to the total bor- row- ings from all agen- cies for the pur- pose	Average amount borrowed per family	Pro- por- tion of bor- row- ings for the pur- pose to the total bor- row- ings for all pur- poses from all traders and com- mis- sion agen- ts	Pro- por- tion of bor- row- ings from traders and com- mis- sion agen- ts to the total bor- row- ings from all agen- cies for the pur- pose	Average amount borrowed per family	Pro- por- tion of bor- row- ings for the pur- pose to the total bor- row- ings for all pur- poses from com- mer- cial banks	Pro- por- tion of bor- row- ings from com- mer- cial banks to the total bor- row- ings from all agen- cies for the pur- pose
		(Rs)	(Per cent)		(Per cent)	(Rs)		(Per cent)	(Per cent)
	10	11	12	13	14	15	16	17	18
<b>Agricultural</b>									
Short-term.....	4.9	2.8	5.2	7.5	41.8	8.0	12.9	57.1	13.7
Long-term.....	19.8	11.3	13.7	4.5	24.8	3.1	2.0	8.9	1.4
<b>Non-agricultural</b>									
Short-term.....	—	—	—	—	—	—	—	—	—
Long-term.....	125.7	71.6	100.0	—	—	—	—	—	—
<b>Consumption</b>									
Short-term.....	14.2	8.1	16.4	6.0	33.4	6.9	7.7	34.0	8.9
Long term.....	1.1	0.6	1.3	—	—	—	—	—	—
<b>Repayment of old debts.....</b>	2.2	1.3	4.3	—	—	—	—	—	—
<b>Other purposes.....</b>	7.5	4.3	32.7	—	—	—	—	—	—
<b>All purposes.....</b>	175.4	100.0	28.6	18.0	100.0	2.9	22.6	100.0	3.7

**12.5 RATE OF INTEREST CHARGED BY DIFFERENT PRIVATE CREDIT AGENCIES**

Classification of borrowings from different private credit agencies according to rate of interest charged by them is presented in Table 12.4. It is seen that except in respect of the loans from professional moneylenders, loans from the remaining creditors mostly carried interest less than 12½ per cent, while a majority of the loans from landlords carried interest varying between 3½ per cent to 7 per cent. In respect of agriculturist moneylenders, traders and commission agents and commercial banks the interest mainly varied between 7 per cent to 12½ per cent. Interests exceeding 12½ per cent were reported only in a few cases except in respect of the borrowings from

professional moneylenders, in whose case as much as 72 per cent of the loans carried interest varying between 12½ per cent to 18 per cent. According to the definition of 'relatives', all loans from relatives were interest-free.

**TABLE 12.3—DEBT OWED TO DIFFERENT PRIVATE CREDIT AGENCIES BY THE SELECTED CULTIVATORS CLASSIFIED ACCORDING TO SECURITY**

[ Intensive enquiry data. Amount in rupees per family ]

Credit agency	Total amount outstanding	SECURITY			
		Personal	Bullion and ornaments	Immovable property	Guarantee by third party
		1	2	3	4
Landlords.....	7.4	7.4 (100.0)	— (—)	— (—)	— (—)
Agriculturist moneylenders..	781.2	572.0 (73.2)	— (—)	209.2 (26.8)	— (—)
Professional moneylenders...	272.0	183.1 (67.3)	— (—)	88.1 (32.4)	0.8 (0.3)
Traders and commission agents.....	52.2	47.2 (90.4)	— (—)	5.0 (9.6)	— (—)
Commercial banks.....	19.8	7.0 (35.2)	12.8 (64.8)	— (—)	— (—)

NOTE: Debt owed to relatives was not classified according to security. Figures in brackets denote percentages to total.

## 12.6 GENERAL OBSERVATIONS ON THE WORKING OF PRIVATE CREDIT AGENCIES

For the different classes of private credit agencies, information was collected through various 'supply' questionnaires. Information on credit operations of traders in agricultural commodities and moneylenders was sought through two different questionnaires. One more questionnaire was also designed for collecting detailed information from moneylenders who could be classed as indigenous bankers, while the commercial banks including the Imperial Bank of India were asked to furnish information regarding their advances for agricultural purposes, through another questionnaire. No investigation on the lending operations of relatives and landlords was made in the 'supply' aspect of the enquiry. The replies to the various questionnaires by different agencies throw some light on their methods of operation.

Twenty-five village moneylenders, and twenty-two urban moneylenders were investigated through a supply questionnaire. While all the village moneylenders were cultivators eleven of the urban moneylenders were engaged in occupation other than cultivation. Both the types of moneylenders had practice of lending against standing crops. As regards the source of finance of the moneylenders, it may be noted that 45 per cent of the urban moneylenders and 16 per cent of the village moneylenders resorted to borrowings. The urban moneylenders borrowed mainly from commercial banks while, for the majority of the village moneylenders the creditors were other moneylenders. The replies received from the moneylenders

indicate that while they invariably enquired the purpose for which loans were required, they very rarely kept a watch on the actual utilization of loans by the borrowers.

**TABLE 12.4—BORROWINGS OF THE SELECTED CULTIVATORS FROM DIFFERENT PRIVATE CREDIT AGENCIES CLASSIFIED ACCORDING TO RATE OF INTEREST**

[ Intensive enquiry data. Amount in rupees per family ]

	Total amount borrowed	RATE OF INTEREST				
		Nil	Less than 3½ per cent	From 3½ to 7 per cent	From 7 to 10 per cent	From 10 to 12½ per cent
		1	2	3	4	5
Landlords .....	7.0	-	-	4.5 (64.1)	-	2.5 (35.9)
Agriculturist moneylenders ..	306.4	4.0 (1.3)	-	9.7 (3.2)	51.3 (16.7)	194.7 (63.6)
Professional moneylenders...	175.4	-	-	17.6 (10.0)	0.8 (0.4)	22.1 (12.6)
Traders and commission agents .....	18.0	1.5 (8.3)	-	-	5.2 (29.0)	10.6 (58.5)
Commercial banks .....	22.6	-	-	4.5 (20.0)	6.3 (27.9)	8.8 (38.8)

	RATE OF INTEREST					
	From 12½ to 18 per cent	From 18 to 25 per cent	From 25 to 35 per cent	From 35 to 50 per cent	50 per cent and above	Unspecified
	7	8	9	10	11	12
Landlords .....	-	-	-	-	-	-
Agriculturist moneylenders ..	(-)	(-)	(-)	(-)	(-)	(-)
Professional moneylenders...	15.3 (5.0)	30.5 (9.9)	0.8 (0.2)	-	-	0.2 (0.1)
Traders and commission agents .....	125.6 (71.6)	9.4 (5.4)	-	-	-	-
Commercial banks .....	(-)	(-)	(-)	0.7 (4.2)	(-)	(-)
	(-)	2.0 (8.9)	(-)	1.0 (4.4)	(-)	(-)

(Figures in brackets denote percentages to total)

A detailed study of some loans advanced by village moneylenders was attempted through a special supply schedule and the data are presented in Table 12.5.

It is seen that a major portion of the loans given by the village moneylenders was for capital expenditure in agriculture which accounted for 90 per cent of the total amount advanced. It is also observed that the entire amount advanced in respect of the loans studied was against personal security and the duration of the

loans varied generally between 2 and 3 years, while the rate of interest charged varied between  $3\frac{1}{2}$  per cent and  $9\frac{3}{8}$  per cent. These observations are generally in agreement with the conclusions arrived at earlier on the basis of the General Schedule data.

**TABLE 12.5—CASE STUDIES OF LOANS GIVEN BY VILLAGE MONEYLENDERS :  
LOANS CLASSIFIED ACCORDING TO PURPOSE**

	Total	Capital expenditure on farm	Current expenditure on farm	Non-farm business expenditure	Family expenditure	Other expenditure	Un-specified	More than one purpose
	1	2	3	4	5	6	7	8
Number of loans . . . . .	10	7 (70.0)	— (—)	— (—)	3 (30.0)	— (—)	— (—)	— (—)
Amount (Rs) . . . . .	7,775	7,000 (90.0)	— (—)	— (—)	775 (10.0)	— (—)	— (—)	— (—)

(Figures in brackets denote percentages to total)

About 54 per cent of the traders who responded to the questionnaire reported the practice of lending against standing crops while only about 8 per cent of the traders reported having lent against harvested crops. Most of the traders, i.e., about 80 per cent—resorted to borrowing to finance their lending operations.

Out of 96 commercial bank offices in the district, 70 offices completed the supply questionnaire issued to them. Of these, 38 offices said that they advanced to whole-salers against agricultural produce, mostly cotton, groundnut and foodgrains. However, nearly 91 per cent of the advances by banks for agricultural purposes were outstanding as on 30 September 1951 against bullion and other collateral securities, while the outstandings against agricultural produce accounted for only 1 per cent.

## CHAPTER 13

### CONCLUDING REMARKS

The two outstanding features of the agricultural economy of the district which have influenced the working of rural credit are the appreciable degree of commercialization and the lack of irrigation facilities. During the Survey year more than one-third of the net area sown was under commercial crops, groundnut and cotton being the major commercial crops. Only 30 per cent of net area sown was irrigated ; consequently, among food crops, only dry millet crops were cultivated on a large scale, paddy being comparatively unimportant. Wells were the most important sources of irrigation accounting for more than 70 per cent of the total irrigated area. Digging and deepening of wells were observed as an annual operation in several parts of the district. Owing to the failure of monsoon rains in the agricultural seasons immediately preceding the Survey year, parts of the district had experienced famine conditions which also left their impact on the working of rural credit.

#### 13.1 CREDIT TRANSACTIONS

The levels of debt and borrowings were both high during the Survey year. Nearly half of the cultivators reported borrowings during the year, the average borrowing per borrowing family being Rs 1,023. Capital expenditure in agriculture and family expenditure accounted for 38·8 per cent and 30·4 per cent respectively of the borrowings of all cultivators. However, in the case of small cultivators, 60 per cent of the borrowings were reported for family expenditure. At the end of the Survey year 76 per cent of the cultivators in the district were indebted and the debt per indebted family was Rs 1,583. The average debt of the cultivating families increased by 48 per cent during the year ; the main factors that contributed to this increase in the level of indebtedness were the large volume of borrowings and the low rate of repayment performance during the Survey year. More than three-fourths of the total outstanding debt of all cultivators was contracted within the previous three years. Personal security was by far the most important type of security accounting for 71 per cent of the total debt of all cultivators.

#### 13.2 EXPENDITURE AND SOURCE OF FINANCE

More than half of the total family expenditure was accounted for by the expenditure on clothing, shoes, bedding, etc. Borrowings were rarely resorted to by cultivators for the purchase of household utensils, clothing, shoes, bedding, etc., and educational, medical and litigation expenses ; practically the entire expenditure on these items was met out of owned funds. The expenditure of the upper strata cultivators on the other items, viz., construction and repairs of residential houses and other buildings, death and marriage ceremonies was met equally through owned resources as well as borrowings. The lower strata cultivators resorted to borrowings

only in connexion with marriage and other ceremonies, the proportion of their expenditure on this item met through borrowings being nearly 44 per cent.

Among the items of capital expenditure in agriculture, borrowings were commonly reported for purchase of land and use of owned funds for this purpose was relatively of minor importance. Purchases of land through owned funds formed 29 per cent of the total purchases for all families ; borrowings accounted for as much as 44 per cent of the total purchases. Sale of assets was also important accounting for over 20 per cent of the expenditure on purchase of land. In respect of purchase of livestock a little over 50 per cent of the total purchases were made through owned funds while borrowings provided about 45 per cent of the finance for this purpose.

Among all classes of cultivators the item digging and repair of wells accounted for the major portion of the total expenditure under 'other capital expenditure in agriculture'. For all cultivators together the proportion of expenditure accounted for by this item was about 63·4 per cent. Owned funds alone accounted for as much as 56·7 per cent of 'other' capital expenditure in agriculture while borrowings provided 41·1 per cent. Sale of assets as a source of finance was practically negligible.

### 13.3 NET BALANCE OF CAPITAL TRANSACTIONS

The investment-disinvestment transactions for all rural families show that the year was generally unfavourable resulting in deficits in the economy. There was a net balance of disinvestment over investment for all families, the deficit being Rs 18 per family. For the cultivators as a whole there was an excess of investment expenditure over disinvestment to the extent of Rs 24 per family while for the non-cultivators disinvestment exceeded investment by Rs 51 per family. As among the different groups of cultivators while the upper decile group of cultivators reported considerable balance of investment expenditure over disinvestment, the lower decile group of cultivators, on the other hand, reported considerably heavy excess of disinvestment expenditure over investment. The excess of disinvestment over investment was Rs 116 per family for medium cultivators and Rs 132 per family for small cultivators. Thus, it would appear that for the lower decile groups of cultivators the year was unfavourable leading to a deterioration in their economic position.

### 13.4 CREDIT AGENCIES

The data collected in the Survey reveal that the private moneylenders were the most important credit agency operating on a large scale in the rural credit structure. They provided 83 per cent of the total borrowings of all cultivators. Nearly 89 per cent of debt of cultivators was owed to this agency. The agency next in importance was commercial banks from which 9 per cent of total borrowings were reported. Co-operatives provided only 4 per cent of the total borrowings while Government finance was insignificant.

The co-operative structure in the district was well-organized. The societies concentrated their loan operations mainly in the sphere of short-term finance ; their record in the provision of medium-term finance was not satisfactory. The co-operative credit movement appeared to have not covered large segments of the rural population. In view of the smallness of their size and resources the co-operative credit societies could not undertake loan operations on any significant scale. The possibilities of development of co-operative credit in the district are great since the required organizational structure is already established.

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