

**Report of the  
Study Group On Area/Project Approach In  
Implementing Schemes For Extending  
Commercial Bank Credit To Agriculture  
(Including Commercially-Viable Projects In  
The Rural Electrification And Minor  
Irrigation Fields)**

**1969  
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Report of the  
STUDY GROUP ON AREA / PROJECT APPROACH  
IN IMPLEMENTING SCHEMES FOR EXTENDING  
COMMERCIAL BANK CREDIT TO AGRICULTURE  
(INCLUDING COMMERCIALLY-VIABLE PROJECTS  
IN THE RURAL ELECTRIFICATION AND MINOR  
IRRIGATION FIELDS)

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Introductory

The National Credit Council considered at its second meeting held on July 24, 1968, a report of its Standing Committee on the credit needs of the various sectors in 1968-69 and other related matters. One of the issues to which the Vice-Chairman drew the attention of the Council, while presenting the report, was the need for adoption by commercial banks of an area/project approach in implementing schemes for extending credit to agriculture (including commercially-viable projects of rural electrification and minor irrigation). Such an approach would not only be of considerable help to agriculture, but ~~it~~ would also result in efficient use of commercial bank resources for agriculture.

2. Since commercial banks do not have adequate trained staff and experience to step up lending to agriculture on the scale required to meet the needs of this priority sector rapidly, specific guidelines have to be evolved to facilitate assistance by them, not only for current agricultural operations but also for <sup>the</sup> agricultural infra-structure,

such as irrigation and power, without which it would be difficult to take advantage of technological advances in agricultural practices to any significant extent. The goal of the area/project approach is in fact the synchronised supply of credit for all these components of an integrated development plan for an area which can be financed by a banking institution.

3. The Council, therefore, decided to set up a small group to undertake a study of the various implications of the area/project approach. The group consisted of :

- (1) Shri P.N. Damry, .. Chairman  
Chairman,  
Agricultural Refinance  
Corporation,  
Bombay.
- (2) Shri Udayabhansinhji, .. .. Member  
Yuvaraj of Porbandar,  
Chairman,  
The All-India Central Land  
Development Banks  
Co-operative Union Ltd.,  
Hyderabad-27.
- (3) Shri D.A. Gadkary, .. .. Member  
'Hirkani',  
70/B.2, Erandavana,  
Prabhkar Road,  
Poona-4.
- (4) Shri J.S. Varshneya, .. Member  
Chief Officer,  
Small-Scale Industries and  
Rural Credit Section,  
State Bank of India,  
Bombay.

- (5) Shri M.Y. Ghorpade, .. .. Member  
SANDUR.  
Bellary District.  
(Mysore State)
- (6) Shri B. Rudramoorthy, .. .. Member  
Managing Director,  
Agricultural Finance Corporation Ltd.,  
Bombay.
- (7) Shri L.N. Bongirwar, .. .. Member  
Commissioner for Agricultural  
Production and Secretary,  
Government of Maharashtra,  
Sachivalaya,  
Bombay-32.
- (8) Shri Maganbhai R. Patel, .. .. Member  
Chairman,  
Gujarat State Co-operative Bank Ltd.,  
Ahmedabad.
- (9) Shri B. Majumdar, .. .. Member  
Chairman,  
West Bengal State Co-operative Bank Ltd.,  
Calcutta-1.
- (10) Shri V.G. Pendharkar, .. .. Convener.  
Principal Adviser to the  
Reserve Bank of India,  
Bombay.

4. The Study Group had six meetings as under:

October	24,	1968	
November	16,	1968	
December	10,	1968	
January	13,	1969	
January	30,	1969	and
February	19,	1969	

At its meeting on the 19th February 1969, the Group met the representatives of the Panel set up by the Indian Banks' Association on the same subject. The Group discussed the various points arising out of the Panel's report.

The Group would like to record its deep appreciation of the valuable assistance given in the form of information supplied, drafting of the report as well as participation in the deliberations of the Group by Sarvashri V.M. Jakhade, A. Raman and T.V. Ramachandran of the Economic Department and Shri C.G. Ramasubbu of the Agricultural Credit Department of the Reserve Bank of India, and other staff in these two Departments.

5. The report is divided into seven sections, as under:

- Section I - Description of Area/Project approach and types of programmes to be financed by commercial banks.
- " II - Identification of Potential Area/Project.
- " III - Machinery for Identifying areas/projects with growth potential.
- " IV - Co-ordination between commercial and co-operative banks.
- " V - Role of the Agricultural Refinance Corporation.
- " VI - Provisions of State enactments having a bearing on lending to agriculture.
- " VII - Summary and General Observations.



SECTION I : DESCRIPTION OF AREA/  
PROJECT DEVELOPMENT PROGRAMME  
AND TYPES OF PROGRAMMES TO BE  
FINANCED BY COMMERCIAL BANKS

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6. In general terms, area development means a plan for the total resource development of a region. In the fullest sense of this term, it means  
Concept integrated/co-ordinated development of land, water, forest and mineral resources of the region. The area to be covered by such a scheme of development can encompass the entire country, or a region within a country, say a State or even parts of a State.

7. The classic example of an area approach to development in this sense is the Tennessee Valley Authority (TVA) which was responsible for the total economic development of the area defined by the relevant statute.

8. A project approach, on the other hand, indicates a narrower goal in the sense that a particular project may constitute one segment of a wider scheme of area/regional development. The area approach that would be suitable from the point of view of commercial banks in India is wider than the project approach but somewhat limited in scope as compared to the comprehensive definition given above. In particular, banks are not expected to finance directly the capital costs of medium and major projects for the development of flow

irrigation schemes, construction of canals, headworks, reservoirs, trunk roads, etc. which are generally governmental responsibilities.

9. In determining the scope for adopting the area approach, two considerations have to be borne in mind. Firstly, the Considerations Determining the Scope of Area Approach resources of commercial banks are limited. Banks have as yet to spread their branches in rural areas in adequate measure. The activities they are expected to finance are largely unfamiliar to them. Also, they suffer from the general paucity of qualified and trained personnel to run the new offices; it would take some time for the existing staff to acquire sufficient technical competence to be able to handle the new field of financing agriculture. Secondly, following from the limitation of resources is the need to ensure that available resources are so utilised as to lead to an immediate and significant increase in agricultural production. Towards this end, it would be desirable to co-ordinate the activities of commercial banks, with those of co-operative banks, Agricultural Refinance Corporation, etc. in areas where there is potential for development and the need for credit exists.

10. The area approach for commercial banks which could be Essentials of the Approach described also as a package approach for extending credit to agriculture, in the opinion of the Group, means formulation

of a programme of bankable propositions in respect of a definable area, which leads to integrated and harmonious development covering the various facets of the agricultural economy of that area. The compact area for intensive development could consist of a district or two or a few taluks or even a cluster of villages and hamlets. The basic ingredient of the approach is that banks finance to the fullest extent possible the capital investment and supporting seasonal requirements of groups of farmers owning or cultivating contiguous plots of land even if residing in adjoining villages, and not just a few isolated individuals or for sporadic items of investment. In other words, intensive credit assistance is to be given in these areas by integrated lending for their all-round development. This would enable banks to utilise their limited resources in an efficient manner and also facilitate supervision. An added advantage is that they would be able to count upon the guidance and assistance of the State Governments in selecting areas and identifying propositions to be financed. The precise techniques such as individual or group loans to be used for this purpose can be best evolved by banks themselves and, are not, therefore, discussed in this Report.

11. In the present context generally areas that possess basic physical requirements and resources but need financial resources for either development or further growth are ideal for selection for an area approach. In determining the boundaries of an area, the

Broad Criteria  
for  
Identification

factors to be taken into account are homogeneity of the area with regard to basic resources and climatic conditions. Even more important, there should be a proper machinery for a scientific assessment of the economic potential of the area for the implementation of the programme. The various indicators that are useful in identifying areas/projects having potential for agricultural development and suitable for commercial bank financing are described in detail in Section II.

xxxxxx Broadly, areas with assured irrigation facilities, areas that have ~~benefitted~~<sup>benefited</sup> or are likely to benefit from river valley projects as also areas where specific schemes of development as the ones under the auspices of the Agricultural Refinance Corporation, have been either undertaken or completed, appear suitable for commercial bank financing of agriculture. For, such areas possess the basic requisites for further development and banks' efforts can contribute to the building up of an integrated structure of facilities for agricultural development there. This may be illustrated by reference to some of the existing programmes of development.

12. Firstly, there are the districts covered by the Intensive Agriculture District Programmes (IADP) and the Intensive

Examples -  
Existence of  
Basic Requirements:  
IADP & IAAP areas

Agriculture Areas Programmes (IAAP). The object of the IADP is to

induce the cultivator to adopt a package of improved

agricultural practices in order to bring about a significant increase in yield per acre. The programme is implemented in districts which have the requisite potential, organisation and other facilities for increasing agricultural production. Under the I.A.A.P., the object is more or less the same but the intensity of efforts is less and the programme is generally directed to the cultivation of the predominant crop in the region. The concentration of State efforts in areas covered by these schemes has ensured availability of inputs, technical aid and administrative arrangements to a much greater extent than in the remaining areas. However, even within areas covered by these schemes, there may be some blocks which possess greater potential than others because of favourable natural and other conditions. In such matters, the existence as in the West Godavari district of a co-ordinating authority such as the District Collector, who also acts as a Project Officer and co-ordinates the different activities connected with agricultural production, can be of considerable help in locating the areas and specific projects.

13. Secondly, as a result of homogeneity with regard to basic resources and climatic conditions, there are a number

Homogeneity of  
Resources and  
Climatic  
Conditions

of districts that specialise in particular crops, such as cotton

in Broach, tobacco in Guntur, cashewnuts in Ratnagiri,

coconuts in all the districts of Kerala. Similarly, as regards food crops, 42 districts in the country account for half the production of paddy in the country and 41 districts account for half the production of wheat in the country. Adoption of these areas for development of agriculture will lead to quick increases in production.

14. In many irrigation schemes in the country, the underlying principle of water management is widespread distribu-

Assured Water Supply -  
Area under Protective  
Irrigation

tion of the available supply of water so as to protect a large

area from the caprice of the monsoon. This involves no radical change in the crop pattern but an eking out of scanty or unseasonable rainfall by one or two waterings from the irrigation system to secure the normal level of production. Due account has to be taken of the fact that, in years of drought, protective irrigation works confer little or no benefit where the catchment and the command areas fall within the same isohyetal tract or, as in the case of minor irrigation tanks, within the same locality.

15. Even in such areas, that is, where the change-over is from dry to dry-cum-wet cultivation and not to intensive irrigation, the use of high-yielding varieties of seeds in place of the local variety becomes possible. This, together with application of fertilisers and pesticides, should enable

the cultivator to obtain much higher yields than would otherwise be possible. Thus the consequent increase in income makes the adoption of the area approach feasible even in areas where irrigation is purely supplemental. Typical of the projects based on the principles of water management referred to above is the Tungebadhra Right Bank High and Low Level Canals Project in Bellary District. Here, the scheme of irrigation is not "intensive": instead, having due regard to the frequency of drought over a widespread area, the canal system allows for "light irrigation" over as wide a zone as possible. The traditional cropping pattern hitherto followed in this area consists of jowar, bajra, cotton and groundnut, depending, in the main, on rains and generally with poor yields. The light irrigation cropping pattern that the Project will make possible will not be substantially different (save in limited areas where more intensive irrigation will permit of the growing of chillies, cane and onions). But the difference with the advent of irrigation is that the dependence on rainfall and consequent fluctuation in production is reduced. Further, with assured water supply, the production can also increase by use of inputs such as fertilisers, better seeds, etc. To be able to exploit these possibilities, cultivators require finance for capital improvement of land by levelling and grading as well as for the increased cost of seasonal operations associated with farming.

17. Where canals are not lined with cement or similar material, a good deal of water seeps from the canals into

- Use of Seepage  
Water

the surrounding sub-soil. This increases

the available supply of water resources in the command area of the irrigation system. In several such command areas, cultivators have taken advantage of the seepage from canals by sinking wells. In fact, construction of wells in the command area of such irrigation system is quite often the best way of ensuring optimum utilisation of the total water resources of such areas. This can be best illustrated by the economic development brought about in the wake of the construction of the Nira Canals in Maharashtra. These works were conceived as a protective irrigation scheme. The area served by the canals has, in the course of the past five or six decades, developed into an irrigated farming tract with a large number of wells. It has taken to cultivation of sugarcane to the extent permitted by available water and this has led to the establishment of sugar factories as well. The area served by the Nira Canal System typifies the transformation that can be brought about.



18. In the case of areas under major irrigation projects, uncertainties of rainfall have been overcome to a large

- Area under  
Major Projects

extent and the credit requirements of cultivators

can be worked out with <sup>a</sup> reasonable degree of accuracy as there already exist fairly definite ideas about the crop pattern. These areas are clearly attractive for commercial bank financing of agriculture. However, it is necessary in such cases, to assess the credit needs at each stage. Thus, in the Nagarjunasagar Project area, the cultivators' foremost credit requirement was long-term credit for preparation of lands to make them fit for receiving irrigation. This requirement was met by the co-operative land mortgage banks which secured the funds from the Agricultural Refinance Corporation. However, the increased short-term and medium-term credit requirements of cultivators in the area, arising from the switch-over from dry farming to wet farming, for purposes of modern inputs like improved seeds, fertilisers, pesticides and additional draught power, implements and machinery were not fully met as the local co-operative credit structure, responsible for the provision of short-term and medium-term credit, was weak. Thus, a credit gap <sup>has appeared</sup> ~~is felt~~ in this area which, when filled, will accelerate the tempo of development.

19. It is likely that in major irrigation schemes, commercial banks find it worthwhile to finance the comparatively

better-off classes of cultivators who would derive major benefits from them. However, there are schemes where such benefits accrue to small cultivators as well and

- Well Irrigation

who, therefore, can also be financed by commercial banks as they are good credit risks. A study conducted in Mehsana district of Gujarat provides an interesting illustration <sup>m</sup> ~~of~~ <sup>regard</sup> this. This district has a comparatively large proportion of small cultivators. It also suffers from drought of greater or lesser intensity once every four years. However, both big and small farmers in the district have withstood these natural calamities by tapping, by means of deep wells, the abundant resources of sub-soil water. Each village has, on an average, fifty wells. The available draft from each well frequently exceeds the well-owner's needs and he sells the surplus to his neighbour. But the economics of well-irrigation in this area, with its high recharge capacity, could be greatly enhanced by energising the water lift. A programme of electrification could be undertaken by individual farmers in the area with the help of bank credit. The potential for further well construction could be exploited in the same way. Another possibility of increasing the income of the area is through encouraging mixed farming; the local farmers, particularly small ones, already derive a sizeable income from milk production rendered highly economic

by the development of the dairy industry in the co-operative sector.

20. The foregoing examples show that an area approach is not confined merely to the fulfilment of one programme,

Wider Implications  
of Area Approach

but leads to  
several connected

or consequential projects as a result of the momentum given to the economy of the area. The changing pattern of demand for credit and services in such a situation provides further scope for banks to take up other activities in these areas. To begin with, in the selected areas, banks can take up financing one or more projects that may have a catalytic effect. For example, areas with large number of wells, require diesel or electrical pumpsets. Where ample underground water is found tube-wells need to be installed. Bank finance may be given for such purposes. Again, where new canals are coming up, bank finance is needed for land improvement and to meet the larger working capital requirements. The energisation of wells, introduction of canals, etc. backed by adequate xx xxxxxx xxxxxx xxxxxxxxxxxx xxxxxxxxxxxx provision of inputs, would result in increased agricultural production and, in due course, create a demand for setting up of storage facilities and processing units. Financing of processing units may help provide opportunities of industrial

employment as well as lead to reduction in marketing costs and increase profitability of agriculture. This would also lead to diversification of agriculture and taking up allied activities such as dairy farming, piggeries and poultry farming.

SECTION II : IDENTIFICATION OF  
POTENTIAL AREA / PROJECT

21. In this Section, it is proposed to discuss the preparatory work that needs to be undertaken in the implementation of the area approach.

Location and  
Identification  
of Areas

The first essential step is 'location and identification

of areas' suitable for immediate action. It is known that in India, geo-physical, climatic and rainfall conditions, crop patterns and techniques of cultivation and infra-structure show significant variations from State to State, district to district or even within a district. Thus, it is necessary to undertake preliminary examination to ascertain the potential for agricultural growth and banking development. For this purpose, it is advisable for the banks to make systematic arrangements to collect and study information on the following points, preferably on a district basis:

- (a) types and fertility of soils,
- (b) normal rainfall and the degree of its assuredness,
- (c) the extent of irrigation facilities in relation to gross cultivated area,
- (d) the intensity of cultivation,
- (e) pattern of crop distribution and extent of commercialisation of agriculture,
- (f) foodgrains output and marketable surplus,
- (g) food production programmes and their progress, especially the growth in demand for and arrangements for distribution of farm inputs, farm machinery and implements, etc.

Besides, the land ownership pattern and the size distribution of cultivated holdings and also pattern of agricultural marketing organisation and marketing practices need to be taken into account. Further, from the point of view of deposit mobilisation, some broad ideas regarding the magnitude of savings, the forms in which these savings are invested, the existing organised and unorganised sources of credit have also to be looked into. This would enable the banks to examine the agricultural development programmes and to assess the banking potential, centres where branches may be opened, the types of banking services required, etc. Although the list appears rather long, statistical and other information is available on some of these points with the concerned district and taluka authorities.

22. From the point of view of selecting areas for such examination, the following information will be useful to

commercial banks.

Classification  
of  
Districts

First, the Ministry  
of Food & Agriculture

of the Government of India have made a classification of districts in India, on the basis of annual rainfall received, into low, medium and high rainfall districts. Second, a study by Dr.S.R.Sen\* broadly divides all the districts in

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\* Presidential Address of Dr.S.R.Sen, Twentieth Annual Conference of the Indian Society of Agricultural Statistics.

the country into four categories, viz. (a) districts with assured water supply both in volume and spread and which are not unduly dependent on the vagaries of monsoon, (b) districts where the supply of water is largely dependent on monsoon and is subject to wide fluctuations in terms both of volume and spread, but where droughts are relatively less frequent, (c) districts similar to (b) above, but where droughts are relatively more frequent, and (d) districts where there is no dependable irrigation and where rainfall is scanty and precarious. Third, district-wise data on rainfall, land utilisation and crop pattern are available with district statistical/revenue authorities. Another useful pointer would be the selection of particular areas for the High Yielding Varieties Programmes\*. It is proposed to extend this Programme to about 60 million acres by 1973-74. The list of districts chosen for this programme is also available.

23. In the immediate future, however, commercial banks are unlikely to have technical personnel suitable for conducting such studies. Till such a machinery is built up by them, they may fruitfully examine some of the areas where specific schemes of development have been undertaken and such other projects for which details are readily available with the State Governments.

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\* High Yielding Varieties Programme is the new strategy in agriculture to raise agricultural production. These high-yielding seeds are highly responsive to fertilisers and are, at the same time, more resistant to insects, pests and diseases.

24. The Group took note of the fact that the implementation of schemes for which refinance has been furnished by the Agricultural Refinance Corporation, A.R.C. Schemes has created in a number of cases, a large potential for medium and short-term credit operations by banks. The Corporation has sanctioned 179 schemes till mid-November 1968 and which, at present, are at different stages of implementation. A project typical of those suitable for financing by banks is the irrigation project on river Ghod in Maharashtra expected to irrigate 62,400 acres of land spread over Srigonda and Karjat taluks of Ahmednagar district and Sirur taluk of Poona district. The cost of reclamation to prepare the soil for receiving irrigation is being provided at the rate of Rs.210 per acre by the land mortgage banks with refinance from the Agricultural Refinance Corporation. The advent of irrigation is apt to increase the demand for draught power and also for current farm expenses. A rough estimate of the requirements for the latter purpose is put at Rs.98 lakhs. In the Chambal Project area where also the cost of land development is financed by the Agricultural Refinance Corporation, over 14 lakh acres spread over the districts of Morena and Bhind of Madhya Pradesh and Kota and Bundi of Rajasthan are expected to benefit from irrigation. Short-term credit required in the project area, will be of the order of Rs.16 crores. Farm income in these areas is expected to rise by two to three-fold if supported by adequate short-term and medium-term credit, and thus providing prima facie ample potential;



for repayment. It will be useful to assess the type of supplementary credit required in areas where Agricultural Refinance Corporation has sanctioned financial assistance to similar other schemes of agricultural development.

25. It was earlier pointed out that the area approach is not merely the fulfilment of one project but of several related projects. The Kosi

The Kosi Project

Project provides an ideal

example of this\*. The Kosi project consists of the East and the West canal systems. The eastern canal system which has been completed has a command area of about 14 lakh acres, spread over Saharsa and Purnea districts of Bihar. Water for irrigation was released for the Kharif season of 1966 and as a consequence, a three-crop system is developing rapidly. Shortage of water outside the command area that may be experienced for a three-crop system is being overcome with a tube-well project financed by the Agricultural Refinance Corporation. The assurance of water supply is expected to lead to efficient use of land and it is not unreasonable to expect that land in the command area will be used intensively, say about 250 per cent. To sustain such an intensive exploitation of land resource, with improved seeds including high-yielding varieties, a credit agency should provide between Rs.200 and Rs.300 per acre for short-term agricultural purposes according to

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\* Part of the information contained in this paragraph on Kosi Project is based on an address by Shri B.Sivaraman, the then Agricultural Secretary to the Government of India, at a Seminar on Financing of Agriculture by Commercial Banks organised by the Reserve Bank of India, in December 1968.

crop loan standards. Finance on this scale appears justified inasmuch as the existing farm business income of a household in the area increased, with the advent of irrigation, by about 180 per cent. Credit requirements are apt to increase further, as has already been borne out, because techniques of cultivation continue to improve and the farmers feel the need for pumpsets, hoes, tractors, power threshers and even godowns. It is necessary to work out an estimate of credit required for each one of these purposes at each stage of development. For example, on the basis of crop loan scales indicated above, credit for seasonal agricultural operations can be roughly put at more than Rs.26 crores. Of this, credit for fertiliser alone would amount to about Rs.10 crores by 1973-74. Besides this, credit requirements for pesticides also will come up. Storage for fertilisers and agricultural produce may need investment of about Rs.5 crores during the Fourth Plan. Further, it is estimated that Rs.22 crores may have to be spent on roads of various types in the area so as to connect the producing areas with markets and to link markets with National Highways. The opening up of communication facilities is bound to create a demand for transport facilities, for which credit may be required. There is also a potential for a tube-well programme of Rs.30 - 40 crores and this can lead to demand for credit for electrification as well. Kosi is typical of cases where provision of irrigation facilities by a public sector project <sup>and reclamation</sup> and levelling of lands with funds from the Agricultural Refinance

Corporation provides further scope for lending in regard to the other credit requirements. Such ancillary requirements may extend beyond the domain of the agricultural production sector as it may call for processing units in the form of rice mills, oil mills, jute baling plants, etc., service organisations for repairs and maintenance of pump-sets, tractors, etc. and pest control.

26. Schemes of minor irrigation and rural electrification ~~xxxxxxx~~ have an important place in the area approach.

Schemes of Minor  
Irrigation and  
Rural Electri-  
fication

Both these are best implemented in compact areas from the point

of view of cost and social benefits. For, minor irrigation schemes such as wells, tube-wells, pump-sets, etc., have necessarily to be undertaken in areas with proved supplies of adequate sub-soil water. It is necessary to launch ~~sa~~ a programme of digging wells in the command area of irrigation projects depending upon the run-off of the river supplies for two reasons. Firstly, wells are required to tide over the shortage of water that may be experienced during crucial periods of growth of crops. Secondly, optimum utilisation of water resources demands that the seepage that occurs in these areas needs to be tapped to sustain a multiple cropping pattern. Recognising these factors, the Report of the Working Group for Formulation of

the Fourth Five-Year Plan proposals on Minor Irrigation and Rural Electrification has suggested that the Irrigation authorities should permit wells, tube-wells, pump-sets in command areas of irrigation projects. It has also been suggested that a nation wide exploitation of sub-soil water resources should be undertaken and that this should be followed by the States prescribing the maximum number of wells for any given zone, and if possible, their minimum inter-spacing.

27. The size of the minor irrigation programme including those of the type mentioned above has been indicated in the Report of the Working Group for Formulation of the Fourth Five-Year Plan proposals on Minor Irrigation and Rural Electrification. The Report has also furnished the State-wise targets in this regard.

28. Experience has shown that lift irrigation, besides being important by itself, gains added impetus from rural electrification for energising pump-sets. Electricity, as a source of energy for lifting water, is generally more economical than diesel according to a survey carried out by the Programme Evaluation Organisation which shows that 90 per cent or more of users prefer electricity to diesel on account of the low cost of operation; hence the emphasis in rural electrification programmes on electrification of pump-sets so as to secure the maximum impact on agricultural

production. The number of electrified pump-sets in the country as at end-March 1967 is placed at 6.7 lakhs. The main bottleneck in the pace of expansion of rural electrification programmes is paucity of resources with the State Electricity Boards. In view of the importance of this matter, the Group considered in some detail, the manner in which banks could finance electrification of pump-sets. Such lending may be for two purposes. Firstly, farmers are required to make deposits with the Electricity Boards for extension of low-tension transmission power line for energisation of their wells. These deposits are repaid by Electricity Boards to cultivators by adjustment against their electricity bills. Bank finance may be given for this purpose. Secondly, because of paucity of funds, Electricity Boards have not been able to extend electrification to rural areas where minor irrigation works are contemplated and the Boards, therefore, desire that cultivators make larger deposit of money to meet the cost of laying high-tension transmission lines as well. The Agricultural Refinance Corporation has agreed to extend finance in respect of both types of deposits referred to above, subject, however, to a ceiling in respect of each well to be energised.

29. The manner in which stable agricultural conditions

Storage of Agri-  
cultural Produce  
in the Punjab

and changeover to a  
higher technological

plane can create a new priority is typified by the problem

of storage which has assumed significance in the Punjab following the bumper harvest of the last season. ~~the~~ Large quantities of marketable surpluses of wheat could not be properly stored for want of adequate storage facilities. The HYVP has been gathering momentum and with further expansion of areas cultivated more than once, the marketable surplus is expected to increase on a large scale. Moreover, a large proportion of this surplus comes to the market between May and September, about half of it in June. Hence, <sup>there is a</sup> need for a programme of construction of storage facilities to be integrated with the HYVP and other food production programmes. Moreover, as the large quantities of fertilisers needed by the farmers have to be procured and stored in advance, the case for godown facilities gets further strengthened. The Punjab State Co-operative Market-  
ins Society has launched a programme to construct storage capacity of 1.56 lakh tonnes spread over 100 centres in the district for handling wheat alone. In the context of the anticipated increase in production of other crops as well in the Punjab, and similarly situated areas in the country, commercial banks can explore the possibilities of advancing medium and long-term loans to entrepreneurs in the private sector to enable them to construct modern storage godowns or silos for the purpose of renting out the storage accommodation to farmers or organisations of farmers such as co-operative credit or marketing societies.

30. Besides the need for development of storage and warehousing facilities, the development of advanced techniques of cultivation and resultant

Credit for Process-  
ing Industries and  
Input Supplying  
Industries

increase in agri-

cultural production create a demand for processing and other ancillary activities and also for supply industries. For instance, increase in output of maize may create demand for starch/corn flake manufacturing units or of potatoes for cold storage plants. Furthermore, the increase in the use of agricultural machinery and implements may lead to demand for repairs services and spares facilities. Moreover, with the advance in technology, the use of fertilizer mixtures would become more common and thus these units would come up in due course. The results of a study by Messrs. Johl and Mudshar have been given in the Appendix as illustrative of these points.

31. A mention may also be made here of <sup>the</sup> attempt made by a co-operative bank to locate potential for lending to agriculture-based industries.

Industries  
Commission in  
Maharashtra

The Maharashtra State Co-operative Bank has set up

an Industries Commission, the function of which is to identify potential for establishment of industries dependent on or catering to the needs of agriculture in the State. This

bank has also proposed the setting up of smaller versions of the Commission at the district level as departments of the Central Co-operative Bank. In addition to identification of potential, the bank also assists the establishment of such industries.

32. The above projects/areas have been outlined with a view to illustrating the need for commercial banks to look into specific development schemes and examine how best they can either individually or collectively help fill credit gaps.

33. The areas indicated here are illustrative and not exhaustive nor should their illustration be construed to mean that the Group has examined the schemes in detail and, therefore, commends them for adoption.



SECTION III : MACHINERY FOR  
IDENTIFYING AREAS/PROJECTS  
WITH GROWTH POTENTIAL

34. As indicated in the preceding section, commercial banks should have no difficulty in venturing into areas and projects already identified and with assured water supply. There may, however, be other areas/projects which the State Governments would want to develop. To facilitate the development of these, it is necessary (a) to have adequate machinery for identification and assessment of the potential of the areas, and (b) to make arrangements for co-ordination between commercial banks and co-operative banks.

35. In regard to the former, the State Governments can, on the basis of information already available with them in their Departments of State Annual Plans Agriculture and of Development, as also their district and block level agencies concerned with agriculture and ancillary activities, identify areas and schemes in specific areas. In their annual plans, States should, therefore, provide in future, details of bankable projects for the benefit of banks.

36. To make such location of an area or the geographical location of a project by itself meaningful, close co-ordination between the concerned departments within the State

Governments is necessary. Further, it is also necessary for banks to know the growth potential in concrete terms, so that they can work out the credit requirements according to the duration of loans.

37. The banks' task would be facilitated if the State Governments were to arrange to provide proper, timely and

Co-ordinated  
Service by  
States

correct information at one point to them. This would avoid the waste

of time and energy of both the banks and Government in having to contact more than one governmental authority, to assess the potential for working out the credit requirements of project/projects. The Group recommends the State Governments to make suitable arrangements for such co-ordination.

38. As to the question whether it will be sufficient to have such co-ordinated service only at the State level, it

- at District level

was felt that State level co-ordination

should be supplemented by that at the district level, for it is at the district level that operational difficulties are bound to arise and need to be solved expeditiously.

39. For this purpose, it would be preferable to have designated officials of the State Governments at the State

level and at the district level whom the banks could approach for their problems and who should arrange to secure for the banks all the details they may need. Even with this information, banks may still feel the need for further intensive investigation. This could be handled by them either on their own, or better still, through an associated body like the Agricultural Finance Corporation Ltd., as individual banks might not possess adequate resources for such exercise.

40. It is of interest to note that the Working Group on Inter-Departmental and Institutional Co-ordination for Agricultural Production, headed by Dr. Ram Subhag Singh (1963), has also suggested a similar pattern. According to this Report, the Member-Secretary of the Zilla Parishad or the Agricultural Production Committee where ~~the~~ <sup>there is no</sup> Zilla Parishad ~~is not there~~, should be responsible for the co-ordination of the activities of all departments concerned with agricultural production. The Report calls for a Secretary-cum-Commissioner, Agricultural Production & Rural Development at the State level to co-ordinate the activities of the departments of agriculture, animal husbandry, fisheries, panchayati raj and co-operation. Such an official can also arrange for co-ordination between the district officials and the Block Development officers who are in executive charge of implementation of agricultural production programmes.

41. The Group understands that the Agricultural Finance Corporation Ltd. has already enlisted the co-operation of the State Governments of Bihar, Uttar Pradesh, Orissa and Tamil Nadu on the lines indicated above for formulation of schemes.

42. With the information available from State/District officials, collaboration between State Governments, co-operative banks and commercial banks (individually or jointly or through associated bodies like the Agricultural Finance Corporation Ltd.) can help locate the credit gaps with reference to areas, subjects and items requiring agricultural credit. The Reserve Bank and the Agricultural Refinance Corporation can be of some assistance in this respect. The Group was informed that the Agricultural Finance Corporation Ltd. was making arrangements for constitution of a committee composed of representatives of the Corporation, heads of departments of State Governments and co-operators, for a similar purpose. The Group would recommend that representatives of farmers should also be included in this committee, if provision for such representation had not already been made.

43. The Group, however, wished to point out that it may take some time <sup>to set up</sup> ~~for~~ the type of co-ordination machinery contemplated. ~~to come into being.~~ Commercial banks should,

therefore, not wait for the co-ordination machinery to come into being to undertake financing of schemes but should make efforts either individually or in concert with other commercial banks/co-operative banks to identify credit gaps.

44. In this connection, it may be mentioned that the Agricultural Finance Corporation Ltd., has already made a preliminary review of the command areas of the Tirhut and Tribeni canals forming part of the Gandak Project as also about water availability in the remaining districts of Bihar. On the basis of these studies, the Corporation expects to be able to suggest some projects to the banks.

45. In addition, the Agricultural Finance Corporation Ltd. has sponsored visits of its representatives, the State Governments and commercial banks to potential areas identified by State Governments with a view to giving broad guidelines to banks, intending to develop business in such areas. The Corporation is also considering the establishment of consultancy service arrangements at three levels: (i) the farmer's level - progressive and cost-conscious farmers will be required to draw up plans for development and will be the contact-point for the banks, (ii) middle level consultancy arrangements consisting of qualified persons to identify and help small agro-processing industries, (iii) at the national level, a proposal is under consideration for

instituting consultancy arrangements for large projects. The Corporation has listed some names for use in connection with (i) and (ii). It may also be useful for commercial banks themselves to consider setting up such panels.

..... 35.

SECTION IV : CO-ORDINATION  
BETWEEN CO-OPERATIVE BANKS AND  
COMMERCIAL BANKS

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46. As regards co-ordination between commercial banks and co-operative banks in area/project approach the object should be to ensure that there is neither duplication ~~in financing~~ nor ~~any gaps~~ remain in financing arrangements. The steps taken so far to evolve a suitable machinery for this purpose are described in the following paragraphs.

47. In this context, the Group welcomed the constitution, at the initiative of the Agricultural Finance Corporation Ltd., of a National Level Consultative Committee for Co-ordination of the Activities of Commercial and Co-operative Banks. The Committee consists of representatives of the Agricultural Finance Corporation Ltd., commercial banks, the All-India

Co-ordination between  
Co-operative and  
Commercial banks Central Land Development Banks Co-operative Union, the Chairman of the National Agricultural Co-operative Marketing Federation, and the Federation of the State Co-operative Banks. The Committee is also empowered to co-opt one or two leading agricultural economists in the country and may also invite, whenever necessary, officers from the Reserve Bank, Registrars of Co-operative Societies of the States and Officers from the Ministry of Food & Agriculture, Government of India.

48. The National Level Consultative Committee will have the following functions:

- (1) To consider all matters of broad policy regarding the areas and methods of co-ordination between the commercial banks and the co-operative banks, in the light of the guidelines from the National Credit Council.
- (2) To consider areas of mutual adjustments between these two sectors in regard to agricultural credit, schemes or projects to be financed by these sectors for the promotion of agricultural development.
- (3) To continuously review operation of the banks in the two sectors in any specific area to avoid conflicts, if any, and to suggest specific projects or schemes to the commercial banks in these sectors in any particular area.
- (4) To avoid unhealthy competition or duplication or overlapping in any particular area among the banks of the two sectors.
- (5) To constitute or to issue suggestions regarding the formation of State Level or Regional Level Consultative Committees of the representatives of the co-operative and commercial banking sectors.
- (6) To undertake any other activity with a view to promoting effective co-ordination between the commercial and co-operative banking sectors with a view to providing the required financial resources for modernising agriculture rapidly.

49. The Group noted that the National Level Committee, referred to above, had already enunciated certain broad guidelines. These guidelines are based on the assumption that the credit requirements for modernising agriculture will be quite

Operations to be massive and the co-operatives with  
Mutually Beneficial their present resources may not be able to meet the needs by themselves. Hence the entry of commercial banks in the sphere of agricultural credit is necessary but their operations should be such as to supplement and not supplant the efforts of co-operatives and that the operations



of both should result in mutual benefit.

50. One of the functions of the National Level Committee is to constitute similar committees at State/District level. The

Co-ordination at  
State and other  
Levels

Study Group welcomes these developments and the constitution of State level

committees. The Group feels that it may be worthwhile to establish in each State such liaison units at different levels comprising select personnel from commercial banks and co-operative banks under the control of the State level committees to integrate and co-ordinate the flow of credit to the farmers. A beginning can perhaps be made in areas where commercial banks have already commenced financing agriculture.

51. The competition to be allowed among commercial banks to solicit business may, according to the Group, be carried a

Co-operatives can  
withstand  
competition

stage further and applied to commercial banks on the one hand

and co-operative banks on the other, on the basis of certain guidelines. For, it was felt that, other things remaining the same, co-operatives can always score in the face of such competition because the co-operative credit structure concerned with short-term and medium-term credit, besides enjoying certain privileges, also combined, particularly at the primary level, credit with supply and marketing functions. It has, in addition, direct contact with a large body of cultivators developed over a period of years. However, land development banks who disburse credit to farmers may, it is feared, not find it so easy to score in the face of competition from commercial banks. It may, therefore, be necessary for commercial banks and the co-operative land development banks to ensure by such additional arrangements as are necessary, that their efforts are mutually supplementary.

52. The main reasons for according these privileges to co-operatives stem from the Directive Principles of the Constitution of India which has advocated the development of the co-operative form of organisation in all activities. Since the co-operatives represent an association of the weak, to create strength in them to stand the competition and opposition from the strong represented by the private trade and other urban and urban-oriented interests, certain concessions to co-operatives were found necessary. These have taken the form of concessional rate of interest in regard to loans made available Concessions enjoyed by Co-operatives to them by the Reserve Bank, exemption from stamp duty, etc., legal safeguards like first charge on land to ensure prompt repayment of loan and prevent wilful default, etc. Further, the primary agricultural co-operative credit societies are in an advantageous position in that, they can, unlike commercial banks, combine banking with trading activities. There is, therefore, no need to consider any <sup>additional</sup> protection to the co-operative banks, at least geographically. Nor is there any need to extend to commercial banks certain fiscal and financial advantages currently available to co-operatives. However, from the point of view of evolving co-ordination between the co-operative and commercial banks in regard to their advances to the agricultural sector, the Group felt that the following norms, evolved by the National Level Consultative Committee, provided a workable base.

The norms suggested are:

- “ i) Commercial banks should not finance cultivators who are borrowers of the co-operative societies without prior consultation with the latter.
- ii) Commercial banks should not finance cultivators who have created charge on their lands in favour of the societies without prior consultation with the Central Co-operative Bank concerned.
- iii) While financing non-borrowing members of the societies, information on their lending to such members should be passed on by the commercial banks to the concerned branch of the District Co-operative Bank of the area.
- iv) While advancing long-term loans to cultivators, information on such advances should be passed on by the commercial banks to the concerned branch of the land development bank.
- v) Co-operative banks in their turn should not finance cultivators borrowing ~~xxxxxxxxxx~~ from the commercial banks without prior consultation with the latter.
- vi) As far as possible, the agency advancing medium-term and long-term loans to cultivators should also advance short-term production finance to such cultivators, but there should be no rigidity in this respect.”

53. The Group hopes that there will be sufficient flexibility in applying these norms and that these will be reviewed, from time to time, with the interest of borrowers in mind.

SECTION V : FACILITIES AVAILABLE TO  
COMMERCIAL BANKS FROM AGRICULTURAL  
REFINANCE CORPORATION AND RESERVE BANK  
OF INDIA

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54. The Agricultural Refinance Corporation has already gained considerable experience of the area approach in financing agricultural development programmes. The Corporation also makes refinance and other facilities available to commercial banks in respect of both medium-term and long-term credit extended by banks for the development of agriculture (including plantations) and other matters connected with and incidental to it. Refinance in respect of short-term loans extended by commercial banks to agriculture is also available from the Reserve Bank.

55. Broadly speaking, the Agricultural Refinance Corporation extends refinance facilities in respect of those major development projects that cannot be financed by the existing credit agencies either on account of the large outlay involved or because the terms and conditions of repayment are such they

Refinance Facilities  
from Agricultural  
Refinance Corporation

may not be brought within the normal rules of business under which these agencies are working.

The term agriculture has been defined to include animal husbandry, dairy farming, pisciculture and poultry farming. The functions of the Corporation have been made sufficiently broad to include financing of all activities allied to agriculture. The

purposes for which refinance facilities are provided by the Corporation at present are briefly as under:

- i) Planned utilisation of untapped subsoil/surface water resources.
- ii) Development and preparation of land for irrigation under completed irrigation works.
- iii) Development of land for dry farming and soil conservation.
- iv) Development of mechanised farming and use of electricity for energising wells.
- v) Development of animal husbandry, dairy farming, pisciculture including co-operative fisheries, poultry farming, etc.
- vi) Development of special crops such as arecanut, coconut, cashewnuts, cardamom, coffee, tea, rubber, etc.

Besides, the Corporation has indicated its willingness to refinance schemes for setting up of godowns and silos either by associations of farmers or by private entrepreneurs for the use of farmers as also for development of plantations including purchase of neglected estates and virgin lands for development.

56. The scheduled banks which are its share-holders are eligible for refinance in respect of the schemes referred above. In the formulation of schemes by commercial banks to be refinanced by the Corporation, the latter has also advocated adoption of an 'area approach'. Area approach, in this context, refers to schemes which lend themselves to close and intensive supervision. In regard to land development schemes, besides the area approach, the Corporation called for concentration of efforts in places where arrangements for provision of adequate inputs like improved seeds, fertilizers and pesticides can be

ensured. The Corporation has laid down guidelines for formulation of each type of scheme referred above. Basically, these guidelines outline the important factors such as compactness of the area, type of development proposed and its cost, technical and other ancillary services required and available, economics of the scheme either in toto or as it affects the individual beneficiary, marketing arrangements, etc.

57. The Corporation carries out technical evaluation of the schemes referred to it through experts in the particular line who are drawn from a panel approved by the Government of India or through the Statutory Commodity Board. In the case of area development schemes, the Corporation also carries out, with the help of the Economic Department, Reserve Bank of

Cost-benefit  
Studies

India, a cost-benefit survey in the area covered under each scheme.

These surveys are aimed at finding out firstly, the extent to which the agriculturists with varying sizes of cultivated holding, are likely to be benefited as a result of the development undertaken and, secondly, to ascertain whether any special measures need to be taken to make the scheme applicable to small cultivators who might otherwise be left out of the scheme on the grounds of inadequate security or insufficient repaying capacity.

58. The Corporation has also relaxed its policies to widen the scope of its refinance. One such relaxation refers to its

readiness to provide refinance in respect of medium-term and long-term loans given by commercial banks for purchase of farm equipment through their various branches to farmers, though they

Relaxations in  
Policies of  
Agricultural Re-  
finance Corporation

may not be in a compact area. The commercial banks are also now allowed to route their finance to individual

farmers for development schemes involving sinking of wells, etc., through an intermediary like a sugar factory, a co-operative financing or marketing society in cases where such agencies are in a position to provide the necessary technical guidance to farmers and help banks recover the loans. Further, the Corporation has agreed to refinance upto Rs 3,000 per well, in addition to term loans granted by commercial banks for sinking wells and installation of pumpsets, in cases where the farmers are required to make a deposit with the State Electricity Board for energising their wells on a priority basis. The Corporation has also agreed to relax some of its procedural requirements and is willing to waive, for instance, State Government guarantee in regard to its refinance facilities and accept in lieu sub-mortgage/sub-hypothecation of the property mortgaged/hypothecated by the borrower in favour of the financing bank.

59. Apart from widening its sphere of operations, the Corporation, realising the difficulty experienced by commercial banks in locating suitable cases and worthwhile schemes, has addressed the Agriculture Production Commissioners of State

Governments requesting them to furnish details of areas in need of development and the type of development needed therein and

Assistance for  
Formulating Schemes

which can be taken up by commercial banks. To enable banks prepare technical evaluation reports of schemes with the help of personnel with necessary knowledge and experience, they arranged with the Statutory Commodity Boards **and State Govern-**ments to provide necessary guidance. Besides the Corporation is willing to appoint technical experts on **an ad hoc** basis to prepare such reports and has also volunteered to spare the services of its officers for formulation of such schemes. The Corporation has recently indicated its willingness to play an active role in co-ordinating the activities of commercial banks in those schemes with those of other agencies, in particular with State Governments in providing technical supervision and guidance.

60. The above review indicates the measures taken by the Agricultural Refinance Corporation to locate areas heading development and of assistance to banks in formulating schemes offered by Governments. The Corporation has shown its readiness to relax its policies and procedures whenever necessary and feasible from the point of view of stimulating development. The expertise it has built up within the short period of its existence is available to commercial banks. In view of the vast scope for developmental efforts necessary in the spheres in which the Corporation is permitted to operate and the vast



resources available to it, as also the facilities offered by it, the Study Group is of the view that commercial banks should avail increasingly of the refinance facilities.

61. The Reserve Bank extends refinance facilities at  $4\frac{1}{2}$  per cent irrespective of the net liquidity ratio of a bank in respect of short-term credit

<u>Facilities from</u> <u>the Reserve Bank</u> <u>of India</u>	
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extended by a commercial bank to agriculture; for this purpose, credit to agriculture is defined to include credit for distribution of chemical fertilisers and pesticides, including credit to manufacturers of these products for financing their sales and loans to farmers for production of crops other than plantations and finance for fisheries, dairies, poultries, cold storage, etc.

62. Besides these, ~~the~~ concessional facilities extended by the Reserve Bank of India to commercial banks in respect of

their advances to agriculture include exemption of their (i) unsecured advances in respect of hire-purchase or sales on a deferred payment basis of machinery and equipment for agriculture, dairy, poultry or fisheries from the stipulated norm relating to unsecured advances, and (ii) medium and long-term loans to agriculture, poultry, dairy and fisheries refinanced by the Agricultural Refinance Corporation while calculating the norm of 5 per cent of term loans to deposits. These facilities are under constant review and the existing ones by themselves provide scope for fuller and wider utilisation by commercial banks so as to be able to gain deeper insight into the need for enlarging them.

SECTION VI : FACTORS HAVING A BEARING ON  
THE PROVISION OF AGRICULTURAL FINANCE BY  
COMMERCIAL BANKS AND MEASURES TO BE TAKEN  
TO FACILITATE INCREASED INVOLVEMENT OF  
COMMERCIAL BANKS IN AGRICULTURAL CREDIT

65. Apart from the question of evolving norms for co-ordination of activities of commercial banks and co-operative banks, the Group reviewed the factors that have a bearing peculiarly on the entry of commercial banks into the field of agricultural credit. These factors relate to the provisions of the land reform measures, tenancy laws, debt relief acts, money-lending and similar legislative measures. Available information on this has been collected through the regional offices of the Agricultural Credit Department of the Reserve Bank of India, in consultation with the State Governments as well as commercial banks operating in their respective regions. A resume of these provisions is given in this section and the State-wise details are given in an appendix. The statement of these legislative provisions does not however purport to be complete or an authoritative legal interpretation of the law.

(1) Land Reform Measures

64. The pattern of rights in farm lands underwent a drastic change after the introduction of land reforms which granted ownership and transferability rights to those who had been actually cultivating the lands for a long time. At the same time, certain restrictions were placed on these

transferability rights to ensure that the weaker sections of the farming community did not lose their lands in the process of obtaining loans from private sources. However, since transferability rights in land continue to form the main basis for advancing loans to agriculturists, ~~it is~~ <sup>a</sup> ~~necessary to~~ <sup>is necessary</sup> study as to which categories of cultivators are subject to these restrictions and the extent to which these restrictions are likely to inhibit the commercial bank financing agriculture.

65. Legislation has been enacted in almost all the States stipulating a ceiling on the agricultural land that

Ceiling on  
land holding:

can be held by a person.

In terms of this legisla-

tion, sale of land to agriculturists likely to acquire land in excess of the ceiling is not permitted. Further, transfers in the wake of sale to non-agriculturists are specifically prohibited in Mysore, Maharashtra, Gujarat, West Bengal and Telengana area of Andhra Pradesh. In respect of both the provisions referred to above, co-operatives are exempted while commercial banks are not. Therefore, it is felt that, in the event ~~xx~~ commercial banks need to acquire lands of defaulting borrowers before the sale of the mortgaged property, they may experience difficulties both in acquiring and in disposing of land due to the restricted market for them.

66. In some States, restrictions are placed on transfer of land which is considered as a fragment. Thus, holders

Restrictions on  
Transferability  
of land consi-  
dered as  
fragments:

of fragments in  
Maharashtra, Gujarat  
and Telengana area of  
Andhra Pradesh can

sell only to holders of contiguous plots in such a way as not to leave a fragment. In Mysore, disposal of land which will result in the creation of a fragment is prohibited. Moreover, the sale of fragments, privately or through courts, is altogether forbidden.

67. In addition to the above, the right to sell, mortgage and transfer land is not enjoyed by all cultivators in all parts of the country. Of these, the former two are important to banks from the point of view of security for their loans. The extent of freedom to sell/mortgage and the restrictions thereon, if any, are indicated below.

68. Ryots belonging to aboriginal tribes in Santhal Parganas district, non-occupancy ryots and under-ryots and

Neither right to  
sell nor right  
to mortgage:

share-croppers in  
Bihar, Ghair-Khatedar  
tenants, tenants of

Khudkasht and sub-tenants in Rajasthan, bargadars in West Bengal, adivasis and asamis and bataidars in Uttar Pradesh,

ordinary tenants and Government lessees in Madhya Pradesh, various classes of tenants such as, occupancy ryots, under-ryots, adhiars and Government lessees in Assam, tenants in Punjab, Orissa and Madras and certain type of tenants in Andhra Pradesh are not allowed to sell or mortgage their lands.

69. Ryots not belonging to Scheduled Castes and Backward Classes in Bihar, settlement holders having the status of

Right to sell  
and to  
mortgage

land-holders in Assam,  
full proprietors in  
Kerala, patta holders

in Madras, bhumidars in Uttar Pradesh, ryots in West Bengal and land-holders and certain tenants in Andhra area of Andhra Pradesh, are allowed to sell and mortgage their lands without any restrictions.

70. Land-holders other than those mentioned above, can sell and/or mortgage their lands with certain restrictions,

Restricted  
right to  
sell/mortgage

which differ from State  
to State. The type of  
restrictions in regard

to sale and mortgage of land imposed on the cultivators in different States are discussed below.

71. In Bihar, ryots belonging to Scheduled Castes, Scheduled Tribes and Backward Classes can enter into usufructuary

mortgage with another ryot of the same class but for other transfers including sale, Collector's permission is necessary. Ryots not belonging to aboriginal tribes in Santhal Parganas district of the State are not allowed to sell their lands but can enter into complete usufructuary mortgage upto one-fourth of their paddy and bari land for a period not exceeding six years with a land mortgage bank, grain gola, co-operative society or a ryot of the same district. Further, on the expiry of the period of transfer, no further transfers of any of the lands of the transferer ryot are permissible for a period of six years. Ryots belonging to Scheduled Tribes, Scheduled Castes or Backward Classes, in the Chhota Nagpur Division are on par with those in Santhal Parganas. Other ryots in the area can sell and transfer by simple mortgage their right in the holding to another person who is a resident within the local limits of the district in which the holding is situated or to a society. Again, a ryot can enter into a bhugat bandha (complete usufructuary) mortgage of his holding for any period not exceeding seven years or if mortgagee be a society, for any period not exceeding 15 years.

72. In Madhya Pradesh, the Bhumiswamis, who form the biggest group among the land-holders, can sell/mortgage their lands subject to a condition that such transfer will not result in his holding less than 5 acres of irrigated

land or 10 acres of unirrigated land. This restriction, however, does not apply in the case of a co-operative society. Bhumiswamis belonging to the aboriginal tribes are allowed to sell/mortgage to only those within their tribe and to others only with the permission of the prescribed authority. Such permission is not necessary if the sale/mortgage is to the Government or a co-operative society. The occupancy tenants cannot sell their lands but they can mortgage lands to Government and co-operatives.

73. In Assam, privileged ryots and occupancy ryots, though they enjoy <sup>occupancy,</sup> rights, cannot create any encumbrances over the holdings by way of mortgages of any kind. In the hill districts of the State, land is under the control of the respective 'District Councils' which promulgate necessary regulations regarding sale, transfer, mortgage, etc., and in doing so, they generally impose vigorous restrictions on the transfer of land from tribals to non-tribals.

74. In Jammu & Kashmir, transfer of agricultural land or any interest therein is restricted only to (i) Government, (ii) Local Body, (iii) Land Development Bank, (iv) Co-operative Society and (v) Panchayat. Also, mortgage or charge on landed property of any shape cannot be created in favour of any person/institution who is not a citizen of Jammu & Kashmir.



75. Khatedar tenants in Rajasthan can sell their lands subject to the ceiling on the purchaser's land. They can enter into mortgage in favour of the Government or Co-operatives. It may, however, be mentioned that recently, the State Government have notified 12 commercial banks as agencies from which any individual vested with right under Section 19 of the Rajasthan Tenancy Act, 1955, can borrow by simple mortgage of his rights in land. No land-holder who is a member of the Scheduled Caste or Scheduled Tribe can transfer his interest in land to any other person who is not a member of the Scheduled Caste or Scheduled Tribe.

76. Ryots in Orissa can sell and mortgage their lands subject to the condition that the co-sharer or contiguous ryot has the first right to purchase. Those belonging to the Scheduled Tribe can transfer their interest in land to persons outside their tribe only with the sanction of the revenue officer.

77. Sirdars in Uttar Pradesh do not have a right to sell, but they can mortgage their lands by way of simple mortgage in favour of Government or co-operatives. Recently, however, a provision is made enabling the Sirdars to mortgage lands to State Bank of India and other Scheduled banks and U.P. Agro-Industrial Corporation Ltd.

78. Land-holders in Maharashtra, Mysore and Gujarat are allowed to sell their lands subject to the condition that

the purchaser should be an agriculturist. The Collector may permit sales to others with certain restrictions. The land-holders are allowed to mortgage their lands, without possession, in favour of a non-agriculturist. The tenant-purchasers in these areas can sell or mortgage only with the permission of the Collector. Tenant-purchasers in Mysore cannot sell or mortgage their lands for a period of 6 years from the date of purchase of the land. The above restrictions are, however, not applicable in the case of sale or mortgage to co-operatives. Certain type of tenants in Gujarat and Maharashtra cannot sell their lands, but they can create a charge on their interests in favour of a co-operative society.

79. It may also be mentioned that Gujarat Government have recently passed a resolution, according to which cultivators with new and rectified tenures can now mortgage their lands in favour of the State Bank of India as security for loans for the purposes mentioned in the Land Improvement Loans Act and the Agriculturists' Loans Act.

80. In Maharashtra, there is a provision that the State Government may, by a notification, declare that the occupancies of persons belonging to Scheduled Tribe in the State, shall not be transferred except with the previous permission of the Collector.

81. In Andhra Pradesh, certain 'Inam' lands are inalienable. Further, a member of the hill tribe cannot transfer his land to a person who is not a member of the tribe, without the previous consent in writing of the prescribed authority. In the Telangana area of the State, the landholders cannot sell their lands to non-agriculturists except with the permission of the Collector. Again, the sale of land is also subject to the condition that, after the sale, the seller should not own less than the minimum prescribed area and the buyer should not own more than the ceiling laid down. In the case of tenant lands, the tenant has pre-emption rights. The land-holders can mortgage their lands provided possession of land is not delivered as security for the loan. They can mortgage lands to non-agriculturists if the transaction is of a bona fide character. Certain type of tenants cannot sell or mortgage lands except that those who are members of co-operative farming society can mortgage or create a charge in favour of the society. Moreover, the land-holders of fragments are allowed to mortgage only to the Government or to a land mortgage bank or to a co-operative society. Certain Inamdars who have a permanent right of occupancy and for which ryotwari patta has been given, can create a mortgage or charge on his interest in the land only in favour of the Government or a co-operative society.

82. Proprietors in Punjab are allowed to sell and mortgage their lands. However, there is a restriction that the sale will be subject to the pre-emption right given to tenants.

83. In West Bengal, a ryot can sell his land only to an agriculturist subject to the ceiling of 25 acres. They can mortgage their lands by way of simple mortgage or a usufructuary mortgage but not by equitable mortgage. Further, transfer of holding by a ryot belonging to the scheduled tribe is void except when such transfer is made in favour of another member of the scheduled tribe or to a person not belonging to the scheduled tribe with the previous permission of the Revenue Officer.

(2) Scaling Down of Debts and Interest and Other Restrictive Measures in Debt Relief Acts

84. As a result of the large-scale distress caused to agriculturists by the mounting burden of debt at the time of Great Depression, many State Governments had enacted measures for providing debt relief to agriculturists. Though these measures were directed mostly against private money-lenders, they do not, in specific terms, exempt all the commercial banks from their scope.

85. The Acts of Punjab, Orissa and Uttar Pradesh exclude debt owed to a 'bank'. The Acts in force in the Telongana

area of Andhra Pradesh, Maharashtra, Gujarat, West Bengal, Rajasthan, Uttar Pradesh, Mysore and Himachal Pradesh exclude the debts owed to a "scheduled bank" but not of non-scheduled banks. In Maharashtra, "merged State Bank" is also exempted from the purview of the Act.

86. Section 13 of the Madras Agriculturists' Relief Act, 1938, which is in force in the non-Telangana area of Andhra Pradesh also stipulates that, in any proceedings for recovery of debt, the court shall scale down all interest due on any debt incurred by an agriculturist after the commencement of this Act, so as not to exceed a sum calculated at  $6\frac{1}{4}$  per cent per annum simple interest. Section 13 also provides that "the State Government may, by notification in the Official Gazette, alter and fix any other rate of interest from time to time". The dues of Government and co-operative credit institutions have been exempted from the above provisions. Commercial banks including scheduled banks do not, however, enjoy such exemption.

87. Similar statutory stipulation regarding the rate of interest that is to be imposed by court exists in Kerala. The Kerala Agriculturists Debt Relief Bill, 1968, which seeks to provide relief to indebted agriculturists whose total amount of debts does not exceed Rs.20,000, provides that for determining the amount due to a banking company for the purpose of payment under this Act, interest shall be

calculated at the rate applicable to the debt under the law or contract or the decree or order of court under which it arises or at seven per cent per annum simple interest, whichever is less, with effect on and from the commencement of this Act. Further, it is provided that not more than one-half of the principal shall be payable towards interest which accrued due till the commencement of this Act. The above provision will, however, not be applicable to debts exceeding three thousand rupees borrowed under a single transaction and due before the commencement of this Act to any banking company as such. The Bill further provides that, in the case of debts due to a banking company, the number of instalments in which the debt shall be repaid shall be twelve where the debt does not exceed Rs.3,000/- and eight where it exceeds Rs.3,000/-.

88. A mention may also be made here of certain other restrictive provisions observed in Maharashtra, Gujarat and Andhra Pradesh. The Bombay Agricultural Debtors' Relief Act, 1947,<sup>and</sup> the Saurashtra Agricultural Debtors' Relief Act, 1954, prohibit the alienation of any property belonging to a debtor who is party to the proceedings under the Act or award registered under the Act, made by him before all his debts are discharged, except with the previous permission of the prescribed authority. Further, the Acts provide that, no person who is a party to any proceedings or award

under the Act and who is related to a resource society or to any person authorised to advance loans for seasonal finance shall hypothecate or sell the standing crops or the produce of his land without previous permission of the society or of person until such loan has been repaid in full. The commercial banks have, therefore, to take precaution while advancing loans to such persons to ensure that they are not adjudged debtors and if so, the debts have been cleared. It may, however, be mentioned that Section 53 of the Bombay Agricultural Debtors' Relief Act, 1947, makes it permissive for the Government to authorise persons in local areas who advance loans to these debtors against hypothecation of crops. The State Government may, by notification, declare the commercial banks as authorised agencies for making advances to get over any difficulty of making advances to adjudged debtors. In Andhra Pradesh, Section 44 of the Hyderabad Jagirdars' Debt Settlement Act, 1952, provides that no alienation of any property belonging to a debtor, who is a party to any proceedings or award under the Act made by him before all his debts are cleared, shall be valid, except with previous sanction of the Government.

(3) Provisions under Money Lending Acts:

89. A mention may be made here of certain restrictive provisions under Money Lending Acts of Bihar and West Bengal.

Section 5 of the Bihar Moneylenders' (Regulation of Transaction) Act, 1939, stipulates that no court shall, in any suit brought by a moneylender in respect of a loan advanced after the commencement of the Act, pass a decree for interest at rates exceeding 9 per cent per annum in the case of a secured loan and 12 per cent per annum in the case of an unsecured loan. The commercial banks are not exempted from this particular provision though they are exempted from many other provisions in the Act. The Bengal Moneylenders' Act, 1940, which places restrictions on the rate of interest, total amount of interest, the period of loan, etc. excludes all loans issued by scheduled banks or a bank which has been declared to be a notified bank for the purpose. It is gathered that the Government have not so far notified any non-scheduled commercial bank to be eligible for this exemption.

(4) Difficulty in acquiring a charge on land already charged to a co-operative

90. Co-operative Societies Acts in various States provide for priority in favour of co-operatives in respect of both movable and immovable property. In the circumstances, any charges created by members in favour of other agencies such as commercial banks would be void.

(5) Lack of facilities to create equitable mortgage

91. In some of the States, like Madhya Pradesh, Punjab,



Bihar and Assam, there are no notified centres where the title deeds of the borrowers to their land or property can be deposited. Equitable mortgage, therefore, cannot be created in these States. In other States like Mysore, Maharashtra, Madras and Andhra Pradesh, creation of a charge by deposit of title deeds can be effected only in a few notified towns. This involves much delay and expenditure. The commercial banks, therefore, suggest that all the District Headquarters and important towns in the State may be declared as notified centres for creating equitable mortgage. In West Bengal, the West Bengal Land Reform Act, 1955, provides that a mortgage by a ryot of his holding other than a simple mortgage or a usufructuary mortgage shall be void. This provision restricts creation of charge on land by way of equitable mortgage. Further, at present, deposit of title deeds can be effected in the State only in Calcutta.

92. Another difficulty pointed out by some of the banks in the case of equitable mortgage is that, after borrowing a loan from one commercial bank on the basis of equitable mortgage, the borrower may mortgage his land in favour of another bank by registered mortgage. Some of the commercial banks, therefore, desire that the Registrar of Assurances and the Tehsildar should register the charge created in their favour by the borrower under an equitable mortgage.

(6) Exemption from Stamp Duty

93. Commercial banks are not given exemption from stamp duty and registration fees whereas co-operative societies enjoy this facility. As the borrowers have to bear the stamp duty, this increases burden on them and the commercial bank finance becomes more costly.

(7) Lack of facilities regarding recovery of loans

94. In the case of civil decrees, automatic suspension of recoveries is usually made and this may include loans of commercial banks unless these are specifically exempted.

95. Facilities regarding recovery of overdue loans such as recovery as arrears of land revenue, sale of mortgaged property without the intervention of court, etc., are available to co-operatives. Further, in some States, e.g. Gujarat, Maharashtra, Mysore, Punjab, Andhra Pradesh, Assam and Uttar Pradesh, a mortgage executed in favour of the Land Development Bank shall have priority over any claim of the Government arising from a loan granted after the execution of such mortgage. These facilities are not available to the commercial banks.

(8) Simplification of the procedure for registering documents, etc.

96. The existing procedure for registering documents is time-consuming, cumbersome and expensive. Considerable

time is lost in obtaining non-encumbrance certificates, alienation certificates, extracts from revenue records. One bank has suggested that State Governments should consider the issue of "Farm Title Pass Books" to individual cultivators wherein the relevant particulars of all the farm holdings of the concerned farmer should be detailed including encumbrances/charges on them and the extent thereof, etc. This Pass Book should be deemed as title deeds even for purposes of creation of equitable mortgage in favour of commercial banks.

97. In some areas like the Telengana region in Andhra Pradesh and Marathwada region in Maharashtra, mortgage of land requires the prior approval of the revenue authorities. <sup>It is reported that</sup> ~~The~~ procedural delays in this regard affect timely provision of credit to agriculturists.

98. In some States, e.g., Gujarat, Maharashtra, Mysore, Andhra Pradesh and Uttar Pradesh, a facility is provided to land development banks, whereby a mortgage deed executed in the office of the land development bank by the borrower can be treated as registered under Indian Registration Act by simply forwarding a copy of the instruments within the prescribed time to the registering authority. Further, the officers of the land development bank are exempted from personally appearing before the registering authority. These facilities are not available to commercial banks.

(9) Difficulties arising from usufructuary mortgage

99. In Rajasthan State, in the case of usufructuary mortgage, the tenant-holder, except one belonging to scheduled caste/tribe, has right to transfer his right in whole or part of his land holdings for a period not exceeding 10 years to any person including commercial banks. By virtue of Section 43(8) of the Rajasthan Tenancy Act, 1955, a usufructuary mortgage of any land shall, upon the expiry of the period mentioned in the mortgage deed, be deemed to have been satisfied in full without any payment whatsoever by the mortgagor and the mortgage debt shall accordingly be deemed to have been extinguished and thereupon, the mortgage land shall be redeemed and possession thereof, shall be delivered to mortgagor free from all encumbrances. Similar provisions have been given in Bihar State, where land is mortgaged by a bhugat bandha mortgage.

100. Looking at these enactments, it would appear that some of the provisions of the State enactments are somewhat outmoded in the light of current requirements. For example, provisions relating to landed security and the ceilings on interest rate applicable in the context of loan recovery proceedings require to be reviewed against the background of the need to enlarge commercial banks' participation in agriculture in the light of the massive financial requirements of this sector. There seems, therefore, an urgent

need to study the matter in depth taking into account the legal and social implications of these State laws. The Study Group felt that it would be useful if a separate expert group examined this problem in detail, from the point of view of the social objectives of such legislation and the current requirements of the agricultural economy. However, the Group would like to emphasise that these problems notwithstanding, commercial banks could enter the field and increase their involvement in financing agriculture. They should not wait till the deck is cleared of these difficulties, for, even as it is, there is ample scope to increase commercial banks' advances to agriculture.

SECTION VII : SUMMARY AND GENERAL  
OBSERVATIONS

101. The preceding sections have discussed the various aspects of adopting the area/project approach by commercial banks in financing of agriculture. Such an approach promises several advantages for them in what is a relatively unfamiliar type of business. To get the best results from it, the banks have to do a certain amount of preliminary spadework in locating the areas/projects and planning their activities in these. At the same time, there is need for developing co-ordination between commercial banks, the various institutions specialised in agricultural finance and the State Governments. The main points that have emerged out of the discussions of the Group on these matters are summarised in this Section. The section also contains the Group's observations on certain points of general interest.

102. Area/project approach for commercial banks for extending credit to agriculture, <sup>in</sup> the opinion of the Group, means formulation of a programme in respect of a compact area which leads to integrated and harmonious development covering the various facets of the agricultural economy of that area. It is not contemplated that banks would be called upon to finance directly medium and major projects in that area, the financing of which is considered governmental responsibility.

103. The adoption of an area approach would enable banks to utilise their limited resources in an efficient manner and also facilitate supervision. It is important to ensure that available resources are so utilised as to lead to an immediate and significant increase in agricultural production. This objective would be most effectively achieved if commercial banks acted in concert with other lending institutions in the field, such as co-operative banks, the Agricultural Refinance Corporation, etc. so that credit gaps are filled in a co-ordinated manner.

104. An area approach, in the opinion of the Group, is not confined merely to the fulfilment of one programme; it leads to several connected projects, as a result of the momentum given to the economy of the area. The changing pattern of demand for credit and services in such a situation provides further scope for banks to take up other activities in these areas.

105. In determining the boundaries of an area, the factors to be taken into account are the homogeneity of the area with regard to the basic resources, particularly adequate and assured water supply and climatic conditions. There should be a scientific assessment of the economic potential of the area for the implementation of a programme. In this context, the Group has discussed the type of information that banks would find useful in identifying areas/projects

having potential for agricultural development and suitable for commercial bank financing. Particular attention of the banks is drawn to the importance of schemes of minor irrigation and rural electrification which offer considerable scope for commercial bank financing on an area/project basis.

106. Taking all these into account, commercial banks should carefully consider, in consultation with concerned agencies, Government departments, etc. the delineation of projects in an area as well as the priorities among them. The Agricultural Finance Corporation Ltd. can also play an important role in this direction. The Group felt that it would be advantageous for individual commercial banks to have the freedom to select the projects which they would be willing to finance. These would include viable propositions from Governmental agencies relating to specific programmes of development such as, poultry farming, dairy development, etc. The attention of the banks should be drawn to the need for defining the meaning and content of economic return in a pragmatic manner, but the benefit of doubt should be in favour of financing a project. In this context, the Group desires to draw attention to the benefit-cost studies undertaken by the Economic Department of the Reserve Bank of India for the use of the Agricultural Refinance Corporation.



Two such studies are summarised in Appendix III to indicate the methodology adopted to obtain an idea as to how far the increased benefit out of investments made by cultivators would be adequate to repay his borrowings, ~~for this~~

107. The Group is of the view that the technical information which could be supplied by State/district authorities and the assistance offered by the Agricultural Refinance Corporation, both in regard to the formulation of schemes and in technical guidance in implementing them, should prove sufficient in estimating the credit requirements under area/project approach. The Group is further hopeful that in view of the district/State level Co-ordination Committees of Commercial and Co-operative Banks, which have been proposed to be established, it should be possible to estimate credit requirements in a realistic manner. The wide net-work of primary agricultural co-operative credit societies and the Central co-operative banks have expertise which could be adapted and used for making credit estimates.

108. The total credit requirements would indicate the broad order of magnitude of the task in the area. Within this framework, it is necessary to work out the credit requirements of individual borrowers, which has to be done with reference to their own resources and repayment capacity with reference to the increased production rendered possible. While ultimately it is an individual who is financed on the basis of a borrower/lender relationship, it would be <sup>advantageous</sup> ~~advantageous~~ if commercial banks <sup>to keep</sup> ~~kept~~ in mind the advantages of an approach whereby groups

of cultivators owning or cultivating land in adjoining villages are simultaneously financed. This will contribute to better supervision in an intensified manner.

109. In this context, the Group discussed the localisation approach adopted by certain State Governments. Basically, this means that only particular crops are permitted to be grown in any given area under command of a canal system, based primarily on soil classification and suitability. In such localised areas, as also in other areas not coming under localisation arrangements, it only remains for banks to assess the quantum of loans to a farmer in relation to his production capacity in regard to crop/crops which he is permitted to grow.

110. Based on the credit estimates and as a part of the loaning operations, banks could undertake whatever intensive studies may be required. The Study Group felt that such studies could be <sup>entrusted to</sup> ~~undertaken~~ by the Agricultural Universities, some of which are already engaged in training the staff of commercial banks. It was considered sufficient if banks had a nucleus of qualified staff who could understand the results of surveys made available to them and who could bring about the necessary orientation in the bank's lending programme. In course of time, however, banks should endeavour to build up adequate staff trained in this specialised field.

111. The Study Group wanted to draw particular attention of banks in regard to an important aspect, viz. follow-up

arrangements aimed at supervising the utilisation of loans granted by them. This may entail making arrangements for supply of inputs to borrowers in kind. It would also mean ensuring that the borrower has adequate resources for meeting the expenses in regard to inputs complementary to the purpose for which the commercial banks had granted a loan. For example, a borrower of a medium-term loan must satisfy the lender-institution that he has either adequate resources of his own or capacity to borrow from co-operatives to meet his short-term credit requirements. If he has neither, the bank may have to provide him short-term credit as well to ensure that the medium-term credit is utilised <sup>fully.</sup> ~~usefully~~. In certain situations, the bank may have to provide a cultivator short-term medium-term and long-term credit simultaneously.

112. The Study Group considered briefly whether it should make any specific recommendations about the terms and conditions under which commercial banks should finance various activities under the area/project approach - such as maturity period of loan, margin, rate of interest, etc. The Group thought that it would be desirable to leave these details to be worked out by the

commercial banks themselves with reference to the circumstances of each case.

113. Assistance from State Governments would be an added advantage to banks in adopting an area/project approach. For this, it is desirable to have an appropriate co-ordinating machinery of the Government at the State/district level to help formulation by banks of area/project schemes. The Agricultural Refinance Corporation has also gained considerable experience in financing of agricultural development programmes based on area approach. Commercial banks should be able to avail themselves of their expertise also.

114. In adopting the area/project approach, efforts have to be made to avoid duplication or the leaving of gaps in financing arrangements. The recent action to evolve a suitable machinery for this purpose through the National Level Consultative Committee for Co-ordination between Commercial Banks and Co-operative Banks should be effectively implemented, more specifically at the district level.

115. The foregoing paragraphs have indicated the advantages of the area approach, some of the problems the banks may encounter in this field <sup>including the legislative factors</sup> and the possible lines along which solutions may be attempted. ~~In particular, the Group gave some thought to the legislative factors having a bearing on~~

~~the entry of commercial banks into the field of agricultural credit.~~ It would be seen that the problems, though new, are not such as should deter banks from extending credit to agriculturists. Most of these are of a transitional nature and with co-ordinated efforts on the part of banks, co-operatives, other specialised institutions in this field and the State Governments, can be solved rapidly. For banks this means establishing rapport with the authorities at State/district level, re-orienting their staff to deal with agriculture and building up specialised staff, if necessary. In assessing credit requirements, they may have to seek assistance of experts in different fields of agriculture. Loaning policies and procedures have to be designed so as to suit the needs of this sector. Also, to keep themselves adequately informed of new developments, it would be desirable for them to develop contacts with Agricultural Universities which could help with studies on problems of interest to banks. Thus, it should be the constant endeavour of banks to locate areas with growth potential and assist them with adequate resources.

116. Before concluding this Report, the Group would like to draw attention to yet one more important aspect of agricultural development of interest to the banks. The Report has been concerned with questions of financing of agriculture by commercial banks. But the problem is not merely one of meeting the large and growing borrowing needs of the agricultural sector. It is also one of devising a link between extension of borrowing facilities and fostering of savings in the form of

deposits so as to ensure that these savings remain productively employed all the time and yet are readily available in times of need as they would be if they are channelled through the banks. Deposit mobilisation has thus to go hand in hand with the financing of agriculture. From this point of view, commercial banks and co-operative banks should consider opening offices in such of the districts/areas which are unbanked or under-banked. The extent of spread of offices of commercial banks in different districts and the scope that exists for opening of branches of commercial banks in unbanked and under-banked areas in the districts are being made available through surveys of banking potential conducted by the Reserve Bank of India.

117. All this has to be done not because of factors or considerations extraneous to banking, but because it is good business for the banks. The agricultural sector is undergoing a vast change under the new strategy of modernisation. Modernisation of agriculture is only another way of saying that it is increasingly being run on business lines in a manner similar to industry. Lending to agriculture under such conditions is a profitable business and an efficient farmer a good

credit risk. With the vast potential now being opened up in agriculture, there will be plenty of opportunities for banks for profitable lending and deposit mobilisation and banks have to play their part in full measure.

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APPENDIX - I : NEED FOR DEVELOPMENT OF  
INPUT SUPPLYING INDUSTRIES AND PROCESSING  
INDUSTRIES IN THE PUNJAB

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<u>Type of facility needed</u>	<u>Districts where needed</u>
Repairs and spares facilities to:	
a) Sugarcane crushers	Jullundur
b) Tractors	Hissar, Karnal, Rohtak, Patiala
c) Tractor trailers (including manufacture)	Hissar
d) Electric motor	Central parts of Punjab
e) Improved implements	Hissar, Patiala, Kapurthala, Bhatinda, Mohindergarh
Processing of foodgrains:	
a) Expansion of <u>dal</u> making units	Hissar, Sangrur, Bhatinda, Rohtak, Ferozepur
b) Processing barley into beer	Suitably located to serve Gurgaon, Ferozepur, Karnal and Sangrur
c) Starch mills/corn flake manufacturing units	Patiala/Sangrur Ambala/Karnal, Hoshiarpur



Appendix I (Contd.)

<u>Type of facility needed</u>		<u>Districts where needed</u>
Processing of foodgrains (Contd.)		
d) Oil seeds processing		Hissar, Gurgaon, Bhatinda, Mohindergarh, Amritsar, Ferozepur.
e) Cotton ginning and pressing		Patiala Division, Sangrur and Bhatinda
f) Fruits and vegetables processing	Apple	Kulu district
	Mango	Ferozepur and Bhatinda
	Grapes	Jullundur, Ludhiana and Ferozepur
g) Cold storage expansion	Potato	Hoshiarpur, Jullundur, Ambala.

Note: The methodology adopted is a simple one that of estimating the production of agricultural commodities available for processing and of the existing capacity of the various processing industries in the Punjab district-wise, to examine the adequacy or inadequacy for the purpose. A similar exercise regarding the adequacy and creation of supply industries vis-a-vis the needs for supply factors in different regions of the State has been made.

APPENDIX II - LEGISLATIVE FACTORS HAVING  
A BEARING ON THE PROVISION  
OF AGRICULTURAL FINANCE BY  
COMMERCIAL BANKS

1. ANDHRA PRADESH

Land Reform Measures

Ceiling on  
Land Holding:

1. Section 13 of the Andhra Pradesh Ceiling on Agricultural Holdings Act X of 1961 stipulates that no person can purchase or take on usufructuary mortgage or acquire any land, in the future, if in consequence thereof the total land held by him exceeds the ceiling. Government and co-operative societies including land mortgage banks are, however, exempted from this provision and can, therefore, acquire land in excess of the ceiling.

Restrictive features  
regarding right to  
sell/mortgage land:

2. The position regarding right to sell/mortgage in respect of different categories of land holders is indicated below:

<u>Category of landholders</u> (1)	<u>Right to sell</u> (2)	<u>Right to mort- gage</u> (3)
<u>Andhra Area</u>		
1. Land holders	Yes	Yes
2. Tenants of (a) Inam lands belonging to religious, chari- table institutions, etc.	Yes	Yes
(b) Others	No	No

<u>Category of landholders</u> (1)	<u>Right to sell</u> (2)	<u>Right to mortgage</u> (3)
<u>Telangana Area</u>		
1. Land holders of		
(a)Fragments	Yes, but only to a holder of contiguous plot in such a way as not to leave a fragment.	Yes, to Government and Co-operatives.
(b)Other lands	Yes, subject to his retaining the minimum area. They can sell to non-agriculturists only with the permission of the Collector.	Yes, excepting possessory mortgages. They can mortgage land to non-agriculturists if the transaction is of a bona fide character.
2. Tenants		
(a)Protected	No	Yes
(b)Others	No	Yes, but only to a co-operative farming society of which he is a member

3. Further, in terms of Section 4 of the Agency Tracts and Land Transfer Act, any transfer of immovable property situated within the Agency Tracts shall be absolutely null and void unless made in favour of another member of a hill tribe or with the previous written consent of the Agent.

Moneylending/Debt  
Relief Measures

4. Section 13 of the Madras Agriculturists Debt Relief Act IV of 1938, in force in the non-Telangana areas, provides for rate of interest payable on new loans borrowed by agriculturists, after commencement of the Act, being restricted to 6 $\frac{1}{4}$ % per annum simple interest. There is no exemption in favour of commercial banks. In the Telangana area, the Hyderabad Debtors' Relief Act (XVI) of 1956 is in operation and it exempts from its operation debts and liabilities due to a scheduled bank. But dues to other commercial banks are not exempted.

5. Hyderabad Jagirdars' Debt Settlement Act 1952, provides that no alienation of any property belonging to a debtor who is a party to any proceeding or award under this Act, made by him, before all his debts are discharged, shall be valid except with previous sanction of the Government. Therefore, while advancing loans to Jagirdars, it has to be ascertained whether any proceedings under the Act are still pending and whether sanction of Government was obtained for making the alienation.

Difficulty in acquiring  
a charge on land already  
charged to a Co-operative

6. Sections 35 and 36 of the Andhra Pradesh Co-operative Societies Act 1964 provide for creation of a charge in favour of a co-operative society in regard to movable assets of a member for the amount due by him to a society. Under this, a first charge is created upon the agricultural produce of the

land. Section 36 provides for creation of a charge on the immovable property of a member for the loan borrowed through declaration. This is, however, subject to land revenue and to the claims of any person in whose favour a charge or mortgage has been created before the date of registration of declaration.

7. A mortgage executed in favour of land mortgage bank shall have priority over any claim of the Government arising from loan granted under Land Improvement Loans Act, 1883, subsequent to the execution of the mortgage.

Lack of facilities to  
create equitable mortgage

8. Very few towns in the State have been notified to facilitate creation of equitable mortgage on landed property.

Exemption from stamp duty, etc.

9. Co-operatives are exempted from payment of stamp duty, registration fees and charges for obtaining non-encumbrance certificates but commercial banks are not exempted.

Lack of facilities regarding  
recovery of loans

10. When borrowers default, co-operatives can ensure recoveries without the intervention of courts because the Registrar of Co-operative Societies or persons authorised by him are deemed to be Civil Courts. Similarly, land mortgage banks can bring the hypotheca land to sale without intervention of court. Such

facility is not available to commercial banks. Further, assets offered by cultivators as security to commercial banks are not included specifically in the category of non-attachable assets. The relevant provision of the Civil Procedure Code should spell out in clear and specific terms the assets of agriculturists that are to be considered non-attachable.

Procedure for registering documents etc.

11. Under the Andhra Pradesh (Telangana Area) Tenancy and Agricultural Lands Act, 1950, farmers cannot create valid mortgage without obtaining alienation certificates from the tehsildars. Extracts from revenue records, whenever required, are also to be authenticated by tehsildars. Non-encumbrance certificates have also to be obtained from the concerned offices. Besides, sufficient time is also required to get documents registered with the Sub-Registrar. This can be simplified such as to provide automatic registration as in the case of mortgages in favour of land development banks.

Miscellaneous

12. Since mutation of entries in pattas is not made immediately after a sale, recourse to Village Account etc., is necessary to ensure that there has been no alienation of land. Sometimes, joint pattas only are available and in that event the failure of any one pattadar to pay land revenue can bring the entire holding for sale. Facilities for issuing separate

pattas should, therefore, be made. Banks have to satisfy themselves that the intending borrowers have no borrowing arrangements with co-operatives and therefore need a 'no-dues' certificate from the co-operative. These are difficult to get at times.

## 2. ASSAM

### Land Reform Measures:

#### Ceiling on land-holding

13. The Assam Fixation of Ceilings on Land Holdings Act, 1955, stipulates the maximum extent of land that can be held by a person at 150 bighas. This provision does not apply to lands held for special cultivation of tea etc. Any transfer including usufructuary mortgage with a view to circumvent the provisions of the Act is null and void. This restrictive provision will apply to commercial banks but not to co-operative land mortgage banks.

#### Restrictions on Sale/Mortgage of land

14. Only the proprietors, land-holders or settlement-holders having the status of land-holders enjoy full ownership rights and therefore can create encumbrances on land. A settlement-holder who is not a land-holder has neither heritable nor transferable rights.

15. There are various classes of tenants such as privileged tenants, occupancy tenants, non-occupancy tenants, under-raiyats adhiars etc., and none of them can create encumbrances on land.

15(a). In the hill districts, land is under the control of the respective "district councils" which promulgate necessary regulations regarding sale, transfer, mortgage etc., and in doing so they impose vigorous restrictions on the transfer of land



from tribals to non-tribals.

Moneylending/Debt  
Relief Measures

16. The Assam Moneylenders' Act, 1934, defines moneylender as a person who grants a loan and thus may not include a commercial bank. Section 2(c) of the Assam Debt Conciliation Act, 1936, defines 'Creditor'. The loans due to commercial banks are not, however, likely to come under the purview of the Act.

Creation of Charge  
on Land

17. There is as yet no provision for the creation of a charge against land or interest in land in favour of a co-operative by a member.

18. A mortgage executed in favour of a land mortgage bank has priority over any claim of the Government arising from a loan granted under the Land Improvement Loans Act, 1883, or Agricultural Loans Act, 1834, granted after the execution of the mortgage. This facility is not available to commercial banks.

Lack of Facilities to  
Create Equitable Mortgage

19. No place in the State has been notified to facilitate the creation of equitable mortgage on landed property.

Lack of facilities regarding  
recovery of loans

20. Under the provisions of the Assam Co-operative Land Mortgage Bank Act, 1960, if any instalment or part thereof

payable under mortgage executed in favour of land development bank remains unpaid for over a month, the bank can approach the Registrar for recovery by distraint or sale of the produce of the mortgaged land including the standing crop. The land development bank is also empowered to bring the mortgaged property to sale without the intervention of the court if a clause to that effect is made in the mortgage deed. Such facility is not available to the commercial banks.

### 3. BIHAR

#### Land Reform Measures:

##### Ceiling on land-holding

21. The Bihar Land Reforms (Fixation of Ceilings and Acquisition of Surplus Lands) Act, 1961, stipulates a ceiling of 20 acres of Class I land, 30 acres of Class II land, 40 acres of Class III land, 50 acres of Class IV land and 60 acres of Class V land in respect of an individual land-holder, partnership firm, private or public limited company. Section 29 provides certain exceptions but these do not include commercial banks.

##### Restrictions on Sale/Mortgage of land

22. Ryots not belonging to scheduled castes and backward classes can sell and mortgage their lands (simple or usufructuary) without any restrictions. Ryots belonging to scheduled castes, scheduled tribes and backward classes can enter only into a usufructuary mortgage with another ryot of the same class but for other transfers including sale, Collector's permission is necessary.

23. In Santhal Parganas district of the state, ryots belonging to aboriginal tribes are not allowed to sell or mortgage their lands. Other ryots in the district are not allowed to sell their lands but can enter into bhugat bandha (complete usufructuary) mortgage upto one-fourth of their paddy and first

class bari land (upland) for a period not exceeding six years with a land mortgage bank, grain gola, co-operative society or a ryot of the same district. Further, on the expiry of the period of transfer, no further transfers of any of the lands of the transferor ryot shall be permissible for a period of six years.

24. In the Chhotanagpur Division of the state (comprising the districts of Ranchi, Palamau, Singhbhum, Hazaribagh and Dhanbad) ryots belonging to scheduled castes, scheduled tribes or backward classes can sell to another aboriginal resident with the permission of the Deputy Commissioner. They can enter into a complete usufructuary mortgage only. Other ryots in the area can sell and transfer by simple mortgage their rights in the holding to another person who is a resident within the local limits of the district in which the holding is situated or to a co-operative society. Further, a ryot can enter into a bhugat bandha mortgage of his holding for any period not exceeding seven years. If the mortgagee, however, is a co-operative society, the period can extend upto 15 years.

25. Non-occupancy ryots, under-ryots and share-croppers in the state are not allowed to sell or mortgage their lands.

#### Moneylending/Debt Relief Measures

26. The Bihar Moneylenders' Act, 1938, and the Bihar Moneylenders (Regulation of Transaction) Act, 1939, provide some

relief and protection to debtors against creditors. Section 3 of the <sup>latter</sup> Act, however, empowers the Government of the state to exempt, by notification, any moneylender or class of money-lenders or any class of loan in the whole or any part of the state from the operation of all or any of the provisions of the Act. Accordingly, the joint-stock banks have been exempted from many of the provisions in the Act. The joint-stock-banks are not, however, exempted from the provision in Section 5 of the Act of 1939 which stipulates that no court shall, in any suit brought by a moneylender in respect of a loan advanced after the commencement of the Act, pass a decree for interest at rates exceeding 9 per cent per annum in the case of a secured loan and 12 per cent per annum in the case of an unsecured loan.

27. There is no debt relief legislation in the state.

Creation of charge  
on land

28. There is as yet no provision for the creation of charge against land or interest in land.

Lack of Facilities to create  
equitable mortgages

29. No place in the state has been notified to facilitate the creation of equitable mortgage of landed properties.

Exemption from Stamp Duty etc.

30. Co-operative banks are exempted from stamp duty and registration fees, but the commercial banks are not so exempted.

Facilities regarding  
recovery of loans

31. Dues to Central and State Governments as also dues to registered co-operative societies are included in Schedule I to the Bihar and Orissa Public Demands Recovery Act, 1934. It would appear that such inclusion enables these agencies to recover their dues without resort to litigation.

#### 4. GUJARAT

##### Land Reform Measures:

##### Acquisition of agricultural lands

32. Sale of agricultural land to a non-agriculturist is prohibited in Gujarat region of the state by Section 63 of the Bombay Tenancy and Agricultural Lands Act, 1948, and in Saurashtra region of the state by Ordinance No. 54-XII of 1949, Saurashtra Ghar Khed, Tenancy Settlement and Agricultural Ordinance. The co-operative societies including land development banks, however, enjoy exemption from the above provision.

##### Transfer of a fragment

33. Transfer of land, which is considered as a fragment as per the Bombay Prevention of Fragmentation and Consolidation of Holdings Act, cannot be made to any one except a neighbouring agriculturist. Co-operatives are not exempted from this restriction.

##### Acquisition of Agricultural Lands in excess of Ceiling

34. The Gujarat Agricultural Lands Ceiling Act, 1960, prohibits acquiring of land in excess of ceiling. Section 3 of the Act provides exemption to co-operative societies including land development banks for acquiring lands in excess of ceiling. The commercial banks are not, however, exempted.

Restrictions on sale/mortgage  
of land

35. In the former Bombay State area and Kutch area of the State, land-holders can sell their lands subject to the condition that the purchaser is an agriculturist or an agricultural labourer. The Collector may allow sales to others if (i) the purchaser's holding does not thereby exceed the ceiling laid down, (ii) the sale is made according to the priorities of purchasers fixed and (iii) price is below the maximum fixed. The land-holders are allowed to mortgage their lands; they cannot, however, create a mortgage with possession in favour of a non-agriculturist. These restrictions are, however, not applicable in the case of sale/mortgage to a co-operative society.

36. Tenant purchasers in the area can sell and mortgage their lands with the permission of Collector. Other tenants are not allowed to sell or mortgage their lands but they can create a charge on their interests in land in favour of a co-operative society.

37. It may be mentioned that Gujarat Government has recently passed a resolution according to which cultivators with new and restricted tenures can now mortgage their lands in favour of the State Bank of India as security for loans for the purposes mentioned in the Land Improvement Loans Act and the Agriculturists' Loans Act.



38. In Saurashtra area of the state, the occupants can sell or mortgage with possession their lands subject to the condition that the holding of the purchaser/mortgagee, together with the land already held by him, does not exceed three economic holdings. They can mortgage their lands to anybody by way of simple mortgage only. Occupants of fragments can sell and mortgage their lands only with the Collector's permission and to the holder of a contiguous survey number. In the case of the person holding contiguous survey number refusing to purchase the land, it can be sold to Government.

#### Moneylending/Debt Relief Measures

39. As per Section 3 of the Saurashtra Agricultural Debtors' Relief Act, 1954, and the Bombay Agricultural Debtors' Relief Act, 1947, debt and liabilities of a debtor of scheduled banks as well as those of co-operative societies are exempted from the purview of the Act.

40. However, other restrictive provision which the commercial banks will have to take note of is that Section 40 of the Bombay Agricultural Debtors' Relief Act, 1947, does not permit any alienation of any property belonging to a debtor, who is a party to any proceedings under the Act, made by him before all his debts are discharged except with the previous sanction of the court. As per Section 38 of the Saurashtra Agricultural Debtors' Relief Act, 1954, the permission of the Government instead of court is required.

41. Further, Section 53 of the Bombay Agriculturists Debtors' Relief Act, 1947, and Section 58 of Saurashtra Agricultural Debtors' Relief Act, 1954, provide that no person who is a party to any proceedings or award under the respective Acts and who is related to a resource society or to any person authorised under the Act for seasonal finance, shall hypothecate or sell the standing crops or the produce of his land without previous permission of the society or of the person until such loan has been repaid in full.

Difficulty in acquiring a charge  
on land already charged to a  
co-operative

42. Section 48 of the Gujarat Co-operative Societies Act, 1961, provides for creation of a first charge in favour of co-operative societies on the property of its debtor in respect of debt or outstanding demand owing to such society by its member. The charge created by a member in favour of commercial banks would, therefore, be void. Further, Section 122 of the Act provides priority to mortgage executed in favour of land development bank over any claim of the Government in respect of loan given for improvement of land. Such facility is not available to commercial banks.

Lack of facilities to  
create equitable mortgage

43. Creation of charge by deposit of title deeds can be effected only in important mercantile centres.

Exemption from Stamp Duty etc.

44. Remission of stamp duty is granted in respect of borrowers of (i) land development bank upto a loan of Rs 5000, (ii) other co-operative societies upto a loan of Rs 2000, (iii) State Bank of India upto a loan of Rs 5000 for any purpose under the scheme of agricultural finance of the bank and (iv) commercial banks upto a loan of Rs 5000 borrowed for the purpose of electrification of wells and financing of pumps and other agricultural implements. Commercial banks do not enjoy such exemption in respect of loans for other agricultural purposes. Further, in respect of issue of encumbrance certificates, the land development bank is given full remission of the charges upto a loan amounting to Rs 2000 and half of the usual charges on loans exceeding Rs 2000. Such an exemption is not available to the commercial banks.

Lack of facilities regarding recovery of loans

45. The co-operative societies including land development banks can recover their dues as arrears of land revenue. Such facility is not available to commercial banks. Further, in the case of the land development bank, the certificate of the Registrar of co-operative societies is considered final and conclusive as to the arrears due to land development bank. The Registrar is also authorised to grant conditional attachment of the property of the mortgagor until the arrears due to land development bank are paid by him. The land development bank

has been empowered, in addition to any remedy available, to bring the mortgage property to sale by public auction in case of default by the borrower. Further, in case of default in payment of any instalment for more than one month, the land development bank can recover the same by distraint sale of the produce of the mortgaged land including the standing crop thereon through the Registrar of Co-operative Societies. Such facilities regarding recovery of loans are not available to commercial banks.

Simplification of the procedure for  
registering documents etc.

46. Section 125 of the Gujarat Co-operative Societies Act, 1961 provides a facility to land development banks whereby a mortgage deed executed in the office of the land development bank by the borrower can be treated as registered under Indian Registration Act by simply forwarding a copy of the instruments within the prescribed time to the Registering authority. This facility provides exemption from payment of registration fee by the borrowers and avoids botheration of undergoing registration procedure. The Act also provides exemption to an officer of the land development bank from personally appearing before registering officers. Further, the Act provides for creation of charge on land which is recorded under the record of rights register maintained under the Land Revenue Code. The above facilities are not available to commercial banks.

## 5. JAMMU AND KASHMIR

### Land Reform Measures

47. Mortgage or charge on landed property of any shape cannot be created in favour of any person/institution who is not citizen of Jammu and Kashmir. Further, the transfer of agricultural land or any interest therein in the State is restricted to the following institutions: (1) Government (2) Local Body (3) Land Development Bank (4) Co-operative Societies and (5) Panchayat.

## 6. KERALA

### Land Reform Measures

#### Acquisition of Agricultural Lands in excess of ceiling

48. The Kerala Land Reforms (Amendment) Bill 1968, which is before the Select Committee, proposes ceiling not only on paddy lands but also on lands under rubber cultivation and other cash crops. Further, ceiling on land will be governed by the size of the family. The lending bank may, therefore, have to know the actual number of members in a family.

#### Restrictions on Sale/Mortgage of Land

49. The full proprietors can sell and mortgage their lands without any restrictions. The cultivating tenants

who are entitled to purchase the landlords' rights are deemed to have purchased their lands when they deposit the first instalment of the price (which can be paid in 16 equal annual instalments). These tenants can mortgage their interest in land. Other tenants are not allowed to sell their lands but they can alienate their rights in land.

50. It may be mentioned that the tenancy rights as prescribed under the existing legislation recognise multiplicity of tenants who can claim right in the land, and hence land as a security ceases to be attractive. It is difficult to get a clear document establishing the rights of the borrower to a piece of land.

#### Moneylending/Debt Relief Measures

51. The Kerala Agriculturists' Debt Relief Bill, 1968, which seeks to provide relief to indebted agriculturists whose total amount of debts does not exceed twenty thousand rupees, provides that for determining the amount due to a banking company for the purpose of payment under this Act, interest shall be calculated at the rate applicable to the debt under the law or contract or the decree or order of court under which it arises or at seven per cent per annum simple interest, whichever is less, with effect on and from the commencement of this Act. Further, the Bill also provides that not more than one-half of the principal shall be payable

towards interest which accrued due till the commencement of this Act. The above provisions, however, will not be applicable to any debt exceeding three thousand rupees borrowed under a single transaction and due before the commencement of this Act to any banking company.

52. The Bill further provides that in the case of debts due to a banking company, the number of instalments in which the debt shall be repaid shall be twelve where the debt does not exceed three thousand rupees and eight where it exceeds three thousand rupees.

#### Exemption from stamp duty

53. The co-operative societies, unlike commercial banks, are exempted from stamp duty.

#### Lack of facilities regarding recovery

54. The loans due from members to the co-operative societies can be recovered according to the law and the rules for the recovery of arrears of land revenue and without resort to a Civil Court. The powers of the Revenue Department Officials are vested in the Officials of the Co-operative Department for the purpose.

## 7. MADHYA PRADESH

### Land Reform Measures

#### Acquisition of Agricultural Lands in excess of Ceiling

55. The transfer or sale of land is not permissible if it would result in the transferee or purchaser acquiring land in excess of the ceiling (25 standard acres) laid down in the Madhya Pradesh Ceiling of Agricultural Holdings Act, 1960. Co-operative societies are, however, exempted from these provisions.

#### Restrictions on sale/mortgage of land

56. The Bhumiswamis, who form the biggest group among the land-holders, can sell/mortgage their lands subject to a condition that such transfer will not result in his holding less than 5 acres of irrigated land or 10 acres of unirrigated land. This restriction, however, does not apply in the case of a sale/mortgage to a co-operative society. Bhumiswamis belonging to the aboriginal tribes are allowed to sell/mortgage to only those within their tribe and to others only with the permission of the prescribed authority. Such permission is not necessary if the sale/mortgage is to the Government or a co-operative society. The occupancy tenants are not allowed to sell their lands but they can transfer their rights in land to Government and co-operatives. The



ordinary tenants cannot sell or mortgage their lands.

Moneylending/Debt Relief Measures

57. The Anusuchit Janjati Rini Sahayata Adhyadesh, 1966 provides for the relief of indebtedness of members of scheduled tribes. But Section 6 of the Adhyadesh grants exemption to all banks.

Difficulty in acquiring a charge on land  
already charged to a co-operative

58. Section 41 of the M.P. Co-operative Societies Act, 1960, provides that subject to the prior claims of the Government in respect of land revenue or any money recoverable as land revenue and to the claims of land development banks in respect of their dues and to the charge if any, created under an award made under any law for the time being in force relating to agricultural debtors, there shall be a first charge in favour of the society on the land or interest specified in the declaration, for and to the extent of the dues owned by him on account of the loan.

Lack of facilities to create  
equitable mortgage

59. There are no notified centres where title deeds of the borrowers to their land or property can be deposited.

Exemption from stamp duty

60. Co-operatives are exempted from stamp duty. It is

pointed out that stamp duty and registration charges approximately work out to 3% of the loan. Banks desire that they may be exempted from payment of these charges.

Facility regarding registration of mortgages

61. Section 36(1) of the M.P. Co-operative Societies Act, 1960 provides that it would not be necessary to register the mortgage deeds executed in favour of land development banks by the debtors and that it would be sufficient if a copy of the mortgage deed is forwarded to the registering officer concerned within the specified period. On the other hand, it is pointed out that after obtaining a loan from one commercial bank on the basis of equitable mortgage, the borrower may mortgage his land in favour of another bank by a registered mortgage. The banks, therefore, desire that the Registrar of Assurances and the Tehsildar should register the charge created in their favour by the borrower under an equitable mortgage. Further, the banks desire that they should be issued encumbrance certificates by the Registrar of Assurances as it is being done by them for co-operative banks.

Lack of facilities regarding recovery of loans

62. The commercial banks desire that they may also be given facilities similar to those given to co-operative societies in respect of recovery of their dues.

8. MADRAS

Land Reform Measures

Acquisition of Agricultural lands  
in excess of the ceiling

63. The Madras Land Reform (Fixation of Ceiling on Land) Act, 1961 stipulates ceiling on the land which a person is entitled to either own or possess as possessory mortgage at 30 standard acres. **No exemption is granted to the co-operative banks or commercial banks.**

Difficulty in attaching  
agricultural lands

64. A cultivating tenant cannot be evicted from his holding or any part thereof except as provided under the Madras Cultivating Tenants Protection Act, 1955.

Restrictions on sale/  
mortgage of land

65. The patta holders possess full proprietary rights in holdings and they can sell/mortgage their lands without any restrictions. The tenants cannot sell or mortgage their lands.

Moneylending/Debt Relief Measures

66. Section 13 of the Madras Agriculturists Relief Act,

1938 stipulates that in any proceedings for recovery of debt, the court shall scale down all interest due on any debt incurred by an agriculturist after the commencement of this Act, so as not to exceed a sum calculated at 6½% per annum simple interest. Section 13 also provides that the State Government may, by notification in the official Gazette, alter and fix any other rate of interest from time to time. The dues of Government and co-operative societies have been exempted from the above provisions. Commercial banks including scheduled banks do not, however, enjoy such exemption.

Priority of land development bank  
over the mortgage land

67. The Madras Co-operative Land Mortgage Bank Act, 1934, provides that a mortgage executed in favour of a land mortgage bank after the Madras Co-operative Land Mortgage Banks (Amendment) Ordinance 1968 shall, subject to the claim of the Government in respect of land revenue, have priority over all other claims against the property secured by such mortgage.

Lack of facilities to create  
equitable mortgage

68. Creation of charge by deposit of title deeds can be effected only in seven centres (But it is likely to be extended to all district head-quarters). In some cases, agriculturists are unable to produce proper title deeds in respect of land owned by them.

Exemption from stamp duty

69. The co-operative societies are exempted from payment of stamp duty. Commercial banks, however, do not enjoy such an exemption.

Lack of facilities regarding recovery of loans

70. The commercial banks desire to have power to recovery by arbitration and execution.

9. MAHARASHTRA

Land Reform Measures

Acquisition of agricultural lands

71. Section 63 of the Bombay Tenancy and Agricultural Lands Act, 1948, stipulates that sale of land (including sales in execution of a decree of a civil court - or for the recovery of arrears of land revenue), gifts, exchange or lease of land or interest therein or possessory mortgage of any land can be made only to an agriculturist. Sales effected by or in favour of a co-operative society are, however, exempted from this provision.

Acquisition of lands in excess of ceiling

72. Section 9 of the Maharashtra Agricultural Land (Ceiling and Holdings) Act, 1961, prohibits acquisition of any land by trans.

or partition (after the appointed date i.e. 4-8-1959) which together with any land already held by him will exceed the total ceiling area. Co-operative land development banks, however, enjoy exemption from this provision.

Restrictions on transfer of fragments

73. In terms of Section 7 of the Bombay Prevention of Fragmentation and Consolidation of Holdings Act, 1947, no person can transfer any fragment in respect of which a notice has been given under sub-section (2) of Section 6 except to the owner of the contiguous survey number. Mortgage or transfer to a co-operative society/land mortgage bank is exempted.

Difficulty in attaching lands

74. Interests in the land held by a tenant cannot be attached, seized or sold in execution of a decree or order of Civil Court.

Restrictions on sale/ mortgage of land

75. The land-holders can sell and mortgage their lands subject to the restrictions mentioned above. They can mortgage their lands to anybody by way of a simple mortgage. The tenant-purchasers in the state can sell their lands only

with the permission of the Collector. They can mortgage their lands only to co-operatives. Other types of tenants are not allowed to sell their lands but they can mortgage or create a charge on their interest in tenanted lands in favour of the State Government or co-operative societies.

76. Section 36 of the Revenue Code provides that the State Government by notification in official gazette may declare that the occupancies of persons belonging to scheduled tribes in the state as a whole or in part thereof shall not be transferred except with the previous permission of the Collector.

#### Moneylending/Debt Relief Measures

77. The Bombay Agricultural Debtors' Relief Act, 1947, exempts dues owed to scheduled banks. But certain other restrictive provisions in the Act may be mentioned here. Section 40 of the Act prohibits the alienation of any property belonging to a debtor who is party to the proceedings under the Act or award registered under the Act, made by him before all his debts are discharged except with the previous permission of the Court. According to Section 53, no person who is a party to any proceedings or award under this Act and who is related to a resource society or to any person authorised to advance loans under Section 54 of this Act for seasonal finance shall hypothecate or sell the standing

crops or the produce of this land without previous permission of the society or of person until such loan has been repaid in full. The commercial banks have to take precaution while advancing loan to such persons to ensure that they are not adjudged debtors and if so the debts have been cleared.

Moreover, Section 53 makes it permissive for the Government to authorise persons in local areas who advance loans to these debtors against hypothecation of crops. The commercial banks have not been notified as authorised persons for making advances to get over any difficulty of making advances to adjudged debtors.

Difficulty in acquiring a charge on land  
already charged to a co-operative

78. Section 48 of the Maharashtra Co-operative Societies Act provides that a member of the co-operative society shall make a declaration creating a charge on his land for the repayment of his dues to the society. No member shall alienate in whole or in part the land specified in such a declaration until the whole amount of loan with interest is repaid in full. Any alienation made in contravention of this shall be void.

Lack of facilities to create  
equitable mortgage

79. Creation of a charge by deposit of title deeds can



be effected only in Bombay city. No other town has been notified so far for this purpose.

Exemption from stamp duty etc.

80. Co-operative societies are exempt from stamp duty and registration fees.

Lack of facilities regarding recovery of loans

81. In the case of co-operative societies including land development banks, the Registrar can grant certificate that the dues are recoverable as arrears of land revenue. Further, if an instalment due to the land development bank is due for more than a month but less than a year, the Registrar or Collector can take action for distraint and sale of the produce of the mortgaged land. Mortgages in favour of land development bank have priority over loans granted subsequently under Land Improvement Loans Act, 1883, or Agriculturists' Loan Act, 1884, or any other loan. Such facility is not available to commercial banks.

Simplification of procedure for registering documents

82. These difficulties are the same as experienced in other States e.g. Mysore, Andhra Pradesh, Uttar Pradesh, etc.

10. MYSORE

Land Reform Measures

Acquisition of Land

83. Sales can be made even if it be in execution of a court Decree only to an agriculturist (who has land within the ceiling limit) and an agricultural labourer. Sales in this context include gifts, exchanges and also possessory mortgages. The co-operative societies are exempted from these provisions. Further, simple mortgage and alienation of any plantation are also exempted.

Acquisition of land in excess of ceiling

84. Co-operatives are exempted from the restrictive provision regarding acquisition of agricultural lands in excess of the ceiling fixed (i.e. 18 standard acres).

Difficulty in attaching land

85. The interest of a tenant in any land cannot be attached, seized or sold in execution of a court decree. But such steps can be taken in respect of a decree in favour of dues to Government and co-operatives.

Restrictions on sale of fragments

86. Disposal of land that will result in creation of a fragment and sale of such fragmented land either privately

or through courts, is forbidden. Lands answering the above description cannot be brought to sale even by co-operatives.

Restriction on right to sale/mortgage  
land

87. Land-owners can sell and mortgage their lands subject to the above restrictions. Land-owners who have resumed land from tenants for personal cultivation cannot sell such land for six years from such resumption except to the evicted tenant. They can mortgage land in favour of Government or a co-operative society. New owners cannot sell or mortgage their lands within six years from the date of acquiring occupancy rights. However, they can mortgage their lands to Government or a co-operative society. Tenants are not allowed to sell their lands but they can mortgage to Government or a co-operative society.

Moneylending/Debt Relief Measures

88. A debtor with an aggregate annual income of less than Rs.5000 in case he is an individual or Rs.10000 in case the debtor is an undivided Hindu family can claim debt relief. However, such relief is extended only if debts are less than Rs.20000. Debt owed to a cooperative society, a scheduled bank and debts arising from out of loans for financing of seasonal agricultural operations are exempted from the above. The exemption should be made available to all commercial banks.

Difficulty in creating charge on land  
already charged to a co-operative

89. A member of a co-operative can make a declaration creating a charge on the land held by him as owner or tenant. The charge subsists till the loan is cleared. A charge created by a cultivator in favour of a commercial bank, during the pendency of a charge in favour of a co-operative is void. Commercial banks claim that the charge in their favour should rank next to the one in favour of a co-operative.

Equitable mortgages

90. The facility to create such a mortgage is available only in 6 towns.

Stamp duty

91. The slab rate of fees fixed for stamping of ordinary mortgage deeds is reduced if the mortgage is of crop, whether existing or not. The stamp duty is remitted if the mortgage is a co-operative.

Registration of mortgages

92. Registration of mortgages/leases in favour of land mortgage banks is not required and it would suffice if a copy of the instrument is sent to the authorities. This facility is not available to co-operatives other than land mortgage banks.

Facilities regarding recovery  
of loans

93. Loans due to co-operative societies can be recovered as arrears of land revenue. This facility is not available to commercial banks.

94. Mortgages executed in favour of land development bank have priority over any claim of the Government arising from a loan under Land Improvement Loans Act, 1883, or the Agriculturists Loans Act, 1884, granted after execution of the mortgage deed. Similar protection is not available to commercial banks.

10. ORISSA

Land Reform Measures

Ceiling on holding

95. Provision relating to ceiling on land holding under the Orissa Land Reforms Act, 1960 is yet to come into force owing to an appeal lying before the Supreme Court.

Restrictions on sale/mortgage  
of land

96. Ryots can sell and mortgage their lands without any restriction. However, transfer of a holding or part by a ryot belonging to scheduled tribes or scheduled castes is not recognised except when it is in favour of a person belonging to a scheduled tribe or scheduled caste as the case may be

or when such transfer is made with permission of the revenue officer. Share-croppers (Bhagchasis) are not allowed to sell or mortgage their land.

Moneylending/Debt Relief Measures

97. The only debt relief legislation in the state is the Orissa (Scheduled Areas) Debt Relief Regulation, 1967, which aims at providing relief from indebtedness to the scheduled tribes. However, none of the provisions in the Act will apply to claims due in respect of any liability to a commercial bank.

Creation of a charge on land

98. Section 34 of the Orissa Co-operative Societies Act, 1962 provides for the creation of a charge on land in favour of a Co-operative Society.

Lack of facilities to create equitable mortgage

99. There are no notified centres in the state.

Exemption from stamp duty

100. Exemptions from stamp duty, registration fee, etc., are given to co-operative societies; such exemptions are not available to commercial banks.

Lack of facilities regarding  
recovery of loans

101. Overdue loans of co-operatives can be recovered as arrears of land revenue.

11. PUNJAB (PUNJAB AND HARYANA)

Land Reform Measures

Ceiling on land-holding

102. A "permissible limit" for holding of land by a land owner is fixed at 30 standard acres in the case of local persons and 50 standard acres in the case of persons displaced from West Pakistan. Further, there is a provision empowering the Government to declare as surplus, land held under the personal cultivation in excess of the permissible limit, and settle thereon the tenants ejected or to be ejected from within the permissible area of the owners. Therefore, while advancing loans against agricultural lands, the banks have to note that the land mortgage is in the reserved area or permissible area of the mortgagor.

Rights of Tenants

103. A tenant cannot be evicted from a minimum area of 5 standard acres until he is provided with alternative land by the Government. Further, there is a provision that a

tenant can purchase ownership of his tenancy on payment of prescribed compensation, provided the land comprised in his tenancy is not within the permissible limit of the owner and the tenant has been in possession of the land continuously for a period of six years. However, lands leased out by the Punjab State Co-operative Land Mortgage Bank are exempted from these provisions.

Restrictions on sale/mortgage  
of land

104. Land-owners can sell and mortgage their lands, the right to sell being subject to pre-emption rights given to tenants and to the provisions of the East Punjab Holding (Consolidation and Fragmentation) Act, 1948. The tenants have no right to sell or mortgage their lands.

Moneylending/Debt Relief Measures

105. The Punjab Debtors' Protection Act, 1936, exempts dues owed to a "bank". The commercial banks, therefore, will not be subject to the restrictive provisions of the Act.

Creation of a charge on land

106. The Act relating to co-operatives provide for the creation of a charge in favour of co-operatives.



Lack of facilities to create equitable mortgage

107. Mortgage by deposit of title deeds of immovable property cannot be effected as none of the towns in the state are notified for the purpose.

Exemption from stamp duty

108. Mortgages registered in favour of co-operatives are exempted from payment of stamp duty.

Lack of facilities regarding recovery of loans

109. The land mortgage banks can resort to sale of mortgaged property without intervention of the court.

12. RAJASTHAN

Land Reform Measures

Acquisition of land in excess of ceiling

110. The Rajasthan Tenancy (Fixation of ceiling of land) Government Rules, 1963, have been enforced from 1st April 1966. However, provisions relating to ceiling on land will not apply to land development banks and exemption in this regard is given to them under the Rajasthan Tenancy Act, 1955. The State Government is empowered to grant exemption to person or class of persons if it considers such exemption necessary.

Restriction on sale/mortgage  
of land

111. Khatedar tenants can sell their lands subject to the ceiling on the purchaser's land. They can mortgage lands only in favour of Government or co-operatives or any institutions notified in this behalf by Government. Recently the

State Government has notified 12 commercial banks as agencies from which Khatedar tenants can borrow by simple mortgage of rights in land.

112. A Khatedar tenant who is a member of scheduled caste or scheduled tribe cannot transfer his interest in land to any person who is not a member of the scheduled caste or scheduled tribe.

Moneylending/Debt Relief Measures

113. The Rajasthan Relief of Agricultural Indebtedness Act, 1957, provides that the provision of this Act shall not affect liability to a bank and bank for the purposes of the Act has been defined as a banking company defined in the Banking Regulation Act.

Creation of a charge on land  
already charged to a co-operative

114. Creation of a charge in favour of commercial banks on the lands already charged to a co-operative is void. When

the ownership of the property has been transferred, the charge is available not only against the purchaser but also against transferee.

Lack of facilities to create equitable mortgage

115. There appears to be no provision regarding creation of equitable mortgage of agricultural lands.

Exemption from stamp duty

116. The commercial banks unlike co-operatives do not enjoy exemption from stamp duty.

Lack of facilities regarding recovery of loans

117. The land development bank can apply to the Collector to recover all dues including the cost of such recovery. The bank can also bring the property to sale without intervention of court.

Simplification of the procedure for issuing non-encumbrance certificates

118. It is pointed out that considerable time is lost in obtaining non-encumbrance certificates in respect of land holdings from the sub-Registrar's Office.

Difficulty arising from  
usufructuary mortgage

119. In the case of usufructuary mortgage, the tenant holder except one belonging to scheduled caste and scheduled tribe, has right to transfer his rights in whole or part of his land holding for a period not exceeding ten years to any person including a commercial bank. By virtue of section 43(8) of the Rajasthan Tenancy Act, 1955, a usufructuary mortgage of any land shall, upon the expiry of the period mentioned in the mortgage deed, be deemed to have been satisfied in full without any payment whatsoever by the mortgagor and the mortgage debt shall accordingly be deemed to have been extinguished and thereupon, the mortgaged land shall be redeemed and possession thereof shall be delivered to the mortgagor free from all encumbrances.

13. UTTAR PRADESH

Land reform Measures

Acquisition of land in excess  
of ceiling

120. The U.P. Zamindari Abolition and Land Reforms Act, 1950, stipulates the ceiling on land to be held by a person at 12½ acres. The land development banks are exempted from this provision. However, commercial banks do not enjoy such exemption.

Restrictions on sale/mortgage  
of land

121. Bhumidars can sell and mortgage their lands, the sale of land being subject to the condition relating to ceiling on the purchaser's land. A **sirdar** has no right to transfer his holding by sale. This right to transfer his interest is limited for specific purpose. He can create mortgage only in favour of a co-operative society and State Government. Recently, however, a provision is made enabling the Sirdars to mortgage their lands to State Bank of India and other scheduled banks and U.P. Agro Industrial Corporation Limited. Adivasis, Asamis and Bataidars (share-croppers) cannot sell or mortgage their lands.

Moneylending/Debt Relief Measures

122. While the United Provinces Debt Redemption Act, 1940, excludes dues owed to all the commercial banks, the U.P. 'zamindars' Debt Reduction Act, 1952, which provides for scaling down of debts of zamindars whose estates have been acquired by Government, excludes dues owed to scheduled banks but not the other commercial banks.

Creation of a charge on land

123. There is no provision in the existing co-operative law for creation of charge on improvable property for the loans taken by agriculturists in favour of lending institution.

Exemption from stamp duty

124. Agriculturists executing documents in favour of commercial banks have to pay stamp duty and hence cost of borrowing will be high compared with the co-operative in which case, no stamp duty expenses are involved upto Rs.5,000 and where it exceeds Rs.5,000 only half of the proper duty is charged.

Lack of facilities regarding  
recovery of loans

125. The sale of mortgaged property in the case of simple mortgage without the invention of the Court is not possible. Land development banks are, however, empowered to sell the mortgaged property without the intervention of the Court. These land development bank can apply to the Registrar in case any part of the instalment payable under a mortgage executed in its favour remains unpaid for more than one month and recovers such instalment by confiscating and sale of produce of the land including the standing crops.

126. A mortgage executed in favour of the State Land Development Bank has priority over any claim of the Government arising from a loan granted after the execution of such mortgage.

127. There is provision to enable the co-operatives to have

first charge upon the crops and agricultural produce in respect of their dues.

128. Public money from defaulting agriculturists who borrowed from various credit institutions for raising their agricultural production could be realised as arrears of land revenue only in case of State-sponsored schemes where the State Government has guaranteed or had agreed to guarantee the repayment of a loan advanced by the State Bank of India or any other scheduled bank according to the U.P. Public Money (Recovery of Dues) Act as amended in 1965.

Simplification of procedure for registering documents etc.

129. In the case of legal mortgages, besides the payment of registration fees, time is lost in getting the documents registered with the sub-Registrar. In the case of land development banks, registration of the documents can be done by the bank itself. The bank is required only to forward a copy of the registered document to the registering officer within a period of three months from the date of such registration.

14. WEST BENGAL

Land Reform Measures

Acquisition of land

130. There is a provision that the ryot can sell his land only to an agriculturist.

Acquisition of land in excess of ceiling

131. The West Bengal Land Reforms Act, 1955, provides that no ryot shall be entitled to own more than 25 acres of land. A co-operative farming society is, however, exempted from this provision.

Restrictions on sale/mortgage of land

132. A ryot can sell his land only to an agriculturist subject to the ceiling of 25 acres. They can mortgage their lands by way of only simple mortgage or a usufructuary mortgage for a period not exceeding 15 years. Transfer of a holding by a ryot belonging to the scheduled tribe is void except when such transfer is made in favour of another member of the scheduled tribe or to a person not belonging to the scheduled tribe with the previous permission of the Revenue Officer. Bargadars are not allowed to sell or mortgage their lands.

Moneylending/Debt Relief Measures

133. The Bengal Agricultural Debtors' Act, 1935, excludes debts owed to scheduled banks but not to other commercial banks. Further, the Bengal Money Lenders' Act, 1940, which places restrictions on the rate of interest, total amount of interest, the period of loan, etc., excludes all loans issued by scheduled banks or a bank which has been declared to be



a notified bank for the purpose. It is gathered that the Government has not so far notified any non-scheduled commercial bank to be eligible for this exemption.

Lack of facilities to create equitable mortgage

134. The West Bengal Land Reforms Act, 1955, provides that a mortgage by a ryot of his holding other than a simple mortgage or a usufructuary mortgage for a period not exceeding 15 years shall be void. This provision restricts creation of charge on land by equitable mortgage. Further, at present, equitable mortgages can be created only in Calcutta.

Exemption from stamp duty

135. The expenditure of over Rs.20 per thousand in addition to what has to be spent on mutation and search for encumbrances, is required to be incurred in respect of mortgages. The commercial banks feel that if the Government also does not find it possible to permit the creation of equitable mortgage of agricultural lands, it should exempt the commercial banks from paying stamp duty.

Lack of facilities regarding recovery of loans

136. According to the Public Demand Recovery Act, a special procedure has been prescribed for the recovery of

Government dues which get precedence over the dues of other creditors. This facility has been extended to co-operative societies including the co-operative land development banks.

137. Co-operative dues get precedence over the dues of other creditors, even when they were issued after the issue of loans by latter against the mortgage of land.

#### Miscellaneous

138. Sub-registrars might be asked to furnish the non-encumbrance certificates instead of the present practices of creditors' lawyers making the search and furnishing the certificates.

139. Land records had not been posted upto date. Even the land settlement for 1961 had not been completed so far in various districts of the State. As a result of this, mutation proceedings take considerable time.

APPENDIX - III : COST-BENEFIT STUDIES UNDERTAKEN IN THE ECONOMIC DEPARTMENT OF THE RESERVE BANK OF INDIA

1. The Economic Department of the Reserve Bank of India has so far undertaken seventeen cost-benefit studies in regard to schemes to which the Agricultural Refinance Corporation has extended refinance facilities. The names of the scheme, the area benefitted by them and the purpose for which the Agricultural Refinance Corporation has extended refinance are given below:

Scheme	Area covered		Purpose for which A.R.C. has extended refinance
	State	District/Taluka	
1. Nagarjunasagar Irrigation potential 35 lakh acres.	Andhra Pradesh	1) Guntur 2) Nalgonda	Reclamation
2. Ghod Irrigation potential 62 thousand acres.	Maharashtra	1) Ahmednagar 2) Poona	Srigonda Karjat Sirur -do-
3. Gangapur Irrigation potential 36 thousand acres.	Maharashtra	1) Nasik	Nasik Niphad -do-
4. Tungabhadra Irrigation potential 11.20 lakh acres	Andhra Pradesh	1) Anantpur	Anantpur Gooty -do-
5. Chambal Irrigation potential 14 lakh acres.	Rajasthan	1) Kota 2) Bundi	-do-

Scheme	Area covered			Purpose for which A.R.C has extended re-finance
	State	District/	Taluka	
6. Tungabhadra Irrigation potential 5.80 lakh acres	Mysore	1) Raichur	Sindhanur Manri Raichur	Reclamation
7. Bhadra Irrigation potential 2.18 lakh acres.	Mysore	1) Shimoga 2) Chitradurg 3) Bellary	Bhadravati Honneri Channagiri Harihar Davanagere Harapanahalli	-do-
8. Kosi Irrigation potential 12.95 lakh acres	Bihar	1) Purnea 2) Saharsa		-do-
9. Chambal Irrigation potential 14 lakh acres	Madhya Pradesh	1) Morena 2) Bhind		-do-
10. Nalganga Irrigation potential 22 thousand acres	Maharashtra	1) Buldhana	Malkapur	-do-
11. Bor Irrigation potential 33 thousand acres	Maharashtra	1) Wardha	Wardha Hinganghat	-do-
12. Purna Irrigation potential 1.52 lakh acres	Maharashtra	1) Parbhani 2) Nanded		-do-
13. Ghataprabha Irrigation potential 1.20 lakh acres	Mysore	1) Belgaum 2) Bijapur		-do-

Scheme	Area covered		Purpose for which A.R.C. has extended re-finance
	State	District/Taluka	
14. Tungabhadra Right Bank Canal Irrigation potential 3 lakh acres	Mysore	1) Bellary	Reclamation
15. Kapurthala (Tube-wells)	Punjab	1) Kapurthala	Construction of tube-wells with diesel engine or, electric motor
16. Ludhiana (Tube-wells)	Punjab	1) Ludhiana	Ludhiana -do-
17. Patiala (Tube-wells)	Punjab	1) Patiala	-do-

2. In respect of two of these schemes, each representing one type of project, details of aims and objects, methodology adopted and results obtained are given below.

1. BHADRA IRRIGATION PROJECT - A QUICK ASSESSMENT OF BENEFITS TO CULTIVATORS:

3. The Bhadra project is one of the major irrigation projects of Mysore State. The overall irrigation potential of the project is placed at 2.18 lakh acres. The present scheme of land reclamation to which refinance is extended by Agricultural Refinance Corporation is confined to an area of 1.10 lakh acres in Bhadravati, Honneri and Channagiri taluks of Shimoga

district, Harihar and Davangere taluks of Chitradurg district and Harpanahalli taluk of Bellary district. This is called the 'project area' for the study.

4. The main objects of this study were to find out whether the increased benefits arising out of the investment made by cultivators in the form of reclamation costs and other associated costs implicit in the utilisation of irrigation facilities would be adequate to repay any loans taken for the purpose of such investment, and whether there will be any particular group of cultivators, say, small cultivators with uneconomic size of holdings who would require special consideration or assistance from the Government. The ultimate aim obviously was to assess the quantum and value of the anticipated total increase in agricultural production which could be attributed to irrigation.

5. The objects and aims as set out above required in the first place, collection of information regarding farm business; costs and incomes in the project area to provide the benchmark against which the anticipated benefits could be projected. Projection of charges in farm incomes and expenditure that are likely to come about in the project area after the introduction of canal irrigation involved an ex-ante measurement of the benefits of private investment. This involved selection for the purpose of

Aims and objects  
of the Study

Methodology:  
Project and  
'Norm' areas

comparison, the 'norm' areas; areas similar to the project areas in respect of the soil-climate-water complex, but which have enjoyed the benefits of irrigation for a fair length of time to permit full realisation of the primary benefits, thus reflecting broadly the anticipated benefits in the project areas.

6. Therefore, two villages from Davanagere taluka (Belvanur and Lokikere) and one each from Harihar and Channagiri taluka (Kondaji & Nalkudure respectively), where the bulk of the area

Selection of Villages

on which the land reclamation work that is to be undertaken is concentrated and the crop pattern of which

broadly conforms to that in the whole project area dominated by jowar and ragi, were selected as project villages, to ensure the representativeness of the data.

7. Two villages, namely, Harobenavalli in the Shimoga and Karehalli in the Bhadravati taluks of Shimoga district, where water has been made available for the last 5 or 6 years and prior to which farming conditions were almost analogous to those now obtaining in the project area, were selected to serve as 'norm' villages.

8. With a view to estimating the farm business incomes of the four categories of the cultivators, namely, large, medium,

Selection of cultivating households

small and very small (cultivators with holdings of 20

acres, between 10 and 20 acres, between 5 and 10 acres and below 5 acres respectively) in

the project villages, a sample of 25 cultivating households from each of the four villages was first selected on a random basis from among all those who owned and cultivated land in the village during the agricultural year 1964-65 and a substantial part of whose holding is likely to be brought under irrigation.

9. In regard to selection of the 50 cultivating households from the two 'norm' villages, on the other hand, a more purposive approach was adopted, in that selection was made from among those who grew exclusively irrigated crops, paddy, sugarcane and ragi.

10. The important items on which information was sought to be obtained from them included inter alia, (i) the size of the owned and cultivated holdings, (ii) crop pattern, yield rates and value of gross produce, (iii) cost of cultivation and (iv) ownership of assets and financial liabilities. The data collected relate to the agricultural year 1964-65 and estimates are based on the prices of 1964-65.

11. For the purpose of estimating the increase in farm business income, the likely changes in the proportion of the irrigated area and the crop pattern, in respect of the different categories of cultivators in the project area were worked out on the basis of the data obtained from the Department of Agriculture in respect of 'the localisation plan', as also from the responses

Likely crop pattern  
in project area



of the cultivators. On an average, slightly more than 80 per cent of the cultivators holding (gross cropped area) would be irrigated. Within the irrigated crops, paddy claims the lion's share, ragi (irrigated), sugarcane and groundnut taken together are likely to claim about half of the total irrigated area and cotton about 6 per cent.

12. However, paddy seemed to occupy a predominant position in the 'norm' villages, and groundnut and cotton were almost absent. The intensity of cropping pattern would also differ as between the two areas. A product Projection of incomes approach was, therefore, adopted rather than an enterprise approach. Suitable adjustments in the data were made with a view to isolating the costs and incomes of different crops separately. The three indicators of farm business i.e., value of gross produce, farm costs and farm business income in respect of irrigated crops paddy, sugarcane and ragi, in the 'norm' areas were worked out on a per acre basis to facilitate projection of incomes. By applying the farm business data in respect of these crops in the 'norm' villages to the relevant portions of the holdings (irrigated), the likely increases in incomes were worked out. As regards groundnut and cotton, use was made of the data from the report on the Tungabhadra Irrigation Project in Mysore with suitable adjustments in the costs and incomes.

13. The farm business income was defined as the value of gross produce less the current costs of cultivation. In the assessment of the current costs of cultivation all cash and kind expenses actually incurred on the following major items of current expenditure were included, (i) wages to hired labour and payments to village artisans, (ii) maintenance costs of draught-power, (iii) seeds and plants both home-grown and purchased, (iv) fertilisers and manure, (v) irrigation charges, (vi) land revenue and other land/agricultural taxes, and (vii) rent both cash and kind.

14. On an average, farm business income is likely to rise from its present level of about Rs 2,060 to about Rs 6,025, recording thereby an increase of nearly 200 per cent, after a time-lag of about five years after the introduction of irrigation. (Statement 1)

15. The average cost of reclamation per acre works out to Rs 208, including the provision for moving shrubs and bushes and for initial dose of green manure of fertilisers to improve soil fertility, as per the estimate of Department of Agriculture. The need for additional draught-power has been estimated by applying the norm that one pair of bullocks will be sufficient for cultivation of 10 acres of irrigated land. Investment requirement per acre on account of this amounts to Rs 33.

Investment requirements

16. The repayment potential and pattern was worked out on the following assumptions: (i) Since the expected increase in farm business income would be fully realised only during the fifth year after the introduction of irrigation, it was assumed that a phased increase in farm business income takes place every year, recording about one-fifth of the expected increase in income. (ii) According to the scheme drawn up by the Department of Agriculture, it is assumed that on an average, an amount of Rs 208 per acre would be advanced as long-term credit for purposes of land reclamation. For the first year there would be no recovery, while for the second year the borrowers would be required to pay only the interest charges at the rate of 8.5 per cent per annum for the first two years. Thereafter, principal with interest will be repaid in 8 equal annual instalments. (iii) In regard to medium-term credit for the purchase of bullocks, it is assumed that the loan would be repaid along with interest of 8.5 per cent per annum, in 5 equal annual instalments.

17. The anticipated increase in farm business incomes will be of such magnitude that even after adhering to the repayment pattern envisaged, the cultivators of all four categories will be left with a balance which could serve as a sufficient incentive for them to switch over to wet cultivation.

18. Although the extent of the increase in income in the

case of the very small cultivator is lower than the average for all cultivators, this category do not seem to present any specific problem requiring special consideration or assistance by the State Government.

2. TUBE-WELLS IN LUDHIANA DISTRICT  
OF PUNJAB STATE - AN ASSESSMENT OF  
BENEFITS TO CULTIVATORS (1966-67)

19. The scheme relating to Ludhiana district envisages installation of 1,000 tube-wells in the 101 villages of the Ludhiana tehsil. The villages are compact and form a homogeneous tract and are covered by the Ludhiana and Mangat Development Blocks.\*

Coverage of the Scheme

A study was conducted by the Geological Survey of India and the report on the study recommended that to begin with, 1,000 tube-wells might be installed and after observing the effects of pumping of these wells over a period of 2 to 3 years, the feasibility of installing another 1,200 tube-wells should be assessed.

20. This study, undertaken for the use of the Agricultural Refinance Corporation, had three objectives viz., (i) estimation of the additional benefit from tube-wells to cultivators with different size groups of holdings taking into account their crop patterns, (ii) finding out whether the additional benefit accruing to cultivators from the installation of tube-wells with loans

Aims and Objects

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\*A part of the Mangat Development Block is outside the Ludhiana tehsil.

from the Land Mortgage Banks is adequate to enable them to repay the annual instalments of loans and also leave a "surplus" and (iii) ascertaining whether there will be any group of cultivators who, because of their "uneconomic holdings" will require special assistance, financial or otherwise, from the Punjab State Government.

21. For the purpose of the above study, a sample of cultivators with tube-well irrigation (called "owners") and a sample of cultivators without tube-well irrigation (called "non-owners") was selected from the 4 villages in Ludhiana tehsil and a comparison of their farm costs and receipts was attempted with a view to measuring the additional income due to tube-well irrigation. An 'owner' was defined as a cultivator who owned a tube-well (or more) and had more than two years of experience in tube-well irrigation as at the time of the period (i.e. 1966-67). A "non-owner" was correspondingly one who had no tube-well irrigation on his farm.

22. Originally, two villages (viz., Ayāli Kalan and Shahbana) were selected purposively from among the 101 villages in the Ludhiana tehsil where the tube-well scheme would be implemented.

Sampling The villages were selected on the basis of large number of owners and non-owners, crop pattern, smaller area under canal irrigation etc.

23. The plan was to select the required number of owners and non-owners from the same two villages. However, as the number of non-owners available for selection was not adequate, two more villages viz., Bains and Murdhian Khurd, were selected to get the adequate number of non-owners. The two additionally selected villages were only 2 to 3 miles from Ayali Kalan and Shahbana, respectively, and had homogeneous agro-economic conditions. Further, in terms of crop pattern, pattern of irrigation and related agricultural characteristics, all the four selected villages were broadly representative of the tehsil as a whole.

24. From these four selected villages, a sample of owners and non-owners was drawn on random basis. In all 60 owners and 49 non-owners were selected for interview. Data in respect of owned and unowned holding; crop pattern and yield from crops; **sources, uses and costs of irrigation**; cost of cultivation; receipts from and costs of maintenance of milch cattle and ownership of assets and financial liabilities were collected from each cultivator through a schedule canvassed to them.

25. As the additional income due to tube-well irrigation was to be studied with reference to the size-groups of cultivators, the selected cultivators were classified (with reference to the size of cultivated holding) in such a manner that the cultivators of the two categories would be comparable (group

to group) not only on a per acre basis but also on a 'per family' basis.

26. Since, the estimation of additional income due to tube-well irrigation involved an assessment of current costs of Method of Estimation of Farm Costs and Incomes cultivation and receipts of the selected farmers, the former was defined to include payments, both in cash and in kind, in respect of wages to hired labour and payment to village artisans concerned with servicing of farm implements or farm work; fodder and feed, home-grown as well as purchased, consumed by draught cattle and veterinary charges, if any; seeds and plants, home-grown as well as purchased; fertilisers and manures, farm produced and purchased; land revenue; rent paid, in cash and kind, in respect of leased in land and costs of operation of ordinary well/tube-well.

27. Income, on the other hand, was defined as the value of gross receipts from crops (including fodder obtained as a by-product) minus the current costs of cultivation. The value of both grains and fodder was evaluated uniformly at the most commonly reported harvest prices prevalent during 1966-67.

28. Since the samples of owners and non-owners were drawn from villages where the agricultural conditions were homogeneous, the additional income of owners (as compared with non-owners) could, broadly speaking, be attributed to tube-well irrigation. The additional income may come out of a rise in the

proportion of irrigated area, a rise in the intensity of cropping, a change in the crop pattern and a rise in physical productivity of land i.e., higher yield from crops.

29. The gross and net receipts realised from the crop enterprise as a whole along with the additional incomes furnished in Statement II indicate that there was a definite increase in the income of owners consequent to tube-well irrigation. The magnitude of the net increase, however, varied as between owners belonging to different size groups of holdings but when compared to the income of non-owners of Magnitude of Additional Income due to Tube-well Irrigation the corresponding size group, the additional gross receipts of owners were sufficiently large enough to offset the additional costs, leaving a sizeable surplus by way of net additional income.

30. It, therefore, remained to assess whether the net additional income would be sufficient to cover the instalment Repayment Capacity on loans availed for installation of tube-wells.

31. The total cost of installation of a tube-well with an oil engine in Ludhiana has been estimated at Rs 5,500 by the apex land mortgage bank. This cost will decrease by about Rs 1,500 if an electric motor were installed instead of an oil engine. The terms and conditions of loans for the purpose by



the land mortgage bank are that loans are granted at a rate of interest of  $7\frac{3}{4}$  per cent per annum and the period of repayment is 9 years. In the first year only interest will be recovered. Recovery of principal, along with interest, will be spread over the remaining 8 years on the basis of equal annual instalment system. The average annual repayment charge works out (approximately) on this basis to Rs 930 on a loan of Rs 5,500. The data presented in Statement III indicate that for all cultivators, the repaying capacity generated by the installation of tube-wells is adequate to cover the annual servicing charges of loans taken from the land mortgage bank and there is a sizeable surplus left after meeting this commitment.

32. The Survey data revealed that there was no difference in the crop pattern of owners and non-owners and that the only

Summing up benefit attributable to tube-well irrigation was an increase in irrigated area and in the area under double cropping. Thus, additional crop raised the incomes of owners as compared to those of non-owners. The additional income ranged from Rs 48 per acre for cultivators with holdings of 20 to 30 acres to Rs 380 per acre for cultivators in the smallest group (i.e. less than five acres). The comparatively smaller gain in income reported by cultivators in the larger size-groups appeared to be due to the fragmentation of holdings and the consequent sub-optimum use of the water supplies available

from tube-wells.

33. The additional incomes arising out of tube-well irrigation were adequate to enable the cultivators repay the loans (taken for the installation of tube-wells), according to the terms laid down by the land mortgage bank.

34. Further, the Survey data revealed that even for a farmer with 3 acres, the L.M.B. loan will be self liquidating, if used for the installation of tube-wells. Thus, no special concessions or incentives appear to be necessary to enable small cultivators to take advantage of the scheme.

STATEMENT - IBALANCE OF FARM INCOME AFTER IRRIGATION

(Rupees per cultivating family)

	Large	Medium	Small	Very small	All
	1.	2.	3.	4.	5.
<u>First year</u>					
Farm income	6648	3118	1829	737	2858
Repayment	263	120	65	-	103
Balance	6385	2998	1764	737	2755
<u>Second Year</u>					
Farm income	8569	4022	2267	940	3650
Repayment	1269	616	320	104	535
Balance	7300	3406	1947	836	3115
<u>Third Year</u>					
Farm income	10490	4926	2705	1143	4442
Repayment	1285	624	324	106	542
Balance	9205	4302	2381	1037	3900
<u>Fourth Year</u>					
Farm income	12411	5830	3143	1346	5234
Repayment	1285	624	324	106	542
Balance	11126	5206	2819	1240	4692
<u>Fifth Year</u>					
Farm income	14331	6736	3579	1550	6024
Repayment	1285	624	324	106	542
Balance	13046	6112	3255	1444	5482
<u>Sixth Year</u>					
Farm income	14331	6736	3579	1550	6024
Repayment	1022	504	259	106	439
Balance	13309	6232	3320	1444	5585

Note: It may be recalled that these data relate to farm business income which is equivalent to the value of gross produce less the current costs of cultivation; thus, in a way, allowance has already been made for repayment of short-term credit.

STATEMENT II

GROSS AND NET RECEIPTS FROM ALL CROPS REALISED  
BY OWNERS AND NON-OWNERS

(Amount in Rupees per acre)

	Size-Group (Acres)						
	Less than 5	5 to 10	10 to 20	20 to 30	30 and above	All	All (excluding col.5)
	1.	2.	3.	4.	5.	6.	7.
<u>Gross value of receipts from crops</u>							
Owners	1825	1379	1308	1238	895	1160	1290
Non-owners	1149	974	974	1086	936	1003	1008
<u>Costs of production of crops</u>							
Owners	929	587	502	474	376	463	505
Non-owners	633	372	365	370	285	368	374
<u>Net income from crops</u>							
Owners	896	792	806	764	519	697	785
Non-owners	516	602	609	716	651	635	634
<u>Additional receipts and costs of owners</u>							
Gross receipts	676	405	334	152	- 41	157	282
Cost of cultivation	296	215	137	104	91	95	131
Net receipts	380	190	197	48	-132	62	151
<u>Proportion of additional receipts and cost of owners over non-owners</u>							
Gross receipts	58.8	41.6	34.3	14.0	-4.4	15.7	28.0
Cost of cultivation	46.8	57.8	37.5	28.1	31.9	25.8	35.0
Net receipts	73.6	31.6	32.4	6.7	-20.3	9.8	23.9

STATEMENT III

FARM INCOME AND REPAYMENT POTENTIAL  
OF OWNERS

Size-group (Acres)	(Amount in rupees per family)			
	Average size of cultivat- ed holding (Acres)	Additional (net) income attributa- ble to tube-well irrigation	Approximate average annual re- payment for a loan of Rs.5,500	Balance after repay- ments
1.	2.	3.	4.	5.
1. Less than 5	2.88	1235	930	305
2. 5 - 10	7.51	1213	930	283
3. 10 - 20	14.22	3025	930	2095
4. 20 - 30	23.68	1694	930	764
5. 30 and above	40.68	-	930	-
All	18.54	4679	930	3749
All (exclud- ing 5)	14.63	3602	930	2672