RESERVE BANK OF INDIA

# MULTI AGENCY APPROACH IN AGRICULTURAL FINANCE

## REPORT OF THE WORKING GROUP

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# REPORT OF THE WORKING GROUP TO STUDY PROBLEMS ARISING OUT OF THE ADOPTION OF MULTI-AGENCY APPROACH IN AGRICULTURAL FINANCING

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## INTRODUCTORY

1.1 Today, by and large, all over India the farmer has taken to high yielding/hybrid varieties of seed, notably wheat, maize and millets, and increasingly paddy and other crops. These varieties have shown themselves capable of transforming agricultural production beyond all previous achievements and expectations, provided necessary inputs by way of improved seeds, water, fertilisers, pesticides, etc., for which credit is necessary, are made available in time and in adequate quantities.

Additonal land available for cultivation being limited, there is need to raise the productivity of land by bringing more land under irrigation, and through land development, soil conservation, etc. This, in turn, needs larger investments for developmental purposes, as also for supporting other rural economic activities such as animal husbandry, fisheries, cottage industries, rural arts and crafts, agro-based industries, marketing, storage, etc.

1.2 According to the Report of the National Commission on Agriculture, "the national agricultural development policy rests on the principles of planned modernisation, mechanisation of output based on full utilisation of land and manpower, and equal access to opportunities for agricultural development to all classes of farmers." On this basis the gross credit requirements of agriculture to be met from institutional sources by 1985 are estimated at Rs. 16,480 crores; this estimate is likely to go up further in view of the government programme to earmark over 40% of the total plan outlay for agriculture and rural development. Considering the magnitude of the task and the area to be covered, it is clear that no single agency can satisfy all the credit needs of the agricultural sector. Credit gaps are especially large in areas where, at the grass-root level, co-operatives have no effective organisation, and commercial banks no organisation at all. Rural resources whether mobilised through banks or otherwise are to be invested for rural development. This will necessarily mean greater flow of institutional finance. Finance is essential for agricultural development; its more basic causal links are not only through the number and variety of financial institutions, but also in the adoption of an integrated approach to the problem, i.e., the evolution of an integrated credit system for agriculture.

1.3 The present system of agricultural credit in India consists of two sectors, viz., the institutional and the non-institutional. The non-institutional sector consists mainly of the professional and agricultural money-lenders, landlords, traders, commission agents, and the farmers' relatives and friends. The institutional sector comprises co-operatives, commercial banks and the regional rural banks. Inspite of the significant expansion of the institutional sector, non-institutional agencies still continue to play a dominant role; although these agencies charge usurious rates of interest and follow unethical practices, they continue to dominate the scene because the farmers find it more expedient to resort to them rather than the agencies in the organised sector. The main reason for this is that their lending procedures are relatively simple and credit assistance timely. However, the share of the non-institutional sector in the total borrowings of farmers has recorded a decline from more than 95% in 1952 to 85% in 1961-62, 75% in 1971-72* and to about 65% at present.

1.4 Since in the present context we are more concerned with the institutional sector, a brief description of the evolution of this sector appears relevant.

Efforts to build up the institutional financing system for agriculture commenced with the adoption of the Co-operative Societies Act in 1904. However, during the first three decades of the century, the village money lender was the main source of finance for farmers. Several enquiries and studies such as Sir Malcom Darling's Report (1935) and the preliminary and statutory reports of the Reserve Bank of India (1936 and 1937) emphasised the fact that almost the entire farm finance was supplied by money lenders. Various measures for debt relief and control of money lending were tried; this covered statutory reduction of amounts due, fixation of maximum rates of interest on mortgages and the protection of the agriculturists' interest and the specified items of his property against legal proceedings.

The government made deliberate attempts to nurture the co-operative movement, to institutionalise efforts to relieve farmers from the traditional burdens of debt and to promote thrift. Gradually they assumed a more positive role as compared with their earlier characteristic of organisation for defence against exploitation by money lenders. There was not only a steady quantitative expansion in numbers but also a growing diversity in the functions assumed by co-operative societies. However, credit societies continue to predominate in the co-operative system. Till 1947, the general thinking was in favour of promoting multi-purpose primary societies in rural areas. During the peiord 1947-56, co-operatives were recognised as an instrument of planned economic action and the co-operative system was considered more suitable than the departmental agencies for dispensation of farm credit.

The All-India Rural Credit Survey (1951-54) brought out the fact that inspite of various procedural and administrative reforms as well as credit facilities from the Reserve Bank of India, the co-operative system could account only for 3.1% of the total borrowings of cultivators. The report recommended

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**_Source :_ * Agricultural Credit in Asia—Report on the Regional Seminar for Asia on Agricultural Credit for Small Farmers held at Bangkok, Thailand—October 1974 (FAO)—page 54.**

that lending policies should be geared to production programmes, and an integrated scheme should be evolved to link credit with marketing and processing in the co-operative sectors. It also suggested that large sized societies covering areas providing adequate business should be organised.

In November 1958, the National Development Council in its resolution on co-operative policy also recommended that the responsibility and initiative for social and economic development at the village level should be placed fully on the village co-operative and the village panchayat which were to be considered as the primary agencies for improving all aspects of rural life through the efforts of the people. The revised policy in 1960 envisaged that the primary societies at the village level will promote the economic interests of its members in accordance with the co-operative principles and seek to achieve this aim by activities in different directions. In other words, it was expected to be a multi-purpose organisation which will provide credit to its members, promote savings, supply farm requisites and domestic requirements, and arrange for the marketing of surplus farm produce. Multi-purpose co-operative societies never became a reality on a national scale due to a variety of reasons. Too much emphasis was laid only on credit aspect., often to the neglect of other service functions. The multi-purpose societies were not backed by adequate skills as well as technical, extension and other supporting services. On the basis of the recommendations of the Committee on Taccavi Loans and Co-operative Credit (Chairman ; Shri B. P. Patel — 1961), Government of India declared that co-operatives were to be ultimately the sole institutional agency for providing agricultural credit. In order to enable them to take over the entire responsibility of providing agricultural credit, the programme of strengthening primary co-operatives was again emphasised.

In order to make a comprehensive review of the total credit system for agriculture including processing, storage and marketing, in July 1966 the Reserve Bank of India appointed the All-India Rural Credit Review Committee (Chairman : Shri B. Venkatappiah). This Committee came to the conclusion that the non-institutional sources still accounted for 81% of the total agricultural credit in 1961-62 as against 93% in 1951-52. Co-operative credit frequently fell short of standards of timeliness, adequacy and dependability. The co-operative system had remained relatively stagnant both in respect of coverage of credit needs as well as borrowing members as a proportion to the total number of members. Generally, the committee also noted that overdues were heavy, and were rising from year to year. Further, the small cultivators were still unable to get their share of credit. The committee also observed that a large number of primary agricultural credit societies were neither viable nor potentially viable, and therefore, could be regarded as inadequate and unsatisfactory agencies for disbursing of production credit. Inspite of impressive quantitative growth at the all-India level, the co-operative credit system had made slower progress in several parts of the country such as Assam, Bihar, Jammu & Kashmir, Orissa and West Bengal.

The co-operative structure has undergone various stages of growth/ modification with active intervention, support and assistance from the government. The process was facilitated by periodical review of progress at expert level, revision of policies and procedures, legislative measures as well as financial, administrative and technical support. The Agricultural Credit Department of the Reserve Bank of India provides the strongest organisational infra-structural support to the co-operative system by way of supervision and guidance, besides providing the financial resources. Moreover, the Agricultural Refinance and Development Corporation plays a vital role in helping co-operatives to expand their term lending by way of assistance in project formulation, appraisal as well as refinance. In addition, the National Co-operative Development Corporation provides the basic infra-structure and stimulus for promotion of marketing, processing and storage activities related to agricultural inputs and produce.

Direct finance for agricultural development from the co-operatives went up from Rs. 488 crores in 1969-70 to Rs. 1676 crores in 1973-74 and to Rs. 2357 crores in 1975-76. The total amount outstanding at the level of the primary societies was Rs. 1299 crores (June 1976) and that outstanding at the primary land development bank level was Rs. 1058 crores. Out of the 1,34,838 primary agricultural credit societies (excluding those in Assam, Jammu & Kashmir and Andaman & Nicobar Islands, data for which are not available) as on June 30, 1976, 1,23,204 societies were active and covered 92% of the villages in the country. Of the 40 million members of the agricultural credit societies, 15 million were borrowers (or 38% of the total) during the year 1975-76.

Out of Rs. 1023 crores advanced by the primary agricultural credit societies in 1975-76 in 17 States and 5 Union Territories (for which break up data were available), Rs. 304 crores (30%) were disbursed to borrowers with land holdings upto two hectares each, Rs. 678 crores (66%) to borrowers with land holdings exceeding two hectares each, and Rs. 40 crores (4%) to tenant cultivators, agricultural labourers, artisans, petty traders, etc.

1.5 Until the introduction of social control (1968) and nationalisation of major commercial banks (1969), the official policy was to use the co-operative system as the best suited channel for institutional credit for agriculture. In fact, some efforts of commercial banks to go into agricultural financing were not looked with favour. However, with the introduction of social control measures and subsequent bank nationalisation, commercial banks have made major strides in the financing of agriculture and emerged as an important source of agricultural finance along with the co-operatives.

Agriculture in general is no longer considered a commercially unfeasible proposition. The commercial banks have experimented with a number of alternatives and combinations of methods and approach in different parts of the country, with varying degree of success. These include building up of a base of technically qualified field officers, developing expertise at head offices, group financing, adoption of villages, organising agricultural development branches, financing through primary co-operative societies, and farmers' service societies on the lines suggested by the National Commission on Agriculture. For project formulation and consultancy services, the Agricultural Finance Corporation Limited was established on a consortium basis.

Commercial banks now have a first hand experience of financing agriculture and allied activities directly supporting it. Outstanding advances of scheduled commercial banks to agriculture have increased from Rs. 162 crores in June 1969 to Rs. 1342 crores at the end of June 1977;* the share of agricultural lending in total credit of scheduled commercial banks accounted for about 10% in June 1977, as against 5% in June 1969; during this period, the number of borrowal accounts rose from 1,60,020 to 44,87,510.* During the same period 7,700 offices were opened in rural areas which were either unbanked or underbanked. At present about 9,500 commercial bank offices are functioning in rural areas, accounting for 38.4% of the total number of offices.@ At the end of December 1976, nearly half of the total outstanding advances at Rs. 1003 crores is accounted for by production loans.@

1.6 In 1970, a scheme for financing agriculture through primary credit societies was taken up by the commercial banks at the instance of the Reserve Bank of India. This scheme was in operation in 11 States viz., Andhra Pradesh, Madhya Pradesh, Uttar Praddesh, Haryana, Karnataka, Orissa, Jammu & Kashmir, West Bengal, Bihar, Maharashtra and Assam at the end of December 1976. 24 commercial banks in their 528 branches have financed farmers through 3,453 primary agricultural credit societies to the extent of Rs. 45 crores as at the end of December 1976. In addition to being able to reach a much larger number of farmers through this method, the banks have gained valuable experience in reviving the societies financially and organisationally, and in guiding them to expand the membership, increase the share capital and diversify their lending on healthy lines.

1.7 Finding that the central need of the small and marginal farmers is not merely money, but timely availability of inputs and ancillary services, along with technical advice and services such as storage, transportation, processing and marketing preferably through a single contact point, the National Commission on Agriculture recommended the organisation of farmers' service societies—one for each tehsil/block or any other viable unit of convenient size. The uniqueness of the farmers' service society lies in the total responsibility it assumes for agro/rural development and the requirements for the operations

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*Source :* * Interim Report of the Working Group on Rural Credit & Co-operation—mid-term plan (1978-83)—Government of India, Ministry of Civil Supplies & Co-operation, New Delhi—January 1978—Page 19—1.22

@ Financing the Indian Farmer—(Brochure)—RBI of all its members particularly small and marginal farmers and local artisans at a single point. Another fact of its uniqueness lies in its attempt to utilise to the best advantage, the suitability of the co-operative form of organisation at the ground level, and blending it with the business acumen and experience of the commercial bank; the arrangement has the potential of enabling commercial banks to reach a larger number of farmers as compared to the number they can possibly reach by directly financing individual farmers. The general relationship between the farmers' service society and the financing bank is that of a client and banker. The bank will not only be concerned with the profitability and safety of its lending to a farmers' service society in the narrow sense; it will have a direct say in the deployment of funds released to the farmers' service society to ensure their safety and utilisation for the purpose for which they are intended. Besides laying down the basic procedures for lending, credit administration and repayment of loans, it will have the right to be continuously informed about the major financial transactions and decisions of the farmers' service society, and to advise the farmers' service society to plan its growth on healthy lines.

1.8 A recent development of significance in the rural credit field has been the setting up of regional rural banks*. The rationale behind the setting up of such banks consists in the fact that for several years, state policy in widening and intensifying the institutional coverage of rural credit laid emphasis on the development of the co-operative credit structure as the major instrument of building a viable rural credit scheme. In spite of significant progress made by the co-operatives, due to inadequate attention to the credit needs of the small and marginal farmers, the benefits have not percolated to all sections of farmers alike. And, in view of the relatively high-cost structure of commercial banks and inadequate local involvement, commercial banks lacked the ability to tackle the needs of the small/marginal farmers, and agricultural labourers. Consequently, in accordance with the recommendations of the Committee on Rural Banks (Chairman : Shri M. Narasimham) necessity was felt for the establishment of "an institution which combined the local feel and familiarity with rural problems and attitudinal identification with the rural economy, which the co-operatives possess in large degree, with the modern business organisation, commercial discipline, ability to mobilise resources and access to the central money markets which the commercial banks have". With their operational costs kept down to the minimum, regional rural banks are expected to make credit available to the small and marginal farmers at a reasonable cost. Their role is to supplement and not supplant the other institutional agencies in the field.

1.9 From the foregoing brief history of the evolution of our institutional framework for dispensing agricultural credit over the past seven decades, it

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*** Commercial banks have so far set up 48 RRBs, which have opened 780 branches as at the end of June 1977 (Financing the Indian Farmer—RBI)**

becomes evident that in the process, each constituent segment has developed its own characteristic features and made its contribution to the overall system of agricultural finance. Multi-agency approach is now accepted as a policy by the Central Government.

In the absence of an integration of the lending operations of the different institutional credit agencies, multi-agency approach has given rise to a number of problems in an efficient disbursal of credit ; this refers to the dangers of over-financing, under-financing and multiple financing—leading to financial indiscipline and diversion of scarce resources for unproductive purposes. From the stand point of the lending agency, there are the problems of overlapping and duplication of banking facilities and consequent wasteful expenditure, besides unhealthy competition.

1.10 With three different types of credit institutions viz., co-operatives, commercial banks and regional rural banks operating in the field of agricultural credit, problems of overlapping, varying interest rates on advances, etc., and consequent unhealthy repercussions have surfaced. In order to examine the various issues involved in the multi-agency approach, the Reserve Bank of India in terms of their letter DBOD/BP/1628/C.521/76 dated August 4, 1976 constituted a Working Group comprising of the following members :

1.11. COMPOSITION OF THE WORKING GROUP :

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|---|---|
| 1. SHRI C. E. KAMATH<br>CHAIRMAN | *Chairman & Managing Director*<br>Canara Bank<br>Head Office<br>BANGALORE 560 002 |
| 2. SHRI K. P. A. MENON | *Additional Secretary*<br>Rural Development<br>Ministry of Agriculture & Irrigation<br>Government of India<br>Krishi Bhawan<br>NEW DELHI |
| 3. SHRIMATHI S. SATYABHAMA | *Joint Secretary* (Credit)<br>Department of Rural Development<br>Ministry of Agriculture & Irrigation<br>Government of India<br>Krishi Bhawan<br>NEW DELHI |
| 4. SHRI K. RAMAMURTHI | *Chief Secretary*<br>Government of Orissa<br>BHUBANESWAR |

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|---|---|
| 5. SHRI S. B. LALL | Divisional Commissioner<br>BAREILLY (U.P.) |
| 6. SHRI C. L. KHEMANI | *Chief Officer*<br>Agriculture Banking<br>State Bank of India<br>New Administrative Building<br>Backbay Reclamation<br>Nariman Point<br>BOMBAY 400 021 |
| 7. SHRI R. L. WADHWA | *Deputy General Manager* (Personnel)<br>Union Bank of India<br>239, Backbay Reclamation<br>Nariman Point<br>BOMBAY 400 021 |
| 8. SHRI L. P. BHARGAVA | *Chairman*<br>All-India State Co-operative Banks Federation<br>Garment House — 2nd Floor<br>Dr. Annie Beasant Road<br>Worli — BOMBAY 400 018 |
| 9. SHRI B. S. VISWANATHAN | *Chairman*<br>National Co-operative Land Development Banks Federation<br>Shivshakthi — 2nd Floor<br>B. G. Kher Road<br>Worli — BOMBAY 400 018 |
| 10. SHRI S. R. DASTGIR | *Chairman*<br>Prathama Bank<br>MORADABAD (U.P.) |
| 11. SHRI D. K. MOOKHERJEE | *Superintendent*<br>United Bank of India<br>Head Office<br>16, Old Court House Street<br>CALCUTTA 700 001 |
| 12. SHRI M. A. CHIDAMBARAM | *Managing Director*<br>Agricultural Refinance & Development Corporation<br>Shriniketan<br>Dr. Annie Besant Road<br>Worli — BOMBAY 400 018 |

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| 13. | SHRI K. MADHAVA DAS | *Executive Director* (ACD)<br>Reserve Bank of India<br>Central Office<br>BOMBAY 400 001 |
| 14. | SHRI P. N. KHANNA | *Chief Officer* (DBOD)<br>Reserve Bank of India<br>"The Arcade", World Trade Centre, Cuffe Parade,<br>Colaba — BOMBAY 400 005 |
| 15. | PROF. B. M. GHIARA | National Institute of Bank Management<br>85, Nepean Sea Road<br>BOMBAY 400 006 |
| | SECRETARY<br>SHRI K. S. KAMATH | *Deputy General Manager*<br>Canara Bank<br>Head Office<br>BANGALORE 560 002 |

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1.12. The Working Group was asked to formulate its recommendations keeping in view the various problems arising out of the multi-agency approach in agricultural financing. For this purpose, the following terms of reference were advised :

TERMS OF REFERENCE :

1. To identify and analyse the problems which have arisen as a result of the adoption of multi-agency approach in financing agriculture.

2. To suggest measures which can be taken to meet the problems and to ensure co-ordinated functioning of the different institutional agencies (commercial banks, regional rural banks and co-operative institutions) for smooth flow of agricultural credit.

3. To conisder if two or more institutional agencies may function in an area and if so what measures should be taken to avoid difficulties.

4. To consider whether demarcation of areas to different agencies is desirable and if so, to lay down the basis for such demarcation and make appropriate recommendations on the arrangements for the evolution and implementation of the proposed pattern.

5. To enunciate the principles which should guide the Reserve Bank in granting licences to regional rural banks, commercial banks and co-operative banks in rural areas, to avoid overlapping.

6. To consider questions relating to rates of interest and security in respect of agricultural advances.

7. To make any other recommendations which are incidental or related to the above terms of reference.

1.13. Arising out of the above terms of reference, the following questions were considered by the Working Group :

(*i*) The increasing credit gap on the one side, and the legal restrictions on the operations of non-institutional lending agencies (particularly money lenders) on the other, are expected to generate a considerably large demand for credit in the rural sector particularly for productive purposes, necessitating stepping up of lending operations by the institutional agencies under the multi-agency system. Would the present multi-agency system be able to meet the situation effectively? How can the functioning of the different agencies be co-ordinated in order to ensure an unhampered flow of credit ?

(*ii*) Under the existing system, there are different institutional agencies operating in the same area, extending credit assistance for the same purpose/activity. In the context of the emphasis placed on a programme of integrated rural development as a strategy for attaining an overall development of the national economy, there is bound to be an increase in the demand for both agricultural credit and non-agricultural credit. The latter relates to credit for development of the activities of the village artisans/craftsmen, traders, and other professionals, and of agro-based/agro-processing industries. The question that has to be decided here is in what way the farmer could be ensured that all his credit requirements are met without difficulty, and how finance can be extended on a need-based basis to all eligible and economically viable rural activities ?

(*iii*) Should there be demarcation of operational areas/functional jurisdiction for different agencies and whether this is feasible and desirable ?

(*iv*) The question of introducing agricultural pass books with a view to overcoming the problem of multiple financing.

The other important aspects considered were :

(*a*) the need for a balanced dispersal of bank branches with a view to extending banking facilities especially in the underbanked areas and in pockets where there is large credit gap and at the same time, adequate growth potential ;

(*b*) the need for rationalisation of the rates of interest charged on agricultural advances by the different lending agencies ;

(*c*) the need for effecting uniformity or developing satisfactory norms for obtaining security for agricultural advances ;

(*d*) the need for rationalisation of inspection or supervisory charges for agricultural advances ; and

(*e*) whether the premium payable to the Credit Guarantee Corporation for covering agricultural advances can be absorbed by the lending agencies or passed on to borrowers.

1.14. PROCEDURE :

To accomplish the task entrusted to the Working Group, the following procedure was adopted :

In view of the importance of the problems arising from the multi-agency approach in agricultural financing, it was thought desirable to ascertain through the issue of a questionnaire, the views of various persons/agencies connected with agricultural production/credit/extension in different parts of the country. The draft questionnaire (as per annexure) was considered by the Working Group in its first meeting held at Bangalore on 8-11-1976. It was decided that (*a*) the questionnaire should aim at eliciting views and suggestions (on the various issues) rather than collecting statistical information ; and (*b*) the questionnaire be sent to all the State Governments, experts in agricultural finance, departmental heads like the directors of agriculture, animal husbandry, horticulture, fisheries and to commercial banks, regional rural banks, and institutions in the co-operative sector such as the Land Development Banks Federation, Apex Banks Federation, National Co-operative Union of India ; and to the leading agricultural economists, vice-chancellors of agricultural universities, etc. In all, questionnaires were addressed to over 400 persons/institutions/government departments, etc. Considering, however, the fact that multi-agency approach to agricultural financing has been a constant subject of discussion in various forums from time to time, the response to the questionnaire was poor.

In addition to circulating the questionnaire, the Working Group felt that discussions should be held with selected State Government officials and other knowledgeable persons, and make field studies in selected areas of the country.

The Working Group decided to undertake some field visits to elicit the views/opinions of farmers and other knowledgeable persons. The first such visit was to Coimbatore and then to Malappuram (Kerala), followed by discussions with various State Government officials at Bangalore. The Secretary of the Working Group visited the Bareilly District Central Bank and the Land Development Bank, and had discussions with senior officials of the Department of Co-operation at Bareilly, to gather first hand information on the system of agricultural pass books in vogue in Uttar Pradesh.

The problems arising out of the multi-agency approach to agricultural financing have been fairly well identified as revealed in the reports of the different working groups/committees appointed by government/Reserve Bank of India, from time to time in the past. This Working Group has drawn upon the findings/recommendations of the earlier working groups/committees and takes this opportunity to acknowledge its indebtedness in this regard. Particular mention should be made of the Report of the Seminar on Financing of Agriculture by Commercial Banks (1968), Report of the All-India Rural Credit Review Committee (1969), Report of the International Seminar on Banking Development (1970), Report of the Banking Commission (1972), Expert Group on State Enactments having a bearing on Commercial Banks lending to agriculture (1973), Report of the Study Team on overdues of co-operative credit institutions (1974), Report on the Regional Seminar for Asia on Agricultural Credit for Small Farmers, Bangkok (1974), Report of the Committee on Penal Rates and Service Charges (1976), Report of the Committee on Integration of Co-operative Credit Institutions (1976), Report of the National Commission on Agriculture (1976) and Interim Report of the Working Group on Rural Credit and Co-operation — Mid-term plan (1978-83) — Government of India, Ministry of Civil Supplies and Co-operation, New Delhi (1978).

The Working Group takes this opportunity to thank sincerely all the respondents to its questionnaire for their valuable views and suggestions, the various departments of State and Central Governments, financial institutions and the Reserve Bank in particular, for extending their co-operation and support at all stages of its work. For making excellent arrangements in connection with the Group's field visit to Malappuram (Kerala), it thanks the Chairman of the South Malabar Grameen Bank, Malappuram. The Chairman and Members of the Working Group wish to record, in particular, their appreciation of the splendid work done by Dr. G. V. Satyamurthy, Head of the Economic Research Section, Canara Bank, who bore the brunt of the work of drafting this report, after going through all the voluminous information on the subject. To Prof. P. S. Narayana Rao, formerly Head of the Commerce Department, St. Joseph's College, Bangalore, the Group extends its thanks for preparing the first draft of the Report. Finally, the Group acknowledges with thanks the fast, neat and excellent typing work done by Shri R. V. Sreenivasa, Stenographer, Economic Research Section, Canara Bank, Head Office, Bangalore.

The Working Group met seven times — thrice at Bangalore (November 8, 1976, December 21 and 22, 1977, and March 23, 1978), thrice at Bombay (January 17 and 18, February 14 and 15, and February 21, 1978), and once at New Delhi (February 7 and 8, 1978). The final Report was considered and adopted on March 23, 1978, at Bangalore.

The Report was submitted to the Governor of the Reserve Bank of India, at Bombay on 18 April 1978.

# CHAPTER II

## PROBLEMS & PERSPECTIVES

2.1 Looking at the problem of proper credit support for the overall agricultural development policy from the national angle, the report of the Committee on integration of Co-operative Credit Institutions (Chairman: Dr. R. K. Hazari—September 1976) expresses confidence that the co-operative credit system can fully play its expected role in agricultural development, if the imbalances in its growth are corrected and it is enabled to provide credit facilities in an integrated manner. Co-operatives should thus be strengthened, but they would be all the better—and the farmer better served—if other institutions (particularly commercial banks and regional rural banks) also supplement their efforts. What is called for, therefore, is not only a strengthening of the rural banking structure, both in the co-operative and commercial bank sectors, but also a co-ordination of their respective activities. If the multi-agency approach has to succeed, several problems need to be solved.

2.2 The adoption of the multi-agency approach to agricultural financing has given rise to some problems in the efficient disbursal of credit. Five such basic problems may be identified. They are :

(*a*) The existence of a number of agencies retailing credit in a common area of operation disbursing credit in an un-co-ordinated manner, resulting in multiple financing, over financing/under financing, financial indiscipline and diversion of scarce resources to unproductive purposes ;

(*b*) The inability of credit agencies to formulate and develop meaningful agricultural credit programmes on an area approach basis ;

(*c*) Overlapping and duplication of banking facilities and consequent wasteful expenditure, besides unhealthy competition ;

*d*) Recovery of loans, in a situation where more than one credit agency may have claims on the same income/security ; and

(*e*) Those arising out of different systems, procedures and policies, security norms, service and supervision charges, varying interest rates, etc.

2.3 (*a*) Although the coverage of the co-operative system is substantial in terms of area, population and credit disbursed, the progress of the movement is uneven as between different regions. Among the main shortcomings of the co-operative system, which vary from state to state, is the problem of overdues; "a variety of factors influence the levels of, and trends in, the overdues of co-operative credit institutions. Prominent among the commonly attributed causes for the deterioration in the recovery of co-operative dues are crop failures due to natural calamity, inadequate supervision, unsatisfactory management, unsound lending policies, default by the comparatively affluent groups of borrowers and economic and agricultural backwardness of the area served by the institutions".* Another deficiency relates to inadequate effort to mobilise local resources and poor marketing arrangements.

Similarly, there has been an uneven spread of commercial bank branches as between different states and population groups. It has been observed that banking facilities are generally more developed in states which are economically and socially advanced and less developed in states which are relatively backward. Another aspect of unevenness of the spread of banking facilities, until recently, was that commercial bank offices were concentrated in centres having large population. In the absence of commercial bank branches in rural/semi-urban areas for mopping up rural savings, there was a tendency for people in rural areas to deposit such savings in banks established in urban centres.

As a result of these regional imbalances in the distribution of credit outlets there have been significant distortions in the disbursal of credit—leading to increased scope for multiple-financing/over-financing in some regions, and under-financing in others.

(*b*) In regions where both co-operative and commercial bank sectors are fairly developed, and credit resources are easily available, apart from multiple-financing resulting in diversion of scarce credit to unproductive uses, there has been needless competition between the commercial banks inter se, and also between commerical banks and co-operatives.

Moreover, since establishing branches of commercial banks at rural centres involves considerable expenditure such duplication of effort implies avoidable expenditure, in the sense that if the same expenditure had been incurred on establishing branches in unbanked/underbanked states/regions it would have resulted in strengthening credit structure where it is weak.
(*c*) In an un-co-ordinated multi-agency credit system where more than one credit institution conduct their operations, it results in multiple financing, and problems associated with recovery of credit. This arises because more than one credit agency will have claims on the same income/security. In a situation like this, the borrower will try to play one agency against another.

(*d*) Competition between the co-operative and commercial bank sectors has another aspect; it is a competition between two different systems, the former

* Report of the Study Team on Overdues of Co-operative Institutions—Datey Committee Report,Chapter II, 2.1.

characterised by the principles of co-operation, state patronage, local management and limited operations, and the latter based on commercial banking principles, backed by large resources, professional management and organisation. At the grass-root operational level, the differences between the two systems manifest themselves in the spheres of timeliness of credit assistance, sanctioning/borrowing powers, security norms, service and supervision charges, recovery performance and procedures.

2.4 At the Regional Seminar for Asia on 'Agricultural Credit for Small Farmers' held in Bangkok (Thailand), October 1974, certain criteria for judging the suitability and viability of a credit system were evolved.

They are :

(*i*) All the credit needs (short, medium and long term) of the farmers (in kind or cash) should be met.

(*ii*) Credit is made available as near to his door step as possible, and when needed by the farmer.

(*iii*) It should generate savings and accelerate economic growth at the socially desired growth rate.

(*iv*) The credit policy should reflect a compromise between the often diverse plan objectives and differing group interests, i.e., the farmer, the credit institution and the government. The credit system should be able to reconcile differing objectives.

(*v*) The borrowers should be encouraged to adopt new technologies, without which sufficient capital cannot be generated to repay loans.

(*vi*) Supply and other services too should be made available to them.

(*vii*) The lending agency has to ensure that the lending machinery is matched by a recovery machinery. Even a slight imbalance in this respect can lead to heavy defaulting and consequent collapse of the credit scheme. Particularly when credit is channelled through an agency which has no institutional means of recovering, the recovery machinery has to be strengthened by incentives and linkage with marketing agencies.

(*viii*) An efficient credit system would not confine its area of operation to a particular crop or a single agricultural activity. The lending agency should be geared to financing the entire farming system, which may include crop loans, livestock loans, fishery loans, agro-industry loans, etc.

(*ix*) The credit agency should be in a position to inter-link with marketing agencies, to ensure full recovery of loans.

2.5 On the question of what should be the area of operation of the grass-root level institutions, the seminar felt that the optimum operational area depends on a number of factors or a combination thereof, some of which are stated here :

(*i*) The resources of a country's banking and financial system

(*ii*) The availability of infrastructure

(*iii*) The potential of an area in terms of banking and marketing business

(*iv*) Topography of the country

(*v*) Type of agriculture and its intensity

(*vi*) Banking habits and attitudes of farmers.

2.6 At the macro-level the problem of multi-agency approach should relate to finding a solution as to whether the agricultural credit system should continue to place reliance on a number of financial agencies and if so what should be their respective roles and how the future expansion of the activities of these agencies is to be regulated to achieve the overall purpose in view. At the micro-level where a number of agencies providing almost identical credit facilities function side by side in a common area of operation, our efforts should be to regulate the activities of these agencies so that they are in a position to meet the credit gap effectively, avoiding the waste arising out of the multi-agency approach.

It is therefore, necessary to be clear about some of the fundamental realities of our agricultural credit system, the disregard or insufficient consideration of which would only becloud the issue under examination. First, no agency other than the co-operatives possesses the organisational potential to reach out to the millions of small and scattered farmers and establish grass-root contacts. Second, the co-operative network is already vast and can be further extended/strengthened/improved with comparatively greater ease and less cost. Third, the mere existence of a large and growing demand for credit is no justification for multiple agencies—in case the co-operatives had the financial/managerial resources to adequately meet this demand, the need for another agency would not arise. Fourth, it follows from the above that where the co-operatives can be sufficiently strengthened with the financial and managerial assistance of the commercial banks/regional rural banks, there again should not arise any objective need for the banks to function as field-level credit purveying agencies. Fifth, the need for another field-level credit agency arises, or should be deemed to arise, only in areas which are not served by the co-operatives adequately or where the existing co-operatives are incapable of being revived in the short run. Sixth, because the high-cost structure of the banks prohibits the creation of an economic grass-root organisation, direct financing wherever undertaken by commercial banks, must be replaced in the long run by the co-operatives—in the interests of an economic and stable agricultural credit system.

However, to provide credit and services to farmers where the single grass-root level credit agency becomes weak or ineffective, and some measure of choice to the rural borrower, there should be enough scope for an alternate institutional agency to function at the block level.

The problem of multi-agency approach has, therefore, been viewed by the Working Group as one of distinctly defining the respective roles of co-operatives, commercial banks and regional rural banks in any given area of operation, and of finding ways and means of bringing about effective co-ordination between them in their operations.

# CHAPTER III

## THE MULTI-AGENCY APPROACH — ANALYSIS OF VIEWS/ SUGGESTIONS ELICITED AND REFERENCES TO THE PROBLEM BY EARLIER COMMITTEES/COMMISSIONS/ SEMINARS

3.1. A simple questionnaire (as per annexure) was designed for eliciting views/opinions/suggestions, on the various aspects of the multi-agency approach to agricultural financing, branch expansion and interest rates and norms for security. A broad analysis of the views/suggestions received in response to the questionnaire was made under the following heads :

A : Area demarcation between the agencies

B : The consortium arrangement

C : Insistence on no dues certificate

D : Introduction of agricultural pass books

3.2. A : Area Demarcation between the Agencies :

The concept of area demarcation under a system of multi-agency agricultural financing consists in allocating to each of the financing agencies its areas of operation so that the borrowers might resort to one agency in a given area. This is an aspect of the market segregation concept contained in the science of marketing management. In effect, this approach is intended to overcome the possibility of a rural borrower obtaining credit from more than one financial agency, for the same purpose and on the same security; besides, it aims at preventing wasteful competition among the lending agencies.

The concept of area has been interpreted by different respondents in different ways. Generally, those favouring the area approach in agricultural financing suggest that the proper basis for area demarcation should be the number of credit seekers, proximity to the lending agency and its capacity to meet all the credit needs of the borrowers. The area concept according to some others meant a coverage of one lakh acres of agricultural land and about 10,000 farmers in the region.

Area demarcation, according to certain banking institutions, should take into account the proximity of the financing agency to the area served ; a radius of 8 kms (5 miles) was considered as the ideal area of operation (Cf : some of the participants at the Regional Seminar for Asia on 'Agricultural Credit for Small Farmers' held in Bangkok—October 1974 suggested a radius of 15 kms). In this context the report of the Banking Commission (1972) observes : "It is necessary in the first place that outlets through which the credit is supplied to the units should be widely spread over the country in such a way that they are within convenient distance of the production which they serve". Viewed in this light, the objectives of co-ordination between the co-operatives and the commercial banks should be creation of a wide-spread and progressive institutional base at the primary level in direct touch with rural producers which can provide adequate and timely credit at reasonable rates and also attract local savings into the system.

On this subject some of the respondents have opined as follows :

(*i*) A village or a group of villages may be taken as the area of operation of a credit institution.

(*ii*) Demarcation of operational area is to be based on area planning approach.

(*iii*) Demarcation of areas could be made through mutual discussions, for example, through the forum of District Consultative Committee. The basis could be nearness of the institutions to the borrowers, experience, expertise, resources and record of handling schemes of agricultural finance of the institution.

Others have highlighted the shortcomings/deficiences and also the remedies to such an approach :

(*i*) Demarcation of areas of operation among financial institutions tends to encourage monopolistic/restrictive practices on the part of such institutions.

(*ii*) Instead of demarcation of operational areas a clear definition of functional jurisdiction for the different agencies appears to hold better promise. Thus the function of meeting the medium and long-term credit needs of medium and large farmers may be assigned to commercial banks ; regional rural banks may be allowed to concentrate on aiming at the medium and long term credit requirements of the small and marginal farmers.

Generally, there is no unanimity of views in so far as it relates to the concept of "area" involved in the approach. While some suggest that each credit agency should cover one lakh acres and about 10,000 farmers, banking institutions feel that economic potential of the area, their own resources position and proximity of rural borrowers should constitute the basis for area demarcation.

The problem of geographical demarcation among the different institutional agencies in any given area raises the question as to the type of agency that could effectively function as the sole credit institution in a segment of the area concerned. A few have suggested the establishment of multipurpose co-operative societies in this context. Since the societies have multiple objectives, some others feel that such an institution may not be equipped to concentrate itself on the task of meeting all the credit requirements of the farmers.

Then there has been a suggestion to make a commercial bank the sole agency for purveying agricultural credit directly to farmers. On the other hand, there is also a view that the task of directly financing all the credit needs of agriculture by commercial banks is colossal. In the event of this single agency not functioning effectively, the flow of credit to farmers would get choked completely, resulting in great hardship. Financing of agricultural operations *per se* is not a viable proposition at all, particularly for commercial banks and especially for small amounts to large number of borrowers. Moreover, in view of the operational problems generally faced by commercial banks in extending direct credit assistance, in particular the problem of finding the right type of personnel for the purpose, direct finance by commercial banks may not always be the ideal solution ; then, there is also the cost aspect. Commercial banks' overheads are high in relation to the size of operations and the benefits. Because of this, some respondents feel that direct financing whenever undertaken by banks, must be replaced in the long-run by the co-operatives — in the interests of a viable and stable agricultural credit system.

A few respondents have recommended the conversion of the primary agricultural credit societies into farmers' service societies with a view to improving the efficiency in credit disbursal. Since co-operatives are the most suited institutions for the purpose of credit and services to the farmers, primary societies have to be developed as multi-purpose institutions (i.e., Farmers' Service Societies) covering service centre, consumer trade, marketing of agricultural commodities, etc., so that ultimately they become the most effective and important agency for making credit and services available to the rural people at a single point. Others have suggested the regional rural bank or the primary agricultural credit society as being the suitable agencies for intensive financing in a given area.

Some of the respondents favour the establishment of a co-operative agency collaborating with either a commercial bank or a regional rural bank in a given area, as the ideal solution to the problem of integrated approach to agricultural financing. This opinion is shared by a few others who are in favour of financing of co-operative credit institutions at the primary level by commercial banks.

The Bangkok Seminar considers the following as the most desirable vertical structure :

(*i*) Co-operatives may build up their own vertical structure; they may also build up a horizontally integrated structure with marketing and processing co-operatives.

(*ii*) Co-operatives may function at the primary level and may be linked up vertically with agricultural development bank or commercial bank ; horizontally they may be linked with marketing co-operatives or state-owned trading agencies.

The Banking Commission (1972) has observed as follows :

"Unless there are special circumstances like the commercial bank or co-operative bank adopting a group of villages for providing credit facilities and related services, demarcation of areas between commercial banks and co-operative banks does not appear to us as a practicable method of ensuring co-ordination between the two. Demarcation of areas can be justified when the two types of agencies operating in the respective areas are equally efficient both in mobilisation of resources as well as making sound loans.
Demarcation does not take into account the preference of borrowers. Borrowers' preferences stemming from a desire for more efficient service, better technical advice, etc., are important factors in developing credit institutions into efficient units. Demarcation of areas rules out this possibility. It would also tend to force an efficient borrowing unit to go to an inefficient lending unit, thus compulsorily slowing down the pace of growth in an area. This method of co-ordination also is unlikely to be fruitful so long as co-operative banks and commercial banks are subject to different legal provisions and follow different standards. If in an area a farmer gets loan according to scales of finance per acre subject to a ceiling, and in an adjoining area another farmer gets to the extent of his total needs subject to no ceiling, demarcation of areas would lead to unjustifiable discrimination.

However, in areas where either commercial banks or co-operative banks launch their schemes of village adoption and seek to provide complete credit facilities for all the rural producers, other institutional agencies should not be held to operate."

In a situation like this, some of the respondents feel that in view of the farmers' choice being limited to one agency, one has to reckon with the possibility of that agency developing monopolistic tendencies. If the single agency happens to be a co-operative, certain aspects have to be taken note of. There can be some farmers unwilling to become members of the primary society who also deserve credit, but are denied of this facility. There is also the possibility of primary societies being ineligible for finance due to large overdues and consequent denial of credit to non-defaulting members. Co-operative bye-laws may not permit financing of activities other than agriculture. Then the single co-operative institution operating in the area cannot cater to the needs of other equally important rural activities. To minimise the dangers implicit in a single grass-root level credit agency developing monopolistic tendencies, it is necessary, therefore, to consider an alternate credit agency at the block level.

As regards the area of operation for each credit outlet, in view of wide differences in business potential and extent of credit gaps, it may be difficult to lay down any uniform/specific criteria. However, in the interests of the economic and financial viability of lending institutions, the area of operations of credit outlets should be determined in relation to the business potentials and credit gaps in any given district/region.

The present agricultural credit system in the country has already a functional bias, in the sense that while land development banks specialise in extending long term loans for development purposes, primary agricultural credit societies extend only short and medium term loans. Commerical banks and regional rural banks, on the other hand, extend all types of agricultural credit—short, medium and long term. While, again, land development banks and primary agricultural credit societies and commercial banks lend to all categories of farmers, large and small, regional rural banks are designed to extend credit assistance mainly to small/marginal farmers.

Under the circumstances, the area demarcation concept with a single grass-root level credit agency has to be super-imposed over a functional credit structure already in existence. The issue of area demarcation, therefore, boils down to a broad demarcation of operational areas for different categories of agricultural credit institutions.

## 3.3. Working Group's View

In the light of the views expressed by the various respondents to the Working Group's questionnaire, and in the meetings of the group, it emerges that there is near-unanimity as regards the demarcation of the area of operation for each of the credit agencies operating in a given area. As regards what should constitute the ideal operational area for each of them, a geographical demarcation rather than a functional jurisdiction, is considered more appropriate and practical.

In providing credit for agriculture and allied activities, the prime role would have to be that of the co-operatives in view of the fact that only the co-operatives possess the organisational potential to reach out to the millions of small and scattered farmers and establish grass-root contacts ; the co-operative network is already vast and can be further extended/strengthened/improved with comparatively greater ease and at less cost. All rural areas are to be covered by a network of viable co-operative credit institutions. The other agencies *i.e.*, the commercial banks/regional rural banks have to play a supplementary role ; until the co-operatives at the field level are well established and placed on a viable footing, the commercial banks/regional rural banks will have to supplement the credit disbursal of the weak co-operatives and also finance such other rural development activities not normally undertaken by them. To facilitate area demarcation between different institutional lending agencies, there is need for compiling an objective report for each district on the efficiency/efficacy of co-operative institutions. The Reserve Bank of India may consider how best this could be done.

Broadly speaking, primary co-operative credit societies may be classified into four categories :

(*a*) Societies which are sound and viable, and having no problem in obtaining the necessary credit from the District Central Co-operative Banks/Commercial Banks/Regional Rural Banks.

In respect of such societies, their financing has to be done by the District Central Co-operative Banks or Commercial Banks or Regional Rural Banks, as the case may be.

(*b*) Societies which are sound and viable, but the financing District Central Co-operative Banks may be weak and/or having inadequate resources at their command.

Such societies may be transferred to a commercial bank or a regional rural bank. As and when the District Central Co-operative Banks come out of their weak position, and muster adequate resources, it will be open to such societies to remain with the Commercial Bank/Regional Rural Bank, or go back to District Central Co-operative Bank.

(*c*) Societies which are not viable, but can be made viable.

In areas where the District Central Co-operative Banks have adequate resources, such societies may continue to remain with them ; however, potentially viable societies, if they so wish, may be transferred to Commercial Banks/Regional Rural Banks.

In areas covered by categories (*a*), (*b*) and (*c*), commercial banks/regional rural banks may lend directly to farmers, wherever necessary, but without entering into competition *inter se*. In doing so, it shall be the duty of the commercial bank/regional rural bank concerned to ensure that it does not finance members of the co-operative societies in such a way as to weaken the co-operative structure. In any case, the commercial bank/regional rural bank concerned should take care to see that the drive for co-operative membership is not jeopardised. In this connection, the Working Group recommends that efforts are to be made towards improving the condition of the weak district central co-operative banks with a time-bound programme.

This would naturally involve a periodical review of societies transferred to commercial banks/regional rural banks, to take the decision whether such societies should be transferred back to the district central co-operative bank. Such a review/decision has to be taken by the District Consultative Committee; however the initiative whether the society should remain with the financing commercial bank or regional rural bank, or be transferred back to the district central co-operative bank is to rest with the concerned primary agricultural society.

(*d*) Societies which are totally mismanaged or moribund with no prospect of early revival.

In areas covered by such societies, commercial banks/regional rural banks shall lend directly. However, efforts should also be made to organise new societies in such areas.

As regards areas where more than one commercial bank/regional rural bank operate, bankers should mutually allocate villages between themselves in the district to avoid competition *inter se*. In respect of loans already granted by a bank in an area allocated to another bank under the above system, some satisfactory arrangement has to be evolved whereby such loans can be taken over by the bank which has been assigned the operational command over that area.

Then there is the problem of defining the respective roles of the regional rural banks vis-a-vis the commercial banks. We would like to emphasise in this connection that the regional rural banks are to be preferred because they are better suited to direct financing of farmers owing to their low cost structure and rural ethos. Commercial banks would, of course, continue to extend refinancing facility to the regional rural banks. Viewed in this light, the roles of the commercial banks and regional rural banks are complementary. As regards farmers (such as large and medium) not eligible to get credit from regional rural banks (under the present norms fixed for regional rural banks), the Working Group recommends that the regional rural banks be allowed to allocate a part of their resources for making advances to such categories of farmers; this recommendation is based on the assumption that the norms presently applicable to regional rural banks imposing such restrictions will be removed.

A point for consideration is : in respect of areas where the regional rural banks/commercial banks finance directly, and the land development banks (as distinct from the primary agricultural credit societies) are providing term loans, what should be the policy of the commercial bank/regional rural bank in the matter of term loans ? Under such circumstances, commercial banks/ regional rural banks will extend term loans, on the same principle as enunciated above for short-term loans.

### 3.4 B : The consortium arrangement :

As an alternative to the area demarcation approach, with the different agencies operating under the multi-agency system of agricultural financing, we may consider the consortium arrangement. Under the consortium arrangement the commercial banks and co-operatives jointly meet the credit requirements of a given area. The broad features of the scheme of consortium arrangement as envisaged by the All India State Co-operative Banks Federation are summarised below :

"It is administratively convenient to adopt an area approach for this purpose also. It may select such blocks as are convenient from the view point of proximity/communication from its branch office/headquarters, etc. The number of blocks in a district to be covered by the consortium or participation arrangement may be linked to the extent of credit gap and the extent of role assigned to commercial banks in each district.

Both the participating banks will follow common procedures regarding the preliminary credit assessment of cultivator-members of societies, for crop loans as well as term loans, preparation of normal credit limit statement, sanction of credit limits, final disbursement in cash and kind to the concerned members, etc., as envisaged under the production-oriented system of lending.

The next question is in what manner or proportion the lendings to societies in a block may be shared. While this will depend on the resources position of the participating banks it will be preferable to make it on a 50: 50 basis with a view to securing equal rights to them *inter se.*

Joint supervision over the societies financed by banks under the arrangement may be preferable but not practicable and will mean duplication of efforts. Supervision can, therefore, be the sole responsibility of the 'leader-bank'. Where the commercial bank does not have the necessary complement of staff for supervising the societies, the supervisors of the central co-operative bank may be placed under its administrative control and their cost borne by the commercial bank.

The societies in the select block, for all purposes, will deal only with the 'leader-bank'. They will draw loans from the 'leader-bank' and will also deposit the amount of share linking with it. The 'leader-bank', if it is a commercial bank will retain with it its part (50%) as non-refundable deposit to the credit of the society concerned and pass on the balance to the central co-operative bank for credit to the share capital in respect of that society. Similarly, all recoveries/repayments will be made to or deposited with the 'leader-bank' which will apportion the same between participating banks in the agreed ratio; depositing the surplus funds or other normal banking transactions may be carried on with the 'leader-bank' only. There may be a tripartite agreement among the society, the central co-operative bank and the commercial bank setting out, among other things, the terms and conditions of the financial accommodation, the nature of security, the liabilities of the society and also the proportion of sharing the lendings, rights and obligations of the participating banks *inter se*. In particular, the rights of the 'leader-bank' to inspect/supervise the society, apportion the recoveries and share collections in the agreed proportions may be spelt out. In case of default, the 'leader-bank' may proceed against the societies. The securities and other assets of the society in the custody of the 'leader-bank' will be subject to the *pari-passu* claim of both the banks in the same proportion as the lendings have been shared".

According to the findings of the Madhya Pradesh Study Team appointed by the Reserve Bank of India several advantages are claimed for the consortium arrangement; further, these are endorsed by the All-India Federation of Co-operative Banks. The advantages are :

(*a*) The primary credit societies will not be required to sever their financinal relations with the district central co-operative banks completely.

(*b*) As the central bank will maintain its organic and financial link with the societies, it can continue its efforts through persuasive or coercive action to recover its overdue loans.

(*c*) The lack of understanding and co-operation prevailing at the present moment between the central co-operative banks and the commercial banks will make room for very close co-ordination, as responsibility for the development of societies, will be shared by both of them.

(*d*) The advantage of personal contacts with the managements of primaries and the experience which the central and state co-operative banks have acquired will be available to the commercial banks.

(*e*) The State Government will more directly be concerned with the problems faced by commercial banks in providing credit for agriculture through primaries, because the problems of these banks will also be the problems of the co-operative banks which are under their control and general supervision.

(*f*) Finally, in a scheme of compulsory disaffiliation of societies, the approach may have to be from the point of view of the credit potential and credit gaps subsisting in the area as the central banks may not be willing to part with the area which have been relatively well served by them. Consequently, commercial banks may have to go to the areas where the societies have the necessary credit potential to make them viable, but are having a relatively low level of business. As a result, the banks may have to put in much greater efforts in the development of the societies and in developing the necessary business potential which it may not find it easy to do. In a participation/consortium arrangement, it would be possible to have a cluster of well-developed and poorly developed areas so that the responsibility for the latter type of areas will be on both the commercial and co-operative banks and the benefits of business from the more developed areas can accrue to both the institutions.

According to the All-India Federation of Co-operative Banks, (*a*) the consortium arrangement is the highest form of co-ordination between the co-operative and commercial banks as that will do away with the various types of conflicts that have arisen between one commercial bank and others and between commercial bank on the one hand and co-operative banks on the other; (*b*) the consortium arrangement facilitates integration of credit with supplies and services, particularly in the context of the need for commercial banks to depend upon outside agencies to effect supplies of inputs of agriculture, where commercial banks are to provide credit directly; (*c*) the banks will also save appreciably on the cost of retailing credit to agriculture as the administrative costs of primary credit societies are admittedly lower than what it would cost the commercial banks to handle credit directly.

The consortium arrangement between commercial and co-operative banks would have a much larger scope particularly for integrated area development which will be greatly facilitated if there is a single credit agency for all the activities involved.

It is also felt that consortium arrangement is the only way to avoid unhealthy competition among commercial banks themselves (including regional rural banks), and participation or consoritum arrangement seems to be the best for securing co-ordination and of ensuring a rapid development of the area.

Consortium arrangement between co-operatives and commerical banks implies not only a sharing of financial resources necessary for the development of the area, but also of the knowledge of local conditions and professional expertise for mutual advantage.

### 3.5 Working Group's View

As an alternative to the area demarcation approach, the introduction of the consortium arrangement between commercial banks and co-operatives was suggested and considered by the Working Group. The general consensus on the consortium arrangement was that the system may be difficult of practical implementation in view of the heterogenous character of the credit agencies involved, which have different systems, norms, procedures, terms and conditions, etc. However, the Working Group recommends that in the states where there is a proper understanding and where conditions are favourable, the scheme may be given a trial on a pilot basis in a few selected areas.

### 3.6 C : The "No Dues Certificate"

Among the suggestions offered by the respondents to the questionnaire on how to avoid multiple financing, the use of no dues certificate and exchange of information have been made. The principle underlying the issue of/insistence on no dues certificate is that a credit agency is in a position to ensure itself that the borrower has not already resorted to other lending agencies in obtaining credit for any given purpose at a given time. This measure is expected to detect/prevent overlapping of credit assistance to borrowers.

The effectiveness/utility of the no dues certificate, in the opinion of a few respondents, depends upon adequate and free exchange of information between the different credit agencies in respect of the past record of the borrower, as also the amounts borrowed. Some respondents held the view that the different credit agencies should develop a system whereby the list of borrowers of each of them is exchanged at regular intervals. In short, the problem in their opinion is mainly one of developing a system by which it would be possible to know within a short time whether or not the prospective borrower had dealings with any other institution in the area, and if it is so, the latest position of his outstanding dues. This will require some standardisation of the type of information to be collected, and the willingness on the part of the field level units of both the co-operative and the commercial banks to exchange such information readily. Since the number of borrowers in the area of operation of these units is rather large, the standardisation has to be such as to keep the details to the bare minimum. It is one of the main functions of the District Level Co-ordination Committee to look into all such practical aspects of field level co-ordination and evolve suitable procedure to keep all the agencies lending in rural areas properly informed.

### 3.7 The Working Group's Views

The Working Group is of the view that commercial banks have been insisting on the production of a 'no dues certificate' as a pre-condition for the disbursement of loans, primarily with a view to avoiding concurrent borrowing, especially by those who are already members of the co-operative credit institutions; but in actual practice, insistence on 'no dues certificate' has provided to be largely ineffective and has contributed to delays in the disbursal of credit. It is, therefore, suggested that instead of insisting on 'no dues certificate', the purpose would be better served by the following procedure :

(a) a commercial bank/regional rural bank should be permitted to refer to the list of borrowing members or the NCR of a co-operative credit agency to ascertain whether a particular individual is a borrower or not;

(b) on a reciprocal basis, after the disbursement of credit, a commercial bank/regional rural bank would, in turn, allow a reference of its list of borrowers to the co-operatives to ensure that the same borrowers do not borrow from the co-operatives also;

(c) it is also suggested that the borrowers sign an undertaking which could form part of the application for a loan, to the effect that he has no borrowings from any other agency on the date of the application. Such an undertaking should have the same effect as that of a legal affidavit sworn in before a magistrate, the Working Group recommends the amendment of The Oaths Act (Act No. 44 of 1969) for this purpose.

The question of obtaining 'no dues certificate' would be relevant only when we perceive a situation in which different credit agencies are all operating and catering to the identical requirements of agriculture in a common area of operation, and in the absence of the agricultural pass-book system. Once the recommendation that there should be only one principal credit agency (i.e., co-operative) at the grass-root level is accepted, as also the system of agricultural pass-book, there is very little scope for overlapping of credit; the obtaining of 'no dues certificate', in such an event loses its significance.

3.8 D : Introduction of Agricultural Pass Books :

A system of farmers' "Agricultural Pass Books" was recommended by the Committee on Agricultural Credit Procedures appointed by the Government of Andhra Pradesh in 1965. The emphasis here is on having an authoritative record of the cultivator's right in land so that each credit agency which proposes to lend to him has no need to examine separately particulars of land owned by him, his title to it, etc., and to that extent, the time and duplication involved in the scrutiny of these particulars by different agencies or in different contexts may be reduced. The responsibility for ensuring that the pass book is kept upto-date in regard to the member's land, its valuation, etc., is placed on the tehsildar whose valuation is to be given special validity by an amendment of the Co-operative Societies Act. The pass book will show, *inter alia*, details of land owned, etc., as also short-term, medium-term and long-term credit limits and operations thereon. The proposed arrangement will apply only to owner-cultivators. A case study in this respect was made of the Tudiyalur Co-operative Agricultural Services Ltd., at Tudiyalur in Coimbatore district, Tamil Nadu. The system was found to be effective. However, no clear idea seems to have emerged as yet in regard to the main features of this system. As to the benefits of this system, it wholly depends upon the degree of accuracy and updating of its entries/information made by the revenue authorities. Further, in view of the uncertain status accorded to an entry in the pass book as evidence of a borrower's ownership/rights in land, the size of land, etc., credit agencies are reluctant to accept it as an adequate basis for extending financial accommodation.

One of the suggestions made for the prompt and assured supply of credit to the farmer relates to the introduction of a system of vouchers or agricultural credit cards. As designed by the Syndicate Bank these cards are issued to the bank's selected clients in respect of farm loans and entitle their holders to buy within the limit indicated in the card, their requirements in respect of inputs from the dealers authorised by the bank for the farmers upto the specified limits. The "agri-card" contains details such as the name of the holder, his specimen signature, credit limit sanctioned to him, and columns to indicate the value of commodities purchased against the card and the balance of credit available. The scheme envisages not only the utilisation of credit for the purpose of seasonal requirements, but also the repayment of the same at the time of harvest and the sale of produce.

The use of the Agricultural Pass Book/Credit Card has been suggested as a means of overcoming the problems associated with multiple financing. The views of the respondents on this subject centre mainly around the need for their statutory recognition. There have also been suggestions for periodical updating of the cards/pass books. However, the updating of these records is by itself a formidable task and time-consuming process. The All-India Credit Review Committee observes : "Whatever particulars are incorporated in a credit card or credit pass book, the factors which will determine whether credit flows to the cultivators in time are:

(*i*) how efficiently the working of the system is organised:

(*ii*) how far the procedure connected with the fixing of credit limits is commenced early enough and completed quickly in time; and

(*iii*) how far the supplies required are actually made available to the cultivator.

The credit card system by itself cannot be expected to achieve any spectacular results unless the conditions improve in regard to staff, supplies and co-ordination. Nor can we agree that a cultivator's entitlement for credit can ordinarily be established without an annual review of the status of his cultivation".

A statewise review of the working of the agricultural pass book system (please see annexure) suggests the following problems :

(1) Although there is a consensus among the State Governments about the utility of introducing the agricultural pass book system, in only about 50% of the states/union territories, it has been introduced. Quite a few of them are awaiting implementation of the land ceiling act. In a few other states, committees have been appointed to study the working of the system in other states where it is in force and recommend its implementation.

(2) In some of the states where agricultual pass book system is in vogue, it is on a voluntary basis, while in others it has been made compulsory.

(3) Although the pass book system was introduced in some states (for example Gujarat) as early as 1960, the main objective for its introduction was not prevention of concurrent borrowings, but to enable a farmer to have a record of his land holding, the nature of his title thereto, payment of land revenue, taccavi and other government dues and dealings with co-operative credit institutions. However, in such states, legislative amendments have been made to enlarge the scope of the agricultural pass book system to include other relevant objectives as well.

(4) Generally, the agricultural pass book system has no legislative backing, and consequently the pass books have not been accepted by financial institutions as authentic evidence/legal documents.

(5) In the absence of additional machinery necessary for the initial preparation and periodic updating, and issue of agricultural pass books, pass books do not reflect the true position in respect of land holdings/charges created/loans availed/repaid etc., with the result that commercial/co-operative banks hesitate to consider pass books as satisfactory documentary evidence. Hence, they continue to call for copies of land records in spite of the agricultural pass book system.

(6) Arising from the same reason, the effective coverage of the agricultural pass book system has been only modest, judged by the number of pass books actually issued.

(7) While in the case of agricultural pass books issued by some state governments, particulars of all loans obtained by a farmer (from government agencies and co-operative/commercial banks) are recorded, in the case of pass books issued by some other state governments only loans made by government (taccavi) are recorded.

(8) Some state governments have formulated the format of the pass book in association with different financial institutions, in others it has not been so.

(9) The nature of particulars entered in the agricultural pass books introduced by different state governments also varies from state to state.

(10) In some states it is compulsory for the land owner to produce the agricultural pass book at the time of every transaction concerning land or for servicing any loan; in other states it is not compulsory and left to the discretion of the landowner.

On the assumption that these administrative hurdles are cleared, a good number of individuals and institutions covered in the survey rightly opine that the credit cards/pass books should be printed in local language, registered in the revenue office of the respective areas and issued to the cultivators by the village panchayats; all the lending agencies are to notify the village panchayats about particulars of loans granted to the card/pass book holders. If, everytime a borrower approaches a credit agency for a loan, the agency insists on the production of the pass book, the possibility of extending credit assistance by different institutional agencies for the same purpose, on the same security can be to a large extent minimised.

### 3.9 The Working Group's View :

The Working Group examined the agricultural pass book issued by the Uttar Pradesh Government. The pass book shows, on the one hand, the land holdings of the farmer with all relevant details; and his borrowings/ repayments, on the other. No transfer, mortgage, alienation or gift of the land can be effected without the production of/entry in the pass book, which can be an effective safeguard against multiple borrowing or charging of the same land to two or more credit agencies, at the same time.

In the opinion of the Working Group the system of agricultural pass-books issued by the State Governments would definitely eliminate the possibility of multiple financing of the same borrower, provided the pass books are recognised as authentic legal documents evidencing ownership of the assets and liabilities of farmers and periodically updated. To begin with, the State Governments should bring all land records uptodate within a period of two years, to make the system of agricultural pass books really effective. It is, however, advantageous to introduce the pass book system immediately with necessary statutory backing wherever possible.

# CHAPTER IV

## BRANCH EXPANSION

4.1 The approach to the issue of branch expansion in the context of multi-agency system of agricultural financing has necessarily to be comprehensive, to include co-operative institutions and commercial banks, including regional rural banks. In the total scheme for bridging the credit gaps in the agricultural sector, the major difficulty with the co-operative sector, which has a very widespread organisation at the field level, has been that it has neither made necessary efforts nor has been successful in mopping up rural savings to any appreciable extent. The commercial banks which are able to mobilise deposits are unable to provide extensive credit to agriculture owing to their low coverage of rural sector, lack of expertise, relatively high operational costs and lack of right type of attitudes. Thus, it is not only a problem of shortage of resources in relation to the credit needs but, even more important, it is a problem of ensuring the equitable distribution of available credit. The present uneven distribution of institutional credit, particularly in the rural areas, is mainly due to multiplicity of institutional agencies in some areas and inadequate coverage in others. For ensuring a proper distribution of available credit, therefore, it becomes necessary to regulate the distribution pattern of institutional lending agencies on a more rational basis. In the matter of granting licences to commercial banks, including regional rural banks, the Reserve Bank of India can adopt certain important norms such as : (*a*) the population served by a lending agency, (*b*) area covered, (*c*) development potential of the area, (*d*) borrowers' convenience, and (*e*) operational costs. While licensing new branches the Reserve Bank of India may also take into consideration the operations of the co-operative banks, if any, in the area.

4.2 In so far as the expansion of commercial bank branches is concerned, it is being regulated by the Reserve Bank of India which followed a cautious policy till 1956 in view of the post-war and the post-partition strains on the economy of the country. Subsequently, a liberal policy of branch expansion was followed with the result that banks selected, by and large, only the developed areas for opening new branches. The branch licensing policy was further liberalised in the light of the discussions of the National Credit Council (NCC) in March 1968; the emphasis since then has been on the opening of offices in the semi-urban and the rural areas.

4.3 At present, the licensing of bank branches by the Reserve Bank of India is based upon norms, which take into account certain important factors such as the population of the area concerned, its growth potential, existing banking facilities in the surrounding areas, etc.

4.4 The All-India Rural Credit Review Committee which examined the question at length underlined the need for Reserve Bank of India helping co-operative banks in drawing up a master plan for branch expansion, in order that they would be in a position to mobilise local savings and provide banking services in rural areas. The Committee recommended that each central co-operative bank should review from time to time the performance of branches already opened from the point of view of deposits, lending business and profitability, and also formulate a five year programme for opening new branches.

4.5 Inspite of these conscious efforts to bring about a rapid expansion of institutional credit facilities into rural areas in recent times, progress has been uneven as between different States, between urban and rural areas, and within the States between different districts. The key to an equitable disbursal of credit naturally lies in a more balanced approach to the problem of branch expansion.

According to the National Co-operative Land Development Banks' Federation, such uneven distribution of lending agencies is partly attributable to the "faulty and ineffective policy adopted by the authorities particularly the Reserve Bank of India; under the Lead Bank Scheme all the districts have been allocated to different commercial banks. This could have been one of the basis for permitting the bank to open its rural branches. Multiplicity of branches even in certain rural centres could have been easily avoided had the Reserve Bank of India exercised due care before granting permission to a bank to open a branch. If a bank is already functioning and capable of providing banking services to the people in the area, there was no case for another bank to open a branch in the same area".

In the opinion of a bank, a balanced distribution of lending agencies can be ensured through the Lead Bank Scheme. The Reserve Bank's licensing policy has to entrust the responsibility of opening branches in the unbanked areas of the district to the concerned Lead Bank; since the lead bank has prepared the credit plan of the area, it will know exactly the area's credit needs and will also have the responsibility of developing it along with the co-operative agency and a regional rural bank (if any) of that area. Dealing with this question, a few commercial banks have suggested the possibility of evolving certain guidelines at the district co-ordination committee meetings. For example, where co-operatives wish to open their branches in unbanked/underbanked regions, commercial banks support the co-operatives instead of themselves directly entering the field. Such a step prevents multiplicity of credit institutions in given areas and makes for a better disbursal of credit.

4.6 A State Co-operative Bank is of the view that because of the indiscriminate expansion of commercial bank branches, there is a lot of duplication, detrimental to the interest of co-operative banks. In the past there used to be a closer dialogue between the two departments of the Reserve Bank of India before licences were issued. It pleads for a merging of Department of Banking Operations and Development and Agricultural Credit Department of the Reserve Bank of India, so that there can be a purposeful and a closer dialogue before the opening of branches by banks.

4.7 "Commercial banks are expected to work as supplementing agency and not as a parallel agency in providing rural finance. In rural areas, therefore, the commercial banks should be allowed to open branches, only if co-operative banks are unable to cover that particular area". This is the opinion of a State Co-operative Department.

4.8 The Planning Department of a State Government has recommended the formulation of Banking Plans for all the States of the Indian Union to avoid overlapping of banking facilities and carry the banking system to neglected areas.

According to another view, greater weightage needs to be placed on "Backward Area Objective" rather than on the "Viability Objective" in future branch expansion. In its new role as an accelerator of the development process, the Reserve Bank of India has to take effective measures to correct unevenness in the distribution of credit as between the different regions and sectors.

4.9 In short, there is a wide spectrum of views ranging from the suggestion that there is ample scope for all the institutional credit agencies in the rural areas and hence they should be allowed to expand, to a suggestion that a mere multiplicity of credit agencies cannot ensure an even disbursal of credit and consequently, there should be proper regulation in the matter of the expansion of the different credit institutions.

4.10 In many Asian countries including India there is considerable need for a long term strategy for development of a credit superstructure, especially in the backward regions where the peasants have little or no access to institutional credit facilities. In planning the development of backward tracts the first problem to consider would thus be the establishment of an appropriate superstructure of credit. In particular, if there is to be investment of capital for planned development, beginning has to be made with the importation of the necessary resources from outside these areas. The imported resources have then to be distributed to the scattered farm business units for purposes of investment; at a later stage the credit requirements of these units have to be continuously financed. Accordingly, a programme of branch expansion on this basis is now being undertaken by the co-operative and commercial banks with a view to seeing that as many rural centres as possible are served.

Towards this end, the Reserve Bank have recently revised their branch licensing formula making incumbent upon the commerical banks to open four branches in rural unbanked centres to become entitled to open a branch at a metropolitan centre and another at a banked centre. Government's commitment to the Estimates Committee regarding opening of atleast one bank branch in each of the community development blocks by June 1978 is also aimed at ensuring that large geographical areas do not remain devoid of banking facilities. While it is expected that these steps would lead to branch expansion in rural areas on a scale larger than before, they would not by themselves ensure a more balanced geographical dispersal unless the banks show the underbanked districts a special consideration in their branch expansion programme so far as opening of branches at unbanked rural centres is concerned. Another aspect of branch expansion programme relates to provision of banking facilities at the block headquarters which constitute the nerve centres of planned development activities in the country; in view of this, it has been suggested in selecting unbanked rural centres for branch opening, banks may give priority to block headquarters which are at present unbanked.

4.11 By dovetailing branch expansion programme of commercial banks, co-operatives and regional rural banks under the overall guidance of the Reserve Bank of India, it should be possible to ensure that extension of agricultural credit outlets do not overlap. In this connection, the possibility of persuading a bank having a strong base in a given area, where banking facilities are not adequate, to open branches in unbanked block headquarters may be examined.

Further, when attempts are being made to strengthen weak co-operatives, farmers of a given area should not be starved of credit; under the circumstances a commerical bank should be allowed to open a branch. The bank branch should, apart from financing such a society undertake financing of such other business not normally undertaken by co-operatives. For maintaining viability of operations the commercial bank branch should finance a cluster of societies in the area. And, where a particular commercial bank is already financing societies, another commercial bank should not be allowed to operate in the area.

4.12 According to some respondents a regional and integrated approach to branch expansion may be envisaged as follows :

(*a*) All rural areas are to be covered by co-operative institutions such as : PACS/LAMPS/FSS/LDBs.

(*b*) The co-operatives should be organised in such a way that they are able to cater to the needs of a group of villages.

(*c*) A branch of a commercial bank/central co-operative bank/regional rural bank should undertake to finance a group of such co-operatives, and also finance other rural development activities.

(*d*) Until the co-operatives at the field level are well organised and placed on a viable footing, the financing branch of commercial bank/central co-operative bank/regional rural bank will have to supplement disbursal of credit by weak co-operatives.

Such a regional and integrated approach in their view, will ensure that :

(*i*) no area is starved of adequate credit for want of banking facilities or by reason of a weak co-operative institution;

(*ii*) the existing credit agencies in the co-operative sector are strengthened and integrated into the overall credit system of the area;

(*iii*) a borrower has a choice of lending agencies to suit every type of economic activity;

(*iv*) there is no unhealthy competition and scope for multiple financing ;

(*v*) better recovery performance, adoption of uniform systems and procedures;

(*vi*) there is reduction in the overall cost of operations and better supervision;

(*vii*) appropriate lending schemes are devised to suit local requirements ;

(*viii*) there is an increase in the tempo of branch expansion within the area; and generally,

(*ix*) a motivated involvement in the development of the area concerned.

### 4.13 THE WORKING GROUP'S VIEW

In the view of the Working Group, as the commercial banks are to play a supplemental/supporting role to co-operatives in providing agricultural credit, the future branch expansion of commercial banks and regional rural banks should be strictly regulated to prevent unnecessary proliferation/multiplication of branches in the rural/semi-urban areas, where the network of the co-operatives is fairly adequate and effective. But where lending agencies are ineffective in meeting the credit gaps, due to managerial or financial weaknesses, or where the co-operative network is inadequate, the supplementary agency should be either a regional rural bank or commercial bank, in the initial stages, that is, till the base level organisation of the co-operatives is strengthened to meet the credit needs effectively. Since the activities and operations of commercial banks in the field of agricultural credit will be mainly to strengthen the co-operatives, the future expansion of commercial bank offices, particularly in rural/semi-urban areas, will have to be viewed in the context of the overall objective of the multi-agency approach, recognising co-operatives as the primary channel of credit and commercial banks/regional rural banks as only supplementary agencies.

As regards overlapping of banking facilities in rural areas, there is need for more effective monitering on the part of the Reserve Bank of India in the context of the multi-agency approach, the need to strengthen the base level co-operative credit structure, and the desirability of encouraging regional rural banks to open more branches in the unbanked rural areas.

4.14 In this, the Reserve Bank may take the following factors into consideration :

(*a*) the network of branches of co-operatives and the regional rural banks, and the existing network of commercial bank branches in the rural/semi-urban areas;

(*b*) the credit gap in the operational area and the availability of minimum infrastructural facilities like roads, communitions, security arrangements, etc. ;

(*c*) in covering unbanked rural/semi-urban areas, banks which already have a wider base of operations in a given area, may be accorded preference in branch expansion programme; such a regional approach will make for greater involvement of banks in rural development and also for better supervision and servicing;

(*d*) to regulate commercial bank branch-expansion in rural areas in such a manner that branches are opened only in unbanked blocks, and there is no undue concentration of commercial bank branches at any rural/semi-urban centre;

(*e*) as far as possible, the Reserve Bank of India should consult the State Governments in the matter of branch expansion;

(*f*) in the operational area of existing regional rural banks, the sponsor commercial bank/other commercial banks may consider transferring its/their rural branches to regional rural banks by mutual consultation, and in a phased manner, over a period of three to five years; pending the opening of branches by regional rural banks, the sponsor commercial banks may be allowed to open branches according to needs; and

(*g*) to make for healthy growth of co-operatives at the village level, future branch expansion of commercial banks should be restricted, as far as possible, to industrial complexes/project areas or areas where in the opinion of the Reserve Bank of India there is special need for a branch of commercial bank.

# CHAPTER V

## INTEREST RATES

5.1 Multi-agency approach in the field of agricultural credit is now accepted as a policy by the Government. As a result, we have a number of institutions in the field providing credit and services to the farmers. Multi-agency approach has been accepted in view of the fact that no single agency by itself is in a position to cater to the growing needs of the farm sector. There are the state co-operative banks providing short-term and medium-term loans (through central co-operative banks and primary co-operative societies), and land development banks long-term finance; then there are the commercial banks and regional rural banks providing all types of loans, viz., short, medium and long-term. While co-operatives and commercial banks finance farmers in general, regional rural banks mainly cater to financing small/marginal farmers and agricultural labourers. In view of the diverse character of the financing institutions, wide differences in cost of funds to them, purpose duration and size of loans, risks involved in lending and considerations of social justice, interest rates on loans naturally tend to vary; they range from 4% to 16½%* per annum, depending upon institutions and various other factors.

In the context of evolving an integrated system of agricultural financing under multi-agency conditions, the problem that confronts the policy-makers necessarily relates to whether to strive for uniformity in the lending rates or allow for reasonable variations in the rates. If uniformity in the lending rates is decided upon, what should be the basis for determining such a rate ? On the other hand, if some differentiation in the lending rates is desired, what should be the criteria for making such differentiation ? These are very crucial issues that require careful consideration. On this question, certain specialised bodies like the National Co-operative Land Development Banks' Federation, have expressed views in favour of uniformity in interest rates, as such a measure would avoid discrimination between farmers, and the unhealthy competition between credit institutions, while allowing scope for extending concessions/subsidy as in the case of small farmers and weaker sections; they advocate uniformity in interest rates in all the States. In the opinion of an expert in the field of co-operation the concept of uniformity of lending rates assumes another dimension; according to him, on any one type of loan, irrespective of the lending agency, all borrowers should be charged the same rate of interest. Further, the rate of interest at each level and the margin to be retained by each tier should be so fixed that the ultimate borrower gets the loan at the same rate of interest. Margins and rates therefore have

* Since this writing, the Reserve Bank has lowered the maximum rate to 15%.

to be determined after thorough scrutiny and fixed by a statutory authority so that no agency can change it unilaterally.

5.2 Another approach to the concept of uniformity in lending rates as advocated by a few respondents consists in ascertaining the minimum margin required by different institutions for servicing loans and for maintaining economic viability of the institutions. According to this opinion, whatever the interest rate that is determined for achieving uniformity, it need neither be cheap nor exhorbitantly costly to the cultivators. According to a leading commercial bank : "the utility of marginally lower rates of interest in stimulating agricultural production is highly suspect. In case the intention is merely to confer some economic benefit on the small farmer there are other more efficient ways of subsidising him. Manipulation of interest rates is not an appropriate tool in this context. While the stimulatory effect of a marginally lower interest rate on agricultural produce is probably non-existent, the social costs and the operational problems thereof are undeniable. Finally, the co-operative interest rate structure—to which it is sought to link the interest rates on the commercial bank credit—does not discriminate between a 'large' or 'small' farmer".

5.3 In fact, another expert goes a step further and questions : "whether the present extremely low rate of interest (under the Differential Rate of Interest scheme) is justified and whether it is desirable to have a higher level of interest, but a preferential rate which can be applied to all clients who are entitled to such credit through whichever institution they want to work". He also draws attention to a recommendation of the All-India Credit Review Committee that "credit to richer sections in the rural areas for agricultural production can be at a higher rate of interest than credit for the poorer sections. Differential rates can, therefore, work in both directions". Increasing the interest rate on loans to bigger farmers in his view, is also not advisable as it might discourage their going in for investment, which ultimately might result in arresting the rise in production. Moreover, although there have been various definitions of the "small farmer", so far there has been no consensus on the formula acceptable uniformly. Further, concessional rate of finance to small and economically weak farmers could be considered by lending institutions only if the quantum of such loans constituted a small part of the total loaning programme. However, in the context of predominance of small farmers in our agriculture, and the need to extend assistance to them increasingly in furtherance of our social objective, the share of such farmers in the overall loaning programme is gradually increasing. The small and marginal holdings in India form 70% of the total operational holdings, but account only for 21% of the area.*

According to a respondent, unless funds are available at a concessional interest rate to the lending institutions, it would be difficult to provide credit to farmers

* All-India Report on Agricultural Census 1970-71—Page 26.

at concessional interest rates. Moreover, for those who are used to usurious rates of interest in the unorganised sector, the rates charged by the institutional agencies will not appear to be on the high side. Hence, instead of a marginally lower rate of interest as a means of stimulating agricultural production, factors such as timeliness of credit, elimination of procedural delays, proper guidance to small farmers, etc., appear to be much more significant; in any event the timely availability aspect of credit is much more important than the cost aspect. A suggestion to prescribe uniform maximum rates of interest for all banks for loans for similar purposes has been made by a senior official of a State Government.

5.4 As pointed by a commercial bank, another factor that has to be taken note of in this context is that the co-operatives/land development banks have interest rate structure different from that of commercial banks, arising mainly from differences in the cost of raising resources. It says that low interest rates (including the 4% under Differential Interest Rate Scheme) charged by commercial banks to the weaker sections covering landless labourers, small and marginal farmers, etc., result in loss of clientele of the regional rural banks/co-operatives to commercial banks, and affects the viability of the regional rural banks/co-operatives. This has been highlighted in a recent working paper—"Management and Operations of Regional Rural Banks—two case studies".*

5.5 There is another school of thought that—in view of the many problems implicit in the adoption of uniformity in the lending rates for agriculture, and in view of wide differences in the cost of funds to the lending agencies, purpose, duration and size of loans, and type of security offered, and considerations of social justice—there is a good case for the adoption of different rates structure. The cost of raising resources is not the same for all banks; this very much depends upon the deposit-mix of different banks. Also, the rate of interest on agricultural loans depends on the composition of advances portfolio of the lending bank and the general economic of banking business. Again, in the case of short-term loans, commercial banks may not be able to charge the same low interest rates as are charged by co-operatives which are refinanced by the Reserve Bank of India. Except in the case of long-term loans, which are refinanced by the Agricultural Refinance and Development Corporation, introducing uniform interest rates may not be possible for commercial banks. A second argument is that a system of varying interest rates offers adequate scope for competition between different lending agencies. A third argument is that while in institutional lending to other economic sectors, diversity of lending rates is provided for to take care of different types of loans, why should an exception be made in respect of lending rates to agriculture? The element of "interest-subsidy" implied in a system of uniform lending rates, except as a short term incentive, will have a demoralising effect on the agricultural borrowers and cannot become a long term measure.

* Charan D. Wadhva : "Management and Operations of Regional Rural Banks: Two Case Studies," Indian Institute of Management, Ahmedabad (August 1977)—Page 53.

5.6 As regards the basis for differentiation in the lending rates for agriculture, several criteria have been suggested. Among them may be mentioned—(*a*) the size of the loan, (*b*) the period of the loan (*i.e.*, short, medium and long term), (*c*) size of land holding, (*d*) income of borrowing farmers, (*e*) purposes of the loan, and (*f*) cost of funds to the lending agency.

5.7 According to some commercial banks, regional rural banks and a government agency, size of holdings by itself (with some differentiation between irrigated and unirrigated lands) is a satisfactory criterion for fixing varying interest rates.

According to certain agricultural and banking institutions the only reasonable basis for differentiation could be income from the land derived by the cultivator. In the opinion of an expert body, the question of varying interest rates should be linked to the purpose of loans. For example, loans for minor irrigation purpose (sinking of a well/installation of a pump-set) could be at a lower rate than those for farm mechanisation; this is because irrigation is the most important and primary requirement of a farmer. It is further stated that as a compensatory measure, interest rates for other purposes could be raised.

5.8 Some respondents have stated that since the cost of servicing small loans is more than it is for large amounts, it would justify a higher rate to be charged on small loans which, of course, is not desirable. Again, it has been stated that since the funds of financing agencies will be tied up for a longer period in the case of medium and long term loans than in the case of short term loans, slightly higher rates could be charged for the former.

## THE WORKING GROUP'S VIEW :

5.9 In the opinion of the Working Group the glaring inequalities in the interest rates charged by different institutional credit agencies have not only created confusion but also given rise to a feeling of discrimination among the same category of borrowers in the same area catered to by different agencies; hence the need for bringing about uniformity or a near uniformity in the interest rates charged by the different credit agencies for the same group of farmers and for identical purposes has been rightly emphasised and appreciated by a number of respondents. Further, since, in the overall scheme of agricultural financing in a multi-agency system, the co-operative lending agencies are allocated the major portion of the total credit requirements of agriculture in the years to come, and commercial banks including the regional rural banks only supplement the co-operative lending institutions,the interest rates charged by the lending agencies should be the same. The Working Group, therefore, is of the view that there is a strong case for the adoption of uniform pattern of interest rates by commercial banks as well as the co-operatives, with a concessional interest rate applicable to all marginal and small farmers.

5.10 The Working Group felt that :

(*a*) basically it is necessary to assume that financing agriculture shall stand on a special footing — more or less on par with financing of small-scale industries, self-employed and professionals, etc.

(*b*) the interest rates shall be such as to stimulate investment in agricultural development, more particularly, on activities such as irrigation, land development, soil conservation, and other subsidiary occupations like dairying, poultry, fisheries, etc.

(*c*) there shall be a bias in favour of small and marginal farmers so that the interest charges shall not be burdensome to the weaker sections, and

(*d*) the rates shall not be uneconomic to the lending agencies.

5.11 Taking into consideration all the above relevant factors, the Group recommends the adoption of the following pattern of interest rates by co-operatives and commercial banks :

(*a*) 1. Short-term loans upto Rs. 2,500/- at not more than 11% p.a.

2. Rs. 2,501/- to Rs. 25,000/- at not more than 13% p.a.

3. On loans beyond Rs. 25,000/-, the Working Group does not intend recommending any specific set of rates; however, the rates need not be higher than the rates charged on loans for working capitals extended to sectors other than agriculture.

(*b*) In respect of term loans for investment purposes (other than working capital), such as for minor irrigation and land development, with a repayment period exceeding three years, at not more than 10½% p.a.

(*c*) On term loans for other diversified purposes, with a repayment period exceeding three years, at not more than 11% p.a.

Application of the above scale of interest rates to loans made by co-operative credit institutions will entail considerable financial burden on them in the present three tier set-up and cost of funds. While the primary agricultural credit societies, the ultimate lenders, get their funds at 10½% to 11%, their clientele consists largely of small borrowers, precluding them from the possibility of charging higher interest rates to large farmers and thus earning a higher income on such advances. Hence, in their case, appropriate subsidies will have to be granted, or their loss mitigated by other methods.

5.12 The Working Group's views and recommendations on the subject of Differential Interest Rate Scheme are set out below :

The differential interest rate scheme, under which credit is extended to weaker sections of the community at a concessional rate of 4% per annum is being implemented by commercial banks. The scheme has recently been extended to cover the entire country and the following eligibility criteria are laid down :

(*a*) The family income of the borrower from all sources should not exceed Rs. 3,000/- per annum in urban/semi-urban areas and Rs. 2,000/- per annum in rural areas.

(*b*) The holdings of the borrower should not exceed one acre in the case of irrigated land and 2.5 acres in the case of unirrigated land.

(*c*) Members of scheduled castes and scheduled tribes are eligible for the loan irrespective of the size of their land holdings, provided they satisfy the income criteria.

While commercial banks are required to lend under the scheme to the extent of at least one-half of one per cent of their aggregate advances as at the end of the previous year, co-operative societies and regionl rural banks have been kept outside the purview of the scheme.

In the implementation of the above scheme by the commercial banks, a large number of anomalies and practical difficulties have crept in. More important of these are briefly mentioned below :

(*i*) As the interest rate to be charged to the ultimate borrower is 4% p.a., which is far below the Bank Rate as well as the cost of funds, commercial banks cannot afford to lend larger amounts under the scheme. Moreover, with the increase in the base of their advances, their commitment under the scheme would also increase year by year. In a situation like this, while a large number of existing and prospective borrowers would come under the eligibility criteria laid down under the scheme, for the reasons cited, commercial banks cannot extend the benefit of the lower interest rate to all the eligible persons, and consequently certain amount of adhocism and selectivity has become inevitable. Even where the discretion is exercised judiciously, the scheme gives room for complaints of discrimination among the borrowing clientele who satisfy the eligibility criteria but cannot be accommodated under the scheme.

(*ii*) The benefit under the scheme is confined to direct loans sanctioned to individuals. Loans sanctioned by commercial banks or co-operative banks through the medium of primary agricultural credit societies/farmers' service societies/ large sized multi-purpose societies are not covered by the scheme. This has resulted in an anomalous situation for the borrowers who satisfy the eligibility criteria and who are otherwise entitled to the benefit of the lower rate of interest. If they happen to be members of PACs/FSSs/LAMPs financed either by the commercial banks or co-operative banks, they are required to pay the usual/higher interest rates, while other eligible borrowers in the same area will get the benefit of the lower interest rate if they approach commercial banks directly. In fact, this works as a disincentive to those who want to become the members of the co-operatives, as well as those who are already members of the co-operatives to continue as such. This situation therefore, if allowed to continue, would weaken the co-operatives over a period, which is not at all desirable.

(*iii*) Further, in areas where PACs/FSSs/LAMPs, are ceded to the commercial banks with the avowed objectives of revitalising and strengthening the co-operatives and where commercial banks are consciously following a policy of routing their entire agricultural credit through the medium of these agencies (avoiding direct financing), there is no scope for implementing the DIR scheme as it would directly come into conflict with the basic approach of the Working Group viz., stengthening the co-operative structure.

(*iv*) Yet another dimension to the problem is the extension of the DIR scheme by the sponsoring banks in the area of operation of regional rural banks on agency basis; conceptually regional rural banks are not suited to implement the scheme either on their own or through the sponsoring banks, for the following reasons :

(*a*) the low resources and advances profile of a regional rural bank does not afford any scope for it to lend under the DIR scheme except at the cost of its viability. Regional rural banks can utilise neither the resources mobilised by them as deposits nor the funds borrowed by them from the sponsoring banks or refinance availed from the RBI, for the purpose of loaning under the DIR scheme due to the wide differences in interest rates at which they borrow from the sources mentioned and the rate they could get on loans under the DIR Scheme; this would mean that they should find alternate investment avenues for their deposit resources, and the RBI refinance scheme would be rendered unnecessary.

(*b*) The sponsoring banks cannot cover all the eligible borrowers, because a substantial portion of them (70-80%) satisfy the eligibility criteria under the scheme and the resources available would continue to be limited.

(*c*) Regional rural banks are expected to route their credit largely through PACs/FSSs, to which the DIR scheme is not applicable. This would give rise to extending the low interest rate of 4% to only a few borrowers directly financed by them, with the consequences described above.

(*v*) A very large proportion of co-operative lending to agriculture consists of loans to small and marginal farmers; an extension of the DIR scheme to the co-operative sector, therefore, would involve the granting of a considerable amount of subsidy to the cooperative credit agencies, since they are unable to absorb the loss arising from such concessional lending.

(*vi*) Even the commercial banks, to whom the scheme is applicable, are expected to lend half per cent of their total credit; its impact has only been therefore marginal, inasmuch as the scheme covers not only agricultural loan but also other types of small loans of a varied character, all of which have necessarily to be within certain overall limits.

In view of the Working Group's recommendation for the adoption of a uniform pattern of interest rates, with a concessional interest rate applicable to all small and marginal farmers, and concession in respect of security for loans, credit guarantee premia, supervision/inspection charges, and in view of the problems/anomalies encountered in its implementation, the Working Group recommends a thorough review of the working of the DIR scheme.

Further, as the interest rates recommended above for lending to agriculture and allied activities are sufficiently low compared to market rates, and rates charged by banks to other sectors, we recommend the exemption of the interest earned by both commercial banks and co-operative credit institutions on agricultural advances from the purview of the interest tax.

One of the members of the Working Group was of a different view as regards interest rates. His views are given below :

"(1) Rate of interest should be uniform for all lendings for agriculture, rural and cottage industries and other vital schemes of rural development amongst all the operating agencies, that is to say, commercial banks, regional rural banks and the co-operatives. Reserve Bank has recently fixed the rate of interest at $10\frac{1}{2}$% for investment purposes, and 11% for loans upto Rs. 2,500/- to tall farmers. The rate of interest on co-operatives is somewhat higher at present. Uniformity ought to be enforced in this regard by bringing down the rate of interest to the ultimate borrower to $10\frac{1}{2}$% or 11%, as the case may be. The State co-operative Banks and commercial banks ought to be exempted from the interest tax amounting to $\frac{1}{2}$% approximately. State Co-operative Banks should keep a margin of not more than $\frac{1}{2}$%. In many States, the rate of lending to the ultimate borrower is 12%. Therefore, with the abolition of interest tax, it may be possible to bring it down to 11% for small loans as in the case of commercial banks. If it is not feasible for the co-operative societies to bring the rate of interest to the same level as the commercial banks, they might approach the government with a convincing case for relief in some form or other.

(2) Shri K. P. A. Menon mentioned that the Ministry of Agriculture and other ministries of the Government of India looking after rural and cottage industries were of the view that the present rate of interest is very much on the high side. Handloom weavers are getting loans at $7\frac{1}{2}$% due to a 3% subsidy of interest given by the Government. Shri Menon was, therefore, of the view that the rate of interest for agriculture should certainly not exceed $7\frac{1}{2}$% at least for small and marginal farmers, rural artisans, agricultural labourers, etc. So far as commercial banks are concerned, they could have a lower rate of interest for the small and marginal farmers not exceeding $7\frac{1}{2}$%, and a higher rate of interest for bigger farmers and see whether the system can absorb this lower rate of interets for small farmers. If the rates are found to be uneconomic, taking into consideration the percentage of advances made to small farmers and the cost of operations, they could make out a case for subsidy. Shri Menon was also of the view that the rate of interest for bigger famers also should not be higher than the rate of interest allowed to export sector. In the case of co-operative banks, this may require some subsidy by the government. The economics of the scheme could be worked out and government requested to consider a case for subsidising the rate of interests.

(3) Rate of interest is even more relevant in the case of investment credit. For programmes of minor irrigation, command area development, salinity reclamation, etc., it will be desirable to reduce the rate of interest considerably. Nearly $\frac{1}{3}$rd of the long-term lending taking place at present is by the utilisation of IDA funds. If the margin that is being kept by the Government of India is utilised for subsidising the rate of interest, it will be possible to reduce the rate of interest to some exent. So far as term-lending is concerned, there is no difference between the rates of interest of commercial banks and co-operative banks. Shri Menon mentioned that his

Ministry is of the view that the rate of interest should be further reduced to the maximum possible interest in the case of long and medium-term loans also.

(4) It was brought to the notice of the Committee that the procedure being followed by the lending banks is very cumbersome and the forms are very complicated. Often, the loanees had to produce various certificates and for each one of them banks were charging fees (Rs. 30/- per case). This has the effect of increasing the rate of interest sometime very considerably. The Committee feels that banks should not levy any such fees from the farmers. It is also recommended that all the banks should have the same type of form which should be extremely simple. It was pointed out that some particular banks were having a single sheet application forms.

(5) Along with the introduction of pass book system each farmer should be given a credit limit within which he can operate according to his seasonal needs.

(6) Farmers should get credit against produce stored in recognised godowns and warehouses."

# CHAPTER VI

## SECURITY FOR LOANS

6.1 Views of the respondents, on the need for evolving suitable security norms for agricultural loans, have been varied. With the land reforms and other legislative enactments, land as security for financing institutions has limited value. All the same, at least as far as medium and long term loans are concerned, the security aspect cannot be overlooked. With this in view, at least in the case of such loans, a simple method of creating a charge has to be evolved.

6.2 Again in the case of short term advances, mainly crop loans, the security of standing crops, in the opinion of some, can be considered only notional for the financing institutions, because the institutions do not have the means to enforce the security.

6.3 Both land mortgage and crop hypothecation — the traditional forms of security are not easy to enforce in the recovery of loans. According to a view, they may have to be supplemented by new and more attractive forms of security. For long-term loans, life insurance policies may be one form of a good security. Where the loan is for purchase of agricultural machinery/implements, the hypothecation of such machinery/implements together with one or two personal sureties acceptable to the lending agency is also common. This implies that the period of loan should be related not only to the repaying capacity which it generates, but also to the life of the asset which might be created with it and which will provide the security for it. In this connection the importance of advances against gold ornaments (which are amongst the most liquid assets of the rural households) as a traditional and convenient source of advance for farming is stressed. The states of Andhra Pradesh, Kerala, Karnataka and Tamil Nadu accounts for a sizable chunk of the total bank advances for agriculture on this security. It has been observed that seasonality for these advances broadly corresponds to that in farm operations, particularly the months preceding harvest, when the cultivator finds it necessary to resort to raising credit on this security. This is about the only security which tenant cultivators are usually in a position to offer. Gold ornaments are particularly significant as security for agricultural loans for small and medium cultivators.

6.4 In addition to the various alternatives to handle risk at the level of the individual farmer, an effort is necessary to pool the risks involved in financing agriculture. The Credit Guarantee Corporation of India stands as a general guarantor upto certain maximum limits in respect of eligible loans made availabe for agricultural purposes by member agencies.

6.5 Since the nationalisation of 14 major scheduled banks, there has been a greater emphasis on purpose-oriented lending; the concept of security for loans has undergone a transformation. The earlier objectives of security, of inducing the borrower to repay the loan and to ensure the realisation of the dues by recourse to security in the event of default, have given place to more socially and economically laudable objectives. In the present context, security is considered as of secondary importance in agricultural lending; it is more often than not only notional. Secondly, even where a person is not able to offer security but has a viable production-oriented project, the lender agencies should be able to consider it.

6.6 With different types of institutional agencies lending for different purposes/periods for agriculture, lending procedures (including type of security) naturally are not uniform. This variation is mainly because different institutions adopt different norms which are entirely subject to individual discretion. Thus some banks waive security of landed property for loans upto Rs. 5,000/- or Rs. 10,000/-, some insist upon tangible security if only assets are acquired through bank finance. There are also instances of banks insisting on co-obligation/guarantee of a third party, in addition to mortgage or hypothecation of property/assets. As far as land development banks are concerned, irrespective of loan amount and type of assets financed, they take mortgage of land as security. There have been suggestions that these banks should change the policy, and advance loans against charge of land. The Committee on Land Development Banks, and the Committee on Integration of Co-operative Credit Structure (Hazari Committee) have made specific recommendations in this regard. Where land is available as security for loans, to simplify the procedure for creating security in favour of the primary agricultural co-operative society, the Hazari Committee has suggested a new form of security (i.e., a special charge to be known as "gehan"); this can be effected by a mere declaration by the borrowers and, at the same time, would have all the characteristics of a valid mortgage without its cumbersome formalities. The charge so created in favour of the society should be assigned in favour of the higher financing agency for the purpose of obtaining necessary resources for loaning. Wherever land cannot be offered as security, the Committee has suggested that hypothecation of movable assets created out of loans granted by the primary agricultural co-operative society form the security for loans. Where even hypothecation of movables is not possible, as is the case with several small farmers and landless labourers, loans may be backed by group guarantees.

6.7 According to a planning expert, on the question of security for rural development programmes, credit for credit-worthy programme, subject to certain limitations of ceiling based on expert advice, should be the criterion. Where large sums are to be given, supervision and guidance should be enforced strictly; in this view, perhaps this is the only way to tackle large-scale development programmes, particulary of the poorer sections.

It is further pointed out that the co-operative system has already dealt with the security aspect, and the guidance is available in the All-India Credit Review Committee's Report (Venkatappiah Committee Report); the salient features of its recommendations in this regard are reproduced below :

"Short-term production credit should not be made dependent on the borrower's ability to provide mortgage security and, therefore, there should be no arbitrary and unduly low ceilings on the amount which may be provided against personal sureties.

As a security for short-term credit, personal surety buttressed by statutory charge created by the borrowing cultivator in favour of the co-operative society in respect of his interest (whether as owner or tenant) in the land cultivated by him should suffice. Satisfactory arrangements should, therefore, be made for recording the charge on land created in favour of co-operatives. Wherever possible, the co-operative society may take advantage of the charge, if it can be secured, as it ensures the continuing interest of the borrowing cultivator in agriculture and his connection with a particular piece of land either as tenant or as owner. However, the insistence on a charge on the borrowers' interest in land should not be taken to the point at which the co-operative loan is denied to a cultivator, such as an oral lessee, who is engaged in production but has no identifiable interest in land in respect of which a charge can be created. Secondly, the ability of the cultivator to raise a long-term loan, for which mortgage of land is usually required, should not be prejudiced by the creation of a charge in favour of the co-operative which has made a short-term loan. To this end, provision may be made in the Co-operative Societies Act of the States, as has been done in Maharashtra, for this charge to be subordinated to any claim of a land development bank against the mortgage of the same land.

The agricultural credit society should not be precluded from accepting any other security if it is found more convenient. Accordingly, so far as the loans are given for the purpose of production and the size of the loan is determined with reference to crop and acreage, there should be no bar against gold ornaments and jewels being taken as security even for the crop loan. However, if refinance facilities from the Reserve Bank are to be availed of, the purpose of such loan has to be shown to be agricultural, for it is the nature of the purpose and not the security that is relevant in this context".

6.8 One respondent has made a suggestion to the effect that if a procedure of creating a charge on the lands based on a declaration of the borrower and a certificate by the bank that the loan is given, is implemented, it will restrain the borrower from obtaining loans from several agencies. The facilities for recovery of dues as arrears of land revenue, available to co-operatives are to be made available to commercial banks also; some States have already implemented the Talwar Committee recommendations but this needs to be extended to all States. Once this procedure is implemented, it would be sufficient to note the lien of the financing institution in the records of rights and pahani, without actually mortgaging the property. This may be insisted for agricultural loans irrespective of the loan amount.

6.9 In the opinion of a commercial bank, it would be desirable if some sort of common policy guidelines in the stipulation of security could be evolved after discussion in a forum like the Indian Banks' Association/Agricultural Finance Corporation; this view also endorses enactment of legislation on the lines of the model bill suggested by the Talwar Committee to pave the way for uniformity in terms and conditions stipulated by different banks.

6.10 There is also a specialist's view that it is better not to insist on rigid uniformity about the security for agricultural advances. This view is based on the argument that in so far as close supervision of the utilisation of the loan enables banks to ensure the safety of depositors' money, much depends upon the local bank manager. Uniformity, however, should be made applicable only to small and marginal farmers so that there is no unjustifiable discrimination in the demand for security from any group belonging to weaker sections.

6.11 More or less a similar suggestion has been made by the department of agricultural economics of a university; here, the security need not be tangible assets but the land-use capability or the potential earning capacity of the farmer relative to the farm development/production plans. If this suggestion is adopted and judiciously managed by both the farmers and the lending agencies, it would meet the requirement of providing tangible asset as security.

6.12 Some of the technical experts feel that there should be a single institutional agency at the village level for maintaining uniformity in the norms for adopting security for agricultural advances. Uniformity in obtaining security, in the opinion of some bankers, can be ensured by taking legal or equitable mortgage of agricultural land. The supporters of this view feel that the commercial banks/regional rural banks should be given the privilege of obtaining mortgage of agricultural land as in the case of co-operative banks. A simplified system of security is suggested by some agricultural scientists that mortgage should be obtained for long-term advances whereas guarantees of third parties should be got in the case of short term loans. A few belonging to this section feel that uniformity and rationality could be introduced as indicated below :

(*a*) movable asset should be hypothecated if loan is advanced for acquiring such asset ;

(*b*) if loan is advanced for some permanent land improvement, construction of wells, irrigation channel, levelling, etc., it should be entered in the agricultural pass books and the entry should be legally declared as an evidence of encumbrance on the property; and (*c*) there should not be any need for collateral security for short-term and consumption loans.

6.13 WORKING GROUP'S VIEW :

The foregoing views on the various forms of security and security norms adopted by lending agencies highlight the variations prevalent. It is, therefore, desirable to have uniform security norms. As regards the basis on which the commerical banks can strive for uniformity, it would be necessary first to achieve a consensus on the fundamental approach to the status of land as security for agricultural advances. In this context reference may be made to the view-point expressed in the Report of the "Expert Group on State Enactments having a Bearing on Commercial Banks' lending to Agriculture" (Talwar Committee), which was accepted by the Reserve Bank of India and the Government of India. The relevant extract from the Report is reproduced below :

> "In the case of a commercial bank, however, the entire productive needs of the cultivator (short-term and long-term) can be provided by the bank and the cultivator will not normally seek any other institution for meeting his credit requirements for approved purposes. To leave an unencumbered asset with the cultivator in such circumstances would not only be unnecessary, but would also offer needless temptation to the cultivator to resort to unavoidable, unproductive borrowings. In any case, the retention of security of land with the bank would ensure that such borrowings, whenever they become necessary, are resorted to with the knowledge and the concurrence of the bank.
>
> While, therefore, a loan need not be denied to a person on the ground of his inability to provide land as security, where land is available it would be legitimate for the bank to seek security therein even in regard to short-term loans. In fact, this is the reason why several co-operative societies' acts make it obligatory on the member of society to create a charge on his land or interest in land by means of a declaration for loans taken by him. We are recommending provisions for the creation of similar charge in favour of commercial banks. Since we are also providing for the postponement of the charge in favour of the lending institutions which provide term loans for development of land, etc., insistence on the borrower creating a charge on his land or interest in land for a crop loan, of loans for sufficient flexibility to the borrower while at the same time safeguarding interests of commercial banks".

6.14 In the Working Group's view :

(*a*) In states where legislation on the lines of the model bill suggested by the Talwar Committee has been passed, the creation of a charge in respect of land in favour of any credit institution is easy, and therefore, there should be no problem in obtaining land as security. The problem arises only in states where such legislation has not been passed, or passed with deviations from the draft of the bill circulated by the Talwar Committee. In the interest of smooth flow of institutional credit to agriculture, the Government of India/Reserve Bank of India should urge the state governments concerned to expeditiously implement the legislation recommended by the Talwar Committee which can certainly strengthen the hands of the credit institutions in ensuring a larger and a smoother flow of credit to wider sections of agriculturists. The Working Group, therefore, recommends legislation for the creation of a charge whenever a farmer borrows from a co-operative institution/commercial bank/regional rural bank.

(*b*) However, as a rigid stand on making of land as security for loans to agricultural borrowers could cause hardship, especially to small and marginal farmers and other weaker sections of the community in states where legislation based on the Talwar Committee recommendations is not yet enacted, purely as a measure of interim relief, loans upto Rs. 5,000/- for seasonal agricultural operations could be made available without insisting on land as security, to these categories of farmers. In such cases, hypothecation of crops, or group/third party guarantee, may be considered adequate. This exemption should be available only for a specified period within which time such of those State Governments, which are yet to take necessary steps to implement the Talwar Committee recommendations, should ensure that necessary legislative measures are initiated.

(c) Where financial assistance is sought for investment in assets, such as pumpsets, electric motors, oil engines, agricultural implements, farm machinery, etc., hypothecation of such assets acquired out of the financial assistance extended may be taken as security, in addition to land in the case of loans for purposes of land development, well-sinking, etc.

(*d*) Credit should not be denied to a person, who is otherwise eligible to borrow from credit institutions, merely on the ground of his inability to offer land or other tangibles as security. In such cases, the credit agency should mainly rely upon the technical feasibility and economic viability of the scheme or project, the integrity and repaying capacity of the borrower, and may extend credit facilities on the basis of a group guarantee or even on a third party guarantee, depending upon the merits and circumstances of each case.

# CHAPTER VII

## INSPECTION/SUPERVISION CHARGES

7.1 A major cause for overdues in the past has been unco-ordinated lending and ineffective supervision which made it possible for loans to be diverted to non-productive purposes/other pressing needs ; 'recoveries' are still a major area of concern for lending institutions. A study carried out by the Programme Evaluation Organisation in the Planning Commission on the utilisation of co-operative loans in 1965 revealed that, of the 946 selected members of a co-operative society who borrowed short-term loans in 1961-62, 40% had diverted the loans from the avowed purposes—17% wholly and 23% partly. Similarly, 40% of the sample borrowers of medium term loans diverted such loans to other purposes. In terms of amount, the share of the two categories of loans so diverted was 23% and 35% respectively of the total loans under each category. About 30% of the amount diverted was used for consumption or other household needs and about 25% for the repayment of old debts. In short, supervision is concerned with the utilisation and safety of the funds lent by the intistutional agency.

7.2 Extension service and supervision of credit are important factors in ensuring efficient use of credit. Extension work involves advising the farmer about the type of seeds, fertiliser and other types of arrangements needed so as to get the maximum yield from his land. Supervision of credit is needed to ensure that loans advanced are utilised for the purpose for which they are advanced. In many countries, banks make arrangements to provide farm guidance.

Under the conditions obtaining in India where the number and spread of small farms is very large, it would be quite expensive for the banks to attempt this. Arrangements for credit supervision is the responsibility of banks. Periodical visits have to be made to farms by the branch officials. The purpose of such visits is to ascertain the progress of cultivation, verification of security charged to the bank and of implements purchased with the use of the bank's finance, and to find out whether the finance already granted has been properly utilised, as also to assess the quantum of finance needed for further agricultural operations. The lending agency has also to ensure that such supervision has been carried out before making available to the borrowers further drawings from their accounts in accordance with the phased programme for grant of credit. The lending agency is expected to keep a watch on the marketing arrangements made by the farmer for disbursal of his goods in order to ensure that the advance is repaid when the crop, for raising of which finance was made available by the agency, is sold by him. In order to ensure proper supervision over the credit, it is also necessary that the agency should be within a reasonable distance of the farms of borrowers so that the officials are in a position to periodically visit them. For covering expenses connected with the supervision of credit to farmers, lending institutions charge nominal fees—inspection/supervision charges.

7.3 The inspection or supervision charges in respect of agricultural advances vary considerably between one lending agency and another. The issues concerned in this connection are : (*i*) whether a uniform practice is desired ; (*ii*) what should be the level of charges ; and (*iii*) whether the charges cannot be included in the rate of interest itself.

7.4 In the opinion of a public sector bank, since inspection charges levied by most of the banks are only nominal, it is a comparatively minor matter and a uniform practice is not difficult to evolve. If the financial cost of providing credit is regarded as one of the constituent elements of interest rate on agricultural advances, there may be perhaps no necessity of separately levying inspection charges. This practice involves clerical labour somewhat disproportionate to the financial return. Alternatively, a sort of differential inspection charges system could be thought of (say, farmers with more than 5 acres may be required to pay inspection charges at a higher rate). Also the number of inspections per account in a calendar year, on the basis of which inspection charges could be computed, would have to be standardised ; for instance, four inspections a year can be considered ample. Inspection visits however should not be mixed up with the follow up or recovery visits. There has to be an element of arbitrariness in fixing up the amount of inspection charges per visit—actual expenses will vary from area to area, depending on concentration of borrowers, mode of available conveyance, distance from office, etc. As such, there is no alternative but to stipulate a flat rate of inspection charges if uniformity is to be achieved. The basic idea here is to rationalise service charges to the borrower besides the interest charged to him. It is significant that this view is shared by a number of banks and other lending agencies who have had a direct insight into the practical difficulties of the borrowers being subject to more than one financial burden.

7.5 In the opinion of some, if procedures and staff salaries in different credit institutions are the same, then only inspection/supervision charges for agricultural advances could be made uniform. Otherwise, uniformity would involve the adoption of the charges of the high cost bank. There is no need for uniformity. It should only be ensured that the charges are not disproportionately high with reference to the cost of service for the bank. A suggestion expressed by some government agencies, departments, banks and technical experts emphasises the need to have discretion in the matter among the lending agencies. Its implementation, however, may perpetuate the present lack of uniformity in the matter of charging the borrower in respect of supervision or inspection charges.

7.6 Since it is felt by a few respondents that the continuance of these charges may prove to be excessively burdensome, particularly for the weaker sections of the rural community, there has been a suggestion for exempting them from these charges. But this raises the important issue of how and by whom the necessary expenses could ultimately be absorbed.

7.7 A suggestion is that exemption in this respect should be granted to the weaker sections among the farmers. But this brings in its wake the complicated problem of the fixation of a proper basis for such exemption. It would at least necessitate the fixation of the loan limit for the purpose of such exemption. This view is taken up by some who feel that the charges could be waived on loans upto Rs. 10,000/- on the presumption that the comparatively weaker sections of the farming community do not borrow beyond this limit.

7.8 There are a number of other views such as passing on the burden of these charges to the Government ; setting up a committee to devise a suitable system of inspection and supervision charges and so on.

7.9 There are also suggestions for the levy of the charges on the basis of the size of loans and the distance to be covered for purposes of inspection or supervision. Thus, in the opinion of a nationalised bank, farms within a distance of 5 kms may be charged Rs. 2 per inspection, those between 5-10 kms at the rate of Rs. 3, and farms in the distance range of 10-16 kms at Rs. 5 per inspection.

7.10 In the opinion of some agro-economists, the purpose of loans as well as their size should be taken into account for fixing the inspection/supervision charges. These should be fixed as a small percentage of the size of loans subject to a maximum amount not exceeding Rs. 100/- or Rs. 200/-.

7.11 Proper end-use of credit should be the key note of institutional finance to agriculture ; for, it has a direct bearing on the quality of lending and eventually the recovery performance, neither of which any credit institution can afford to underestimate. The emphasis has to be on the quality of inspection rather than on the periodicity of inspections. Lending institutions should evolve a well-structured inspection procedure which should aim at a meaningful and productive follow-up of advances.

7.12 THE WORKING GROUP'S VIEW :

In this context, the Working Group draws attention to its recommendation for a regional approach to branch expansion whereby one or two banks having a strong base in a given region is assigned the responsibility of opening branches in unbanked blocks/underbanked areas in that region ; if this recommendation is accepted, it would then become possible for bank officials to inspect/supervise a larger number of farms in a single visit, and hence to keep the inspection/supervision charges down to bare minimum.

In respect of loans extended by primary agricultural credit societies, no specific inspection/supervision charges are levied ; however, land development banks do levy inspection charges on all their advances, only once at the time of sanctioning the loans. Hence the question of effecting uniformity in the periodicity of inspections or charges to be levied in this connection hardly arises. In so far as the crop loans extended by commercial banks and regional rural banks are concerned, there is need for uniformity in the periodicity of inspection and the charges to be recovered from the borrowers, over and above the interest charges. Generally, four inspections during a calendar/agricultural year may be considered adequate. On this basis, the inspection charges could be levied at a flat rate of Rs. 2.50 per inspection per borrower where the amount of loan is more than Rs. 5,000/- ; i.e., not more than Rs. 10/- per year should be recovered from the borrower irrespective of the purpose of the loan or the repayment period, and recovered along with the loan instalment. Loans upto Rs. 5,000/- may be exempted from levy of inspection/supervision charges.

Loans to plantations should be outside the purview of inspection charges suggested in the above para.

Actual expenditure incurred by inspecting officials in carrying out the periodical inspections should be borne by the respective credit institutions, and should not be recovered from the borrowers. The uniform inspection charges as suggested above should be recovered by the credit institutions and credited to their General charges/Profit and Loss account.

# CHAPTER VIII

## CREDIT GUARANTEE PREMIUM

8.1 Agricultural advances made by commercial banks and regional rural banks are at present covered by the Credit Guarantee Corporation of India upto certain specified limits. The premium payable for such guarantee cover is being absorbed by banks in some cases, shifted to the borrower in other cases (sometimes included in the interest rates fixed by banks). In the opinion of the National Co-operative Land Development Banks Federation, the loans from the land development banks need not be covered under this scheme. This decision is based on the assessment of costs and benefits to the banks in extending the guarantee cover. The Working Group constituted by the Credit Guarantee Corporation of India to examine the question of the extension of guarantee schemes to cover co-operative banks and co-operative societies has also supported this view.

8.2 It is to be noted that a large number of respondents were for inclusion of the premium in the interest rates so that a separate charge is not created for the borrower. For the same reason, many respondents particularly commercial banks and individual specialists, have expressed the view that it would be more appropriate to make the concerned banks absorb the premium.

8.3 There are suggestions to exempt the small or marginal borrowers from the payment of the Credit Guarantee Corporation premium.

8.4 A distinction between the small and the large borrowers is made by some of the respondents who recommend that the premium should be shared between the bank concerned and the large borrowers.

8.5 There are also some views favouring exemption of the economically weaker sections of the cultivators from payment of credit guarantee premia.

8.6 According to some bankers representing the commercial and co-operative banking sectors, the entire burden of the premia payment should be borne by ultimate borrowers. For, it is felt that inasmuch as the current rates of interest on agricultural advances are comparatively low, and therefore concessional, the credit guarantee premia might be justifiably collected from the borrowers.

8.7 As regards the responsibility to pay the credit guarantee premia, banks should be allowed discretion in the matter, according to a large segment of respondents.

8.8. The Working Group's View :

Agricultural advances are at present covered by the guarantee of the Credit Guarantee Corporation of India upto certain specified limits. The premium payable for such guarantee cover is being absorbed by banks in some cases and shifted to the borrower in the others. There have been suggestions to exempt the small and marginal farmers from the payment of the CGC premium. In this context, the Working Group recommends that :

(*a*) in order to keep the ultimate cost of borrowing in the agricultural sector at a reasonable level, the Credit Guarantee premium should be absorbed by the credit institutions and should not be passed on to the borrowers ;

(*b*) the question of waiving credit guarantee premium on small borrowers has been examined, and in view of the substantial amount of loans covered under the scheme and the possibility of larger claims being made on the Corporation in the years to come, it has not been found practicable. However, the possibility of revising the limits of CGC cover upwards and reducing the premium rates needs consideration ; and

(*c*) apart from interest and inspection charges, there should be no other service charge levied on the agricultural borrowers.

# CHAPTER IX

## SUMMARY AND RECOMMENDATIONS

### 1. Multi-Agency Approach — Its Problems and Rationale :

Multi-agency approach to agricultural financing is now an accepted fact in view of historical factors in the evolution of our institutional agricultural credit system and of the vast and growing gaps in agricultural credit. At present, we have two major components in the institutional agricultural credit system, namely, the co-operative component consisting of the primary agricultural credit societies, central banks and apex banks, farmers' service societies, large-sized multi-purpose societies and land development banks ; and the component consisting of scheduled commercial banks and regional rural banks (purveying credit to agriculture directly or through co-operatives).

According to the report of the National Commission on Agriculture, gross credit requirements of agriculture to be met from institutional sources by 1985 are estimated at Rs. 16,480 crores ; this estimate is likely to go up further in view of the Government programme to earmark 40% of the total plan outlay for agriculture and rural development. Considering the magnitude of the task and the area to be covered, it is clear that no single agency can satisfy all the credit needs of the agricultural sector. With different credit institutions, namely, the co-operatives, commercial banks and the regional rural banks, functioning simultaneously in the field of agricultural credit, certain problems have surfaced hindering the efficient disbursal of credit. Five such basic problems may be identified. They are :

(*a*) the existence of a number of agencies retailing credit in a common area of operation — leading to unco-ordinated credit disbursal resulting in multiple financing, overfinancing/underfinancing, financial indiscipline and diversion of scarce resources to unproductive purposes ;

(*b*) the inability of credit agencies to formulate and develop meaningful agricultural credit programmes on the basis of area approach ;

(*c*) problems of overlapping and duplication of banking facilities, and consequent wasteful expenditure, besides unhealthy competition ;

(*d*) problems in the recovery of credit, since more than one credit agency may have claims on the same income/security ;

(*e*) problems arising out of different systems, procedures and policies, security norms, service and supervision charges, varying interest rates, etc.

What is called for, therefore, is not only a strengthening of the institutional credit structure, both of the co-operatives and commercial banks including regional rural banks, but also an effective co-ordination of their lending activities. Therefore, the problem of multi-agency approach should essentially be viewed as one of defining the respective roles of the co-operatives, commercial banks and the regional rural banks in any given area of operation, and of finding ways and means of bringing about effective co-ordination between them in their operations.

The Working Group considered various steps by means of which such co-ordination can be brought about. Among them are demarcation/functional demarcation and consortium arrangement between the various lending agencies.

2. Area Demarcation :

In the light of the views expressed by the various respondents to the Working Group's questionnaire, and in the meetings of the group, it emerges that there is near-unanimity as regards the demarcation of the area of operation for each of the credit agencies operating in a given area. As regards what should constitute the ideal operational area for each of them, a geographical demarcation rather than a functional jurisdiction, is considered more appropriate and practical.

In providing credit for agriculture and allied activities the prime role would have to be that of the co-operatives in view of the fact that only the co-operatives possess the organisational potential to reach out to the millions of small and scattered farmers and establish grass root contacts ; the co-operative network is already vast and can be further extended/strengthened/improved with comparatively greater ease and at less cost. All rural areas are to be covered by a network of viable co-operative credit institutions. The other agencies *i.e.*, the commercial banks/regional rural banks have to play a supplementary role ; until the co-operatives at the field level are well established and placed on a viable footing, the commercial banks/regional rural banks will have to supplement the credit disbursal of the weak co-operatives and also finance such other rural development activities not normally undertaken by them. To facilitate area demarcation between different institutional lending agencies, there is need for compiling an objective report for each district on the efficiency/efficacy of co-operative institutions. The Reserve Bank of India may consider how best this could be done.

Broadly speaking, primary co-operative credit societies may be classified into four categories :

(*a*) Societies which are sound and viable, and having no problem in obtaining the necessary credit from the district central co-operative banks/commercial banks/regional rural banks.

In respect of such societies, their financing has to be done by the district central co-operative banks or commercial banks or regional rural banks, as the case may be.

(*b*) Societies which are sound and viable but the financing district central co-operative banks may be weak and/or having inadequate resources at their command.

Such societies may be transferred to a commercial bank or a regional rural bank. As and when the district central co-operative banks come out of their weak position, and muster adequate resources, it will be open to such societies to remain with the commercial bank/regional rural bank, or go back to district central co-operative bank.

(*c*) Societies which are not viable, but can be made viable.

In areas where the district central co-operative banks have adequate resources, such societies may continue to remain with them ; however, potentially viable societies, if they so wish, may be transferred to commercial banks/regional rural banks.

In areas covered by categories (*a*), (*b*) and (*c*), commercial banks/regional rural banks may lend directly to farmers, wherever necessary, but without entering into competition *inter se*. In doing so, it shall be the duty of the commercial bank/regional rural bank concerned to ensure that it does not finance members of the co-operative societies in such a way as to weaken the co-operative structure. In any case, the commercial bank/regional rural bank concerned should take care to see that the drive for co-operative membership is not jeopardised. In this connection, the Working Group recommends that efforts are to be made towards improving the condition of the weak district central co-operative banks with a time-bound programme.

This would naturally involve a periodical review of societies transferred to commercial banks/regional rural banks, to take the decision whether such societies should be transferred back to the district central co-operative bank. Such a review/decision has to be taken by the District Consultative Committee; however, the initiative whether the society should remain with the financing commercial bank or regional rural bank, or be transferred back to the district central co-operative bank is to rest with the concerned primary agricultural society.

(*d*) Societies which are totally mismanaged or moribund with no prospect of early revival.

In areas covered by such societies, commercial banks/regional rural banks shall lend directly. However, efforts should also be made to organise new societies in such areas.

As regards areas where more than one commercial bank/regional rural bank operate, bank should mutually allocate villages between themselves in the district to avoid competition *inter se*. In respect of loans already granted by a bank in an area allocated to another bank under the above system, some satisfactory arrangement has to be evolved whereby such loans can be taken over by the bank which has been assigned the operational command over that area.

Then there is the problem of defining the respective roles of the regional rural banks vis-a-vis the commercial banks. We would like to emphasise in this connection that the regional rural banks are to be preferred because they are better suited to direct financing of farmers owing to their low cost structure and rural ethos. Commercial banks would, of course, continue to extend refinancing facility to the regional rural banks. Viewed in this light, the roles of the commercial banks and regional rural banks are complementary. As regards farmers (such as large and medium) not eligible to get credit from regional rural banks (under the present norms fixed for regional rural banks), the Working Group recommends that the regional rural banks be allowed to allocate a part of their resources for making advances to such categories of farmers ; this recommendation is based on the assumption that the norms presently applicable to regional rural banks imposing such restrictions will be removed.

A point for consideration is : in respect of areas where the regional rural banks/commercial banks finance directly, and the land development banks (as distinct from the primary agricultural credit societies) are providing term loans, what should be the policy of the commercial bank/regional rural bank in the matter of term loans ? Under such circumstances, commercial banks/ regional rural banks will extend term loans, on the same principle as enunciated above for short-term loans.

3. Consortium Arrangements :

As an alternative to the area demarcation approach, the introduction of the consortium arrangement between commercial banks and co-operatives was suggested and considered by the Working Group. The general consensus on the consortium arrangement was that the system may be difficult of practical implementation in view of the heterogenous character of the credit agencies involved, which have different systems, norms, procedures, terms and conditions, etc. However, the Working Group recommends that in the states where there is a proper understanding and where conditions are favourable, the scheme may be given a trial on a pilot basis in a few selected areas.

4. Branch Expansion :

In the total scheme for bridging the credit gaps in the agricultural sector, it is not only the problem of shortage of resources in relation to the credit needs, but even more important, it is the problem of ensuring an equitable distribution of available credit. For this purpose, it is necessary to regulate the distributive pattern of institutional lending agencies on a more rational basis than it is at present.

As the commercial banks are to play a supplemental/supporting role to co-operatives in providing agricultural credit, the future branch expansion of commercial banks and regional rural banks should be strictly regulated to prevent unnecessary proliferation/multiplication of branches in the rural/semi-urban areas, where the net-work of the co-operatives is fairly adequate. But where lending agencies are ineffective in meeting the credit gaps, due to managerial or financial weaknesses, or where the co-operative network is inadequate, the supplementary agency should be either a regional rural bank or a commercial bank, in the initial stages, that is, till the base level organisation of the co-operatives is strengthened to meet the credit needs effectively. Since the activities and operations of commercial banks in the field of agricultural credit will be mainly to strengthen the co-operatives, the future expansion of commercial bank offices, particularly in rural/semi-urban areas, will have to be viewed in the context of the overall objective of the multi-agency approach, recognising co-operatives as the primary channel of credit and commercial banks/regional rural banks as only supplementary agencies.

As regards overlapping of banking facilities in rural areas, there is need for more effective monitoring on the part of the Reserve Bank of India in the context of the multi-agency approach, the need to strengthen the base level co-operative credit structure, and the desirability of encouraging regional rural banks to open more branches in the unbanked rural areas. In this, the Reserve Bank of India may take the following factors into consideration :

(*a*) the network of branches of co-operatives and the regional rural banks, and the existing network of commercial bank branches in the rural/semi-urban areas ;

(*b*) the credit gap in the operational area and the availability of minimum infrastructural facilities like roads, communications, security arrangements, etc. ;

(*c*) in covering unbanked rural/semi-urban areas, banks which already have a wider base of operations, in a given area, may be accorded preference in branch expansion programme ; such a regional approach will make for greater involvement of banks in rural development and also for better supervision and servicing ;

(*d*) to regulate commercial bank branch expansion in rural areas in such a manner that branches are opened only in unbanked blocks, and there is no undue concentration of commercial bank branches at any rural/semi-urban centre ;

(*e*) as far as possible, the Reserve Bank of India should consult the State Governments in the matter of branch expansion ;

(*f*) in the operational area of existing regional rural banks, the sponsor commercial bank/other commercial banks may consider transferring its/their rural branches to regional rural banks by mutual consultation, and in a phased manner, over a period of three to five years ; pending the opening of branches by regional rural banks, the sponsor commercial banks may be allowed to open branches according to needs ; and

(*g*) to make for healthy growth of co-operatives at the village level, future branch expansion of commercial banks should be restricted, as far as possible, to industrial complexes/project areas or areas where in the opinion of the Reserve Bank of India there is special need for a branch of commercial bank.

5. Interest Rates :

In view of the diverse character of the financing institutions in the sphere of agricultural credit, wide differences in the cost of funds to them, purpose, duration and size of loans, risks involved in lending, degree of competition and considerations of social justice, interest rates on agricultural loans vary ; they range from 4% to 16½% p.a. This inequality has not only created confusion, but has also given rise to a feeling of discrimination amongst the borrowers in the same area catered to by different agencies. In the context of evolving an integrated system of agricultural credit under multi-agency conditions, the issue of interest rates, therefore, assumes considerable importance.

The Working Group is of the view that there is a strong case for the adoption of a uniform pattern of interest rates by commercial banks as well as the co-operatives.

Taking into consideration all the above relevant factors, the Group recommends the adoption of the following pattern of interest rates by co-operatives and commercial banks :

(*a*) 1. Short-term loans upto Rs. 2,500/- at not more than 11% p.a.
2. Rs. 2,501/- to Rs. 25,000/- at not more than 13% p.a.
3. On loans beyond Rs. 25,000/-, the Working Group does not intend recommending any specific set of rates ; however, the rates need not be higher than the rates charged on loans for working capital extended to sectors other than agriculture.

(*b*) In respect of term-loans for investment purposes (other than working capital), such as for minor irrigation and land development, with a repayment period exceeding three years, at not more than 10½ % p.a.

(c) On term loans for other diversified purposes, with a repayment period exceeding three years, at not more than 11 % p.a.

Application of the above scale of interest rates to loans made by co-operative credit institutions will entail considerable financial burden on them in the existing three tier set-up and cost of funds. While the primary agricultural credit societies, the ultimate lenders, get their funds at 10½ % to 11 %, their clientele consists largely of small borrowers, precluding them from the possibility of charging higher interest rates to large farmers and thus, earning a higher income on such advances. Hence, in their case, appropriate subsidies will have to be granted, or their loss mitigated by other methods.

[One of the members of the Working Group was of a different view as regards interest rates. His views are summarised below :

The rates of interest presently charged by institutional agencies, as also the interest rate pattern recommended by the Group for both co-operative and commercial bank sectors, is very much on the high side, compared to the interest charged on loans to handloom weavers which is 7½ %. He is therefore of the view that the rates of interest on agricultural loans should certainly not exceed 7½ %, atleast for small and marginal farmers, rural artisans, agricultural labourers, etc. So far as commercial banks are concerned, he suggests that they could have a lower rate of interest for the small and marginal farmers (7½ %), and a higher rate of interest for bigger farmers. Even in the case of bigger farmers the rate of interest should not be higher than the rate charged to the export sector which is 11½ %. If the rates are found to be uneconomic, taking into consideration the percentage of advances made to small farmers and the cost of operations, commercial banks should make out a case for subsidy. In the case of co-operative banks, the adoption of this concessional interest rate may require some subsidy by the government.

Since the rate of interest is more relevant in the case of investment credit, it will be desirable to reduce the rate of interest considerably in respect of programmes such as minor irrigation, command area development, etc. Nearly 1/3rd of the long-term institutional lending at present is by the utilisation of IDA funds ; if the margin that is retained by the Government of India is utilised for extending subsidies, it should be possible to reduce the interest rates charged by institutional agencies to some extent. So far as term lending is concerned, there need be no difference between interest rates of commercial banks and co-operative banks.]

The Working Group's views and recommendations on the subject of Differential Interest Rate Scheme are set out below :

The differential interest rate scheme, under which credit is extended to weaker sections of the community at a concessional rate of 4% per annum is being implemented by commercial banks. The scheme has recently been extended to cover the entire country and the following eligibility criteria are laid down :

(*a*) The family income of the borrower from all sources should not exceed Rs. 3,000/- per annum in urban/semi-urban areas and Rs. 2,000/- per annum in rural areas.

(*b*) The holdings of the borrower should not exceed one acre in the case of irrigated land and 2.5 acres in the case of unirrigated land.

(*c*) Members of scheduled castes and scheduled tribes are eligible for the loan irrespective of the size of their land holdings, provided they satisfy the income criteria.

While commercial banks are required to lend under the scheme to the extent of atleast one-half of one per cent of their aggregate advances as at end of the previous year, co-operative societies and regional rural banks have been kept outside the purview of the scheme.

In the implementation of the above scheme by the commercial banks, a large number of anomalies and practical difficulties have crept in. More important of these are briefly mentioned below :

(*i*) As the interest rate to be charged to the ultimate borrower is 4% p.a., which is far below the Bank Rate as well as the cost of funds, commercial banks cannot afford to lend larger amounts under the scheme. Moreover, with the increase in the base of their advances, their commitment under the scheme would also increase year by year. In a situation like this, while a large number of existing and prospective borrowers would come under the eligibility criteria laid down under the scheme, for the reasons cited, commercial banks cannot extend the benefit of the lower interest rate to all the eligible persons, and consequently certain amount of adhocism and selectivity has become inevitable. Even where the discretion is exercised judiciously, the scheme gives room for complaints of discrimination among the borrowing clientele who satisfy the eligibility criteria but cannot be accommodated under the scheme.

(*ii*) The benefit under the scheme is confined to direct loans sanctioned to individuals. Loans sanctioned by commercial banks or co-operative banks through the medium of primary agricultural credit societies/farmers' service societies/large sized multi-purpose societies are not covered by the scheme. This has resulted in an anomalous situation for the borrowers who satisfy the eligibility criteria and who are otherwise entitled to the benefit of the lower rate of interest. If they happen to be members of PACs/FSSs/LAMPs financed either by the commercial banks or co-operative banks, they are required to pay the usual/higher interest rates, while other eligible borrowers in the same area will get the benefit of the lower interest rate if they approach commercial banks directly. In fact, this works as an disincentive to those who want to become the members of the co-operatives, as well as those who are already members of the co-operatives to continue as such. This situation therefore, if allowed to continue, would weaken the co-operatives over a period, which is not at all desirable.

(*iii*) Further, in areas where PACs/FSSs/LAMPs, are ceded to the commercial banks with the avowed objectives of revitalising and strengthening the co-operatives and where commercial banks are consciously following a policy of routing their entire agricultural credit through the medium of these agencies (avoiding direct financing), there is no scope for implementing the DIR scheme as it would directly come into conflict with the basic approach of the Working Group viz., strengthening the co-operative structure.

(*iv*) Yet another dimension to the problem is the extension of the DIR scheme by the sponsoring banks in the area of operation of regional rural banks on agency basis; conceptually regional rural banks are not suited to implement the scheme either on their own or through the sponsoring banks, for the following reasons :

(*a*) the low resources and advances profile of a regional rural bank does not afford any scope for it to lend under the DIR scheme except at the cost of its viability. Regional rural banks can utilise neither the resources mobilised by them as deposits nor the funds borrowed by them from the sponsoring banks or refinance availed from the Reserve Bank of India, for the purpose of loaning under the DIR scheme due to the wide differences in interest rates at which they borrow from the sources mentioned and the rate they could get on loans under the DIR scheme ; this would mean that they should find alternate investment avenues for their deposit resources, and the Reserve Bank of India refinance scheme would be rendered unnecessary.

(*b*) The sponsoring banks cannot cover all the eligible borrowers, because a substantial portion of them (70-80 %) satisfy the eligibility criteria under the scheme and the resources available would continue to be limited.

(c) Regional rural banks are expected to route their credit largely through PACs/FSSs, to which the DIR scheme is not applicable. This would give rise to extending the low interest rate of 4 % to only a few borrowers directly financed by them, with the consequences described above.

(v) A very large proportion of co-operative lending to agriculture consists of loans to small and marginal farmers ; an extension of the DIR scheme to the co-operative sector, therefore, would involve the granting of a considerable amount of subsidy to the co-operative credit agencies, since they are unable to absorb the loss arising from such concessional lending.

(vi) Even the commercial banks, to whom the scheme is applicable, are expected to lend half per cent of their total credit ; its impact has only been therefore marginal, inasmuch as the scheme covers not only agricultural loans but also other types of small loans of a varied character, all of which have necessarily to be within certain overall limits.

In view of the Working Group's recommendation for the adoption of a uniform pattern of interest rates, with a concessional interest rate applicable to all small and marginal farmers, and concessions in respect of security for loans, credit guarantee premia, supervision/inspection charges, and in view of the problems/anomalies encountered in its implementation, the Working Group recommends a thorough review of the working of the DIR scheme.

Further, as the interest rates recommended above for lending to agriculture and allied activities are sufficiently low compared to market rates, and rates charged by banks to other sectors, we recommend the exemption of the interest earned by both commercial banks and co-operative credit institutions on agricultural advances from the purview of the interest tax.

6. SECURITY FOR LOANS :

With different institutional agencies lending to agriculture for different purposes/periods, lending procedures (including type of security) are not uniform. This variation is mainly because different institutions adopt different norms which are entirely subject to individual discretion. In the context of evolving an integrated agricultural credit system under multi-agency conditions, it is therefore, desirable to have uniform security norms. As regards the basis on which financing institutions may strive for uniformity, it would be necessary to reach a consensus on the fundamental approach to the necessity of obtaining land as security for agricultural advances.

(a) In states where legislation on the lines of the model bill suggested by the Talwar Committee has been passed, the creation of a charge in respect of land in favour of any credit institution is easy, and therefore, there should be no problem in obtaining land as security. The problem arises only in states where such legislation has not been passed, or passed with deviations from the draft of the bill circulated by the Talwar Committee. In the interest of smooth flow of institutional credit to agriculture, the Government of India/Reserve Bank of India—in the Working Group's considered view—should urge the State Governments concerned to expeditiously implement the legislation recommended by the Talwar Committee which can certainly strenghthen the hands of the credit institutions in ensuring a larger and a smoother flow of credit to wider sections of agriculturists. The Working Group, therefore, recommends legislation for the creation of a charge whenever a farmer borrows from a co-operative institution/commercial bank/regional rural bank.

(*b*) However, as a rigid stand on taking of land as security for loans to agricultural borrowers could cause hardship, especially to small and marginal farmers and other weaker sections of the community in states where legislation based on the Talwar Committee recommendations is not yet enacted, purely as a measure of interim relief, loans upto Rs. 5,000/—for seasonal agricultural operations could be made available without insisting on land as security, to these categories of farmers. In such cases, hypothecation of crops or group/third party guarantee may be considered adequate. This exemption should be available only for a specified period, within which time such of those State Governments, which are yet to take necessary steps to implement the Talwar Committee rcommendations, should ensure that necessary legislative measures are initiated.

(*c*) Where financial assistance is sought for investment in assets, such as pump sets, electric motors, oil engines, agricultural implements, farm machinery, etc., hypothecation of such assets acquired out of the financial assistance extended may be taken as security, in addition to land in the case of loans for purposes of land development, well-sinking, etc.

(*d*) Credit should not be denied to a person, who is otherwise eligible to borrow from credit institutions, merely on the ground of his inability to offer land or other tangibles as security. In such cases, the credit agency should mainly rely upon the technical feasibility and economic viability of the scheme or project, the integrity and repaying capacity of the borrower, and may extend credit facilities on the basis of a group guarantee or even on a third party guarantee, depending upon the merits and circumstances of each case.

7. Procedures and Systems :

(*i*) *Agricultural pass book :* The use of the agricultural pass-book has been suggested as a means of overcoming the problems associated with multiple financing and as an alternative to the present insistence on periodical verification of land records and the production of encumbrance certificate by institutional lending agencies for granting loans. The system of agricultural pass-books, issued by the State Governments would, in the opinion of the Working Group, definitely eliminate the possibility of multiple financing of the same borrower, provided the pass-books are recognised as authentic legal documents evidencing ownership of the assets and liabilities of farmers, and periodically updated. To begin with, the State Governments should bring all land records uptodate within a period of two years, to make the system of agricultural passbooks really effective. It is, however, advantageous to introduce the passbook system immediately with necessary statutory backing wherever possible.

The Working Group examined the agricultural passbook issued by the Uttar Pradesh Government. The pass book shows, on the one hand, the land holdings of the farmer with all relevant details and his borrowings/repayments, on the other. No transfer, mortgage, alienation or gift of the land can be effected without the production of/entry in the pass book, which can be an effective safeguard against the multiple borrowing or charging of the same land to two or more credit agencies, at the same time.

(*ii*) *No dues certificate :* Commercial banks have been insisting on the production of a 'no dues certificate' as a pre-condition for the disbursement of loans, primarily with a view to avoiding concurrent borrowing, especially by those who are already members of the co-operative credit institutions ; but in actual practice, insistence on 'no dues certificate' has proved to be largely ineffective and has contributed to delays in the disbursal of credit. It is, therefore, suggested that instead of insisting on 'no dues certificate', the purpose would be better served by the following procedure :

(*a*) a commercial bank/regional rural bank should be permitted to refer to the list of borrowing members or the NCL of a co-operative credit agency to ascertain whether a particular individual is a borrower or not ;

(*b*) on a reciprocal basis, after the disbursement of credit, a commercial bank/regional rural bank would, in turn, allow a reference of its list of borrowers to the co-operatives to ensure that the same borrowers do not borrow from the co-operatives also ;

(*c*) it is also suggested that the borrowers sign an undertaking which could form part of the application for a loan, to the effect that he has no borrowings from any other agency on the date of the application. Such an undertaking should have the same effect as that of a legal affidavit sworn in before a magistrate ; the Working Group recommends the amendment of The Oaths Act (Act No. 44 of 1969) for this purpose.

The question of obtaining 'no dues certificate' would be relevant only when we perceive a situation in which different credit agencies are all operating and catering to the identical requirements of agriculture in a common area of operation, and in the absence of the agricultural pass-book system. Once the recommendation that there should be only one principal credit agency (i.e., co-operative) at the grass-root level is accepted, as also the sytem of agricultural pass-book, there is very little scope for overlapping of credit ; the obtaining of 'no dues certificate' in such an event loses its significance.

(*iii*) *Cash credit scheme :* The question of introducing cash credit scheme in agricultural financing may be considered to minimise paper work. It can be extended, generally, in areas where multiple cropping is practiced and where cost of cultivation of various crops is not dissimilar.

(*iv*) *Demand promissory note :* Under the law of limitation i.e., Indian Limitation Act (Act No. 36 of 1963) the validity period of Demand Promissory Note is 3 years. This period is considered too short. Its extension upto 6 years is, therefore, worth consideration in view of hardships experienced by lending agencies at present in keeping the debt alive.

8. INSPECTION/SUPERVISION CHARGES :

Proper end-use of credit should be the key note of institutional finance to agriculture; for, it has a direct bearing on the quality of lending and eventually the recovery performance, neither of which any credit institution can afford to underestimate.

The emphasis has to be on the quality of inspection rather than on the periodicity of inspections. Lending institutions should evolve a well-structured inspection procedure which should aim at a meaningful and productive follow-up of advances.

In this context, the Working Group draws attention to its recommendation for a regional approach to branch expansion whereby one or two banks having a strong base in a given region is assigned the responsibility of opening branches in unbanked blocks/underbanked areas in that region; if this recommendation is accepted, it would then become possible for bank officials to inspect/supervise a larger number of farms in a single visit, and hence to keep the inspection/supervision charges down to bare minimum.

In respect of loans extended by primary agricultural credit societies, no specific inspection/supervision charges are levied; however, land development bank do levy inspection charges on all their advances, only once at the time of sanctioning the loans. Hence the question of effecting uniformity in the periodicity of inspections or charges to be levied in this connection hardly arises. In so far as the crop loans extended by commercial banks and regional rural banks are concerned, there is need for uniformity in the periodicity of inspection and the charges to be recovered from the borrowers, over and above the interest charges. Generally, four inspections during a calendar/agricultural year may be considered adequate. On this basis, the inspection charges could be levied at a flat rate of Rs. 2.50 per inspection per borrower where the amount of loan is more than Rs. 5,000/-; i.e., not more than Rs. 10/- per year should be recovered from the borrower irrespective of the purpose of the loan or the repayment period, and recovered along with the loan instalment. Loans upto Rs. 5,000/- may be exempted from levy of inspection/supervision charges.

Loans to plantations should be outside the purview of inspection charges suggested in the above para.

Actual expenditure incurred by inspecting officials in carrying out the periodical inspections should be borne by the respective credit institutions, and should not be recovered from the borrowers. The uniform inspection charges as suggested above should be recovered by the credit institutions and credited to their General charges/Profit and Loss account.

9. CREDIT GUARANTEE PREMIUM :

Agricultural advances are at present covered by the guarantee of the Credit Guarantee Corporation of India upto certain specified limits. The premium payable for such guarantee cover is being absorbed by banks in some cases and shifted to the borrower in the others. There have been suggestions to exempt the small and marginal farmers from the payment of the CGC premium. In this context, the Working Group recommends that :

(*a*) in order to keep the ultimate cost of borrowing in the agricultural sector at a reasonable level, the Credit Guarantee premium should be absorbed by the credit institutions and should not be passed on to the borrowers ;

(*b*) the question of waiving credit guarantee premium on small borrowers has been examined, and in view of the substantial amount of loans covered under the scheme and the possibility of larger claims being made on the Corporation in the years to come, it has not been found practicable. However, the possibility of revising the limits of CGC cover upwards and reducing the premium rates needs consideration ; and

(*c*) apart from interest and inspection charges, there should be no other service charge levied on the agricultural borrowers.

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(C. E. KAMATH)
*Chairman*

MEMBERS

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|---|---|
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*A Note of dissent by Shri L. P. Bhargava, Chairman, All India State Co-operative Banks' Federation to the final draft of the report of the Working group to study problems arising out of adoption of multi-agency approach in agricultural financing and the interim recommendations.*

As a Member of the Group, I attended the meetings of the Working Group on 8-11-1976 at Bangalore, 17 January 1978 at Bombay and 6 and 7 February 1978 at New Delhi. In the meetings of the Working Group held on 6 and 7 February 1978 at New Delhi, the Chairman of the Working Group said that the Working Group had been requested to submit its Interim Recommendations to the Reserve Bank of India by the middle of February 1978 and therefore the Working Group devoted full 2 days of 6 and 7 February 1978 to arrive at a consensus of the recommendations of the members who were present in the said meeting. After considerable deliberations during these two days a consensus of the recommendations on approach to the area demarcation, was arrived at. The societies were classified into four categories and recommendations made thereon are reproduced below :

"(*a*) Co-operatives may be classified into four categories :

(*i*) Societies which are sound and viable and having no problem in obtaining the necessary credit from the DCC banks ;

(*ii*) societies which are sound and viable but the financing DCC banks have inadequate resources at their command ;

(*iii*) societies which are not viable or satisfactorily managed, but can be made viable ;

(*iv*) societies which are totally mismanaged or moribund, with no prospects of their early revival.

In respect of societies in the first category, their financing has to be done by the DCC banks; commercial banks are, however, free to lend directly to farmers and simultaneously, but without entering into competition *inter se.*

In respect of societies in the second category, such societies may be ceded to a commercial bank or a RRB. As and when the DCC banks, resources position improves, it will be open to such societies either to remain with the commercial bank/RRB or go back to the DCC bank.

In respect of societies in the third category, in areas where the DCC banks are financially sound, such societies may continue to remain with them or have the option to be ceded to commercial banks/RRBs.

In either case (second and third categories), it shall be the duty of the DCCB/CCB/RRB to ensure that the societies concerned are strengthened and made viable over a period of time.

In the case of societies in the fourth category i.e., which are totally mismanaged or moribund with no prospect of revival, commercial banks/RRBs will have to lend directly and vigorously in areas covered by such societies.

(*b*) As regards financing in areas where more than one commercial bank operate, a bankers' committee at the district level shall allocate villages between the financing commercial banks in the district to avoid competition *inter se.* In respect of loans already granted by a bank in an area allocated to another bank under the system of allocation mentioned above, some satisfactory arrangement has to be evolved by the concerned banks, whereby such loans are taken over by that bank which has got the operational command over that area.

(*c*) Then there is the problem of defining the respective roles of the RRBs vis-a-vis the commercial banks. We would like to emphasise in this connection that the RRBs are to be preferred because these are better suited to direct financing of farmers owing to their low cost structure and rural ethos. Commercial banks would, of course, continue to extend refinancing facility to the RRBs. Viewed in this light, the roles of the commercial banks and RRBs are complementary.

(*d*) A point for consideration is in areas where the RRBs/commercial banks finance directly, and the LDBs (as distinct from the PACs) are providing term loans, what should be the policy of the commercial banks/RRBs in the matter of term loans ? Under such circumstances, the logical course of action would be to assess the performance of the LDB in the area in question, and in villages where the loaning effort is below a cut-off point (which can vary from area to area), the commercial banks/RRBs should be permitted a free hand in financing.

A districtwise demarcation of the respective operational areas in any given state between the co-operative institutions and commercial banks/RRBs implies the need for a state-level authority, which will be charged with the responsibility of allotment of operational areas at the district level within the state, as also its implementation. Districts within the state have to be assigned to the DCC banks and commercial banks for exclusive financial operations. In our opinion such an authority should consist of :

(*i*) the Chief Secretary to the State Govt.

(*ii*) Secretary (Finance).

(*iii*) Secretary (Co-operation).

(*iv*) Secretary (Industries).

(*v*) Agricultural Production Commissioner.

(*vi*) the Chairman, Dist. Consultative Committee.

(*vii*) Representative of the Lead Bank of the dist. concerned.

(*viii*) Representatives of the commercial banks/RRBs operating in the dist.

(*ix*) Representatives of the RBI (DBOD and ACD).

(*x*) Representative of the ARDC.

(*xi*) the Chairman, the State Co-operative Bank.

(*xii*) the Chairman, the State Land Development Bank.

To provide against the possibility of a single grass root level credit agency developing monopolistic tendencies, to provide some measure of choice to the rural borrower, and to stimulate healthy competition, there should be enough scope for an alternative institutional credit agency to function at the block level, which can be either a branch of a commercial bank or of a RRB. In order to provide an alternative channel, the State level authority may identify the agency dominant in a particular block as the main agency for financing in that block; to ensure that there is no unhealthy competition between the different agencies in the block, certain ground rules will have to be framed".

Subsequently, however, in the meetings of the Working Group held in Bombay on 14 and 21 February 1978 when I was not present, these recommendations were modified which showed a major shift from those adopted by the Working Group in the meeting held on 6 and 7 February 1978 in so far as the societies classified in (*i*) are concerned. I am not at all convinced with the reasons given for the modifications. There is no denying the fact that the co-operatives which have a standing of over 7 decades in the field of agril. finance have established an organic link right from the grass root level upto the apex level and have set up a vast net work to reach out to the millions of borrowing agricultural population in the country. It would, therefore, be unfair if in the areas where the co-operatives have the financial and managerial resources to meet adequately the demands of the agricultural population, other financing agencies are allowed to continue their operations *sine-die* thus keeping alive a long standing problem of co-ordination for which no satisfactory solution has been evolved so far. In order, therefore, to regulate the activities of the various agencies working in the field and to avoid *inter-se* competition among them which has emanated from out of the Multi-Agency Approach, that a consensus was arrived at, in the discussions of the Working Group held at New Delhi on 6 and 7 February 1978. In this meeting after considerable deliberations, it was decided that the societies which are sound and viable and have no problems in obtaining the necessary credit from the DCCBs, their financing should be done by the DCCBs only and the commercial banks should be free to lend directly to farmers and simultaneously without entering into competition *inter se*. Even in the case of societies which are sound and viable but the financing DCCBs have inadequate resources at their command, the recommendation was that as and when DCCBs' resources position improves, it should be open to such societies either to remain with the commercial banks or RRBs or go back to the DCCBs. These are the most reasonable recommendations adopted by the Working Group in the said meeting and I stick to them. I may further mention that in the final report of the Working Group, a great deal of emphasise has been given to improve and strengthen the co-op. credit system and a specific mention has been made to the effect that direct financing wherever undertaken by the commercial banks must be replaced in the long run by the co-operatives, in the interest of viable and stable agricultural credit system. In these circumstances if in the areas where both agricultural credit primaries as well as DCCBs are sound and viable, there is no reason whatsoever for the commercial banks to continue financing the agricultural credit primaries transferred to them. The modified recommendations will not in any way held to improve or strengthen the co-op. credit structure but weaken it gradually because not only the societies ceded to the commercial banks would continue with them but also other societies and individuals will prefer go to commercial banks which are offering terms more favourable than the co-op. banks can afford. I am, therefore, of the firm view that in such areas, there should be no option for the societies in obtaining credit from the financing institutions other than the DCCBs.

I would further like to reiterate our view that if at all, there is a credit gap and the co-operatives which have organic links and are the only suitable agency in the field, are not in a position to meet in full the credit requirements in their area of operation, the commercial banks, as emphasised in the Report, can play a supplementary role by routing their funds, through the concerned state co-operative bank or by entering into a consortium arrangement with the DCCB, as has been recommended by the Group, in its Report. It may also be pointed out that in areas where DCCBs are financially weak, the SCB can take up the responsibility of either financing directly agricultural credit primaries by opening its branches or channeling its funds through the weak DCCB. Even the financially strong DCCBs of the adjoining districts can pool their surplus funds and route them through the weak DCCB in order to ensure that the societies are not starved of the funds for the programmes of agricultural production and rural development. These arrangements would certainly help to avoid *inter se* competition between the financing institutions and leave them ample scope to develop and show performance in their own fields of lending activities. In these circumstances, I firmly insist upon the recommendations adopted in the meeting of the Working Group held on 6 and 7 February 1978 at New Delhi and if there is no posibility of adopting them and submitting them as a corrigendum to the Interim Recommendation already submitted to the RBI, I would like to record a note of dissent to these Interim recommendations, in so far as they relate to the Area Demarcation.

BOMBAY

18-4-1978.

Sd/-

(L. P. BHARGAVA)
*Chairman,*

All India State Co-op. Banks' Federation.

TABLE—1 INSTITUTIONAL FINANCE FOR AGRICULTURAL DEVELOPMENT

(Rs. crores)

| | Loans outstanding as on June 30 | | | | |
|---|---|---|---|---|---|
| | 1972 | 1973 | 1974 | 1975 | 1976 |
| **A. Direct Finance** | | | | | |
| 1. Short-term : (i to iv) .. .. .. .. .. | 803·30 | 859·60 | 985·14 | 1149·93 | 1369·14 |
| (i) Primary Agricultural Credit Societies .. .. .. .. .. | 696·00 | 721·08 | 806·59 | 903·78 | 1025·00 |
| (ii) Government Department Loans | N.A. | N.A. | N.A. | N.A. | N.A. |
| (iii) Scheduled Commercial Banks .. | 107·30 | 138·52 | 178·55 | 246·15 | 342·64 |
| (iv) Regional Rural Banks | — | — | — | — | 1·50 |
| 2. Medium-term/Long-term (i to iii) .. .. .. .. .. | 1062·13 | 1319·16 | 1419·76 | 1614·85 | 1903·24 |
| (i) Primary Agricultural Credit Societies .. .. .. .. .. | 162·26 | 257·70 | 248·38 | 314·00 | 330·00 |
| (ii) Land Development Banks .. | 739·44 | 858·23 | 914·53 | 983·46 | 1160·00 |
| (iii) Scheduled Commercial Banks .. | 160·43 | 203·23 | 256·85 | 317·39 | 413·24 |
| *Of Which—* Loans routed through schemes financed by: | | | | | |
| (a) Agriculural Refinance and Development Corporation .. | 7·21 | 11·11 | 27·08 | 51·50 | 112·00 |
| (b) Agricultural Finance Corporation Ltd. .. .. .. .. .. | N.A. | N.A. | N.A. | N.A. | N.A. |
| **Total Direct Finance (1+2)** .. | **1865·43** | **2178·76** | **2404·90** | **2764·78** | **3272·38** |
| **B. Indirect Finance** | | | | | |
| 1. Short-term : (i to iii) .. .. .. .. .. | 200·19 | 203·50 | 228·12 | 389·76 | 463·61 |
| (i) State Co-operative Banks | 75·92 | 74·19 | 82·43 | 176·77 | 198·00 |
| (ii) Central Co-operative Banks .. | 59·16 | 66·47 | 89·29 | 114·63 | 122·00 |
| (iii) Scheduled Commercial Banks .. | 65·11 | 62·84 | 56·40 | 98·36 | 143·61 |
| 2. Medium-term/Long-term (i+ii) .. .. .. .. .. | 168·92 | 239·56 | 318·16 | 421·94 | 528·24 |
| (i) Scheduled Commercial Banks .. | 107·16 | 127·35 | 155·07 | 181·21 | 212·73 |
| (ii) Rural Electrification Corporation Ltd. .. .. .. .. .. | 61·76 | 112·21 | 163·09 | 240·73 | 315·51 |
| **Total Indirect Finance (1+2)** .. | **369·11** | **443·06** | **546·28** | **811·70** | **991·85** |

*Source :* Report on Currency & Finance 1975-76, Reserve Bank of India. Volume-I—Page-113

## TABLE—2 CO-OPERATIVE FARM CREDIT TO INDIVIDUALS (ALL INDIA)

(Rs. crores)

| Credit dispensing agency | Type of credit | Year ended | Loans Issued | Loans Recovered | Loans Out-standing | Percentage of overdues to out-standings |
|---|---|---|---|---|---|---|
| 1. Primary agricultural credit societies | Short-term | 30-6-74 | 689 | 602 | 807 | 44·5 |
| | | 30-6-75 | 783 | 679£ | 904 | 45·1 |
| | | 30-6-76 | 918 | 805 | 1012 | 45·0 |
| | Medium-term | 30-6-74 | 71 | 67 | 248 | 33·9 |
| | | 30-6-75 | 118 | 91£ | 273 | 35·2 |
| | | 30-6-76 | 105 | 94 | 287 | 36·9 |
| 2. Central Land Development Banks (Unitary structure) | Long-term | 30-6-74 | 62 | 26 | 443 | 3·4 |
| | | 30-6-75 | 70 | 39 | 465 | 11·0 |
| | | 30-6-76 | 79 | 32 | 481 | 10·0 |
| 3. Primary Land Development Banks (Federal structure) | Long-term | 30-6-74 | 96 | 55 | 471 | 4·2 |
| | | 30-6-75 | 111 | 55 | 518 | 4·8 |
| | | 30-6-76 | 136 | 78 | 577 | 5·4 |

£ Excludes Rs. 11,69·99(000), since break-up not available.

*Source :* Progress of Co-operative Credit Societies in India 1975-76, Reserve Bank of India (1977)—Page-6.

## TABLE 3—PRIMARY AGRICULTURAL CREDIT SOCIETIES—FINANCIAL DETAILS AS ON 30-6-76

| State/Union Territory | Number | Membership (in thousands) | Borrowing members (in thousands) | Loans Out-standing (Rs. crores) |
|---|---|---|---|---|
| 1. Andhra Pradesh .. .. | 14,627 | 29,41 | 12,38 | 85 |
| 2. Assam .. .. .. | .. | .. | .. | .. |
| 3. Bihar .. .. .. | 16,500 | 34,00 | 12,92 | 30 |
| 4. Gujarat .. .. .. | 8,655 | 17,25 | 8,02 | 210 |
| 5. Haryana .. .. .. | 2,409 | 7,84 | 4,15 | 42 |
| 6. Himachal Pradesh .. .. | 2,483 | 5,26 | 1,28 | 11 |
| 7. Jammu & Kashmir .. .. | .. | .. | .. | .. |
| 8. Karnataka .. .. .. | 8,276 | 25,75 | 8,18 | 97 |
| 9. Kerala .. .. .. | 1,731 | 22,06 | 10,02 | 57 |
| 10. Madhya Pradesh .. .. | 9,628 | 24,98 | 8,81 | 111 |
| 11. Maharashtra .. .. .. | 19,875 | 44,14 | 17,70 | 230 |
| 12. Manipur .. .. .. | 673 | 83 | 10 | 1 |
| 13. Meghalaya .. .. .. | .. | .. | .. | .. |
| 14. Nagaland .. .. .. | 163 | 4,55 | 38 | .. |
| 15. Orissa .. .. .. | 3,358 | 20,05 | 3,91 | 37 |
| 16. Punjab .. .. .. | 10,205 | 15,65 | 11,78 | 66 |
| 17. Rajasthan .. .. .. | 7,754 | 21,09 | 10,87 | 57 |
| 18. Tamil Nadu .. .. .. | 4,937 | 38,31 | 10,90 | 105 |
| 19. Tripura .. .. .. | 348 | 81 | 16 | 1 |
| 20. Uttar Pradesh .. .. .. | 12,994 | 69,95 | 23,41 | 127 |
| 21. West Bengal .. .. .. | 9,577 | 11,93 | 5,84 | 28 |
| 22. Andaman & Nicobar Islands | .. | .. | .. | .. |
| 23. Chandigarh .. .. .. | 32 | 4 | 1 | .. |
| 24. Dadra & Nagar Haveli .. | 12 | 5 | 2 | .. |
| 25. Delhi .. .. .. | 278 | 33 | 23 | 2 |
| 26. Goa, Daman & Diu .. .. | 150 | 64 | 5 | 1 |
| 27. Lakshadweep .. .. .. | 7 | 3 | 1 | .. |
| 28. Mizoram .. .. .. | 101 | .. | .. | .. |
| 29. Pondicherry .. .. .. | 65 | 26 | 18 | 1 |
| **Total** .. .. .. | **1,34,838** | **3,95,21** | **1,51,31** | **1,299** |

*Source :* Progress of Co-operative Credit Societies in India 1975-76, Reserve Bank of India (1977)—Page-16

TABLE 4—PRIMARY LAND DEVELOPMENT BANKS—FINANCIAL DETAILS AS ON 30-6-76

| State/Union Territory | Number | Number of branches including head office | Borrowing members | Loans to individuals outstanding (Rs. crores) |
|---|---|---|---|---|
| 1. Andhra Pradesh | 201 | 201 | 92,372 | 109 |
| 2. Assam | 16 | 16 | 386 | 1 |
| 3. Gujarat | 3 | 3 | 11 | — |
| 4. Haryana | 31 | 31 | 11,096 | 48 |
| 5. Himachal Pradesh | 1 | 3 | 102 | — |
| 6. Karnataka | 176 | 176 | 47,538 | 93 |
| 7. Kerala | 34 | 40 | 7,886 | 17 |
| 8. Madhya Pradesh | 45 | 261 | 25,955 | 67 |
| 9. Orissa | 55 | 55 | 12,412 | 21 |
| 10. Punjab | 42 | 42 | 23,856 | 65 |
| 11. Rajasthan | 35 | 93 | 13,476 | 25 |
| 12. Tamil Nadu | 223 | 331 | 15,247 | 121 |
| 13. Uttar Pradesh .. | 4 | 4 | — | — |
| 14. West Bengal .. .. | 24 | 33 | 10,307 | 10 |
| **Total** .. .. .. | **890** | **1,289** | **2,60,644** | **577** |

*Source :* Progress of Co-operative Credit Societies in India 1975-76, Reserve Bank of India, 1977—Page-21.

TABLE 5—SIZE DISTRIBUTION OF OPERATIONAL HOLDINGS : 1970-71

| Category | Size group of operational holdings (hectares) | Number of holdings | | | Area operated | | | Area per operated holding (hectares) |
|---|---|---|---|---|---|---|---|---|
| | | Lakh numbers | As % of total | Cumulative % | Lakh hectares | As % of total | Cumulative % | |
| Marginal .. | Upto 1.0 | 356.8 | 50.6 | 50.6 | 145.5 | 9.0 | 9.0 | 0.41 |
| Small .. .. | 1.0 to 2.0 | 134.3 | 19.1 | 67.7 | 192.8 | 11.9 | 20.9 | 1.44 |
| Semi-medium .. | 2.0 to 4.0 | 106.8 | 15.2 | 84.9 | 300.0 | 18.5 | 19.4 | 2.81 |
| Medium .. .. | 4.0 to 10.0 | 79.3 | 11.2 | 96.1 | 482.3 | 29.7 | 69.1 | 6.08 |
| Large .. | 10.0 & above | 27.7 | 3.9 | 100.0 | 500.6 | 30.9 | 100.0 | 18.07 |
| All groups .. | | 704.9 | 100.0 | | 1,621.2 | 100.0 | | 2.30 |

*Source :* Ministry of Agriculture and Irrigation, *All India Report on Agricultural Census, 1970-72*, New Delhi, September 1975.

TABLE 6—PROGRESS OF AGRICULTURAL FINANCING BY COMMERCIAL BANKS, THROUGH PRIMARY AGRICULTURAL CREDIT SOCIETIES

| | Year ending December | No. of Accounts | Balance outstanding (Rs. in lacs) |
|---|---|---|---|
| | 1972 | 129,113 | 1229 |
| | 1973 | 199,013 | 1719 |
| | 1974 | 265,890 | 2082 |
| | 1975 | 303,132 | 2941 |
| % Increase | 1975 over 1972 | 134.78 | 139.30 |

*Source :* Reports on Currency & Finance, Reserve Bank of India, 1972-1973 to 1975-76. Published in Prajnan : July-Sept—1977 : Vol. VI : No. 3

TABLE 7—COMPARATIVE INDICATORS REGARDING PERFORMANCE OF PRIMARY AGRICULTURAL CREDIT SOCIETIES (PACS) FINANCED BY COMMERCIAL BANKS AND ALL PACS

| | | 1973-74 | | 1974-75 | |
|---|---|---|---|---|---|
| | | PACS linked to commercial banks | All PACS | PACS linked to commercial banks | All PACS |
| 1. Average per society | | | | | |
| 1.1 Members .. .. .. | .. | 211 | 227 | 265 | 239 |
| 1.2 Borrowing Members .. | .. | 100 | 95 | 94 | 113 |
| 1.3 Outstanding (Year end) .. | Rs. | 69,017 | 68,572 | 78,165 | 77,119 |
| 1.4 Demand (over the year) .. | Rs. | 75,280 | 82,212 | 82,685 | 93,688 |
| 1.5 Recoveries (over the year) | Rs. | 42,990 | 49,825 | 44,536 | 55,904 |
| 1.6 Recoveries as % of Demand | .. | 57 | 61 | 54 | 60 |
| 1.7 Fresh lending .. .. | Rs. | 53,586 | 49,943 | 57,028 | 58.267 |
| 2. Profit-making PACS | | | | | |
| % to Total .. .. | .. | 61.63 | 62.68 | 57.12 | 61.15 |
| Average profit per PACS | Rs. | 6,836 | 2,826 | 7,653 | 3,396 |
| 3. Loss-making Societies | | | | | |
| % to Total .. .. | .. | 26.07 | 29.14 | 27.93 | 29.41 |
| Average loss per PACS | Rs. | 4,415 | 2,982 | 5,400 | 3,942 |
| 4. No Profit-No loss societies | | | | | |
| % to Total .. .. | | 12.30 | 7.97 | 14.95 | 9.25 |
| 5. Audit Classification : (% to Total no. of PACS) | | | | | |
| | A | 1.1 | 2.6 | 1.8 | Not available as of July 1977 |
| | B | 17.9 | 10.8 | 19.5 | |
| | C | 64.5 | 62.0 | 56.7 | |
| | D | 1.4 | 9.1 | 1.2 | |
| | E | 0.8 | 0.5 | 0.7 | |
| Not classified/Not audited (% to Total no. of societies) .. | .. | 14.3 | 14.9 | 20.2 | |

*Source :* Compiled from Statistical Statement Relating to Co-operative Movement in India 1974-75 : Pt. 1 Credit Societies, Reserve Bank of India.
Published in Prajnan July-Sept—1977 Vol-VI Number—3.

TABLE 8—STATEMENT—GRADUATED REQUIREMENT OF CREDIT—1985

(Rs. Crores)

| Item | Marginal and small farmers | Medium and large farmers | Total |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| **I. Short Term loan** | | | |
| 1. Full requirements .. .. .. .. | 2,193 | 5,691 | 7,884 |
| (*a*) for area already and to be irrigated .. | 900 | 1,920 | 2,820 |
| (*b*) for unirrigated area .. .. .. .. | 855 | 3,555 | 4,410 |
| (*c*) for allied activities, i.e. dairy and livestock programmes of SFDA districts and fishery development .. .. .. .. | 438 | 216 | 654 |
| 2. Graduated requirements : | | | |
| (*a*) for already and to be irrigated areas (*i*) 100% coverage by institutional system (*ii*) full loans for marginal and small farmers .. .. .. .. (*iii*) 50% for medium and large farmers to cover manufactured inputs | 900 | 960 | 1,860 |
| (*b*) for unirrigated areas (*i*) 50% coverage for marginal and small farmers and medium and large farmers (*ii*) meeting full needs of marginal and small farmers and 60% of medium and large farmers | 428 | 1,066 | 1,494 |
| (*c*) for allied activities, i.e. dairy and livestock programmes in SFDA districts and fishery development.. .. .. .. .. | 438 | 216 | 654 |
| (*d*) Total (*a*) to (*c*) .. .. .. .. | 1,766 | 2,242 | 4,008 |
| Short-term loan .. .. .. .. | (or 1,760) | (or 2,240) | (or 4,000) |
| **II. Medium and Long term loans** | | | |
| 1. Full requirements .. .. .. .. | 2,440 | 5,756 | 8,596 |
| (*a*) for area already and to be irrigated .. | 552 | 1,548 | 2,100 |
| (*b*) for unirrigated area .. .. .. .. | 950 | 3,950 | 4,900 |
| (*c*) for allied activities, i.e., dairy and livestock programme in SFDA districts and fishery development .. .. .. .. | 995 | 270 | 1,265 |
| (*d*) Agricultural machinery and implements .. | — | — | 400 |
| 2. Graduated requirements | | | |
| (*a*) for area already and to be irrigated—100% coverage by institutional sector and full loans .. .. .. .. | 552 (138) | 1,548 | 2,100 |
| (*b*) for unirrigated area (*i*) 50% institutional coverage for marginal and small farmers and also for medium and large farmers, (*ii*) full loan for marginal and small farmers and 60% of requirements of medium and large farmers .. .. .. .. | 475 (119) | 1,185 | 1,660 |
| (*c*) for allied activities, i.e. dairy and livestock programmes in SFDA dist. and fishery development .. .. .. .. | 995 (234) | 270 | 1,265 |
| (*d*) for agricultural machinery and implements | — | — | 400 |
| (*e*) Total (*a*) to (*d*)—medium and long-term loans .. .. .. .. | 2,022 (491) | 3,003 | 5,425* or 5,400 |
| **III. Grand Total (I+II)** .. .. .. .. | **3,788** **(491)** | **5,245** | **9,433** or **9,400** |

* Inclusive of Rs. 400 crores for agricultural machinery and implements.

*Note :* (1) The graduated requirements include what the co-operative and commercial banking system covered by 1973-74, viz., Rs. 798 crores as short-term loans and Rs. 739 crores as medium and long-term loans.

(2) Figures in brackets indicate the quantum of subsidy.

*Source :* Report of the National Commission on Agriculture 1976—Part XII.

TABLE 9—CREDIT REQUIREMENTS BY 1985 FOR AGRICULTURAL AND ALLIED ACTIVITIES

| Items | Small & Marginal Farmers and Agrl. labourers | Medium and Large Farmers | Total |
|---|---|---|---|
| 1. Short Term Credit : | | | |
| (A) Crop Loans | | | |
| (*i*) for irrigated areas @ Rs. 600 per ha | 900 | 1920 | 2820 |
| (*ii*) for unirrigated areas @ Rs. 450 per ha | 855 | 3555 | 4410 |
| (*iii*) Sub-total crop loans | 1755 | 5475 | 7230 |
| (B) For Milk, Piggery, Poultry, Sheep and Fisheries | 438 | 216 | 654 |
| Total : Short term (A+B) | 2193 | 5691 | 7884 |
| 2. Medium & Long Term Credit : | | | |
| (A) Irrigated Areas | | | |
| (*i*) New development under major & minor irrigation (Rs. 1350 per ha) .. .. .. | 335 | 745 | 1080 |
| (*ii*) Improvements in (*i*) and minor irrigation (Rs. 200 per ha) .. .. .. .. | 37 | 83 | 120 |
| (*iii*) Ground water development (Rs. 1000 per ha) | 180 | 720 | 900 |
| (*iv*) Sub-Total : Irrigated Areas | 552 | 1548 | 2100 |
| (B) Un-irrigated areas @ Rs. 500 per ha | 950 | 3950 | 4900 |
| (C) For allied activities as in 1. B | 995 | 270 | 1265 |
| Total : Medium & Long-term Credit (A+B+C) | 2497 | 5768 | 8265 |
| 3. **Grand Total (1+2)** .. | **4690** | **11459** | **16149** |

*Source :* Prajnan—July-September—1977—Vol. VI—No. 3.

TABLE 10—STATEMENT—SOURCES OF INSTITUTIONAL FINANCE—1979 & 1985

(Rs. crores)

| | By 1979 | | | By 1985 | | |
|---|---|---|---|---|---|---|
| | Short-term loans | Medium & long-term loans | Total | Short-term loans | Medium & long-term loans | Total |
| 1. Total graduated requirements .. | 1,800 | 2,200 | 4,000 | 4,000 | 5,400 | 9,400 |
| Less subsidy .. .. .. .. | — | 200 | 200 | — | 500 | 500 |
| Net .. .. .. .. | 1,800 | 2,000 | 3,800 | 4,000 | 4,900 | 8,900 |
| 1. **Commercial Banks** | | | | | | |
| (*a*) opening level of business .. | 188 | 430 | 618 | 600 | 850 | 1,450 |
| (*b*) additional loans (+) .. .. | 412 | 570 | 982 | 1,050 | 1,850 | 2,900 |
| (*c*) recoveries over the period (—).. | — | 150 | 150 | — | 300 | 300 |
| (*d*) outstanding at the end of the period (*a*+*b*—*c*) .. .. | 600 | 850 | 1,450 | 1,650 | 2,400 | 4,050 |
| (*e*) agricultural loans as per cent to total credit .. .. .. | | | 10 | | | 15 |
| 2. **Co-operatives** | | | | | | |
| (*a*) opening level .. .. .. | 600 | 300 | 900 | 1,200 | 900 | 2,100 |
| (*b*) additional loans (+) .. | 600 | 700 | 1,300 | 1,150 | 1,300 | 2,450 |
| (*c*) recoveries (—) .. | — | 100 | 100 | — | 300 | 300 |
| (*d*) outstanding at the end of the period (*a*+*b*—*c*) .. .. .. | 1,200 | 900 | 2,100 | 2,350 | 1,900 | 4,250 |
| 3. Total 1. (*d*) + 2. (*d*) .. .. | 1,800 | 1,750 | 3,550 | 4,000 | 4,300 | 8,300 |
| 4. Recoveries 1. (*c*) + 2. (*c*) .. .. | — | 250 | 250 | — | 600 | 600 |

*Source :* Report of the National Commission on Agriculture 1976—Part XII.

TABLE 11—RESOURCE AVAILABILITY FOR AGRICULTURAL LENDING BY COMMERCIAL BANKS

(Rs. crores)

| | March 1975 (Actuals) | 1979 | |
|---|---|---|---|
| | | Low | High |
| 1. Deposits .. .. .. .. | 11,800 | 22,100 (Annual increase of 17%) | 24,000 |
| 2. Credits | | | |
| (a) At 72.3% C/D ratio | 8,537 | 15,978 | 17,350 |
| (b) At 75% C D ratio | | 16,575 | 18,000 |
| 3. Agricultural Lending | | | |
| (a) At 9% of 2(a) | 770 | 1,438 | 1,561 |
| (b) At 9% of 2(b) | | 1,492 | 1,620 |
| (c) At 14% of 2(a) .. .. .. | | 2,238 | 2,430 |
| (d) At 14% of 2(b) .. .. .. .. | .. | 2,320 | 2,520 |

*Source :* Prajnan—July-September—1977—Vol-VI—Number-3.

TABLE—12 REGIONWISE—STATEWISE DISTRIBUTION OF COMMERCIAL BANK BRANCHES (JULY 19, 1969 AND APRIL 30, 1977)

| Region/State | Number of branches | | | Population per office (in '000s) | |
|---|---|---|---|---|---|
| | July 19, 1969 | April 30, 1977 | % of increase | July 19, 1969 | April 30, 1977 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| **Northern Region** | | | | | |
| 1. Haryana .. | 174 | 594 | 241 | 57 | 19 |
| 2. Himachal Pradesh | 41 | 246 | 500 | 80 | 11 |
| 3. Jammu & Kashmir | 35 | 277 | 691 | 114 | 19 |
| 4. Punjab .. .. | 354 | 1253 | 254 | 42 | 12 |
| 5. Rajasthan .. | 369 | 998 | 170 | 69 | 30 |
| 6. Chandigarh .. | 21 | 70 | 233 | 7 | 4 |
| 7. Delhi .. .. | 274 | 701 | 156 | 10 | 6 |
| **North Eastern Region** | | | | | |
| 1. Assam .. .. | 74 | 349 | 372 | 202 | 51 |
| 2. Meghalaya .. | 7 | 40 | 471 | 144 | 29 |
| 3. Manipur .. | 2 | 22 | 1000 | 497 | 56 |
| 4. Nagaland .. | 3 | 22 | 633 | 139 | 25 |
| 5. Tripura .. | 5 | 46 | 820 | 311 | 38 |
| 6. Arunachal Pradesh | — | 11 | — | — | 43 |
| 7. Mizoram .. | — | 4 | — | — | 83 |
| **Eastern Region** | | | | | |
| 1. Bihar .. .. .. .. .. | 274 | 1134 | 314 | 206 | 55 |
| 2. Orissa .. .. .. .. .. | 100 | 514 | 414 | 212 | 48 |
| 3. West Bengal .. .. .. | 505 | 1593 | 215 | 87 | 32 |
| 4. Andaman & Nicobar Islands | 1 | 7 | 600 | 82 | 16 |
| **Central Region** | | | | | |
| 1. Madhya Pradesh | 344 | 1223 | 256 | 116 | 39 |
| 2. Uttar Pradesh | 753 | 2637 | 250 | 118 | 37 |
| **Western Region** | | | | | |
| 1. Gujarat .. .. .. | 758 | 1864 | 146 | 34 | 16 |
| 2. Maharashtra .. .. | 1125 | 2603 | 131 | 44 | 22 |
| 3. Goa, Daman & Diu .. | 87 | 180 | 107 | 8 | 5 |
| 4. Dadra & Nagar haveli | — | 4 | — | — | 19 |
| **Southern Region** | | | | | |
| 1. Andhra Pradesh .. .. .. | 571 | 1813 | 218 | 75 | 27 |
| 2. Karnataka .. .. .. .. .. | 761 | 2092 | 175 | 38 | 16 |
| 3. Kerala .. .. .. .. .. | 605 | 1660 | 174 | 35 | 15 |
| 4. Tamil Nadu .. .. .. .. .. | 1066 | 2271 | 113 | 39 | 20 |
| 5. Pondicherry .. .. .. .. .. | — | 37 | 208 | 31 | 13 |
| 6. Lakshadweep .. .. .. .. .. | — | 5 | — | — | 6 |
| **All India** .. .. .. .. .. .. | **8321** | **24270** | **192** | **65** | **26** |

*Source:* 1. Report 1976-77, Government of India, Ministry of Finance, New Delhi.
2. RBI Press Release Dated 16th July 1977.

## TABLE—13 COMMERCIAL BANKS' BRANCHES IN DIFFERENT CATEGORIES OF CENTRES

| CENTRES | On July 19, 1969 | | As at the end of April 1977 | | Net increase between July 19, 1969 & April 30, 1977 | |
|---|---|---|---|---|---|---|
| | No. | % to the total | No. | % to the total | No. | % to the total increase |
| A. RURAL | 1860 | 22.4 | 9146 | 37.7 | 7286 | 45.7 |
| B. SEMI—URBAN | 3344 | 40.1 | 7159 | 29.5 | 3815 | 24.0 |
| C. URBAN | 1456 | 17.5 | 4223 | 17.4 | 2767 | 17.3 |
| D. METROPOLITAN & PORT TOWNS .. | 1661 | 20.0 | 3742 | 15.4 | 2081 | 13.0 |
| **Total** | **8321** | **100.0** | **24270*** | **100.0** | **15949** | **100.0** |

*Note :*

1. Classification for 19th July, 1969 is based on 1961 census while that for 30th April, 1977 is based on 1971 census.

*2. Includes 676 Regional Rural Banks' branches.

3. Classification of centres is made as follows :

(a) Rural Centres—places with a population upto 10,000

(b) Semi-urban centres—places with a population of over 10,000 but not exceeding 1,00,000

(c) Urban centres—places with a population of over 1,00,000 but not exceeding 10,00,000

(d) Metropolitan centres and port towns—all places with a population of over 10,00,000 and port town of Cochin, Kakinada, Mangalore, Nagapattinam, Okha , Pondicherry, Paradeep, Port Blair, Kandla, Visakhapatnam, Tuticorin and Marmugao.

*Source :* 1. Report 1976-77, Government of India, Ministry of Finance, New Delhi.

2. RBI Press Release Dated 16th July 1977.

TABLE—14 REGIONAL RURAL BANKS AS ON 26th AUGUST 1977

| Sl. No. | Name of the Bank | Date of establishment | No. of branches opened |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1. | Haryana Kshetriya Gramin Bank, Bhiwani (Haryana) .. .. | 2-10-75 | 20 |
| 2. | Jaipur Nagaur Aanchalik Gramin Bank, Jaipur, (Rajasthan) .. | 2-10-75 | 41 |
| 3. | Gorakhpur Kshetriya Gramin Bank, Gorakhpur (UP) .. .. | 2-10-75 | 34 |
| 4. | Gaur Gramin Bank, Malda (WB) .. .. .. .. .. | 2-10-75 | 23 |
| 5. | Prathama Bank, Moradabad (UP) .. .. .. .. .. | 2-10-75 | 21 |
| 6. | Bhojpur Rohtas Gramin Bank, Arrah (Bihar) .. .. .. | 26-12-75 | 26 |
| 7. | Samyut Kshetriya Gramin Bank, Azamgarh (UP) .. .. .. | 6- 1-76 | 30 |
| 8. | Kshetriya Gramin Bank, Hoshangabad (MP) .. .. .. | 20- 1-76 | 26 |
| 9. | Tungabhadra Gramin Bank, Bellary (Karnataka) .. .. .. | 25- 1-76 | 20 |
| 10. | Puri Gramya Bank, Pipli (Orissa) .. .. .. .. .. | 25- 2-76 | 23 |
| 11. | Jammu Rural Bank, Jammu (J&K) .. .. .. .. .. | 12- 3-76 | 27 |
| 12. | Champaran Kshetriya Gramin Bank, Mothihari (Bihar) .. .. | 21- 3-76 | 24 |
| 13. | Barabanki Gramin Bank, Barabanki (UP) .. .. .. .. | 27- 3-76 | 21 |
| 14. | Gurgaon Gramin Bank, Gurgaon (Haryana) .. .. .. | 28- 3-76 | 20 |
| 15. | Rae Bareli Kshetriya Gramin Bank, Rae Bareli (UP) .. .. | 29- 3-76 | 23 |
| 16. | Farrukhabad Gramin Bank, Farrukhabad (UP), .. .. | 29- 3-76 | 21 |
| 17. | Mallabhum Gramin Bank, Bankura (WB) .. .. .. .. | 9- 4-76 | 25 |
| 18. | Bolangir Anchalik Gramya Bank, Bolangir (Orissa) .. .. | 10- 4-76 | 25 |
| 19 | Nagarjuna Gramin Bank, Khammam (AP) .. .. .. .. | 30- 4-76 | 53 |
| 20. | Pragjyotish Gaonlia Bank, Nalbari (Assam) .. .. .. .. | 6- 7-76 | 13 |
| 21. | Rayalaseema Grameena Bank, Cuddapah (AP) .. .. .. | 6- 8-76 | 23 |
| 22. | Mayurakshi Gramin Bank, Suri District, Birbhum (WB) .. .. | 16- 8-76 | 13 |
| 23. | Malaprabha Gramin Bank, Dharwar (Karnataka) .. .. | 16- 8-76 | 23 |
| 24. | Marathwada Gramin Bank, Nanded (Maharashtra) .. .. .. | 26- 8-76 | 21 |
| 25. | Marwar Gramin Bank, Pali (Rajasthan) .. .. .. | 6- 9-76 | 19 |
| 26. | Bhagirath Gramin Bank, Sitapur (UP) .. .. .. .. | 19- 9-76 | 19 |
| 27. | Sri Visakha Gramin Bank, Srikakulam (AP) .. .. .. .. | 30- 9-76 | 30 |
| 28. | Cauvery Grameen Bank ,Mysore (Karnataka) .. .. .. | 2-10-76 | 11 |
| 29. | Shekhawati Gramin Bank, Sikar (Rajasthan) .. .. .. .. | 7-10-76 | 9 |
| 30. | Cuttack Gramya Bank, Cuttack (Orissa) .. .. .. | 11-10-76 | 16 |
| 31. | Bilaspur Raipur Kshetriya Gramin Bank, Bilaspur (MP) .. .. | 20-10-76 | 21 |
| 32. | Magadh Gramin Bank, Gaya (Bihar) .. .. .. .. .. | 10-11-76 | 9 |
| 33. | Koraput Panchabati Gramin Bank, Jeypore (Orissa) .. .. .. | 13-11-76 | 19 |
| 34. | South Malabar Gramin Bank, Malapuram (Kerala) .. .. .. | 11-12-76 | 22 |
| 35. | North Malabar Gramin Bank, Cannanore (Kerala) .. .. .. | 12-12-76 | 18 |
| 36. | Rewa-Sidhi Gramin Bank, Rewa (MP) .. .. .. .. | 20-12-76 | 10 |
| 37. | Tripura Gramin Bank, Agartala (Tripura) .. .. .. .. | 21-12-76 | 21 |
| 38. | Kosi Kshetriya Gramin Bank, Purnea (Bihar) .. .. .. .. | 23-12-76 | 7 |
| 39. | Himachal Gramin Bank, Mandi (HP) .. .. .. .. | 23-12-76 | 9 |
| 40. | Ballia Kshetriya Gramin Bank, Ballia (UP) .. .. .. | 25-12-76 | 4 |
| 41. | Sultanpur Kshetriya Gramin Bank, Sultanpur (UP) .. .. .. | 8- 2-77 | 10 |
| 42. | Uttar Banga Kshetriya Gramin Bank, Cooch Behar (WB) .. .. | 7- 3-77 | 2 |
| 43. | Pandyan Gramin Bank, Sattur (TN) .. .. .. .. .. | 9- 3-77 | 16 |
| 44. | Vaishali Kshetriya Gramin Bank, Musaffarpur (Bihar) .. .. | 10- 3-77 | 6 |
| 45. | Monghyr Kshetriya Gramin Bank, Monghyr (Bihar) .. .. | 12- 3-77 | 2 |
| 46. | Bundelkhand Kshetriya Gramin Bank, Tikamgarh (MP) .. .. | 26- 3-77 | 8 |
| 47. | Santhal Parganas Gramin Bank, Dumka (Bihar) .. .. .. | 30- 3-77 | 2 |
| 48. | Hardoi Unnao Gramin Bank, Hardoi (UP) .. .. .. .. | 7- 6-77 | 1 |
| | | | 887 |

TABLE 15—INTEREST RATES CHARGED BY PUBLIC SECTOR BANKS ON AGRICULTURAL ADVANCES

| Name of the Bank | Range of interest | |
|---|---|---|
| | Minimum (%) | Maximum (%) |
| 1. State Bank of India | 11 | 14½ |
| 2. Central Bank of India | 10 | 16½ |
| 3. Bank of India | 10 | 15¾ |
| 4. Punjab National Bank | 10 | 14 |
| 5. Bank of Baroda | 9 | 16 |
| 6. United Commercial Bank .. .. | 11 | 16 |
| 7. Canara Bank .. | 11 | 16½ |
| 8. United Bank of India | 11 | 14½ |
| 9. Dena Bank .. | 8½ | 16 |
| 10. Syndicate Bank .. | 12 | 16 |
| 11. Union Bank of India | 10 | 15 |
| 12. Allahabad Bank | 10 | 15 |
| 13. Indian Bank | 11 | 16½ |
| 14. Bank of Maharashtra | 13 | 16 |
| 15. Indian Overseas Bank | 11½ | 15½ |

TABLE 16—According to the information available in the Department of Banking the position in regard to interest rates charged on small loans (upto Rs. 5,000/-) of loans to small farmers (with holdings upto 5 acres of irrigated land or 10 acres of unirrigated land) and other concessions given by the public sector banks is summarised below :-

| Name of the Bank | Slabs of loans | Interest Rate (%) per annum: Holdings upto 2.5 acres of wet or 5 acres of dry land | Interest Rate (%) per annum: Holdings between 2.5 & 5 acres of wet or 5 &10 acres of dry land | Remarks |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| State Bank of India | Upto Rs. 2,000/- | 11 | 11 | |
| | Bet. Rs. 2,001/- 5,000/- | 12 | 12 | |
| Central Bank of India | Upto Rs. 2,000/- | 10½ | 13* | *Service charges ranging from Rs. 7.50 to Rs. 25 per half year extra ; ½ % guarantee fee extra. |
| | Bet. Rs. 2,001/- 5,000/- | 11 | 14* | |
| Bank of India | Upto Rs. 2,500/- | 10 | 10 | |
| | Bet. Rs. 2,500/- 10,000/- | 11½* | 11½* | ½ % guarantee fee extra ; ½ % concession in backward districts. ½ % concession to S/C. |
| Punjab National Bank | — | 10 | 11 | |
| Bank of Baroda | Upto Rs. 10,000/- | 11 | 11 | 9 % in case of landless labourers or fresh loans in flood affected areas. |
| United Commercial Bank | Upto Rs. 50,000/- | 11 | 12 | |
| Canara Bank | Upto Rs. 10,000/- | 12½ | 12½ | 1 % rebate to small/marginal farmers. Interest on agricultural credit not compounded. |
| United Bank of India | | 11 | 11½ | 1 % rebate for prompt repayments. |
| Dena Bank | Upto Rs. 2,000/- | 8½ | 9½ | For loans in backward areas the rate is 8½ |
| | Bet. Rs. 2,000/- 5,000/- | 9½ | 10 | |
| Syndicate Bank | | 12 | 12 | 1 % rebate for prompt repayments 21 % in case of default. |
| Union Bank of India | | 10 upto 3 acres | 11 | 2 % penal rate on defaulted amount. |
| Allahabad Bank | Upto Rs. 1,000/- 2,500 (for ST/ term loans). | 10 | — | ½ penal rate. Legal charges for small farmers borne by the bank. |
| | Upto Rs. 2,500/- 5,000 term (for ST/loans) | — | 10½ | |
| | Over Rs. 1,000/- 2,500 (for ST/ term loans) | 10½ | | |
| | Above Rs. 2,500/- 5,000 (for ST loans) | | 11 | |
| Indian Bank | for Short-term | 11 | 12 | For non-food crops rate is higher by ½ % In case of default the rate will be 15 % |
| | for term loans | 11½ | 12½ | |
| Bank of Maharashtra | Unirrigated areas | 13 upto 7.5 | 14£ | ½ % rebate for prompt repayments. |
| | Irrigated areas | 14 acres | 15£ | 1 % Service charges extra. 1 % for tax on interest extra 2 % penal rate. |
| Indian Overseas Bank. | | 11½ | 12½ | ½ % Rebate. 1 % Penal rate. |
| | | | | £ between 7.5 to 15 acres. |

*Source :* Government of India, Department of Revenue & Banking (Banking Wing).

TABLE NO. 17— A STATEMENT SHOWING DISTRIBUTION OF LOANS ISSUED STATE-WISE TO SMALL FARMERS AND OTHER WEAKER SECTIONS, FARMERS HAVING LAND HOLDINGS BETWEEN 2-4 HECTARES (MEDIUM SIZED) AND FARMERS HAVING LAND HOLDINGS ABOVE 4 HECTARES (BIG FARMERS) AND THEIR PERCENTAGE TO THE TOTAL LOANS DURING THE YEAR 1975-76.

(Rs. in '000s)

| Sl. No. | Name of the State | Total loans issued | Loans issued to small farmers, tenant cultivators, agrl. labourers & other weaker sections | Loans issued to farmers having land holdings between 2.01 to 4.00 hectares | Loans issued to farmers having land holdings between 4-8 hectares | Loans issued to farmers having land holdings above 8 hectares | P.C. of loans issued to small farmers and other weaker sections of the society | P.C. of loans issued to farmers holding land between 2.01 to 4.00 hectares | P.C. of loans issued to farmers having land between 4 to 8 hectares | P.C. of loans issued to farmers having land holdings above 8 hectares |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1. | Andhra Pradesh .. | 73,50,79 | 31,19,91 | 20,29,80 | 13,71,56 | 8,29,52 | 42.4 | 27.6 | 18.6 | 11.4 |
| 2. | Bihar | 22,00,00 | 15,74,91 | 3,05,96 | 3,02,11 | 17,02 | 71.6 | 13.9 | 13.7 | 0.8 |
| 3. | Gujarat .. .. | 132,61,76 | 21,83,77 | 24,71,52 | 40,33,64 | 45,72,83 | 16.5 | 18.6 | 30.4 | 34.5 |
| 4. | Himachal Pradesh | 5,81,39 | 3,62,32 | 1,15,55 | 62,66 | 40,86 | 62.3 | 19.9 | 10.8 | 7.0 |
| 5. | Haryana | 43,53,68 | 12,30,82 | 13,67,74 | 11,52,94 | 6,02,68 | 28.3 | 31.4 | 26.5 | 13.8 |
| 6. | Karnataka | 81,60,38 | 25,45,66 | 18,89,25 | 21,06,52 | 16,18,95 | 31.2 | 23.1 | 25.8 | 19.9 |
| 7. | Kerala .. | 46,96,09 | 35,15,64 | 7,49,13 | 2,95,89 | 1,35,43 | 74.9 | 16.0 | 6.3 | 2.7 |
| 8. | Madhya Pradesh | 69,65,47 | 11,38,12 | 16,14,23 | 22,14,92 | 19,98,80 | 16.3 | 23.2 | 31.8 | 28.7 |
| 9. | Maharashtra .. | 170,00,92 | 36,10,92 | 37,63,62 | 51,01,44 | 45,24,94 | 21.2 | 22.1 | 30.0 | 26.7 |
| 10. | Manipur | 42,03 | 41,50 | 53 | — | — | 98.8 | 1.1 | — | — |
| 11. | Nagaland | 2,09 | — | — | — | — | — | — | — | — |
| 12. | Orissa .. | 20,66,00 | 10,85,00 | 5,17,64 | 3,36,98 | 1,26,38 | 52.5 | 25.1 | 16.3 | 6.1 |
| 13. | Punjab .. .. .. | 74,97,57 | 27,79,06 | 19,29,42 | 18,30,64 | 9,58,45 | 37.1 | 25.7 | 24.4 | 12.8 |

(*Contd.*)

TABLE NO. 17 — A STATEMENT SHOWING DISTRIBUTION OF LOANS ISSUED STATE-WISE TO SMALL FARMERS AND OTHER WEAKER SECTIONS, FARMERS HAVING LAND HOLDINGS BETWEEN 2-4 HECTARES (MEDIUM SIZED) AND FARMERS HAVING LAND HOLDINGS ABOVE 4 HECTARES (BIG FARMERS) AND THEIR PERCENTAGE TO THE TOTAL LOANS DURING THE YEAR 1975-76

(Rs. in '000s)

| Sl. No. | Name of the State | Total loans issued | loans issued to small farmers, tenant cultivators, agrl. labourers & other weaker sections | loans issued to farmers having land holdings between 2.01 to 4.00 hectares | loans issued to farmers having land holdings between 4-8 hectares | loans issued to farmers having land holdings above 8 hectares | P.C. of loans issued to small farmers and other weaker sections of the society | P.C. of loans issued to farmers holding land between 2.01 to 4.00 hectares | P.C. of loans issued to farmers having land between 4 to 8 hectares | P.C. of loans issued to farmers having land holdings above 8 hectares |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 14. | Rajasthan .. .. | 59,64,88 | 19,66,27 | 15,02,75 | 15,08,79 | 9,87,07 | 33.0 | 25.2 | 25.3 | 16.5 |
| 15. | Tamil Nadu | 102,84,63 | 43,30,16 | 37,98,11 | 15,45,15 | 6,11,21 | 42.1 | 36.9 | 15.0 | 6.0 |
| 16. | Tripura | 50,80 | 38,93 | 8,65 | 2,85 | 13 | 76.6 | 17.0 | 5.6 | 0.8 |
| 17. | Uttar Pradesh .. | 95,09,00 | 34,95,70 | 30,07,42 | 21,75,57 | 8,30,31 | 36.8 | 31.6 | 22.9 | 8.7 |
| 18. | West Bengal | 21,26,89 | 13,01,24 | 4,45,85 | 3,14,68 | 65,62 | 61.2 | 20.9 | 14.8 | 3.1 |
| 19. | Chandigarh .. | 6,88 | 1,99 | 3,03 | 1,86 | — | 28.9 | 44.0 | 27.1 | — |
| 20. | Dadra & Nagar Haveli | 8,28 | 2,87 | — | 5,41 | — | 34.7 | — | 65.3 | — |
| 21. | Delhi | 88,15 | — | — | — | — | — | — | — | — |
| 22. | Goa .. | 30,66 | 21,56 | 5,89 | 1,25 | 1,96 | 70.3 | 19.2 | 4.1 | 6.4 |
| 23. | Lakshadweep .. | 4,70 | 4,70 | — | — | — | 100.0 | — | — | — |
| 24. | Mizoram | 20 | — | — | — | — | — | — | — | — |
| 25. | Pondicherry .. | 91,39 | 31,47 | 21,29 | 13,13 | 25,50 | 34.4 | 22.2 | 14.3 | 29.1 |
| | | 1023,44,63 | 346,72,70 | 255,46,88 | 243,77,99 | 179,47,06 | 34.5 | 24.1 | 23.8 | 17.6 |

*N.B.* : Data in respect of Assam, J & K, Meghalaya, Andaman & Nicobar are not available. *Source* : All India State Co-operative Banks' Federation Ltd., Bombay.

TABLE NO. 18—REGIONAL RURAL BANKS—STATEMENT SHOWING THE RATE OF INTEREST ON ADVANCES TO AGRICULTURE & ALLIED ACTIVITIES

| Sl. No. | Name of Regional Rural Banks | DIRECT ADVANCES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | ST LOANS | | | | | MT LOANS | | |
| | | A | B | C | D | E | A | B | C |
| | | Crop loans | Agricultural implements including pump sets | Dug wells and farm development | Dairy, Poultry/ purchase of cattle | Other loans | Crop loans | Agricultural implements including pump sets | Dug wells and farm development |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1. | Prathama Bank, Moradabad .. .. | 14 | 14 | 14 | — | — | — | 14 | 14 |
| 2. | Gorakhpur Kshetriya Gramin Bank | 14 | 14 | 14 | 14 | — | — | 14 | 14 |
| 3. | Haryana Kshetriya Gramin Bank .. | 13½ | — | — | — | — | — | 14 | 14 |
| 4. | Jaipur-Nagaur Aanchalik Gramin Bank .. .. .. .. | 13 | 13 | 13 | 13 | — | — | 13 | 13 |
| 5. | Gaur Gramin Bank .. .. .. | 13½ | 13½ | 13½ | — | — | — | 13½ | 13½ |
| 6. | Bhojpur-Rohtas Gramin Bank .. | 13¼ | — | — | — | — | — | 13¾ | 13¾ |
| 7. | Samyut-Kshetriya Gramin Bank .. | 14 | 14 | 14 | 14 | 14 | — | 14 | 14 |
| 8. | @Kshetriya Gramin Bank .. .. | 12½ | — | — | — | — | — | 13½ | 13½ |
| 9. | Tungabhadra Gramin Bank .. .. | 13 | 13 | 13 | 13 | — | — | 13½ | 13½ |
| 10. | Puri Gramya Bank .. .. .. | 14 | — | — | — | — | — | 14 | 14 |
| 11. | Jammu Rural Bank .. .. .. | 13½ | — | — | — | — | — | 12½ | 15 |
| 12. | Champaran Kshetriya Gramin Bank | 13¼ | — | — | — | — | — | 13¾ | 15 |
| 13. | Bara Banki Gramin Bank .. .. | 14 | 14 | 14 | 14 | 14 | — | 14 | 14 |
| 14. | Gurgaon GB .. .. .. .. | 14 | 14 | 14 | 14 | 14 | — | 14 | 14 |
| 15. | Rae-Bareli Kshetriya GB .. .. | 14 | — | — | — | — | — | 14 | 14 |
| 16. | Farrukhabad GB .. .. .. | 14 | 14 | 14 | 14 | 14 | — | 14 | 14 |
| 17. | Mallabhum GB .. .. .. | 13 | — | — | — | — | — | 13 | 13 |
| 18. | Bolangir Anchalik GB .. .. | 14 | — | 14 | — | — | — | 14 | — |
| 19. | Nagarjuna GB .. .. .. | 13¾ | 13¾ | 13¾ | 13¾ | 13¾ | — | 13¾ | 13¾ |
| 20. | Pragjyotish GB .. .. .. | 13 | — | 13 | 13 | 13 | — | — | 13 |
| 21. | Rayalaseema GB .. .. .. | 13¾ | 13¾ | 13¾ | 13¾ | — | — | 13¾ | 13¾ |
| 22. | Malaprabha GB .. .. .. | 13¼ | 13¼ | 13¼ | 13¼ | — | — | 13¼ | 13¼ |
| 23. | Mayurakshi GB .. .. .. | 12½ | — | — | — | — | — | 12½ | 12½ |

TABLE No. 18—(*Contd.*)

| Sl. No. | Name of Regional Rural Banks | INDIRECT ADVANCES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | MT LOANS | | LT LOANS | | | | | ST LOANS |
| | | D | E | A | B | C | D | E | A |
| | | Dairy, Poultry/Purchase of cattle | Other loans | Crop loans | Agricultural implements including pump sets | Dug wells and farm development | Dairy, Poultry/purchase of cattle | Other loans | With a loan business of less than Rs. 1.50 lacs in the previous year and having a full time paid secretary |
| 1 | 2 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 1. | Prathama Bank, Moradabad .. .. | — | — | — | — | — | — | — | — |
| 2. | Gorakhpur Kshetriya Gramin Bank | 14 | — | — | 14 | 14 | 14 | — | 11 |
| 3. | Haryana Kshetriya Gramin Bank .. | 14 | 14 | — | — | — | — | — | — |
| 4. | Jaipur-Nagaur Aanchalik Gramin Bank .. .. .. .. | 13 | 13 | — | 13 | — | — | — | — |
| 5. | Gaur Gramin Bank .. .. .. | — | — | — | — | — | — | — | 11 |
| 6. | Bhojpur-Rohtas Gramin Bank .. | 13¾ | 13¾ | — | — | — | — | — | — |
| 7. | Samyut-Kshetriya Gramin Bank .. | 14 | 14 | — | 14 | 14 | 14 | 14 | 14 |
| 8. | (a Kshetriya Gramin Bank .. | 13½ | — | — | — | — | — | — | 12 |
| 9. | Tungabhadra Gramin Bank .. .. | 13½ | — | — | 13½ | 13½ | 13½ | — | — |
| 10. | Puri Gramya Bank .. .. .. | — | — | — | — | — | — | — | 11½ |
| 11. | Jammu Rural Bank .. .. .. | — | — | — | — | — | — | — | — |
| 12. | Champaran Kshetriya Gramin Bank | — | — | — | — | — | — | — | — |
| 13. | Bara Banki Gramin Bank .. .. | 14 | 14 | — | 14 | 14 | 14 | 14 | — |
| 14. | Gurgaon GB .. .. .. .. | 14 | 14 | — | — | — | — | — | — |
| 15. | Rae-Bareli Kshetriya GB .. .. | 14 | 14 | — | — | — | — | — | 11½ |
| 16. | Farrukhabad GB .. .. .. | 14 | 14 | — | — | — | — | — | 14 |
| 17. | Mallabhum GB .. .. .. | 13 | — | — | — | — | — | — | 10½ |
| 18. | Bolangir Anchalik GB .. .. | — | — | — | — | — | — | — | — |
| 19. | Nagarjuna GB .. .. .. | 13¾ | 13¾ | — | 13¾ | 13¾ | 13¾ | 13¾ | — |
| 20. | Pragjyotish GB .. .. .. | 13 | 13 | — | — | — | — | — | 11 |
| 21. | Rayalaseema GB .. .. .. | — | — | — | — | — | — | — | 12 |
| 22. | Malaprabha GB .. .. .. | 13¼ | — | — | — | — | — | — | — |
| 23. | Mayurakshi GB .. .. .. | 12½ | 12½ | — | — | — | — | — | 11 |

TABLE NO. 18 —(*Contd.*)

| Sl. No. | Name of Regional Rural Banks | INDIRECT ADVANCES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | ST LOANS | | | | | | MT LOANS | |
| | | A | | B | C | D | E | A | |
| | | Primary Agricultural Credit* | | | | | | Primary Agricultural Societies | |
| | | With loans business over Rs. 1.50 lacs | Not having a full time paid secretary | To farmers service co-op. societies | For procure-ments, storage & distribution of fertilisers | To Agro-Industries Corporations | Other types of indirect advances | With a loan business of less than Rs. 1.50 lacs | With business over Rs. 1·50 lacs |
| 1 | 2 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 1. | Prathama Bank, Moradabad .. .. | — | — | — | — | — | — | — | — |
| 2. | Gorakhpur Kshetriya Gramin Bank .. | 12 | — | 12 | 12 | — | — | 12 | 12 |
| 3. | Haryana Kshetriya Gramin Bank .. | — | — | 13 | — | — | — | — | — |
| 4. | Jaipur-Nagaur Aanchalik Gramin Bank .. .. .. .. | — | — | — | — | — | — | — | — |
| 5. | Gaur Gramin Bank .. .. .. | 11 | 11 | 11 | — | — | — | 12 | 12 |
| 6. | Bhojpur-Rohtas Gramin Bank .. | — | — | — | — | — | — | — | — |
| 7. | Samyut-Kshetriya Gramin Bank .. | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| 8.@ | Kshetriya Gramin Bank .. .. | — | 14 | — | — | — | — | — | 13 |
| 9. | Tungabhadra Gramin Bank .. .. | — | — | 10½ | — | — | — | — | — |
| 10. | Puri Gramya Bank .. .. .. | 11½ | 11½ | 14 | 14 | — | — | 11½ | 11½ |
| 11. | Jammu Rural Bank .. .. .. | — | — | — | — | — | — | — | — |
| 12. | Champaran Kshetriya Gramin Bank | — | — | — | — | — | — | — | — |
| 13. | Bara Banki Gramin Bank .. .. | — | — | — | — | — | — | — | — |
| 14. | Gurgaon GB .. .. .. .. | — | — | — | — | — | — | — | — |
| 15. | Rae-Bareli Kshetriya GB .. .. | 14 | 14 | 14 | 14 | 14 | 14 | 11½ | 14 |
| 16. | Farrukhabad GB .. .. .. | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| 17. | Mallabhum GB .. .. .. | — | — | 10½ | — | — | — | — | — |
| 18. | Bolangir Anchalik GB.. .. .. | — | — | — | — | — | — | — | — |
| 19. | Nagarjuna GB .. .. .. | — | — | — | — | — | — | — | — |
| 20. | Pragjyotish GB .. .. .. | 12 | 12 | 12 | 12 | — | — | 12 | 12 |
| 21. | Rayalaseema GB .. .. .. | 12 | 12 | 10½ | — | — | — | — | — |
| 22. | Malaprabha GB .. .. .. | — | — | — | — | — | — | — | — |
| 23. | Mayurakshi GB .. .. .. | 12 | 11 | 12 | 12½ | — | 13 | 11 | 12 |

TABLE NO. 18—(*Contd.*)

| Sl. No. | Name of Regional Rural Banks | INDIRECT ADVANCES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | MT LOANS | | | | | LT LOANS | | |
| | | A | B | C | D | E | A | | |
| | | | | | | | Primary Agricultural Credit Societies | | |
| | | Not having full time paid Secretaries | To farmers service co-op. societies | For procurement, storage & distribution of fertilisers | To Agro-Industries Corporations | Other types of indirect advances | With a loan business of less than Rs. 1.50 lacs in the previous year and having full time paid secretaries | With loans business over Rs. 1.50 lacs | Not having full time paid secretaries |
| 1 | 2 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 |
| 1. | Prathama Bank, Moradabad | — | — | — | — | — | — | — | — |
| 2. | Gorakhpur Kshetriya Gramin Bank | — | 12 | 12 | — | — | 12 | 12 | — |
| 3. | Haryana Kshetriya Gramin Bank | — | 13½ | — | — | — | — | — | — |
| 4. | Jaipur-Nagaur Aanchalik Gramin Bank | — | — | — | — | — | — | — | — |
| 5. | Gaur Gramin Bank | 12 | 12 | 13 | — | — | — | — | — |
| 6. | Bhojpur-Rohtas Gramin Bank | — | — | — | — | — | — | — | — |
| 7. | Samyut-Kshetriya Gramin Bank | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| 8.@ | Kshetriya Gramin Bank | — | — | — | — | — | — | — | — |
| 9. | Tungabhadra Gramin Bank | — | 11 | — | — | — | — | — | — |
| 10. | Puri Gramya Bank | 11½ | 11½ | — | — | 14 | — | — | — |
| 11. | Jammu Rural Bank | — | — | — | — | — | — | — | — |
| 12. | Champaran Kshetriya Gramin Bank | — | — | — | — | — | — | — | — |
| 13. | Bara Banki Gramin Bank | — | — | — | — | — | — | — | — |
| 14. | Gurgaon GB | — | — | — | — | — | — | — | — |
| 15. | Rae-Bareli Kshetriya GB | 14 | 14 | 14 | 14 | 14 | — | — | — |
| 16. | Farrukhabad GB | 14 | 14 | 14 | 14 | 14 | — | — | — |
| 17. | Mallabhum GB | — | — | — | — | — | — | — | — |
| 18. | Bolangir Anchalik GB | — | — | — | — | — | — | — | — |
| 19. | Nagarjuna GB | — | — | — | — | — | — | — | — |
| 20. | Pragjyotish GB | 12 | 12 | 12 | — | — | — | — | — |
| 21. | Rayalaeema GB | — | 11 | — | — | — | — | — | — |
| 22. | Malaprabha GB | — | — | — | — | — | — | — | — |
| 23. | Mayurakshi GB | 11 | 12 | 12½ | — | 13 | — | — | — |

TABLE NO. 18—(*Contd.*)

| Sl. No. | Name of Regional Rural Banks | INDIRECT ADVANCES | | | | ADVANCES UNDER SPECIAL SCHEMES (NOT COVERED BY I & II) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | LT LOANS | | | | ST LOANS | | | |
| | | B | C | D | E | A | B | C | D |
| | | To farmers service co-operative societies | For procurement, storage & distribution of fertilisers | To Agro-Industries Corporations | Other types of indirect advances | Artisan loans | Loans for consumption | Minor irrigation scheme undertaken by CADP | Agro-Service Station establishment by CADP |
| 1 | 2 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 |
| 1. | Prathama Bank, Moradabad .. .. | — | — | — | — | — | — | — | — |
| 2. | Gorakhpur Kshetriya Gramin Bank | 12 | 12 | — | — | — | — | — | — |
| 3. | Haryana Kshetriya Gramin Bank .. | — | — | — | — | — | — | — | — |
| 4. | Jaipur-Nagaur Aanchalik Gramin Bank .. .. .. .. | — | — | — | — | — | — | — | — |
| 5. | Gaur Gramin Bank .. .. .. | — | — | — | — | 13 | 13 | — | — |
| 6. | Bhojpur-Rohtas Gramin Bank | — | — | — | — | — | — | — | — |
| 7. | Samyut-Kshetriya Gramin Bank .. | 14 | 14 | 14 | 14 | — | — | — | — |
| 8. | @Kshetriya Gramin Bank .. .. | — | — | — | — | — | — | — | — |
| 9. | Tungabhadra Gramin Bank .. | 11 | — | — | — | 13 | 13 | — | — |
| 10. | Puri Gramya Bank .. .. .. | — | — | — | — | — | 14 | — | — |
| 11. | Jammu Rural Bank .. .. .. | — | — | — | — | — | — | — | — |
| 12. | Champaran Kshetriya Gramin Bank | — | — | — | — | — | — | — | — |
| 13. | Bara Banki Gramin Bank .. .. | — | — | — | — | — | — | — | — |
| 14. | Gurgaon GB .. .. .. .. | — | — | — | — | — | — | — | — |
| 15. | Rae-Bareli Kshetriya GB .. .. | — | — | — | — | — | — | — | — |
| 16. | Farrukhabad GB .. .. .. | — | — | — | — | — | — | — | — |
| 17. | Mallabhum GB .. .. .. | — | — | — | — | — | — | — | — |
| 18. | Bolangir Anchalik GB .. .. | — | — | — | — | 11 | — | — | — |
| 19. | Nagarjuna GB .. .. .. | — | — | — | — | — | — | — | — |
| 20. | Pragjyotish GB.. .. .. .. | — | — | — | — | — | — | — | — |
| 21. | Rayalaseema GB .. .. .. | — | — | — | — | — | — | — | — |
| 22. | Malaprabha GB .. .. .. | — | — | — | — | — | — | — | — |
| 23. | Mayurakshi GB .. .. .. | — | — | — | — | — | — | — | — |

TABLE NO. 18—(*Contd.*)

| Sl. No. | Name of Regional Rural Banks | ADVANCES UNDER SPECIAL SCHEMES (NOT COVERED BY I & II) | | | | | | | | REMARKS |
|---|---|---|---|---|---|---|---|---|---|---|
| | | MT LOANS | | | | LT LOANS | | | | |
| | | A | B | C | D | A | B | C | D | |
| | | Artisan loans | Loans for consumption | Minor Irrigation Scheme undertaken by CADP | Agro-Service Station establishment by CADP | Artisan loans | Loans for consumption | Minor Irrigation Scheme undertaken by CADP | Agro-Service Station establishment by CADP | |
| 1 | 2 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 |
| 1. | Prathama Bank, Moradabad .. .. | — | — | — | — | — | — | — | — | The bank has not yet started granting indirect advances. |
| 2. | Gorakhpur Kshetriya Gramin Bank | — | — | — | — | — | — | — | — | |
| 3. | Haryana Kshetriya Gramin Bank .. | — | — | — | — | — | — | — | — | |
| 4. | Jaipur-Nagaur Aanchalik Gramin Bank .. .. .. .. | — | — | — | — | — | — | — | — | |
| 5. | Gaur Gramin Bank .. .. .. | — | — | — | — | — | — | — | — | |
| 6. | Bhojpur-Rohtas Gramin Bank .. | — | — | — | — | — | — | — | — | |
| 7. | Samyut-Kshetriya Gramin Bank .. | — | — | — | — | — | — | — | — | |
| 8. | @Kshetriya Gramin Bank .. .. | — | — | — | — | — | — | — | — | @12½ upto 5 acres. Above 5 acres 15% |
| 9. | Tungabhadra Gramin Bank .. | 13½ | 13½ | — | — | — | — | — | — | |
| 10. | Puri Gramya Bank .. .. .. | 14 | — | — | — | — | — | — | — | |
| 11. | Jammu Rural Bank .. .. .. | — | — | — | — | — | — | — | — | |
| 12. | Champaran Kshetriya Gramin Bank | — | — | — | — | — | — | — | — | |
| 13. | Bara Banki Gramin Bank .. .. | — | — | — | — | — | — | — | — | |
| 14. | Gurgaon GB .. .. .. .. | — | — | — | — | — | — | — | — | |
| 15. | Rae-Bareli Kshetriya GB .. .. | — | — | — | — | — | — | — | — | |
| 16. | Farrukhabad GB .. .. .. | — | — | — | — | — | — | — | — | |
| 17. | Mallabhum GB .. .. .. | — | — | 13 | 13 | — | — | — | — | |
| 18. | Bolangir Anchalik GB .. .. | — | — | — | — | — | — | — | — | |
| 19. | Nagarjuna GB .. .. .. | — | — | — | — | — | — | — | — | |
| 20. | Pragjyotish GB.. .. .. .. | — | — | — | — | — | — | — | — | |
| 21. | Rayalaseema GB .. .. .. | — | — | — | — | — | — | — | — | |
| 22. | Malaprabha GB .. .. .. | 13¼ | 13¼ | 13¼ | 13¼ | — | — | — | — | |
| 23. | Mayurakshi GB .. .. .. | — | — | — | — | — | — | — | — | |

TABLE NO. 18—REGIONAL RURAL BANKS—STATEMENT SHOWING THE RATE OF INTEREST ON ADVANCES TO AGRICULTURE & ALLIED ACTIVITIES

| Sl. No. | Name of Regional Rural Banks | DIRECT ADVANCES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | ST LOANS | | | | | MT LOANS | | |
| | | A | B | C | D | E | A | B | C |
| | | Crop loans | Agricultural implements including pump sets | Dug wells and farm development | Dairy, Poultry/ purchase of cattle | Other loans | Crop loans | Agricultural implements including pump sets | Dug wells and farm development |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 24. | Marathwada .. .. .. GB | 13½ | 15 | 15 | 15 | 15 | — | 15 | 15 |
| 25. | Marwar .. .. .. GB | 13 | — | — | — | — | — | — | — |
| 26. | Bhagirath .. .. .. GB | 14 | 14 | 14 | 14 | 14 | — | 14 | 14 |
| 27. | Sri Visakha .. .. .. GB | 13¾ | 13¾ | 13¾ | 13¾ | 13¾ | — | 13¾ | 13¾ |
| 28. | Cauvery .. .. .. GB | 14 | 14 | 14 | 14 | 14 | — | 14 | 14 |
| 29. | Shekhawati .. .. .. GB | 13 | 13 | 13 | 13 | 13 | — | 13 | 13 |
| 30. | Cuttack .. .. .. GB | 14 | 14 | 14 | 14 | 14 | — | 14 | 14 |
| 31. | Bilaspur-Raipur K.G. Bank .. GB | 14 | — | — | — | — | — | — | 14 |
| 32. | Magadh .. .. .. GB | 13¼ | — | — | — | — | — | — | — |
| 33. | Koraput-Panchabati .. .. GB | 14 | — | — | — | — | — | 14 | — |
| 34. | South Malabar .. .. GB | 12½ | — | — | — | — | — | 13½ | 13½ |
| 35. | North Malabar .. .. GB | 12½ | 13 | 14 | — | — | — | 13 | 14 |
| 36. | Rewa-Sidhi .. .. .. GB | 11 | 11 | 11 | 11 | 11 | — | 11 | 11 |
| 37. | Tripura .. .. .. GB | 13 | — | 13 | — | — | — | — | — |
| 38. | Himachal .. .. .. GB | 13½ | 13½ | 13½ | — | — | — | 13½ | 13½ |
| 39. | Kosi Kshetriya .. .. GB | 13¼ | — | — | — | — | — | 13 | 13 |
| 40. | Ballia Kshetriya .. .. GB | 14 | 14 | 14 | 14 | 14 | — | 14 | 14 |
| 41. | Sultanpur Kshetriya .. .. GB | 13½ | 13½ | 13½ | 13½ | 13½ | — | 13½ | 13½ |
| 42. | Uttar Banga Kshetriya .. GB | 13¼ | — | — | 13¾ | — | — | — | — |
| 43. | Pandyan .. .. .. GB | 12½ | — | — | — | — | — | 12½ | 12½ |
| 44. | Vaishali Kshetriya .. .. GB | 13¾ | — | — | — | — | — | 13¾ | 15 |
| 45. | Monghyr Kshetriya .. .. GB | 13¼ | — | — | — | — | — | — | — |
| 46. | Bundelkhand Kshetriya .. GB | 13½ to 15½ | — | — | — | — | — | 14½ | 14½ |
| 47. | Santhal Parganas .. .. GB | 13¾ | — | — | — | — | — | 13¾ | 13¾ |
| 48. | Hardoi-Unnao .. .. .. GB | ——established on 7-6-1977. | | | | | | | |

TABLE NO. 18—(*Contd.*)

| Sl. No. | Name of Regional Rural Banks | | DIRECT ADVANCES | | | | | | | INDIRECT ADVANCES |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | LT LOANS | | | | | | | ST LOANS |
| | | | D | E | A | B | C | D | E | A |
| | | | Dairy, Poultry/Purchase of cattle | Other loans | Crop loans | Agricultural implements including pump sets | Dug wells and farm development | Dairy, Poultry, purchase of cattle | Other loans | With a loan business of less than Rs. 1·50 lacs in the previous year and having a full time paid secretary |
| 1 | 2 | | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 24. | Marathwada .. .. .. | GB | 15 | 15 | — | 15 | 15 | 15 | 15 | 10 |
| 25. | Marwar .. .. .. | GB | — | — | — | — | — | — | — | — |
| 26. | Bhagirath .. .. .. | GB | 14 | 14 | — | 14 | 14 | 14 | 14 | — |
| 27. | Sri Visakha .. .. .. | GB | 13¾ | 13¾ | — | 13¾ | 13¾ | 13¾ | 13¾ | 13¾ |
| 28. | Cauvery .. .. .. | GB | 14 | 14 | — | 14 | 14 | 14 | 14 | 14 |
| 29. | Shekhawati .. .. .. | GB | 13 | 13 | — | 13 | 13 | 13 | 13 | 13 |
| 30. | Cuttack .. .. .. | GB | 14 | 14 | — | 14 | 14 | 14 | 14 | — |
| 31. | Bilaspur-Raipur K.G. Bank .. | GB | 14 | — | — | 14 | — | — | — | — |
| 32. | Magadh .. .. .. | GB | — | — | — | — | — | — | — | 11 |
| 33. | Koraput-Panchabati .. .. | GB | — | — | — | — | — | — | — | 11½ |
| 34. | South Malabar .. .. | GB | 14 | — | — | — | — | — | — | — |
| 35. | North Malabar .. .. | GB | — | — | — | 13 | 14 | — | — | — |
| 36. | Rewa-Sidhi .. .. .. | GB | 11 | 11 | — | 11 | 11 | 11 | 11 | — |
| 37. | Tripura .. .. .. | GB | 13 | — | — | — | — | — | — | 11 |
| 38. | Himachal .. .. .. | GB | — | — | — | — | — | — | — | 13 |
| 39. | Kosi Kshetriya .. .. | GB | 13 | — | — | — | — | — | — | — |
| 40. | Ballia Kshetriya .. .. | GB | 14 | 14 | — | 14 | 14 | 14 | 14 | 14 |
| 41. | Sultanpur Kshetriya .. .. | GB | 13½ | 13½ | — | 13½ | 13½ | 13½ | 13½ | — |
| 42. | Uttar Banga Kshetriya .. | GB | — | — | — | — | — | — | — | 11 |
| 43. | Pandyan .. .. .. | GB | 13¾ | 13¾ | — | — | — | — | — | — |
| 44. | Vaishali Kshetriya .. .. | GB | 15 | 15 | — | 13¾ | — | — | — | — |
| 45. | Monghyr Kshetriya .. .. | GB | 13¾ | — | — | — | — | — | — | — |
| 46. | Bundelkhand Kshetriya .. | GB | 14½ | 14½ | — | 14 | 14 | 14 | 14 | 12½ |
| 47. | Santhal Parganas .. .. | GB | 13¾ | 13¾ | — | — | — | — | — | 10¾ |
| 48. | Hardoi-Unnao .. .. .. | GB | ——established on 7-6-1977. | | | | | | | |

TABLE NO. 18—(*Contd.*)

| Sl. No. | Name of Regional Rural Banks | | INDIRECT ADVANCES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | ST LOANS | | | | | | MT LOANS | |
| | | | A | | B | C | D | E | A | |
| | | | Primary Agricultural Credit* | | | | | | Primary Agricultural | |
| | | | With loans business over Rs. 1·50 lacs | Not having a full time paid secretary | To farmers service co-op. societies | For procurement, storage & distribution of fertilisers | To Agro-Industries Corporations | Other types of indirect advances | With a loan business of less than Rs. 1·50 lacs | With business over Rs. 1.50 lacs |
| 1 | 2 | | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 24. | Marathwada .. .. | GB .. | 10 | 10 | 10 | 10 | 10 | 10 | 10½ | 10½ |
| 25. | Marwar .. .. | GB .. | — | — | — | — | — | — | — | — |
| 26. | Bhagirath .. .. | GB .. | — | — | — | — | — | — | — | — |
| 27. | Sri Visakha .. .. | GB .. | — | — | — | — | — | — | 13¾ | — |
| 28. | Cauvery .. .. | GB .. | 12 | 12 | 12 | 14 | — | 14 | 14 | 12 |
| 29. | Shekhawati .. .. | GB .. | 13 | 13 | 13 | 13 | 13 | 13 | — | — |
| 30. | Cuttack .. .. | GB .. | — | — | — | — | — | — | — | — |
| 31. | Bilaspur-Raipur K.G. Bank | GB .. | — | — | 11 | 14 | — | — | — | — |
| 32. | Magadh .. .. | GB .. | 11 | 11 | 11 | 11 | 11 | — | 11½ | 11½ |
| 33. | Koraput-Panchabati .. | GB .. | 11½ | 11½ | 11½ | 11½ | 11½ | 11½ | 11½ | 11½ |
| 34. | South Malabar .. | GB .. | — | — | — | — | — | — | — | — |
| 35. | North Malabar .. | GB .. | — | — | — | — | — | — | — | — |
| 36. | Rewa-Sidhi .. .. | GB .. | — | — | — | — | — | — | — | — |
| 37. | Tripura .. .. | GB .. | 11 | 11 | — | — | — | — | 12 | 12 |
| 38. | Himachal .. .. | GB .. | — | — | — | — | — | — | — | — |
| 39. | Kosi Kshetriya .. | GB .. | — | — | — | — | — | — | 10¼ | 10¼ |
| 40. | Ballia Kshetriya .. | GB .. | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| 41. | Sultanpur Kshetriya .. | GB .. | — | — | — | — | — | — | — | — |
| 42. | Uttar Banga Kshetriya | GB .. | 12 | 12 | — | — | — | — | 12 | 12 |
| 43. | Pandyan .. .. | GB .. | — | — | — | — | — | — | — | — |
| 44. | Vaishali Kshetriya .. | GB .. | — | — | — | — | — | — | — | — |
| 45. | Monghyr Kshetriya .. | GB .. | — | — | — | — | — | — | — | — |
| 46. | Bundelkhand Kshetriya | GB .. | 12½ | 12½ | 12½ | 12½ | — | — | 11½ | 11½ |
| 47. | Santhal Parganas .. | GB .. | 10¾ | 10¾ | 10¾ | — | — | — | 11¼ | 11¼ |
| 48. | Hardoi-Unnao .. .. | GB | ..............established on 7-6-1977 | | | | | | | |

TABLE NO. 18—(*Contd.*)

| Sl. No. | Name of Regional Rural Banks | | INDIRECT ADVANCES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | MT LOANS | | | | | LT LOANS | | |
| | | | A | B | C | D | E | A | | |
| | | | Societies | | | | | Primary Agricultural Credit Societies | | |
| | | | Not having full time paid secretaries | To farmers service co-op. societies | For procurement, storage & distribution of fertilisers | To Agro-Industries Corporations | Other types of indirect advances | With a loan business of less than Rs. 1·50 lacs in the previous year and having full time paid secretaries | With loans business over Rs. 1·50 lacs | Not having full time paid secretaries |
| 1 | 2 | | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 |
| 24. | Marathwada .. .. | GB .. | 10½ | 10½ | 10½ | 10½ | 10½ | 10½ | 10½ | 10½ |
| 25. | Marwar .. .. | GB .. | — | — | — | — | — | — | — | — |
| 26. | Bhagirath .. .. | GB .. | — | — | — | — | — | — | — | — |
| 27. | Sri Visakha .. .. | GB .. | — | — | — | — | — | 13¾ | — | — |
| 28. | Cauvery .. .. | GB .. | 12 | 12 | 14 | — | 14 | 14 | 12 | 12 |
| 29. | Shekhawati .. .. | GB .. | — | — | — | — | — | — | — | — |
| 30. | Cuttack .. .. | GB .. | — | — | — | — | — | — | — | — |
| 31. | Bilaspur-Raipur K.G. Bank | GB .. | — | 11 | — | — | — | — | — | — |
| 32. | Magadh .. .. | GB .. | 11½ | 11½ | 11½ | 11½ | — | — | — | — |
| 33. | Koraput-Panchabati .. | GB .. | 11½ | 11½ | 11½ | 11½ | 11½ | — | — | — |
| 34. | South Malabar .. | GB .. | — | — | 13½ | — | — | — | — | — |
| 35. | North Malabar .. | GB .. | — | — | — | — | — | — | — | — |
| 36. | Rewa-Sidhi .. .. | GB .. | — | — | — | — | — | — | — | — |
| 37. | Tripura .. .. | GB .. | 12 | — | — | — | — | — | — | — |
| 38. | Himachal .. .. | GB .. | — | — | — | — | — | — | — | — |
| 39. | Kosi Kshetriya .. | GB .. | 10¼ | 10¼ | — | — | — | 10¼ | 10¼ | 10¼ |
| 40. | Ballia Kshetriya .. | GB .. | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| 41. | Sultanpur Kshetriya .. | GB .. | — | — | — | — | — | — | — | — |
| 42. | Uttar Banga Kshetriya | GB .. | 12 | — | — | — | — | — | — | — |
| 43. | Pandyan .. .. | GB .. | — | — | — | — | — | — | — | — |
| 44. | Vaishali Kshetriya .. | GB .. | — | — | — | — | — | — | — | — |
| 45. | Monghyr Kshetriya .. | GB .. | — | — | — | — | — | — | — | — |
| 46. | Bundelkhand Kshetriya | GB .. | 11½ | 11½ | — | — | — | — | — | — |
| 47. | Santhal Parganas .. | GB .. | 11¾ | 11¾ | 13¾ | 13¾ | — | — | — | — |
| 48. | Hardoi-Unnao .. .. | GB .. | established on 7-6-1977. | | | | | | | |

TABLE NO. 18—(*Contd.*)

| Sl. No. | Name of Regional Rural Banks | | INDIRECT ADVANCES: LT LOANS: B — To farmers service co-operative Societies | C — For procurement, storage & distribution of fertilisers | D — To Agro-Industries Corporations | E — Other types of indirect advances | ADANCES UNDER: ST LOANS: A — Artisan loans | B — Loans for consumption | C — Minor irrigation scheme undertaken by CADP | D — Agro-Service Station establishment by CADP |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 |
| 24. | Marathwada .. .. | GB | 10½ | 11¼ | 11 | — | 11 | 11 | 11 | 10½ |
| 25. | Marwar .. .. | GB | — | — | — | — | — | — | — | — |
| 26. | Bhagirath .. .. | GB | — | — | — | — | — | — | — | — |
| 27. | Sri Visakha .. .. | GB | — | — | — | — | — | — | — | — |
| 28. | Cauvery .. .. | GB | 12 | 14 | — | 14 | — | — | — | — |
| 29. | Shekhawati .. .. | GB | — | — | — | — | — | — | — | — |
| 30. | Cuttack .. .. | GB | — | — | — | — | — | — | — | — |
| 31. | Bilaspur-Raipur K.G. Bank | GB | 11 | — | — | — | — | — | — | — |
| 32. | Magadh .. .. | GB | — | — | — | — | — | — | — | — |
| 33. | Koraput-Panchabati .. | GB | — | — | — | — | — | — | — | — |
| 34. | South Malabar .. | GB | — | — | — | — | — | — | — | — |
| 35. | North Malabar .. | GB | — | — | — | — | — | — | — | — |
| 36. | Rewa-Sidhi .. .. | GB | — | — | — | — | — | — | — | — |
| 37. | Tripura .. .. | GB | — | — | — | — | — | — | — | — |
| 38. | Himachal .. .. | GB | — | — | — | — | — | — | — | — |
| 39. | Kosi Kshetriya .. | GB | 10¼ | — | — | — | — | — | — | — |
| 40. | Ballia Kshetriya .. | GB | 14 | 14 | 14 | 14 | — | — | — | — |
| 41. | Sultanpur Kshetriya .. | GB | — | — | — | — | — | — | — | — |
| 42. | Uttar Banga Kshetriya | GB | — | — | — | — | — | — | — | — |
| 43. | Pandyan .. .. | GB | — | — | — | — | — | — | — | — |
| 44. | Vaishali Kshetriya .. | GB | — | — | — | — | — | — | — | — |
| 45. | Monghyr Kshetriya .. | GB | — | — | — | — | — | — | — | — |
| 46. | Bundelkhand Kshetriya | GB | — | — | — | — | — | — | — | — |
| 47. | Santhal Parganas .. | GB | — | — | — | — | — | — | — | — |
| 48. | Hardoi-Unnao .. .. | GB | ........established on 7-6-1977. | | | | | | | |

TABLE NO. 18—(*Concld.*)

| Sl. No. | Name of Regional Rural Banks | | SPECIAL SCHEMES (NOT COVERED BY I & II) — MT LOANS — A Artisan loans | MT LOANS — B Loans for consumption | MT LOANS — C Minor Irrigation Scheme undertaken by CADP. | MT LOANS — D Agro-Service Station establishment by CADP. | LT LOANS — A Artisan loans | LT LOANS — B Loans for consumption | LT LOANS — C Minor Irrigation Scheme undertaken by CADP. | LT LOANS — D Agro-Service Station establishment by CADP. | REMARKS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 |
| 24. | Marathwada | GB | — | — | — | — | — | — | — | — | |
| 25. | Marwar | GB | — | — | — | — | — | — | — | — | Nil statements |
| 26. | Bhagirath | GB | — | — | — | — | — | — | — | — | |
| 27. | Sri Visakha | GB | — | — | — | — | — | — | — | — | |
| 28. | Cauvery | GB | — | — | — | — | — | — | — | — | |
| 29. | Shekhawati | GB | — | — | — | — | — | — | — | — | |
| 30. | Cuttack | GB | — | — | — | — | — | — | — | — | |
| 31. | Bilaspur-Raipur K.G. Bank | GB | — | — | — | — | — | — | — | — | |
| 32. | Magadh | GB | 13¾ | — | — | — | — | — | — | — | |
| 33. | Koraput-Panchabati | GB | — | — | — | — | — | — | — | — | |
| 34. | South Malabar | GB | 13½ | 12½ | — | — | — | — | — | — | |
| 35. | North Malabar | GB | — | — | — | — | — | — | — | — | |
| 36. | Rewa-Sidhi | GB | — | — | — | — | — | — | — | — | |
| 37. | Tripura | GB | — | — | — | — | — | — | — | — | |
| 38. | Himachal | GB | — | — | — | — | — | — | — | — | |
| 39. | Kosi Kshetriya | GB | — | — | — | — | — | — | — | — | |
| 40. | Ballia Kshetriya | GB | — | — | — | — | — | — | — | — | |
| 41. | Sultanpur Kshetriya | GB | — | — | — | — | — | — | — | — | |
| 42. | Uttar Banga Kshetriya | GB | — | — | — | — | — | — | — | — | |
| 43. | Pandyan | GB | 13 | 15 | 15 | 15 | — | — | — | — | |
| 44. | Vaishali Kshetriya | GB | — | — | — | — | — | — | — | — | |
| 45. | Monghyr Kshetriya | GB | — | — | — | — | — | — | — | — | |
| 46. | Bundelkhand Kshetriya | GB | — | — | — | — | — | — | — | — | |
| 47. | Santhal Parganas | GB | 13¾ | 13¾ | 13¾ | — | — | — | — | — | |
| 48. | Hardoi-Unnao | GB | ———established on 7-6-1977. | | | | | | | | |

*Note :* GB—GRAMIN BANK ST—SHORT TERM MT—MEDIUM TERM LT—LONG TERM. * SOCIETIES.

## ANNEXURE I

### STATEWISE REVIEW OF AGRICULTURAL PASS BOOK SYSTEM—ANDHRA PRADESH

The system of Agricultural Pass books to the farmers has not yet been introduced in Andhra Pradesh. The State Government is however in favour of introduction of the pass book but desires to take up the issue only after the Land Ceiling Act is given effect to and the land found excess under the Act is fully redistributed so as to give a complete picture in the pass book.

### ASSAM, MANIPUR, NAGALAND. MIZORAM, TRIPURA AND MEGHALAYA

Regarding the position of issue of Agricultural Pass Books to farmers in the N.E. Region States :

In Assam, the system of Agricultural Pass Books has not been introduced so far. We understand that the State Government proposes to issue Land Pass Books to farmers wherein particulars of lands possessed by farmer members of GPSS, particulars of share, deposit and loan accounts as well as the repayment particulars will be recorded. The proformae of two sets of pass books proposed by the Co-operation Department and the Revenue Department of the State are enclosed. Although, the assurance to introduce these Pass Books was given by the State representative as far back as May 1977 at the meeting of the State Consultative Committee on ACID, no administrative order has so far been issued.

In the case of Manipur, the system is neither introduced so far nor it is contemplated at present in so far as valley areas are concerned. In hill districts, the land record is not yet settled and as such this system cannot be introduced.

As you are aware, in Nagaland, Mizoram, Meghalaya and Arunachal Pradesh, the land records are not settled, as they are tribal belts. Till the time the cadestral surveys in these areas are undertaken and land records are maintained the system cannot obviously be introduced.

### TRIPURA

Government of Tripura has proposed to introduce Farmer's Pass Books. The proforma of pass book which has been devised by the Revenue Department is yet to be approved by the Government.

### BIHAR

The system of issue of Agricultural Pass Books to farmers has not been introduced by the Government of Bihar in the State so far. However, as a first step, the State Government are considering issue of Agricultural Pass Books to the farmers identified by SFDAs as small or marginal giving particulars of their land holdings with columns for amounts lent by banks and the repayments made by the borrower. Even these pass books have not been issued to the farmers in the State.

### GUJARAT

The State Government (Land and Agricultural Department) had issued GR No. RAM-1060-L dated 9th September 1960 in terms of which for the first time a pass book known as 'khedut vahi' was introduced in the State on a voluntary basis.

The main purpose in introducing the pass book was to enable a farmer to have a record of his land holding and the nature of his title thereto, payment of land revenue, taccavi and other government dues and dealings with co-operative credit institutions. The village talatis were instructed by the GR dated 9th September 1960 to enter particulars relating to land holding and right of the farmers and also particulars of demand, collection and balance relating to government dues in the pass books as and when presented by the farmers.

The system was introduced from 1st August 1960 with instructions to the revenue officials to bring it uptodate at the end of each year ending 31st July. The revenue staff was also instructed to make entries in the pass book whenever payments of government dues were made or changes took place relating to title to the land, on production of the pass books. It was, however, made clear that entries made in the pass books were only for the information of the farmer and were not to be considered authentic or admissible as evidence. It was necessary to rely only on the village records for the above purposes. These pass books were introduced as a voluntary measure to enable the farmers to have particulars relating to their holdings, etc., for their own information. In terms of Circular No. RAM-1065-1937-L dated 27th July 1966 issued by the Revenue Department of Government of Gujarat, a new pass book was introduced with effect from 1st August 1966.

It was stated in this circular that complaints were received that farmers were not informed of changes in their rights over the lands which were noted in government records and that detailed receipts were not issued for payment of government dues. In order that farmers get full information regarding their rights over land and changes which may be noted, it was decided to introduce a pass book known as 'khedut khata vahi' from 1st August 1966. The pass book would contain entries as made in government records regarding the type of ownership and conditions on which lands were held by farmers. Besides, particulars relating to government dues and their payment were also required to be noted. The pass book provided for entries to be made for a period of 10 years. The State Government had also decided to introduce this pass book as a compulsory measure.

Arrangements were made to supply the pass books through taluka and village panchayat offices, and village revenue officials were instructed to fill the same properly on production, as and when any change or transaction took place. It was stated that if the farmers were not literate, the entries made in the pass books should be got read by them from someone else and the village talatis were also instructed that entries to be made by them should be read aloud and then noted by them in the pass books. In the case of this pass book also it was stated that it would be like a private record for the farmer. Hence it was felt that for the purpose of government work and other requirements only original records would have to be relied upon. The introduction of the pass books did not replace issue of receipts for payments made by the farmers and instructions were issued that receipts should invariably be obtained which only could be considered as legal proof of payments.

Although the system was intended to be compulsory, it was not followed up. From the enquiries made by us from some of the cultivators and officials of GLDB, it was reported that these pass books also fell into disuse. It was stated that in order to save additional work on their part, the village talatis were themselves dissuading the cultivators from having the pass books filled in on the plea that they would not be considered as authentic records and that the receipts issued by the talatis would better serve the purpose. It was reported that very few farmers had preserved the pass books and might have kept them uptodate.

Although the pass books were introduced in the State twice, the measures do not seem to have served much purpose so far. With a view to making the system of pass books more useful, the State Government has appointed a committee of its officials to devise a new pass book and introduce it in such a way that it need not increase the workload on the government officials and at the same time carry some statutory recognition and serve as a useful and more reliable document in the hands of the farmers. It is understood that the committee's report may be submitted soon.

## KARNATAKA

The system of issuing of agricultural pass books to the farmers or issuing of credit cards, has not been introduced in Karnataka State so far. JRCS mentioned that this subject was discussed in the recent conference of representatives of Central Financing Agencies convened by the Karnataka State Co-operative Apex Bank at Bangalore on 18th and 19th January 1978. It appears that many of the participants were not keen on the introduction of the system. It was felt that the system will be posing several legal problems. For example, for the purpose of continuity in mortgage deed obtained towards the security, a balance of Re. 1/- has to be retained in the farmer's account. If this is followed technically, the farmer will be deemed to have defaulted to the extent of Re. 1/- as the entire loan is not repaid. Even this nominal default will render the farmer ineligible for contesting the elections for any office bearer post. However, some of the delegates suggested that this credit card system may be tried by 1 or 2 banks in selected taluks as an experimental measure and watch the results.

## KERALA

The land mortgage banks in Kerala have not yet introduced the system of issue of pass books to farmers financed by them. In the short-term co-operative credit structure, however, a system of issue of credit cards in the form of pass books was introduced by the Registrar of Co-operative Societies, Kerala in a few selected societies in Kerala State in April 1971. The object of the system was to avoid delay in issuing crop loans to farmers who have to wait for finalisation of formalities such as preparation of credit limit statements, sanctioning of limits at the primary level, verification of the same by the bank officials, sanctioning limits by the District Co-operative Bank etc. involving considerable time. To begin with, the scheme was to be implemented by societies with a minimum share capital of Rs. 50,000/- and having minimum deposits of Rs. 1,00,000/- which had a permanent office and paid staff. Subsequently, the norms regarding the minimum share capital and deposit were modified so as to include societies with minimum resources of Rs. 1.5 lakhs both by way of share capital and deposits. Under the scheme, the Board of Management of Societies would select eligible members (based on their repayment performance) and fix the credit limit for them based on the land cultivated and in accordance with the scale of finance fixed for each crop. The farmer was authorised to draw funds from the limit sanctioned to him on production of the card. He was at liberty to pay into the accounts small amounts from his off-farm income thereby reducing the dues and could again draw on the limits as and when required. Thus the limit could be operated more or less like a cash credit. The society would have to keep separate ledger accounts for this special line of credit and had to disburse loans first and then apply for reimbursement from the concerned District Co-operative Bank.

2. The scheme has been introduced by executive action as per the circulars issued by the Registrar of Co-operative Societies, Kerala. No legislation was enacted for the purpose nor was any separate machinery set up.

3. The credit card which is in the nature of an identification card to the members of society contained the following details :

(*a*) Name and address of the member

(*b*) Member number

(*c*) Number of shares held

(*d*) Paid-up value of shares

(*e*) Details of lands possessed by him :
Wet land .. extent
Dry land .. extent

(*f*) Name of crop raised normally—

Wet land (e.g. paddy, sugarcane, etc.)

Dry land (e.g. Coconut, Arecanut, Pepper, etc.)

(*g*) Total eligible credit limit according to the scale of finance

(*h*) The period in which the loans are to be disbursed.

4. Although the scheme was introduced in 10 selected societies in each district, the result has not been encouraging. The Registrar of Co-operative Societies did not review or follow-up the implementation of the scheme and presently the system is reportedly not in vogue except in very few societies. In this connection, it was also stated that the State Co-operative Bank in consultation with the Registrar of Co-operative Societies has recently drawn up a scheme for introducing Revolving Cash Credit facilities to selected members in certain societies in a few districts for crop loan requirements and that in view of this the earlier scheme for the issue of credit cards to farmers may not be of any significance.

## MADHYA PRADESH

An amendment to the Madhya Pradesh Land Revenue Code 1959, so as to simplify the cumbersome procedure and cut short the delay in securing appropriate records for verification of title to land and thus a system of pass book for the farmer was introduced.

2. *Amendment to law :*

Accordingly, the State Government amended the above Code and this amendment received the assent of the Governor on 13 February, 1974. The above amendment known as the Madhya Pradesh Land Revenue Code (Amendment) Act, 1973 casts an obligation upon every Bhoomiswami whose name is entered into the Khasra or field book prepared under Section 114 of the above Code to maintain a Bhoo Adhikar Avam Rin Pustika in respect of his all holdings in a village (Section 114-A).

Thus these pustikas (pass books) have been given a legal sanction.

3. *Rin Pustikas—Introduction*

It is learnt from the State Government that the above 'pustikas' which were initially introduced about 2½ years ago have by now been sent to all 45 district collectors in the State for distribution to all the cultivators.

The cultivators who are allotted Government land including those who partition their lands are also supplied with these books.

4. *Nature of particulars entered in the books :*

The Bhoo Adhikar Avam Rin Pustika is divided into two parts :

**PART I**

It contains the following particulars :

(*i*) Land records indicating survey number area, irrigated area, source of irrigation, nature of ownership over land, etc.
(*ii*) Changes in record of rights
(*iii*) Transfer of land
(*iv*) Long and medium term loans indicating the details of the name of bank, purpose of loan, loan amount, repayment, outstanding loan and details of land mortgaged.
(*v*) Details of short term loans.

**PART II**

It indicates the particulars relating to demand and recovery of :

(*i*) Land Revenue, and
(*ii*) Government loans.

Thus, the 'pustika' contains comprehensive record of land rights, transfer, changes in rights, loan availed, outstanding and demand and recovery of land revenue and government loans.

5. *Government support for preparation and updating of the 'Pustikas' :*

Before issue of these 'Rin Pustikas' to the cultivators, the State Government issued instructions contained in Rajasav Pustak Paripatar to enable the Revenue officials to complete these 'Pustikas' before handing over to the cultivators. As per the procedure, these pustikas are stated to have been completed on the basis of the updated land records and the information called from the banks indicating inter-alia the loans given and details of land mortgaged to them.

Further, under Mutation Rules, it is reported that every year during the certification tours, the Tahsildars shall obtain the Rasid Bahi (now 'Rin Pustikas') of all the Bhoomi Swamis. If there is no change in entries relating to a Bhoomi Swami, the Tahsildars shall attest the Pustika to that effect and return it to him. If there are any changes, entries shall be made in the Pustika which shall be signed by the Patwari and attested by the Tahsildar.

With a view to keep these Pustikas uptodate, government has amended the Registration Rules providing that the Sub-Registrars may now refuse registration of a document which has not been presented along with the 'Pustikas'.

Similarly, the land revenue officials will update these Pustikas on completion of formalities connected with death of a Bhoomi Swami, or co-parcener or in the event of transfer of land.

The commercial as well as co-operative banks will also indicate the details of the loans given and particulars of land mortgaged against them in the above Pustikas.

The Government of Madhya Pradesh vide their letter dated 20th August, 1977 has also instructed all the collectors to complete the mutation proceedings in all pending cases by 26th January, 1978.

*Working of the system :*

Some of the banks contacted by us indicated that they initially called for the copies of land records in spite of these Pustikas. But the above practice is now almost dispensed with. There is also no necessity of calling for overdues certificates from other banks in view of the position in regard to loans, etc. indicated in these Pustikas. The initial hesitancy to solely depend on these Pustikas is however gradually disappearing. The banks stated that they have to procure a copy of the field sketch map indicating the exact location of the land and proposed site for construction of well, etc., from Patwari. But we feel this is not a very big problem as the introduction of these Pustikas has to a great extent reduced the pressure on revenue authorities.

The Rin Pustikas have come to stay. The cultivators and banks are convinced of their utility. These Pustikas are slowly proving their utility in minimising the hardships experienced earlier in grant of loans.

## MAHARASHTRA

The scheme of Khate Pustika was first introduced in 1966. However, under this scheme entries relating to record of rights in these Pustikas were not given presumptive value ; with the result that the Khatedars were then required to obtain extracts of record of rights for different purposes. Therefore, the land holders also did not take much interest in getting their Pustikas updated.

2. Under the new scheme which has been enforced from 1st August 1976, the Khate Pustikas have been made complete in all respects and shall have a legal validity. The Maharashtra Land Revenue Code, 1966 has been suitably amended so as to give presumptive value to the entries made in the revised Khate-Pustikas relating to record of rights. The system has been introduced under a government notification. It will, therefore, not now be necessary for the land holders to obtain from the Talathis extracts from record of rights for various purposes.

3. Further, instructions have been issued by the Government of Maharashtra to the Officers of the Revenue and other concerned departments to get the details of lands verified from the Khate-Pustika itself. A copy of the Revenue Department's Circular dated 8-7-1977 is attached. The other feature of the new Pustika is that it now contains additional information about loans advanced to land holders by co-operative societies, nationalised commercial banks, land development banks and also in regard to levy on foodgrains.

4. Collectors have selected taluks/villages to be taken up in stages for the work of preparation and supply of Khate-Pustikas to land holders. The concerned Talathis will be called at centrally located places with their village records. Similarly, the taluka records pertaining to taccavi and other accounts will be brought at the places so selected. The Khate-Pustikas of the selected villages are to be prepared by the Talathis. Arrangements are made by the Collectors in collaboration with the PACS and banks to record the particulars of loans and their recovery advanced to the relative land holders in the Khate-Pustikas.

5. A Khatedar will have to pay Rs. 3.00 towards the cost of the Khate-Pustika and Rs. 2.00 as fees for preparation thereof.

6. There are about 60 lakh land-holders (Khatedars) in the State. According to distribution programme, as chalked out by the government, the work regarding preparation and distribution of Khate-Pustikas in the State was expected to be completed by 31st January 1977. However, the progress in preparation and distribution of Pustikas has not been up to the mark. The district-wise progress in preparation and distribution of Pustikas as at end-September 1977 is given in the statement attached. As may be seen therefrom, as against 58.39 lakh Pustikas supplied to the Collectors, preparation work was completed in respect of 46.61 lakh Pustikas and 29.03 lakh Pustikas have been distributed.

Progress of the work of preparation and distribution of Khate-Pustikas in Maharashtra

(figures in '000)

| District | No. of Pustikas supplied to Collectors as on 31-8-1977 | No. of Pustikas prepared as on 30-9-77 | No. of Pustikas distributed as on 30-9-77 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1. Jalgaon .. .. .. .. | 234 | 173 | 107 |
| 2. Kulaba .. .. .. .. | 208 | 142 | 82 |
| 3. Nasik .. .. .. .. | 309 | 277 | 252 |
| 4. Ratnagiri .. .. .. .. | 319 | 126 | 58 |
| 5. Thane .. .. .. .. | 189 | 122 | 60 |
| 6. Dhule .. .. .. .. | 171 | 170 | 170 |
| Total (Nasik Division) .. | 1430 | 1010 | 729 |

| 1 | 2 | 3 | 4 |
|---|---|---|---|
| 7. Ahmednagar .. .. .. | 330 | 315 | 282 |
| 8. Kolhapur .. .. .. | 300 | 252 | 68 |
| 9. Satara .. .. .. .. | 302 | 264 | 90 |
| 10. Pune .. .. .. .. | 352 | 269 | 212 |
| 11. Sangli .. .. .. .. | 222 | 122 | 45 |
| 12. Solapur .. .. .. .. | 277 | 254 | 197 |
| Total (Pune Division) .. .. | 1783 | 1476 | 894 |
| 13. Aurangabad .. | 176 | 176 | 172 |
| 14. Bhir .. .. | 190 | 168 | 141 |
| 15. Nanded .. .. | 196 | 155 | 58 |
| 16. Osmanabad .. | 216 | 122 | 38 |
| 17. Parbhani .. .. | 238 | 207 | 162 |
| Total (Aurangabad Division) .. | 1016 | 828 | 571 |
| 18. Akola .. .. | 208 | 207 | 207 |
| 19. Amravati .. .. | 247 | 242 | 69 |
| 20. Bhandara .. | 290 | 163 | 83 |
| 21. Buldhana .. | 154 | 115 | 35 |
| 22. Chandrapur .. | 220 | 162 | 53 |
| 23. Nagpur .. .. | 198 | 186 | 173 |
| 24. Yavatmal .. .. | 160 | 154 | 35 |
| 25. Wardha .. .. | 133 | 118 | 53 |
| Total (Nagpur Division) .. | 1610 | 1347 | 708 |
| GRAND TOTAL : Entire State : | 5839 | 4661 | 2903 |

IMMEDIATE

MALATI TAMBAY-VAIDYA
Secretary to Government.

D.O. No. S. 14/64560-L-6
Revenue & Forest Department,
Mantralaya, Bombay 400 032

Dated 8th July, 1977

Dear,

As you are aware, the scheme regarding supply of revised Khate Pustikas to all khatedars in the State is being implemented since 1st August 1976. Nearly 60 lakhs Khate Pustikas have been printed and 57 lakhs Pustikas have already been supplied to the Collectors according to their requirements. The latest progress report shows that nearly 33 lakhs pustikas have been completed and out of these, 17 lakhs have actually been distributed to Khatedars.

2. The intention underlying this scheme is that the revised Khate Pustikas should serve as a basic document and that it should effectively obviate the need for Khatedars to obtain extracts from Record of Right (Village Form VII-XII) from the Talathi for different purposes. To achieve this, Government have already taken the following steps :—

(a) The revised Khate Pustika, besides giving details of all the lands held by the Khatedar in the village, gives information regarding land revenue demand, tagai dues, Z.P.s and village panchayat dues, etc. Similarly, it contains information about the dues of co-operative financing agencies, State Bank of India or any other Nationalised Bank, foodgrain levy account, etc.

(b) The entries in the copies of Records of Rights appearing in the Khate Pustika have been given presumptive value as available to the extracts from Records of Right vide amendment made to Section 151 of the Land Revenue Code.

(*c*) The requirement of the applicant attaching copies of record of rights to his application to Revenue Officers, tenacy courts and also with the application made to irrigation authorities, Zilla Parishads, Co-operative Agencies, etc. has been done away with. In such cases, the authorities concerned are to verify the title and possession of the applicant, form the entries in the Khate Pustika or to obtain copies thereof from the Khatedar and keep them on record of the case vide Government Circular No. RAM/1072/232961-L-6 dated 26-7-1976.

(*d*) In regard to suits filed in Civil Court, the requirement of copies of Records of Rights being attached to the plaint has also been removed vide amendment made to Chapter II of the Civil Manual 1960 Vol. I under notification No. P.IV 112/29 dated 26-6-1971 (please see Government Circular L & J D No. CVM 1076/2342(711) dated 28th April 1977.

3. Government have, however, received complaints that, the Khate Pustikas are not serving the purpose government had in view. This may be due to the fact that in some cases the pustikas distributed to Khatedars were incomplete. In other words, all the information required to be filled in was not included in the Pustika before the same was handed over to the Khatedar. It may also be possible that inspite of government directions, officers of different departments or Bank authorities may still be insisting on Khatedar attaching extracts of the Record of Rights with his application. The other possible reason is that the whole scheme of the revised Khate Pustika may not have been given adequate publicity and the Khatedar may not be aware of the usefulness of the Pustika for various purposes.

4. Government therefore, desires that following remedial measures should be immediately adopted :-

(*i*) The Collectors should immediately undertake a sample check to ascertain whether the Khate Pustikas distributed in their respective districts are complete in all respects. They should also take action to ensure that where the Pustikas are incomplete in any respect, all wanting information is filled in without delay;

(*ii*) It should be stressed on all officers of Revenue Irrigation, Agriculture, Zilla Parishad, Co-operative Agencies and Nationalised Banks, etc., that the Khate Pustika has been made a basic document and that entries in the copies of Record of Rights included therein have been given presumption of correctness. Therefore, they should not insist on applicant attaching copies of Record of Rights with the application but that the title and possession of the applicant in respect of the land in question be got verified from entries in the copies of Record of Rights in the Pustikas ;

(*iii*) Care should be taken to see that the entries in Khate Pustikas are brought uptodate by the Talathi and other agencies whenever the Khatedar applies for getting those entries updated.

5. Government also desires that in order to make the Khatedars aware of the usefulness of the Khate Pustika, the information contained in the pustika and presumption or correctness given to entries in the copies of Record of Rights in the pustika and also the fact that production of extracts of Record of Rights with the application is no longer necessary are given wide publicity in the districts. Steps are being taken at Government level to see that necessary publicity material such as posters, folders, etc., are got prepared through Director of Publicity and distributed to all concerned. However, pending this, necessary arrangement for giving publicity to the scheme should be made through the District Publicity Officer(s). Similarly, Revenue Officers should be asked to give wide publicity to the scheme of revised Khate Pustika whenever they have an occasion to visit the village(s). A note about this should be kept by the officers in the village visit book and also in their diaries. These notes should then be checked by the supervisory officers.

6. Government also desires that you should immediately ascertain the present position regarding supply and distribution of Khate Pustikas in your District and see that the whole work is completed by the target date namely 31-8-1977. Please also ascertain whether they are serving the purpose Government have in view, the nature of complaints, if any, received by you from the Khatedars, in that behalf, etc. A detailed report in the matter may then be submitted to Government within a fortnight.

Yours sincerely,
Sd/- xxxxx
(Malati Tambay-Vaidya)

To : All Collectors by name

Copy forwarded with compliments to

Shri.........................................
Commissioner
Division

## ORISSA

We have made detailed enquiries with the State Government and learnt that the system of issuing agricultural pass books to farmers has *not* so far been introduced in Orissa. The Government of Orissa, we understand, had deputed some of its officers a year back to study the agricultural pass book system in Maharashtra and some other States. The report submitted by these officers is still under consideration of the State Government. It was also ascertained from the State Government sources that, among others, the recommendations made in the report called for closer examination before introduction of the system of agricultural pass books on the need for giving legislative support for its universal adoption and the administrative arrangements the State Government should ensure for facilitating speedy updating of the pass books, when issued, without extra incidence of cost on the farmers.

## PUNJAB, HARYANA, HIMACHAL PRADESH, J & K

### PUNJAB :

The Revenue Department had introduced the scheme of issuing pass books (on a fee of Rs. 6/-) to land owners in 5 tehsils i.e., Nawan Shahr & Nakodar of Jullundur district, Ajnal & Amritsar of Amritsar district, Moga of Faridkot district, Malerkotla of Sangrur and Nabha & Patiala of Patiala district during the year 1975-76. The department has appointed 20 additional Patwaris in each Tehsil for completing the preparation of the pass books. So far the working has been completed in 3 tehsils. In order to expedite the completion of the pass books, the department has proposed to the Finance Department for appointment of enough number of additional Patwaris so that the work can be simultaneously taken up in all the 12 districts. The system has been introduced under the executive instructions and no specific amendment has been made to the State Land Revenue Act, as it was opined by the Legal Department that under Section 31(2) of the land Revenue Act, the Government can issue a notification for attaching presumption of truth to the pass books under Section 44 of the said Act. The Government has accordingly issued notification on 13-2-1975. The following particulars are entered in the pass book :

(*a*) The description of entire land holding of the land owner.

(*b*) The details regarding the transfer of land by sale, gift or mortgage (at the time of attestation of mutation entries to be made by the Revenue Officers).

(*c*) Details regarding the transfer of land by sale, gift or mortgage registered deed (entries to be made by Sub-Registrars).

(*d*) Details regarding taccavi loans from the government department/semi-government institutions.

(*e*) Details of encumbrances on land

(*f*) Copy of field map.

The department has issued instructions in February 1975 to the Deputy Commissioners, Revenue Officers, etc., regarding maintenance of the pass books. Besides the above particulars, the market value of the land is recorded in the pass book, according to the same procedure as the value of land assessed for payment of compensation under the Land Acquisition Act, 1894. It has been indicated by the department in the circular that the pass books will have to be kept uptodate as it will have to be compulsorily produced by the holder at the time of every transaction concerning land or for servicing any loan.

### HARYANA

The system of issuing pass books has been introduced in the State since 1969-70 in all the districts under executive instructions. Thus there is no support from the State Legislature in this regard. No additional machinery has been provided for the completion of preparation of the pass books. It was understood that as against 14,85,000 pass books to be issued to the land owners, about 8,65,000 pass books have so far been issued. The pass book is a priced publication and its price has been kept at Rs. 3/-. Re. 1/- is distributed among the officials connected with the preparation and sale of the pass books. The pass book is required to be prepared afresh after every 5 years. The government is considering the feasibility of giving evidentiary value to the pass book so that while obtaining loans from the Co-operative Societies, banks, etc., the land owners need not obtain copies of the revenue records from Patwari. A committee has been constituted for examining the changes required to be made in the Land Revenue Act and Registration Act so as to make it compulsory for the Sub-Registrars and Revenue Officers to record every transaction regarding the land in the pass book. Thus at present the pass books have no evidentiary value and are more or less optional for the farmers.

The following entries are required to be made in the pass books :

(*a*) The description of entire land holding of the land owner as per Jamabandi with encumbrances if any.

(*b*) Details of mutation, reasons for the same and party in whose favour.

(*c*) Details regarding taccavi loans.

(*d*) Malguzari charges required to be paid to the Numberdar.

(*e*) Map of the land

It is not compulsory for the land owner to produce the pass book for transaction regarding the land. However, if the land owner so desires he can produce the pass book to the patwari from time to time for getting the same recorded.

## HIMACHAL PRADESH

The system of issuing pass books has been introduced in the State under executive order. It is optional for the farmers to get the pass books issued if they so like. There is no support from the State legislature and no specific machinery has been set up for preparation and updating the pass books. The exact details required to be indicated in the pass books, are still awaited from the department. However, it is understood from the land mortgage bank that the pass books contain information regarding the description of the land holding of the land owner as per Jamabandi, encumbrances thereon as per revenue records and details regarding taccavi loans. It is left to the option of the farmers to get their pass book updated from time to time by producing the same to the patwari. It was understood that about 4 lakhs pass books were to be issued in the State and the progress achieved there against was not available with the department.

## JAMMU & KASHMIR

The system of agricultural pass books to the farmers has not so far been introduced in the State. However, steps are stated to be under way to introduce the system in the State shortly.

## RAJASTHAN

1. The system of issuing agricultural pass books to farmers has been introduced by the Government of Rajasthan from the year 1971.

2. The administrative instructions to treat the pass books as a record of rights in land have been issued under Section 114(d) of the Rajasthan Land Revenue Act 1956. Further by an amendment to rule 23 of the Rajasthan Land Revenue (Survey record and Settlement) Rules 1957 pass books have been considered as a part of the record of rights. With a view to ensuring the updating of pass books, administrative instructions have been issued under section 132 of the Act *ibid.*

As per the information obtained from the Revenue Department pass books have been issued to 31.71 lakh Khatedars out of the total 39.21 lakhs Khatedars in the State. It is reported that there are about 5.70 lakhs Ger Khatedars (non-account holders) who may be ultimately given the rights in the land and hence about 13 lakh pass books are yet to be issued.

3. Pass book has 5 parts. Part 1 gives the particulars about the owner of the pass book i.e., his name, account number, caste, village, tehsil, district, etc., and the date of issue of pass book. Part 2 gives the details of land and the land revenue. The details of land include Khasra No., area of land, type of land, annual land revenue and development work if any, undertaken on the land. Part 3 gives the details of outstanding land revenue and government dues if any. Part 4 gives the details of loans issued by financial institutions and the encumbrance on that account. Part 5 gives the details of loans repaid to the financial institutions and the vacation of encumbrance. The particulars entered in the pass book are required to be verified by the concerned Patwari of the circle under his signature and date.

4. While there has been good progress in the issue of pass books to the farmers some of the banks are still not recognising the pass book as the document of record of rights in land. They

have reportedly raised certain legal issues. The State Government feels that there are no legal lacunae in the existing provisions of the Act and Rules as also pass book. However, it is reported that the State Government is considering to amend the concerned rules with a view to ensuring regular updating of pass books and also adopting the pass book proforma on the pattern of that in vogue in Punjab State.

## TAMIL NADU

### A. TAMIL NADU

The Patta (agricultural) Pass Book system was introduced in Tamil Nadu in October 1972 and has been under implementation in all districts except Madras, Kanyakumari and Nilgiris (the settlement work of land records pending completion in the latter two districts). The book has been so designed as to contain the following details :

(*a*) identification particulars of the pattadar

(*b*) details of land holdings and basic assessment such as extent, whether dry or wet, survey numbers, manner of acquisition whether hereditary or by purchase, etc.

(*c*) land revenue due from the pattadar with details of components

(*d*) actual payments made thereof by the pattadar

(*e*) details of loans obtained from the Government and their repayment ; and

(*f*) schedule of due dates for payment of land revenue.

There was, however, no provision for affixing the photographs of the pattadars on the pass books for purpose of identification. These pass books were expected to serve as documentary evidence and hence would be accepted by various institutions (co-operative banks and commercial banks) engaged in supplying inputs and providing credit to agriculturists. Thus, the objective of the scheme was to reduce/avoid dependence of the agriculturists on the Village Karnams for certificates. It was also to facilitate the pattadars to know readily the extent of their holdings, the actual amount payable as land revenue, etc.

The Evaluation and Applied Research Department of the Government of Tamil Nadu conducted an evaluation study of the scheme in March 1977 and forwarded its report to the State Government. The following were the important findings of the study :

(*a*) All agriculturists have not been issued patta pass books.

(*b*) Although the village Karnams have obtained the required copies of pass books, they have not written and supplied the same to the pattadars. (This partly explains the non-remission of cost of the books (Re. 1/-each) by the village Karnams to the Revenue Department. Thus as on 31st July 1977, against 99,29,618 pass books reported to have been supplied by the village Karnams, an amount of Rs. 76.37 lakhs only has been recovered by the Department).

(*c*) In most of the cases, the entries are not made properly.

(*d*) After the issue of pass books, the details are not updated incorporating the charges in land holdings, consequent on sale or purchase of part of the holdings.

(*e*) Important details like land revenue payable and paid repayment particulars of government loans, have not been entered in the pass books.

(*f*) Pass Books are not issued on a continuous basis; as a result, new pattas created are not covered.

(*g*) Total extent under joint holding is recorded in the pass book of each joint pattadar and not the entitlement of each shareholder.

(*h*) Several persons who ceased to be pattadars long back had been issued books. Books were also found to have been issued in the names of deceased persons.

(*i*) Commercial/Co-operative banks do not consider the pass books as a satisfactory documentary evidence of the holdings as they do not truly reflect the current land holdings and the liabilities thereon of the patta holders.

(*j*) The farmers are as much dependent on the village officials as they were prior to the introduction of the scheme, as the issue of pass books has not conferred any benefit on them.

(*k*) The apathy of the village officials who would like the cultivators to approach them on as many occasions as possible for various reasons is partly responsible for the ineffective implementation of the scheme.

2. The State Government have appointed a high level committee under the chairmanship of the First member of the Board of Revenue to study in detail the working of the scheme in the light of the findings of the study and suggest measures for successful implementation.

3. There is no support from legislature for the maintenance of pass books, nor is there any separate machinery for distribution, writing up the entries, updating the information, etc. The pass books intended to reduce the dependence of the cultivators on the village officials are to be written by the village officials themselves, and as such, its usefulness is very much limited.

4. There is no column in the pass book to indicate the particulars of loans obtained from co-operative banks/commercial banks, repayments, etc. The State government has suggested to the Revenue Board for incorporation of bank loans also in the pass books. The suggestion is under the consideration of the Board.

## B. PONDICHERRY

We understand from Pondicherry Central Land Development Bank that the system of issuing of agricultural pass books to farmers has not been introduced in Pondicherry.

## UTTAR PRADESH

(1) Whether the system of agricultural pass books to farmers has been introduced by the U.P. State Government.

The U.P. State Government had amended the U.P. Land Revenue Act, 1901, in the year 1970 to provide for issue of pass books to cultivators known as "Jot Bahis." The Hindi terminology literally means "Record of Cultivated Land." In pursuance of the above amendment "Jot Bahis" were issued to the cultivators from the year 1970. This pass book was, however, meant to serve a limited purpose, viz., to be a Khatawise record of land holding of a cultivator in a single village. It was to be issued only to the landholders having Bhumidari and Sirdari tenure rights. Asamis and Government Lessees were not covered by this provision. Besides, it was not the intention of the Government that landholders having Bhumidari and Sirdari tenure rights should be in a position to use the above pass books for obtaining financial assistance either from State Government agencies or financial institutions. Besides, there was no provision for updating of the pass books. The pass book was to indicate details of landholdings, etc., on a particular date, viz., the date of issue. Besides, financial institutions were not associated with formulation of the format of the pass book, as it was not meant to serve the purpose of obtaining loans from financial institutions. The pass books were, however, issued to the cultivators in the entire State.

(2) Legislative Support and Machinery for updating the pass books

As regards updating of the pass books, no machinery was introduced for the purpose and as already indicated, the pass books were indicating details of land holdings on a particular date.

(3) Revision of the pass book with a view to help cultivators obtain financial assistance on the basis of the pass book.

While considering the utility of the pass books for enabling the cultivators to obtain short-term as well as medium and long term loans, the Government decided to implement the decisions arrived at during the discussions in December 1975, in 2 phases, viz., phase (1) for short-term loans and phase (2) for medium and long-term loans.

*Phase* (1) *for short-term loans*

To enable the cultivators to obtain short-term loans with the help of the pass books, the Government felt that certain further amendments had to be carried out to the Land Revenue Act, so that the benefit of the pass book is derived by Asamis and Government Lessees, in addition to Bhumdari or Sirdari tenure holders.

The amendments proposed also contemplated procedure for updating of the pass books every year without payment of any extra fee by the landholders. The amendments also contemplated prescribing rules for the mode of receipt, in evidence of entries in the Jot Bahis and the mode of its revision and authentication and updating and for issuing of duplicate copies thereof.

*Phase* (2) *for medium and long-term loans*

For implementing Phase (2) to enable taking medium and long-term loans with the help of the pass books, the Government decided that the pass books should show details of all the loans taken by a tenure holder from Government agencies, banks and co-operative societies, to enable him to obtain medium and long-term loans. The form for this pass book was finalised in consultation with the representatives of banks.

For updating of the pass books contemplated in phase (2) for medium and long-term loans, certain amendments had to be carried out in the U.P. Agricultural Credit Act, 1973. The Government felt that as the Agricultural Credit Act, 1973 was based on model legislation devised by the Central Government, amendments to the Act cannot be made without the concurrence of the Government of India. As the same may take sometime, the Government decided to implement phase (1) viz., utilisation of the pass book for obtaining short term loans.

(4) Manner in which the system is working in this State

Although the U.P. Government had, in principle, accepted introduction of the pass books, however, its implementation had been quite unsatisfactory. The Revenue Department had nos been in a position to print and distribute the pass books to all the cultivators. Initially, the past books were to be issued to cultivators in the 26 SFDA districts. Later, the distribution was to be extended to the entire State. The district collectors were initially permitted to get the pass books printed for distribution. Later, the Revenue Department advised that the printing of the pass books may be postponed.

The Directorate of Institutional Finance is pursuing the matter with the Revenue Department to see that the pass books, enabling obtaining of medium and long-term loans, are issued. I was given to understand that the Revenue Department was not very enthusiastic about pursuing the matter with regard to supply of the Jot Bahis, in view of the high cost involved, the large number of cultivators to whom individual pass books has to be supplied and the enormous amount of labour involved in updating the pass books and recording all mutations in the pass books.

## WEST BENGAL

Agricultural pass books were issued to Farmers by GOWB under IADP Programme in Burdwan dist., in 1966. Issue of Agricultural Pass books was thereafter stopped. Till date there is no support from the State Legislature for the issue of Agricultural pass books to Farmers. Proforma of passbooks issued in 1966 is not available with GOWB at Calcutta. GOWB might introduce Agricul-cultural passbooks when decision is taken to route Governtment Funds to Share-Croppers, etc. for production purposes through the cooperation deptt. There is no system of Agricultural pass-books in Sikkim and Andaman and Nicobar Islands.

## ANNEXURE II

### CREDIT GUARANTEE CORPORATION OF INDIA LTD.
### LIABILITY ON GUARANTEED ACCOUNTS

(1) *Traders in Fertilisers* (*or Mineral Oils*):

75 % of the amount in default or Rs. 75,000/- whichever is lower.

(2) *Farmers and Agriculturists*

(*i*) Financing seasonal agricultural operations : 75 % of the amount in default or Rs. 2,500/- which ever is lower.

(*ii*) Financing the reclamation or improvement of land, construction or deepening of irrigation wells, the installation of pumpsets for drawing water, the purchase of cattle, machinery or equipment or the acquisition of any other capital assets upto 75 % of the amount in default or Rs. 10,000/- whichever is lower.

(*iii*) Converting the outstanding amount of any credit facility granted for financing seasonal agricultural operations and not repaid within the prescribed period due to drought, famine, flood or other natural calamities, or the death or physical incapacity of borrower any other physical incapacity of borrower or any other unusual circumstances beyond the borrower's control into a term or instalment credit subject to such terms and conditions as may be specified by the Corporation, upto 75 % of the amount in default or Rs. 5,000/- whichever may be lower.

(*iv*) Pisciculture—upto 75 % of the amount in default or Rs. 37,500/- whichever may be lower.

(*v*) Sericulture—upto 75 % of the amount in default or Rs. 18,750/- whichever may be lower.

(*vi*) Animal Husbandry—upto 75 % of the amount in default or Rs. 15,000/- whichever may be lower.

(*vii*) Poultry farming—Upto 75 % of the amount in default or Rs. 22,500/- whichever may be lower.

(*viii*) Dairying farming upto 75 % of the amount in default or Rs. 15,000/- whichever may be lower.

The maximum liability that may devolve on C.G.C.I. as an aggregate (i to viii of clause 2) shall not exceed Rs. 37,500/- per party (individual or group of persons).

(3) *Borrowers under the DIR Scheme :*

The Corporation shall be liable to the credit institutions to an extent of 75 % of the amount in default.

(4) *Credit facilities for consumption needs and purchase or construction of house or tenament:*

The Corporation shall be liable to an extent of 75 % of the amount in default and this amount is in addition to the maximum liability specified in para 1 to 3.

## ANNEXURE III

## WORKING GROUP TO STUDY PROBLEMS ARISING OUT OF ADOPTION OF MULTI-AGENCY APPROACH IN AGRICULTURAL FINANCING

(Chairman of the Working Group, Shri C. E. Kamath, Chairman & Managing Director, Canara Bank, H.O., Bangalore 560 002)

### QUESTIONNAIRE

### I. MULTI-AGENCY APPROACH

1.0 It has been felt that as a result of more than one lending agency operating in a village/centre, certain problems have arisen. These problems mainly centre round the possibility of a cultivator/artisan obtaining credit from more than one financing agency for the same purpose and on the same security. There is also the possibility of wasteful competition among the lending agencies. What in your view, is the proper approach to avoiding such situations?

1.1 At present there are places where (*i*) a primary agricultural credit society ; (*ii*) a land development bank ; (*iii*) a regional rural bank ; and (*iv*) a commercial bank, operate side by side. How can the functioning of these different institutional agencies be co-ordinated to ensure smooth flow of agricultural credit ?

1.2 There are different institutional agencies operating in the same area, which purvey credit for the same purpose viz., for agricultural operations on short-term and/or medium-term and/or long-term basis. A cultivator might be able to obtain his entire credit requirements from only one agency or he might have to approach more than one agency according to the working of each agency and according to his needs.

In the above context, how can it be ensured that the cultivator has his credit needs met without difficulty ?

1.3 Would you advocate a single institutional agency for one village or a group of villages ? Will this be effective in meeting the credit needs of cultivators/artisans and also in eliminating double-financing ?

1.4 If you suggest one agency for one village/group of villages, which would be the most suitable agency for this purpose ?

1.5 Would you consider that demarcation of areas for different agencies is desirable and practicable and if so, what, in your opinion, is the proper basis for such demarcation ?

1.6 What are your views on the introduction of agricultural credit cards wherein the holdings, ownership, etc., are noted on the one hand, and borrowings on the other ? Are there any difficulties in introducing such cards ? If so, what are the remedies/alternatives ?

1.7 Would you suggest allocating geographical jurisdiction and functional jurisdiction to different bank branches (co-operative and commercial) operating in the same area ? If so, in what manner can this be arranged ?

## II. BRANCH EXPANSION

2.0 At present the Reserve Bank of India licenses banks to open branches as per certain guidelines, taking into consideration aspects such as the population of the centre, its growth potential, banking services available in the surrounding areas, etc. In course of time, this policy has been operated to make banks open more branches in rural areas, backward areas, unbanked/underbanked centres, etc. Yet, the position to-day is that in some areas there is a multiplicity of bank branches and in others there are no banks over wide areas.

How in your view, can this position be changed to ensure a balanced dispersal of bank branches and at the same time, avoiding overlapping of banking facilities in rural areas?

2.1 It is felt in certain quarters that if there is more than one institutional agency in a village, this will inevitably lead to overlapping of finance. Do you agree ? If so, how, in your view can such overlapping be avoided ?

## III. INTEREST RATES & SECURITY

3.0 At present, different banks charge different interest rates. Do you think that there is a case for making interest rates on agricultural advances uniform for all institutional agencies ? If so, on what basis can this be done ?

3.1 Should there be differential rates of interest according to (*a*) size of the loan; (*b*) holdings of the cultivator ; (*c*) type of advance, viz., long-term, medium-term, short-term ?

If so, will you please state the basis thereof ?

3.2 Different banks have different norms for obtaining security for agricultural advances. Some banks waive security of landed property for loans upto Rs. 5,000/- or Rs. 10,000/-. Some obtain security of only the assets acquired through bank finance. Some banks insist on co-obligation/guarantee of a third party, in addition to mortgage/hypothecation of property/assets.

In your view, can uniformity be ensured in the above matter ? If so, in what manner can this be brought about in a practicable way ?

3.3 Inspection/supervision charges for agricultural advances vary among different banks. How can they be made uniform and on what basis ? Kindly give your detailed suggestions.

3.4 Loans for agricultural purposes are at present covered by the Credit Guarantee Corporation of India Ltd., upto certain specified limits. The premium payable for such guarantee cover is absorbed by some banks ; some banks pass it on to the borrower. Yet, some banks take care to fix interest rates in such a way as to include the guarantee premium.

What, in your view, will be appropriate in this case?