A STUDY OF

AGRICULTURAL FINANCING BY NATIONALISED BANKS

IN JABALPUR DISTRICT, M.P.

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CHAPTER I

I N T R O D U C T I O N

1.1 Institutional Agricultural Financing in India

Among the financing institutions functioning in the rural areas, the Cooperatives accupied a prominent place. The share of the cooperatives in the total borrowings of cultivators increased from 3.00 per cent in 1951-52 to about 25.00 per cent in 1961-62. The number of primary agricultural cooperative societies was 1,05,000 in 1950-51. It increased to 1,92,000 in 1965-66. The total membership of credit societies rose from 44.1 lakhs in 1950-51 to 261 lakhs in 1965-56. The volume of short term loans went up from Rs. 23 crores in 1951-52 to 203 crores in 1960-61 and to Rs. 357 crores in 1965-66.

The Commercial Banks' share, on the other hand, was smaller. In 1951, commercial banks had a net-work of 4,178 offices of which only 1,563 or 37.41 per cent were located in rural and semi urban areas covering 940 centres. Although the total number of offices in India rose to 6,596 in 1966 the percentage of their offices in rural and semi urban areas declined slightly to 37.37 inspite of large expansion programmes implemented by the public sector banks particularly in these areas.

However, after the nationalisation of banks in 1969 the picture changed. The total number of offices was 8,262 in June 1969. It increased to 30,202 in June 1979 i.e. an expansion of 289 percent. The percentage of rural branches to total branches increased from 22.4 in 1969 to 44.1 in 1979 (Table 1.1)

Table 1.1 Distribution of Commercial Bank Offices in rural, Semi-urban and Urban Centres from June, 1969 to June 1979.

Centre	1969		1970		1971		1972		1973		1974		1975	
	No.	% to total	No.	% to total	No.	% to total	No.	% to total	No.	% to total	No.	% to total	No.	% to total
Rural	1832	22.4	3062	30.2	4279	35.6	4814	35.3	5561	36.2	6165	36.4	6806	36.4
Semi-urban	3322	40.1	3695	36.5	4016	33.4	4385	32.2	4723	33.8	5089	30.0	5570	29.7
Urban	1447	17.5	1583	15.6	1778	14.8	2323	17.1	2573	16.7	2299	17.1	3266	17.4
Metro-politan port town	1661	20.0	1791	17.7	1940	16.2	2100	15.4	2503	16.3	2783	16.5	3088	16.5
Total	8262	100.00	10141	100.00	12013	100.00	13622	100.00	15362	100.00	16936	100.00	18730	100.00

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Table 1.1 Distribution of Commercial Bank Offices in rural, Semi-urban and Urban Centres, from June 1969 to June 1979.

Centre	1976		1977		1978		1979	
	No.	% to total	No.	% to total	No.	% to total	No.	% to total
Rural	7687	36.2	9532	38.4	11802	42.1	13333	44.1
Semi-urban	6387	30.1	7211	29.1	7546	27.1	7845	26.0
Urban	3739	17.6	4263	17.2	4542	16.2	4717	15.6
Metropolitan Port town	3407	16.1	3796	15.3	4086	14.6	4307	14.3
Total	21220	100.00	24802	100.00	28016	100.00	30202	100.00

Agriculture received only 2.1 per cent of the total advances made by commercial banks at the end of March 1967. In the same way the contribution of Commercial Banks was only 1.1 per cent of the total borrowings for agriculture purposes.

However after the nationalisation, there has been increment in finance to agricultural sector. While Rs.188 crores were outstanding in June 1969 they became Rs.1,651 crores at the end of December 1977. Another important change to be noted is that in 1969 direct finance was less than indirect finance but later the direct finance exceeded indirect finance (Table 1.2).

Table 1.2 Commercial Banks' advances to agriculture 1969-79

(Rs. in Crore)

Type of Finance	June 1969	June 1970	June 1971	June 1972	June 1973	June 1974	Dec. 1975	Dec. 1976	Dec. 1977	May 1979
Direct Finance	54	184	236	267	342	435	725	1003	1260	N.A.
Indirect Finance	134	158	146	172	190	211	299	332	391	N.A.
Total	188	342	382	439	532	646	1024	1335	1651	2203

The percentage of agricultural credit rose from 1.3 in 1969 to 10.2 in 1978.

It may be mentioned that before nationalisation there was only one bank branch for a population of 65,000 but by 1983 there was one branch for a population of 16,000. Thus the involvement of commercial banks in agricultural financing is increasing from year to year.

1.2 Agricultural Financing in Madhya Pradesh

In M.P., like other states the agricultural financing was chiefly the job of cooperative banks till the nationalisation of commercial banks. Even after the nationaligation of commercial banks, cooperatives played very significant role. Their share in total agricultural financing increased from 17.7 per cent in 1961 to 27.8 per cent in 1971. The share of commercial banks in 1961 was a paltry 0.1 per cent and increased to 1.2 per cent in 1971. (Table 1.3)

Table 1.3 Share of different financing agencies in agriculture in M.P. 1961 and 1971

(Figures-percentage)

Financing Agency	1961	1971
(A) Institutional Agencies		
1. Government	7.5	4.2
2. Cooperatives	17.7	27.8
3. Coomercial Banks	0.1	1.2
Total Institutional Agencies	25.3	33.2
(B) Private Agencies		
1. Moneylender farmers	32.3	29.3
2. Professional moneylender	29.9	25.6
3. Relatives	2.0	5.2
4. Landlords	0.4	4.4
5. Traders & Middle men	9.0	0.5
6. Others	1.1	1.8
Total Private Agencies	74.7	66.8
Total :	100.00	100.00

The amount of loan sanctioned by Central cooperative banks and Land Development Banks was Rs.86.67 Crores in 1976-77. It increased to Rs.114.17 crores in 1980-81. (Table 1.4)

Table 1.4 Progress of agricultural financing by Cooperative Banks in M.P.

(Figures Rs.Crores)

Year	Central Cooperative Banks	Land Development Banks	Total
1976-77	63.91	22.76	86.67
1977-78	55.20	12.26	67.46
1978-79	60.04	9.20	69.24
1979-80	71.57	16.00	87.57
1980-81	105.00	9.17	114.17

The amount of loans sanctioned by nationalised banks by the end of March 1978 stood at Rs.57.32 crores. Tractors and machinery accounted for 30.36 per cent of the loan amount and pumpsets 23.46 per cent. Wells claimed 22.80 per cent of the total amount. (Table 1.5)

Table 1.5 Distribution of loan amount sanctioned by nationalised banks in M.P. according to purposes, as on 31.3.1978.

Purpose of loan	Amount (Rs.in lakhs)	Percentage to total
Tractors & machinery	1739.80	30.36
Pumpsets	1344.77	23.46
Wells	1273.20	22.80
Crop loan	860.17	15.01
Land development	262.64	4.58
Livestock	251.52	4.39
Total :	5732.10	100.00

Banking development is closely linked with the branch expansion programme. While the District Cooperative Banks and District Land Development Banks had a network of branches in rural areas of the state the nationalised banks had a few branches in the rural areas. In 1969 there were only 334 branches of the nationalised banks in the state and these too were largely located in urban centres. The APPBO(Average Population Per Bank Office) was as high 1.25 lakhs. It was planned to open as many as 634 rural branches in the state by the end of sixth plan so that the APPBO is brought down to 17 thousand.

It was also proposed that the commercial banks would be required to sanction loans amounting to Rs.1338 crores in the rural sector during the sixth plan period (1980-85)

1.2.1 Lead Bank Scheme

Lead Bank Scheme as suggested by the Reserve Bank of India is in operation in the state. The objective of this scheme is to involve bankers in the socio-economic development at the district level. In all nine nationalised banks have the lead resporsibility in the state (Table 1.6)

Table 1.6 Lead Banks in Madhya Pradesh.

S.No.	Banks	No.of lead districts
1.	Central Bank of India	17
2.	Bank of India	10
3.	State Bank of India	7
4.	State Bank of Indore	3
5.	Dena Bank	3
6.	Union Bank of India	2
7.	Allahabad Bank	1
8.	Bank of Baroda	1
9.	Punjab National Bank	1
	Total	45

1.3 Agricultural Financing in Jabalpur District

Some account of indebtedness in the rural area of the district is found in the Settlement Reports and in the Report of the Central Provinces Provincial Banking Enquiry Committee.

1.3.1 Early Records of Indebtedness

As a result of poor harvest, rents fell into arrears and frequently the malguzar had to borrow money to pay his revenue and his household and other expenses. Mr. H.R. Crostwaite in the course of settlement operations (1907-12) found that the indebtedness of the malguzars of the district amounted to Rs.41,85,671 most of which was secured by mortgage. The landlords had raised loans worth Rs.42 lakhs on property worth Rs.220 lakhs. The average debt per proprietor was Rs.505. Speaking about the condition of the tenants, Mr. Crosthwaite in his report observed: "I found that really heavy indebtedness was not the rule but the exception, that heavy debt was generally ancestral debt, that many tenants were quite free from debt, and that many more habitually borrowed at high rates of interest simply because they lacked thrift and regarded the moneylender as an indispensible adjunct."

The principal causes of debt were extravagance in ceremonial expenditure, litigation and gradual division and sub-division of holdings to the point at which they became uneconomic.

The Central Provinces Provincial Banking Enquiry Committee which conducted a survey of the district in 1929-30 estimated that the total debt of the malguzars had increased by Rs.40 lakhs, or approximately to Rs.82,16,479 since 1912. Their total debt represented about 26 per cent of the value of their land which was a larger percentage than for most districts. Only 15 per cent

of the malguzars of the district were free from debt. The total indebtedness of the Malik- Makbuzas and tenants was estimated at Rs.1,26,24,196 representing eight times the total assessment on the land held by them and 40 per cent of the average value of the gross crop outturn in a normal year. The average debt per family was Rs.232. The committee found only 16 per cent of the cultivators free from debt, six per cent of all cultivators being hopelessly indebted. The Committee observed that the ordinary rates of interest varied between 12 per cent and 24 per cent, the interest on secured debt approximating to 12 per cent and on un-secured to 24 per cent. Grain loans were not uncommon. Mr.Date, Vice President of the Central Bank, Jabalpur, in his written statement submitted to the Committee said Sawai (one and a quarter) is charged for wheat and gram, dedhi (one and a half) for rice, and duni (double) for tilli and Sanhemp seed.

Table 1.7 Distribution of loan amount by purpose

S.No.	Purpose	Per cent
1.	Old debt and repayment of old debt	22.88
2.	Marriage and other ceremonies	11.11
3.	Maintenance expenses	12.10
4.	Arrears of or loan for payment of land revenue	6.60
5.	Litigation	0.11
6.	Cultivating expenses	28.21
7.	Field embankment, land improvements and improved agricultural implements	17.78
8.	Purchase of land and bringing new land into cultivation	1.21
	Total	100.00

Of the total loans 64.8 per cent was obtained from professional moneylender, 16 per cent from landlords, 13 per cent from Government and 6.2 per cent from Cooperative Credit Banks. It is clear that the moneylender had not been dislodged from his position of preeminence as a financier.

However, the Forecast Report of 1953 says. "It is abundantly clear that not only has the number of cultivators who were forced to pay for at least a part of the accumulated and recurring debts by transferring their lands during the rather difficult period of 1930-31 to 1940-41 gone down considerably, but also the area or the rental or revenue assessment of the transferred lands was less, indicating that the debts bore a lesser percentage to the assessment of land than found by the Banking Enquiry Committee for the period prior to 1930-31.

The Reserve Bank of India undertook a survey on rural credit in Sagar district in 1951. The results of this survey can, with certain reservation be treated as representative of the prevailing condition in the wheat zone to which Jabalpur district belongs. The survey revealed that in Sagar the average debt per cultivating family was Rs.568. Of this 36.4 per cent was owned to Government, 1.4 per cent to cooperatives and commercial banks, 6.3 per cent to relations, 2.0 per cent to agriculturist moneylenders, 53.2 per cent to professional moneylenders and 0.7 per cent to other agencies. This gives a fair idea of the hold of the professional moneylenders as late as in 1951 (Table 1.8)

Table 1.8 Distribution of credit by supplying agencies, Rural Credit Survey, Sagar district, 1951

Financing Agency	Rs.	Percentage
Professional moneylenders	302.18	53.2
Government	206.75	36.4
Relations	35.78	6.3
Agriculturist moneylender	11.36	2.0
Cooperatives & Commercial Banks	7.95	1.4
Others	3.98	0.7
Average debt per cultivating family	568.00	100.0

The indebtedness of the cultivators has always received attention. As early as 1835 Major Low wished to introduce special measures for the relief of indebtedness. In the opening years of the twentieth century Sir Bampflyde Fuller introduced a scheme of debt conciliation which was only partially successful owing to the opposition made by creditors. Crosthwaite's Settlement Report (1912) gives an interesting account of voluntary debt conciliation during the course of settlement which largely through the active cooperation of the landlord moneylenders, such as, Seth Jiwandas, Rai Bahadur Bishum Datta Shukal and many others, helped to reduce the total debt of tenants from Rs.44,86,154 to Rs.22,55,315. In the thirties Debt Conciliation Boards were established with a view to helping the debtors and creditors reaching an agreement to scale down debt. The Patan-Sihora Debt Conciliation Boards worked from May 1935 to September 1937 and in 2,524 cases debts amounting to Rs.27.29 lakhs were conciliated for Rs.15.34 lakhs, a remission of 44 per cent. The Debt Conciliation Board in Jabalpur-

Murwara similarly conciliated debts amounting to Rs.5.16 lakhs for Rs.2.18 lakhs- a remission of 45 per cent in 1068 cases during 1937-38. Subsequently the Government inscribed the Central Provinces and Berar Relief of Indebtedness Act, 1939 in the Statute Book. The courts were given wide and far-reaching powers to give relief to the debtors. (Table 1.9)

Table 1.9 Relief given under C.P.& Berar Relief of Indebtedness Act 1939

Year	Cases for determination	Amount involved according to		Amount determined by court	Percentage of col.(5) to (3)
		Debtor	Creditor		
(1)	(2)	(3)	(4)	(5)	(6)
1940	1,602	16,11,574	14,19,616	10,18,494	63
1941	705	6,33,057	8,09,283	5,23,528	83
1942	630	5,74,242	7,60,402	4,67,714	81

1.3.2 The Moneylender

There is little doubt that the indigenous moneylender has been active both in the rural and the urban areas since time immemorial though whatever little information regarding the system is forthcoming refers to recent times. Government, Joint Stock Banks and Cooperatives have joined the ranks of financiers more recently.

The landlord, the substantial cultivator, the Mahajan or Sahukar and the itinerant moneylender have been the principal indigenous financiers in the rural area, the urban area being served mainly by the professional moneylenders known as Seth or Mahajan. Frequently he pursues other trades and businesses along with moneylending.

The cultivator borrows in cash to meet his agricultural and personal needs. However, loans in kind are not uncommon. The agriculturist moneylender and the bania trader keep a reserve of grain which is advanced to needy cultivators and agricultural labourers. In the urban areas the Seth or Mahajan advances money to traders, craftsmen and village Sahukars who are compelled to supplement their resources for giving loans to the cultivators. Such Mahajans have been mentioned in some earlier records and reports. In a letter written in February 1928 C.Frazer refers to Seth Sewa Ramas "one of the most opulent Mahajans of Jubbulpore" The Central Provinces Provincial Banking Enquiry Committee Report 1930, similarly says that "Pandit Gajadhar Prasad Pateria, a very wealthy moneylender of Jubbulpore, is an example of a man who has become rich by lending money on the instalment system to small persons at 24 per cent".

The community life of the village was stronger and the moneylenders depended for their existence and for the maintenance of their business upon the good-will of the community. Public opinion supported legitimate dealings and was strongly opposed to extortionate conduct by the moneylender. With the establishment of British rule, the Panchyat and public opinion became less compelling and the system of justice and administration introduced by the British left the uneducated and needy borrower completely at the mercy of the creditor for whom the temptation to amass ill-gotten gain proved too strong.

It is in the present century that Government realised the need for proper control of moneylending. This led to several enactments, such as, the Usurious Loans Act, 1918, the Central Provinces and Berar Moneylenders Act, 1934, etc., directed towards

eliminating usury and other malpractices through a system of registration and compulsory maintenance of accounts. The professional moneylenders have survived these curbs and also competition from the new credit agencies, viz., Government, Banks and Cooperative Societies. Their hold on rural credit was extensive as revealed by the All-India Rural Credit Survey, 1951, in the adjoining District of Sagar. The number of moneylenders registered under the Moneylenders Act, in Jabalpur district stood at 1,120 in 1962-63. (Table 1.10)

Table 1.10 Number of registered moneylenders in Jabalpur district.

Year	Tahsil				District Total
	Jabalpur	Sihora	Murwara (Katni)	Patan	
1957-58	431	209	269	84	993
1958-59	455	220	291	108	1074
1959-60	439	244	302	96	1081
1960-61	407	239	299	101	1046
1961-62	411	256	278	118	1063
1962-63	425	267	308	120	1120

The indigenous bankers do not finance agriculture directly, but lend to village moneylenders when their resources are strained. Many moneylenders in the district can be called indigenous bankers. In 1929-30 the only indigenous banker of the province, viz., the firm of Bansilal Abirchand had a branch at Jabalpur. In 1946 S.S. Dhanya Kumar Dharamdas and Co., indigenous bankers transacting all types of banking business, was established at Katni. Their annual turnover of business was approximately Rs.eight crores. The rate of interest charged on secured loans varied from seven to nine per cent per annum while it was 12 per cent on unsecured loans.

2.3.3 State Assistance to Farmers

Provision for assistance to the needy agriculturists exists in the Land Improvement Loans Act, 1883 and Agriculturists Loans Act, 1884. The loans are advanced out of funds provided by the Revenue Department. These loans are classified as ordinary Taccavi. Usually loans were advanced only in famine or scarcity striken areas. In scarcity conditions, some loans were also advanced as khawai, loans which were not recovered. Loans under the Agriculturists Loans Act are intended primarily to relieve distress and to assist the poor cultivators in financing their agricultural operations. Loans under the Land Improvement Loans Act are intended to encourage the cultivators to undertake land improvement measures and need not in principle be restricted either to the poorer cultivators or to the time of distress.

Loans are granted for short or medium term according to the purposes of the loan. Short-term loans are granted for maintenance, seed, weeding and manure, and are repayable at the next harvest out of the produce of that crop. Medium term loans are granted for making improvement on land or for the purchase of bullocks or agricultural machinery or construction of bunds and are recoverable in a maximum of 25 instalments, ranging ordinarily from 5 to 10.

Transactions under the Agriculturists' Loans Act have been small except in the years of famine. Perhaps the most important function fulfilled by this Act was the mitigation of the worst features of seasonal calamity by providing the people with money for their immediate agricultural necessities at a time when local credit contracted to the narrowest limits.

The Second World War and Bengal Famine (1943-44) underlined the imperative need for increasing food production. From the year 1943-44 new schemes under Grow More Food were brought into force and the cultivators were encouraged to produce more food with the help of additional funds made available to them through the Collectors at concessional rates of interest. Besides, provision was also made for subsidy upto 1/5 of the loan granted provided it was utilised for the purpose for which it was advanced within the prescribed time-limit.

Development Taccavi is also made available to the cultivators for which allotments are put at the disposal of the Collector by the Development Department.

Failures of crops necessitate the relief of some special nature in order to remove distress of the farming classes. During such periods, besides the grant of large amounts as Taccavi loans, remissions and suspensions in Taccavi loans are also sanctioned by the State Government.

1.3.4 Cooperative Credit Societies and Banks

The germs of cooperative credit, emerged out of the widespread discontent among the people, particularly among the peasantry, owing to the severe famines and other natural calamities resulted in destitution in the 'ninteties of last century. Consequently, it resulted into progressive increase in indebtedness and usury was commonly rampant, observed Meclagan Committee in 1915. A positive indication in the Famine Commission report of 1901 was witnessed which endorsed the idea of Mutual Credit Associations for the relief of cultivators. At about the same time, on the recommendation of a committee, the Government of

India passed the first Cooperative Credit Societies Act in 1904, thus ushering a new era in the history of rural credit. Later, for enlarging the scope of the Act, Cooperative Credit societies Act was passed in 1912 (Act II of 1912) by the Government of India, applicable to whole of British India, including the Central Provinces and Berar.

The cooperative credit movement in Jabalpur district owes its origin to the enthusiasm and energy of Mr. Crosthwaite, Settlement Officer, Jabalpur (1906-07 to 12). He writes that in 1907 a small Central Bank with 10 members was formed at Sihora. It started with a capital of only Rs.2,000, which was all that could be raised, and with four societies. He states that he himself organised the first society and taught other workers, how to do so.

The number of primary societies in the District Steadily increased from year to year. The need for a free supply of capital led to the formation of the various central agencies to finance and control the individual credit societies.

The three Central Banks, viz., The Grosthwaite Cooperative Central Bank Ltd., Sihora (Registered in the year 1907); the Jabalpur Cooperative Central Bank Ltd., (Registered in the year 1911), and the Forester Cooperative Central Bank Ltd., Murwara (registered in the year 1910), were cperating in the district. A provincial Cooperative Central Bank for the Central Provinces and Berar was also registered in the year 1912, with its head-quarters at Jabalpur.

The cooperative credit movement had a steady growth in the district and was at its best in 1920-21. Unfortunately the cooperative credit movement received a great set-back in the following years, largely owing to the heavy rainfall and widespread floods of the year 1926, followed by general fall in the level of prices in the thirties. The poor cultivators could hardly withstand the blow and the indebtedness of the cultivators increased, resulting into a sharp fall in the repaying capacity. Consequently the recoveries of the banks were also adversely affected. Ultimately the Debt Conciliation Legislation was passed by the Government in 1937 and rehabilitation enquiry was started in the year 1940. The two banks in the district, leaving aside the Sihora Central Bank, were brought under section 42-B and the Government had to intervene in the management of the banks till the year 1947. It was also felt necessary by the Government to amend the Tenancy Act in the year 1942 under which the occupancy lands were made mortgageable in favour of cooperatives to enable them to recover their dues.

The Second World War which broke out in the year 1939, activised the movement and a ray of hope was again seen by the cooperators. Prices went up and the banks were in a position to recover their dues conveniently.

The recommendations of All-India Rural Credit Survey in the year 1951, and the Five Year Plans launched by the Government infused a new life in the cooperative movement.

In the plan period 26 large-sized Societies and five Marketing Societies were organised in the district on limited liability basis, and to strengthen their finances share capital contribution, staff subsidy, godown loans, etc.were made available

by the Government.

The District had 568 credit societies and 190 non-credit societies in 1962-63.

The cooperative credit movement which had started with the establishment of Grosthwaite Cooperative Bank (1907), affiliating 11 societies in 1908, went on increasing rapidly in the following years so much so that in 1912, the peak year during the pre-independence period, the societies affiliated to Jabalpur and Bishnu Datta Cooperative Central Banks in the District numbered 210 and 301, respectively. Then followed a period of set-back with a sharp decline in the number of societies. This trend continued till 1937, when the Central Bank at Jabalpur and Bishnu Datta Cooperative Central Bank touched the lowest mark of 135 and 174, respectively. The number of societies affiliated to the above banks increased thereafter. The affiliation with the former increased from 135 in 1937 to 156 in 1948, 188 in 1951 and to 234 in 1956, but declined to 266 in 1961. Similarly, in regard to the latter, the number of societies rose from 174 in 1937 to 180 in 1947, 181 in 1952, 194 in 1956 and to 314 in 1960.

The history of the Cooperative movement in Jabalpur district begins with the organization of the Cooperative Central Bank Ltd., Sihora, through the enthusiasm and energy of Crostwaite, Settlement Officer, after whose name it was registered as Crosthwaite Cooperative Central Bank Ltd., in 1907, under the Cooperative Societies Act of 1904. Bishnu Datta Shukla was its Honorary Secretary. It started its working with a modest capital of Rs.2000 and four small credit societies. The Bank made such rapid progress that in the year 1911-12 the working capital of the bank and the number of its affiliated societies rose to Rs.1,61,063 and

159, respectively. The paid-up share capital of the bank in June 1960 was Rs.4,39,807, of which Rs.1,89,000 was the contribution of the State Government. The Reserve funds of the Bank amounted to Rs.84, 841 and other funds to Rs.68,716. The working capital of the Bank stood at Rs.20,27,233.

Originally the area of operation of this bank was limited to Sihora tahsil of Jabalpur District. Later it was extended to Katni in 1959, after the amalgamation of Katni with the Central Cooperative Bank in that year. The present name of the Bank was adopted in the year 1954.

1.3.5 The Jabalpur Cooperative Central Bank Ltd., Jabalpur-

The Jabalpur Cooperative Central Bank Ltd., Jabalpur was registered in the year 1911, its area of operation extending to Jabalpur and Patan tahsils of the district. The bank started its working from September 1912 with 19 individuals and five societies and a working Capital of Rs.4,341. The number of societies steadily increased to 211. The bank received a set-back during the period of economic depression, with the result that, it was brought under Section 42-B of the Cooperative Societies Act and a committee of management took over the charge of the Bank on 22nd September, 1940 to save it from going into liquidation. The Government wanted to revitalize the Bank and, with this end in view, the management of the entire affairs of the Bank was entrusted to the committee. The term of this committee expired on 20th September 1947 and the management was again handed over to the share-holders of the Bank.

1.3.6 Jabalpur District Cooperative Land Mortgage Bank Ltd.

To mmet the long term financial requirements of agriculturists, the Cooperative Land Mortgage Bank was founded in 1935

at Sihora under the leadership of Kashi Prasad Pande. The Bank gives loans for reademption of mortgages on land, liquidation of old debt, land improvement, etc., In view of its expanding role in the District the headquarters of the Banks was shifted to Jabalpur in 1943 where it is located even now. The Banks borrows from the M.P. State Cooperative Land Mortgage Bank, Jabalpur.

The new Apex Land Mortgage Bank for Madhya Pradesh was formed on 1st August 1961 and the Land Mortgage business of the bank was transferred to this new bank from that date.

1.3.7 The Commercial Banks

The Commercial Bank (scheduled and non-scheduled) which form the main component of modern banking structure, specialize only in certain phases of economic activity, because of their structure and methods of business. They are located in the towns only and had, therefore a very limited field. Both their organisation and their method of work conspire to limit their utility. Their interest in agricultural credit lies not so much in production as in marketing. Thus the location of these banks is necessarily guided by the large concentration of sale of agricultural produce, industry and trade which are mainly the characteristics of urban centres.

The first bank office to be opened in the District was a branch of the Bank of Bengal, established at Jabalpur in 1866. Later, in 1893, the Bhargava Commercial Bank was established at Jabalpur. Rao Bahadur Biharilal Bhargava who was having an extensive moneylending business in the district was instrumental in the establishement of this bank. The Banking enquiry committee observed that its authorised capital was Rs.3,00,000, subscribed and paid up capital Rs.2,50,000

[illegible]tal [illegible]00. Its function was to lend money, purchase and sell-hundies and promissory notes. They made advances on the security of land and other valuable commodities. It had no branches in the province. Yet another bank, known as The Islamic Bank of India, was started in 1928 with an authorised capital of Rs.20,000 subscriber capital of Rs.2,555 and paid-up capital of Rs.1,635. Its declared objects were to do trading and banking business. The Laxmi Bank Ltd., also opened a branch office in Jabalpur city in 1946. However, these banks became defunct later.

Of the banks operating in the District, the Allahabad Bank, with its branch at Jabalpur, is the oldest. The branch was established as far back as 1919.

The next to appear in the field in 1922 was the branch office of the Imperial Bank of India, then newly formed through the amalgamation of three Presidency Banks. The present State Bank of India with a branch at Jabalpur are the successors to the Imperial Bank of India. It was incorporated in India under the State Bank of India Act, 1955. Since then two more branches were opened at Katni and Sihora, in September 1924 and November 1959, respectively. The Punjab National Bank Ltd. and the Central Bank of India Ltd., appeared with a branch each at Jabalpur in 1945 and 1948 respectively. The former has the administrative control over its pay-offices at Katni, Mandla and Satna.

Jabalpur district has branches of 13 of the 14 nationalised banks. It hasn't got the branch of United Bank of India. It also has branches of other scheduled banks. In pursuance of the policy of alloting each district to an individual bank under lead bank scheme, Jabalpur district is being nurtured by the Central Bank of India. As of December 1980 Jabalpur district had in all 151 branches,

of scheduled banks, State Bank and its subsidiaries and cooperative banks. (Table 1.11)

Table 1.11 Tahsil wise bank branches in Jabalpur district

S. No.	Name of the Bank	Jabalpur tehsil	Patan tehsil	Sihora tehsil	Katni tehsil	Total
1.	Central Bank of India	7	5	8	4	24
2.	Allahabad Bank	9	1	1	1	12
3.	Bank of India	6	-	-	1	7
4.	United Commercial Bank	7	-	-	-	7
5.	Union Bank of India	4	1	1	1	7
6.	Bank of Baroda	2	-	-	1	3
7.	Canara Bank	2	-	-	-	2
8.	Bank of Maharastra	5	1	-	-	6
9.	Indian Bank	1	-	-	-	1
10.	Syndicate Bank	1	-	-	-	1
11.	Indian Overseas Bank	1	-	-	-	1
12.	Dena Bank	1	-	-	-	1
13.	Punjab National Bank	4	-	-	2	6
	Total	50	8	10	10	78
1.	State Bank of India	12	2	5	10	29
2.	State Bank of Indore	2	-	-	-	2
	Total	14	2	5	10	31
1.	Punjab & Sindh Bank	2	-	-	-	2
2.	Andhra Bank	1	-	-	-	1
3.	Vijaya Bank	1	-	-	-	1
4.	New Bank of India	1	-	-	-	1
5.	The Hindustan Commercial Bank	1	-	-	-	1
6-	The Oriental Bank of Commercial	1	-	-	-	1
7.	M.P. State Cooperative Bank	12	4	6	7	29
8.	Land Development Bank	2	1	2	1	6
	Total	21	5	8	8	42
	Grand Total	85	15	23	28	151

1.4 This study

This study was conducted in Jabalpur district in 1981-82

1.5 Objective

The objective of the study was to examine some aspects of agricultural financing by nationalised banks particularly its effect on selected farms in Jabalpur district.

1.6 Sampling Design

The lists of borrowers from all the nationalised banks were obtained for the year 1980-81. From the lists the clusters of villages in each tehsil were noted. From one cluster in each tehsil 25 farmers were selected randomly. The population of farmers in the sample roughly represented the proportion of borrowers of different banks in a cluster. Thus the sample consisted 100 borrowers.

1.7 Reference Period

Agricultural year July 80 to June 81 was the reference year of the study.

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CHAPTER- II

THE SELECTED DISTRICT

The Jabalpur District takes its name from the city of the same name which is the headquarters both of the District and the Jabalpur revenue division. The origin of the name 'Jabalpur' is not free doubt. The explanations suggested so far appear speculative. One school of thought suggests the derivation from the location of Jabalpur close to Tripuri (modern Tewar village) the capital of the Kalachuri kings. Two inscriptions of the Kalachuri dynasty record the grant of villages in Jaulipattala of which Jabalpur is believed to be the most natural corruption. Rai Bahadur Hiralal shared the view that the place was named after Javali, a Brahmin sage. It has also been suggested that the name has been derived from the Arabic word "Jabal" meaning hill' or 'mountain', the site of the town being partially in a hilly country.

2.1 Location

Lying between 22° 49' and 24°8' North latitude and 78°21' and 80° 58' East longitude, Jabalpur is one of the central districts of Madhya Pradesh. The tropic of Cancer passes through the middle of the District and divides it into nearly equal halves. The shape of the district viewed from its north-west to south-east axis has the appearance of a butterfly with its wings spread out, and approximates a rectangle. Its greatest length from south-west to north-east is 193.1 kms. and its maximum width from west to east is 115.87 kms. It is bounded on the north by Panna district, on the north-east by Satna district, on the east by Shahdol district, on the south-east by Mandla district, on the south by Mandla and Seoni districts on the south-west by Narsingpur district and on the west and north-west by Damoh district. The

2.1 The district covers an area of 10,122 sq.kms and has a population of 21,98,743 or 217 persons per sq.km. according to the Census of 1981.

2.2 Topography

Jabalpur district consists of a long narrow plain running from south-west to north-east flanked by the Bhanrer and Kaimur ranges of the Vindhyan system on the west and the various hills and spurs of the Mahadeo range and the Maikal range. The Bhitrigarh range and a few subsidiary hills intrude upon in the middle of the district and practically join the Vindhyan and the Satpura systems which together form the Great Central watershed of India. Thus the major natural divisions of the District are:

1. The Vindhyan tract
2. The south-eastern plateaus of the Satpura and their extensions
3. The Bhitrigarh range and the associated hill area
4. The North-Eastern valleys of the Mahanadi and the Katni.

2.3 River System

The Narmada is the principal river of the District. It rises at Amarkantak in Shahdol district and enters the district through Mandla from the south at the trijunction of Jabalpur, Mandla and Seoni districts. In Jabalpur district it pursues a northerly course for about 28 miles across the Satpuras. It turns towards west near its confluence with the Gaur, one of its right bank tributaries which rises in Mandla. Approximately 17 kilometres from Jabalpur occurs a beautiful fall of some 10 metres known as 'Dhuan-dhar', a stream of mist. Thereafter the river

passes through the well-known gorge of the marble rocks of Bheraghat. The river meanders here in a deep narrow channel amongst deposits of magnesium limestone with about 30 metres high banks producing an extremely picturesque effect. Beyond the marble rocks the river enters a plain and traverses the southern portion of the district and leaves the district at Sankal beyond its confluence with the Hiran river. It forms for some distance the south-western boundary between Jabalpur and Narsinghpur districts. The total length of the river in the district is about 112 kilometers.

The other important rivers of the district are : Hiran, Gaur, Mahanadi, Katni and Ken.

2.4 Tanks - There are numerous artificial lakes and tanks in the district. The largest among them is Bahoriband reservoir.

2.5 Climate - The climate of the district is, on the whole, pleasant and salubrious. The year may be divided into three seasons, the hot season from about the middle of March to the middle of June, the monsoon season from the middle of June to the end of September and the winter season from November to middle of March. October is the transitional month from the monsoon to winter conditions.

December and January are the coldest months with the mean daily maximum temperature at 25.3°C and the mean daily minimum at 8.2°C. Minimum temperature on individual days may drop to near freezing point in association with cold waves. Frost often causes widespread damage to crops. Heavy dew fall occurs in this season.

Temperature begins to rise steadily from March. May is the hottest month with mean daily maximum temperature of 41°C. With the onset of monsoon, weather becomes cool to a considerable extent. Towards the end of monsoon the day temperature registers a slight increase and reaches a secondary maximum in October.

The average annual rainfall over the district is 1,274.1 mm. and it occurs in 59.5 rainy days. The highest belt of precipitation is along the south-eastern boundary of the district. The amount of rainfall decreased towards the north and west. The district received 88 per cent of the annual rainfall during the moonsoon months of June, July, August and September. July being the rainiest month. (Table 2.1)

Table 2.1 Rainfall distribution and rainy days

Month	Rainfall in m.m.	Percentage	Rainy/days	Percentage
January	26.4	2.07	2.0	3.36
February	23.3	1.83	1.8	3.03
March	13.2	1.04	1.1	1.85
April	6.2	0.49	0.6	1.01
May	6.9	0.54	0.8	1.34
June	135.7	10.65	7.1	11.93
July	424.2	33.29	17.3	29.08
August	380.0	29.82	15.8	26.56
September	190.8	14.98	9.1	15.29
October	42.7	3.35	2.4	4.03
November	15.7	1.23	0.8	1.34
December	9.0	0.71	0.7	1.18
Total	1,274.1	100.00	59.5	100.00

2.6 Population

The total population of Jabalpur district was 21,98,743 according to 1981 census. It was 6,79,859 in 1901. Thus there has been an increase of 223.4 per cent in the last 80 years. Of the total population 12,08,251 was rural and 9,90,492 urban. Thus the percentage of rural population was 55 and that of urban population 45. The percentage of rural population was 84 in 1901 and decreased in every subsequent census to the advantage of urban population, which was only 16 per cent in 1901. (Table 2.2)

Table 2.2 The rural-urban break up of population, Jabalpur district 1901-81

(Figures in brackets-Percentage to total population.

Year	Total population	Rural	Urban
1901	6,79,859	5,69,811 (84)	1,10,048 (16)
1911	7,45,022	6,23,127 (84)	1,21,895 (16)
1921	7,44,783	6,09,921 (82)	1,34,862 (18)
1931	7,72,608	6,20,503 (80)	1,52,105 (20)
1941	9,09,245	6,99,250 (77)	2.09,995 (23)
1951	10,45,596	7,46,785 (71)	2,98,811 (29)
1961	12,73,825	8,01,179 (63)	4,72,646 (37)
1971	16,86,000	10,02,500 (59)	6,83,500 (41)
1981	21,98,743	12,08,251 (55)	9,90,492 (45)

Of the four tehsils, Jabalpur tehsil was most populous (10,48,056) and Patan tehsil was least populous (2,16,306). The density of population (persons per square kilometre)of the district was 217. Jabalpur tehsil had the highest density (464) and Sihora had the lowest density (152). Patan tehsil also had a very low density (154) (Table 2.3).

2.7 Agriculture

Agriculture was the predominant source of income in Jabalpur district. Agriculture was the most important occupation. Cultivators formed 29.14 per cent and agricultural labourers 23.51 per cent of the total workers. The literacy percentage in the district was 41.02 (Table 2.4)

Table 2.4 Occupational distribution of population, Jabalpur district, 1981

Occupation	Number	Percentage to total workers	Percentage to total population
Cultivation	2,19,531	29.14	--
Agricultural labour	1,77,143	23.51	--
Household Industry	59,921	7.95	--
Others	2,96,813	39.40	--
Total workers	7,53,408	100.00	34.26
Non workers	14,45,730	--	65.74
Total population	21,99,138	--	100.00
Literates	9,01,978	--	41.02

Table 2.3 Tehsilwise growth of population in Jabalpur district between 1901 and 1981.

Tehsil	Census year									Density of population 1981
	1901	1911	1921	1931	1941	1951	1961	1971	1981	
Murwara	1,61,500	1,81,487	1,68,186	1,97,271	2,29,635	2,67,915	3,12,686	3,87,625	5,01,315	183
Sihora	1,86,225	2,04,630	2,05,302	1,96,232	2,27,618	2,38,752	2,82,228	3,64,718	4,33,066	152
Patan	--	97,354	1,14,756	1,10,439	1,06,677	1,08,548	1,34,507	1,75,189	2,16,306	154
Jabalpur	3,32,134	2,61,551	2,56,539	2,68,666	3,45,315	4,30,381	5,44,404	7,58,536	10,48,056	464
Jabalpur District	6,79,859	7,45,022	7,44,783	7,72,608	9,09,245	10,45,596	12,73,825	16,86,068	21,98,743	217

Of the total geographical area about 40 per cent was net sown area. Forests occupied another 16.43 per cent and fallow land covered 13.64 per cent of the geographical area. (Table 2.5)

Table 2.5 Land use classification, Jabalpur district, 1979-80

(Unit-Thousand Hectares)

Particulars	Area	%
Forest	166.3	16.43
Land not available for cultivation	130.8	12.92
Other uncultivated land excluding Fallow Land	106.1	10.48
Culturable waste land	68.0	6.72
Fallow Land	138.1	13.64
Net Area sown	403.1	39.81
Total Geographical Area	1012.4	100.00

Lodhi, Kurmi, Gond, Kol, Pradhan, Ahibani and Bagari constituted the main cultivating communities.

According to the Agricultural Census of 1976-77 there were 2,16,454 operational holdings covering 5,46,437 hectares in the district. Thus the average size of holding was 2.52 hectares. The distribution of area was very unequal. Three fourths (75.2 per cent) of the total number of holdings commanded less than 3 hectares each and occupied only 30.2 per cent of the land whereas one fourth (24.1 per cent) of the total number of holding commanding between 3 to 20 hectares each occupied 60.8 per cent of the land. (Table 2.6)

The magnitude of the unequal distribution can also be known by the Lorenz curve (Figure 2.1)

Figure No. 2.1

Distribution of Land holdings by size

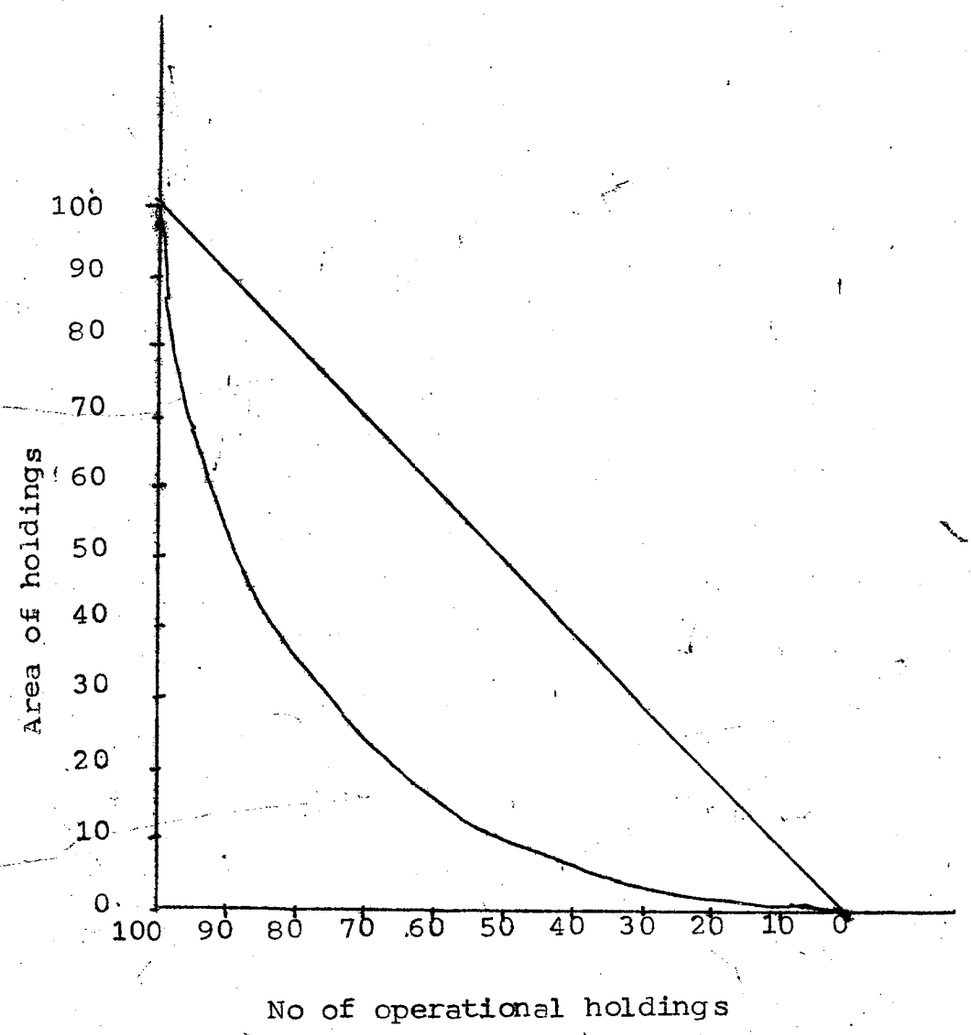

Table 2.6 Operational holdings and area, Jabalpur district 1976-77

Size group (hectares)	No.of operational holdings		Area in hectares under operational holdings	
	No.	%	Area	%
Less than 0.5	55,476	25.6	13,823	2.5
0.5 to 1.00	37,918	17.5	27,328	5.0
1.00 to 2.00	44,494	20.6	64,735	11.9
2.00 to 3.00	24,834	11.5	59,628	10.9
3.00 to 4.00	14,683	6.8	50,856	9.3
4.00 to 5.00	10,230	4.7	45,636	8.4
5.00 to 10.00	20,173	9.3	1,40,570	25.7
10.00 to 20.00	7,072	3.3	95,145	17.4
20.00 to 30.00	1,089	0.5	26,029	4.7
30.00 to 40.00	281	0.1	9,166	1.7
40.00 to 50.00	94	-	4,218	0.8
50.00 & above	110	0.1	9,303	1.7
Total	2,16,454	100.00	5,46,437	100.00
Average Size of holding	-	-	2.52	

2.7.1 Crops

Paddy and wheat were the most important crops. Of the gross cropped area of 4,59,000 hectares, these two crops occupied 29.35 and 26.84 per cent of the area respectively. The district came under paddy-wheat zone of the state. Gram was another important crop and occupied 17.72 per cent area. Millets like kodo-kutki occupied 6.97 per cent area (Table 2.7).

Table 2.7 Area under different crops, Jabalpur district

(Area-thousand hectares)

Crop	Area	%
Paddy	134.7	29.35
Wheat	123.2	26.84
Kodo-Kutki	32.0	6.97
Others	27.5	5.99
Total Cereals	317.4	69.15
Gram	81.3	17.72
Pea	10.1	2.20
Lentil	9.5	2.07
Urd	7.4	1.61
Tur	6.7	1.46
Others	2.7	0.58
Total pulses	117.7	25.64
Sesamum	4.7	1.03
Niger	3.6	0.78
Linseed	3.1	0.68
Others	1.2	0.26
Total Oilseeds	12.6	2.75
Fruits	4.6	1.00
Vegetables	3.5	0.76
Others	3.2	0.70
Gross cropped area	459.00	100.00

Paddy was grown in western parts of Sihora and Murwara tehsils. Wheat was grown in Jabalpur and Patan tehsils. Kodo kutki were grown in south eastern parts where the soils were poor and the land was slopy.

The method of wheat cultivation was termed as 'haveli'. It was an area of embanked fields of heavy black soil which was left fallow in kharif to store rain water to be followed by wheat in winter. Gram was sown mixed with wheat. The mixture was known as birra.

2.7.2 Irrigation

Wells were the main sources of irrigation in the district and accounted for about 45 per cent of the irrigated area. Canals were other important sources and claimed 27.83 per cent of the irrigated area. (Table 2.8)

Table 2.8 Sourcewise irrigated area, Jabalpur District-1979-80

Source	Area (Thousand hectares)	Percentage to Total
Canals	5.9	27.83
Tanks	0.1	0.47
Wells	9.5	44.81
Others	5.7	26.89
Total	21.2	100.00

Jabalpur district is very suitable for the construction of minor works because there are many streams and rivulets in the district. Regulators are the masonry structures having gates for regulation purposes. They are generally constructed across small nalahs. The first regulator in the State was constructed at

Sihora on bahanala having a catchment area of 90.65 sq.km. It was capable of irrigating 1,880 hectares. There were about 25 small scale irrigation works of this kind in the district.

Under the All India Explaratory Drilling Programme the Government of India selected Shahpura-Bheraghat area. The first tube well of the district was located in Shahpura block of Patan tehsil and started functioning in 1958. In the later years many more tube wells were dug in the district located mainly in Patan tehsil.

Among the river irrigation projects, Bargi, proposed to harness river Narmada was very important although it would benefit only a small area of the district.

The irrigated area formed only 4.62 per cent of the gross cropped area. Wheat and paddy shared most of the irrigated area i.e. 55.19 and 24.72 per cent respectively. Fruits and vegetables formed 8.49 per cent of the irrigated area. While wheat was irrigated to the extent of 9.50 per cent, paddy was irrigated to the extent of 4.68 per cent. Fruits and vegetables were irrigated to the extent of 22.22 per cent and condiments and spices, 18.18 per cent. (Table 2.9)

Table 2.9 Cropwise irrigated area and percentage of irrigated area to crop area, Jabalpur district 1979-80

(Unit-thousand hectares)

Crop	Irrigated area	%	Total cropped area	%of irrigated area to crop area
Paddy	6.3	29.72	134.7	4.68
Wheat	11.7	55.19	123.2	9.50
Others	0.1	0.47	59.5	0.17
Total Cereals	18.1	85.38	317.4	5.70
Gram	0.3	1.41	81.3	0.37
Total Condiments & Spices	0.2	0.94	1.1	18.18
Total Fruits & Vegetables	1.8	8.49	8.1	22.22
Others	0.4	1.89	2.1	19.05
Total Food Crops	20.8	98.11	444.5	4.68
Total Non Food Crops	0.4	1.89	14.5	2.76
Gross Area	21.2	100.00	459.00	4.62

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CHAPTER III

CHARACTERISTICS OF SELECTED BORROWERS & THEIR BORROWINGS

As mentioned earlier, the sample consisted of 100 borrowers (hereafter termed as farmers) spread over 48 villages. A description of their economic characteristics is given in this chapter.

3.1 Operated Area

The selected 100 farmers were grouped into 5 size groups of operational holdings. The total operated area of all the farms was 259.18 hectares. Thus the average size of holding was 2.59 hectares.

The distribution of land was quite unequal. While 65 per cent of the holdings with small size accounted for 32.78 per cent of the operated area, 21 per cent of the holdings occupying more than 3.00 hectares each commanded 55.06 per cent of the operated area.

3.2 Irrigation

The irrigated area formed 58.22 per cent of the operated area. The percentage was higher on small size holdings than the large size holdings. (Table 3.1)

Table 3.1 Operated area of selected farmers

(Area-hectares)

Size Group (hectares)	No.of farmers	Operated area	Percentage to total area	Irrigated area	Percentage of irrigated area to operated area
Upto 0.99	17	9.53	3.68	7.28	76.39
1.00- 1.99	48	75.41	29.10	56.58	75.03
2.00- 2.99	14	31.53	12.16	23.34	74.02
3.00- 4.99	9	35.34	13.63	13.90	39.33
5.00 & Above	12	107.37	41.43	49.79	46.37
Total	100	259.18	100.00	150.89	58.22

As regards source of irrigation, it was noted that wells were the most important sources commanding 68.90 per cent of the irrigated area and tanks commanding 20.43 per cent. Whereas wells were more important sources on smaller holdings tanks were more important on large sized holdings (Table 3.2)

3.3 Population

The selected households comprised 758 family members: 251 (33.11 per cent) males and 204 (26.91 per cent) females and 303 (33.98 per cent) children. The male female ratio was 813 females per thousand males. (Table 3.3)

The average literacy percentage was 41.83. It was 54.59 among males and 25.93 among females.

The literacy percentage increased with the size of holdings except in the size group of 1.00 to 1.99 hectares where it was lower than the smallest size group. The literacy percentage for males and females individually were higher on larger farms. This indicates that large farmers were more enlightened and that the marginal farmers with subsidiary occupations showed more interest in education than the small farmers (Table 3.4)

3.4 Crops Grown

Wheat was the most important crop and formed 49.02 per cent of the gross cropped area. The second important crop was paddy and its coverage was 28.93 per cent. Other minor cereals were jowar and kodo-kutki and formed 0.15 per cent and 0.24 per cent respectively of the gross cropped area. These minor crops were confined to only small farms. Among pulses gram was most important and contributed 8.38 per cent to the gross area.

Table 3.2 Sources of Irrigation, selected farmers

(Area-hectares)

Source	Upto 0.99		1.00 to 1.99		2.00 to 2.99		3.00 to 4.99		5.00 & above		Total	
	Area	%	Area	%	Area	%	Area	%	Area	%	Area	%
Wells	7.28	100.00	43.89	77.57	16.47	70.57	2.83	20.36	33.50	67.29	103.97	68.90
Tanks	-	-	9.67	17.09	2.02	8.65	4.45	32.02	14.67	29.46	30.81	20.43
Tubewells	-	-	-	-	2.42	10.36	4.19	30.14	1.62	3.25	8.23	5.45
Rivers	-	-	3.02	5.34	2.43	10.41	2.43	17.48	-	-	7.88	5.22
Total	7.28	100.00	56.58	100.00	23.34	100.00	13.90	100.00	49.79	100.00	150.89	100.00

Table 3.3 Distribution of Population on the selected farms.

Size group	Male	Female	Children	Total
Up to 0.99	37	32	47	116
1.00 to 1.99	104	98	138	340
2.00 to 2.99	37	29	49	115
3.00 to 4.99	36	22	29	87
5.00 & above	37	23	40	100
Total	251	204	303	758
Percentage	33.11	26.91	39.98	100.00
Females per thousand males		812.75		

Table 3.4 Distribution of the Population according to literates and illiterates by size groups

Size group	Able to read & write up to 4th		Up to 8th		Up to Matriculation		Up to College		Total Literates			Total Population excluding children below 5 years			% of literates to total population		
	M	F	M	F	M	F	M	F	M	F	Total	M	F	Total	M	F	Total
Up to 0.99	19	9	18	1	1	3	2	-	40	13	53	55	47	102	72.73	27.66	51.96
1.00- 1.99	4	6	20	6	14	-	3	1	41	13	54	167	134	301	24.55	9.70	17.94
2.00- 2.99	12	11	19	5	7	1	5	1	43	18	61	52	50	102	82.69	36.00	59.80
3.00- 4.99	4	5	18	7	13	2	3	1	38	15	53	47	30	77	80.85	50.00	68.83
5.00 & above	12	8	17	4	7	4	4	2	40	18	58	49	36	85	81.63	50.00	68.24
Total	51	39	92	23	42	10	17	5	202	77	279	370	297	667	54.59	25.93	41.83

Pea contributed 1.40 per cent. The percentage area under gram increased from 3.49 in the size group 1.00 to 1.99 hectares to 13.83 per cent in the largest size group. The crop was not grown on the smallest size group. In the case of pea the percentage increased from 2.05 in the smallest size group to 4.27 in the size group of 2.00 to 2.99 hectares. Thereafter the percentage decreased in the subsequent groups.

Thus it is noted that the percentage of gram was higher on the larger size groups and that of pea was highest in the size group 2.00 to 2.99 hectares.

Linseed formed 1.44 per cent of the gross cropped area on the selected farms. This crop was not grown by the smallest and the largest size groups. Among the remaining groups its percentage increased with the size of farms from 1.34 in the second group to 4.67 in the fourth group. Sesamum occupied highest percentage on the smallest size group and was not grown in the largest two groups at all. As is found elsewhere, vegetable farming was more common with small and medium size groups. The percentage area occupied by vegetables was higher (20.32) on the smallest size group and decreased to 5.33, 3.85, 2.80 and 2.58 in the subsequent groups with the increase in the size of farms. Other crops such as singhada and berseem were localised in the medium size farms. (Table 3.5)

Table 3.5 Cropping pattern on selected farms, 1980-81

Crop	0- 0.99		1.00- 1.99		2.00- 2.99		3.00- 4.99		5.00 & above		Total	
	Area	%	Area	%	Area	%	Area	%	Area	%	Area	%
Paddy	3.96	25.23	32.70	33.13	17.40	36.79	8.49	19.62	33.15	26.35	95.70	28.93
Wheat	6.28	40.00	43.18	43.75	18.00	38.05	24.69	57.04	70.01	55.64	162.16	49.02
Jowar	0.49	3.12	-	-	-	-	-	-	-	-	0.49	0.15
Kodo-kutki	-	-	0.81	0.82	-	-	-	-	-	-	0.81	0.24
Total Cereals	10.73	68.35	76.69	77.70	35.40	74.84	33.18	76.66	103.16	81.99	259.16	78.34
Gram	-	-	3.44	3.49	3.02	6.38	3.84	8.87	17.40	13.83	27.70	8.38
Lentil	-	-	0.20	0.20	0.40	0.85	1.62	3.74	1.62	1.28	3.84	1.16
Pea	-	-	2.02	2.05	2.02	4.27	0.20	0.46	0.40	0.32	4.64	1.40
Moong	0.81	5.16	-	-	-	-	-	-	-	-	0.81	0.24
Urd	-	-	0.20	0.20	0.60	1.27	1.21	2.80	-	-	2.01	0.61
Arhar	-	-	0.97	0.98	-	-	-	-	-	-	0.97	0.29
Teora	-	-	0.10	0.10	-	-	-	-	-	-	0.10	0.03
Total Pulses	0.81	5.16	6.93	7.02	6.04	12.77	6.87	15.87	19.42	15.43	40.07	12.11

Continued...

Table 3.5 Cropping pattern on selected farm 1980-81

Crops	0- 0.99		1.00- 1.99		2.00- 2.99		3.00- 4.99		5.00 & above		Total	
	Area	%	Area	%	Area	%	Area	%	Area	%	Area	%
Linseed	-	-	1.32	1.34	1.41	2.98	2.02	4.67	-	-	4.75	1.44
Seasamum	0.50	3.18	0.20	0.20	0.61	1.29	-	-	-	-	1.31	0.40
Total Oilseeds	0.50	3.18	1.52	1.54	2.02	4.27	2.02	4.67	-	-	6.06	1.84
Vegetables	3.19	20.32	5.26	5.33	1.82	3.85	1.21	2.80	3.24	2.58	14.72	4.45
Others	0.47	2.99	8.30	8.41	2.02	4.27	-	-	-	-	10.79	3.26
Total	15.70	100.00	98.70	100.00	47.30	100.00	43.28	100.00	125.82	100.00	330.80	100.00

3.5 Irrigated Crops

Of the gross cropped area 64.85 per cent was irrigated. Jowar, moong, arhar, teora, sesamum, vegetables, singhada and berseem were entirely irrigated whereas urd was irrigated to the extent of 80.10 per cent. Paddy, wheat and gram were irrigated to the extent of 70.22, 56.27 and 70.11 per cent respectively. Percentage of irrigated area was higher on smaller farms (Table 3.6).

3.6 Assets

Assets were grouped into four categories : land, buildings, implements and livestock. Land was the single largest item and formed 56.88 per cent of the total value of assets. The proportion of this item was lowest (46.53 per cent) on the smallest group and highest (63.61 per cent) on the fourth group. The second item of importance was buildings and formed 22.62 per cent. Its proportion was highest (30.23 per cent) on the smallest size group and generally decreased with the size and was lowest (15.72 per cent) on the largest size group. The proportion of value of implements and machinery was 14.27 on the selected farms and it was not related with the size of farms. However the proportion was highest on the largest size group. Livestock value contributed 6.23 per cent to the total value of assets. The proportion was highest on the smallest size group but did not show marked relationship with the size in other size groups.

The average value of assets per farm on the selected farms was Rs.61,211.00. It increased from Rs.22,083.94 on the smallest size group to Rs.1,85,517.18 on the largest size group. Contrarily the value per hectare decreased from Rs.39,394.23 in the smallest group to Rs.19,709.66 in the largest group. The average value per hectare on the selected farms was Rs.23,762.96. (Table 3.7)

Table 3.6 Irrigated crops on selected farms 1980-81

Crop	0.00- 0.99			1.00 - 1.99			2.00 - 2.99		
	Total Area	Irri. Area	% of Irri.	Total Area	Irri. Area	% of Irri.	Total Area	Irri. Area	% of Irri.
Paddy	3.96	2.44	61.62	32.70	17.42	53.27	17.40	17.40	100.00
Wheat	6.28	5.88	93.63	43.18	27.50	63.69	18.00	14.16	78.67
Jowar	0.49	0.49	100.00	-	-	-	-	-	-
Kodo-Kutki	-	-	-	0.81	-	-	-	-	-
Total Cereals	10.73	8.81	82.11	76.69	44.92	-	35.40	31.56	89.15
Gram	-	-	-	3.44	1.42	41.28	3.02	2.22	73.51
Lentil	-	-	-	0.20	-	-	0.40	-	-
Pea	0.10	0.10	100.00	2.02	0.40	19.80	2.02	2.02	100.00
Moong	0.81	0.81	100.00	-	-	-	-	-	-
Urd	-	-	-	0.20	0.20	100.00	0.60	0.20	33.33
Arhar	-	-	-	0.97	0.97	100.00	-	-	-
Teora	-	-	--	0.10	0.10	100.00	-	-	-
Total Pulses	0.91	0.91	100.00	6.93	3.09	44.59	6.04	4.44	73.51
Linseed	-	-	-	1.32	0.40	30.30	1.41	1.01	71.63
Seasamum	0.40	0.40	100.00	0.20	0.20	100.00	0.61	0.61	100.00
Total Oilseeds	0.40	0.40	100.00	1.52	0.60	39.47	2.02	1.62	80.20
Vege-tables	3.19	3.19	100.00	5.26	5.26	100.00	1.82	1.82	100.00
Others	0.47	0.47	100.00	8.30	8.30	100.00	2.02	2.02	100.00
Total	15.70	13.78	87.77	98.70	62.17	62.99	47.30	41.46	87.65

Contd....48/-

Continued... 47/-

Table 3.6 Irrigated Crops on selected farms 1980-81

Crops	3.00- 4.99			5.00 & above			Total		
	Total Area	Irri. Area	% of Irri.	Total Area	Irri. Area	% of Irri.	Total Area	Irri. Area	% of Irri.
Paddy	8.49	8.09	95.29	33.15	21.85	65.91	95.70	67.20	70.22
Wheat	24.69	11.74	47.55	70.01	31.97	45.66	162.16	91.25	56.27
Jowar	-	-	-	-	-	-	0.49	0.49	100.00
Kodo-Kutki	-	-	-	-	-	-	0.81	-	-
Total Cereals	33.18	19.83	59.76	103.16	53.82	52.17	259.16	158.94	61.33
Gram	3.84	1.21	31.51	17.40	14.57	83.74	27.70	19.42	70.11
Lentil	1.62	-	-	1.62	1.62	100.00	3.84	1.62	42.19
Pea	0.20	-	-	0.40	0.40	100.00	4.74	2.92	61.60
Moong	-	-	-	-	-	-	0.81	0.81	100.00
Urd	1.21	1.21	100.00	-	-	-	2.01	1.61	80.10
Arhar	-	-	-	-	-	-	0.97	0.97	100.00
Teora	-	-	-	-	-	-	0.10	0.10	100.00
Total Pulses	6.87	2.42	35.22	19.42	16.59	85.43	40.17	27.45	68.33
Linseed	2.02	-	-	-	-	-	4.75	1.41	29.68
Seasamum	-	-	-	-	-	-	1.21	1.21	100.00
Total Oilseeds	2.02	-	-	-	-	-	5.96	2.62	43.96
Vege-Tables	1.21	1.21	100.00	3.24	3.24	100.00	14.72	14.72	100.00
Others	-	-	-	-	-	-	10.79	10.79	100.00
Total	43.28	23.46	54.20	125.82	73.65	58.54	330.80	214.52	64.85

Table 3.7 Assets of Selected Farms

Particulars	Groups								
	I			II			III		
	Per Farm	Per Hect.	%	Per Farm	Per Hect.	%	Per Farm	Per Hect.	%
Land	10,276.46	18,331.58	46.53	23,583.58	16,805.60	59.03	31,857.14	13,786.71	51.98
Buildings	6,676.47	11,909.76	30.23	11,250.00	8,016.63	28.16	13,642.86	5,904.17	22.26
Implement of Machinery	2,477.76	4,419.94	11.22	3,005.77	2,141.88	7.52	11,096.64	4,802.26	18.11
Live stock	2,653.24	4,732.95	12.01	2,115.44	1,507.44	5.29	4,693.21	2,031.07	7.65
Total	22,083.94	39,394.23	100.00	39,955.06	28,471.54	100.00	61,289.85	26,524.21	100.00

Contd.....51/-

Table 3.7 Assets of Selected Farms

Contd...51/-

Particulars	Groups								
	IV			V			All Farms		
	Per Farm	Per Hect.	%	Per Farm	Per Hect.	%	Per Farm	Per Hect.	%
Land	52,555.56	13,361.58	63.61	1,04,666.67	11,119.96	56.42	34,817.25	13,516.54	56.88
Buildings	21,111.11	5,367.23	25.55	29,166.67	3,098.72	15.72	13,845.00	5,374.82	22.62
Implement of Machinery	4,606.22	1,171.07	5.58	40,853.42	4,340.34	22.02	8,734.49	3,390.85	14.27
Livc stock	4,345.54	1,104.80	5.26	10,830.42	1,150.64	5.84	3,814.26	1,480.75	6.23
Total	82,618.44	21,004.68	100.00	1,85,517.12	19,709.66	100.00	61,211.00	23,762.96	100.00

3.7 Borrowings of the Selected Farmers

As mentioned earlier 100 borrowers (referred hearafter as farmers) borrowed from 6 nationalised banks. The Central Bank of India, which was the lead bank of the district financed the highest number (51) of farmers, followed by the Union Bank of India, with 21 farmers and Allahabad bank, 13 farmers. The other banks were, Bank of India (6) Bank of Maharashtra(6) and United Commercial Bank (3). (Table 3.8)

Table 3.8 Distribution of the selected farmers according to different banks

S.No.	Name of the Bank	Jabalpur tahsil	Patan tahsil	Sihora tahsil	Katni tahsil	Total
1.	Central Bank of India	2	13	19	17	51
2.	Union Bank of India	-	7	6	8	21
3.	Allahabad Bank	8	5	-	-	13
4.	Bank of India	6	-	-	-	6
5.	Bank of Maharashtra	6	-	-	-	6
6.	United Commercial Bank	3	-	-	-	3
Total		25	25	25	25	100

The total amount borrowed was Rs.5,67,716.61 or an average of Rs.5,677.17 per farmer. Sinking of wells was the most important purpose and slightly more than one fourth (28.48 per cent) of the amount was borrowed for it. Purchase of pumpsets was the second important purpose and accounted for 22.13 per cent of the loan amount. Thus irrigation received the highest priority claiming about half(50.61 per cent) of the borrowed amount. The other two purposes viz. purchase of sprinklers (6.60 per cent) and repairs

of wells (3.38 per cent), which also increase irrigation capacity, when added to the above two purposes make up the proportion of loan amount for irrigation to 60.59 percent. Seed and fertilizers formed 18.70 per cent of the loan amount. Purchase of tractor was another important item accounting for 13.52 per cent of the total loan amount. Traditionally the purposes of loan are classified into three groups depending upon the period of maturity as long term, medium term, and short term. On the selected farms, the long term loan was obtained for the purchase of tractor. The medium term loans included all other purposes except that of the purchase of seed and fertilizers which is classified under short term loan. On the selected farms long term loan amount formed 13.52 per cent, the medium term loan amount 67.78 per cent and the short term loan amount 18.70 per cent. The proportion of loan taken for different purposes had some relationship with the size of farms. Sinking of wells and purchase of pumpsets together accounted for 50.47, 79.95 and 65.18 per cent of the total borrowings on the smaller three size groups respectively. These purposes were less important on the larger two groups claiming 27.70 per cent and 3.45 per cent respectively. It was also noted that the proportion of short term loans increased from 10.38 per cent on the smallest size group to 29.23 per cent on the largest group with the increase in the size of farms. The purchase of tractor, sprinkler sets and thresher were confined only to large size of farms. On the other hand, purchase of milch animals and bullocks and repairs of wells were confined to the smaller size groups. (Table 3.9)

Table 3.9 Loans sanctioned according to purpose, selected farms

S.No.	Purpose of loan	Group I		Group II		Group III	
		Value	%	Value	%	Value	%
1.	Sinking of wells	11,500.00	21.24	1,27,138.80	53.02	13,000.00	17.90
2.	Pump sets	15,826.00	29.23	64,573.20	26.93	34,313.50	47.28
3.	Seed & Fertilizers	5,622.37	10.38	29,858.02	12.45	12,096.75	16.66
4.	Tractors	--	--	--	-	--	--
5.	Sprinkler sets	--	--	--	--	--	--
6.	Milch animals	14,200.00	26.23	7,000.00	2.92	--	--
7.	Repairs of wells	5,000.00	9.23	11,212.00	4.68	3,000.00	4.13
8.	Gobergas Plants	--	--	--	--	10,186.00	14.03
9.	Threshers	--	--	--	--	--	--
10.	Bullocks	2,000.00	3.69	--	--	--	--
	Total	54,148.37	100.00	2,39,782.02	100.00	72,596.25	100.00

Contd.....56/-

Table 3.9: Loans sanctioned according to purpose, selected farms.

Contd.....55/-

S.No.	Purpose of loan	Group IV		Group V		Total	
		Value	%	Value	%	Value	%
1.	Sinking of wells	10,000.00	17.18	--	--	1,61,638.80	28.48
2.	Pump sets	5,916.00	10.52	5,000.00	3.45	1,25,628.70	22.13
3.	Seed & Fertilizers	16,189.93	28.79	42,362.00	29.23	1,06,129.07	18.70
4.	Tractors	--	--	76,766.19	52.96	76,766.19	13.52
5.	Sprinkler sets	24,128.11	42.91	13,327.74	9.19	37.455.85	6.60
6.	Milch animals	--	--		--	21,200.00	3.73
7.	Repairs of wells	--	--		--	19,212.00	3.38
8.	Gobergas Plants	--	--	--	--	10,186.00	1.79
9.	Threshers	--	--	7,500.00	5.17	7,500.00	1.32
10.	Bullocks	--	--	--	--	2,000.00	0.35
	Total	56,234.04	100.00	1,44,955.93	100.00	5,67,716.61	100.00

In line with the procedure of financing, the loans are sanctioned in varied number of instalments depending on the purpose. Thus the loan for the purchase of tractor was granted in lump sum and amount was paid not to the farmer but to the dealer of the tractor. Incidentally there was a lone case of purchase of tractor. The same procedure was followed in the cases of loans for pumpsets, sprinklers, gobergas plants and threshers.

In the cases of loans for the purchase of dairy animals and bullocks also the amount was given in lump sum to the loanee.

In the cases of sinking of wells and repairs of wells, however, the amount was loaned in instalments numbering between 3 to 6. The second and the subsequent instalments were given only after varification of the utilisation of the previous instalment.

Crop loans, also called short term loans, were meant for financing the field operations and were given for a crop or a crop season. These were given in a single instalment and were recovered in the subsequent crop year.

As mentioned earlier the total amount borrowed by the selected farmers was Rs.5,67,716.61. The other over heads payable were evaluation fee, stamp charges, insurance and guarantee fee. The evaluation fee amounted to Rs.1,273.45 or 0.22 per cent of the borrowed amount and guarantee fee was Rs.1,100.05 or 0.19 per cent of the borrowed amount. The interest payable on loans came to Rs.37,095.18 or 6.53 per cent of the loan amount at the end of the reference period. However, the rate varied from farmer to farmer according to purpose and the period of loan. Thus the total amount repayable came to Rs.6,08,139.04 or 7.12 per cent over the borrowed amount. (Table 3.10)

Table 3.10 Loan amount and the cost of loans

Size group (1)	Loan amount (2)	Evaluation Fee (3)	Stamp Charges (4)	Insurance (5)	Guarantee Fee & others (6)	Interest (7)	Total amount payable (8)
0- 0.99	54,148.37	179.00	--	--	92.21	2,745.75	57,165.34
1.00- 1.99	2,39,782.02	500.95	43.75	500.00	165.34	12,683.01	2,53,675.07
2.00- 2.99	72,596.25	130.50	--	70.00	--	4,292.18	77,088.92
3.00- 4.99	56,234.04	133.00	105.00	--	184.85	5,207.51	61,864.40
5.00- & above	1,44,955.93	330.00	235.00	--	657.65	12,166.73	1,58,345.31
Total	5,67,716.61	1273.45	383.75	570.00	1100.05	37,095.18	6,08,139.04
Percentage of loan amount	100.00	0.22	0.07	0.10	0.19	6.53	107.12

Small farmers and farmers belonging to scheduled castes and scheduled tribes were entitled to subsidy ranging between 25 and 50 per cent. On the selected farms the amount of subsidy formed 15.66 per cent of the amount borrowed. The amount outstanding equalled the total amount due less the amount repaid and the subsidy. For the sample farmers the amount repaid was Rs.1,15,947.25 and the amount of subsidy was Rs.88,896.86 thus the amount outstanding was Rs.4,03,294.93 (Rs.6,08,139.04 - Rs.2,04,844.11) It formed 66.32 per cent of the amount due. However it may be mentioned that not entire amount was payable in the same year. As mentioned earlier the gestation period of loan varied with the purpose of loan. It has already been mentioned that large farms mainly borrowed for long term investments and therefore the gestation period and in turn the number of instalments of loan repayment were larger. This fact reflects in the proportion of loan outstanding in different size groups. While the percentage of loan outstanding to amount due was 66.32 for the sample farms, it increased from 56.09 per cent on the smallest group to 70.71 per cent on the largest group with the increase in the size. (Table 3.11)

Whether the large farmers form the majority of defaulters can be judged only after a few years when one is able to measure loans overdue for different size groups.

Table 3.11 Details of loan outstanding

Size group (1)	Amount repayable (2)	Amount repaid (3)	Subsidy (4)	Total (Col.3+4) (5)	Loan outstanding (6)	Percentage of loan outstanding to amount repayable (7)
0- 0.99	57,165.34	8,373.65	16,726.00	25,099.65	32,065.69	56.09
1.00- 1.99	2,53,675.07	31,071.59	56,516.75	87,588.34	1,66,086.73	65.47
2.00- 2.99	77,088,92	17,993.76	9,146.00	27,139.70	49,949.22	64.79
3.00- 4.99	61,864.40	13,530.86	5,106.11	18,636.97	43,227.43	69.87
5.00 & above	1,58,345.31	44,977.45	1,402.00	46,379.45	1,11,965.86	70.71
Total	6,08,139.04	1,15,947.25	88,896.86	2,04,844.11	4,03,294.93	66.32

C H A P T E R IV

THE EFFECT OF LOANS ON FARMS

The extent of effectiveness of loan varies from farm to farm. It depends on the purpose of loan, the will and the capacity of the individual borrower to utilise it for the right purpose, the proper working of the new asset created and the economic support.

As regards purpose it may be mentioned that some purposes or types of investments have inherent characteristics of giving out results within a period of one year, whereas, some other investments show results after few years. The proportions of returns to investment also vary with the purpose.

The will and the capacity of the borrower to utilise the loan are very important. The loan amount misutilised becomes a liability with very dim chances of recovery. Here sets in the vicious circle of additional borrowings for repayment of the first loan and so and so forth.

Many a times good intentions of the loanee prove futile in the face of the non-working of the allied processes of production or the natural calamities or the lack of technical or economic support.

The first effect of loan is the addition to the assets. In the previous chapter we have noted that the loan amount was Rs.5,67,716.61. Of this the amount sanctioned for seed and fertilizers was Rs.1,06,129.07. This amount was used for the purchase of inputs and no permanent asset was created.

The remaining amount was Rs.4,61,587.54. This can be grouped into asset groups of land, implements and livestock.

Thus the financing by banks increased the value of these assets together by 10.80 per cent. The percentage increase was highest in the case of implements and machinery (41.81 per cent). It was 6.48 per cent in the case of livestock and 5.48 per cent in the case of land. As expected, the percentage increase was highest (22.74 per cent) on the smallest group and decreased with the increase in the size to 5.78 per cent in the largest size group. This was true in the individual items of assets of land and livestock. In the case of land the increase in value was due to sinking of new wells and repairs of old wells. The percentage increase in land value in the first two groups was 10.43 and 13.92 respectively. It slumped down to 3.72 and 2.16 per cent in the third and fourth groups respectively. Similarly in the case of livestock, the percentage increase in the smallest group was as high as 56.05 per cent. It dropped to 7.40 in the second group. In the remaining groups there was no aquisition of this asset. In the case of implements and machinery the percentage increase was 60.18 in the smallest size group. It increased to 81.02 per cent in the second group but again decreased to 40.14 in the third group. The highest increase in the value of implements and machinery was observed in the case of fourth group (263.27 per cent). The increase was lowest (26.47 per cent) in the largest size group. (Table 4.1)

Table 4.1 Change in the value of assets due to loans

Particulars	Group I			Group II			Group III		
	Value at the beginning	Increased value	% Increase	Value at the beginning	Increased value	% Increase	Value at the beginning	Increased value	% Increase
Land	1,58,200.00	16,500.00	10.43	9,93,674.20	1,38,350.80	13.92	4,30,000.00	16,000.00	3.72
Implements& Machinery	26,296.00	15,826.00	60.18	79,703.80	64,573.20	81.02	1,10,853.50	44,499.50	40.14
Live stock	28,905.00	16,200.00	56.05	94,541.00	7,000.00	7.40	65,705.00	--	-
Total	2,13,401.00	48,526.00	22.74	11,67,919.00	2,09,924.00	17.94	6,06,558.00	60,499.50	9.97

Contd...5.1

Table 4.1 Change in the value of assets due to loans

Contd....Table 5.1

Particulars	Group IV			Group V			Total		
	Value at the beginning	Increased value	% Increase	Value at the beginning	Increased value	% Increase	Value at the beginning	Increased value	% Increase
Land	4,63,000.00	10,000.00	2.16	12,56,000.00	-	-	33,00,874.80	1,80,850.80	5.48
Implements & Machinery	11,411.89	30,044.11	263.27	3,87,647.07	1,02,593.93	26.47	6,15,912.26	2,57,536.74	41.81
Livestock	39,110.00	-	-	1,29,965.00	-	-	3,58,226.00	23.200.00	6.48
Total	5,13,521,89	40,044.11	7.80	17,73,612.07	1,02,593.93	5.78	42,75,012.46	4,61,587.54	10.80

The second effect on the selected farms has been the increase in area under irrigation. As has been mentioned in the previous chapter, as high as 60.59 per cent of the loan amount was for the augmentation of irrigation. This high proportion of investment has very significantly been reflected in the increase in the area under irrigation. In the pre-financing crop year the irrigated area on the selected farms was 86.43 hectares, whereas, it increased to 150.89 hectares in the financing year. Thus the increase in irrigated area was 74.58 per cent. For prefinancing year the percentage of irrigated area was 33.35. It rose to 58.22 per cent in the post financing year. (Table 4.2)

Table 4.2 Change in irrigated area on selected farms

Size group	Operated Area	Irrigated Area 1979-80	Irrigated Area 1980-81	Percentage of irrigated area 1979-80	Percentage of irrigated area 1980-81
(Hectares)					
Upto 0.99	9.53	4.06	7.28	42.60	76.39
1.00- 1.99	75.41	22.94	56.58	30.42	75.03
2.00- 2.99	31.53	14.73	23.34	46.72	74.02
3.00- 4.99	35.34	13.06	13.90	36.96	39.33
5.00 & above	107.37	31.64	49.79	29.47	46.37
Total	259.18	86.43	150.89	33.35	58.22

This was achieved through 44 cases of loans for irrigation. Of these 16 dug new wells, 7 acquired new pumpsets, 2 purchased new sprinklers and 5 got the wells repaired. Fourteen farmers got composite loans : 12 for new wells & pumps and 2 for repairing of old wells and pumps (Table 4.3).

Table 4.3 Distribution of farms which got loans for irrigation purposes

Purpose	No.of farms
New wells	16
Pumpsets	7
Repair of wells	5
Sprinklers	2
New wells & Pumps	12
Repair of old wells and pumps	2
Total	44

It may however be noted that not all this difference was due to new wells dug and new equipments purchased. The year 1979-80 was a drought year and the irrigation requirements of the crops increased steeply. On the other hand, the irrigation sources existing prior to those tapped by the loan amounts, failed to cope up with the requirement.

With the sinking of new wells, repairs of old wells and acquisition of irrigation equipments the irrigated area increased. This in turn, resulted in change in cropping pattern to a considerable extent. While linseed, sesamum and moong did not find any place in pre-irrigation year, they made a mark in the post irrigation year. Another change was the decrease (7.84) in the percentage area under cereals and increase (2.93) in the percentage area under pulses. Irrigation also helped in the increase (2.77 per cent) in area under vegetables. The overall cropped area increased from 270.19 hectares to 330.80 hectares in the post finance year. In other words, the increase in the cropped area was 22.43 per cent (Table 4 4).

4.4 Change in cropping pattern on 100 selected farms

Crop	1979-80		1980-81	
	Area	%	Area	%
Paddy	71.00	26.28	95.70	28.93
Wheat	157.13	58.16	162.16	49.02
Jowar	2.90	1.07	0.49	0.15
Kodo-kutki	1.82	0.67	0.81	0.24
Total cereals	232.85	86.18	259.16	78.34
Gram	19.36	7.17	27.70	8.38
Lentil	0.81	0.30	3.84	1.16
Pea	2.42	0.90	4.64	1.40
Moong	-	-	0.81	0.24
Urd	1.21	0.45	2.01	0.61
Arhar	1.01	0.36	0.97	0.29
Teora	-	-	0.10	0.03
Total pulses	24.81	9.18	40.07	12.11
Linseed-	-	-	4.75	1.44
Seasamum	-	-	1.31	0.40
Total Oil Seeds	-	-	6.06	1.84
Total Vegetables	4.53	1.68	14.72	4.45
Others	8.00	2.96	10.79	3.26
Total	270.19	100.00	330.80	100.00

If we work out the changes in the cropping pattern for only those who borrowed loans for irrigation purposes, the changes look more significant.

Jowar, lentil, moong, urd, teora, linseed and sesamum found place in the cropping pattern in the latter year only. While the percentage of area under vegetables increased that under paddy, wheat and gram decreased. The gross cropped area increased form 93.59 hectares to 119.64 hectares or an increase of 27.83 per cent (Table 4.5)

The intensity of cropping went up from 104.25 per cent to 127.63 per cent. As a result of new irrigation avenues the percentage of irrigated cropped area increased from 37.08 in the pre-financing year to 64.85 in the latter year. While as many as 9 crops viz. jowar, lentil,pea, moong, urd, arhar, teora, linseed and sesamum did not get any irrigation in the first year of the study these crops could be provided irrigation in the subsequent year. Actually the entire area under jowar, moong, arhar, tecra and seasamum got irrigation in the second year. The percentage of area irrigated under paddy increased form 25.14 to 70.22, that under wheat from 38.51 to 56.27 and that under gram from 47.93 to 70.11 per cent (Table 4.6).

This was also true with the farms which got new irrigation avenues. On such farms the percentage of irrigated cropped area increased from 32.88 to 74.82. The percentage of irrigated area in the case of crops like paddy, wheat and gram increased significantly. (Table 4.7)

Table 4.5 Change in cropping pattern on farms taking loans for irrigation

Crop	1979-80		1980-81	
	Area	%	Area	%
Paddy	31.18	33.32	37.87	31.65
Wheat	48.57	51.90	56.42	47.16
Jowar	-	-	-	-
Kodo-kutki	1.01	1.07	-	-
Total cereals	80.76	86.29	94.78	79.22
Gram	10.51	11.23	7.99	6.68
Lentil	-	-	1.00	0.84
Pea	0.40	0.43	0.40	0.67
Moong	-	-	1.11	0.93
Urd	-	-	1.61	1.01
Arhar	1.01	1.08	-	-
Teora	-	-	0.10	0.08
Total pulses	11.92	12.74	12.21	10.21
Linseed	-	-	3.53	2.95
Seasamum	-	-	0.40	0.33
Total Oilseeds	-	-	3.93	3.28
Vegetables	0.91	0.97	6.23	5.21
Others	-	-	2.49	2.08
Total	93.59	100.00	119.64	100.00

Table 4.6 Change in Irrigated area on 100 selected farms

Crop	1979-80			1980-81		
	Total Area	Total Irrigated Area	% of Irri.	Total Area	Total Irrigated Area	% of Irri.
Paddy	71.85	17.85	25.14	95.70	67.20	70.22
Wheat	157.13	60.52	38.51	162.16	91.25	56.27
Jowar	2.90	-	-	0.49	0.49	100.00
Kodo-kutki	1.82	-	-	0.81	-	-
Total cereals	232.85	78.37	33.60	259.16	158.94	61.33
Gram	19.36	9.28	47.93	27.70	19.42	70.11
Lentil	0.81	-	-	3.84	1.62	42.19
Pea	2.42	-	-	4.74	2.92	61.60
Moong	-	-	-	0.81	0.81	100.00
Urd	1.21	-	-	2.01	1.61	80.10
Arhar	1.01	-	-	0.97	0.97	100.00
Teora	-	-	-	0.10	0.10	100.00
Total pulses	24.81	9.28	37.40	40.17	27.45	68.33
Linseed	-	-	-	4.75	1.41	29.68
Seasamum	-	-	-	1.21	1.21	100.00
Total Oilseeds	-	-	-	5.96	2.62	43.96
Vegetables	4.53	4.53	100.00	14.72	14.72	100.00
Others	8.00	8.00	100.00	10.79	10.79	100.00
Total	270.19	100.18	37.08	330.80	214.52	64.85

Table 4.7 Change in Irrigated area on farms taking loans for irrigation purpose

Crop	1979-80			1980-81		
	Total Area	Irri. Area	% of Irri.	Total Area	Irri. Area	% of Irri.
Paddy	31.18	7.59	24.34	37.87	23.20	61.26
Wheat	48.57	17.02	35.04	56.42	43.98	77.95
Jowar	-	-	-	0.49	0.49	100.00
Kodo-kutki	1.01	-	-	-	-	-
Total cereals	80.76	24.61	30.47	94.78	67.67	71.40
Gram	10.51	4.85	46.15	7.99	7.69	96.25
Lentil	-	-	-	1.00	0.80	80.00
Pea	0.40	0.40	100.00	0.40	0.40	100.00
Moomg	-	-	-	1.11	1.11	100.00
Urd	-	-	-	1.61	1.21	75.16
Arhar	1.01	-	-	-	-	-
Teora	-	-	-	0.10	0.10	100.00
Total pulses	11.92	5.25	44.04	12.21	11.31	92.63
Linseed	-	-	-	3.53	1.41	39.94
Seasamum	-	-	-	0.40	0.40	100.00
Total Oilseeds	-	-	-	3-93	1.81	46.06
Vegetables	0.91	0.91	100.00	6.23	6.23	100.00
Others	-	-	-	2.49	2.49	100.00
Total	93.59	30.77	32.88	119.64	89.51	74.82

Although the amount loaned for the purchase of tractor was 13.52 per cent of the total loan amount on the selected farms it was a lone case of a village 16 km. interior of a tehsil town. The farmer acquired this asset with two intentions viz. farming and transporation. While he used it for the preparation of fields at the beginning of both the crop seasons of kharif and rabi he used it frequently for transporting the produce and other goods of his own and those of his fellow villagers. He earned Rs.2,000 by way of transporation alone during the reference year.

Loan taken for the purchase of a pair of bulocks was also a solitary case. The loanee was a small farmer with an area of 0.80 hectare. He was not having any drought animals prior to the loan sanctioned and used to take bullocks on hire from others. With the acquisition of a pair he saved Rs.100 on hiring charges in one season alone. He also planned to hire out the bullock pair to others from the subsequent year.

The sole case of gobar gas plant was sanctioned at the end of the reference year. It was, therefore, not possible to assess the full impact of it during the short period.

A farmer purchased thresher worth Rs.7,500 through bank loan. He owned 17.86 hectares of land utilised mainly for wheat and hopes to save Rs.3000 per year on labour through the use of thresher.

Loans for a particular purpose were pronounced in a particular area. This was so in the case of loans for the purchase of milch animals. Of the total 6 cases five came from a small cluster of villages. Four of them were landless labourers and one with only 0.40 hectare of land. The loan amount ranged between Rs.2,500 to 3,000 for a murra or a desi buffalo as the case may be. The five farmers incurred an additional expenditure of Rs.1,090 on purchased feeds etc. and in return got Rs.2,428 with the sale of milk and dung. Thus the net profit earned was Rs.1,338. The sixth case was of an already well established dairyman with 16 buffaloes. The net profit earned by this farm was Rs.1,500 per year.

The impact of seed and fertilizers is difficult to measure and more so to isolate it from the impact of other inputs that go into the production. This kind of analysis needs systematic sampling of farmers having cropped areas with and without the use of a particular input in question or two types of farms one category using the particular input and the other, the control farmers.

The distribution of short term loan amount by purposes viz. seed, fertilizers and cash indicated that fertilizers accounted for 56.86 per cent of the loan amount. Cash loans formed 35.22 per cent and the amount for seed was only 7.92 per cent. It was also noticed that the proportion of amount for seed decreased from 25.17 per cent in the smallest size group to 18.79 per cent in the second group and further to 11.41 per cent in the third group. No amount was borrowed for seed by the largest two groups. Although no relationship could be noticed between

the proportion of amount borrowed for fertilizers and cash borrowings and the size of farms, the proportion of amount borrowed for fertilizers was highest (38.91 per cent) and that for cash was lowest (11.09 per cent) on the largest size group. (Table 4.8) Similarly the second highest proportion of fertilizers and the second lowest proportion of cash component was observed in the smallest size group. This indicates that the largest and the smallest farmers were more interested in fertilizers and least interested in the cash component.

As mentioned earlier seed on loan was the need of the smallest three groups who could not afford to set aside a fixed quantity of the product for the next year's seed. It was wheat (Rs.540) and potato (Rs.875) seeds in the smallest group. Singhada seed was the prime need of the farmers of the second group and an amount of Rs.4,000 out of the total amount of Rs.5,610 was for singhada. In the third group, again, singhada seed value was Rs.1,000 and that of wheat seed, Rs.380. The importance of seed to these small and marginal farmers need not be emphasised. Singhada seed worth Rs.4,000 gave the producer yield worth Rs.25,600 in the second group and seed valued Rs.1,000 yielded singhada worth Rs.5,120 in the third group.

As regards the effect of fertilizers it was noted that in most of the cases the fertilizer doses were far below the recommended ones and it is estimated that yield increase due to fertilizer application would be very marginal. The experts opine that if the recommended doses of fertilizers are applied the yields can be increased by 30 per cent.

Table 4.8 Details of loans sanctioned for seed, fertilizer and cash

Size Group	Seed	Fertilizers	Cash	Total
I	1415.00 (25.17)	2407.37 (42.82)	1800.00 (32.01)	5622.37 (100.00)
II	5610.00 (18.79)	8973.02 (30.05)	15275.00 (51.16)	29858.02 (100.00)
III	1380.00 (11.41)	4865.19 (40.22)	5851.55 (48.37)	12096.74 (100.00)
IV	-	6439.93 (39.78)	9750.00 (60.22)	16189.93 (100.00)
V	-	37662.00 (88.91)	4700.00 (11.09)	42362.00 (100.00)
Total	8405.00 (7.92)	60347.51 (56.86)	37376.55 (35.22)	106129.06 (100.00)

(Figures in parentheses denote percentages to total)

It may also be noted that about 1/3(35.22 per cent) of the amount taken as short term credit by the selected farmers was in the form of cash. This is supposed to be spent on agricultural operations such as wages, manures, irrigation charges, pesticides etc. Presuming that the entire cash component was spent on agricultural operations the effect would be in the form of saving the farmers made due to difference in interest that they paid to the bank and that they would have paid to the moneylender. It is not that this kind of saving is achieved only in the case of cash borrowing. It is achieved in all borrowings. But cash borrowings are more comparable as the moneylender does not lend kind loans and his rate of interest does not vary with the period of loan.

Presuming the rate of interest of moneylender to be 36%the net saving by the selected farms on Rs.37,376.55 loan amount came to Rs.9,531.00. It was noted that the single input that makes maximum impact came out to be irrigation.

The financing institutions have been laying emphasis on its development and the farmers are convinced about its impact. On the selected farms which had added new sources of irrigation with the help of bank loans the yields in the post financing year were markedly higher than the pre-financing year.

Table 4.9 Yields of important crops on the selected farms with new sources of irrigation in 1979-80 and 1980-81

(Figures- Quintals/hectare-)

Crop	1979-80	1980-81	% increase in 1980-81 over 1979-80
Paddy	1.40	5.40	285.71
Wheat	4.00	8.30	107.05
Jowar	3.45	7.75	124.64
Gram	3.15	7.00	122.22
Arhar	5.20	9.70	86.54
Moong	2.15	2.90	34.88
Pea	1.10	3.00	172.73
Lentil	1.20	3.60	200.00
Urad	1.75	1.90	8.57
Sesamum	0.50	1.20	140.00
Linseed	0.85	2.90	241.18

It will be observed that the percentage increase was highest in the case of paddy (285.71) followed by linseed (241.18) and lentil (200.00).

However as pointed out earlier the year 1979-80 was a drought year and therefore the increase in yield was not solely attributable to irrigation. Even so, the importance of irrigation can not be undermined. It was reported that the percentage increase in yield due to irrigation alone ranged between 25 to 35 per cent in the case of important crops like paddy, wheat, jowar, gram, arhar and linseed. It may be emphasized that irrigation not only helps to increase the productivity but also makes it possible for the farmers to apply the recommended doses of fertilizers and follow improved practices of cultivation. It enables farmers to grow larger number of crops and introduce cash crops in the farming system.

Some Other Aspects

(1) Administrative

Agricultural financing has been the field of private money-lenders, professional moneylenders and village traders, shop owners or big farmers since long. Then came the Government agencies which disbursed loans in the form of taccavi. Central Cooperative Banks and Cooperative Land Development Banks joined much later and dominated the field for a very long time. Although the then Commercial Banks did some agricultural financing during the pre-nationalisation period, it was mainly after the nationalisation that they increased their activities.

It may however be mentioned that these did not have sufficient expertise in the beginning and even in the latter period the staff solely associated with agricultural financing did not increase in the same proportion as that of the increase in the volume of agricultural financing. In many cases the banks borrowed the services of the Cooperative Banks and in other cases

the financing was done through Cooperative Banks. It is strongly felt that adequate field and supervisory staff along with conveyance facilities be provided for the effective prefinancing assessment and post financing supervision.

2. Choice of Beneficiaries

On the one hand more and more loans were to be distributed to this priority sector and on the other hand proper utilisation and recovery were to be effected. The staff associated with the financing got caught in these two prongs. With the limited field and supervisory staff and conveyance to visit the sites the staff associated with agricultural financing had no alternative but to use his discretion in selecting the farmers whom he could rely on with regard to recovery or who could command some influence. This led him to favour those who "had" something already than those who "had not" anything. This alsc led to the inclusion of the "haves" in the lists of "have nots" like small farmers, marginal farmers and landless persons, unemployeds, and so on. The only field or the lists which these "haves" could not encroach upon was a class of farmers to be benefitted on the basis of their particular caste. In other schemes and plans the majority of the beneficiaries were the influential farmers. The lists of "small farmers" included big farmers turned "small" by using only a part of their total land holding or patta for loan purposes. They also included, shop keepers, businessman, lawyers, doctors, and of course, politicians with adequate non-farm income.

3. Subsidy on loans

Subsidy was meant to benefit the small and the needy farmers without adequate resources. The subsidy ranged between

25 to 50 per cent depending on the type of loan and the category and caste of the farmer. It was a big attraction for small farmers and for the poorest among the poor. However, since the entitlement for subsidy depended on the size of holdings many a big and resourceful farmers managed to become small farmers and availed the benefits of subsidy. The real small farmers with no resources and proper connections were left out. This necessitates proper scrutiny at the pre-financing stage and also the coordination between the bank officials and the officials of the agriculture and Revenue departments.

4. Loans for Milch Animals

Among the various purposes of loans the purchase of milch animal needs reconsideration. Under this scheme a milch buffalo each was given to small farmer or a landless labourer. These categories of beneficiaries had very meagre means to maintain a buffalo. It was observed that the buffaloes with these beneficiaries were ill fed during lactation and were totally neglected when dry. This adversely affected repayment of loan and asset like a buffalo became a liability. It should be ensured that the beneficiaries have the means to rear the animals. If they do not possess them, additional credit be given to them for the maintenance.

In the schemes for the upliftment of scheduled castes there is a provision of financing for the second buffalo after the lapse of six months. This is to ensure that the beneficiary gets a continuous supply of milk and the profits pay for the maintenance of dry buffalo. This seems to be quite understandable and should be followed.

5. Recovery of loans

The weakness due to which the Cooperative Institutions suffered seems to have eclipsed the Nationalised Banks. The loans outstanding and overdues are gradually increasing. The reasons are many. The most important is the indifference on the part of the borrowers to repay the loans. This in turn is due to two reasons. Firstly the defaulters do not feel the pinch of non-repayment due to comparatively low rate of interest and secondly the political and other leaders instigate the borrowers not to repay the loan. There was a feeling that in the course of time the govt, may abolish all the loans outstanding. This study showed that the smallest size group of farmers with very little resources make the best use of the loans. Small vegetable growers, marginal farmers and other small farmers showed greater interest in repaying the loans in order to get a fresh loan for the next season. The only ways of effecting faster recovery of loans are closer post finance supervision and pursuation.

In conclusion it may be said that loans for increasing the area under irrigation by way of sinking of new-wells, repairing of old wells, fitting of electric or diesel pumps or purchase of sprinklers were very popular among the selected farmers. These loans had low gestation period and the results were quickly forthcoming. Other medium and long term loans had a longer gestation period.

Short term loans are also very important but the use of improved seed and fertilizers need sound agricultural extension work. The particular mention may be made about the necessity of applying recommended doses of fertilizers. This seems to be still lacking. The financing for purchase of buffaloes needs

rethinking as the small and marginal farmers do not have resources to rear them properly.

Agricultural financing is only a beginning in the process of increased agricultural production. It is not the end. It should be succeded by proper extension work and coordinated efforts on the part of the officials of Agriculture, Veterinary, Revenue Departments and Electricity Board.

The right choice of beneficiaries is a must in the programmes meant for small farmers and other weaker sections of the agricultural community. The old apprehension that the benefits never reached the target group held good when this investigation was conducted. Concerted efforts are necessary to reach the real needy persons.

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C H A P T E R - V

SUMMARY AND CONCLUSIONS

Traditionally, the rural population depended for finance on the local moneylenders, the professional moneylenders and the big farmers. With the passing of the Land Improvement Loans Act 1883 and the Agriculturists Loans Act, 1884 and Government came to the help of the farmers with taccavi loans. The Cooperative Banks came next. Although the Indian Cooperative Societies Act was passed in 1904 the cooperative movement got the stimulus only after 1912 when a more comprehensive Cooperative Societies Act was passed. Reserve Bank of India created a special Agricultural Credit Department to study agricultural credit and to provide advice to State Cooperative Banks. It also provided loans and advances to the State Cooperative Banks and through them to the Cooperative Credit Societies. The amending of the Reserve Bank of India Acts in 1951 and 1953 extended the scope of financing the Cooperative Banks. By 1961-62 it had advanced Rs.193 crores. The State Bank of India came into existence on July 1, 1955, as a result of the taking over under an act of Parliament, of the Imperial Bank of India. It was directed to spread a network of branches in both rural and urban areas. It extended remittance facilities to Cooperative Banks. Of late, it has also taken up direct financing to farmers and village artisans.

The Commercial Banks, now known as Nationalised banks and scheduled banks had a very small share in the financing of agriculture. They contributed only 1.1 per cent to the total borrowings for agricultural purposes in 1967. Similarly these

banks advanced only 2.1 per cent of their total lendings to agriculture.

However, after the nationalisation, the lendings by the nationalised banks are increasing and now they contribute significantly to the total funds available for rural sector.

In Madhya Pradesh the share of Nationalised Banks in the total agricultural finances increased from 0.1 per cent in 1961 to 1.2 per cent in 1971. Like other states in the country the lead bank scheme is in operation in all the 45 districts of Madhya Pradesh.

In Jabalpur district the earliest record on rural indebtedness is available in the form of Settlement Report of 1912 by Mr. Crostwait. Maclagan Committee, in 1915, also gave an account of indebtedness in the rural areas. The first Cooperative Bank of the district was formed at Sihora in 1907 at the initiative of Mr. Crostwait. Subsequently two cooperative banks, one at Katni (registered in 1910) and the other at Jabalpur (registered in 1911) were formed. The Provincial Cooperative Bank for Central Provinces and Berar, with the headquarters at Jabalpur was registered in 1912. The progress of the Cooperative Banks was very satisfactory till the late twenties and early thirties when it got a set back. From 1937 onwards the growth picked up and continued.

The Jabalpur District Cooperative Land Development Bank was founded in 1935 at Sihora. It caters the long term needs of the farmers. As regards commercial banks, the first bank branch to be opened in the district was that of Bank of Bengal in 1866. In 1893, Bhargava Commercial Bank was established. Yet another

bank called The Islamic Bank of India was started in 1928. The Laxmi Bank Ltd. opened a branch in Jabalpur in 1946. However, all these became defunct later. Of the banks operating in the district, the oldest one is Allahabad Bank, established in 1919. The next to operate in the district was Imperial Bank of India (now State Bank of India) started in 1922. Among the other old banks were Punjab National Bank (1945) and the Central Bank of India (1948). At the time of this study 13 out 14 Nationalised Banks had branches in the district. It had no branch of the United Bank of India. As of December 1980 Jabalpur district had 151 branches of the Nationalised Banks.

Financing of agriculture is not the end of the process of increasing agricultural production. It is a beginning. It is worthwhile noting as to what impact the loan amount creates on beneficiary farms and also the related issues and aspects that emerge in the process of financing. With these objectives in view this study was conducted.

For sample, 25 borrowers from each of the 4 tehsils were selected to have a total sample of 100 borrowers in the district. Reference year of the study was the agricultural year July 80 to June 81.

5.2 Jabalpur district is lying between $22^{\circ}49'$ and $24^{\circ}8'$ North latitude and $78^{\circ}2'$ and $80^{\circ}58'$ East longitude. The tropic of cancer passes through the middle of the district. The district covers an area of 10,122 sq. kms and has a population of 21,98,743 or 217 per sq.km. as per 1981 census. The district is divided into 4 natural divisions and Narmada is the principal river of the district. There are numerous lakes and tanks in the district.

The climate of the district is pleasant and salubrious. The average rainfall of the district is 1,274.1 mm and occurs in 59 rainy days.

Of the total population 55 per cent is rural and 45 per cent urban. Occupationwise, 29.14 per cent of the total workers were cultivators and 23.51 per cent agricultural labourers. The literacy percentage of the district is 41.02. Of the total geographical area about 40 per cent was net sown area. Forests occupied 16.43 per cent and the fallow land 13.64 per cent. The average size of holding was 2.52 hectares. The distribution of land was most unequal with 75.2 per cent of the total number of holdings commanding less than 3 hectares each and occupying only 30.2 per cent of the land.

The district comes under paddy-wheat zone with paddy occupying 29.35 per cent of the gross cropped area and wheat 26.84 per cent. Gram was another important crop occupying 17.12 per cent.

Irrigated area formed only 4.62 per cent of the gross cropped area. Paddy and wheat were the main irrigated crops.

5.3 The 100 borrower farmers selected for this study were spread over 48 villages. The average size of the farms was 2.59 hectares. Irrigated area formed 58.22 per cent. Wells were the most important sources irrigating 68.90 per cent of the irrigated area. The average literacy percentage was 41.83.

Wheat was the most important crop forming 49.02 per cent of the gross cropped area. Paddy occupied 28.93 per cent. The other important crop was gram (8.38 per cent) and its percentage area increased with the size of farms. The types of crops grown

had relationship with the size of farms. Thus pea was mainly grown by small size farms. Linseed was not grown by the smallest and the largest size group. Among the remaining groups its percentage increased with the size of farms. Sesamum and vegetables were the important crops of smaller groups.

Of the gross cropped area 64.85 per cent was irrigated. Percentage of irrigated area was higher on smaller farms.

Land was the single largest item of assets and formed 56.88 per cent of the total value. Its propertion was lowest on the smallest group and highest in the fourth group. Building formed 22.62 per cent of the total value of assets. Its proportion was higher on smaller farms. The average value of assets on the selected farms was Rs.61,271.00. The value per hectare was Rs.23,762.96.

The total amount borrowed by selected borrowers was Rs.5,67,716.61 or Rs.5,677.17 per borrower. Sinking of wells was the most important purpose and slightly more than one fourth (28.48 per cent) of the amount was borrowed for it. Purchase of pumpsets (22.13 per cent), purchase of sprinklers (6.60 per cent) and repairs of wells (3.38 per cent) were other purposes related with irrigation. Seeds and fertilizers (18.70 per cent) and tractor (13.52 per cent) were other important purposes of loans. The proportions of loans for different purposes were related with the size of farms. Sinking of wells and purchase of pumpsets were most important on smaller three groups. On the other hand, the proportion of short term loans increased with the size of farms . The purchase of tractor, sprinkler sets and thresher, were confined to larger size groups, whereas, the purchase of milch animals and bullocks, and repairs of wells were confined to the smaller size groups.

The procedure of financing varied from purpose to purpose, so also the number of instalments of the loans. Apart from the loan amount the overheads such as evaluation fee, stamp charges insurance and guarantee fee were payable by the borrower. These formed 0.41 per cent of the borrowed amount. The interest payable at the end of the reference period came to Rs.37,095.18 or 6.53 per cent of the loan amount. On the selected farms the amount of subsidy was 15.66 per cent of the amount borrowed. The amount outstanding at the end of the reference year Rs.4,03,294.93 or 66.32 per cent of the amount due. It varied with the size of farms, purpose of loan and number of instalments.

5.4 The first effect of loans on the farm economy is the addition to the value of assets. Barring the loans for seed, fertilizers and cash meant to be used for crop production during the reference year, all the loans totalling to Rs.4,61,587.54 added to the assets value of the farms. The financing by banks increased the value of assets by 10.80 per cent. The percentage increase was highest in the case of implements and machinery (41.81 per cent). It was 6.48 per cent in the case of livestock and 5.48 per cent in the case of land. The percentage increase was highest (22.74 per cent) on the smallest size group and decreased with the increase in the size to 5.78 per cent in the largest size group.

The second impact of loans on the farms was the increase in the area under irrigation. The percentage increase came to 74.58 per cent. In the prefinancing year the area irrigated was 33.35. It rose to 58.22 per cent in the post financing year.

The increase in irrigated area resulted in the change in cropping pattern. Crops such as linseed, sesamum and moong could not find place in the pre-financing yearwhereas they appeared in the post financing year. There was also decrease in the percentage of area under cereals and increase in that of pulses. The gross cropped area registered an increase of 22.43 per cent. These changes were all the more significant when these aspects were studied for only those who borrowed loans for irrigation purposes.

As regards other loan cases it was observed that there was only one case of purchase of tractor. This farmer earned Rs.2000 by way of transportation alone during the reference year. There was only one case of purchase of bullock pair. He was a small farmer. He not only saved Rs.100 on hiring charges that he would have paid but also plans to hire out the pair to others. Similarly the case of purchase of thresher was a solitary one. He saved Rs.3000 per year an labour charges alone as he has about 18 hectares of land. There were 5 cases of loans for purchase of milch animals. The average net profit earned was Rs.1,338. The impact of seed and fertilizers was difficult to measure because it could not be isolated from the impact of other inputs.

Seed on loan was the need of the small farmers. Mainly seed of wheat, potato and singhada was taken on loan. Singhada seed worth Rs.4000 gave yield worth Rs.25,600 in the second group and the seed valued Rs.1000 yielded singhada worth Rs.5120 in the third group. As regards fertilizers, it was noted that most of the farmers used far lower doses than the recommended and, therefore, the impact was only marginal. In the case of cash loan the impact was the saving due to difference in interest rates

of the bank and the moneylender whom the farmers might have approached. This came to Rs.9,531 for the selected farmers.

The single input that made the quickest and maximum impact came out tc be irrigation. The percentage increase in yields varied from 107 in the case of wheat to 285 in paddy.

It is strongly felt that adequate field and supervisory staff and conveyance facilities be provided for the effective prefinancing assessment and post financing supervision. The choice of beneficiaries was observed to be defective in the face of the above. Subsidy, meant for small and resourceless farmers, was also taken advantage of by the undeserving big farmers. Rethinking on loans for milch animals is necessary because the beneficiaries lacked resources to feed the animals and also the expertise to rear them.

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