

CHAPTER VIII

SOURCES OTHER THAN SKUS FOR FINANCING AGRICULTURE AND  
NON-FARM OPERATIONS

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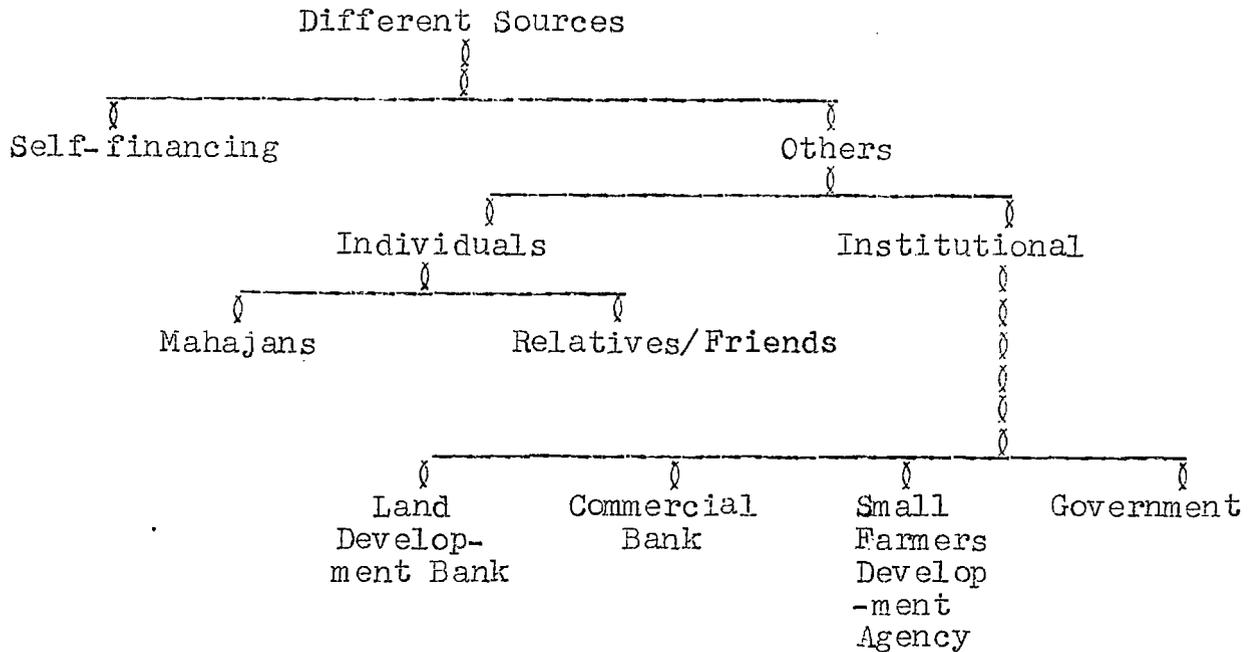
### SOURCES OTHER THAN SKUS FOR FINANCING AGRICULTURE AND NON-FARM OPERATIONS

#### 8.1 Introduction

In this chapter, an attempt has been made to study the various sources other than Agricultural Co-operative Credit Societies available in the sample villages for financing agriculture and non-farm operations during the period under study. This chapter also includes a comparative study between the activities of the village agricultural co-operative societies and other institutions which also provided loans and advances to the farmers in the sample villages during the period under study.

#### 8.2 Different Sources of Finance

Apart from SKUS, the various sources for financing agriculture and non-farm operations may be expressed in the following way ( Mahajans and Relatives were found to provide sample families with both production and consumption finance. The source self-financing met both production and consumption finance but all the other sources only met production finance ) :



### 8.3 Concepts and Terms Used

#### 8.3.1 Self-financing

The amount of finance procured by the farm-families themselves, out of their own income and or assets, wealth, etc. at their disposal to meet farm and non-farm operations during a given period, is considered as self-financing for the present study.

The redeeming points to be noted in this connection are the following : (a) the farm-families may be in a position to meet their total expenditure ( farm and non-farm ) during a given period out of their own income and or wealth, assets,

etc.; and (b) they may not also be in a position to meet up the entire portion of such an expenditure out of their own income and or assets, wealth, etc. and may have to depend on other sources of finance to bridge the gap as far as possible under the circumstances.

### 8.3.2 Mahajans

An individual or individuals when found to lend from sometime past either in cash and/or in kind to rural people ( in this case, farm-families ) to meet up a portion of their expenditure and/or whole of their expenditure ( farm and non-farm ) during a given period and in lieu of that, he or they charges/charge some amount of rate of interest which may not always be fixed and the principal as well as the interest accrued therein during the period of receiving loan and of repaying it back to the creditor, will have to be paid back to the creditor after a stipulated period, which as well as the rate of interest mutually agreed by the creditor/creditors and the debtor/debtors at the time of extending/receiving loan by the creditor/debtor or creditors/debtors is/are called Mahajan/Mahajans.

*Cumbrons  
& unrecd  
any*

These groups of people (i.e. Mahajans ) generally consider such an activity as their profession though, some of them may be engaged in other professions also and such

an activity may form a part of their entire professional activity. But the point to be noted in this connection may be that, a reasonable period of long association ( let us say, at least, five years ) of them with such an activity will have to be carefully noted.

By law, such moneylending activity by these groups of people has been forbidden ( vide 8.5 of this chapter ).

### 8.3.3 Relatives

Person/Persons with whom the sample families have some relationship established through marriage, etc. and some amount of affinity and understanding towards member/members of the sample-families by such person/persons may be identified ( such person/persons generally lives/live outside the house of the sample-families but not in all cases this is applied ; they may reside temporarily and some of them may also live permanently ), is/are considered as relative/relatives for the present study.

### 8.3.4 Small Farmers Development Agency

Small Farmers Development Agency is an agency for providing credit and other facilities to be extended solely to marginal and small-farmers from time to time either in cash and or in kind for the development of marginal and small-farmers in its area of operation.

Such an agency exists in the sample district.

### 8.3.5 Friends

Person/Persons with whom the sample families have some understanding, established through mutual respect, sympathy, feeling, interest, etc. and some amount of understanding towards member/members of the sample families by such person/persons may be located ( such person/persons generally lives/live outside the house of the sample families. Some friends may live in the house of the sample families temporarily but perhaps, not on a permanent footing ), is/are considered as friends for the present project.

The above concepts/terms may be considered as very common and perhaps, need not to be explained and may be avoided because these do not perhaps, add to the existing knowledge. But these have been explained to indicate what actually these stand for in this study. No originality in explaining these is, however, claimed. Their role in this chapter is to help us in better understanding of the problem tackled in this chapter. It may be viewed also that their omission perhaps, will least disturb the analysis of the problem in this chapter but their retention is based on the reasons already referred to .

### 8.4 Self-Financing as a Source of Finance

Cultivation is the main source of income of the

sample farm-families most of whom are found to have low income (vide, chapter XII, on Income of the Farm-families ).

Most of the sample landholding farm-families have land within 5.00 acres and the total income of these farm-families is so low that after maintaining their families with this poor income, they are left with very little or no savings for investment ( vide, chapters IX and X, on Expenditure Pattern of Consumption of Sample Families and Cost of Cultivation of Sample Families ). This group was found to depend mostly on others for financing their farm-operations ( vide, chapter V on Agricultural Credit by Primary Credit Co-operatives in the Sample Villages ).

The higher landholding groups have been found to have higher income ( vide, chapter XII, on Income of the Sample Farm-families ). Some of their expenditure could be met by their own finance but still, they too, needed financial assistance from outside sources ( vide, chapter V, on Agricultural Credit by Primary Credit Co-operatives in the sample Villages ).

Farmers having more than 10.00 acres of land hardly took any short-term loan. They took medium-term loans for the development of land and of the methods of cultivation, etc. (vide, chapters V, on Agricultural Credit by Primary Credit Co-operatives in the Sample Villages and the present chapter).

### 8.5 Sources of Finance of the Farm-Families from Individuals

Sources of finance of the farm-families from individuals include : (1) sources from village mahajans ; and (2) sources from the relatives and friends of the farmers. Village mahajans are the rich persons of the villages who lend money to the cultivators at interest.<sup>1</sup> These mahajans charge interest on loan at a very high rate. It was found that the mahajans were charging interest at 5 per cent to 7 per cent per month. These mahajans do not ask for any security for giving loan. They grant loan simply against a promissory note executed by the debtor. They also give short-term loans for a crop repayable after harvesting of the crop.

These mahajans were found extending credit for agricultural investment and also for consumption needs of the farmers. It was found that these mahajans extended the major part of their credit to farmers for their consumption necessities (vide, Table 8.7), and in this respect they still play a monopolistic role, as no other agency advances credit to meet consumption expenditure of the farmers who of course, get a little amount of credit from their friends and relatives in this regard.

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<sup>1</sup> Though such an activity has been banned by laws of the country yet such an activity was found to exist though not openly yet through indirect ways. Mahajans may reside outside the villages also.

Table 8.5 shows during 1975-76, mahajans advanced a total amount of Rs.96,023.00 to 151 farm-families, the average loan per family coming to Rs. 636.00 ( Approx. ). The average loan per family varied between Rs.400.00 and Rs.801.00 in the sample villages. In 1976-77, mahajans gave such loans to 105 farm-families and the total amount of advance was Rs. 79,314.00, the average loan per family coming to Rs.755.00; the average varied between Rs.364.00 and Rs.939.00 in the sample villages. In comparison to 1975-76, number of loan cases by village mahajans was reduced by 30.5 per cent in 1976-77, and the total amount of such advances was reduced by 17.4 per cent in that year. The role of village mahajans in the field of agricultural finance is having a downward trend perhaps, due to the increased activities of the institutions engaged in agricultural financing and perhaps, due to restrictions imposed on their activities from time to time by the Government. The average loan increased by Rs.119.00 per family in 1976-77 in comparison to that in 1975-76.

The reason was, perhaps, that the mahajans gave more loans in each case in most of the villages in 1976-77 so that their total investment and interest remain more or less the same though the number of loan-cases diminished in 1976-77 in comparison to that of 1975-76. The average loan per family increased in 1976-77 over that of 1975-76

in the sample villages except in village 4 and village 5. Credit for agricultural investment by mahajans increased by 123.8 per cent in village 6 in 1976-77 as the investment increased in this village to a large extent in that year (vide, chapter XI), but finance from various sources was not sufficient (vide, chapter XIII). But in all other villages, agricultural credit decreased both in number and in volume in 1976-77 over those of 1975-76. Percentages of such decreases in 1976-77 were as follows :

<u>Villages</u>	<u>% of decrease in no. of cases</u>	<u>% of decrease in volume</u>
V <sub>1</sub>	44.4	32.5
V <sub>2</sub>	34.6	23.3
V <sub>3</sub>	46.7	41.7
V <sub>4</sub>	50.0	51.1
V <sub>5</sub>	40.0	52.9

Table 8.6 on agricultural investment shows that, in 1975-76 the village mahajans advanced a total sum of Rs. 36,358.00 to agricultural labourers having no landholdings of their own, a total sum of Rs. 44,220.00 was advanced to marginal and small-farmers having landholdings not exceeding 5 acres in each case, and Rs. 15,445.00 was advanced to the farmers having landholdings between 5.1 acres and 10.0 acres.

So, maximum amount was given to the farmers having upto 5.0 acres of land. Advances given to the landless labourers were also high. In 1976-77, loan to landless farmers was Rs. 34,150.00. So loan to this group of farmers reduced by about 6 per cent. In this year advances to farmers holding land not exceeding 5.0 acres were Rs. 27,164.00 and to the farmers of the land-holding group of 5.1-10.0 acres was Rs. 18,000.00. The percentage of decrease of loan in 1976-77 over the previous year was 38.6 in the former case, while in the latter case the loan increased by 14.2 per cent. Thus, it was found that agricultural finance by mahajans decreased much in 1976-77 over the previous year among the major part of the farmers. But the percentage of decrease was very low among the landless farmers ; the reason was that none but these mahajans only were found to advance loans to them. Though the percentage of loan over previous year increased in 1976-77 in case of landholding group 5.1-10.0 acres, but they accounted for a nominal amount of loan.

The percentages of agricultural loan amount among the various landholding groups over such total loans were as follows :

Table 8.1

Landholdings groups	Percentage of loan on the total Agricultural loan extended by mahajans in 1975-76	Percentage of loan on the total Agricultural loan by mahajans in 1976-77
Landless farmers	37.9	43.1
Landholding group upto 5.0 acres	46.5	34.2
Landholding group <i>between</i> <del>upto</del> 5.1-10.0 acres	15.6	22.7
<b>T o t a l :</b>	<b>100.0</b>	<b>100.00</b>

From the above table, it is found that in 1976-77, landless farmers took highest percentage of total agricultural loan by mahajans. Thus, mahajans' finance is still popular among the landless farmers. Farmers also take loan for financing agriculture as well as for consumption expenditure from their relatives and friends. These loans are for very short period ranging from 7 days to three months. The farmers were found to approach their relatives and friends only when there was no other source of agricultural finance available, but the

fund was required urgently. It appears that the farmers generally do not like to approach their relatives for the question of family prestige. Farmers were found to take such loans on some particular issues, e.g. harvesting, carrying of crops, husking, etc. Table 8.2 presents the findings on the agricultural credit given by farmers, relatives and friends.

Table 8.2

Agricultural Credit given by Farmers' Relatives and Friends  
in the sample villages

Villages	1975-76		1976-77	
	No. of cases	Total loan Rs.	No. of cases	Total loan Rs.
V <sub>1</sub>	25	4,000.00	15	4,068.00
V <sub>2</sub>	20	3,000.00	18	3,107.00
V <sub>3</sub>	38	596.00	20	1,058.00
V <sub>4</sub>	16	5,056.00	15	5,000.00
V <sub>5</sub>	31	2,516.00	25	1,195.00
V <sub>6</sub>	12	2,029.00	25	5,000.00
<b>Total :</b>	<b>142</b>	<b>17,197.00</b>	<b>118</b>	<b>19,428.00</b>

No interest was found to be charged on such a loan. Such loans were fully unsecured. The average loan per family from this source was found to vary. In 1975-76, (Table 8.2), a total sum of Rs. 17,197.00 was advanced to 142 families from this source, the average loan per family coming to Rs.121.10; the minimum average was Rs.15.70 in village 3 and the maximum average was Rs. 316.00 in village 4. Total amount of such credit reduced to Rs. 16,428.00 in 1976-77. In this year, the average loan per family was about Rs. 139.00. Activities of various institutions engaged in agricultural financing seemed to be responsible for downward trend of the loan from friends and relatives. One peculiar feature was marked that loans from friends and relatives were all taken by the small farmers having landholdings upto 5 acres. This group only takes such loan in their stringent financial conditions.

Though the farmers were found a bit shy in taking agricultural finance from their friends and relatives, but these farmers were found to take loans from this source to meet some of their consumption expenditure. Table 8.8 shows how the total loan given by friends and relatives of farmers were distributed in the sample villages during 1975-77 in investment in agriculture and consumption of the farm-families.

## 8.6 Commercial Bank and Agricultural Credit

On and from the 1st April, 1975 Commercial Banks took the sample villages under their scheme of Agricultural Finance. According to this scheme, farmers who are not members of any SKUS are eligible to get agricultural loan from the Commercial Banks. The scope was extended on and from 1st April, 1977 when an amendment was made to the effect that members of SKUS who had not taken agricultural loans from any SKUS, or who were not defaulters to any SKUS, might also apply for agricultural loans to the Commercial Banks. In all such cases, the Commercial Banks should obtain one 'No objection' certificate, and one clearance certificate from the SKUS of which the applicant is a member.

Commercial Banks give two types of term-loans (i.e. short-term loans and medium-term loans) to the village farmers having recorded or leased-in-holdings, or who are Bargadars ( share-croppers ).

Short-term agricultural loans given by the Commercial Banks are known as "Production Credit Crop Loan." Amount of loan to be sanctioned per acre of land under cultivation depends on circumstances of each particular case. It is found that in the areas under study, Bank advance was as follows :

<u>Crop</u>		<u>Loan per Acre</u> <u>(Rs.)</u>
Wheat	...	700.00
Paddy	...	600.00
Jute	...	700.00

Scale of finance is limited by 50 per cent of expected crop values.

Commercial Banks may sanction term-loans of a maximum of Rs. 5,000.00 in one proposal. Short-term loans are repayable within six months from the date of receipt or just after harvesting of crop for which loan was given, which comes earlier. After harvesting, the borrower will first repay the Bank loan before any other appropriation.

The following securities are required for getting Bank advance ( short-term ) :

- (i) A Demand Promissory Note in favour of Bank to be signed by borrower on the date of disbursement ;
- (ii) Letter of guarantee from two persons acceptable to Bank. A good Account Holder of the Bank whose financial position can cover the guarantee or any reputed person of the village whose financial position is good, and who has assets other than land, is acceptable to a Bank as guarantors. Financial position of the guarantors is judged by the Bank at the pre-sanction enquiry ;

- (iii) Deed of Hypothecation of crop to be given in favour of the Bank; and
- (iv) Land mortgaged at the discretion of the Branch Manager of the Bank as collateral security.

The interest rate of the bank is fixed on the basis of quantum of loan and holdings. Interest on short-term loan is as follows :

Table 8.3  
Interest Rate Chart of the  
Commercial Bank

Amount of Loan	% of Interest in short-term loan	% of Interest in medium-term loan
Rs.		
Upto 2,500.00	11 per cent	11 per cent
Above 2,500.00 - 5,000.00	12 "	12 "
Above 5,000.00 -20,000.00	13 "	13 "
Above 20,000.00	14 "	14 "

$\frac{1}{2}$  per cent rebate is allowed in case of timely payment of interest.

Medium-term loan is given by the Commercial Banks for a period of 1 year to 5 years. The name of such loan is "Investment Credit Term Loan." It is given for some specific purposes such as purchase of pump-set, land development, dairy farming, poultry development, fisheries, purchase of tractor, harvester and other agricultural equipment, gohar gas plant, horticulture, etc.

In this case, stress is given on better security as the term of loan is more. The securities, in this case, are :

- (i) Article of Agreement entered into between the Bank and the borrower ;
- (ii) Letter of guarantee signed by two persons acceptable to Bank ;
- (iii) Hypothecation of the asset acquired in favour of the Bank ;
- (iv) Hypothecation of crops in favour of Bank ; and
- (v) Land Mortgaged Deed.

Bank classifies the defaulters in two categories, viz. (1) willful defaulters ; and (2) defaulters having genuine natural reasons. In case of willful defaulters, certificate officer of Bank will prosecute the borrowers for recovery of loan and interest. But in case of defaulters having genuine reasons acceptable to Bank, the Bank will

convert short-term loan into medium-term loan.

Recently, a scheme has been taken ( 1st. April, 1977 ) for financing SKUS by Commercial Banks. It aims at bridging the credit gap both short-term and medium-term in agriculture particularly the gap in financing small and marginal farmers. It also aims at revitalisation of weak Central Co-operative Banks. By implementing the scheme, the Commercial Banks may increase coverage of beneficiaries to a great extent with minimum supervising cost.

A District Consultative Committee for Banking Development ( DCCB ) has been set up with the following members :

- (1) Lead Bank ( Convenor ) ;
- (2) Co-operative Bank ; and
- (3) Land Development Bank.

The borrowing from DCCB by a SKUS for short-term and medium-term loans for agricultural purpose should be less than outstanding short-term and medium-term loans. Societies having less than 200 members and also a society having 40 per cent or more defaulting members will not be taken.

Table 8.9 shows the activities of the Commercial Banks in extending agricultural credit among the sample villages during the period under study. It may be noted

that the total amount of investment among the villages varied widely in both the years. In 1975-76, it varied between Rs.5,000.00 and Rs.20,000.00 and in 1976-77, such a variation was between Rs. 20,000.00 and Rs. 60,000.00. The reason for this was lack of equal stress given to different villages for organising agricultural credit. It was reported by the Bank Managers that for the shortage of staff, all villages could not be equally organised. In 1975-76, of the total Bank-loan, 25 per cent was short-term loan and 75 per cent was medium-term loan. In two villages village 4 and village 5, short-term loan was not given at all. In 1976-77, 20.67 per cent of the total loan was short-term and 79.33 per cent was medium-term loan. It appears that the Commercial Banks gave more stress to extend medium-term loan than short-term loan. Of the total loan, percentage of medium-term loan increased in 1976-77 and that of short-term loan decreased. Total amount of agricultural credit by Bank was Rs. 70,000.00 in 1975-76, and it was Rs. 2,08,000.00 in 1976-77. The total loan increased by 197.14 per cent in 1976-77. One of the reasons appeared to be that in this year the Lead Bank of these villages paid special attention for campaigning bank credit among the farmers. The bank officials went from door to door as far as possible under the circumstances in the villages to extend agricultural

credit. Total credit increased in all the villages. Remarkable progress was made in village 5 where in 1976-77, the amount of total bank credit was five times of that of 1975-76. The amount of short-term loan in each case varied between Rs.200.00 and Rs.1,000.00 and medium-term/long-term loan varied between Rs.1,000.00 and 5,000.00 in both the years. The bank preferred sanctioning medium-term loan because co-operative societies did not sanction such loan in these villages and the workings of other agencies who offered such loan, were not satisfactory here.

It was found (Table 8.10) that the Commercial Banks gave preference to marginal and small farmers (upto 5.00 acres) in extending credit. In 1975-76, this group got 58.57 per cent of the total bank credit in that year. Farmers having land between 5.01 and 10.00 acres got 32.85 per cent of total credit. The rest of 8.58 per cent went to the group having land in the group 10.01 acres and above. In 1976-77, these percentages were 62.5, 22.6 and 14.9 respectively. Hence, in comparison to 1975-76, in 1976-77, percentage of total credit increased in the marginal and small farmers' group and in the group of 10.01 and above, while it decreased in the group 5.1-10.00 acres.

It was gathered from the bank authorities that the respond of the farmers to their campaign was not discouraging

and the farmers were reported to be very regular in payment of loan and interest and instalments in case of medium-term loan. The defaulters were not more than 1 per cent of the total credit.

Whether the reported regularity of the repayment of loan by the marginal and small farmers was due to an attitude of these farmers towards Commercial Banks or was it due to better management policy of the bank towards these farmers that enabled the smooth recovery in time ?

As the Commercial Banks' activity in this regard had very recent origin, sufficient data and information were not available to get a square answer to the aforesaid questions. Depending on snapshot observations and on the behaviour pattern of a very short period, it may be difficult to generalise and or to reach a conclusion. This needs perhaps, an indepth study in this regard to reveal the truth on such interesting questions. Attention of research scholars may be drawn in this regard.

### 8.7 Institutional Finance

Four types of institutions other than the co-operatives were found extending agricultural credit in the sample villages. These institutions were (1) Land Mortgage Bank or Land Development Bank ; (2) Commercial

Banks ; (3) Small Farmers Development Agency ; and (4) the Government.

#### 8.7.1 Land Development Bank

Land Development Banks were found extending agricultural credit in the sample villages for a period from 5 years to 8 years. They charge interest @ 11 per cent per annum. Though these banks can extend credit for a very long period, yet it was not found in practice in these villages. Land Development Banks were found extending credit for digging of deep well, construction of canal for irrigating land, pump-set purchasing, purchase of bullocks and ploughs, tractors, sprayers, etc. They advanced only against mortgage of land. Maximum amount of loan was found to be limited to 40 per cent of the value of land mortgaged though, these banks can give loan upto 50 per cent of such values. Table 8.11 shows the activities of these banks in the sample villages during the period under study. In 1975-76, Land Development Bank extended agricultural credit of Rs.62,100.00 among the sample villages. Of this, 11.27 per cent went to the landholders upto 5 acres, 30.76 per cent to the landholding group of 5.01-10.00 acres and 57.97 per cent to the higher landholding group. In 1976-77, a total amount of Rs.79,650.00 was advanced by these Banks, of which small

farmers got 13.12 per cent, 5.01-10.00 acres group got 31.76 per cent and the higher landholding group got 55.12 per cent. It appears that the Land Development Banks of the area under study preferred the higher landholding groups for extending credit, perhaps, on the idea of the possibility of higher capability of repaying loans of these groups. Before granting any loan, such Banks consider carefully whether the applicant will be able to repay the instalment of loan and interest over the term of the loan after maintaining his family. A farmer taking loan from another institution may also apply for a loan to these Banks. Of course, the bank management will see the economic viability of the applicant for loan before accepting any loan proposal.

The viability of the applicant for loan was generally guided by these banks with reference to the following factors of the applicant : (a) character ; (b) capacity ; and (c) capability. It was reported, however, the management suffered from lack of suitable and proper norms and procedures to determine the nature and extent of these c<sub>s</sub> and under the circumstances, resort had to be made to some guess-work and approximation and the judgement of the scrutinisers who were not always adequately trained up to apply sound judgement in this regard. Adequate training of these personnel is perhaps, required in the context of increasing their capability to scrutinise meaningfully

and purposefully of the loan applications received.

#### 8.7.2 Small Farmers Development Agency (SFDA)

Small Farmers Development Agency has already been organised by the Central Co-operative Bank to cover the landless and marginal farmers of the villages under study. Any landless farmer or a farmer having land upto 5 acres of land may become a member of this Agency by purchasing at least four shares of the Agency of the face value of Rs. 20.00 each. 100 per cent of the face value of shares to be purchased will be given as a loan to a member by the Government. A member was found eligible to a loan equal to 20 times of the value of the shares of Agency held by the member. Such loans may be given for buying cows, buffallos, she-goats, hens, pigs, etc. so that the small farmers may increase their income by some additional source. Any small farmer taking loan from SKUS or any Bank may also get loan from such Agency. The Agency will charge interest @ 9 per cent per annum on the loan given. The SFDA of the area will be financed by Co-operative Banks and Commercial Banks. During the period under study, it was found that SFDA had just started to organise its activities in these villages and they had not yet started giving loans during the period under study.

### 8.7.3 Government

The Government may give short-term and long-term loans to the farmers during emergency like flood, draught, famine, etc. Such loans are known as 'taccavi' loans. During the period, the Government did not give any loan in the sample villages as there were no such cases in these villages during the period under study.

### 8.8 Co-operative Societies vis-a-vis Different other Sources of Finance Excepting Self-Financing

Table 8.4

Borrowing of Farmers from Different Agencies in the Sample Villages

Credit Agencies/Sources	1975 - 76 (%)	1976 - 77 (%)
Co-operative Societies	21 ( Approx. )	24 ( Approx. )
Land Development Banks	20 ( " )	16 ( " )
Commercial Banks	23 ( " )	41 ( " )
Mahajans	31 ( " )	15 ( " )
Relatives and Friends	5 ( " )	4 ( " )
<b>T o t a l :</b>	<b>100.00</b>	<b>100.00</b>

From table 8.4, it appears that Commercial Banks were the main sources for supplying credit among the farmers. In 1975-76, Commercial Banks supplied 23 per cent of the total agricultural credit. In 1976-77, this percentage rose to 41 per cent due to extensive credit programme taken by the Commercial Banks in these areas. Commercial Banks were able to increase the amount of credit by so much amount, as it appeared that they got a band of technical staff and reasonable organisational set-up to do so. Co-operative Societies gave 21 per cent of the total credit in 1975-76 and 24 per cent in 1976-77. Though it is found that, percentage of total credit increased slightly, but in amount, the investment by co-operative societies was almost double in 1976-77, in comparison to that of 1975-76. So far as short-term credit is concerned, co-operative societies were the main source as they gave only short-term loans while commercial banks gave mainly medium-term loans and land development banks gave long-term loans only. Mahajans' role in financing agriculture has been reducing day by day due to restrictions imposed by the Government on their activities and increased activities of the institutions engaged in agricultural finance. In 1975-76, Mahajans advanced 31 per cent of the total credit ; in 1976-77, it came down to 15 per cent only. Institutional finance perhaps, reduced agricultural loans from relatives from 5 per cent in 1975-76 to 4 per cent in 1976-77 ( vide, Figure 8.1 given below ).

The activities of the various financing agencies may be expressed by the following diagram.

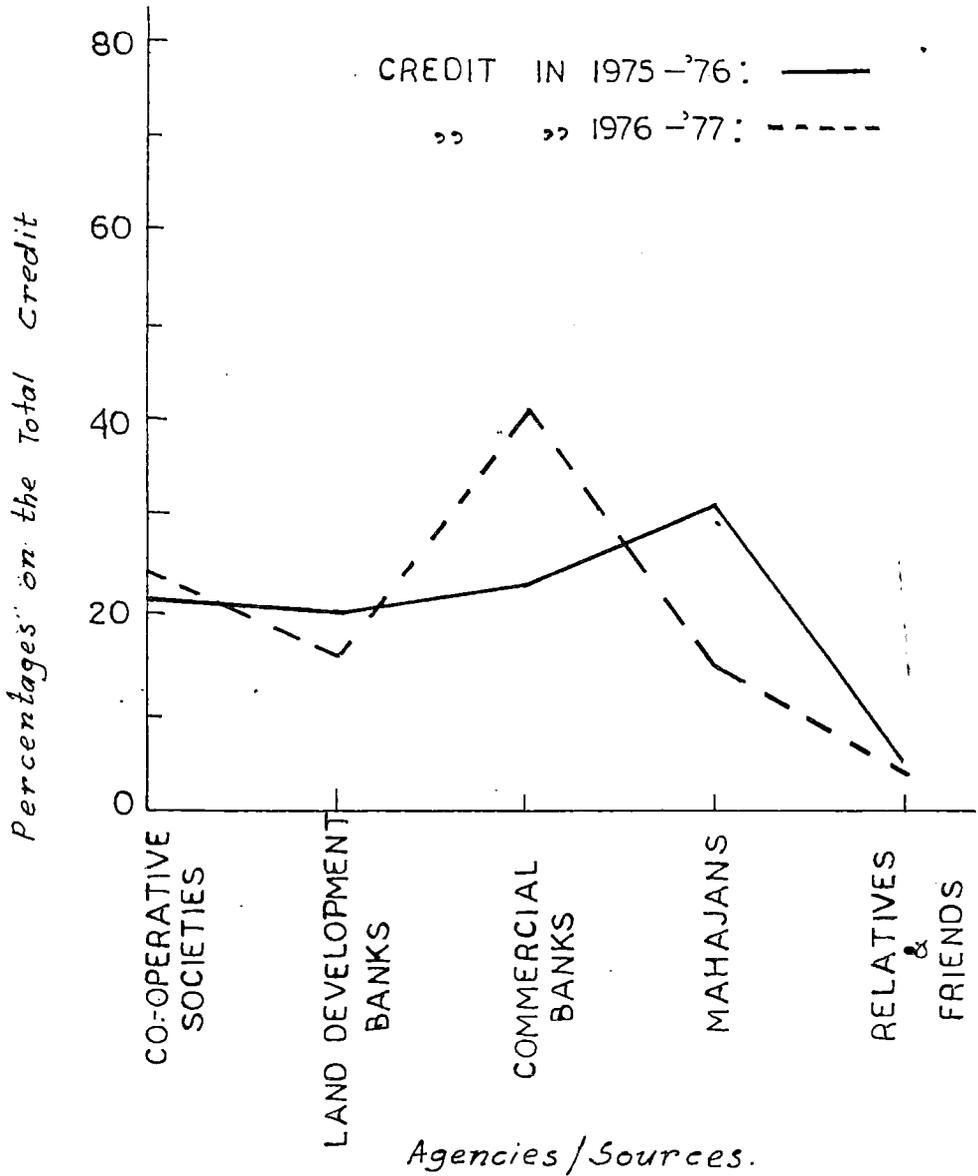


FIG. 8.1 - LINE CHART SHOWING THE PERCENTAGES OF CREDIT EXTENDED BY VARIOUS AGENCIES IN THE SAMPLE VILLAGES.

8.9 Tables 8.5 to 8.11

Tables 8.5 - 8.11 showing various information regarding credit by mahajans, friends and relatives, Commercial Banks and Land Development Banks extended during the period of the study have been presented below :

Table 8.5

Extension of Agricultural Credit (Investment) by Village Mahajans in the Sample Villages During 1975-77.

Villages	1975 - 76			1976 - 77		
	No. of cases of loan	Total Amount Rs.	Average loan per case (Approx.) Rs.	No. of cases of loan	Total Amount Rs.	Average loan per case (Approx.) Rs.
V <sub>1</sub>	45	27,693.00	615.00	25	18,700.00	748.00
V <sub>2</sub>	26	20,830.00	801.00	17	15,970.00	939.00
V <sub>3</sub>	15	6,000.00	400.00	8	3,500.00	438.00
V <sub>4</sub>	30	22,500.00	750.00	15	10,994.00	733.00
V <sub>5</sub>	15	7,000.00	467.00	9	3,300.00	364.00
V <sub>6</sub>	20	12,000.00	600.00	31	26,850.00	866.00
<b>Total:</b>	<b>151</b>	<b>96,023.00</b>	<b>636.00</b>	<b>105</b>	<b>79,314.00</b>	<b>755.00</b>

Table 8.6

Distribution of Agricultural Credit by Village Mahajans  
According to Landholding Groups.

Villages	1975 - 76			
	Total loan Rs.	Landless farmers Rs.	Upto 5.0 acres Rs.	5.1 - 10.0 acres Rs.
V <sub>1</sub>	27,693.00	10,153.00	15,540.00	2,000.00
V <sub>2</sub>	20,830.00	9,700.00	7,200.00	3,930.00
V <sub>3</sub>	6,000.00	3,200.00	1,500.00	1,300.00
V <sub>4</sub>	22,500.00	7,300.00	10,200.00	5,000.00
V <sub>5</sub>	7,000.00	1,800.00	3,100.00	2,100.00
V <sub>6</sub>	12,000.00	4,205.00	6,680.00	1,115.00
Total :	96,023.00	36,358.00	44,220.00	15,445.00

Table 8.6 (Continued)

1976 - 77				
Villages	Total loan Rs.	Landless farmers Rs.	Upto 5.0 acres Rs.	5.1 - 10.0 acres Rs.
V <sub>1</sub>	18,700.00	8,900.00	6,200.00	3,600.00
V <sub>2</sub>	15,970.00	9,000.00	4,270.00	2,700.00
V <sub>3</sub>	3,500.00	2,700.00	800.00	x
V <sub>4</sub>	10,994.00	6,800.00	4,194.00	x
V <sub>5</sub>	3,300.00	1,500.00	1,200.00	600.00
V <sub>6</sub>	26,850.00	5,250.00	10,500.00	11,100.00
Total :	79,314.00	34,150.00	27,164.00	18,000.00

Table 8.7

Pattern of Credit Extended by Mahajans in the Sample Villages  
During the Period Under Study

	1975 - 76			1976 - 77		
	Credit for Agricultural Investment Rs.	Credit for consump- tion expendi- ture Rs.	Total Rs.	Credit for Agricultu- ral Investment Rs.	Credit for consump- tion expendi- ture Rs.	Total Rs.
V <sub>1</sub>	27,693/-	76,059/-	1,03,752/-	18,700/-	52,806/-	71,506/-
V <sub>2</sub>	20,830/-	80,160/-	1,00,990/-	15,970/-	69,846/-	85,816/-
V <sub>3</sub>	6,000/-	48,582/-	54,582/-	3,500/-	32,153/-	35,653/-
V <sub>4</sub>	22,500/-	34,078/-	56,578/-	10,994/-	18,657/-	29,651/-
V <sub>5</sub>	7,000/-	44,874/-	51,874/-	3,300/-	22,498/-	25,798/-
V <sub>6</sub>	12,000/-	77,003/-	89,003/-	26,850/-	43,609/-	70,459/-
Total:	96,023/-	3,60,756/-	4,56,779/-	79,314/-	2,39,569/-	3,18,883/-

Table 8.8

Pattern of Credit Extended by Friends and relatives of the Farm-families During the Period Under Study

V i l l a g e s	1975 - 76			1976 - 77		
	Credit for Agriculu- -ral Invest- ment Rs.	Credit for consump- tion expendi- ture Rs.	Total Rs.	Credit for Agricul- tural Invest- ment Rs.	Crédit for consump- tion expendi- ture Rs.	Total Rs.
V <sub>1</sub>	4,000/-	2,500/-	6,500/-	4,068/-	4,232/-	8,300/-
V <sub>2</sub>	3,000/-	1,200/-	4,200/-	3,107/-	693/-	3,800/-
V <sub>3</sub>	596/-	8,504/-	9,100/-	1,058/-	7,442/-	8,500/-
V <sub>4</sub>	5,056/-	2,744/-	7,800/-	3,000/-	4,300/-	7,300/-
V <sub>5</sub>	2,516/-	5,484/-	8,000/-	1,195/-	7,405/-	8,600/-
V <sub>6</sub>	2,029/-	10,671/-	12,700/-	4,000/-	6,500/-	10,500/-
Total:	17,197/-	31,103/-	48,300/-	16,428/-	30,572/-	47,000/-

Table 8.9

Agricultural Credit by Commercial Bank in the Sample Villages  
in 1975 - 76 and 1976 - 77

Villages	1975 - 76			1976 - 77		
	Short term loan Rs.	Medium term loan Rs.	Total Rs.	Short term loan Rs.	Medium term loan Rs.	Total Rs.
V <sub>1</sub>	2,000/-	6,000/-	8,000/-	5,000/-	15,000/-	20,000/-
V <sub>2</sub>	1,000/-	11,000/-	12,000/-	6,000/-	24,000/-	30,000/-
V <sub>3</sub>	5,000/-	10,000/-	15,000/-	4,000/-	31,000/-	35,000/-
V <sub>4</sub>	x	10,000/-	10,000/-	8,000/-	30,000/-	38,000/-
V <sub>5</sub>	x	5,000/-	5,000/-	5,000/-	20,000/-	25,000/-
V <sub>6</sub>	6,000/-	14,000/-	20,000/-	15,000/-	45,000/-	60,000/-
Total:	14,000/-	56,000/-	70,000/-	43,000/-	1,65,000/-	2,08,000/-

Table 8.10

Break up of Agricultural Credit of Commercial Banks According to  
Landholding Groups

V i l l a g e s	1975 - 76			1976 - 77		
	Up to 5.0	5.1-10.0	10.1-above	Up to 5.0	5.1-10.0	10.1-above
	acres	acres	acres	acres	acres	acres
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
V <sub>1</sub>	6,000/-	2,000/-	x	15,000/-	5,000/-	-
V <sub>2</sub>	9,000/-	3,000/-	x	18,000/-	6,000/-	6,000/-
V <sub>3</sub>	8,000/-	5,000/-	2,000/-	27,000/-	5,000/-	3,000/-
V <sub>4</sub>	8,000/-	2,000/-	x	20,000/-	8,000/-	10,000/-
V <sub>5</sub>	x	5,000/-	x	15,000/-	8,000/-	2,000/-
V <sub>6</sub>	10,000/-	6,000/-	4,000/-	35,000/-	15,000/-	10,000/-
Total :	41,000/-	23,000/-	6,000/-	1,30,000/-	47,000/-	31,000/-

Table 8.11

Agricultural Credit by Land Development Bank According to Landholdings Groups in the Sample Villages During the Period Under Study.

Villages	1975 - 76			Total
	Upto 5 acres	5.1 - 10.0 acres	10.1 - above acres	
	Rs.	Rs.	Rs.	
V <sub>1</sub>	2,000/-	3,000/-	8,200/-	13,200/-
V <sub>2</sub>	1,000/-	4,200/-	5,000/-	10,200/-
V <sub>3</sub>	-	2,500/-	7,300/-	9,800/-
V <sub>4</sub>	1,500/-	5,600/-	9,000/-	16,100/-
V <sub>5</sub>	-	2,000/-	3,500/-	5,500/-
V <sub>6</sub>	2,500/-	1,800/-	3,000/-	7,300/-
Total :	7,000/-	19,100/-	36,000/-	62,100/-

Table 8.11 (Continued)

1976 - 77				
Villages	Upto 5 acres Rs.	5.1 - 10.0 acres Rs.	10.1-above acres Rs.	Total Rs.
V <sub>1</sub>	3,500/-	4,600/-	10,000/-	18,100/-
V <sub>2</sub>	1,750/-	5,000/-	8,500/-	15,250/-
V <sub>3</sub>	2,200/-	4,000/-	7,500/-	13,700/-
V <sub>4</sub>	2,000/-	6,500/-	8,400/-	16,900/-
V <sub>5</sub>	1,000/-	3,200/-	5,000/-	9,200/-
V <sub>6</sub>	-	2,000/-	4,500/-	6,500/-
<b>Total :</b>	<b>10,450/-</b>	<b>25,300/-</b>	<b>43,900/-</b>	<b>79,650/-</b>