

**ALL-INDIA  
RURAL CREDIT SURVEY**

**DISTRICT MONOGRAPH  
WEST KHANDESH**



**BOMBAY - 1957**

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**Price Rs 4.50**

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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, and the present monograph is the first of a series which will be issued during the course of the coming months.

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 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

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

4. The work of editing and revising the selected monographs is being done in the Division of Rural Economics, Department of Research and Statistics in co-ordination with the Division of Statistics. The monograph on West Khandesh district was prepared by Shri V. M. Dandekar of the Gokhale Institute of Politics and Economics, Poona, who was also in charge of the field investigation work during 1951-2 in that district. We are grateful to Shri V. M. Dandekar for drafting the district monograph on West Khandesh district. The responsibility for the views expressed is entirely that of the author and not of the Reserve Bank of India.

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Reserve Bank of India,  
Central Office,  
Bombay, August 1, 1957.

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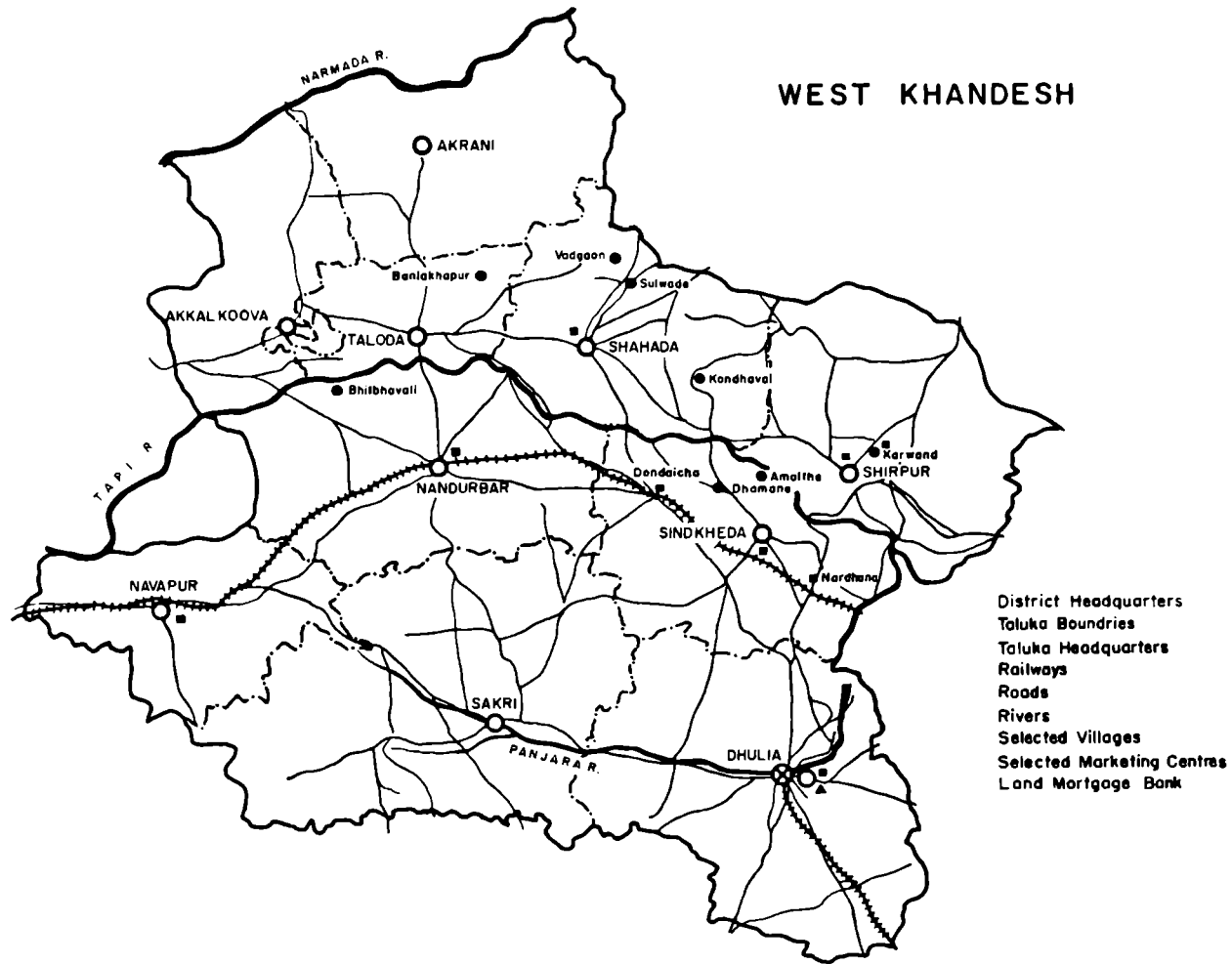
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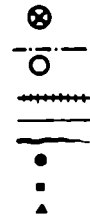
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District Headquarters  
 Taluka Boundries  
 Taluka Headquarters  
 Railways  
 Roads  
 Rivers  
 Selected Villages  
 Selected Marketing Centres  
 Land Mortgage Bank



## CHAPTER I

### GENERAL FEATURES

1.1 West Khandesh is one of the northern districts of the Bombay Deccan. The area of the district is approximately 5,400 square miles. The population in 1951 was about 11,56,000. Dhulia is the headquarters of the district and in 1951 had a population of about 77,000. The total urban population of the district including that of the district headquarters was about 1,95,000 which is about 17 per cent of the total. For administrative purposes, the district is divided into nine talukas and one mahal. These may be grouped as under :

(1) Akkalkoova, Akrani ; (2) Taloda, Shahada, Shirpur ; (3) Nandurbar, Sindkheda ; (4) Navapur, Sakri, Dhulia.

1.2 Akkalkoova and Akrani are the northernmost talukas of the district with the Narmada as their northern boundary. The Tapi flows across the district and the five talukas in the second and the third groups mentioned above form the Tapi Valley. Taloda, Shahada and Shirpur lie north of the Tapi while Nandurbar and Sindkheda lie on its south. Between the Narmada and the Tapi, extend the Satpura ranges which almost entirely cover the northern parts of Taloda, Shahada and Shirpur. The three remaining talukas mentioned in the last group are the southern talukas which are infested with certain spurs (*Satmalas*) of the Western Ghats.

1.3 The central region of the Tapi Valley, which covers about half the area of the district, has a deposit of rich black alluvial soil which under normal rainfall, yields rich crops. Regions both north and south of the valley are hilly and the soil is usually shallow and sandy. Both these regions and particularly the northern region, are covered with rich forests, growing good quality timber, both teak and *khair*.

1.4 The district receives its rainfall from the South-West monsoons, a large part of which precipitates on the Western Ghats. Therefore, as in most other districts of the Bombay Deccan, the rainfall in the district rapidly decreases from west to east. If we divide the district into three belts running from north to south, the rainfall varies greatly between these belts. In the western belt, the annual rainfall varies between 35 and 50 inches ; in the central belt, it is between 25 and 35 inches while in the eastern belt it is between 15 and 25 inches. However, except in the north-eastern talukas of Sindkheda and Shirpur, the rainfall is usually certain and the district as a whole does not suffer from frequent droughts. Nevertheless, the rainfall in 1951-2 was on the whole both inadequate and ill-distributed and the



crop yields were reported to be only half of their normal. As in other parts of the Bombay Deccan, there are two agricultural cropping seasons ; the *kharif*, that is, the rainy season and the *rabi*, that is, the winter season. *Kharif* extends from June to the middle of October and *rabi* from the middle of October to the end of February.

1.5 On account of the extensive forests, only about 46 per cent of the area of the district is under crops. The principal food crops of the district are *jowar* and *bajra* which account for more than 40 per cent of the total cropped area. Wheat accounts for 10 per cent and pulses for 15 per cent of the cropped area. Rice is grown over a small area. There are two important commercial crops, namely, groundnut and cotton which cover about 14 and 6 per cent of the total cropped area, respectively.

1.6 Between *jowar* and *bajra*, *jowar* is predominant in the north-western and the north valley regions. *Bajra* becomes comparatively more important as we go south and in the southern talukas it is the predominant crop. Wheat is more or less confined only to the two valley regions with their good black soil. Rice is important only in the north-western hilly regions where the rainfall is very high. Among the commercial crops, cotton is grown in all talukas. Groundnut is also grown in all parts except in the north-western region.

1.7 The principal river of the district is the Tapi which flows for over a hundred miles through the district. The water-level is, however, very low, often more than a hundred feet below the ground level, so that not much use could so far be made of this river for irrigation in the district. The other rivers are the Panjara and the Burai which flow into the Tapi from the south. These tributaries are to some extent made use of for irrigation purposes. The total area under canal irrigation is about 20,000 acres ; it is mostly in the southern talukas of Sakri and Dhulia and in the talukas of Nandurbar and Shahada, on both sides of the Tapi. A few co-operative lift irrigation schemes have been recently promoted and there appears some further scope for their development. Other important sources of irrigation are, wells and hand-operated lifts from river beds. In addition to the four talukas mentioned above where canal irrigation is also available, these are important in the two talukas of Sindkheda and Taloda. There are about 15,000 irrigation wells in the district and they irrigate a total of about 30,000 acres. Area irrigated by hand-lifts from river beds and by other sources is about 22,000 acres.

1.8 The principal irrigated crops are wheat, gram, chillies and rice. Of the total of about 70,000 acres of irrigated area, nearly 40 per cent is under wheat, 25 per cent is under gram, 20 per cent is under chillies and 10 per cent is under rice. Only about 5 per cent of the area is under sugar-cane. Between wheat and gram, wheat is the more important irrigated crop in the southern region, where it occupies about two-thirds of the total irrigated area. Gram is more important in the north Tapi Valley region, where it covers more than half of the irrigated area. In the south Tapi Valley region, along with wheat and gram, chillies are grown on a large scale ; more than one-third of the irrigated area in this region is under chillies. The

small acreage under sugar-cane is almost entirely concentrated in the southern taluka of Sakri.

1.9 There are about 2,30,000 plough cattle, mostly bullocks, which gives an average of about one animal for every eight or nine acres of cropped area. There are about 1,07,000 cows which is less than half the number of bullocks and about 67,000 she-buffaloes which is more than eight times the number of he-buffaloes. It is clear, therefore, that while the plough animal is the bullock, the milch animal is the buffalo. The number of sheep in the district is small, only about 35,000; but the number of goats is large, about 2,00,000. The number of ploughs is about 1,00,000 which gives, on an average, one plough for every 18 acres of cropped area. There are about 60,000 bullock-carts in the district which gives almost a cart for every 20 persons. Of the more expensive equipment, there were reported to be only 54 tractors, 870 oil engines and 152 sugar-cane crushers. There are about 2,250 hand-looms and about 250 bullock-driven oil presses.

1.10 The principal agricultural communities in the district are the *Marathas* and the *Rajputs*. In the north-western hilly talukas, *bhils* and *pavaris* are predominant. Moneylenders and traders are mostly *Marwaris*, *Jains* and *Agarwals* and in some places *Gujeratis*, *Vanis* and *Bohoris*.

1.11 There are no indications of any considerable seasonal migration within the district nor to places outside the district.

1.12 The only really large-scale industrial establishment in the district is the cotton spinning and weaving mill at Dhulia, which, with about a thousand looms, employs about two thousand persons. There are, however, a number of smaller seasonal establishments engaged in the processing of agricultural produce of the district. The chief among them are a number of oil mills and cotton gins and presses. There are about 40 oil mills and an equal number of cotton gins and presses in this district. A large number of these processing factories are at Dhulia, which is the headquarters of the district; here, there are fifteen oil mills and ten cotton gins and presses. There are three other centres with similar concentration of industrial establishments. They are: Dondaicha, Shirpur and Nandurbar. These three places account for another fifteen oil mills and twenty-two cotton gins and presses. The remaining oil mills and gins are scattered over a number of places. There are three oil mills each at Nardhana and Sakri; there are six and four cotton gins and presses at Navapur and Shahada, respectively. The oil mills are of course engaged in pressing locally produced groundnut. Besides these full-fledged oil mills, there are a few factories which only decorticate groundnut. There are twelve such factories in the district; they are situated at Sindkheda, Dondaicha and Nandurbar. There are also about a dozen pulse mills mostly situated at Dondaicha, Shirpur, Nandurbar and Navapur. As already indicated, the district possesses extensive forests yielding good quality timber. There are reported to be seventeen saw mills distributed over a number of places. Eleven of these saw mills are at Dhulia, Shirpur, Nandurbar and Navapur.

1.13 Thus, considering all industrial concerns together, there appear to be four places in the district offering some industrial employment. They are : Dhulia, Dondaicha, Shirpur and Nandurbar. Dhulia, as already noted, is the headquarters of the district and is a town of considerable size with a population of about 77,000 and is connected with Bombay by rail by means of a special branch line from Chalisgaon. Nandurbar, the next largest town, is the headquarters of Nandurbar taluka and has a population of about 30,000 and lies on the Tapi Valley Railway. Shirpur, the third important town, is the headquarters of Shirpur taluka and has a population of about 16,000. Dondaicha, besides being an industrial centre, is an important market place in the district ; it is in Sindkheda taluka and is situated on the Tapi Valley Railway. Two other industrial centres of minor importance are Sindkheda and Shahada both of which are headquarters of their respective talukas and have populations of about 9,000 and 10,000, respectively.

1.14 It will thus be seen that the five or six important industrial centres are all situated in different talukas and that the industrial establishments in the district are well scattered. Nevertheless, it should be noted that except for Nandurbar, these are all located in the eastern talukas of the district so that in the western talukas the possibilities of even seasonal industrial employment are meagre. In the three north-west talukas, they are almost absent.

1.15 Among the cottage or village industries of the district mention may be made of handloom weaving and oil-pressing. There are about 2,250 handlooms in the district, a large majority, nearly 1,800, of which are located at Dhulia. There are also a few, about 120, powerlooms at Dhulia. A large majority of the handlooms in Dhulia specialize in *sari* weaving and only a few are engaged in *khadi* and carpet weaving. Shahada, another handloom centre, has about 300 handlooms most of which, as in Dhulia, specialize in *sari* weaving. A third centre of some importance is Sakri where about 100 handlooms are engaged in *khadi* weaving. There are in this district about 250 oil *ghanis*, a large majority of which are more or less evenly distributed between Dhulia, Sindkheda, Shirpur, Navapur and Sakri.

1.16 Mention has been made of the railway line from Chalisgaon to Dhulia and also of the Tapi Valley Railway. The former runs over only nineteen miles of the district. Its importance lies in that it connects Dhulia with Bombay. There are six stations on this line within the district and about 45 villages are joined by road to these stations. Dhulia, as a district headquarters, is not centrally situated nor is it connected by railway to other parts of the district. Its sole advantage from this stand-point seems to be its rail connection with Bombay. The more important railway line which runs east-west across the district over a distance of about a hundred miles is the Tapi Valley Railway. It runs across three talukas, namely, Navapur, Nandurbar and Sindkheda and has a number of stations which are important both as industrial and marketing centres. By means of three or four motorable roads running north-south across the district, a large number of villages are connected to stations on this line. Hence, the railway connects almost the entire district with Surat and Bombay on the one side and with East Khandesh and Berar on the other.

1.17 The district is well-served by motorable roads and almost all talukas except the two hilly talukas in the north-west are connected by motorable roads to the district headquarters. From the point of view of its connections outside, the Bombay-Agra road which runs through the eastern talukas of the district is the most important. The district has over 500 miles of motorable roads and all the important industrial and marketing centres in the district are served and mutually connected by either railway or motorable roads. Besides, about 400 miles of non-motorable roads connect a large number of villages to motorable roads. Communications are, of course, not equally easy in all parts of the district. The eastern talukas are well-served in this respect ; but in the western and particularly in the hilly north-western talukas, communications are difficult.

1.18 Due to its important commercial crops, namely, cotton and groundnut, agricultural marketing in the district is well-organized and is now everywhere regulated under the Bombay Agricultural Produce Markets Act. Dhulia is an important cotton market and a centre of textile industry and therefore, has good banking facilities. There are also a few branches of commercial banks at other places in the district and the district as a whole might be said to possess adequate banking facilities. Co-operative movement in the district is well-established and developed. There are about 600 primary credit societies with a total membership of over 32,000. There are also a few multi-purpose and marketing societies.

1.19 To sum up, West Khandesh, with its extensive forests, stable agriculture and commercial crops, is comparatively wealthier than an average district of the Bombay Deccan. Due to the two important commercial crops, cotton and groundnut, the cultivator is more business-minded and better informed. In many respects, therefore, the conditions in the district are well-suited to the development of a co-operative and prosperous agriculture.



## CHAPTER 2

### SELECTED VILLAGES

2.1 For the purposes of the field survey on both the 'demand' and 'supply' sides of credit, eight villages were selected in the district. Among the different agencies supplying credit, the co-operative credit societies were of special interest. Hence, in order to compare conditions in respect of supply of credit in villages having and not having co-operative societies, four of the villages were selected from among those not served by a co-operative credit society. The villages were selected by a process of random sampling, giving each such village a chance of being selected in proportion to its size, that is, its 1951 population. The other four villages were similarly selected from among the villages having co-operative credit societies.

2.2 The geographical distribution of the selected villages has, however, been somewhat unfortunate. We have no village selected from two of the four regions into which we divided the district in the previous chapter ; we have no village selected from the north-west hilly tract and also no village from the southern region. All the eight selected villages fall in the two Tapi Valley regions, five in the north valley region and three in the south valley region. The absence of a village from the north-western hilly region might, perhaps, be excused. In the first instance, though the region covers more than one-fourth of the area of the district, its population forms only 7 or 8 per cent of the total population of the district. Secondly, two of the selected villages, one from Shahada taluka and another from Taloda taluka, lie in the extreme north and north-west of the north valley region, so that they might be expected to represent the conditions in the north-west hilly region. The remaining six selected villages are well distributed in the Tapi Valley regions, three to the north and three to the south of the river, though even here all the south-lying villages perhaps lie too close to the river. The absence of a village from the southern region, therefore, leaves that region unrepresented in the sample. The population of the region forms more than 40 per cent of the total population of the district and in some respects the region bears peculiar characteristics not found in the Tapi Valley regions. Between the non-irrigated food crops, *jowar* and *bajra*, *bajra* is more important only in the southern region. Irrigated wheat is also an important crop in this region. In fact, of the total irrigated area under wheat in the district, half is to be found in this region. Similarly, sugar-cane cultivation is almost entirely concentrated in this region. Finally, Dhulia, the important industrial centre of the district, lies in this region. The failure to include a village from this region is, therefore, rather unfortunate.

2.3 In Table 2.1 are given certain items of general information regarding the selected villages. In Tables 2.2, 2.3 and 2.4, we give further particulars regarding them. In Table 2.2 are given the details of land utilization, that is, the major uses of lands of these villages. In Table 2.3 are given details of crop acreages. The

total acreages as appearing in this table do not quite agree with those appearing in Table 2.2. But the discrepancies are not important. In Table 2.4 are given particulars of livestock and implements. The information given in these tables has been extracted from general descriptive notes made by the investigators. The figures appearing in the tables may, therefore, be treated as only approximate. For some of the villages, information may also be found missing in respect of a few items. Nevertheless, it is hoped that the available information will furnish a general background to the selected villages.

2.4 The investigational work in the selected villages was conducted in two phases. In the first phase, certain broad items of information were obtained in respect of all the resident families. In the second phase, the fieldwork was confined to a small sample of cultivators but was more intensive and covered a detailed enquiry into their farm business. A single schedule called the General Schedule was used during the first phase and it covered a total of 1,377 families, namely, all the resident families in the selected villages. In Table 2.5 are given the periods during which the General Schedule was canvassed in these villages and the number of families covered by this schedule in each village. As a principal classifying item, information was obtained, in this schedule, regarding the size of the cultivated holding of the families and also the strength of their plough cattle. In Table 2.5, we also give the proportion of cultivating families to the total families in each village, the average size of their cultivated holding, the average strength of their plough cattle and the average cultivated holding per pair of plough cattle. In the bottom line of the table are given the related district averages based on the General Schedule data.

2.5 The manner in which the villages were selected makes a simple average of any item for the 1,377 families interviewed by means of the General Schedule, not particularly appropriate as a district average. It will be remembered that in selecting the villages, they were given chance proportional to their population, which means that the larger villages were given a greater chance of being selected. This gives an over-representation to larger villages. Thus, five of the eight selected villages were of population more than a thousand; this certainly is not the proportion of such villages in the district. In consequence, population staying in larger villages obtains more than proportionate representation. This bias in the sample is corrected, if instead of taking a simple average of the 1,377 families, we first work out the village averages and then take an average of the village averages. Another bias in the sample is that while in the sample we have four villages with societies and four without societies, in the district, the number of villages with societies would be much smaller than of those without societies. Therefore, in order to obtain an appropriate district average, it was necessary to 'weight' the society-village averages and the non-society-village averages in proportion to the population living in such villages. The proportion of the cultivating families and the average size of their cultivated holding appearing in Table 2.5 have been so derived. All district averages and percentages based on the General Schedule data to be used in the subsequent discussion have been similarly obtained after appropriate 'weighting'.

TABLE 2.1—GENERAL INFORMATION

Village	Taluka	Population (1951)	Approach road and distance from the taluka town in miles	Post Office (distance in miles)	Postal service
	1	2	3	4	5
<b>With society</b>					
Bhilbhavali.....	Nandurbar	774	<i>Pucca</i> (17)	Nandurbar (17)	Once a week
Dhamane.....	Sindkheda	1,607	<i>Kutch</i> (20)	Dondaicha (6)	Twice a week
Kondhaval.....	Shahada	757	<i>Kutch</i> (12)		
Sulwade.....	Shahada	1,217	<i>Pucca</i> (9)	Shahada (9)	Twice a week
<b>Without society</b>					
Amalthe.....	Sindkheda	1,134	Cart-track (7)	Sindkheda (7)	
Banlakhapur.....	Taloda	510			
Karwand.....	Shirpur	1,579			
Vadgaon.....	Shahada	1,094	<i>Pucca</i> (16)	Khotia (8)	Twice a week

Village	Season <i>annewari</i> (1951-2)	Labour supply	Wage rates	Cattle market (distance in miles)	Selling market (distance in miles)
	11	12	13	14	15
<b>With society</b>					
Bhilbhavali.....	4 annas; crops failed	Local, self- sufficient	—	Nandurbar (17)	Nandurbar (17)
Dhamane.....	6 to 10 annas; crops not satisfactory	From Chalis- gaon and Amalner	Male As 8 to Re 1	Dondaicha (6)	Dondaicha (6)
Kondhaval.....			Male Re 1 to Rs 2 Female As 8 to Re 1 Child As 6 to As 12	Dondaicha (12) Shahada (12)	Shahada (12) Dondaicha (12)
Sulwade.....	2 to 4 annas; crops failed	Local, self- sufficient	Male Re 1 to Rs 2 Female As 8 to Re 1 Child As 6 to As 12	Shahada (9) Dondaicha Nandurbar Shirpur Taloda	Shahada (9)
<b>Without society</b>					
Amalthe.....	6 to 8 annas; crops not satisfactory	From Varpade	Male Re 1 to Rs 1-8-0 Female As 6 to As 10		Dondaicha Shirpur
Banlakhapur.....					
Karwand.....					
Vadgaon.....		Local, self- sufficient	Male Re 1 Female As 8 Child As 6		Shahada

## ABOUT THE SELECTED VILLAGES

Village	Source of drinking water	Dispensary (distance in miles)	Area (Acres)	Land revenue (Rs)	Land values in rupees per acre
	6	7	8	9	10
<b>With society</b>					
Bhilbhavali.....	river	Nandurbar (17)	1,013	807	500 to 1,500
Dhamane.....	well	Dondaicha (6) Virdal (5)	1,682	5,126	1,500 to 2,500 for irrigated lands, 800 to 1,500 for dry lands
Kondhaval.....	well	Shahada (12)	5,357	1,470	100 to 300
Sulwade.....	river	Shahada (9)	2,325	2,265	300 to 1,000
<b>Without society</b>					
Amalthe.....	9 wells co-operative water supply	Sindkheda (7)	2,783	8,315	800 to 1,500
Banlakhapur.....			809		
Karwand.....	20 wells		3,312		
Vadgaon.....	2 wells	Khotia (8)	5,346	1,996	200 to 500 for dry lands, 800 to 1,000 for irrigated lands

Village	Outgoing commodities	Weekly market (distance in miles)	Grocers' shops (number)	Remarks
	16	17	18	19
<b>With society</b>				
Bhilbhavali.....	Groundnut, pulses, fodder, eggs, cattle, etc.	Raygad, Dhanora, Kukurmundhe Nandurbar (17)	4	Primary school upto 4th standard. Co-operative society. Grain bank
Dhamane.....	Groundnut, cotton, pulses, chillies, ghee, cattle, sheep, etc.	Dondaicha (6) Virdal (5)	1	Primary school upto 4th standard. Co-operative society. Crop protection society
Kondhaval.....	Groundnut, cotton, pulses, cattle, etc.	Dondaicha (12) Shahada (12) Sarangkhed (8)	3	Co-operative society
Sulwade.....	Groundnut, cotton, pulses, chillies, bananas, cattle, etc.	Maswada (2) Shahada (9)	2	Primary school upto 5th standard. Co-operative society
<b>Without society</b>				
Amalthe.....	Jowar, bajra, wheat, pulses, cotton, groundnut, goats, etc.	Sindkheda (7) Virdal (7)	2	
Banlakhapur.....				
Karwand.....				
Vadgaon.....	Fruits, oilseeds, pulses, etc.	Khotia (8) Pansambal (3) Mandane (3)	3	



TABLE 2.2—MAJOR USES OF LANDS IN THE SELECTED VILLAGES (1950-1)

(Area in acres)

Village	Cultivable area	Free grazing land	Area under forest	Area under village site	Area under roads, paths, and other public uses	Area under rivers, streams and other-wise uncultivable	Total area
	1	2	3	4	5	6	7
<b>With society</b>							
Bhilbhavali.....	888	32	—	33	33	27	1,013
Dhamane.....	1,601	16	—	18	24	23	1,682
Kondhaval.....	2,543	112	2,467	13	19	203	5,357
Sulwade.....	2,223	13	—	32	26	31	2,325
<b>Without society</b>							
Amalthe.....	2,423	125	—	31	52	152	2,783
Banlakhapur.....	327	—	472	—	2	8	809
Karwand.....	2,920	150	—	33	79	130	3,312
Vadgaon.....	2,832	69	2,334	32	19	60	5,346

TABLE 2.3—CROP ACREAGES IN THE SELECTED VILLAGES (1950-1)

(Area in acres)

Crop	WITH SOCIETY				WITHOUT SOCIETY				All villages	Per cent of total area
	Bhilbhavali	Dhamane	Kondhaval	Sulwade	Amalthe	Banlakhapur	Karwand	Vadgaon		
	1	2	3	4	5	6	7	8	9	10
Rice.....	112	8	33	35	—	94	12	—	294	1.8
Wheat.....	88	210	86	968	520	—	256	91	2,219	14.0
Jowar-kharif.....	457	581	440	1,004	30	4	161	28	2,705	16.9
Jowar-rabi.....	—	—	—	—	617	—	676	1,510	2,803	17.5
Bajra.....	—	149	482	5	194	31	468	97	1,426	8.9
Other millets.....	39	—	—	10	4	43	1	110	207	1.3
Gram.....	19	102	28	67	174	—	52	71	513	3.2
Tur (Arhar).....	32	—	5	33	—	17	5	24	116	0.7
Urid.....	5	—	80	75	—	34	393	554	1,141	7.2
Moong.....	—	304	88	10	—	—	180	—	582	3.6
Other pulses.....	—	33	54	2	19	1	89	24	222	1.4
Groundnut.....	80	271	349	103	509	32	310	305	1,950	12.3
Other oilseeds.....	16	71	12	37	124	—	100	24	384	2.4
Cotton.....	—	95	287	238	313	62	162	98	1,255	7.8
Chillies.....	—	57	6	82	—	—	—	7	152	0.9
Other crops.....	—	—	—	—	4	16	4	—	24	0.1
<b>Total cropped area....</b>	<b>848</b>	<b>1,881</b>	<b>1,950</b>	<b>2,669</b>	<b>2,508</b>	<b>334</b>	<b>2,869</b>	<b>2,943</b>	<b>16,002</b>	<b>100.0</b>

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

Village	LIVESTOCK									IMPLEMENTS		
	Bullocks	Cows	Young stock	He-buffaloes	She-buffaloes	Young stock	Horses	Goats	Poultry birds	Iron ploughs	Wooden ploughs	Bullock carts
	1	2	3	4	5	6	7	8	9	10	11	12
<b>With society</b>												
Bhilbhavali.....	146	58	—	6	19	—	4	85	482	—	89	—
Dhamane.....	352	291	—	2	108	—	25	330	196	139	199	13
Kondhaval.....	179	80	77	4	48	15	4	365	111	—	78	50
Sulwade.....	334	96	131	3	43	18	35	90	247	—	141	74
<b>Without society</b>												
Amalthe.....	182	205	192	—	46	—	29	59	69	2	68	95
Banlakhapur.....	275	159	153	5	28	—	9	158	382	2	122	50
Karwand.....	334	116	131	3	33	16	15	365	111	—	78	60
Vadgaon.....	204	123	101	—	56	—	5	164	333	—	—	—

2.6 It will be seen that considering the district as a whole, about 60 per cent of the families were found to be cultivators. The average size of the cultivated holding was about 18 acres, which, of course, included both the owned and the tenanted lands cultivated by the family. On an average, each cultivator possessed 2.1 plough cattle, which were mostly bullocks. The ratio of cultivated area to plough cattle, namely, 17.3 acres per pair of plough cattle, tallies well with the district average given in the previous chapter.

2.7 It is obvious that there is a large variation in the average size of the cultivated holding in different villages. However, an arithmetic average is greatly affected by extreme cases so that a large average holding in one village might not mean more than that there were in the villages one or two very big cultivators who pulled up the average of the village, without, of course, benefiting the other cultivators in any manner. A fuller statement of the size of cultivated holdings in different villages is, therefore, attempted in Table 2.6. It can be seen from the table that in the village Bhilbhavali, the largest holding was of 48 acres; 10 per cent of the cultivators had holdings larger than 25 acres; 20 per cent of the cultivators had holdings larger than 20 acres and so on. Thus presented, it becomes apparent that a large part of the variation in the average cultivated holding in the different villages, is confined to the variation in the size of the holdings of the 10 or 20 per cent bigger cultivators and that the range of variation narrows down greatly if these cultivators are left out.

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

Village	Period during which the General Schedule was filled	Number of families covered by the General Schedule	Proportion of cultivating families (Per cent)	Average size of cultivated holding per cultivating family (Acres)	Number of plough cattle owned per cultivating family	Cultivated holding per pair of plough cattle owned (Acres)
	1	2	3	4	5	6
<b>With society</b>						
Bhilbhavali.....	13 Jan. 1952 to 16 Jan. 1952	125	69.6	13.2	1.5	17.7
Dhamane.....	24 Nov. 1951 to 14 Dec. 1951	247	64.0	16.2	1.9	16.9
Kondhaval.....	1 Mar. 1952 to 4 Mar. 1952	148	65.5	16.2	1.7	19.3
Sulwade.....	13 Feb. 1952 to 15 Feb. 1952	144	57.6	25.1	3.2	15.4
<b>Without society</b>						
Amalthe.....	21 Dec. 1951 to 30 Dec. 1951	145	64.1	21.5	1.9	22.7
Banlakhapur.....	29 Jan. 1952 to 2 Feb. 1952	151	43.7	18.1	3.2	11.5
Karwand.....	10 Nov. 1951 to 20 Nov. 1951	266	57.5	19.5	2.0	19.4
Vadgaon.....	21 Feb. 1952 to 24 Feb. 1952	151	60.3	17.6	2.0	17.9
<b>District.....</b>	10 Nov. 1951 to 4 Mar. 1952	<b>1,377</b>	<b>60.5</b>	<b>18.2</b>	<b>2.1</b>	<b>17.3</b>

2.8 The range of variation in the size of cultivated holdings within each village might be indicated as under. As was done for the purpose of Table 2.6, we might arrange the cultivators in each village by the size of their cultivated holdings in a descending order, and then divide them into ten equal divisions, to be called the deciles, each comprising 10 per cent of all cultivators. We might then examine the average size of the cultivated holdings in these deciles. This is done in Table 2.7. In order to obtain the corresponding district averages, the respective deciles in the different villages are grouped together and appropriately averaged; the district averages are shown in the bottom line of the table. Thus, the average size of cultivated holdings for the 10 per cent cultivators biggest in their own villages turns out to be 58.7 acres. This is more than three times the overall average of 18.2 acres. The cultivators in the second decile in the different villages grouped together give an average cultivated holding of 29.8 acres, and for those in the third decile, the average is 21.6 acres. At the other extreme, the 10 per cent smallest cultivators in different villages when grouped together give an average of only 3.4 acres of cultivated holding which is less than one-fifth of the overall average of 18.2 acres. The 10 per cent cultivators immediately above this group have an average of 5.5 acres and the next group of 10 per cent has an average of 7.3 acres.

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

Village	Proportion of cultivators										
	Nil	10 Per cent	20 Per cent	30 Per cent	40 Per cent	50 Per cent	60 Per cent	70 Per cent	80 Per cent	90 Per cent	100 Per cent
<b>With Holding (in acres) Larger Than</b>											
<b>With society</b>											
Bhilbhavali.....	48	25	20	15	12	10	8	7	6	6	3
Dhamane.....	67	35	24	18	15	12	10	9	5	3	1
Kondhaval.....	64	30	24	21	19	14	11	9	6	4	2
Sulwade.....	179	51	29	21	16	15	11	8	6	4	2
<b>Without society</b>											
Amalthe.....	246	36	27	20	17	13	9	7	5	3	2
Banlakhapur.....	63	27	24	19	18	17	16	15	9	8	3
Karwand.....	240	36	27	23	18	14	12	9	5	2	1
Vadgaon.....	87	33	24	18	15	13	11	9	8	6	4

2.9 The inequalities in the distribution of the cultivated holdings might be brought out in yet another manner and perhaps more strikingly. For instance, we might enquire what proportion of the total cultivated area was commanded by the 10 per cent biggest cultivators in each village; what proportion of it was commanded by the 10 per cent next biggest and so on. This is done in Table 2.8. The table shows what proportion of the total cultivated area was cultivated by the cultivators in each decile in each village. The corresponding district averages are given in the bottom line. Thus considering the district as a whole, it will be seen that the first 10 per cent big cultivators described above hold 34.1 per cent, that is more than one-third, of the total cultivated area. Similarly, the second group of 10 per cent big cultivators hold 15.7 per cent of the total cultivated area. Hence, the two groups

together constituting 20 per cent biggest cultivators hold nearly 50 per cent of the total cultivated area. At the other extreme, the 20 per cent smallest cultivators are seen to hold less than 5 per cent of the total cultivated area.

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

(Area in acres)

Village	First decile	Second decile	Third decile	Fourth decile	Fifth decile	Sixth decile	Seventh decile	Eighth decile	Ninth decile	Tenth decile	All Cultivators
<b>With society</b>											
Bhilbhavali.....	35.6	22.0	17.6	13.0	11.0	8.9	7.9	6.3	6.0	4.3	13.2
Dhamane.....	46.8	29.9	20.7	16.8	14.1	11.5	8.7	5.3	5.1	2.4	16.2
Kondhaval.....	38.1	26.9	22.6	19.6	16.7	12.7	9.6	7.9	5.1	3.2	16.2
Sulwade.....	107.6	41.1	24.5	18.5	15.1	12.6	9.6	7.1	5.6	3.1	25.1
<b>Without society</b>											
Amalthe.....	88.9	31.7	22.6	20.8	15.1	11.6	8.6	6.2	3.7	2.4	21.5
Banlakhapur.....	38.3	26.2	21.6	18.2	17.1	17.0	15.8	12.0	8.3	5.6	18.1
Karwand.....	67.9	30.8	25.0	19.9	15.7	12.7	10.4	7.0	3.4	1.7	19.5
Vadgaon.....	48.3	29.7	20.7	16.2	13.8	12.4	10.3	8.9	7.3	5.0	17.6
<b>District.....</b>	<b>58.7</b>	<b>29.8</b>	<b>21.6</b>	<b>17.8</b>	<b>14.7</b>	<b>12.2</b>	<b>9.8</b>	<b>7.3</b>	<b>5.5</b>	<b>3.4</b>	<b>18.2</b>

2.10 Perhaps, a more simple summing up of the situation would be as follows. If we arrange all the cultivators in a village by the size of their cultivated holdings in a descending order and divide the list into three divisions of 30 per cent, 40 per cent and 30 per cent, respectively, then it works out that on an average, the first division forming the 30 per cent large cultivators command 62 per cent of the cultivated area, while the last division, forming the 30 per cent small cultivators command only 9 per cent of the cultivated area. It should be noted that this form of analysis does not bring out fully the extent of inequalities that exist. For instance, the first division, as described above, does not represent the 30 per cent cultivators who are biggest in the district; they are the 30 per cent who are the biggest in their own villages and they command 62 per cent of the total land. It is obvious, therefore, that if we could group together the 30 per cent cultivators who were biggest in the district, they would command considerably more than 62 per cent of the total cultivated area.

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

Village	First decile	Second decile	Third decile	Fourth decile	Fifth decile	Sixth decile	Seventh decile	Eighth decile	Ninth decile	Tenth decile	All cultivators
<b>With society</b>											
Bhilbhavali.....	27.8	15.3	13.7	9.0	8.6	7.0	5.5	5.0	4.7	3.4	100.0
Dhamane.....	29.3	18.7	13.0	10.5	8.3	6.7	5.4	3.8	2.8	1.5	100.0
Kondhaval.....	24.3	15.4	14.4	11.2	10.7	8.1	5.5	5.0	3.3	2.1	100.0
Sulwade.....	46.5	15.8	9.4	7.1	5.8	5.4	3.7	2.7	2.2	1.4	100.0
<b>Without society</b>											
Amalthe.....	44.5	14.2	11.3	8.3	6.8	5.2	3.9	2.8	1.8	1.2	100.0
Banlakhapur.....	22.5	13.2	12.7	9.1	10.1	9.9	8.0	7.0	4.2	3.3	100.0
Karwand.....	36.3	15.5	12.5	10.0	7.9	6.4	5.2	3.5	1.8	0.9	100.0
Vadgaon.....	30.1	16.7	11.6	9.1	7.8	7.0	5.8	5.0	4.1	2.8	100.0
<b>District.....</b>	<b>34.1</b>	<b>15.7</b>	<b>12.1</b>	<b>9.2</b>	<b>8.0</b>	<b>6.8</b>	<b>5.1</b>	<b>4.1</b>	<b>3.0</b>	<b>1.9</b>	<b>100.0</b>

2.11 The position regarding the variations in the ownership of plough cattle is naturally similar, though perhaps a little less extreme. The relevant data are given in Tables 2.9 and 2.10. In Table 2.9 are shown what proportion of the cultivators in each decile in each village owned any plough cattle. In Table 2.10 are given the average holdings of plough cattle of those who owned any. It will be seen that the average holding of plough cattle in the first decile is 5.8 and in the second decile it is 3.1. In the remaining deciles, the average holdings of plough cattle range from 2.3 to 1.8. It is, therefore, clear that except in the case of the 20 per cent biggest cultivators, the range of variation in the holdings of plough cattle of those cultivators who hold any, is not great. A large part of the inequalities of the holdings of plough cattle is, therefore, to be found in the extreme circumstance that some of the cultivators do not own any plough cattle. Thus, as will appear from Table 2.9, though most of the 30 per cent large cultivators owned some plough cattle, the proportion of those who owned none was quite considerable in the last 30 or 40 per cent of the small cultivators. In particular, in the last group of the ten per cent smallest cultivators, only 35.6 per cent owned some plough cattle. The remaining must entirely depend on the hired plough cattle.

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

Village	First decile	Second decile	Third decile	Fourth decile	Fifth decile	Sixth decile	Seventh decile	Eighth decile	Ninth decile	Tenth decile	All cultivators
<b>With society</b>											
Bhilbhavali.....	100.0	100.0	100.0	62.5	88.9	88.9	37.5	55.6	55.6	33.3	72.4
Dhamane.....	100.0	100.0	93.8	93.8	93.3	86.7	68.8	77.8	50.0	12.5	77.8
Kondhaval.....	90.0	77.8	90.0	88.9	80.0	70.0	55.6	90.0	60.0	40.0	74.2
Sulwade.....	100.0	100.0	100.0	100.0	87.5	100.0	100.0	100.0	62.5	44.4	89.2
<b>Without society</b>											
Amalthe.....	100.0	100.0	100.0	87.5	88.9	88.9	88.9	44.4	40.0	20.0	75.3
Banlakhapur.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	71.4	97.0
Karwand.....	87.5	100.0	93.3	50.0	60.0	80.0	93.3	53.3	43.8	31.3	71.9
Vadgaon.....	100.0	88.9	77.8	66.7	77.8	100.0	77.8	88.9	100.0	44.4	82.4
<b>District.....</b>	<b>96.7</b>	<b>95.7</b>	<b>93.7</b>	<b>84.4</b>	<b>84.8</b>	<b>88.7</b>	<b>75.5</b>	<b>75.2</b>	<b>61.8</b>	<b>35.6</b>	<b>79.2</b>

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

Village	First decile	Second decile	Third decile	Fourth decile	Fifth decile	Sixth decile	Seventh decile	Eighth decile	Ninth decile	Tenth decile	All cultivators
<b>With society</b>											
Bhilbhavali.....	4.0	2.3	1.8	1.6	2.0	1.4	2.0	1.2	1.8	1.3	2.1
Dhamane.....	4.3	3.1	2.3	2.2	2.1	2.0	1.8	1.7	2.0	2.0	2.5
Kondhaval.....	3.2	3.1	2.0	2.0	2.3	2.0	2.0	1.9	1.7	2.0	2.3
Sulwade.....	12.0	4.1	2.6	2.8	2.4	2.4	1.9	1.9	1.8	2.0	3.6
<b>Without society</b>											
Amalthe.....	6.8	2.0	2.0	2.1	1.8	1.8	1.6	1.8	1.3	1.0	2.5
Banlakhapur.....	6.1	4.2	3.3	2.7	3.1	4.1	2.2	2.3	1.8	2.0	3.3
Karwand.....	6.6	3.0	2.4	2.1	2.2	2.0	2.1	1.9	1.9	2.0	2.8
Vadgaon.....	3.4	3.5	2.1	2.0	2.1	1.9	1.6	2.4	2.0	2.5	2.4
<b>District.....</b>	<b>5.8</b>	<b>3.1</b>	<b>2.3</b>	<b>2.2</b>	<b>2.2</b>	<b>2.1</b>	<b>1.9</b>	<b>1.9</b>	<b>1.8</b>	<b>1.9</b>	<b>2.7</b>

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

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

Village	First visit	Second visit
<b>With society</b>		
Bhilbhavali.....	12 Jan. 1952 to 24 Jan. 1952	7 June 1952 to 15 June 1952
Dhamane.....	18 Dec. 1951 to 10 Jan. 1952	21 Apr. 1952 to 3 May 1952
Kondhaval.....	28 Feb. 1952 to 8 Mar. 1952	4 May 1952 to 12 May 1952
Sulwade.....	11 Feb. 1952 to 19 Feb. 1952	21 May 1952 to 30 May 1952
<b>Without society</b>		
Amalthe.....	24 Nov. 1951 to 18 Dec. 1951	13 Apr. 1952 to 20 Apr. 1952
Banlakhapur.....	25 Jan. 1952 to 10 Feb. 1952	31 May 1952 to 6 June 1952
Karwand.....	8 Nov. 1951 to 20 Nov. 1951	16 June 1952 to 22 June 1952
Vadgaon.....	20 Feb. 1952 to 27 Feb. 1952	13 May 1952 to 20 May 1952

## CHAPTER 3

### INDEBTEDNESS, BORROWINGS AND GROWTH IN OUTSTANDING DEBT

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

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

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

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

3.5 In Table 3.1, we have outlined the relevant data. In the first instance, confining attention to the average position of all families given in the last line of the table, we see that 37·7 per cent of the families were in debt at the time of the enquiry with an average debt of Rs 664 per indebted family. During the year preceding the period of enquiry, 28·9 per cent of the families incurred fresh debts to the extent of an average of Rs 585 per borrowing family. If we relate these figures of debt and borrowings to all families rather than to the indebted and the borrowing families, we find that the average debt at the time of the enquiry was Rs 251 per family and that the fresh borrowings during the year amounted to Rs 169 per family. On the other hand, the repayments during the year amounted to Rs 42 per family. Thus, the repayments were only 24·9 per cent of the fresh borrowings, leading to an increase in the outstanding debt during the course of the year. If to the average debt at the end of the year, we add the amount of repayment during the year and subtract from it the amount borrowed during the year, we obtain an arithmetical estimate of the debt at the beginning of the year. In the present case, this turns out to be Rs 124 per family while at the end of the year the debt was Rs 251 per family. Thus, the debt more than doubled during the course of the year ; actually there was an increase of 103 per cent in the outstanding debt.

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

[General Schedule data]

Group	Proportion of indebted families (Per cent)	Average debt per indebted family (Rs)	Average debt per family (Rs)	Proportion of borrowing families (Per cent)	Borrowings per borrowing family (Rs)	Borrowings per family (Rs)	Repayments per family (Rs)	Repayments as percentage of borrowings	Repayments as percentage of debt plus repayment	Percentage net increase in debt
	1	2	3	4	5	6	7	8	9	10
Big cultivators.....	75·0	1,851	1,388	56·3	1,816	1,022	218	21·3	13·6	137
Large cultivators.....	67·9	1,214	825	51·6	1,145	591	142	24·1	14·7	119
Medium cultivators.....	57·6	469	271	44·5	385	171	47	27·5	14·9	85
Small cultivators.....	35·7	296	106	25·9	236	61	19	31·5	15·5	66
All cultivators.....	54·0	719	389	41·0	648	266	68	25·4	14·8	104
Non-cultivators.....	12·7	307	39	10·4	205	21	3	14·4	7·3	88
All families.....	37·7	664	251	28·9	585	169	42	24·9	14·4	103

3.6 The incidence and volume of the outstanding debt and of the fresh borrowings as also the extent of the increase in the outstanding debt were all different among different classes of families. In general, the level of outstanding debt and the fresh borrowings per family was lower among the smaller cultivators than among the larger cultivators and lower still among the non-cultivating families. Thus, at the end of the year, the average outstanding debt per family among the cultivators was nearly ten times as high as that among the non-cultivating families ; and the same



among the big cultivators was nearly thirteen times that among the small cultivators. Similarly, the borrowing per family by the cultivating families was nearly thirteen times as high as that by the non-cultivating families ; and the same by the big cultivators was nearly seventeen times as high as that by the small cultivators. As will be seen, a larger proportion of the large cultivators were in debt and the average debt of the indebted among them was also much larger than the same among the small cultivators. Similarly, a larger proportion of the large cultivators borrowed during the year and the amounts borrowed by them on an average were also larger than similar amounts borrowed by the small cultivators. It is thus obvious that in this district the outstanding debt and the borrowings during the year were not so much indicative of distress as of the capacity to make use of the available credit facilities.

3.7 If we relate the repayments by each class to their borrowings during the year, we see that the repayments made by the small cultivators were relatively higher ; this might mean no more than that a larger proportion of their fresh borrowings were in the nature of short-term credit. We might also relate the repayments by each class to their total repayable debt, that is to say, the debt outstanding plus the debt repaid. When this is done, it is remarkable that in all the cultivating classes, the repayments bear nearly 15 per cent of the total repayable debt. This percentage is 13·6 in the class of the big cultivators and then gradually increases to 15·5 in the class of the small cultivators. Nevertheless, the range of variation is quite small and in view of the great range of variation in the outstanding debt and in the amounts repaid by the various classes, the relative steadiness of this proportion appears remarkable.

3.8 As was pointed out, the repayments, in relation to the borrowings, were much lower among the large cultivators than among the small cultivators. As a consequence, there was a greater rise during the year in the outstanding debt of the large cultivators. Thus, the outstanding debt of the big cultivators increased by 137 per cent and that of the small cultivators by only 66 per cent. The outstanding debt of the non-cultivating families increased by 88 per cent. As pointed out earlier, the overall increase in the debt was 103 per cent. This high rise in the debt during the year demands closer examination unless the circumstances of the year seem exceptional.

3.9 The fresh borrowings during the year obviously form a large part in the outstanding debt ; they also play an important part in the large net increases in the debt that have been observed. We might, therefore, briefly examine the purposes for which the fresh debts were incurred. The relevant data are given in Table 3.2. Considering all families together, we see that 31·7 per cent of the fresh borrowing was for capital expenditure in agriculture ; 26·4 per cent was for current farm expenditure and 33·0 per cent was for family expenditure. If we compare the different classes of families in this respect, we find that the large cultivators not only borrowed larger amounts during the year but that larger proportions of them were for either capital or current farm expenditure. Among the small cultivators as also among

the non-cultivating families, whose fresh borrowings were relatively much smaller, large proportions were borrowed for family expenditure.

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

3.11 We might begin with the reported expenditure on purchase of land during the year. In Table 3.3, we give the data relating to the expenditure on the purchase of land and the extent to which it was financed by borrowing. It will be seen that only 1.4 per cent of the families reported any purchase of land and that their average expenditure for this purpose amounted to Rs 2,109. Of this, 39.6 per cent was financed by borrowing. Naturally more among the large cultivators have reported expenditure on purchase of land. It is noteworthy, however, that a larger proportion of their expenditure on purchase of land was financed by borrowing. Thus, 63.9 per cent of the expenditure on purchase of land by the big cultivators was financed by borrowing. Among the small cultivators, only a few had reported expenditure on land purchase and their average expenditure was also considerably smaller than that of the big, the large or the medium cultivators. Moreover, only 20 per cent of such expenditure was financed by borrowing. Thus, even the purchase of land through credit was done on a sizable scale only by the big or the large cultivators.

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

[General Schedule data]

Group	Total amount borrowed per family (Rs)	PROPORTION OF AMOUNT BORROWED ACCORDING TO PURPOSE (Per cent)					
		Capital expenditure in agriculture	Current farm expenditure	Non-farm business expenditure	Family expenditure	Other expenditure	More than one purpose
		1	2	3	4	5	6
Big cultivators.....	1,022	41.2	37.7	—	17.2	3.9	—
Large cultivators.....	591	35.7	31.9	0.1	24.6	7.7	—
Medium cultivators.....	171	31.6	19.3	5.6	39.2	4.0	0.3
Small cultivators.....	61	15.2	16.3	1.0	60.8	6.7	—
All cultivators.....	266	33.2	27.7	1.5	30.8	6.7	0.1
Non-cultivators.....	21	3.2	1.0	8.6	74.5	12.7	—
All families.....	169	31.7	26.4	1.9	33.0	6.9	0.1

3.12 Along with the reported purchases of land, it will be appropriate to consider the reported sale of land. The related data are given in parallel columns

in Table 3.3. It will be seen that in all the classes of cultivators except small cultivators, fewer cultivators have reported sale of land than have reported purchase of land. On the other hand, the average size of the reported sale seems much higher than the average size of the reported purchase. If we set off sales against purchases, we find that it is only the large and the medium cultivators who show a net purchase while the big and the small cultivators both show a net sale of land.

3.13 Another important item of capital expenditure in agriculture is the purchase of livestock. The relevant data are given in Table 3.4. Here again a larger number among the big or the large cultivators reported expenditure and their average expenditure was also larger than among the medium or the small cultivators. The expenditure on the purchase of livestock, however, differs from the expenditure on the purchase of land in one important respect. Regarding expenditure on the purchase of land we have noted above that a larger proportion of it by the large cultivators was met by borrowing. This was not true of their expenditure on the purchase of livestock. In fact the extent to which they financed their expenditure on purchase of livestock by borrowing was smaller than the extent to which the medium or the small cultivators did it. This is as it should be; because while the purchase of land is often in the nature of not-so-urgent an investment, the purchase of livestock is usually an urgent necessity.

**TABLE 3.3—PURCHASE AND SALE OF LAND**

[General Schedule data]

Group	PURCHASE OF LAND			SALE OF LAND		Net purchase (+) or sale (—) of land per family in the group
	Proportion of families reporting expenditure	Expenditure per reporting family	Per cent financed by borrowing	Proportion of families reporting sale of land	Receipts from sale per reporting family	
	(Per cent)	(Rs)		(Per cent)	(Rs)	(Rs)
	1	2	3	4	5	6
Big cultivators.....	6.3	2,243	63.9	2.8	5,450	—13
Large cultivators.....	4.6	2,044	48.6	2.2	4,062	+ 6
Medium cultivators.....	2.2	2,424	27.9	1.7	2,079	+16
Small cultivators.....	0.5	639	20.0	1.0	1,232	— 9
All cultivators.....	2.4	2,109	39.6	1.6	2,726	+ 6
Non-cultivators.....	—	—	—	—	—	—
All families.....	1.4	2,109	39.6	1.0	2,726	+ 3

3.14 As in the case of land, we might here examine the reported sale of livestock along with its reported purchase. The related data are given in parallel columns in Table 3.4. Here again a smaller proportion of families have reported sales of livestock, and their average receipts from such sales are also much smaller than the reported expenditure on purchases of livestock. As a result, there appears

a net purchase of livestock by each class of cultivators. The average net purchase was, of course, much larger among the big and the large cultivators than among the small cultivators. Nevertheless, as no class shows a net sale, one wonders who were the recipients of the sale proceeds. The class of non-cultivating families shows a small net sale of livestock but that is very inadequate to balance the net purchases by the cultivating families. It is possible that the selected villages were net importers of livestock. It should be noted, however, that the district as a whole is not known to be a net importer of livestock.

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

[General Schedule data]

Group	PURCHASE OF LIVESTOCK			SALE OF LIVESTOCK		Net purchase (+) or sale (—) of livestock per family in the group
	Proportion of families reporting expenditure	Expenditure per reporting family	Per cent financed by borrowing	Proportion of families reporting sale of livestock	Receipts from sale per reporting family	
	(Per cent)	(Rs)		(Per cent)	(Rs)	(Rs)
	1	2	3	4	5	6
Big cultivators.....	48.4	622	32.9	9.2	205	+ 282
Large cultivators.....	29.7	469	35.6	7.7	200	+ 124
Medium cultivators.....	26.0	249	47.7	8.0	171	+ 51
Small cultivators.....	7.2	209	44.4	6.5	96	+ 9
All cultivators.....	21.4	338	40.4	7.4	161	+ 60
Non-cultivators.....	1.6	136	31.8	2.5	126	— 1
All families.....	13.6	329	40.2	5.5	154	+ 36

3.15 Other items of capital expenditure in agriculture are reclamation, bunding and other land improvements, digging and repair of wells and development of other irrigation sources, laying of new orchards and plantations, purchase of new implements and machinery and construction of farm houses and cattle-sheds and other miscellaneous items. In Table 3.5, we give for different classes of families, the proportion of families reporting expenditure on these several items, their average expenditure and proportion out of this, which was financed by borrowing. It will be seen that on all the items a larger proportion among the large cultivators have reported expenditure and that their average expenditure was also much larger than among the small cultivators. However, there does not appear any clear distinction between the different classes of cultivators regarding the extent to which their expenditure on these items was financed by borrowing. Considering all families together, it will be seen that 75.6 per cent of the expenditure on reclamation of land, 67.6 per cent of the expenditure on bunding and other land improvements, 47.2 per cent on digging and repair of wells, and 44.6 per cent of expenditure on purchase of implements and machinery was financed by borrowing.

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

[General Schedule data]

Group	RECLAMATION OF LAND			BUNDING AND OTHER LAND IMPROVEMENTS			DIGGING AND REPAIR OF WELLS			DEVELOPMENT OF OTHER IRRIGATION SOURCES		
	Pro-portion of fami-lies re-ported ex-pendi-ture	Ex-pendi-ture per re-ported fami-ly	Per cent financed by bor-rowing	Pro-portion of fami-lies re-ported ex-pendi-ture	Ex-pendi-ture per re-ported fami-ly	Per cent financed by bor-rowing	Pro-portion of fami-lies re-ported ex-pendi-ture	Ex-pendi-ture per re-ported fami-ly	Per cent financed by bor-rowing	Pro-portion of fami-lies re-ported ex-pendi-ture	Ex-pendi-ture per re-ported fami-ly	Per cent financed by bor-rowing
	(Per cent)	(Rs)		(Per cent)	(Rs)		(Per cent)	(Rs)		(Per cent)	(Rs)	
	1	2	3	4	5	6	7	8	9	10	11	12
Big cultivators....	2.0	295	46.7	10.2	410	68.5	7.5	1,018	48.9	7.0	516	56.7
Large cultivators..	1.7	300	71.2	8.1	228	61.9	5.9	616	56.7	3.4	802	80.0
Medium cultivators	1.0	150	86.7	4.4	61	70.4	1.7	162	3.7	0.4	50	100.0
Small cultivators..	0.3	44	—	1.4	54	90.0	0.7	445	—	—	—	—
All cultivators....	1.0	229	75.6	4.6	150	67.6	2.5	515	47.2	1.2	698	80.4
Non-cultivators...	—	—	—	—	—	—	—	—	—	—	—	—
All families.....	0.6	229	75.6	2.8	150	67.6	1.6	515	47.2	0.7	698	80.4

Group	LAYING OF NEW ORCHARDS AND PLANTATIONS			PURCHASE OF NEW IMPLEMENTS AND MACHINERY			CONSTRUCTION OF FARM HOUSES, CATTLE-SHEDS, ETC.			OTHER MISCELLANEOUS EXPENDITURE		
	Pro-portion of fami-lies re-ported ex-pendi-ture	Ex-pendi-ture per re-ported fami-ly	Per cent financed by bor-rowing	Pro-portion of fami-lies re-ported ex-pendi-ture	Ex-pendi-ture per re-ported fami-ly	Per cent financed by bor-rowing	Pro-portion of fami-lies re-ported ex-pendi-ture	Ex-pendi-ture per re-ported fami-ly	Per cent financed by bor-rowing	Pro-portion of fami-lies re-ported ex-pendi-ture	Ex-pendi-ture per re-ported fami-ly	Per cent financed by bor-rowing
	(Per cent)	(Rs)		(Per cent)	(Rs)		(Per cent)	(Rs)		(Per cent)	(Rs)	
	13	14	15	16	17	18	19	20	21	22	23	24
Big cultivators....	1.4	506	100.0	21.3	1,219	45.8	2.8	607	—	0.8	76	—
Large cultivators..	0.5	506	100.0	13.1	764	45.8	1.3	822	34.0	0.3	76	—
Medium cultivators	—	—	—	6.1	111	44.8	0.2	4	—	0.4	32	—
Small cultivators..	—	—	—	3.6	98	11.1	—	—	—	0.5	10	—
All cultivators....	0.1	506	100.0	7.5	457	44.6	0.5	676	33.7	0.4	31	—
Non-cultivators...	—	—	—	—	—	—	—	—	—	—	—	—
All families.....	0.1	506	100.0	4.5	457	44.6	0.3	676	33.7	0.3	31	—

3.16 In Table 3.6, we have listed a few other items of capital expenditure such as investment in non-farm business, financial investments such as purchase of shares and additions to deposits and also repayment of debt. It will be noted that a considerable proportion of repayment of debt by the small cultivators and non-cultivating families was financed by fresh borrowing.

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

[General Schedule data]

Group	CAPITAL EXPENDITURE IN NON-FARM BUSINESS			PURCHASE OF SHARES IN CO-OPERATIVE SOCIETIES, BANKS, ETC.			ADDITIONS TO DEPOSITS IN CO-OPERATIVE SOCIETIES, POSTAL SAVINGS AND OTHER BANKS, ETC.			REPAYMENTS		
	Pro- por- tion of fam- ilies re- port- ing ex- pendi- ture	Ex- pendi- ture per re- port- ing family	Per cent fin- anced by bor- rowing	Pro- por- tion of fam- ilies re- port- ing ex- pendi- ture	Ex- pendi- ture per re- port- ing family	Per cent fin- anced by bor- rowing	Pro- por- tion of fam- ilies re- port- ing ex- pendi- ture	Ex- pendi- ture per re- port- ing family	Per cent fin- anced by bor- rowing	Pro- por- tion of fam- ilies re- port- ing ex- pendi- ture	Ex- pendi- ture per re- port- ing family	Per cent fin- anced by bor- rowing
	(Per cent)	(Rs)		(Per cent)	(Rs)		(Per cent)	(Rs)		(Per cent)	(Rs)	
	1	2	3	4	5	6	7	8	9	10	11	12
Big cultivators....	3.6	436	—	13.9	111	31.8	—	—	—	31.6	691	1.2
Large cultivators..	2.6	232	6.8	8.2	73	28.3	0.3	600	—	30.9	480	7.9
Medium cultivators	2.5	655	59.1	3.7	17	—	—	—	—	20.2	234	4.4
Small cultivators..	0.7	290	28.6	0.4	59	—	—	—	—	11.1	174	18.5
All cultivators....	2.0	448	46.6	4.3	50	23.8	0.1	600	—	20.6	327	7.9
Non-cultivators...	2.8	174	36.7	0.4	64	—	—	—	—	1.4	220	50.4
All families.....	2.3	316	43.9	2.6	53	21.4	0.1	600	—	13.0	323	9.1

3.17 Besides the items of capital expenditure mentioned above, there are certain items of family expenditure which occasion borrowing. The relevant data in these respects are given in Table 3.7. Certain characteristic features may be seen as between the large and the small cultivators. A larger proportion of the expenditure on death ceremonies and medical expenses by the small cultivators was financed by borrowing than was similar expenditure by the large cultivators. On the other hand, a larger proportion of the expenditure on marriage and other ceremonies and on litigation by the large cultivators was financed by borrowing than was done by the small cultivators. Of the expenditure on certain essential items like clothing and education also a larger proportion was financed by borrowing in the case of smaller cultivators than in the case of the larger ones. The same was true of the expenditure on the construction and repair of residential houses. In view of this, it seems that much of the expenditure on construction and repair of houses must have been in the nature of urgent and overdue repairs.

3.18 These several data might be usefully summed up by setting up what might be described as a balance of investment and disinvestment for the families in different classes. This is done in Table 3.8. The items of investment are the net purchases of land and livestock, other capital expenditure in agriculture, capital expenditure in non-farm business, financial investment and repayment of debt. The principal item of disinvestment is the fresh borrowing. To this must be added the sale of any assets other than the sale of land and livestock which are already taken account of. It will be seen that, on balance, all classes of families show a net disinvestment. Mention was already made of the expenditure on construction and repair of residential houses. That item was not deliberately shown on the investment

TABLE 3.7—FAMILY EXPENDITURE AND BORROWING FOR THE PURPOSE

[General Schedule data]

Group	CONSTRUCTION AND REPAIRS OF RESIDENTIAL HOUSES AND OTHER BUILDINGS			PURCHASE OF HOUSEHOLD UTENSILS, FURNITURE, ETC.			PURCHASE OF CLOTHING, SHOES, BEDDING, ETC.			DEATH CEREMONIES		
	Pro-portion of fami-lies re-ported ex-pen-diture (Per cent)	Ex-pen-diture per re-ported fam-ily (Rs)	Per cent fin-anced by bor-rowing	Pro-portion of fami-lies re-ported ex-pen-diture (Per cent)	Ex-pen-diture per re-ported fam-ily (Rs)	Per cent fin-anced by bor-rowing	Pro-portion of fami-lies re-ported ex-pen-diture (Per cent)	Ex-pen-diture per re-ported fam-ily (Rs)	Per cent fin-anced by bor-rowing	Pro-portion of fami-lies re-ported ex-pen-diture (Per cent)	Ex-pen-diture per re-ported fam-ily (Rs)	Per cent fin-anced by bor-rowing
	1	2	3	4	5	6	7	8	9	10	11	12
Big cultivators....	24.7	1,318	9.5	24.5	60	23.0	98.9	422	2.1	2.2	1,182	—
Large cultivators..	14.7	1,186	16.1	15.8	45	16.9	99.0	269	5.8	3.4	369	3.2
Medium cultivators	8.2	479	22.4	7.0	33	13.0	98.8	143	7.4	3.1	135	40.5
Small cultivators..	3.9	228	34.8	5.6	16	22.2	98.8	92	7.3	4.2	116	68.8
All cultivators....	8.8	805	18.2	9.2	36	14.7	98.9	166	6.5	3.5	199	26.1
Non-cultivators....	2.6	153	33.3	4.3	18	12.5	95.6	69	2.3	1.1	70	42.9
All families.....	6.3	701	18.8	7.3	32	14.5	97.6	128	5.7	2.5	177	26.8

Group	MARRIAGE AND OTHER CEREMONIES			MEDICAL EXPENSES			EDUCATIONAL EXPENSES			LITIGATION CHARGES		
	Pro-portion of fami-lies re-ported ex-pen-diture (Per cent)	Ex-pen-diture per re-ported fam-ily (Rs)	Per cent fin-anced by bor-rowing	Pro-portion of fami-lies re-ported ex-pen-diture (Per cent)	Ex-pen-diture per re-ported fam-ily (Rs)	Per cent fin-anced by bor-rowing	Pro-portion of fami-lies re-ported ex-pen-diture (Per cent)	Ex-pen-diture per re-ported fam-ily (Rs)	Per cent fin-anced by bor-rowing	Pro-portion of fami-lies re-ported ex-pen-diture (Per cent)	Ex-pen-diture per re-ported fam-ily (Rs)	Per cent fin-anced by bor-rowing
	13	14	15	16	17	18	19	20	21	22	23	24
Big cultivators....	14.1	1,030	63.4	33.8	301	—	44.5	161	—	11.9	518	51.7
Large cultivators..	11.6	797	60.3	25.3	194	5.3	31.4	120	12.0	8.1	488	69.9
Medium cultivators	8.8	525	36.9	18.1	66	20.0	18.9	34	—	4.8	227	26.6
Small cultivators..	2.8	299	14.6	13.3	64	66.3	12.1	43	38.5	3.4	116	10.3
All cultivators....	7.8	627	49.3	18.8	118	15.8	20.6	75	12.9	5.4	325	55.2
Non-cultivators....	4.2	321	37.5	6.0	40	20.8	7.3	38	35.7	0.9	221	57.1
All families.....	6.4	546	47.5	13.7	105	16.1	15.4	68	15.4	3.6	314	55.4

side as its nature was not clear and it was doubtful whether the whole of it could be regarded as an investment. However, without it, as we have seen, all classes of families show a net disinvestment. Hence, we have thought it worthwhile examining the expenditure on construction and repair of residential houses side by side with net disinvestment appearing otherwise. It will be seen that when all families are considered together, the expenditure on construction and repair of residential houses very closely balances the net disinvestment and there appears a small net investment if we may call it such. This balance is, however, concentrated

only with the big and the large cultivators and in the class of small cultivators, there still persists a considerable balance of disinvestment.

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

[General Schedule data]

(Amount in rupees per family.)

Group	INVESTMENT							DISINVESTMENT			Net investment (+) or disinvestment (-)	Construction and repairs of residential houses and other buildings
	Net purchase of land	Net purchase of livestock	Other capital expenditure in agriculture	Capital expenditure in non-farm business	Repayments	Financial investment expenditure	Total investment	Borrowings	Sale of assets other than land and livestock	Total disinvestment		
	1	2	3	4	5	6	7	8	9	10	11	12
Big cultivators . . . .	- 13	+ 282	444	16	218	15	962	1,022	13	1,035	- 72	325
Large cultivators . . .	+ 6	+ 124	200	6	142	7	485	591	6	597	- 111	174
Medium cultivators . .	+ 16	+ 51	14	16	47	1	146	171	5	176	- 31	39
Small cultivators . . .	- 9	+ 9	8	2	19	-	29	61	4	65	- 35	9
All cultivators . . . .	+ 6	+ 60	69	9	68	3	214	260	5	271	- 57	71
Non-cultivators . . . .	-	- 1	-	5	3	-	7	21	3	24	- 17	4
All families . . . . .	+ 3	+ 36	42	7	42	2	131	160	4	173	- 42	44



## CHAPTER 4

### CREDIT NEEDS OF AGRICULTURE

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

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

4.3 In Table 4.1, we give a few details regarding the indebtedness of the selected cultivators and shall compare them with comparable results from the General Schedule. For this purpose, the cultivators covered by the General Schedule have also been grouped only into two groups, namely, the first five and the last five deciles. It is from these two groups, respectively, that the selected cultivators belonging to the upper and the lower strata were selected. It will be seen that while only 54.0 per cent of the cultivators were found to be indebted on the basis of the General Schedule, 62.9 per cent were found to be indebted on the basis of the intensive enquiry. This is true of both the upper and the lower strata of cultivators; in both the groups the intensive enquiry shows a higher proportion of indebted families than did the General Schedule. However, the outstanding debt as per indebted

cultivator is lower in the intensive enquiry than in the General Schedule. As a result, the outstanding debt per family or per acre as given by the two enquiries are in close agreement. The differences between the two may be due to what is called the sampling error ; or they may be real because the two enquiries were done at two different periods during the year by methods which were not exactly identical. However, these differences need not detain us. The agreement between the results of the two enquiries is sufficiently close to demonstrate that the sample of 120 cultivators was satisfactory both in respect of its representative character and in its size so that further results based on it may be found reasonably trustworthy.

**TABLE 4.1—INDEBTEDNESS OF CULTIVATORS**

Group	GENERAL SCHEDULE DATA				INTENSIVE ENQUIRY DATA			
	Proportion of indebted families	Debt per indebted family	Average debt per family	Average debt per acre of cultivated holdings	Proportion of indebted families	Debt per indebted family	Average debt per family	Average debt per acre of cultivated holdings
	(Per cent)	(Rs)	(Rs)	(Rs)	(Per cent)	(Rs)	(Rs)	(Rs)
	1	2	3	4	5	6	7	8
Upper strata .....	66.1	940	621	21.5	75.5	882.3	666.1	25.8
Lower strata .....	42.1	376	158	20.9	50.2	307.3	154.5	19.1
<b>All cultivators .....</b>	<b>54.0</b>	<b>719</b>	<b>389</b>	<b>21.4</b>	<b>62.9</b>	<b>652.6</b>	<b>410.3</b>	<b>24.2</b>

4.4 As will be seen from Table 4.1 the total outstanding debt as shown by the intensive enquiry was Rs 410.3 per cultivator. In Table 4.2, we give a distribution of this amount by the duration in years over which it was outstanding. It will be seen that considering all the cultivators, nearly 75 per cent of the total amount was outstanding for less than one year. In other words, 75 per cent of the outstanding amount was borrowed during the year. Of the remaining 25 per cent, nearly half was outstanding for more than one year, but not more than two years and the other half remained outstanding for two years or more. These proportions hold more or less good for the two groups of cultivators except that apparently a somewhat larger proportion, 80 per cent, of the debt of the smaller cultivators was outstanding for not more than one year.

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

[Intensive enquiry data]

Duration in years	UPPER STRATA		LOWER STRATA		ALL CULTIVATORS	
	Amount (Rs)	Percentage	Amount (Rs)	Percentage	Amount (Rs)	Percentage
One year or less .....	494.2	74.2	123.5	80.0	308.9	75.3
One to two years .....	85.5	12.8	14.8	9.6	50.2	12.2
Two years and more .....	86.4	13.0	16.1	10.4	51.2	12.5
<b>Total .....</b>	<b>666.1</b>	<b>100.0</b>	<b>154.5</b>	<b>100.0</b>	<b>410.3</b>	<b>100.0</b>

4.5 Returning to the outstanding debt of all the cultivators, we might note that out of the total outstanding debt of Rs 410.3, Rs 308.9 was outstanding for not more than one year while the remaining Rs 101.4 remained outstanding for more than one year. It should be clearly understood that the above mentioned amounts are the amounts outstanding; in particular they are not the amounts originally borrowed. In Table 4.3, we give particulars regarding the original principals of these outstanding amounts. We also show what part of the outstanding amount was out of the original principal and what part was the accumulated interest dues. These particulars are of no great consequence and they are given merely to clarify the sources of various figures being presented. Incidentally, we might note that in the amount outstanding for not more than one year, the interest dues form about 7.6 per cent of the principal outstanding while in respect of the amount outstanding for more than one year their proportion works out at nearly 13.4 per cent.

4.6 The point of immediate interest is that a large part of the outstanding debt was on account of the borrowing made during the course of the previous year. Actually the cultivators incurred, on an average, net borrowing of Rs 289.9; most of this remained outstanding together with certain interest dues. Besides, the cultivators had also borrowed certain sums during the year which they had fully repaid during the course of the year. Such sums amounted to Rs 26.5 per cultivator. Thus, the total borrowing during the year amounted to Rs 316.4 per cultivator.

**TABLE 4.3—DEBT OWED BY THE SELECTED CULTIVATORS CLASSIFIED ACCORDING TO PRINCIPAL AND INTEREST**

[Intensive enquiry data]

(Amount in rupees per family)

Group	AMOUNT OUTSTANDING FOR ONE YEAR OR LESS					AMOUNT OUTSTANDING FOR MORE THAN ONE YEAR				
	Am- ount origi- nally bor- rowed	AMOUNT OUTSTANDING				Am- ount origi- nally bor- rowed	AMOUNT OUTSTANDING			
		Total	Princi- pal	Inter- est	Inter- est as percent- age of princi- pal		Total	Princi- pal	Inter- est	Inter- est as percent- age of princi- pal
1	2	3	4	5	6	7	8	9	10	
Upper strata....	469.0	<b>494.2</b>	463.1	31.1	6.7	208.7	<b>171.9</b>	149.2	22.7	15.2
Lower strata....	110.8	<b>123.5</b>	110.8	12.7	11.5	52.5	<b>30.9</b>	29.6	1.3	4.4
<b>All cultivators</b>	<b>289.9</b>	<b>308.9</b>	<b>287.0</b>	<b>21.9</b>	<b>7.6</b>	<b>130.6</b>	<b>101.4</b>	<b>89.4</b>	<b>12.0</b>	<b>13.4</b>

4.7 In Table 4.4, we give a distribution of the amount outstanding for more than one year and the amount borrowed during the year, according to the purpose for which they were borrowed. We propose to keep these two distinct as they are likely to show somewhat different characteristics. It will be seen that 30.8 per cent of the amount outstanding for more than one year was borrowed for long-term

agricultural purposes, that is, for capital expenditure in agriculture. It is possible that this percentage was actually somewhat larger; a very large proportion, 39·3 per cent, of the outstanding amount has been shown as having borrowed for 'other purposes', which category includes several amounts which were reported as having borrowed for more than one purpose and which thus could not be classified under any single purpose. The proportion borrowed for long-term agricultural purposes was naturally smaller in the amount borrowed during the year. Short-term agricultural purposes, that is to say, requirements of current farm expenditure, accounted for 27·6 per cent of the amount borrowed during the year while 24·6 per cent of it was for long-term consumption purposes, that is to say, for family needs of a long-term character, such as construction and repair of residential houses.

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

[Intensive enquiry data]

Purpose/Duration	UPPER STRATA		LOWER STRATA		ALL CULTIVATORS	
	Amount outstanding for more than one year	Amount borrowed during the year	Amount outstanding for more than one year	Amount borrowed during the year	Amount outstanding for more than one year	Amount borrowed during the year
	1	2	3	4	5	6
Short-term agricultural.....	4·4	30·1	25·5	16·5	7·6	27·6
Long-term agricultural.....	26·4	12·0	55·5	54·0	30·8	19·9
Short-term non-agricultural...	—	—	—	—	—	—
Long-term non-agricultural...	—	—	—	—	—	—
Short-term consumption.....	7·2	9·3	—	16·0	6·1	10·5
Long-term consumption.....	10·8	30·3	19·0	—	12·0	24·6
Repayment of old debts.....	4·9	—	—	—	4·2	—
Other purpose.....	46·3	18·3	—	13·5	39·3	17·4
<b>Total per family (Rs)....</b>	<b>171·9</b>	<b>514·2</b>	<b>30·9</b>	<b>118·7</b>	<b>101·4</b>	<b>316·4</b>

4.8 As we did in the case of the General Schedule data, we might examine the purposes of borrowing by considering the occasions of borrowing and the extent to which the expenditure on such occasions was financed by borrowing. We might begin with the long-term needs, that is to say, the capital investment needs of agriculture. In Table 4.5, we give for the two groups of cultivators their average capital expenditure in various forms of investment in agriculture and also in non-farm business and the extent to which such expenditure was financed by borrowing. It will be seen that between 40 and 50 per cent of the investment expenditure on each item was financed by borrowing. A rather large proportion of the expenditure on purchase of implements and machinery seems to have been financed by borrowing. This might be due to the special loans under the Grow More Food Schemes which were available for the purchase of pumping sets. Between the cultivators of the upper and the lower strata, the former seem to borrow to a greater extent to finance their investment expenditure on almost all items except the purchase of livestock. For the purchase of livestock, the cultivators of the lower strata seem to be in greater need of borrowing. This fact was also brought out by the data from the General Schedule presented in the previous chapter.

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

[Intensive enquiry data]

Item of expenditure	UPPER STRATA		LOWER STRATA		ALL CULTIVATORS	
	Expendi- ture per family	Proportion financed by borrowing	Expendi- ture per family	Proportion financed by borrowing	Expendi- ture per family	Proportion financed by borrowing
	(Rs)	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)
	1	2	3	4	5	6
<b>Total capital expenditure in agriculture.....</b>	<b>350.2</b>	<b>54.7</b>	<b>177.9</b>	<b>39.4</b>	<b>264.1</b>	<b>49.5</b>
Purchase of land.....	65.7	58.0	142.6	33.3	104.1	41.1
Reclamation of land.....	—	—	—	—	—	—
Bunding and other land improvements.....	14.4	50.3	1.2	100.0	7.8	54.0
Digging and repair of wells...	40.0	42.6	—	—	20.0	42.6
Development of other irrigation resources.....	9.8	33.3	—	—	4.9	33.3
Laying of new orchards and plantations.....	6.6	100.0	—	—	3.3	100.0
Purchase of livestock.....	98.8	48.6	34.1	62.9	66.5	52.2
Purchase of implements and machinery.....	101.0	70.6	—	—	50.5	70.6
Construction of farm houses, cattle sheds, etc.....	13.9	—	—	—	7.0	—
Other capital investment in agriculture.....	—	—	—	—	—	—
Capital expenditure in non-farm business.....	1.9	—	19.0	—	10.5	—

4.9 It is obvious from these data and also from the data presented in the previous chapter that a large part of the capital investment expenditure in agriculture was financed by borrowing. In view of this, it may be of interest to examine the level of such capital expenditure. We might do this by examining the volume of investment expenditure in relation to the assets of the cultivator. In Table 4.6, we give for the two classes of cultivators, their total assets in owned land, buildings including the residential houses, livestock and implements. In a parallel column is shown their investment expenditure in improving or adding to these assets. However, in the case of land we have not included, for obvious reasons, the expenditure on purchase of land in this category ; instead, we have included only the expenditure on reclamation, bunding, digging and repair of wells, development of other irrigation sources and such other measures of land improvement. In the case of buildings, we have included expenditure on the construction and repair of farm houses, cattle sheds and also the residential houses. In the case of livestock and implements, we have included the expenditure on their purchase, during the year under report. It will be seen that the owned land and to a smaller extent the owned buildings, form the major part of the assets of the cultivators and that the value of livestock and implements is indeed relatively very small. The relation of the annual investment expenditure to the value of the assets is of some interest. Thus, considering the two groups of cultivators together, we see that the annual expenditure on land

improvements, forms only 0.3 per cent of the value of land and the expenditure on the construction and repair of buildings forms 3.1 per cent of the value of buildings. The scale of investment expenditure by the cultivators of the lower strata in both these respects is much smaller. In both the cases the investment expenditure is gross of depreciation and if due allowance is made for depreciation of land and buildings, it is obvious that there will emerge little net investment in both the respects.

**TABLE 4.6—INVESTMENT EXPENDITURE IN RELATION TO VALUE OF ASSETS**  
(Intensive enquiry data)

(Amount in rupees per family)

Assets	UPPER STRATA			LOWER STRATA			ALL CULTIVATORS		
	Value of assets (Rs)	Investment expenditure (Rs)	Investment as percentage of total value	Value of assets (Rs)	Investment expenditure (Rs)	Investment as percentage of total value	Value of assets (Rs)	Investment expenditure (Rs)	Investment as percentage of total value
	1	2	3	4	5	6	7	8	9
Land.....	20,012.6	64.2	0.3	5,560.0	1.2	0.02	12,786.3	32.7	0.3
Buildings.....	3,117.8	113.4	3.6	790.0	7.8	1.0	1,953.0	60.7	3.1
Livestock.....	1,207.6	98.8	8.2	490.0	34.1	7.0	848.8	66.5	7.8
Implements and machinery.....	530.2	101.0	19.0	110.0	—	—	320.1	50.5	15.8

4.10 We might next examine the short-term credit needs of agriculture ; they are the credit needs of the current farm operations. That in fact was the main purpose of the intensive enquiry into the farm business of the sample of cultivators. As a preliminary to the discussion of the credit needs for this purpose, we might briefly describe the broad features of the farm business of the selected cultivators. It will be useful to do this separately for the two groups of cultivators, namely, the larger and the smaller cultivators. The average sizes of the cultivated holdings in the two groups of cultivators were 25.8 and 8.1 acres, respectively ; the average sizes of their sown area were 27.3 and 8.8 acres, respectively. Thus, broadly speaking, the average size of the farm business of the larger cultivators was three times as large as that of the smaller cultivators. In Table 4.7, we present a few accounting details of their respective farm business.

4.11 From the statements given in this table, it will appear, that taking into account the current farm receipts and expenditure and certain other cash receipts of the farmers, the total balance left with the cultivator was about the same in both the groups of cultivators ; it was Rs 447.7 per cultivator in the group of the larger cultivators and Rs 426.0 per cultivator in the group of the smaller cultivators. The smaller cultivators were able to achieve this comparatively large balance partly because of the cash wages which their family members earned outside their farms. Family members of the larger cultivators also earned similar wages but they were much smaller. Thus, the cash wages earned outside were Rs 65.9 per cultivator in the group of the larger cultivators and Rs 154.9 per cultivator in the group of the smaller cultivators. If we omit these from the balance sheets, the total balance

appears to be Rs 381·8 per cultivator for the larger cultivators and Rs 271·1 per cultivator for the smaller cultivators. Thus, omitting the cash wages earned outside, the balance of the larger cultivators appears larger than that of the smaller cultivators but it is not large enough considering that the cultivated holdings of the larger cultivators were on an average three times as large as those of the smaller cultivators.

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

[Intensive enquiry data]

(Amount in rupees per family)

Item	Upper Strata	Lower Strata	All cultivators
<b>Current Farm Expenses</b>			
1. Cash wages paid to hired labour (including remuneration to annual farm servants).....	458·0	39·4	248·7
2. Other cash expenditure.....	445·8	86·8	266·3
3. <b>Total cash expenditure</b> .....	<b>903·8</b>	<b>126·2</b>	<b>515·0</b>
4. Wages paid in kind.....	29·4	6·6	18·0
5. Other expenditure in kind.....	232·2	56·2	144·2
6. <b>Total expenditure in kind</b> .....	<b>261·6</b>	<b>62·8</b>	<b>162·2</b>
7. <b>Total Expenditure</b> .....	<b>1,165·4</b>	<b>189·0</b>	<b>677·2</b>
<b>Current Farm Receipts</b>			
8. Cash proceeds of sale of farm produce.....	751·2	173·6	462·4
9. Cash wages earned.....	65·9	154·9	110·4
10. Other cash receipts.....	29·6	13·6	21·6
11. <b>Total cash receipts</b> .....	<b>846·7</b>	<b>342·1</b>	<b>594·4</b>
12. Value of unsold produce.....	766·4	272·9	519·6
13. <b>Total receipts in kind</b> .....	<b>766·4</b>	<b>272·9</b>	<b>519·6</b>
14. <b>Total Receipts</b> .....	<b>1,613·1</b>	<b>615·0</b>	<b>1,114·0</b>
<b>Balance of Receipts and Expenditure</b>			
15. Cash balance.....	—57·1	215·9	79·4
16. Balance in kind.....	504·8	210·1	357·4
17. <b>Total Balance</b> .....	<b>447·7</b>	<b>426·0</b>	<b>436·8</b>

4.12 If we add together the cash proceeds of sale of farm produce and the value of the unsold produce, we obtain the gross value of the farm produce. This was Rs 1,517·6 per cultivator for the larger cultivators and Rs 446·5 per cultivator for the smaller cultivators. If we compare these on the basis of per acre of their sown area, they are nearly Rs 56 per acre for the larger cultivators and Rs 51 per acre for the smaller cultivators. Thus, the per acre gross produce of the larger cultivators was not any smaller. Nevertheless, they obtained a much smaller balance per acre of their holding or per acre of their sown area than did the smaller cultivators. The reason for this appears to be that the larger cultivators incurred a much larger expenditure per acre of their sown area. Thus, it will be seen that the total expenditure works out to be nearly Rs 43 per sown acre for the larger cultivators and only about Rs 21 per sown acre for the smaller cultivators. An important item of expenditure on which the larger cultivators incurred very large expenditure as compared with the smaller cultivators was wages paid to farm labour including remuneration to annual

farm servants. Thus, if we add the cash and the kind wages paid as shown in Table 4.7, they come to Rs 487·4 per cultivator for the larger cultivators and only Rs 46·0 per cultivator for the smaller cultivators. This was to be expected. But even if we exclude these from the total expenditure, the per acre expenditure on other items also appears somewhat larger in the case of the larger cultivators than in the case of the smaller cultivators. Thus, excluding wages paid, the expenditure per sown acre appears to be nearly Rs 25 per sown acre for the larger cultivators and Rs 16 per sown acre for the smaller cultivators.

4.13 It will not be appropriate to comment on these aspects without a fuller examination of the data. We do not propose to do this as that would lead us into a detailed discussion of the farm business. Instead, we would invite attention to a point which is of immediate interest to our enquiry, namely, the composition of the total balance. As we have noted in the above, the total balance, when other cash receipts are taken into account, is more or less the same for the two groups of cultivators. However, the division of this balance into cash and kind is characteristically different in the two cases. In the group of the larger cultivators, it actually results into a small cash deficit which is, of course, covered by the balance in kind ; in the group of smaller cultivators, the total balance is nearly equally divided between the cash and kind balances. In their cash resources, the position of the smaller cultivators thus appears to be obviously much easier.

4.14 The reason for the comparatively difficult cash position of the larger cultivators is that they have to incur disproportionately large cash expenditure, particularly on the wages. The smaller cultivators incur much smaller cash expenditure ; and they earn substantially larger cash wages. That makes for their easier cash position. However, there is another reason why the cash position of the larger cultivators appears to be so difficult. As will appear, the larger cultivators had retained with themselves a large balance of unsold produce. Thus, the balance of unsold produce was worth Rs 766·4 per cultivator for the larger cultivators and Rs 272·9 per cultivator for the smaller cultivators. The larger cultivators must, of course, retain larger stocks of unsold produce ; they have larger expenditure in kind to incur and presumably have larger families to feed. However, even if we make allowance for the expenditure in kind, all of which was not in either grain or fodder, the balance in kind resting with the larger cultivators appears very much larger than that with the smaller cultivators. The balance in kind was Rs 504·8 per cultivator for the larger cultivators and Rs 210·1 per cultivator for the smaller cultivators. Thus, the balance in kind with the larger cultivators was nearly two and a half times that with the smaller cultivators. That appears relatively too large to be explained as required by possibly larger families of the larger cultivators.

4.15 If, as is possible, the balance in kind resting with the larger cultivators was, what was required by their family needs, it would seem that the balance in kind of the smaller cultivators was inadequate for their purpose and that they would have to buy grains for family needs sometime during the year. Or it might be that



the larger cultivators had retained a part of their saleable surplus ; they might do this in expectation of better prices or merely as a precaution until the next harvest was in sight. We have noted earlier that the crops during the year were below the average ; it was possible, therefore, that the existence of relatively large stocks of unsold produce with the larger cultivators was an exceptional feature of a bad year.

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

4.17 In Table 4.8, we give a few details for the two groups of cultivators, regarding their current cash farm expenditure and cash receipts during the two halves of the year. We shall focus attention on the uneven distribution of the cash receipts and cash expenditure over the year. As will be seen, this feature is common to the cash accounts of both the groups of cultivators. The cultivators of the upper strata seem to have an average cash deficit of Rs 326·3 during the first half of the year ; and during the second half of the year, they have an average cash surplus of Rs 269·1. The cultivators of the lower strata do not experience any cash deficit in either period but their cash surplus during the first period is quite small and they owe it to their earnings from cash wages. The need for credit for conducting current operations of farming is, therefore, obvious.

4.18 The seasonal nature of the credit needs for current farm operations also becomes evident, if we examine the very short-term borrowings reported by the cultivators. We have noted earlier that during the year under report, the cultivators had borrowed a certain sum which they had fully repaid during the course of the year and that this sum amounted to Rs 26·5 per cultivator. A distribution of this

amount according to the month in which it was borrowed and the month in which it was repaid is instructive. This is shown in Table 4.9. It will be seen that the amount was mostly borrowed between April and October and that it was repaid between October and March.

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

[Intensive enquiry data]

(Amount in rupees per family)

Group	Current cash farm expenses	CASH FARM RECEIPTS						Balance of receipts and expenditure
		Sale of crops and fodder	Sale of seed, plants and live-stock products	Cash wages	Carting	Other cash receipts	Total	
	1	2	3	4	5	6	7	8
<b>April-September 1951</b>								
Upper strata.....	533.0	169.6	4.5	24.1	6.5	2.0	<b>206.7</b>	-326.3
Lower strata.....	78.6	38.1	4.2	63.9	0.6	-	<b>106.8</b>	+ 28.2
<b>All cultivators.....</b>	<b>305.8</b>	<b>103.9</b>	<b>4.3</b>	<b>44.0</b>	<b>3.6</b>	<b>1.0</b>	<b>156.8</b>	<b>-149.0</b>
<b>October 1951-March 1952</b>								
Upper strata.....	370.8	581.6	5.6	41.8	9.4	1.5	<b>639.9</b>	+269.1
Lower strata.....	47.6	135.4	4.5	91.0	3.9	0.5	<b>235.3</b>	+187.7
<b>All cultivators.....</b>	<b>209.2</b>	<b>358.5</b>	<b>5.0</b>	<b>66.4</b>	<b>6.7</b>	<b>1.0</b>	<b>437.6</b>	<b>+228.4</b>
<b>April 1951-March 1952</b>								
Upper strata.....	903.8	751.2	10.1	65.9	16.0	3.5	<b>846.7</b>	- 57.1
Lower strata.....	126.2	173.6	8.6	154.9	4.5	0.5	<b>342.1</b>	+215.9
<b>All cultivators.....</b>	<b>515.0</b>	<b>462.4</b>	<b>9.3</b>	<b>110.4</b>	<b>10.3</b>	<b>2.0</b>	<b>594.4</b>	<b>+ 79.4</b>

4.19 We might now examine for the two groups of cultivators and for the two periods, their average cash expenditures on different items of cultivation and the extent to which such expenditure was financed through borrowing. This is done in Table 4.10. It will be seen that considering all the cultivators together and the whole year, nearly 13 per cent of all current cash expenditure of farming was financed by borrowing. Between the two periods naturally borrowing had to be resorted to a greater extent, during the first period than during the second period. Of the expenditure incurred during the first period 15.5 per cent was met by borrowing. Of the expenditure incurred during the second period 9.8 per cent was met by borrowing. As between the two groups of cultivators, as we have observed, the level of total expenditure by the smaller cultivators is much below that of the expenditure by the larger cultivators. Nevertheless, the smaller cultivators resort to borrowing for meeting the current farm expenditure comparatively to a greater extent than do the larger cultivators. 19.9 per cent of the current farm expenditure by the smaller cultivators was met by borrowing, while only 12.2 per cent of the similar expenditure by the larger cultivators was met by borrowing. Among the several

items of expenditure, purchase of seed and payment of cash wages to labour were financed mostly by borrowing. For both these items of expenditure the smaller cultivators have borrowed relatively to a greater extent than did the larger cultivators. In addition, the smaller cultivators also financed to a larger extent their expenditure on manure. Their expenditure on manure was much smaller than that of the larger cultivators. But more than 60 per cent of it was met by borrowing. A large amount of expenditure has been shown unclassified under 'other cash expenditure'. This is particularly true of the larger cultivators in whose case the item amounts to Rs 424·5. A major item included in this is salaries paid to annual farm servants. They amount to Rs 276·4. Judging from the extent to which the larger cultivators borrowed in order to pay the cash wages, a certain amount of borrowing must have also taken place, in order to pay the salaries of farm servants. Taking into account the entire item of 'other cash expenditure', the larger cultivators had met it by borrowing to the extent of 11·9 per cent. In the case of smaller cultivators, the item was small and did not cause much borrowing.

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

[Intensive enquiry data]

(Amount in rupees per family)

Month	UPPER STRATA		LOWER STRATA		ALL CULTIVATORS	
	Borrow-ings	Repay-ments	Borrow-ings	Repay-ments	Borrow-ings	Repay-ments
	1	2	3	4	5	6
1951						
April.....	25·3	—	—	—	12·6	—
May.....	13·1	—	2·6	—	7·9	—
June.....	—	—	—	—	—	—
July.....	2·6	—	—	—	1·3	—
August.....	3·4	—	—	—	1·7	—
September.....	—	—	—	—	—	—
October.....	—	5·6	5·3	—	2·6	2·8
November.....	0·8	2·4	—	—	0·4	1·2
December.....	—	2·4	—	2·6	—	2·5
1952						
January.....	—	—	—	—	—	—
February.....	—	—	—	—	—	—
March.....	—	34·1	—	5·3	—	19·7
Not specified.....	—	0·8	—	—	—	0·4
<b>Total.....</b>	<b>45·2</b>	<b>45·2</b>	<b>7·9</b>	<b>7·9</b>	<b>26·5</b>	<b>26·5</b>

4.20 Finally, we might examine the expenditure on a few items of family expenditure and the extent to which it was met by borrowing. This is done on the same lines as it was in the previous chapter. In Table 4.11, we give for the two groups of cultivators, the data regarding their average expenditure on a number of items of family expenditure and the extent to which such expenditure was financed by borrowing. If these are compared with similar data from the General Schedule

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

[Intensive enquiry data]

(Amount in rupees per family)

Item of expenditure	APRIL TO SEPTEMBER 1951			OCTOBER 1951 TO MARCH 1952			APRIL 1951 TO MARCH 1952		
	Total expenditure	Borrowings	Proportion of expenditure financed by borrowing (Percent)	Total expenditure	Borrowings	Proportion of expenditure financed by borrowing (Percent)	Total expenditure	Borrowings	Proportion of expenditure financed by borrowing (Percent)
	1	2	3	4	5	6	7	8	9
<b>Upper Strata</b>									
Purchase of seed.....	62.9	19.2	30.5	16.0	1.9	11.9	78.9	21.1	26.7
Purchase of manure.....	97.9	7.4	7.6	14.4	—	—	112.3	7.4	6.6
Purchase of fodder.....	58.4	3.6	6.2	48.0	—	—	106.5	3.6	3.4
Cash wages.....	115.1	25.4	22.1	66.6	2.3	3.5	181.6	27.7	15.3
Other cash expenditure .	198.7	17.6	8.9	225.8	32.9	14.6	424.5	50.6	11.9
<b>Total.....</b>	<b>533.0</b>	<b>73.2</b>	<b>13.7</b>	<b>370.8</b>	<b>37.2</b>	<b>10.0</b>	<b>903.8</b>	<b>110.4</b>	<b>12.2</b>
<b>Lower Strata</b>									
Purchase of seed.....	22.0	8.1	36.8	6.9	0.9	13.0	28.9	9.0	31.1
Purchase of manure.....	4.2	2.6	61.9	—	—	—	4.2	2.6	61.9
Purchase of fodder.....	19.2	—	—	4.4	1.4	31.8	23.6	1.4	5.9
Cash wages.....	23.6	10.4	44.1	12.7	1.3	10.2	36.3	11.8	32.5
Other cash expenditure .	9.7	0.3	3.1	23.6	—	—	33.2	0.3	0.9
<b>Total.....</b>	<b>78.6</b>	<b>21.4</b>	<b>27.2</b>	<b>47.6</b>	<b>3.7</b>	<b>7.8</b>	<b>126.2</b>	<b>25.1</b>	<b>19.9</b>
<b>All Cultivators</b>									
Purchase of seed.....	42.4	13.6	32.1	11.5	1.4	12.2	53.9	15.0	27.8
Purchase of manure.....	51.0	5.0	9.8	7.2	—	—	58.2	5.0	8.6
Purchase of fodder.....	38.8	1.8	4.6	26.2	0.7	2.7	65.0	2.5	3.8
Cash wages.....	69.4	17.9	25.8	39.7	1.8	4.5	109.0	19.7	18.1
Other cash expenditure .	104.2	8.9	8.5	124.7	16.5	13.2	228.9	25.4	11.1
<b>Total.....</b>	<b>305.8</b>	<b>47.3</b>	<b>15.5</b>	<b>209.2</b>	<b>20.4</b>	<b>9.8</b>	<b>515.0</b>	<b>67.7</b>	<b>13.1</b>

presented in the previous chapter, there appears a substantial difference between the two. On the basis of the data from the intensive enquiry, the cultivators seem to borrow to a much greater extent for their family expenditure than it appeared on the basis of the General Schedule data. The extent of borrowing for the construction and repair of residential houses, and for the marriage and the death ceremonies, as appearing in the intensive enquiry data is much larger than it does on the

basis of the General Schedule data. If the difference between the two sets of results is real and not due to smallness of the sample of cultivators chosen for the intensive enquiry, it must be ascribed to the difference between the two periods to which the two enquiries related. In particular, it might be a concomitant of a general rise in the level of indebtedness as is observed to have occurred during the period under report.

**TABLE 4.11—EXTENT OF BORROWING FOR FAMILY AND OTHER EXPENDITURE**  
[Intensive enquiry data]

Item of expenditure	UPPER STRATA		LOWER STRATA		ALL CULTIVATORS	
	Expendi- ture per family	Proportion financed by borrowing	Expendi- ture per family	Proportion financed by borrowing	Expendi- ture per family	Proportion financed by borrowing
	(Rs)	(Per cent)	(Rs)	(Per cent)	(Rs)	(Per cent)
	1	2	3	4	5	6
<b>Total family expenditure...</b>	<b>607.9</b>	<b>41.1</b>	<b>148.4</b>	<b>16.2</b>	<b>378.2</b>	<b>36.2</b>
Construction and repairs of residential houses and other buildings.....	99.5	77.9	7.8	17.1	53.7	73.4
Purchase of household utensils, furniture, etc.....	6.4	4.7	1.4	100.0	3.9	22.2
Death ceremonies.....	10.5	98.9	0.2	—	5.4	96.9
Marriage and other ceremonies.	167.2	68.4	22.6	31.6	94.9	64.0
Medical expenses.....	27.5	6.8	7.2	16.5	17.4	8.8
Educational expenses.....	43.3	9.1	2.4	—	22.9	8.6
Clothing, shoes, bedding, etc...	207.7	7.2	106.2	12.3	157.0	8.9
Litigation charges.....	45.7	57.6	0.5	—	23.1	57.0
Repayment of old debts.....	123.6	5.3	56.7	—	90.2	3.7
Purchase of shares in co- operative societies, banks, etc.	1.9	—	—	—	1.0	—

4.21 The borrowing described so far was all of cash loans. In addition to these, the cultivators also reported having borrowed grain. Particulars regarding these grain loans are given in Table 4.12. It will be seen that 24.3 per cent of the cultivators had borrowed grain during the year. It is noteworthy that the proportion of cultivators borrowing grain was not much smaller among the cultivators of the upper strata than among the cultivators of the lower strata. On the other hand, the quantity of grain borrowed by the borrowing cultivators from the upper strata was much larger than that borrowed by cultivators from the lower strata. As a result, even the average grain borrowings of the cultivators in the upper strata are somewhat higher than those of the cultivators in the lower strata. This is surprising because the grains borrowed were mostly millets and were presumably for consumption. A large part of the quantity borrowed during the year had also remained outstanding. The quantity outstanding was 113.1 per cent of the quantity borrowed, the balance being the interest dues. A small quantity had also remained outstanding for more than one year and surprisingly this was all to be found with the cultivators from the upper strata.

**TABLE 4.12—GRAIN LOANS BORROWED DURING THE YEAR**  
 [Intensive enquiry data]

(Quantity in seers)

Group	Proportion of borrowing families  (Per cent)	Quantity borrowed per borrowing family	QUANTITY BORROWED PER FAMILY				Quantity borrowed and fully repaid during the year per family	Quantity borrowed but not fully repaid per family	Quantity outstanding on loans borrowed during the year per family	Quantity outstanding as per cent of quantity borrowed	Quantity outstanding for more than one year per family	Total quantity outstanding per family
			Total	Rice	Millets	Other cereals						
	1	2	3	4	5	6	7	8	9	10	11	12
Upper strata.....	21.2	350.4	74.3	—	72.0	2.3	8.1	68.2	74.8	109.7	56.0	130.8
Lower strata.....	27.4	241.4	66.1	4.6	57.0	4.6	12.0	54.2	63.6	117.3	—	63.6
All cultivators...	24.3	288.9	70.2	2.3	64.5	3.4	9.0	61.2	69.2	113.1	28.0	97.2

4.22 The year under report was generally unsatisfactory and the crop yields were reportedly less than half the normal yields. It is possible, therefore, that the above mentioned circumstances were exceptional. If the year was in fact exceptionally bad, that would also explain the large growth in the outstanding debt that was noted in the previous chapter.

## CHAPTER 5

### CREDIT AGENCIES

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

5.2 We shall begin by presenting relevant data from the General Schedule. In Table 5.1, we give a distribution of the outstanding debt of the cultivating and the non-cultivating families according to the credit agency. It will be seen that considering all the families together, 13·9 per cent of the outstanding debt was owed to Government ; 24·9 per cent was owed to co-operative societies and commercial banks and the rest, that is 61·2 per cent, was due to private agencies other than the commercial banks. Among the private agencies, the professional moneylenders accounted for 24·8 per cent of the total outstanding debt ; traders and commission agents for 4·7 per cent ; agriculturist moneylenders for 6·7 per cent and landlords for 4·3 per cent. The remaining 20·6 per cent was lent by relatives of the debtors. Incidentally, we might note the distinction between the agriculturist moneylender and the landlord, as it is made for the purpose of this chapter. An agriculturist moneylender is mainly an agriculturist doing only incidental moneylending. He is to be distinguished from the professional moneylender. The landlord may either be a professional moneylender or an agriculturist moneylender. He is recorded as a landlord only when he lends as a landlord to his tenants.

5.3 There is considerable variation in the shares of these agencies in the outstanding debt of the families belonging to different strata. The share of Government in the outstanding debt of the medium cultivators is larger than that in the debt of the big cultivators. But this is because of the relatively very large outstanding debt of the big cultivators as compared with that of the medium or the small cultivators. The average outstanding debt of the big cultivators is more than five times that of the medium cultivators. Hence, even though they owe to Government on an average much larger amounts than do the medium or the small cultivators, the share of Government in their total outstanding debt appears to be relatively small.

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

[General Schedule data]

Group	Total debt per family (Rs)	PROPORTION OF OUTSTANDING DEBT ACCORDING TO CREDIT AGENCY (Per cent)						
		Government	Co-operative and commercial banks*	Relatives	Landlords	Agriculturist money-lenders	Professional money-lenders	Traders and commission agents
		1	2	3	4	5	6	7
Big cultivators.....	1,388	8.8	41.2	19.9	4.3	4.1	17.9	3.9
Large cultivators.....	825	13.3	32.8	21.1	5.0	4.7	18.6	4.5
Medium cultivators....	271	18.4	14.0	18.4	4.8	8.5	32.5	3.0
Small cultivators.....	106	13.2	16.0	18.9	0.9	13.2	34.0	2.8
All cultivators.....	389	14.8	26.3	20.2	4.6	6.4	23.6	4.0
Non-cultivators.....	39	0.3	3.1	27.5	—	11.5	42.0	15.6
All families.....	251	13.9	24.9	20.6	4.3	6.7	24.8	4.7

Separate data on debt owed to co-operative and commercial banks are not available.

5.4 The co-operative societies and the commercial banks appear to be the principal creditors for the big and the large cultivators. More than 40 per cent of the debt of the big cultivators and nearly 33 per cent of the debt of the large cultivators is due to these agencies. As against this, only 14 to 16 per cent of the outstanding debt of the medium or the small cultivators is due to them. It is thus obvious that the outstanding loans from the co-operative societies and the commercial banks are very greatly concentrated into the hands of the big or the large cultivators.

5.5 The medium and the small cultivators seem overwhelmingly indebted to the professional or to the agriculturist moneylenders. More than 40 per cent of the debt of the medium cultivators and more than 47 per cent of the debt of the small cultivators is due to the professional or the agriculturist moneylenders. The professional moneylenders alone account for about one-third of the outstanding debt of the medium or the small cultivators. The same is true, and to a greater extent, of the debt of the non-cultivating families.

5.6 The shares of the landlords and traders are not large and are more or less equal in the outstanding debt of the big, the large and the medium cultivators. The small cultivators, however, do not seem to derive equal assistance from them, particularly even from the landlords. The shares of the relatives, in the debt of all the classes of families are more or less equal, accounting for nearly 20 per cent of the total outstanding debt; only the non-cultivators seem to depend to a greater extent on their relatives.

5.7 This is the position regarding the outstanding debt. We might similarly examine the composition of the borrowings during the year. The distribution of the borrowings by the families in the different strata according to the credit agency is given in Table 5.2. It will be seen that the shares of Government drop very



considerably. The main difference, relevant to the present discussion, between the composition of the borrowings in a year and the composition of the debt outstanding at a moment, is that while the borrowing during a year represents in appropriate proportions loans borrowed for various periods or loans which may remain outstanding over varying periods, the debt outstanding at a moment includes a larger proportion of the debt which has remained outstanding for longer periods. Thus, if Government loans were for longer periods than were the loans from other agencies, they will show more prominently in the outstanding debt than they do in the borrowings during a year. As we shall see in a subsequent section, the Government loans were in fact meant in large part for long-term agricultural purposes. Hence, they show much less prominently in the borrowings during a year than they do in the outstanding debt at a point of time.

5.8 On the other hand, the share of the co-operative societies and the commercial banks appears to be somewhat larger in the borrowings than in the outstanding debt. It may be noted, however, that their shares in the borrowings and the outstanding debt of the big cultivators are nearly equal and that their shares in the borrowings by the other cultivators are only moderately larger than their shares in the outstanding debts of these cultivators. This means that the loans from the co-operative societies and the commercial banks to all cultivators except the big ones, were mostly short-term loans though they must not have been for periods much shorter than a year. It is their loans to the big cultivators only that were made for long-term purposes or more probably were allowed to remain outstanding over a longer period. Incidentally, we might note that the concentration into the hands of the big and the large cultivators of the loans from the commercial banks is even larger than that of the loans from the co-operative societies.

**TABLE 5.2—PERCENTAGE DISTRIBUTION OF BORROWINGS ACCORDING TO CREDIT AGENCY**

[General Schedule data]

Group	Total borrowings per family (Rs)	PROPORTION OF OUTSTANDING DEBT ACCORDING TO CREDIT AGENCY (Per cent)								
		Government	Co-operatives	Relatives	Landlords	Agriculturist money-lenders	Professional money-lenders	Traders and commission agents	Commercial banks	Others
		1	2	3	4	5	6	7	8	9
Big cultivators.....	1,022	0.3	28.6	27.1	—	6.7	19.6	5.2	12.5	—
Large cultivators.....	591	2.8	23.8	28.2	—	9.0	17.4	6.8	12.0	—
Medium cultivators....	171	5.4	15.0	24.8	—	27.8	18.3	5.6	3.1	—
Small cultivators.....	61	1.2	15.1	31.4	—	26.7	12.6	8.0	5.0	—
All cultivators.....	266	3.3	21.0	27.5	—	15.0	17.3	6.6	9.3	—
Non-cultivators.....	21	—	1.4	35.6	—	42.9	9.8	10.3	—	—
All families.....	169	3.2	20.0	27.9	—	16.4	16.9	6.8	8.8	—

5.9 Somewhat the opposite is true of the shares of the professional money-lenders. It is in respect of the medium and the small cultivators and the

non-cultivators that their share is smaller in the borrowing than in the outstanding debt. Thus, they accounted for 32·5, 34·0 and 42·0 per cent of the outstanding debt of the medium cultivators, the small cultivators and the non-cultivating families, respectively. On the other hand, their shares in the borrowings of these classes of families were only 18·3, 12·6 and 10·3 per cent. It is thus obvious that it is the medium and the small cultivators and the non-cultivating families which form the main clientele for the long-term lending operations of the private moneylenders.

5.10 Though landlords as landlords have a certain share in the total outstanding debt of all classes of the cultivators, they have actually no share in the borrowing during the previous year. This might be accidental or, if not accidental, could be a consequence of the recent tenancy legislation in the State. In any case, the loans from landlords to tenants are necessarily a part of the total relationship between the two and as such these loans would normally remain outstanding over relatively longer periods. For that reason they would naturally appear more prominent in the outstanding debt than in the borrowing.

5.11 The shares of the remaining credit agencies, namely, the agriculturist moneylenders, traders and commission agents and the relatives are larger in the borrowing than in the debt. It means that the credit from these agencies is mainly for short-term purposes. This is quite understandable.

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

5.13 We shall begin by examining the amounts remaining outstanding for more than one year. In Table 5.3, we give their distribution according to the credit agency and according to the purpose. The table is divided into two halves. In the first half, we show the percentage distribution according to the purpose of the amounts due to each credit agency. Thus, an amount of Rs 27·7 per cultivator had remained outstanding owing to Government for more than one year and the whole of it was for long-term agricultural purposes. In the same way, it may be

seen that 90 per cent of the amount due to co-operative societies remaining outstanding for more than one year was for long-term agricultural purposes and 10 per cent for short-term consumption purposes. The entire amount due to relatives was for short-term consumption purposes and the entire amount due to traders was for long-term consumption purposes. A large part of the amount owing to the professional moneylenders was for purposes which could not be clearly classified and hence has been shown under 'other purposes'.

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

[Intensive enquiry data]

Creditor	PROPORTION OF TOTAL AMOUNT BORROWED ACCORDING TO PURPOSE (Per cent)						Total amount bor- rowed per family (Rs)	PROPORTION OF TOTAL AMOUNT BORROWED ACCORDING TO CREDIT AGENCY (Per cent)						Total
	Short- term agri- cul- tural	Long- term agri- cul- tural	Short- term con- sum- ption	Long- term con- sum- ption	Re- pay- ment of old debts	Other pur- poses		Short- term agri- cul- tural	Long- term agri- cul- tural	Short- term con- sum- ption	Long- term con- sum- ption	Re- pay- ment of old debts	Other pur- poses	
	1	2	3	4	5	6		8	9	10	11	12	13	14
Government . . .	—	100.0	—	—	—	—	27.7	—	88.9	—	—	—	—	27.4
Co-operatives . .	—	90.0	10.0	—	—	—	3.9	—	11.1	6.3	—	—	—	3.8
Relatives . . . . .	—	—	100.0	—	—	—	4.1	—	—	66.7	—	—	—	4.0
Landlords . . . . .	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Agriculturist moneylenders .	100.0	—	—	—	—	—	3.9	50.8	—	—	—	—	—	3.8
Professional moneylenders .	7.5	—	3.2	11.2	—	78.1	51.0	49.2	—	27.0	46.7	—	100.0	50.3
Traders and com- mission agents	—	—	—	100.0	—	—	3.6	—	—	—	29.2	—	—	3.6
Commercial banks . . . . .	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others . . . . .	—	—	—	41.1	58.9	—	7.2	—	—	—	24.1	100.0	—	7.1
<b>Total . . . . .</b>	<b>7.6</b>	<b>30.9</b>	<b>6.1</b>	<b>12.0</b>	<b>4.1</b>	<b>39.3</b>	<b>101.4</b>	[ Total amount borrowed per family (Rs) ]						
	<b>7.7</b>	<b>31.3</b>	<b>6.2</b>	<b>12.2</b>	<b>4.2</b>	<b>39.8</b>	<b>101.4</b>							

5.14 There is another way in which these data might be viewed. 7.6 per cent of the total amount outstanding was for short-term agricultural purposes. In absolute terms this amounted to Rs 7.7 per cultivator. We might then ask as to who were the creditors for this amount. This is done in the second half of the table. It gives a distribution according to the creditor agency of the outstanding amount under each purpose. Thus 50.8 per cent of the amount for short-term agricultural purposes was due to the agriculturist moneylenders and the rest was due to the professional moneylenders. Thus, it is the agriculturist and the professional moneylenders who supplied all the credit needed for short-term agricultural purposes and which remained outstanding for more than one year. In the same way, it will be seen that a large part of the amount for long-term agricultural purposes was due to Government and the rest was due to the co-operative societies. A major part of the amount for short-term consumption purposes was due to the relatives and the rest, except for a small part from the co-operative societies, was due to the professional moneylenders. On the other hand, a large part of the amount for

long-term consumption purposes was due to the professional moneylenders and the rest was due to traders, commission agents and other persons.

5.15 In Table 5.4 is given a similar analysis of the loans borrowed during the year. It will be seen that the entire amount borrowed from Government was for long-term agricultural purposes. A large part, 73.1 per cent, of the amount borrowed from the co-operative societies was for short-term agricultural purposes. A large part of the borrowing from the professional moneylenders was also for short-term agricultural purposes and only a small part for long-term agricultural purposes.

5.16 From the second half of the table, it will be seen that the co-operative societies met 48.5 per cent of the borrowing for short-term agricultural purposes and that the rest was more or less equally divided between the agriculturist moneylenders, professional moneylenders and to a smaller extent, the relatives. It is noteworthy that the agriculturist moneylenders have a large share, 67.9 per cent of the total, in the borrowing for long-term agricultural purposes and that even though almost the entire Government credit was meant for this purpose, its share in the total borrowing for this purpose was no more than 11.8 per cent. Short-term consumption needs were met partly by the co-operative societies, the agriculturist moneylenders and the relatives, but for long-term consumption loans reliance was very largely on the relatives.

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

[Intensive enquiry data]

Creditor	PROPORTION OF TOTAL AMOUNT BORROWED ACCORDING TO PURPOSE (Per cent)						Total amount borrowed per family (Rs)	PROPORTION OF TOTAL AMOUNT BORROWED ACCORDING TO CREDIT AGENCY (Per cent)						Total
	Short-term agri- cultural	Long-term agri- cultural	Short-term con- sumption	Long-term con- sumption	Re-pay- ment of old debts	Other pur- poses		Short-term agri- cultural	Long-term agri- cultural	Short-term con- sumption	Long-term con- sumption	Re-pay- ment of old debts	Other pur- poses	
	1	2	3	4	5	6		8	9	10	11	12	13	14
Government . . . . .	-	100.0	-	-	-	-	7.4	-	11.8	-	-	-	-	2.4
Co-operatives . . . . .	73.1	3.4	11.0	-	-	12.5	57.9	48.5	3.1	19.2	-	-	13.2	18.3
Relatives . . . . .	13.0	8.7	11.4	66.9	-	-	75.5	11.2	10.4	25.9	64.7	-	-	23.8
Landlords . . . . .	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculturist moneylenders . . . . .	11.9	37.0	5.6	11.8	-	33.7	115.4	15.8	67.9	19.3	17.5	-	70.6	36.5
Professional moneylenders . . . . .	54.2	16.0	2.7	-	-	27.1	26.3	16.4	6.7	2.1	-	-	13.0	8.3
Traders and com- mission agents . . . . .	23.7	-	38.8	19.7	-	17.8	10.0	2.7	-	11.7	2.5	-	3.2	3.2
Commercial banks . . . . .	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others . . . . .	19.9	-	30.4	49.7	-	-	23.9	5.4	-	21.8	15.2	-	-	7.5
<b>Total . . . . .</b>	<b>27.6</b>	<b>19.9</b>	<b>10.5</b>	<b>24.6</b>	<b>-</b>	<b>17.4</b>	<b>316.4</b>	<b>87.3</b>	<b>62.9</b>	<b>33.3</b>	<b>78.0</b>	<b>-</b>	<b>55.0</b>	<b>316.4</b>

[ Total amount borrowed per family (Rs) ]

5.17 We may next examine the composition of the loans made by the different credit agencies according to the nature of the security demanded and the rate of interest charged. This information is available only for the loans borrowed during the year. In Table 5.5, we give their details regarding the nature of the security demanded by the different credit agencies. It will be seen that 88·0 per cent of the loans by Government were secured by immovable property, namely, land. Only about 40 per cent of the loans by the co-operative societies were so secured while the remaining nearly 60 per cent were advanced on personal security. A majority of the loans from the agriculturist moneylenders, traders and relatives were also advanced on personal security. On the other hand, most of the loans from the professional moneylenders were made on the pledge of bullion and ornaments.

5.18 In Table 5.6, we give a classification of the loans borrowed during the year according to the rate of interest charged. It will be seen that nearly 27 per cent of all the loans were interest free ; most of these were from the relatives. Nevertheless, we also see a few interest-free loans borrowed from the agriculturist moneylenders and traders. The most prevalent rate of interest is seen to be  $12\frac{1}{2}$  per cent per annum which works out at 2 annas per rupee per annum. The other common rate of interest is at 25 per cent per annum which is 4 annas per rupee per annum. The former rate was the most common on loans advanced by the professional and the agriculturist moneylenders ; the latter rate was common on loans made by the traders and also to some extent on loans made by the agriculturist moneylenders. Loans with lower rates of interest, that is, below 10 per cent per annum, are advanced only by Government and the co-operative societies and to a very small extent by the professional moneylenders. If we divide the lower rates of interest between two classes such as from  $3\frac{1}{2}$  to 7 per cent and from 7 to 10 per cent, we see that the loans from Government and the co-operative societies were more or less equally divided between these two ranges of interest rates.

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

[Intensive enquiry data]

Creditor	Average borrowing per family  (Rs)	PROPORTION OF AMOUNT BORROWED ACCORDING TO SECURITY (Per cent)		
		Personal security	Bullion and ornaments	Immovable property
	1	2	3	4
Government.....	7·4	12·0	—	88·0
Co-operatives.....	57·9	61·5	—	38·5
Relatives.....	75·5	100·0	—	—
Landlords.....	—	—	—	—
Agriculturist moneylenders.....	115·4	91·3	8·7	—
Professional moneylenders.....	26·3	5·0	95·0	—
Traders and commission agents.....	10·0	100·0	—	—
Commercial banks.....	—	—	—	—
Others.....	23·9	92·0	8·0	—
<b>Total.....</b>	<b>316·4</b>	<b>79·2</b>	<b>11·7</b>	<b>9·1</b>

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

[Intensive enquiry data]

Creditor	Average bor- row- ing per fam- ily  (Rs)	PROPORTION OF AMOUNT BORROWED ACCORDING TO RATE OF INTEREST (Per cent)									
		Nil	3½-7 per cent	7-10 per cent	10-12½ per cent	12½-18 per cent	18-25 per cent	25-35 per cent	35-50 per cent	50 per cent and above	Un speci- fied
		1	2	3	4	5	6	7	8	9	10
Government.....	7.4	—	31.9	44.1	—	—	—	—	—	—	24.0
Co-operatives.....	57.9	—	49.5	44.8	—	—	—	—	—	—	5.7
Relatives.....	75.5	100.0	—	—	—	—	—	—	—	—	—
Landlords.....	—	—	—	—	—	—	—	—	—	—	—
Agriculturist money- lenders.....	115.4	6.2	—	—	53.6	—	2.1	33.8	—	4.3	—
Professional money- lenders.....	26.3	—	—	12.5	77.8	—	—	2.7	7.0	—	—
Traders and Com- mission Agents....	10.0	36.8	—	—	7.9	—	—	55.3	—	—	—
Commercial Banks...	—	—	—	—	—	—	—	—	—	—	—
Others.....	23.9	—	—	—	54.7	8.0	37.3	—	—	—	—
<b>Total.....</b>	<b>316.4</b>	<b>27.3</b>	<b>9.8</b>	<b>10.3</b>	<b>30.4</b>	<b>0.6</b>	<b>3.6</b>	<b>14.3</b>	<b>0.6</b>	<b>1.5</b>	<b>1.6</b>

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

## CHAPTER 6

### GOVERNMENT FINANCE

6.1 In the previous chapter, while describing the agencies supplying rural credit, it was noted that the State Government has by no means an important share in the business ; only 3·2 per cent of the total amount borrowed during the year was supplied by Government. However, almost the entire Government finance was for capital expenditure in agriculture and hence was usually allowed for a longer period than the finance from other agencies with the result that its share in the total outstanding debt was very much larger ; 13·9 per cent of the total debt was due to Government. Thus, the finance supplied by Government appears to have some distinct characteristics and its potential importance should be greater than what its volume indicates. Moreover, besides the actual supply of finance, Government can, of course, influence to a great extent the credit and the general agricultural situation. Hence, in this chapter, we propose to examine in some detail the Government objectives in this field as indicated by the various legislative provisions and the measures taken and their operation in practice.

6.2 The principal legislation calculated to affect the general agricultural organization is the Bombay Tenancy and Agricultural Lands Act of 1948. This is a substantial revision of the earlier Bombay Tenancy Act of 1939. Its main objectives are to protect a tenant from eviction, to put a ceiling on the cultivated holding of a cultivator and to restrict the alienation rights of a landholder in his lands. From the standpoint of the supply of credit to agriculturists, the restrictions which the Act places on the alienation rights in land are probably the most important. The Act invalidates all sales, gifts, mortgages, leases or exchanges of agricultural land in favour of a person who is not an agriculturist. A landlord intending to sell his land must sell it to persons in the order of certain priorities in which the tenant in cultivating possession is accorded the first priority. Further, lands purchased by a tenant under the provisions of the Act cannot be sold, mortgaged, gifted, exchanged or leased without prior sanction of Government. As we have seen earlier, the assets of the agriculturist consist mainly of land. Therefore, any restrictions on the alienation rights in land naturally reduce the value of his assets as a backing to his capacity to borrow, particularly from the private moneylender. There is an old view that it is because of his unrestricted alienation right in land that the agriculturist has been so far rather improvident in his borrowing. In so far as this is true, the restrictions on the alienation rights, though they may prove inconvenient in the beginning, should prove beneficial in the long run. Their immediate effect would be to deprive the private moneylender of the main instrument of his operation.

6.3 There are two other legislations more directly concerned with agricultural credit, one calculated to give relief to the agricultural debtors and the other to regulate the business of the private moneylenders. Relief to agricultural debtors by adjusting or scaling down of their outstanding debts was first provided by an Act of 1939. The provisions of this Act were, however, made applicable to only a few talukas and debt adjustment and conciliation boards were appointed for the purpose. The number of applications for conciliation and adjustment received by these boards were, however, too numerous and their disposal was too slow. Little progress, therefore, could be made and the net result of the Act was to give the creditors and moneylenders sufficient notice to effect recoveries of old debts. The process was aided by the rising prices of agricultural produce so that before the Act of 1939 was repealed and the new Bombay Agricultural Debtors Relief Act of 1947 was enacted, it was believed that the magnitude of the problem was greatly reduced.

6.4 The new Act requires all the creditors to submit to the court, details of all their debt dues before a prescribed date ; debts in respect of which no statement is submitted to the court by the creditor are deemed to be extinguished. The Act then lays down rules by which the courts should scale down and adjust debt of a debtor making an application for the purpose. The adjustment is to proceed briefly as under. For debts prior to 1931, the rate of interest is to be not more than 12 per cent and all dues are to be reduced by 40 per cent. For debts between 1931 and 1940, the rate of interest is to be not more than 9 per cent and all dues are to be reduced by 30 per cent. Finally, for debts after 1940, the rate of interest is to be not more than 6 per cent and the dues on interest account are not to exceed the dues out of the principal. Finally, if the total debt so adjusted exceeds 60 per cent of the value of the property of the debtor, all debts are further reduced *pro rata*. The debtor is to pay off the adjusted debt in equated instalments not more than twelve in number. If the debtor fails to pay any instalment dues, the same may be recovered through the Collector as arrears of land revenue. In such cases, the court might also order sale of property of the debtor and if the court thinks that the debtor is incapable of paying annual instalments, it may declare him to be insolvent.

6.5 Presumably for speedier and also for more regular operation of the adjustment process, the new Act abolished the debt adjustment boards set up under the old Act and empowered the civil courts to deal with the adjustment applications under the new Act. It is doubtful whether this is likely to speed up the adjustment process. Apart from the usual difficulties associated with civil court procedures, the principal difficulty appears to be that a large number of the applications made by the debtors are in fact outside the scope of the Act.

6.6 The Bombay Moneylenders Act of 1946 is designed to regulate and control the business of the moneylenders. We shall examine its provisions and their operation in a later chapter dealing with private financing agencies. This Act, as also the Agricultural Debtors Relief Act of 1947 are in a sense the negative aspects of the Government policy. In its positive aspect, Government operates principally



under the provisions of the two ancient Acts, namely, the Land Improvement Loans Act of 1883 and the Agriculturists' Loans Act of 1884. The first Act provides for Government loans for agricultural investment specifically related to land improvement. The second Act provides for loans for agricultural purposes not covered by the first Act, in particular, for current farm expenditure such as purchase of seed, fodder and manure and such items of capital expenditure as purchase of agricultural livestock and implements.

6.7 Loans under both the Acts are made through the Revenue Department. Applications for loans under these Acts are usually made to the head clerk of the taluka revenue office. He then makes enquiries particularly relating to the securities offered. Applications without tangible security are usually rejected. After preliminary enquiry the applications are submitted for sanction to the *mamlatdar*, who is the taluka revenue officer. *Mamlatdar* is authorized to sanction loans upto Rs 1,000 under the Land Improvement Loans Act and upto Rs 200 under the Agriculturists' Loans Act. Loans of larger amounts require the sanction of either the *prant* officer or the District Collector.

6.8 Loans of small amounts, such as are made under the Agriculturists' Loans Act, are paid in a single instalment. Loans of larger amounts are paid in two or more instalments and at appropriate times so that the borrowers may not be tempted to use them for other purposes. Recoveries are usually made by means of equated payments over a number of years according to the purpose of the loan. Loans under the Agriculturists' Loans Act are usually of shorter duration ; loans for seed and manure are only for one year ; loans for fodder, minor implements and for grain for consumption, are allowed for two years ; loans for construction of houses and purchase of cattle and durable equipment are allowed for four years. Loans under the Land Improvement Loans Act are of longer duration and depending on the amounts involved and the repaying capacity of the borrower, might be recovered by instalments spread over upto 20 years. All loans, except under some special schemes, usually carry interest at  $5\frac{1}{2}$  per cent per annum.

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

6.10 The Land Improvement Loans Act of 1883 was supplemented in a significant manner by the Bombay Land Improvement Schemes Act of 1942. The Act was first enacted and thereafter amended with a view to making and executing schemes relating to construction of tanks, embankments and other works leading to improved water supply ; schemes relating to prohibition and control of grazing, preservation of soil and prevention of soil erosion ; and schemes of dry farming and of reclamation of waste and water-logged lands. Under this Act, for each district, a board is constituted consisting of the District Collector, District Agricultural Officer, Divisional Soil Conservation Officer and two non-official members. This board

prepares schemes for land improvement and is empowered to execute them. A draft scheme for a particular area is prepared and published for information. An Enquiry Officer then considers any objections from interested parties. The board finally sanctions the scheme with or without modification. Every owner of land included in the scheme is required to pay the prescribed costs of improvement works carried out by Government on his lands. Persons whose lands are not directly included in the scheme but are likely to be benefited by such works, are also liable to pay prescribed contributions either to Government or to an appropriate landowner. The schemes are partly subsidized and the costs charged to the landowners are recovered over a period. The collective element appearing in the scheme is essential for carrying out any concerted scheme of land improvement such as of contour bunding. In so far as the work is directly handled by Government and then the costs are charged to landowners, the procedure ensures that the credit advanced is actually expended on the avowed purposes.

6.11 In recent years, Government has initiated a number of schemes under which loans and subsidies are given for agricultural purposes. Most of these schemes come under the Grow More Food Campaign and are under the administrative control of the Department of Agriculture. One such scheme is the scheme for construction of new wells and improvements of existing ones. The scheme has been working since 1 April 1947. An application for either a loan or a subsidy or both is made to the Rural Development Board. A Revenue Officer and a well Inspector make enquiries relating to the particulars. If the application is approved, the chairman of the board is authorized to disburse the first instalment. In the case of new wells, the subsidy is to the extent of 25 per cent of the cost of construction subject to a maximum of Rs 500, and is paid in three instalments at various stages of the completion of the work. Loans are made in two instalments and are charged at  $3\frac{1}{4}$  per cent and are recovered in ten equated annual instalments. There are similar schemes for bunding and lift irrigation. There are also schemes for giving subsidies for digging of compost pits and for vegetable seeds.

6.12 In Table 6.1, we give a consolidated statement of Government loans made in this district during 1950-1. It will be seen that a total amount of Rs 7,42,800 was advanced under the Land Improvement Loans Act of 1883 and that a total amount of Rs 10,86,600 was advanced under the Agriculturists' Loans Act of 1884. The loans under the Land Improvement Loans Act were all for either digging of wells or for other land improvement measures. Loans for the purchase of seed and manure were indeed small. Taking the total Government finance, it will be seen that about 20 per cent of the amount was each for digging of wells and for other land improvements. The finance for current farm expenditure such as purchase of seed and manure amounted to less than 2 per cent of the total Government finance. In the last column of the table are given particulars of the cash subsidies given under the Grow More Food Schemes. It will be seen that a total amount of Rs 98,700 was given by way of subsidies and that the whole of it was for capital investment expenditure on digging of wells and on other land improvements.

TABLE 6.1—GOVERNMENT FINANCE FOR AGRICULTURE DURING 1950-1

(Amount in hundreds of rupees)

	Land Improve- ment Loans Act, 1883	Agricul- turists' Loans Act, 1884	Total	Percentage	(Cash subsidies under Grow More Food Schemes
	1	2	3	4	5
1. Number of applications received.....	1,984	5,953	7,937		..
2. Number of applications sanctioned.....	917	4,506	5,423		810
3. Percentage of sanctioned to applied.....	46.2	75.7	68.3		..
4. Total amount applied for	8,060	24,121	32,181		987
5. Amount sanctioned.....	7,428	10,866	18,294		987
6. Percentage of sanctioned to applied.....	92.2	45.0	56.8		100.0
<b>Distribution of loans by their purpose</b>					
1. Purchase of seed.....	—	104	104	0.6	—
2. Purchase of manure.....	—	187	187	1.0	—
3. Well-digging and other irrigation.....	3,824	—	3,824	20.9	732
4. Land improvement.....	3,604	—	3,604	19.7	164
5. Other purposes.....	—	—	—	—	91
6. Purpose not specified.....	—	10,576	10,576	57.8	—
7. Total amount sanctioned	7,428	10,866	18,294	100.0	987

6.13 For a more detailed study of the operation of Government loans, a few applications for loans made during the year 1950-1 were investigated into. The applications were selected at five taluka offices, namely, Shirpur, Sindkheda, Nandurbar, Navapur and Dhulia, by a process which would approximate to random procedure as far as practicable. However, one could not be certain whether all applications for Government loans under various schemes were to be found in the taluka offices and the volume of the records and the manner in which they were stacked often made it difficult to adhere to all procedural details designed to ensure a properly random sample. It is conceivable, therefore, that the sample of applications was not strictly representative of all the applications for Government loans. In the following, we shall submit the results based on this sample.

6.14 In all, a sample of 100 sanctioned applications and 30 rejected applications were selected for study. Of the 30 rejected cases, ten were rejected for lack of adequate security, seven because the purposes for which applications were made were not approved; in two cases, they were rejected because the applicants had old Government dues. The remaining eleven applications were rejected for a variety of miscellaneous reasons. The 100 sanctioned applications involved a total sanction of Rs 89,620. Of this, Rs 87,570 was actually disbursed. In Table 6.2, we give the purposes for which these loans and the corresponding amounts were sanctioned. The distribution of the amount according to purpose as appearing in this table differs markedly in some respects from the similar distribution of the total Government

finance in the district given in Table 6.1. The finance for wells is somewhat larger in the sample cases than in the total district figures and the purchase of implements, mostly, oil-engines, accounts for more than a half. On the other hand, there is relatively a small amount for land improvement in the sample cases. The divergence of the sample figures from the district figures might be partly due to the fact that the sample figures do not refer to the whole of the district but only to five talukas. Our further discussion based on the sample cases is naturally qualified by these limitations of their representative character.

**TABLE 6.2—DISTRIBUTION OF A SAMPLE OF GOVERNMENT LOANS AND THEIR AMOUNTS ACCORDING TO PURPOSES**

Purpose	Number of loans disbursed	Amount disbursed (Rs)	Percentage to total	Average size of loan (Rs)
	1	2	3	4
Purchase of seed.....	—	—	—	—
Purchase of manure.....	3	1,150	1.3	383.3
Purchase of implements, machinery, etc....	14	46,500	53.1	3,321.4
Purchase of livestock.....	55	13,645	15.6	248.1
Digging and repair of wells.....	17	21,230	24.2	1,248.8
Reclamation of land.....	—	—	—	—
Bunding and other land improvements.....	5	4,220	4.8	844.0
More than one purpose and other purposes...	6	825	1.0	137.5
<b>Total .....</b>	<b>100</b>	<b>87,570</b>	<b>100.0</b>	<b>875.7</b>

6.15 In Table 6.3, we give the distribution of the sanctioned loans by their amounts actually disbursed. It will be seen that about 25 per cent of the loans were of amounts of Rs 1,000 or more ; but they accounted for about 75 per cent of the total amount disbursed. All the loans were, of course, secured by immovable property, namely, land. We have already mentioned that the usual rate of interest for Government loans was  $5\frac{1}{2}$  per cent and that it was only for loans sanctioned under the special scheme for wells that the interest was at  $3\frac{1}{4}$  per cent. Of the 100 cases studied, 82 comprising a total amount of Rs 62,540 belonged to the former category while eighteen with a total amount of Rs 25,030 belonged to the latter.

6.16 In Table 6.4 is given the distribution of the loans sanctioned for various purposes by the duration for which they were sanctioned, which in the case of Government loans would mean the period over which the repayment was to take place by means of equated annual instalments. It will be seen that all loans for digging of wells and for purchase of implements and a majority of loans for bunding and other land improvements were for durations longer than five years. Nearly two-thirds of the loans for purchase of bullocks were for one to three years and remaining one-third were of longer durations. More than 20 per cent of the loans given for the purchase of manure were for three to five years. It is clear, therefore, that nearly all of the Government loans were of reasonably long durations.

**TABLE 6.3—DISTRIBUTION OF A SAMPLE OF GOVERNMENT LOANS AND THEIR AMOUNTS BY THE SIZE OF THE LOAN**

Range of amount disbursed	Number of loans	Amount disbursed (Rs)	Percentage to total
Less than Rs 100.....	4	155	0.2
Rs 100 - Rs 299.....	42	8,195	9.4
Rs 300 - Rs 499.....	16	6,070	6.9
Rs 500 - Rs 999.....	12	8,150	9.3
Rs 1,000 - Rs 4,999.....	24	55,000	62.8
Rs 5,000 and above.....	2	10,000	11.4
<b>Total.....</b>	<b>100</b>	<b>87,570</b>	<b>100.0</b>

**TABLE 6.4—PERCENTAGE DISTRIBUTION OF THE AMOUNTS OF A SAMPLE OF GOVERNMENT LOANS SANCTIONED FOR DIFFERENT PURPOSES ACCORDING TO THE DURATION FOR WHICH SANCTIONED**

Purpose	Number of loans disbursed	Total amount disbursed (Rs)	AMOUNT DISBURSED FOR THIS DURATION AS PERCENTAGE OF THE TOTAL AMOUNT DISBURSED				
			1 year or less	1 to 3 years	3 to 5 years	Above 5 years	Duration not specified
	1	2	3	4	5	6	7
Purchase of seed.....	—	—	—	—	—	—	—
Purchase of manure.....	3	1,150	52.2	26.1	21.7	—	—
Purchase of livestock.....	55	13,645	2.2	64.1	33.7	—	—
Digging and repair of wells.....	17	21,230	—	—	—	100.0	—
Reclamation of land.....	—	—	—	—	—	—	—
Purchase of implements and machinery.....	14	46,500	—	—	—	100.0	—
Bunding and other land improvements.....	5	4,220	—	—	16.6	66.8	16.6
Other purposes.....	6	825	18.8	—	42.4	—	38.8
<b>Total.....</b>	<b>100</b>	<b>87,570</b>	<b>1.2</b>	<b>10.3</b>	<b>6.7</b>	<b>80.6</b>	<b>1.2</b>

6.17 A frequent grievance made against Government finance is that it takes too long a period between an application and its sanction and the subsequent disbursement of the amount. In Table 6.5, we give the distribution of the sanctioned loans by the time-lag between the application and the disbursement of the amount. It will be seen that nearly 40 per cent of the loans were disbursed within three months of the application ; however, in terms of the amount disbursed, they accounted for only 20 per cent of the total amount disbursed which means that they were relatively small loans. On the other hand, in the case of nearly 20 per cent of the loans, it took more than five months before the amounts were disbursed ; and in terms of the amounts, these loans accounted for more than 40 per cent of the total amount disbursed. Besides, in the case of 17 per cent the loans involving nearly 30 per cent of the total amount disbursed, the disbursement was made in more than one instalment.

6.18 We tried to obtain from the sample of selected cultivators their experience with the operation of Government finance. However, not much information was available. Only one of the 120 selected cultivators had obtained a loan from Government during the year. He reported that he received the whole of the amount for which he had applied but that it took five months for the loan application to be sanctioned. Nine of the selected big cultivators had applied for Government loans during the year. In three cases the applications were rejected. In the remaining cases the applications were under consideration at the time of the investigation.

**TABLE 6.5—DISTRIBUTION OF A SAMPLE OF GOVERNMENT LOANS AND THEIR AMOUNTS ACCORDING TO THE TIME-LAG BETWEEN APPLICATION AND DISBURSEMENT**

	Total	TIME-LAG						Dis- bursed in more than one in- stal- ment
		1 month or less	1 to 3 months	3 to 5 months	5 to 8 months	More than 8 months	Not speci- fied	
Number of loans sanc- tioned.....	100	7	34	13	15	6	8	17
Amount disbursed (Rs)...	87,570	1,500	16,135	6,850	20,250	15,120	1,715	28,000
Per cent of total amount disbursed.....	100	1.7	18.4	7.8	23.1	17.3	2.0	29.7

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

6.20 Another major grievance relates to the cost which the applicant has to incur in travelling to the taluka place for making the application and for receiving the amount. For instance, in 90 out of the 100 cases studied, the amounts were disbursed in a place, usually the taluka town, other than the place of residence of the applicant. Besides, as was pointed above, in 17 cases the sanctioned amounts were disbursed in more than one instalment requiring the cultivator to go to the taluka town as many times as the number of instalments. It is difficult to say whether any other arrangements were possible. But if the amounts could be disbursed at the place of residence of the applicant, apart from saving him the cost of travel, this would partly meet yet another grievance. It was generally reported that there were considerable costs of satisfying the local leaders and petty officials. If such costs were indeed considerable, as they were reported to be, the official rate of interest would be meaningless. Disbursement of the amounts in the villages rather than at the taluka headquarters might offer certain checks in these

respects. Therefore, it would be worthwhile enquiring whether this would be administratively very difficult.

6.21 It will be seen that a number of schemes of Government finance were initiated within a short period. It is possible, therefore, that their administration left room for malpractices and corruption. In some of them subsidy was mixed up with proper credit schemes. This also had an undesirable and demoralizing influence. Subsidy, it should be noted, is a net gain and temptation to corrupt practices is obvious. If Government finance is to be regarded a normal activity and not an emergency measure, more attention must be devoted to the administrative side so as to make its operation speedy and clean.

## **CHAPTER 7**

### **CO-OPERATIVE FINANCE**

7.1 In the preceding chapter, while describing Government objectives and measures, we divided them into two broad categories of what we called the negative and the positive aspects of the Government policy. Under the first came measures primarily directed towards reformation of the profession of the private moneylenders and the amelioration of the conditions created by the unrestricted practices of these gentlemen over long years. Under the second aspect of the policy, came the Government efforts to supply credit to agriculturists directly. In this chapter, we shall examine a third aspect of the Government policy, which falls in between the two, but which in a sense, is one of enduring and permanent value ; namely, the Government efforts to sponsor and foster co-operative movement generally and co-operative credit in particular. Thanks to the persevering official and non-official efforts, the co-operative movement, it seems, has found its roots in this district. In 1952, there were 528 primary agricultural credit societies in the district. Besides, there were seven multi-purpose and fourteen agricultural marketing societies. There was also a District Land Mortgage Bank.

7.2 The co-operative societies are registered under and governed by the Bombay Co-operative Societies Act of 1925 which has been amended and modified from time to time. All powers under this Act are conferred on the Registrar of Co-operative Societies who is responsible for the operation of the Act. The object of the legislation is to facilitate the formation of co-operative societies for the promotion of thrift, self-help and mutual aid among persons with common economic needs. However, though the Act provides for the formation of various types of co-operative societies, we shall for the present confine our attention only to the types primarily concerned with agricultural finance, namely, the primary credit, the multi-purpose and the agricultural marketing societies.

7.3 The application for the registration of a proposed society is to be sent to the Registrar and has to be signed by at least ten promoter members. A copy of the proposed bye-laws of the society is to be sent along with the application. When the Registrar is satisfied that the society complies with the provisions of the Act, he registers the society and its bye-laws and issues a certificate of registration. Any amendment to the bye-laws has to be approved by a resolution of a general meeting and sent to the Registrar for his approval and registration.

7.4 Societies may be either of unlimited or of limited liability. Members of unlimited liability are jointly and severally liable for all its obligations. On the other hand, the liability of a member of a society with limited liability is limited to



his share in the society ; in such cases, no member is allowed to hold more than one-fifth of all shares of the society. Societies affiliating other societies as their members are necessarily of limited liability. A society may change its liability from unlimited to limited or from limited to unlimited. In West Khandesh, most of the societies are with unlimited liability.

7.5 A society deriving profits is required to create a reserve fund. After making the prescribed provision for the reserve fund and contribution, if any, to the educational fund of the Bombay State Co-operative Institute, the balance of the profits is available for distribution among its members as dividend not exceeding  $6\frac{1}{2}$  per cent. Societies with unlimited liability are not permitted to declare any dividend for the first ten years.

7.6 The management of a primary agricultural credit society is vested in a managing committee with a chairman. The books of accounts, etc. of the society are maintained by a group secretary. A group secretary is in charge of anything from 5 to 15 societies. The ultimate authority in all matters relating to the administration of the society is the general body of its members meeting in a General Meeting. Every member has one vote and the chairman uses his vote only in the case of a tie. Annual General Meeting of the society is called within three months of the closing of the year for making up its accounts for the year. Special General Meeting may be called at any time by a majority of the managing committee or on requisition of one-fifth of all members or at the instance of the Registrar or if the society is a member of a federal society, such as a central bank, at the instance of the federal society.

7.7 The societies are supervised by the supervising unions under the control of the Assistant Registrar of Co-operative Societies. In 1950-1, there were seven supervising unions in West Khandesh situated at seven taluka places, namely, Dhulia, Sindkheda, Shirpur, Shahada, Nandurbar, Sakri and Taloda. There were sixteen supervisors in all. Recently, a supervising union was established at Navapur. The accounts of a society are to be audited at least once a year. In 1950-1 there were two Auditors, eight Sub-Auditors and one Special Auditor in West Khandesh.

7.8 Primary credit societies and the village multi-purpose societies work on the same level, the area of their operation usually being a single village, though sometimes it is extended to the adjoining villages. The area of operation of a cotton purchase and sale society is a group of villages ; for a purchase and sale society of other type, it is the whole taluka. In some cases, the credit societies and the village multi-purpose societies are members of respective taluka sales-purchase societies. There does not exist any other relationship between institutions at the taluka and the village levels. The area of operation of the Land Mortgage Bank is the whole district.

7.9 There is no central bank or banking union in this district. The Bombay Provincial Co-operative Bank is, therefore, the only source of finance for the societies

in the district. It has ten branches in the district which cover most of the taluka places and other important marketing centres.

7.10 Agricultural credit societies advance short-term loans. There are limits to obtaining credit from a credit society. The limits for each member are fixed in the normal credit statement which is prepared by the staff of the society. It is checked by the loan sub-committee of the supervising union and by the bank Inspector of the taluka branch of the Bombay Provincial Co-operative Bank. It is then sent to the head office of the Bombay Provincial Co-operative Bank for approval. After the approval, the loans are disbursed within the limits prescribed by the head office of the Bank as and when required by the member. Limits in the normal credit statement are fixed according to the value of the assets of each member. General limits are Rs 300 for short-term and Rs 500 for long-term loans.

7.11 A member applying for a loan has to make a declaration specifying any immovable property belonging to him on which he agrees to create a charge in favour of the society for the payment of the amount of the loan or any future advances which the society may make to him. The demand is put before the managing committee which after scrutiny submits it to the Bombay Provincial Co-operative Bank for its approval.

7.12 The Land Mortgage Bank advances loans for long-term purposes such as repayment of old debt, purchase of land and purchase of expensive equipment like oil engines. To obtain a loan from the Land Mortgage Bank, an applicant applies in a prescribed form with necessary documents, showing title to the land concerned. The application is scrutinized by the Land Valuation Officer of the Bank; the Bank sanctions a loan amounting to fifty per cent of the value of the assets as valued by this Officer. After receiving advice from the legal adviser of the Bank, the application is put before the Board of Management of the Bank and after the sanction of the Board, the case is sent to the Bombay Provincial Land Mortgage Bank for approval. After approval from the apex bank, the loan is disbursed in one instalment. All possible care is taken to see that the loan is actually utilized for the purpose for which it is intended. Thus, if a loan is made for repayment of old debt, the cheque is issued in the name of the person to whom the repayment is to be made. If a loan is made for purchase of land, the cheque is drawn in favour of the land-owner and issued only at the time of the registration of the sales deed. If a loan is made for purchase of equipment like an oil engine, the cheque is drawn in favour of the suppliers of the equipment.

7.13 Loans from a credit society are either secured by mortgage of land or more often when they are not so secured, are guaranteed by third party surety. Loans from the Land Mortgage Bank are necessarily secured by land mortgage. Rates of interest charged by the credit societies are governed by their bye-laws and vary from  $6\frac{1}{4}$  per cent to  $9\frac{3}{8}$  per cent. Rate of interest charged by the Land Mortgage Bank is  $5\frac{1}{2}$  per cent on loans for land improvement and  $6\frac{1}{2}$  per cent on loans for other purposes such as repayment of old debt, purchase of land, purchase of equipment,

etc. Loans from a society are generally payable within one year ; those from the Land Mortgage Bank are to be repaid in equated annual instalments spread over 15 to 20 years.

7.14 In order to study the working of the co-operative societies and their place in the village economy, four of the eight selected villages were chosen from villages having co-operative societies. The four selected villages having societies were : Bhilbhavali, Dhamane, Kondhaval and Sulwade. In Table 7.1, we give a statement of the financial position and loan operations of these four societies during 1950-1. It will be seen that their owned funds and the borrowings from the Bombay Provincial Co-operative Bank are the principal components of the working capital of these societies and that they have hardly any deposits to speak of. From the standpoint of their owned funds, the main distinction is between the societies having and not having any reserve funds. Of the four societies under study, only two had substantial reserve funds and also certain amounts shown under 'other funds'. The other two societies had practically no owned funds other than their paid up share capital. In the case of one of the two societies, namely, the Bhilbhavali society, even the paid up share capital was rather meagre being less than Rs 20 per member.

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

(Amount in rupees)

	Bhilbhavali Agricultural Co-operative Credit Society	Dhamane Agricultural Co-operative Credit Society	Kondhaval Agricultural Co-operative Credit Society	Sulwade Agricultural Co-operative Credit Society
	1	2	3	4
Number of members.....	50	38	54	26
<b>Total owned funds.....</b>	<b>934</b>	<b>5,108</b>	<b>6,435</b>	<b>1,213</b>
Paid up capital.....	920	1,925	2,035	1,185
Reserve fund.....	14	3,075	3,552	28
Other funds.....	—	108	848	—
Deposits.....	6	—	—	—
Borrowings from Bombay Provincial Co-operative Bank.....	3,847	8,475	2,635	7,894
<b>Total working capital.....</b>	<b>4,787</b>	<b>13,583</b>	<b>9,070</b>	<b>9,107</b>
Loans advanced during the year to individuals.....	1,335	15,990	8,290	12,880
Repayments by individuals during the year.....	218	9,498	8,420	11,152
<b>Total outstanding including interest receivable.....</b>	<b>4,350</b>	<b>15,690</b>	<b>9,265</b>	<b>9,665</b>
Of which overdue.....	4,350	—	1,310	—
Investments.....	55	100	300	160
Other assets.....	—	—	—	—
Maximum borrowing power of society.....	5,000	10,000	9,000	13,000
Maximum borrowing power of members.....	500	500	500	500

7.15 The funds borrowed from the Bombay Provincial Co-operative Bank form a comparatively smaller proportion in the total working capital of the two societies

with some reserve fund. However, even between these two societies, it is only the society at Kondhaval that is comparatively independent of the borrowed funds ; in its total working capital, the borrowed funds form less than 30 per cent. The society did not borrow upto its maximum borrowing limit. At the same time, it also kept its lending operations rather at a low level when compared with the other society, namely at Dhamane. This latter society borrowed almost upto its maximum borrowing limit so that borrowings accounted for more than 60 per cent of its working capital. Its lending also was kept rather at a high level. Thus, if we compare the lending by these two societies, we see that on a per member basis, the lending by Dhamane society was nearly three times as high as that by the society at Kondhaval. Except for the small amount of overdues appearing with the Kondhaval society, the recovery of loans by both the societies appears satisfactory.

7.16 As already pointed out, the working capital of the other two societies largely consists of the borrowed funds. Thus, nearly 87 per cent of the working capital of the Sulwade society consists of the borrowed funds. But the level of the lending operation of the society is quite high and the recoveries also satisfactory. Thus, the society does not do more than act as an agent of the Bombay Provincial Co-operative Bank ; borrowing from the Provincial Co-operative Bank and lending to its own members, but its working in this respect is at least satisfactory. The financial position of the Bhilbhavali society is, on the other hand, very unsatisfactory ; 80 per cent of its total working capital consists of borrowed funds and more than 90 per cent of its total working capital appears as overdues.

7.17 It will be of interest to compare the loans made during 1950-1 and the loans outstanding at the end of 1950-1, as appearing in the above mentioned financial statements of the four selected societies, with the borrowing from the societies and the outstanding debt reported to them in the General Schedule by the cultivators in the corresponding villages. As pointed out earlier, the General Schedule data regarding borrowings approximately related to the calendar year 1951 while the General Schedule data relating to outstanding debt related approximately to the end of 1951. The financial statements appearing in Table 7.1 above, correspond to the financial year 1950-1 ending with June 1951. Hence, the General Schedule data are not exactly comparable with the data appearing in the above statement but instead belong to a slightly different period. A comparison would, nevertheless, be worthwhile. In Table 7.2 are given the borrowings and outstanding debt as reported in the General Schedule by the cultivators in the four villages. Borrowings and outstanding debt are both shown classified according to the credit agency. It will be seen that the borrowings from the co-operative societies reported by the cultivators in Dhamane and Kondhaval are in dimensional agreement with the lendings appearing in the financial statements of these two societies. But borrowings from the co-operative societies reported by the cultivators from Sulwade appear to be too high when compared with the lending appearing in the financial statement of that society. It is true that the borrowings as reported in the General Schedule referred to the calendar year 1951 while the financial statement related to the financial

year 1950-1. Nevertheless, the reported borrowings appear rather high ; they are higher than even the borrowing limit of the Sulwade credit society together with its owned funds. It is possible, therefore, that in this case, a part of the reported borrowings from co-operative societies was from co-operative societies or institutions other than the village credit society ; for instance, it could include borrowings from marketing societies or from the Land Mortgage Bank. The situation with regard to the Bhilbhavali society appears to be exactly the opposite. Here, the reported borrowings from the co-operative societies are too low. But, this is likely to be a fact. As we have earlier remarked the financial statement of this village society for the year 1950-1 revealed a very unsatisfactory position and, in particular, a large amount of overdues. It is possible, therefore, that the lending operations of the society were deliberately restricted during 1951.

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

[General Schedule data]

(Amount in tens of rupees)

Creditor	BORROWINGS				
	Bhilbhavali	Dhamane	Kondhaval	Sulwade	Total
	1	2	3	4	5
Government.....	—	141	25	288	454
Co-operatives.....	5	1,200	860	2,008	4,073
Relatives.....	64	1,309	1,025	1,015	3,413
Landlords.....	—	—	—	—	—
Agriculturist moneylenders....	170	272	720	314	1,476
Professional private money-lenders.....	112	619	288	603	1,622
Traders and commission agents	32	480	—	10	522
Commercial banks.....	—	—	—	—	—
Other agencies.....	—	—	—	—	—
<b>Total.....</b>	<b>383</b>	<b>4,021</b>	<b>2,918</b>	<b>4,238</b>	<b>11,560</b>

Creditor	OUTSTANDING DEBT				
	Bhilbhavali	Dhamane	Kondhaval	Sulwade	Total
	6	7	8	9	10
Government.....	743	766	122	962	2,593
Co-operatives.....	378	1,314	977	1,780	4,449
Relatives.....	64	1,328	1,080	833	3,305
Landlords.....	—	92	—	—	92
Agriculturist moneylenders....	188	451	834	305	1,778
Professional private money-lenders.....	118	1,615	360	580	2,673
Traders and commission agents	85	351	—	53	489
Commercial banks.....	—	—	—	—	—
Other agencies.....	—	—	25	—	25
<b>Total.....</b>	<b>1,576</b>	<b>5,917</b>	<b>3,398</b>	<b>4,513</b>	<b>15,404</b>

7.18 We may similarly compare the outstanding debt owing to the co-operative societies as reported in the General Schedule by the cultivators in these villages with the outstanding loans as appearing in the financial statements of these societies. It will be seen that the two are in reasonable agreement in the case of three out of the four societies and only in the case of one society, namely, at Sulwade, the reported debt owing to the society appears rather low when compared with the outstanding loans as appearing in the financial statement of the accounts of the society. We had earlier noted that it is in the case of the same society that the reported borrowing looked high as compared with the lending appearing in the financial statement. The figures for this society, therefore, appear somewhat discrepant.

7.19 We might now summarize the position by considering the four societies together. The four villages together had a total of 664 resident families of which 425 were cultivators. The four societies put together had a total membership of 168 in 1950-1. Thus, about 40 per cent of the cultivators in these villages were members of the village societies. This is not altogether unsatisfactory. The total paid up share capital of these societies was Rs 6,065 which works out at Rs 36 per member. The total reserve fund, which only two of the four societies had in any considerable amounts, amounted to Rs 6,669 which is nearly equal to the paid up share capital. The other funds amounted to Rs 956. Deposits from members were practically nil.

7.20 In their credit operations, the working of two of the four societies could be considered to be distinctly satisfactory and promising. The working of only one of the four societies was definitely very unsatisfactory. Besides the small amounts in the shares of the Bombay Provincial Co-operative Bank and the loans to their own members, the societies had no other investments. During 1950-1, the four societies together advanced loans amounting to Rs 38,495 and at the end of the year the loans outstanding amounted to Rs 38,970. These figures compare well with the borrowing and the outstanding debt reported in the General Schedule by the cultivators in the four villages. The reported figures for borrowing and outstanding debt are Rs 40,730 and Rs 44,490, respectively. The agreement is thus very satisfactory. It will be appropriate, therefore, to judge the size of the co-operative credit against the total credit either available or required in these villages as it was reported in the General Schedule. It will be seen from Table 7.2 that the total borrowing by cultivators in these villages amounted to Rs 1,15,600 and of this Rs 40,730 was from the co-operative societies. Thus, the societies met nearly 35 per cent of the total supply of credit in their villages. Among the remaining, the borrowing from Government accounted for about 4 per cent and the borrowings from the relatives about 30 per cent of the total. The relatives as a source of credit, though not amenable to control, cannot be said to be undesirable. If, therefore, we leave out the borrowing from Government and from the relatives, it will be seen that the co-operative societies in these villages met nearly half of the remaining credit raised by the cultivators. This is not unsatisfactory. The same is more or less

true if we judge the share of the co-operative societies on the basis of the outstanding debt rather than on the basis of the borrowings.

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

7.22 Of the four selected societies, two, namely those at Ajnad in Shirpur taluka and at Parmepada in Dhulia taluka, were primary credit societies. The other two, at Daul in Sindkheda taluka and at Kusumbe in Dhulia taluka, were multi-purpose societies. In Table 7.3, we give a statement showing the financial position and loan operations of these societies during 1950-1.

7.23 Considering first the two credit societies, it will be seen that both of them depend very heavily on the borrowed funds; the funds borrowed from the Bombay Provincial Co-operative Bank form more than 70 per cent of their working capital. The Ajnad society is relatively the better of the two; its paid up share capital is more per member than that of the Parmepada society; its owned funds are relatively somewhat larger than those of the other society; and above all, the recovery of its loans is much better, leaving only a small amount of overdues. In the case of Parmepada society, the recovery of loans is very unsatisfactory and more than half of its working capital is locked up in overdues.

7.24 The two multi-purpose societies at Daul and Kusumbe are comparatively very large. The Daul society has a membership of 107 with owned funds amounting to Rs 20,906. The Kusumbe society has a membership of 285 with owned funds amounting to Rs 33,570. Both the societies have large reserve funds and considerable other funds; nearly two-thirds of their owned funds consist of the reserves. Both the societies also have substantial deposits; in fact, their deposits amount to nearly as much as their paid up share capital. These deposits are both from members and non-members. Though these deposits are substantial, it must be noted that they were larger still a year ago. Thus, in 1949-50, the Daul society had deposits amounting to nearly Rs 8,500 and the Kusumbe society had them nearly equal to Rs 20,000. The reasons for the large drop in the deposits during 1950-1 could not be ascertained; it is possible that the drop was temporary and was on account of the unsatisfactory season during that year.

7.25 The two societies seem to borrow little from the Bombay Provincial Co-operative Bank and hence, their entire working capital consists of their owned funds and deposits. Except for a small amount invested in the shares of the Bombay

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

(Amount in rupees)

	Daul village Multi-purpose Society	Ajnad Agricultural Co-operative Credit Society	Parmepada Agricultural Co-operative Credit Society	Kusumbe village Multi-purpose Society
	1	2	3	4
Number of members.....	107	29	99	285
<b>Total owned funds.....</b>	<b>20,906</b>	<b>1,694</b>	<b>2,428</b>	<b>33,570</b>
Paid up capital.....	3,285	990	1,590	6,915
Reserve funds.....	14,629	704	838	22,124
Other funds.....	2,992	—	—	4,531
Deposits.....	3,453	8	178	6,118
Borrowings from Bombay Pro- vincial Co-operative Bank.....	—	4,320	7,865	500
<b>Total working capital.....</b>	<b>24,359</b>	<b>6,022</b>	<b>10,471</b>	<b>40,188</b>
Loans advanced during the year to individuals.....	26,165	5,275	10,450	28,473
Repayments by individuals during the year.....	22,963	4,292	9,944	32,054
<b>Total outstanding including in- terest receivable.....</b>	<b>22,235</b>	<b>5,161</b>	<b>12,108</b>	<b>27,055</b>
Of which overdue.....	479	196	5,426	3,495
Investments.....	1,400	55	420	3,854
Other assets.....	—	200	186	—
Maximum borrowing power of society.....	15,000	8,000	10,000	Not fixed
Maximum borrowing power of members.....	500	500	500	500

Provincial Co-operative Bank, the Daul society has used practically the whole of its working capital in giving loans to its members. The Kusumbe society, however, seems to have a small surplus of funds. Its investments are somewhat larger; there is also a certain amount of overdues; and a small part of its working capital apparently has remained idle. Probably these funds were needed for its multi-purpose activities. At the time of the enquiry, these activities were mainly supply of seed and running of a cloth shop. The prosperity of the Kusumbe society is largely due to the commercial crops in the village; the village has a large area of cotton and groundnut. In addition to the multi-purpose society under study, the village also has a small credit society, a crop protection society, a cotton sales society and a tanners' co-operative society. The village is thus a noteworthy example of a comprehensive system of co-operative institutions.

7.26 With a view to studying the operations of private agencies supplying credit to cultivators as also the structure of agricultural markets, five important marketing centres in the district were selected for an on the spot study. The selected centres were Dhulia, Dondaicha, Nandurbar, Shirpur and Navapur. The investigation included a study of the co-operative societies existing at these centres. There were three such; one at Dondaicha and two at Shirpur. It will be convenient to incorporate in this chapter notes on these three societies. Results of the investigation



relating to the private credit agencies and the structure of agricultural markets will be presented in subsequent chapters.

7.27 In Table 7.4 are given the statements showing the financial position and loan operations of these societies during 1950-1. All the three societies have the same main features as those of the credit societies described earlier. All of them depend mainly on the Bombay Provincial Co-operative Bank ; 60 to 70 per cent of their working capital is derived from this source. The loan operations and recovery are satisfactory in the case of two of the three societies. The third society, namely, the Shirpur-Budruk society shows a certain amount of overdues. None of the societies has been able to attract deposits from members or non-members.

**TABLE 7.4—PRIMARY AGRICULTURAL CREDIT SOCIETIES AT MARKETING CENTRES : FINANCIAL POSITION AND LOAN OPERATIONS IN 1950-1**

(Amount in rupees)

	Dondaicha Agricultural Credit Society	Shirpur-Budruk Agricultural Credit Society	Shirpur-Khurd Co-operative Credit Society
Number of members.....	35	43	29
<b>Total owned funds.....</b>	<b>2,126</b>	<b>4,055</b>	<b>4,140</b>
Paid up capital.....	1,685	1,100	2,285
Reserve funds.....	355	2,710	1,665
Other funds.....	86	245	190
Deposits.....	—	61	2
Borrowings from Bombay Provincial Co-operative Bank.....	7,375	6,080	8,300
<b>Total working capital.....</b>	<b>9,501</b>	<b>10,196</b>	<b>12,442</b>
Loans advanced during the year to individuals.....	10,315	7,925	10,315
Repayments by individuals during the year..	8,989	5,877	7,981
<b>Total outstanding including interest receivable.....</b>	<b>9,461</b>	<b>7,752</b>	<b>10,315</b>
Of which overdue.....	—	1,402	—
Investments.....	110	310	360
Other assets.....	—	—	—
Maximum borrowing power of society.....	10,000	16,000	10,000
Maximum borrowing power of members.....	500	500	500

7.28 To sum up, from the eleven credit societies described above, it will be seen that except for the two multi-purpose societies, all the other, that is to say, all the primary credit societies seem entirely dependent on the Bombay Provincial Co-operative Bank. They have failed to promote thrift among their members or attract deposits from non-members. They are, therefore, primarily societies of borrowers. Consequently, their loan operations are more or less governed by the Bombay Provincial Co-operative Bank. But in a majority of the cases, the recovery of loans and the general administration appears satisfactory. There are, however, a few very unsatisfactory cases providing a warning that but for the very detailed control of the Bombay Provincial Co-operative Bank, the situation could not possibly be as satisfactory.

7.29 The eleven co-operative credit societies covered by our study had in 1950-1, a total membership of 795 and during the year they made fresh loans amounting to Rs 1,37,413. In order to study the characteristics of individual loans, we extracted relevant information available in the loan registers of these societies. Our copy of the loan registers shows that the fresh loans disbursed during the year amounted to Rs 1,36,214. The difference is small and might be either due to possible difference between the amounts sanctioned and the amounts disbursed or due to copying and other errors. The amount comprised 745 separate loans made to 519 members. Thus, nearly 65 per cent of all the members borrowed during the year. In Table 7.5, we give a distribution of the number of loans and the amounts disbursed according to the size of the loans. Thus, it will be seen that 37.4 per cent of all the loans were of amounts less than Rs 100 each and that they accounted for 10.5 per cent of the total amount disbursed during the year. At the other extreme, it will be seen that only 1.5 per cent of the loans were of amounts of Rs 1,000 or more each and that they accounted for 11.0 per cent of the total amount disbursed.

7.30 All the loans were sanctioned for a duration of one year or less. However, in view of the extensive practice of fictitious annual repayment and fresh borrowing shown in the books of the societies, a number of loans would in fact remain outstanding over a much longer period. A large part, 94.8 per cent of the total amount, was given for current farm expenditure and the remaining 5.2 per cent for purchase of livestock. All the loans were surety loans. The interest rate varied from  $6\frac{1}{4}$  per cent to  $9\frac{3}{8}$  per cent. Of the total amount, 36.1 per cent was at  $6\frac{1}{4}$  per cent; 50.4 per cent was at  $7\frac{1}{8}$  per cent and the remaining 13.5 per cent was at  $9\frac{3}{8}$  per cent. It should be noted that these rates are, respectively, equivalent to one anna,  $1\frac{1}{4}$  anna and  $1\frac{1}{2}$  anna per rupee per annum.

**TABLE 7.5—PRIMARY AGRICULTURAL CREDIT SOCIETIES : LOANS ADVANCED DURING 1950-1 CLASSIFIED ACCORDING TO SIZE**

Size of loans	Number of loans (Percentage to total)	Amount disbursed in rupees (Per- centage to total)
Less than Rs 100.....	37.4	10.5
Rs 100-Rs 200.....	28.5	19.9
Rs 200-Rs 300.....	16.6	20.1
Rs 300-Rs 400.....	5.8	10.0
Rs 400-Rs 500.....	5.4	12.1
Rs 500-Rs 1,000.....	4.8	16.4
Rs 1,000 and above.....	1.5	11.0
<b>Total.....</b>	<b>745</b>	<b>1,36,214</b>

7.31 Out of these 745 loans, we selected 125 loans for studying the time-lag between application and its sanction and disbursement and also the place of disbursement of the sanctioned amount. Out of the 125 loans, in the case of 114 the disbursement was reported to have been made practically immediately and in 10 other cases, it was done within a month from the date of application. This seems

surprisingly speedy and commendable unless in the majority of the cases, the new loans were in fact renewals of the previous loans. Also, in the case of 34 out of the 125 loans, the amount was disbursed in the applicant's village of residence and though in the remaining cases the disbursement was done in another place, the distance that the applicant had to travel for the purpose was usually much less than that in the case of Government loans. It would thus appear that from the standpoint of speedy sanction and disbursement as also of the convenience of the applicant in the matter, the loans from the co-operative societies were much to be preferred to the Government loans.

7.32 We also enquired from the sample of selected cultivating families about their experience with the co-operative finance, particularly regarding the time-lag between the application and the sanction of loans from primary co-operative credit societies. Only thirteen of the bigger and five of the smaller cultivators reported that they had obtained loans from co-operative societies during the year. Out of the eighteen cases, in eight cases, the loan was sanctioned within five months of the application ; in the remaining ten cases, the time required to sanction the loan could not be ascertained. Similarly, in nine out of the eighteen cases, the applications were sanctioned for the full amount applied for, while in one case only half of the amount applied for was sanctioned. In the remaining cases the information could not be obtained. Only five of the selected cultivators had applied for fresh loans from co-operative societies during the year. All of them were the bigger cultivators. In one case, the application was rejected ; in two cases, the loans were sanctioned ; and the two remaining applications were still under consideration at the time of our enquiry. Considering that every loan had to be scrutinized and approved by the Bombay Provincial Co-operative Bank, the above does not seem to be entirely unsatisfactory.

7.33 It was earlier remarked that except for the two multi-purpose societies, all the credit societies studied by us depended heavily on the Bombay Provincial Co-operative Bank. There were no other central financing agencies in this district, such as a central bank or a banking union. The supply of co-operative credit in the district, therefore, very largely depends, except for the small share of the owned funds and the deposits of the primary credit societies, on the Bombay Provincial Co-operative Bank.

7.34 The primary credit societies, financed by the Bombay Provincial Co-operative Bank, mainly supply the short-term credit to cultivators. The long-term co-operative credit is supplied by the District Land Mortgage Bank. The Land Mortgage Bank in this district was registered in 1935. In 1950-1, it had a membership of 6,437 and its working capital amounted to a little over Rs 13 lakhs. The principal source of finance to the District Bank was the Bombay Provincial Land Mortgage Bank from which it borrowed more than 90 per cent of its working capital. The District Bank borrowed at 4 to 4½ per cent per annum depending upon the duration of the loan. On the other hand, it lent to its members at rates

of interest from  $5\frac{1}{2}$  to 6 per cent per annum. During 1950-1, the loans advanced by the District Bank amounted to a little over Rs 4 lakhs. In order to study the characteristics of individual loans, we extracted details available from the loans register of the Bank. We have obtained particulars for 158 loans made during 1950-1 amounting to Rs 3,74,800. In Tables 7.6 and 7.7, we give the distribution of these loans and the corresponding amounts by the size of the loans and the purposes for which they were made. It will be seen that only 11.4 per cent of the loans were of amounts less than Rs 1,000 each and that they accounted for only 3.4 per cent of the total amount advanced. A large majority of the loans were of amounts between Rs 1,000 and Rs 5,000. A little more than half of the loans amounting to a little more than half of the total amount were for repayment of old debts and the rest were either for purchase of land or for land improvement. Nearly two-thirds of the loans were for duration between fifteen and twenty years and the remaining were for longer periods.

**TABLE 7.6—DISTRICT CO-OPERATIVE LAND MORTGAGE BANK: LOANS ADVANCED DURING 1950-1 CLASSIFIED ACCORDING TO PURPOSE**

Purpose of loans	Number of loans advanced (Percentage to total)	Amount advanced (Percentage to total)
Repayment of old debts.....	55.7	52.3
Improvement of land.....	19.0	12.2
Purchase of land.....	22.1	31.5
More than one purpose.....	3.2	4.0
<b>Total.....</b>	<b>158</b>	<b>3,74,800</b>

**TABLE 7.7—DISTRICT CO-OPERATIVE LAND MORTGAGE BANK: LOANS ADVANCED DURING 1950-1 CLASSIFIED ACCORDING TO SIZE**

Amount	Number of loans advanced (Percentage to total)	Amount advanced (Percentage to total)
Less than Rs 1,000.....	11.4	3.4
Rs 1,000—Rs 2,000.....	35.4	20.3
Rs 2,000—Rs 3,000.....	19.0	18.2
Rs 3,000—Rs 4,000.....	11.4	15.2
Rs 4,000—Rs 5,000.....	20.9	36.7
Rs 5,000—Rs 10,000.....	1.3	3.6
Rs 10,000 and above.....	0.6	2.6
<b>Total.....</b>	<b>158</b>	<b>3,74,800</b>

7.35 The loans were, of course, all secured by land mortgages. Table 7.8 is intended to show the relation between the loans of different sizes and the value of the corresponding land mortgages. It will be seen that all the loans are generally made within 50 per cent of the value of the land, as prescribed by the rules. Nevertheless,

we shall invite attention to the column showing valuation per acre. There is nothing in the nature of things to suggest that lands in larger holdings should be valued at a higher rate than lands in smaller holdings ; and still there is a clear indication that larger holdings have been valued at higher rates. It is, therefore, possible that the Valuation Officer somewhat overrated the larger holdings, of course, for no other reason but to make it possible to sanction the larger amounts asked for.

7.36 Having regard to the amounts involved, the sanction of the loans appears to be rather speedy. In Table 7.9 is given the distribution of the loans by the time it took from the application to the sanction. Thus, a large majority of the loans, more than 80 per cent, were sanctioned within six months of the application and in fact nearly 60 per cent were sanctioned within three weeks. Only a few, about 7 per cent took more than a year to be sanctioned. This looks reasonably speedy and satisfactory.

7.37 The recovery of loans from the District Land Mortgage Bank was generally satisfactory and there were no large overdues.

**TABLE 7.8—RELATION BETWEEN SIZE OF LAND MORTGAGE LOAN AND THE VALUE OF MORTGAGED LAND**

Amount	Number of loans	Average amount of loan (Rs)	Average area of land mortgaged (Acres)	Valuation per acre (Rs)	Amount of loan as percentage of value of land mortgaged
	1	2	3	4	5
Less than Rs 1,000.....	18	708	8.7	163	49.8
Rs 1,000—Rs 2,000.....	56	1,356	14.2	215	44.6
Rs 2,000—Rs 3,000.....	30	2,273	22.9	228	43.6
Rs 3,000—Rs 4,000.....	18	3,167	26.6	247	48.1
Rs 4,000—Rs 5,000.....	33	4,164	39.2	252	42.1
Rs 5,000 and above.....	3	7,833	73.7	229	28.7
<b>Total.....</b>	<b>158</b>	<b>2,372</b>	<b>23.0</b>	<b>233</b>	<b>44.2</b>

**TABLE 7.9—DISTRICT CO-OPERATIVE LAND MORTGAGE BANK : LOANS ADVANCED DURING 1950-1 CLASSIFIED ACCORDING TO TIME-LAG BETWEEN DATE OF APPLICATION AND DATE OF SANCTION**

Time-lag between date of application and date of sanction	Number of loans advanced (Percentage to total)	Amount advanced (Percentage to total)
Up to 3 months.....	57.6	58.5
3 to 6 months.....	26.6	24.3
6 to 12 months.....	8.9	10.1
One year and over.....	6.9	7.1
<b>Total.....</b>	<b>158</b>	<b>3,74,800</b>

7.38 In conclusion, we might say that the co-operative credit is undoubtedly well organized in this district. Its principal short-coming is that it has not so far been able to promote thrift and encourage savings in the form of deposits with the co-operative societies. The primary credit, therefore, very largely depends on outside resources. Till this situation continues, the co-operative credit organization within the district remains primarily an organization of borrowers. To this general situation, only two of the societies studied by us were an exception ; both of them were multi-purpose societies. It is possible, therefore, that the remedy of the above mentioned defect in the primary co-operative structure lies in this direction. We shall return to this point when we examine the general situation regarding agricultural marketing in the district.

## CHAPTER 8

### PRIVATE FINANCING AGENCIES

8.1 Due to the importance of commercial crops and the fairly well-developed agricultural marketing system, traders in agricultural commodities form one of the principal private agencies supplying credit to cultivators. Among other private financing agencies supplying credit are the commercial banks on the one hand, and indigenous bankers and private moneylenders on the other. We had earlier mentioned that the district has good banking facilities. In addition to the large number of branches of the Bombay Provincial Co-operative Bank at all the important marketing centres, and the three urban co-operative banks and the Merchant Co-operative Bank with two branch offices, the district also has a fair number of branches of some commercial banks. There are at Dhulia, branch offices of the Imperial Bank, the Punjab National Bank, the Bank of Baroda, the Bank of Maharashtra and the New Citizen Bank. The New Citizen Bank has also a branch at Nandurbar ; and here the Central Bank of India also has a branch.

8.2 As a part of our investigation, we mailed a questionnaire to the local offices of the commercial banks requesting information regarding their advances and loans to agriculturists. As the purpose for which the advance was made might not have been noted in the books of the banks, we enquired specifically about the advances against agricultural produce. Agents of local branches of the Imperial Bank, the Punjab National Bank, the Bank of Baroda, the New Citizen Bank at Dhulia and Nandurbar and the Central Bank of India returned this questionnaire duly filled in. From these returns, it appears that on 30 September 1951, these banks had outstanding advances amounting to Rs 1·20 lakhs. This amount constituted advances for agriculture against the security of bullion and other collaterals. The advances were partly utilized by the textile mills and partly by the traders for purposes of general trading. The rest of the advances were against groundnut and other oilseeds, *gur* and pulses and were made to about ten wholesalers or commission agents. The advances were used for general trading purposes. It is, therefore, clear that the commercial banks did not by themselves finance the agriculturist directly. This does not quite accord with our earlier finding based on the General Schedule data that 12 per cent of the borrowings by the large cultivators during the year were from the commercial banks. Nevertheless, it seems true that the agricultural finance from the commercial banks went mainly to the traders who in their turn supplied considerable finance to the agriculturists. We shall examine their part in this respect in the next chapter.

8.3 The other private agency for agricultural finance is the private moneylender. The profession of moneylending is regulated in the State by the Bombay Moneylenders Act, 1946. The Act is designed to regulate and control the business of the moneylenders. It requires all moneylenders to be registered and licensed to

carry on the business of moneylending in a specified area. The licence is valid only for one year and must be renewed. In order to regularize the moneylender's accounts, the Act requires him to keep them in a prescribed form and to inform the Registrar of every loan made by him within 30 days of making the loan and to pass plain and complete receipts for every dues received from the debtor. The rates of interest are to be fixed by the Government from time to time ; at the time of our investigation, they were 6 per cent for secured and 9 per cent for unsecured loans.

8.4 However, as noted earlier, a majority of the loans made by private moneylenders earned interest between 18 to 24 per cent. This was because most of the loans were not probably made by licensed moneylenders. In fact, there was very little registration and even when a moneylender was registered and licensed, a large part of his business was usually outside the prescribed accounts. There is little doubt that a substantial part of the private moneylending in the district was outside the scope of the Act. The principal difficulties in an effective enforcement of the Act seem to be, firstly, the large amount of moneylending that takes place within a village, which it is obviously difficult to control by an act of legislation. Secondly, not all the moneylending is done by what might be called professional moneylenders who would take the trouble of getting registered and maintaining accounts in prescribed forms ; a substantial part of the moneylending is in the nature of private and personal accommodation. Thirdly, the business of moneylending is often combined with other business such as trading and separation of the two accounts is not always possible. Finally, of course, is the general distrust with which the moneylenders look upon Government regulation and the ingenuity and influence which they command to escape the same.

8.5 To the extent that the Moneylenders Act was effective, it was generally believed that it might have caused, at least temporarily, certain hardship to the cultivators in obtaining credit. To ascertain the opinion of the cultivators in this respect, a special questionnaire was issued to the selected cultivators enquiring whether they experienced any difficulties in obtaining adequate and prompt credit, and whether they attributed these difficulties to any legislation or Government action. Only 35 of the 80 larger cultivators and 10 of the 40 smaller cultivators gave satisfactory answers to this questionnaire. Of those who answered, twenty-nine larger and eight smaller cultivators said that finance was not available in adequate amounts and promptly or when needed. Of these, nineteen larger and six smaller cultivators attributed their difficulties to the Moneylenders' Act. A general argument was that because of the Act, the normal business of the moneylenders had become illegal and hence, the moneylenders were now asking for higher interest, that the relations of the cultivators with the moneylenders were no longer cordial and hence, personal accommodation was becoming difficult. Some of the cultivators pointed out that the Government or the co-operative societies could not supply the kind of speedy and emergency credit which the private moneylenders supplied and that, therefore, measures such as scaling down of past debts of the private moneylenders did not do much ultimate good to the habitual borrowers.



They pointed out that the private moneylender had a definite place in the village economy and that it did not do them much good to displease him.

8.6 To study the operation of private moneylenders a sample of about 20 moneylenders was selected at each of the five selected marketing centres. This could be done only on the basis of the list of licensed moneylenders available at each centre. It is possible that there were moneylenders who were not licensed and hence did unauthorized business. But there were no means of knowing their names and in any case it was little use interviewing them. The following information is, therefore, based on the interviews with licensed moneylenders only and naturally would relate only to their authorized business.

8.7 There were 118 moneylenders at Dhulia but only sixteen of them had done any transactions during the year. These sixteen were, therefore, selected for interview. Of the remaining, six were randomly selected but no useful information was forthcoming from them. At Nandurbar, there were twenty-five moneylenders ; of these five had recently cancelled their licences. The remaining twenty were selected. There were eight moneylenders residing at Dondaicha. All of them were, therefore, selected. At Shirpur, there were nine moneylenders and all of them were selected. At Dondaicha, all traders were moneylenders and all moneylenders were also traders. Hence, the persons selected as traders, were also interviewed as moneylenders. Thus, in all 79 moneylenders were selected and interviewed. However, in the case of twenty of them, no useful information was forthcoming, either because their licences were nominal and they in fact did no business or because they were reluctant to give information. The following account is, therefore, based on the interviews with the remaining 59 moneylenders.

8.8 Of the 59 moneylenders, 25 were traders in agricultural commodities, twenty were non-cultivating landowners and thirteen were goldsmiths. Twenty of the moneylenders were in business for more than 25 years ; another twenty for more than five years and only the remaining nineteen for not more than five years. In the case of 38 of the moneylenders, more than 75 per cent of their business was with agriculturists ; in the case of eight others, this proportion was between 50 and 75 per cent. Thirty-seven of the moneylenders said that they would not normally advance more than Rs 500 to a single cultivator even against a sound security. The rate of interest which the moneylenders said they would consider reasonable on secured loans was between 6 and 9 per cent and on cash credits and unsecured loans it was between 9 and 12 per cent. Fifty-four of the fifty-nine moneylenders said that their own funds were adequate for their business and that, therefore, they did not borrow from elsewhere. Of the remaining, five said that they borrowed from commercial banks. It is obvious, therefore, that a large part of finance supplied by the private moneylenders was independent of and in addition to what was supplied by the commercial banks. As was mentioned, many of the moneylenders were also traders and it might be expected that the credit supplied by them was firmly linked to their trading business. We shall examine the situation in the next chapter.

## CHAPTER 9

### AGRICULTURAL MARKETING

9.1 In earlier chapters, attention was drawn to the fact that traders in agricultural commodities constituted an important source of credit to cultivators in this district. In the preceding chapter, it was also pointed out that a number of professional moneylenders combined the business of moneylending with trading and that it was to be expected that in their case the two businesses were closely linked. It is obvious, therefore, that traders occupied a particularly important position in the structure of agricultural finance in this district. As a preliminary to examining their role as an agency supplying credit to cultivators, we might describe the general conditions relating to agricultural marketing in the district.

9.2 Due to its important commercial crops, namely, cotton and groundnut, agricultural marketing in the district is well-organized and now is everywhere regulated. The cotton market at Dhulia was established in 1930 and it immediately came under the regulation of the Cotton Market Act of 1927. The market at Dondaicha, the second important market in the district also came under the regulation of this Act in 1939. The Act, of course, regulated only the trading in cotton. Later, these markets came under the regulation of the Bombay Agricultural Produce Markets Act of 1941 and the trading in both cotton and groundnut came under regulation. In 1948, the Act was extended to markets at Shirpur, Nandurbar and Shahada and in 1950 to the market at Navapur. At these markets, in addition to trading in cotton and groundnut, trading in all important pulses and oilseeds and in some cases also in chillies was regulated. There was only one market, that at Sakri, which had not come under regulation of the Act. The important commodity marketed at that centre was the locally produced *gur*.

9.3 In the following, we give a list of the regulated markets in the district, showing for each, the area of its operation and the list of commodities trading in which was regulated.

Market place and area of operation	Regulated commodities
Dhulia (Dhulia taluka)	1. Cotton, ginned and unginned 2. Groundnut, shelled and unshelled
Dondaicha with sub-yards at Nardhana and Sindkheda (Sindkheda taluka)	1. Cotton 2. Groundnut 3. <i>Tur</i> , gram, moong, math, urid 4. Castor seed, sesamum 5. Chillies, dry and green 6. <i>Gur</i>

Nandurbar (Nandurbar and Taloda talukas)	<ol style="list-style-type: none"> <li>1. Cotton</li> <li>2. Groundnut</li> <li>3. <i>Tur</i>, gram, <i>moong</i>, <i>math</i>, <i>urid</i>, <i>chola</i></li> <li>4. Castor seed, sesamum, <i>niger</i> seed</li> <li>5. Chillies</li> <li>6. <i>Gur</i></li> <li>7. <i>Ambadi</i></li> </ol>
Shirpur (Shirpur taluka)	<ol style="list-style-type: none"> <li>1. Cotton</li> <li>2. Groundnut</li> <li>3. <i>Tur</i>, gram, <i>urid</i>, <i>moong</i>, <i>math</i>, <i>chola</i></li> <li>4. Sesamum, linseed</li> </ol>
Shahada (Shahada taluka)	<ol style="list-style-type: none"> <li>1. Cotton</li> <li>2. Groundnut</li> <li>3. <i>Tur</i>, gram, <i>moong</i>, <i>urid</i></li> <li>4. Sesamum</li> </ol>
Navapur with sub-yards at Khandbara, Chinchpada and Visarvadi (Navapur taluka)	<ol style="list-style-type: none"> <li>1. Cotton</li> <li>2. <i>Tur</i>, gram, <i>urid</i></li> <li>3. Castor seed, sesamum, <i>niger</i> seed</li> </ol>

9.4 Under the Bombay Agricultural Produce Markets Act, the State Government by notification declared its intention of regulating the sale and purchase of certain agricultural commodities in a specified area declared to be a market area. All wholesale buying and selling of regulated commodities within the market area can then be done only by licensed traders and commission agents. Such licences are required to be renewed every year. For each such market area, is constituted a market committee to enforce the provisions of the Act. The committee consists of twelve to fifteen members. One-third of the members are representatives of the agricultural producers in the area, and another one-third elected by the licensed traders. Among the remaining, one is a representative of the local municipality or *gram-panchayat* and others are nominees of the State Government. The market committee may levy fees on agricultural produce bought and sold in the market area according to prescribed rules. The State Government makes rules generally or for each market area specifically, detailing the provisions of the Act. They relate to the election of the office-bearers and to the annual budget of the market committees, maximum fees to be levied in respect of produce purchased and sold in the market area, issue of licences to traders, commission agents, brokers, weighmen, measurers, surveyors, warehousemen and other persons operating in the market, weights and measures to be used, trade allowances, storing of produce, settling of disputes between buyers and sellers, regulation of advances given by brokers or traders to agriculturists, prevention of adulteration, grading and standardization of produce, manner in which auction should be conducted and bids made in the market, prohibition of brokers from acting on behalf of both buyers and sellers, etc.

9.5 Licences are issued to commission agents, traders and weighmen. Both among wholesale traders and weighmen, there are two classes 'A' and 'B'. 'A' class traders are allowed to buy and sell agricultural produce anywhere in the market area. 'B' class traders can only buy in the market area outside the market, but may sell anywhere. Among weighmen, the 'A' class are allowed to operate only in the market while the 'B' class only in the market area outside the market. The annual licence fee for commission agents and 'A' class traders is different in different markets and varies from Rs 60 to Rs 100. The fee for 'B' class traders is usually Rs 30 and for retailers Rs 10. Fees for weighmen of 'A' and 'B' class are usually Rs 7 and Rs 4, respectively. In all cases, the licences are required to be renewed every year. In Table 9.1, we give the number of licensed commission agents and traders at different markets.

9.6 The commission agents are called *adatyas* and two types are distinguished: *kutchra* and *pucca*. The former receive commission from the sellers; the latter from the buyers. In this district, the *pucca adatyas* were generally working as representatives of mills, and other processing concerns like gins, etc. or of wholesalers and commission agents in Bombay, Indore and Ahmedabad and purchased goods according to orders received from them. The rate of commission generally charged by *pucca adatyas* was at 1 per cent on the value of goods purchased. In 1950-1, there were twenty-four *pucca adatyas* in Dhulia, thirteen at Dondaicha, six at Shahada, thirty-one at Nandurbar and eight at Shirpur.

**TABLE 9.1—NUMBER OF LICENSED COMMISSION AGENTS AND TRADERS AT DIFFERENT REGULATED MARKETS (1950-1)**

Market	Number of commission agents	Number of 'A' class traders	Number of 'B' class traders	Number of retailers
	1	2	3	4
Dhulia.....	65	35	113	—
Dondaicha.....	73	163	35	172
Nardhana.....	22	35	68	102
Sindkheda.....	5	22	19	87
Nandurbar.....	43	87	384	221
Shirpur.....	14	45	88	40
Shahada.....	37	52	167	231
Navapur.....	7	66	—	78
<b>Total.....</b>	<b>266</b>	<b>505</b>	<b>874</b>	<b>931</b>

9.7 Usual commission charges are at twelve annas for Rs 100 of sale or purchase. But there are minor variations. For instance, at Dhulia, on ginned cotton and unshelled groundnut the rate was per quantity and not per value. For ginned cotton, it was Rs 1-8-0 per cwt and for unshelled groundnut, it was Re 0-2-6 per bag. The commission rates were usually higher at Dondaicha than at other places. For instance, for unshelled groundnut, the rate there was fourteen annas per Rs 100 and for green and dry chillies it was Re 1 per Rs 100.

9.8 The working at each market is supervised by a market committee consisting of five or six representatives of agriculturists, an equal number of representatives of traders, the marketing inspector who is a government official and a representative of the local body. The president of the committee is elected by the representatives of the agriculturists and the traders. A sub-committee called the 'disputes committee' is appointed for each market to settle disputes. It consists of one representative each of agriculturists and traders, a representative of the local body and a Government nominee who is the chairman of the disputes committee. Generally disputes are settled by the secretary of the committee. Usually the disputes are raised by the traders and rarely by the agriculturists.

9.9 In 1950-1, 113 disputes were settled by the secretary at Dondaicha market. No dispute was referred to the disputes committee. 119 disputes were settled by the secretary at Shirpur market in 1950-1. No record of disputes was available at other markets. Penalties inflicted might be illustrated by the following. In 1950-1, the licence of one weighman was cancelled and that of the other was suspended for improper weighment; at Shirpur, five persons were prosecuted for unlicensed trade at the market and the licence of one weighman was cancelled for improper weighment. At Navapur, five retailers were warned for improper trade and a wholesaler was warned for late payment to the seller and another wholesaler was prosecuted for using non-standardized weights and measures.

9.10 The rates of market cess were different for different commodities and also between different markets. Cess was charged as per cart load of goods brought in by the seller. On ginned cotton it was usually six annas per cart, though at Navapur the rate was eight annas and at Shirpur three annas only. On unginned cotton, the rate was usually Re 0-2-6; at Navapur, it was Re 0-4-0. On unshelled groundnut it was usually Re 0-4-0; at Shirpur and Shahada, it was Re 0-3-0. On other commodities, the rates were roundabout Re 0-3-0 per cart load.

9.11 Cart loads of commodities arrive and assemble in the market yard in the morning. Usually, the sellers bring the goods in their own carts. But when hired, the charges are usually Rs 3 to Rs 5 per 10 miles. Motor transport costs about Re 1 to Rs 1-4-0 per mile and has a normal capacity of four cart loads. On arrival, the cultivators often approach their usual commission agents from whom they receive small advances. The traders intending to buy the commodities then inspect the cart loads. The Bombay market rates are announced on a public board. The commission agents then make an open auction and the highest bid is accepted. The cultivator has the option of declining the highest bid and postponing the sale. The system of open auction prevails at all markets except at Dhulia and Dondaicha. Here, the rates are fixed by what is called *Hatta* system, that is, bidding under cover. Since June, 1952, in Dhulia market, the rates are first fixed by the *Hatta* system and then put to open auction. Weighment of the produce is usually made at the buyers godowns by a licensed weighman and under the supervision of the supervisors appointed by the market committee. The charges for weighment are from Re 0-0-2½ to Re 0-1-0 for every Rs 100 of produce.

9.12 Some idea of the volume of business at different markets might be obtained from Table 9.2 where we give the reported volumes of sales of different commodities at different markets during 1950-1. Commodities are shown only at those markets where they are important. The two most important commercial crops in this district are cotton and groundnut. It is clear that Dhulia is by far the most important cotton market in the district, the two other important centres being Shirpur and Navapur. As for groundnut, Dhulia and Dondaicha are the two chief centres; the two other centres of groundnut marketing are Nardhana and Nandurbar. Chillies and *gur* are only of minor commercial importance and only two markets, namely, Nandurbar and Dondaicha are important for their marketing. The large volume of sales of green chillies at Dondaicha may be noted. Presumably these are meant for green consumption and for export to city markets for the purpose. As for the marketing of *gur*, it should be noted that besides the two regulated markets mentioned above, the unregulated market at Sakri is also important. Among oilseeds other than groundnut, the district produces some quantity of castorseed and also sesamum. Among foodgrains, on account of Government monopoly of purchase and distribution of cereals, there existed, at the time of our enquiry, free market only in pulses. Both the major pulses, namely, *arhar* and gram are produced and marketed in considerable quantities. *Moong* and *urid* are also important and appear to be specially grown for the market.

**TABLE 9.2—VOLUME OF COMMODITIES MARKETING AT DIFFERENT REGULATED MARKETS DURING 1950-1**

(Number of cart loads)

Market	Cotton (un- ginned)	Ground- nut (un- shelled)	Green chillies	Dry chillies	<i>Gur</i>	Castor- seed	Sesa- mum	<i>Tur</i>	Gram	<i>Moong</i>	<i>Urid</i>
	1	2	3	4	5	6	7	8	9	10	11
1. Dhulia.....	13,481	58,586	—	—	—	—	—	—	—	—	—
2. Dondaicha.....	1,742	40,151	6,408	161	3,164	—	798	311	1,484	1,093	661
3. Nardhana.....	1,884	14,706	—	—	—	—	707	—	—	2,465	40
4. Sindkheda.....	1,497	5,964	—	—	—	—	283	—	—	151	—
5. Nandurbar.....	2,247	14,080	1,879	2,296	3,330	4,389	1,340	2,612	3,747	530	864
6. Shirpur.....	7,814	8,495	—	—	—	—	5,227	110	1,252	5,012	1,073
7. Shahada.....	1,405	3,467	—	—	—	—	674	203	1,145	45	182
8. Navapur & sub-yards	7,563	—	—	—	—	1,381	222	2,214	1,254	—	536
9. Total.....	37,633	1,43,449	8,287	2,457	6,494	5,770	9,251	5,510	8,882	9,896	3,356

9.13 Five of the eight marketing centres were selected for a study of the operation of traders and also of the available warehousing facilities. The selected centres were Dhulia, Dondaicha, Nandurbar, Shirpur and Navapur. As we have noted in Chapter 1, there are a number of gins and pressing factories, groundnut decorticating factories and oil mills and also pulse mills at all these centres. Most of these mills and factories have their own godowns which are generally adequate. Usually stocks are disposed off soon. But the groundnut purchased by the oil mills has to be stored for the whole year and requires better storage. This is not satisfactory in all cases and there is reported to be considerable rat nuisance in the godowns.

9.14 Traders have their own godowns which are not specially built but are only parts of houses and shops improvised for the purpose. There are 80 such godowns in Dhulia, 35 in Dondaicha, 50 in Nandurbar, 35 in Shirpur and 30 in Navapur. A sales-purchase union at Shirpur also owned a few godowns. There are no licensed warehouses. The market committees do not have their own godowns. Some godowns are rented but there is usually no system for charging on the basis of the goods stored in bulk or in bags. They are rented for a long-term, usually for a year. The annual rent for a room varies from Rs 150 to Rs 200. At smaller centres the rentals are often higher. A few godowns at Nandurbar are rented for shorter periods of between one and three months and the charges are on the basis of the bulk or the number of bags. The banks when they advance loans against produce, store the produce in the godowns of the borrower and seal and supervise the stocks. At Dondaicha, Nandurbar and Navapur, the storage facilities were reported to be adequate. At Shirpur, the accommodation was inadequate but the shortage was felt only for one or two months in the peak period. Hence, it was felt that additional godowns might not have sufficient business all the year round. It was only at Dhulia, which is a very important market, that it was reported that additional godowns were definitely needed and if built would find sufficient business.

9.15 At all these centres, Government had its own godowns used for storing the rationed foodgrains.

9.16 In order to study the operations of individual traders, twenty traders were selected and interviewed at each one of the above five centres. As all the centres were regulated markets, lists of licensed traders and commission agents could be easily obtained. From these lists were selected twenty traders at each centre. The selection was done by our inspector in charge of the field work in the district. He was given brief instructions regarding stratification and random sampling, but considerable discretion had to be left to him and the minimum requirement was that the selection should be objective. As it actually appears, the inspector took greater care to make the selection representative, than to make it random; all types of traders are, therefore, represented in the selection. The selected traders were then interviewed by means of a questionnaire. In the following, we shall briefly summarize the results of this part of the enquiry.

9.17 Of the twenty traders selected at Dhulia, one was indeed a proprietor of an oil mill and purchased groundnut only for his own mill. All his transactions were in cash and he made no advances. He had his own godowns. Another trader was an agent for oil mills in Bombay and purchased groundnut for his principals. A third trader was a *pucca adatyā* and purchased outright but only after receiving orders from commission agents of mills at Bombay and Amalner. He, therefore, did not need any godowns and did not make any advances. Three others were either proprietors or partners in gins, presses or oil mills. Two of them had their own godowns while the third used rented godowns when necessary.

9.18 Ten of the remaining fourteen traders reported to have made advances to cultivators during 1951-2. They were either wholesalers or commission agents

but did not combine any other business with agricultural trading. They traded in cotton, groundnut and other commodities like pulses and *gur*. They had advanced substantial sums on standing crops of cotton and groundnut and said that they made the advances any time after sowing as and when required by the cultivators. One of them reported to have advanced during 1951-2 Rs 1,50,000 on cotton and groundnut. His advances were partly to cultivators and partly to middlemen. About 70 per cent of the advances, he said, were to cultivators. He purchased cotton for mills in Dhulia and Bombay and groundnut for mills at Nasik and Amalner. He sold pulses to wholesalers and *gur* to retailers at Dhulia. His own funds were not adequate for his business and he borrowed from banks at 6 per cent.

9.19 The other nine traders also advanced on standing crops of cotton and groundnut. Only two of them were licensed moneylenders. Most of their advances were to cultivators and only a small fraction went to middlemen. Two of them reported to have advanced, during 1951-2, Rs 50,000 and Rs 35,000, respectively. Four others had advanced Rs 15,000 each; one had advanced Rs 10,000 and the other two had advanced Rs 5,000 each. The remaining four traders did not advance any amount. One of them had a cloth shop and he dealt in cotton and groundnut only during season. Two of the traders reported having borrowed from a bank.

9.20 Only five of the fourteen traders had their own godowns and three others had improvised their houses and shops for the purpose. None of them, however, said that the accommodation was either inadequate or unsatisfactory. In most cases, the selling market was confined to Dhulia. However, some of them sold their groundnut to oil mills at Amalner and their pulses to pulse mills in Dondaicha. For purposes of cotton, most of them had connections with Bombay and some with Baroda, Indore and Akola.

9.21 Of the twenty traders selected at Dondaicha, two were owners of oil mills and they purchased groundnut for their mills. Both of them had their own godowns. In both cases, their own funds were not adequate and they borrowed from banks at  $4\frac{1}{2}$  to 5 per cent. They did not make any advances either to cultivators or to middlemen.

9.22 Most of the remaining eighteen traders acted as wholesalers or commission agents as occasion demanded. Eight of them reported to have made during 1951-2, advances on standing crops of cotton and groundnut. Only one of them was a licensed moneylender. The reported amounts of advances were Rs 75,000 each by two traders, Rs 30,000, Rs 15,000, Rs 12,000, Rs 10,000, Rs 8,000 and Rs 6,000. Seven of the traders reported advances to cultivators and none to middlemen. Thirteen of the traders reported that their own funds were not adequate for their business and that, therefore, they had to borrow. Eleven of them had borrowed from banks at 5 to 6 per cent against goods in godowns. Four others had borrowed from private moneylenders at 6 to  $7\frac{1}{2}$  per cent. One of them also raised funds by drawing *hundies* at  $6\frac{1}{2}$  per cent. The loans from private moneylenders were mostly unsecured. Only four of the traders had their own godowns, the others used rented



godowns when needed. One of the traders dealt only in groundnut ; two others only in *gur* and one only in chillies. Their selling markets were mostly confined to the local market but one of them sent his *gur* to Shahada and Nandurbar and one sent chillies to Bombay and Gujerat. The remaining traders did business in most of the commodities, that is, cotton, groundnut, pulses, *gur* and chillies. Their selling market also was mostly confined to the local market. But one of them sent pulses to Sindkheda, and two others sent pulses to Bombay, chillies to Gujerat and oilseeds to Kathiawar. Another trader had connections with other markets in the district, namely those at Taloda, Sakri, Shahada and Sindkheda.

9.23 Of the twenty traders selected at Nandurbar, three operated as commission agents, ten as wholesalers and the other seven as both commission agents and wholesalers. Except for two traders who dealt exclusively in *gur*, all others traded in all commodities such as cotton, oilseeds, pulses, chillies and *gur*. Most of them operated in the local market but some of them sent cotton and oilseeds to Bombay, Dhulia and Amalner and chillies to Bombay, Satara and Ahmednagar. Nine out of the twenty traders had made crop advances on standing crops. The amounts reported to have been advanced during 1951-2 were : Rs 15,000, Rs 12,000, Rs 10,000, Rs 9,000, Rs 8,000, Rs 5,000 and Rs 4,000 each by three traders. All the advances were to cultivators. Four of the traders reported that their funds were inadequate and, therefore, they had borrowed from banks at 5 per cent. Sixteen of the traders had their own godowns while the others used rented godowns when necessary.

9.24 Of the traders selected at Shirpur, one was the proprietor of an oil mill and another of a pulse mill. Both purchased for their own mills and had their own godowns. Neither made any advances to cultivators. Of the remaining eighteen traders, ten reported to have made advances on standing crops. Only one of them was a licensed moneylender. The amounts advanced during 1951-2 were Rs 25,000, Rs 15,000, Rs 10,000 each by three traders ; Rs 5,000 each by three traders ; Rs 2,000 and Rs 1,000 each by two traders. All the advances were to cultivators. Only two of the traders reported to have borrowed from banks at 5 or 6 per cent. Ten out of the eighteen traders had their own godowns. The others used rented godowns when necessary. Three of the traders dealt exclusively in oilseeds and one exclusively in cotton. The others dealt in all the commodities. The selling market was chiefly the local market. However, for purposes of cotton they had contacts with Bombay and Gujerat. Two of the traders were goldsmiths and jewellers.

9.25 All the twenty traders selected at Navapur were moneylenders and nineteen of them had actually made loans during 1951-2. However, only three of them had made crop loans amounting to a total of Rs 20,000. The others did the general moneylending and their total outstanding loans at the time of the enquiry amounted to Rs 4,49,000. All the traders were wholesalers and there was no commission agent among them. Only one dealt in cotton exclusively while others dealt in all commodities. Their selling market was largely confined to the local market. Six of them said that their own funds were not adequate for their business and that,

therefore, they had to borrow from other sources. Two of them reported to have borrowed from banks at  $4\frac{1}{2}$  and 5 per cent, respectively. Others borrowed from private moneylenders usually at 6 per cent.

9.26 Of the 100 traders studied, nearly one-half were *Marwaris* and one-fourth were *Gujeratis*. The remaining belonged to various miscellaneous castes.

9.27 It will thus be seen that except for the few proprietors and partners in gins, presses, oil mills and pulse mills, most of the remaining traders did not combine any other business with trading. A number of them supplied credit but in most cases it was incidental to their business as traders. The large number of trader-cum-moneylenders at Navapur was an exception. At other centres, the traders did not as a rule do any general moneylending.

9.28 Some attempt was made to collect, from the sample of selected cultivators, information regarding trade practices. Most of the sales, more than 90 per cent of those reported, both by the bigger and the smaller cultivators, were to traders or commission agents. The remaining were either to Government or to retail consumers. In particular, no sales were reported to co-operative marketing societies which we shall describe in the following section. In the case of more than two-thirds of the sales, the commodities were delivered in the villages; for the rest the commodities were delivered at the market place. In practically all cases, the price was settled at the delivery. In only about 3 per cent of the sales, the price was settled prior to the delivery. In the case of about 7 per cent of the sales, the cultivators had received advances from the traders; in the case of nearly 1.5 per cent of the sales, they had borrowed from the traders in anticipation of the sales; and in the case of nearly 6 per cent of the sales, the cultivators had owed money to the traders.

9.29 It will appear from the above that on account of the substantial trade advances made against standing crops, the traders occupied an important position in the channels of agricultural finance. It is obvious, therefore, that there is a great deal of scope for the development of co-operative marketing in the district. It will appear that a sound beginning has already been made in this direction. Consistent with the well-developed co-operative credit movement in the district, co-operative marketing societies are functioning along with the private traders at almost all the important marketing centres. Out of the eight markets mentioned by us, it was only at Nardhana and Sindkheda that no marketing society was functioning. Except at Navapur the marketing societies did not receive any preferential treatment. At Navapur, the marketing society had a monopoly of commission agency. At other places, the societies competed with the traders.

9.30 There were six cotton sales societies in the district. None of them was however, at any of the five marketing centres covered by our investigation. It is unfortunate that for that reason we did not study any of them. In fact, none of the societies were at any of the regulated marketing centres. There was one society

at Sakri which is an important but unregulated market and it is not a cotton market. All the other cotton sales societies were at smaller places which were not marketing centres.

**TABLE 9.3—CO-OPERATIVE MARKETING SOCIETIES : FINANCIAL POSITION AND LOAN AND MARKETING OPERATIONS IN 1950-1**

(Amount in hundreds of rupees)

Item	The Dhulia Taluka Co-operative Fruit Sale Society	The Dhulia Purchase and Sale Union	The Nandurbar Agricultural Co-operative Sale and Purchase Union	The Dondaicha Co-operative Purchase and Sale Society	The Shirpur Co-operative Purchase and Sale Union
	1	2	3	4	5
1. Commodities handled.....	Fruits	Cotton, groundnut, etc.	Groundnut, cotton, chillies, pulses, etc.	Groundnut, cotton, chillies, pulses, etc.	<i>Bhusar</i> , pulses, cotton and cotton seed, groundnut, etc.
2. Number of members— Individuals.....	225	872	1,135	503	940
3. Number of members— Societies.....	—	89	53	106	50
4. Total owned funds.....	87	1,059	1,503	303	516
5. Paid up share capital....	82	294	429	200	189
6. Reserve fund.....	5	238	283	48	129
7. Other funds.....	—	527	791	55	199
8. Loans held at the end of the year—Banks and societies.....	145	1,513	1,757	397	114
9. Loans held at the end of year—Other sources....	—	—	260	27	—
10. Establishment expenses...	82	215	173	95	88
11. Loans given to members during the year.....	125	104	354	2,229	101
12. Repayments during the year by members.....	140	176	434	1,893	64
13. Outstanding from mem- bers at the end of year— Total amount.....	205	228	1,815	—	36
14. Overdues.....	4	171	3	343	—
15. Bad and doubtful (out of overdues).....	4	168	3	7	—
16. Value of commodities purchased outright.....	—	—	8,727*	152	3,244*
17. Value of commodities col- lected on commission basis.....	297	3,815	1,596	1,642	9,715
18. Value of sales during the year.....	297	4,704	10,323*	1,642	9,715
19. Commission earned on sales during the year...	21	37	13	36	70
20. Value of seeds and man- ure, implements, etc., supplied.....	—	38	1	176	773
21. Value of consumption goods supplied to members and non- members.....	1,258	1,205	8,091	3,513	912
22. Net Profit (+) or Loss (—)	20	226	161	53	149*

\* Includes value of controlled commodities sold.

9.31 In addition to the six cotton sales societies referred to above, there were in the district two fruit sales societies and six other purchase and sales societies. Of these we studied those which were located at the five marketing centres selected for investigation. They are

- (1) Co-operative Purchase and Sale Union, Dhulia.
- (2) Dhulia Taluka Co-operative Fruit Sale Society, Dhulia.
- (3) Co-operative Purchase and Sale Society, Dondaicha.
- (4) Agricultural Co-operative Sale and Purchase Union, Nandurbar.
- (5) Co-operative Purchase and Sale Union, Shirpur.

9.32 In Table 9.3, we give a statement showing the financial position and the loan and the marketing operations of these five marketing societies. It will be seen that except for the Dondaicha Co-operative Sale and Purchase Society, the advances these societies made to their members during 1950-1, were no larger than the advances made by an average trader at those centres. The Dondaicha Society made crop advances amounting to over Rs 2 lakhs. For this purpose, it depended almost entirely on the Bombay Provincial Co-operative Bank. All the advances were for a short-term and a large part of them were repaid during the year; a small part which remained outstanding at the end of the year was overdue. The total amount of loans from the Bombay Provincial Co-operative Bank outstanding at the end of the year as shown in the statement was, therefore, not large.

9.33 Some of the societies were running shops for the controlled foodgrains and for other controlled commodities. That was, of course, an especially protected business. If we leave that out and examine the volume of the general business of these societies as shown by the value of the commodities collected by them on commission basis, we see that though the amounts appear large in absolute terms, they were small compared to the total volume of business transacted at these markets. Thus, though the basic organisation for the co-operative marketing in the district was well established, it is obvious that a major part of the agricultural marketing and the consequent agricultural finance in the district was still in the hands of private traders and the related private moneylenders or the commercial banks.

## CHAPTER 10

### CONCLUDING REMARKS

10.1 It will be obvious from the foregoing account that the co-operative credit movement has been well established in this district. An appropriate expansion of the operation of the Land Mortgage Bank supplemented with such schemes of Government finance as will duly appear in the development plan should be able to meet to a large extent the long and medium-term credit needs of the cultivators. The primary credit societies, wherever they are operating are seen to supply a substantial part of the short-term credit needs of agriculture. They must, therefore, be multiplied. However, there is one important form of credit which the co-operative societies have so far neglected. It is the loans made on the basis of the standing crops. It is obvious that such loans can be made only by an agency which is intimately connected with the agricultural marketing. At present most of such finance, therefore, emanates from the private traders. There exist a few co-operative marketing societies but their business is comparatively very small and needs to be rapidly expanded. In view of the regulated and very well organized marketing in the district, this should not be difficult. In fact, co-operative marketing may be regarded as only a corollary to the regulated marketing which already exists in the district.

10.2 Though it was intended to cover all aspects of rural credit, the investigation was inevitably concentrated very much on the needs of agriculture. There is no doubt, however, that other rural industries also need credit for development and for current operation. It is obvious that the credit problems of each industry must be studied in the context of its technical and other operational problems. Nevertheless, it appears that the solution to the credit problem of small-scale and village industries will have to be broadly on the same lines as are evolving for the problem of agricultural credit; the agency will have to be co-operative and for it to be able to meet the credit needs of current operation of the industry, it will have to be closely linked to the marketing of its product.

10.3 The most important gap in the development of the institutional credit in this district, is that the supply of credit for consumer needs is found to be entirely in the hands of private agencies. The grain banks and the chit funds are two important institutions in this respect. They are found to operate with a measure of success in a number of districts. Both are, however, practically unknown in this district. Their promotion, particularly of the chit funds is, therefore, necessary. The organisation of chit funds will also enable to promote the habits of thrift and savings which the primary credit societies have largely failed to do. Probably

there is no great margin for thrift and savings. Nevertheless, it seems clear that when savings are made they are used more often for private lending than in investing in shares or deposits with co-operative societies. It is possible, therefore, that the chit funds might provide a more acceptable form for savings and a more desirable channel for the large volume of lending within each village. The working of the co-operative institutions in the district, has been comparatively satisfactory and there exist in the district, conditions favourable for the promotion of an integrated and comprehensive co-operative movement.