

CHAPTER V

AGRICULTURAL CREDIT BY PRIMARY CREDIT CO-OPERATIVES  
IN THE SAMPLE VILLAGES

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### AGRICULTURAL CREDIT BY PRIMARY CREDIT CO-OPERATIVES IN THE SAMPLE VILLAGES

#### 5.1 Introduction

This chapter has been designed to study the credits extended by different Primary Agricultural Credit Societies in the sample villages during the period under study.

#### 5.2 Amount of Credit Extended

The total credit extended by the Samabay Krishi Unnayan Samitis in the six villages under study in 1975-76 and in 1976-77 has been shown in Table 5.1. It shows that in 1975-76, a total amount of Rs.63,300.00 was given among 141 families. The average amount per family was Rs.449.00. The minimum average loan per family in a village was Rs. 331.00, and the maximum average loan in a village was Rs. 680.00 per family.

In 1976-77, a total amount of Rs. 1,23,400.00 was given as loan by the Co-operative Societies among the six

villages among 190 families. The average loan per family was Rs. 649.00, the minimum average in a village was Rs. 502.00 and the maximum was Rs. 809.00. In comparison to 1975-76, there was a remarkable progress in the field of Agricultural Credit by the Co-operative Societies in 1976-77. There was an increase both in the number of families getting the benefit, and also in the amount of loan granted to each family. On the average, number of recipients increased by 28 per cent, and the average loan per family increased by 44.5 per cent, ranging from 5.9 per cent to 92.7 per cent.

Table 5.1

Distribution of Short-term Credit by Samabay Krishi Unnayan Samitis in the Six Villages, under study in 1975-76 & 1976-77.

Villages	1975 - 76			1976 - 77				
	No. of families receiving credit	Amount of credit Rs.	Average loan per family Rs.	No. of families receiving credit	Amount of credit Rs.	Average loan per family Rs.	Increase in Average Loan per family in 1976-77 Rs.	% of increase in Average Loan
1.	2.	3.	4.	5.	6.	7.	8.	9.
V <sub>1</sub>	61	20,200	331	61	30,600	502	171	51.7
V <sub>2</sub>	21	10,400	495	27	14,100	522	27	5.9
V <sub>3</sub>	20	10,500	525	39	27,400	703	178	33.9
V <sub>4</sub>	16	8,400	525	25	19,600	784	259	49.3
V <sub>5</sub>	8	3,600	450	18	15,600	867	417	92.7
V <sub>6</sub>	15	10,200	680	20	16,100	805	125	18.4
Total:	141	63,300	449	190	1,23,400	649	200	44.5

Table 5.2

## Distribution of Credit According to Landholdings

	0.1 - 5 acres		5.1 - 10 acres		10.1 acres above	
	No. of borrowers		No. of borrowers		No. of borrowers	
	1975-76	1976-77	1975-76	1976-77	1975-76	1976-77
V <sub>1</sub>	56	54	5	7	x	x
V <sub>2</sub>	14	19	7	8	x	x
V <sub>3</sub>	15	31	5	8	x	x
V <sub>4</sub>	16	18	x	6	x	1
V <sub>5</sub>	8	14	x	3	x	1
V <sub>6</sub>	12	14	3	6	x	x
Total :	121	150	20	38	x	2

5.3 Distribution of Credit

Distribution of credit according to landholdings of the farm-families has been shown in table 5.2. It is found that the agricultural crop loan is mainly needed by the farmers having landholdings between one acre to 5 acres

of land. In 1975-76, out of 141 families, taking short-term loan from SKUS, 121 families have holdings between 1 acre to 5 acres of land the percentage being 85.8 of the total families getting the loan. In 1976-77, of the total families taking short-term loan from SKUS, 78.4 per cent have landholdings between 1 to 5 acres. Only 20 families in 1975-76, and 38 families in 1976-77 out of 141 families and 190 families respectively taking short-term loans from SKUS have landholdings between 5.1 acres and 10 acres. The percentages of such families come to 14.2 and 20 respectively on the total number of families receiving loan. A very few farmers having landholdings of more than 10 acres of land appeared to take loan from any financing institutions for their cultivation. In 1975-76, no such farmers were found to take short-term loan. In 1976-77, only 2 such families in two villages took short-term loans from SKUS, and that, too, was perhaps, due to personal request of the secretaries of the societies who reported to have done so just to publicize that these farmers were also taking loan from SKUS. Such farmers informed that anyhow they managed to finance their cultivation out of their own resources, though that might not be sufficient, but they preferred to do that to take loan at a high rate of interest from any financing agency. Though the number of farm-families holding land between 1 acre and 5 acres had increased from 121 (1975-76) to 150 (1976-77), but in percentage on the

total borrowers, 1976-77 showed a downward trend. The same percentage in case of the borrowers holding land between 5.1 acres and 10 acres showed an upward trend in 1976-77 in comparison to that in 1975-76. The reason appeared to be that the marginal farmers were not getting any interest in taking loan from SKUS, perhaps, because of high rate of interest. The short-term loan appeared to be popular gradually among the medium sized land holders ( between 5.01 to 10.00 acres ) as these farmers, perhaps due to their scale of production apart from other reasons ( like ability to pay back the loan with interest, etc.) might afford to pay for the interest on loan even after retaining some profit for their subsistence. It was also gathered that those who were managing SKUS appeared to prefer to extend credit to landholders of more than 5 acres of land or more, because they appeared to get less troubles in recovering loan and interest from such farmers. But they appeared to face some troubles to get back the loan when advanced to the marginal farmers. It was felt that it might be difficult to realise repayment of loan and interest from such farmers, specially if there was no good crop due to natural reasons, or otherwise.

Table 5.3 is presented below to indicate holdings mortgaged to SKUS for obtaining short-term loan :

Table 5.3

## Holdings Mortgaged to SKUS for Obtaining Short-term Loan

V- i- l- l- a- g- e- s	1975 - 76			1976 - 77		
	(a)	(b)	(c)	(d)	(e)	(f)
	Total	Holdings	% of	Total	Holdings	% holdings
	holdings	mortgaged	holdings	holdings	mortgaged	mortgaged
	of	to SKUS	mortgaged	of Reci-	to SKUS	on total
	Recipient		on total	ipients		holdings
	s		holdings			(as in (d))
	(Acres)	(in acres)	(in (a))	(Acres)	(in acres)	

V <sub>1</sub>	179.0	56.0	31.3	204.0	67.5	33.0
V <sub>2</sub>	110.0	45.5	41.4	118.0	36.0	30.5
V <sub>3</sub>	71.5	29.5	41.3	92.0	67.5	73.4
V <sub>4</sub>	61.0	26.0	42.6	136.5	48.0	35.2
V <sub>5</sub>	28.5	10.0	35.1	92.0	35.0	38.0
V <sub>6</sub>	49.0	23.5	48.0	82.0	36.0	43.9

#### 5.4 Loans to Bargadars and Day-labourers

In all the villages, short-term loans have been given to the owners of land under selfcultivation. Though Bargadars and day-labourers are also eligible to get financial assistance from SKUS, but in practice they were not given any such assistance. During the two years under study, any single instance was not found where loan was given by SKUS to any Bargadar or day-labourer in the sample villages. It was gathered from the management of SKUS that the landowners were not found agreed to stand as security for any loan given to such Bargadars or day-labourers.

Another important feature may be clear from table 5.3 that the SKUS appeared to like to extend loans to those who had surplus land beyond the portion to be mortgaged with SKUS, because it appeared to them less risky to give such persons loans. It was found that in all the cases, except in one village ( V<sub>3</sub> in 1976-77 ), the borrowers mortgaged less than 50 per cent of their total landholdings for getting loans from SKUS.

##### 5.4.1 Loans with Security

SKUS does not generally give any loan unless it is secured by land, though legally it is not forbidden.

Except in two villages, V<sub>1</sub> and V<sub>2</sub>, 100 per cent short-term loans were secured by land mortgage. In 1975-76, in village 1, out of a loan of Rs.20,200.00, an amount of only Rs.6,300.00 and in 1976-77, out of a loan of Rs. 30,600.00, an amount of Rs.6,700.00 was secured by other than land mortgage. In village 2, in 1975-76, out of a total loan of Rs.10,400.00, an amount of Rs. 500.00 and in 1976-77, out of a total advance of Rs. 14,100.00, a sum of Rs. 2,400.00 was secured other than by land mortgage. Therefore, it may be said that in village 1 and village 2 also, loan was given mainly against land securities.

Table 5.4

Classification of credit secured by land mortgage and otherwise .

Village	1975 - 76			1976 - 77		
	Total Loan Rs.	Loan secured by land mortgage Rs.	Loan secured by other than mortgage Rs.	Total Loan Rs.	Loan secured by land mortgage Rs.	Loan secured by other than mortgage Rs.
V <sub>1</sub>	20,200	13,900	6,300	30,600	23,900	6,700
V <sub>2</sub>	10,400	9,900	500	14,100	11,700	2,400
V <sub>3</sub>	10,500	10,500	x	27,400	27,400	x
V <sub>4</sub>	8,400	8,400	x	19,600	19,600	x
V <sub>5</sub>	3,600	3,600	x	15,600	19,600	x
V <sub>6</sub>	10,200	10,200	x	16,100	19,600	x

### 5.5 Advances by SKUS according to Castes and Religions

In all the villages, scheduled castes people got more loans. In 1975, of the total advance recipients in the sample villages, 9.9 per cent were caste Hindus, 63.1 per cent were scheduled castes, 11.3 per cent were schedule tribes, and 4.4 per cent belonged to other caste and religions like Christians, Buddhists, etc. In 1976, these percentages were : Caste Hindus 10 per cent, scheduled castes - 51 per cent, scheduled tribes 11.2 per cent, Muslims 20.5 per cent and other castes and religions 7.3 per cent. In both the years, maximum loan cases were found to be with scheduled castes people. But such percentage of scheduled castes people decreased in 1976-77 (vide table 5.5). While the percentage of scheduled castes people receiving agricultural loan was 63.1 per cent in 1975-76, but that came down to 51 per cent in 1976-77. Though this percentage decreased, but the number of cases with scheduled castes did not decrease, yet it increased in 1976-77. Total number of scheduled castes people getting agricultural loan was 89 in 1975-76, and it was 97 in 1976-77, the percentage of increase being about 9 . Considering the total number of cases, the percentage of scheduled castes people came down due to the increase of cases of Muslims and other religion people remarkably. In comparison to that in 1975-76,

Muslim cases increased by 143.6 per cent and number of cases with other religions and castes increased by 116.7 per cent. Percentages of such an increase in 1976-77 in other cases were : Caste Hindus 35.7 per cent and scheduled tribes 37.5 per cent.

Considering the average of two years, extension of loan according to castes may be represented by a Pie-Chart as follows :

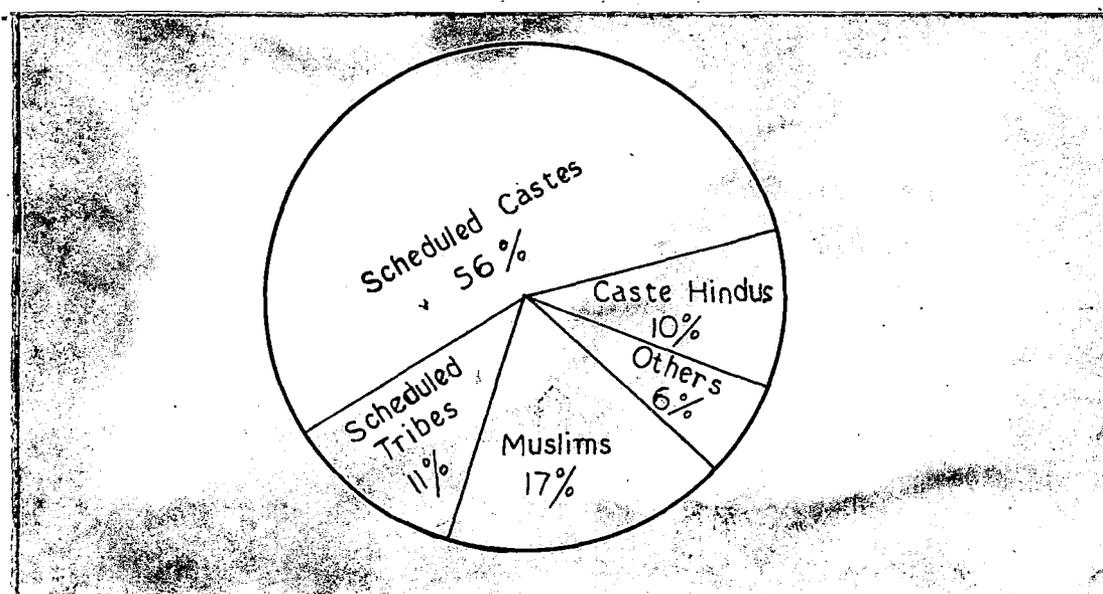


Figure 5.1 : Pie-chart showing loan distribution according to castes and religions.

The following table represents the precise presentation of the findings with regard to advances by SKUS according to castes and religions.

Table 5.5

Distribution of Short-term Agricultural Credit by SKUS According to Castes and Religions

Villages	V <sub>1</sub>		V <sub>2</sub>		V <sub>3</sub>		V <sub>4</sub>		V <sub>5</sub>		V <sub>6</sub>	
	1975-76	1976-77	1975-76	1976-77	1975-76	76-77	1975-76	76-77	1975-76	76-77	1975-76	76-77
Caste												
Hindus	3	3	2	1	6	10	x	2	1	1	2	2
Schedule Caste	45	45	8	12	8	10	12	14	4	6	12	10
Schedule Tribe	7	7	6	8	3	4	x	x	x	x	x	3
Muslims	5	5	3	5	3	8	4	9	x	8	1	4
Other Religions	1	1	2	1	x	7	x	x	3	3	x	1
<b>Total :</b>	<b>61</b>	<b>61</b>	<b>21</b>	<b>27</b>	<b>20</b>	<b>39</b>	<b>16</b>	<b>25</b>	<b>8</b>	<b>18</b>	<b>15</b>	<b>20</b>

### 5.6 Income Groups of the Farmers Receiving Loans

The average annual incomes of the farmers who got advances from the Co-operative Societies vary from less than Rs. 1,000.00 to more than Rs. 4,000.00. It was found (vide table 5.6) that the maximum number of advances extended belonged to the income group of Rs. 1,001.00 - Rs. 2,000.00 in both the years under study. In 1975-76, out of a total of 141 cases in the sample villages, 61 cases belonged to this income group (Rs.1,001 - 2,000), the percentage on the total being 43.3. In 1976-77, out of a total of 190 loan cases, 103 cases fell in the income group of Rs. 1,000.00 - Rs. 2,000.00, the percentage on the total being 54.2. Thus, it was found that the percentage of the loan recipients in the income group of Rs.1,001.00 - Rs.2,000.00 was not only the highest, but had also been increasing. In individual villages also, this was the picture in both the years with one exception in village 2 where in 1976-77, the maximum number of cases of advance extended belonged to the income group of Rs.1,000.00 and less. In village 1, in both the years, farmers getting loans mostly belonged to the income group of Rs. 1,000.00 and less. In village 1, though the total number of loan cases were 61 in both the years, but the nature of the loan was not the same. In 1975-76, 39 farmers of the income group of

Rs.1,000.00 and less, and 17 farmers of the income group of Rs.1,001.00 - Rs. 2,000.00, got loans, but in 1976-77, 29 farmers belonged to the first group, and 25 farmers belonged to the second group. That is to say, in village 1 also, the percentage of farmers of the income group of Rs.1,000.00 and less, had been decreasing and that of the income group of Rs.1,001.00 - Rs.2,000.00 had been increasing.

Of the income group of Rs.2,001.00 - Rs.3,000.00, only 7 farmers took this loan, the percentage on the total cases being 4.3, and in 1976-77, 14 persons of this income group took loan, the percentage on the total cases being 7.4. The income group of Rs.3,001.00 - Rs.4,000.00 gives almost the same picture. The relevant percentages were 5.7 in 1975-76 and 7.4 in 1976-77. Of the income group of Rs.4,001.00 and above, none took loan in 1975-76, but in 1976-77, 6 persons took loan. Number of cases in this income group decreased, perhaps, due to the policy of management of the SKUS not to encourage loans among this group as the management appeared to encourage advances primarily among the marginal and small farmers. SKUS appeared to have taken a liberal view<sup>1</sup> in extending loans to the persons of the income group of Rs.1,001.00-Rs.2,000.00. Persons of other higher income groups seemed to be non-interested in taking

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<sup>1</sup> The management relaxed to a certain extent the security factor etc. in extending advances.

loans from SKUS, though their percentages of taking loans had been increasing slightly due to the fact that they preferred to taking medium-term loans and short-term loans from Commercial Banks and Land Development Bank about which discussions will be made in chapter VIII.

The average number of loan recipients in the different villages may be shown by the following Bar graphs.

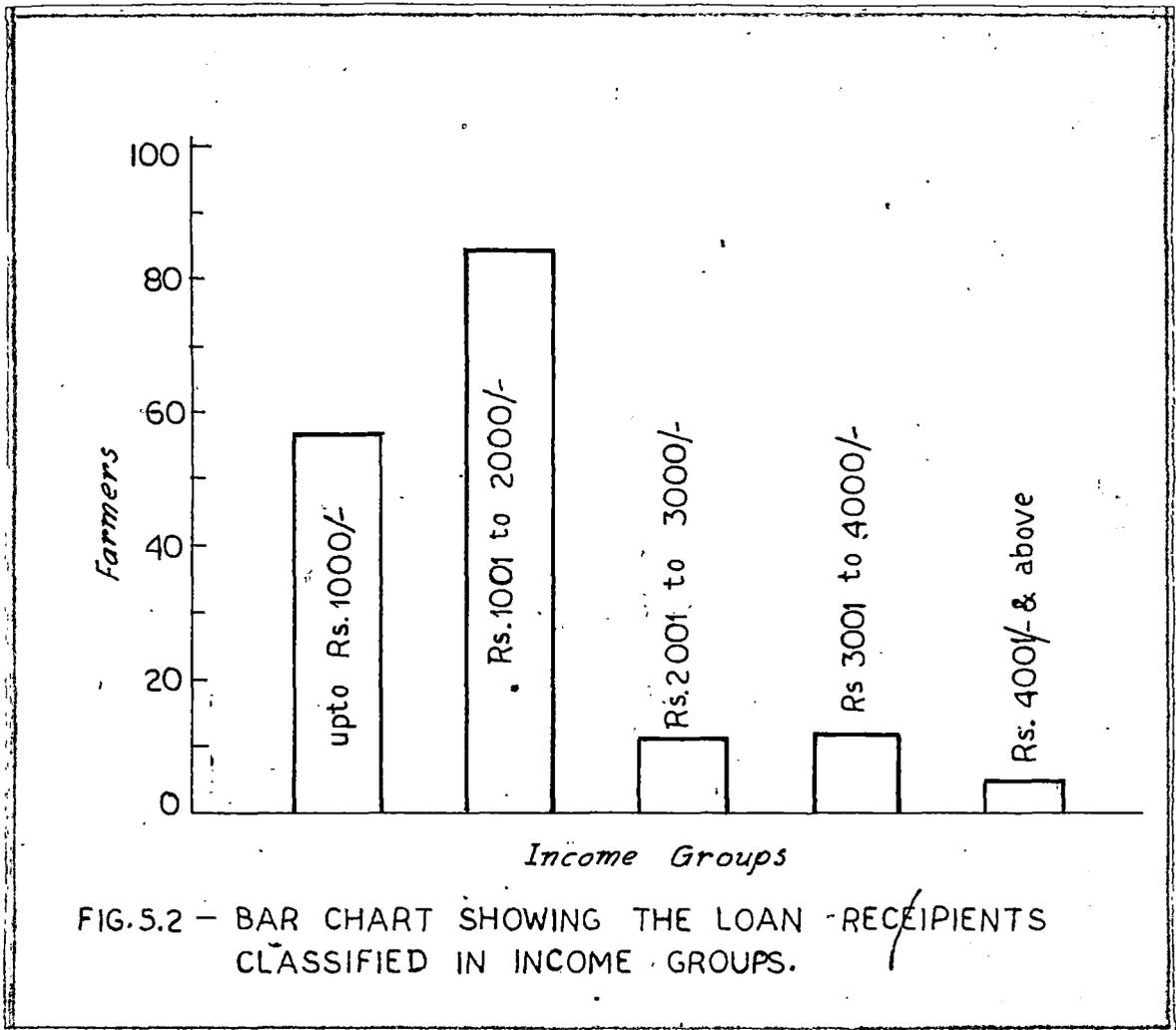


Table 5.6 gives the precise presentation of the findings with regard to section 5.6.

Table 5.6

Classification of Loan Recipients According to Income Groups.\*

INCOME GROUPS (1975 - 76)							
Villages	Total	Upto Rs. 1000	Rs. 1001- Rs. 2000	Rs. 2001- Rs. 3000	Rs. 3001- Rs. 4000	Rs. 4001- above	
1.	2.	3.	4.	5.	6.	7.	
V <sub>1</sub>	61	39	17	1	4	x	
V <sub>2</sub>	21	6	7	4	4	x	
V <sub>3</sub>	20	6	13	1	x	x	
V <sub>4</sub>	16	1	15	x	x	x	
V <sub>5</sub>	8	1	7	x	x	x	
V <sub>6</sub>	15	8	6	1	x	x	
Total :	141	61	65	7	8	x	

\*Note :

1975-76

Variance = 816.56

Co-efficient of  
variation = 101.06 Per  
cent.

Table 5.6 (Continued)

INCOME GROUPS (1976 - 77)						
Village	Total	Upto Rs. 1000	Rs. 1001- Rs. 2000	Rs. 2001- Rs. 3000	Rs. 3001- Rs. 4000	Rs. 4001 above
	8.	9.	10.	11.	12.	13.
V <sub>1</sub>	61	29	25	2	1	1
V <sub>2</sub>	27	11	8	3	4	1
V <sub>3</sub>	39	2	30	4	3	x
V <sub>4</sub>	25	1	17	x	4	3
V <sub>5</sub>	18	1	13	2	1	1
V <sub>6</sub>	20	6	10	3	1	x
<b>Total :</b>	<b>190</b>	<b>50</b>	<b>103</b>	<b>14</b>	<b>14</b>	<b>6</b>

\*Note :

1976-77

Variance = 1308.64

Co-efficient

of variation = 96.79 Per cent.

5.7 Amount of advances and the income groups of the recipients

In 1975-76, a total amount of Rs. 63,300.00 and in 1976-77, a total amount of Rs.1,23,400.00 were advanced by the village co-operative societies among the sample villages. Table 5.7 shows how these amounts were distributed according to various income groups. It was found that maximum amount of loan were received in both the years by the farmers belonging to the income group of Rs.1001-Rs.2000. In 1975-76, this group of farmers were extended credit of an amount of Rs.37,500.00 out of the total advance. In 1976-77, this amount rose to Rs.68,000.00. The percentages of the amounts of credit given to various income groups in the years under study were as follows :

<u>Income Groups</u>	<u>Per cent in 1975-76</u>	<u>Per cent in 1976-77</u>
Upto Rs.1000.00	23.22	13.21
Rs.1001.00- Rs.2000.00	59.24	55.11
Rs.2001.00- Rs.3000.00	7.75	11.59
Rs.3001.00- Rs.4000.00	9.79	13.29
Rs.4001.00 - above	Nil	6.80

Variances calculated for 1975-76 and 1976-77 out of the above findings, are 360.89 and 370.26 respectively.

It was found that the percentages of amount advanced on the total amount decreased from 23.22 per cent to 13.21 per cent in 1976-77 in the income group of upto Rs.1000.00, and the same decreased from 59.24 per cent to 55.11 per cent in 1976-77 in the income group of Rs.1001.00-Rs.2000.00. This is due to the reason that the relative percentages increased in 1976-77 with the other income groups. Village 1 was the exception in the nature of the distribution of loan according to income groups. In this village in 1975-76, the maximum amount of loan was given to the income group of Rs.1000.00 and less. But in 1976-77, in this village also, the income group of Rs.1001.00-Rs.2000.00 got maximum advance. It was perhaps, due to the change in the policy<sup>1</sup> of the SKUS authority who faced troubles in realising loan in 1975-76, advanced liberally among the weaker income group relatively speaking. In 1975-76, no SKUS advanced loans to all the income groups, but in 1976-77, in almost all the villages, loans covered all income groups with the following exceptions

(i) Income group Rs.4001.00 - above in village 3 and village 6 ; and (ii) Income group Rs.2001.00-Rs.3000.00 in village 4. In 1975-76 also these two groups were not given

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<sup>1</sup> The management seemed to have changed the liberal policy of extending loan among the lower income group as they had to face problems in recovering loan extended in 1975-76.

loan in these two villages. It appeared that the holders of these income groups were very few in these villages and those persons too got finance from institutions other than co-operative societies.\* In both the years, there is a wide variation in the amount of loan given to different income groups. The average position of the amount of credit extended to the different income groups may be studied with the help of figure 5.3.

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\* Vide chapter VIII

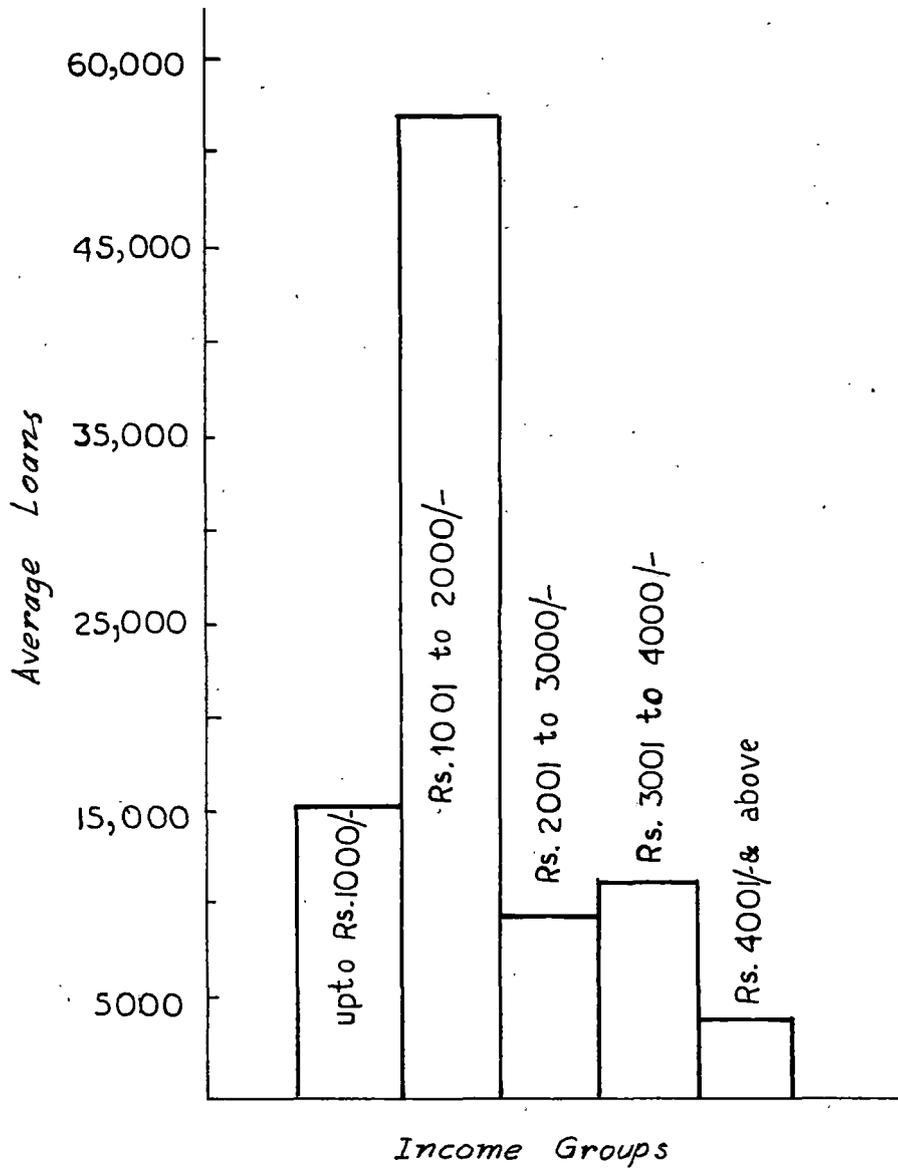


FIG. 5.3- HISTOGRAM SHOWING THE DISTRIBUTION OF CREDIT ACCORDING TO INCOME GROUPS.

Table 5.7

Break-up of Loan Sanctioned  
( According to Income Groups )

INCOME GROUPS (1975-76)					
Village	Upto Rs. 1000	Rs. 1001 - Rs. 2000	Rs. 2001 - Rs. 3000	Rs. 3001 - Rs. 4000	Rs. 4000 - above
1.	2.	3.	4.	5.	6.
V <sub>1</sub>	8,800	7,200	500	3,700	x
V <sub>2</sub>	2,000	3,500	2,400	2,500	x
V <sub>3</sub>	1,400	8,100	1,000	x	x
V <sub>4</sub>	200	8,200	x	x	x
V <sub>5</sub>	300	3,300	x	x	x
V <sub>6</sub>	2,000	7,200	1,000	x	x
Total :	14,700	37,500	4,900	6,200	-

Table 5.7 (Continued)

INCOME GROUPS ( 1976-77 )					
Villages	Upto Rs. 1000	Rs. 1001 - Rs. 2000	Rs. 2001 - Rs. 3000	Rs. 3001 - Rs. 4000	Rs. 4001 - . . . above
	7.	8.	9.	10.	11.
V <sub>1</sub>	9,600	15,100	3,000	900	2,000
V <sub>2</sub>	3,700	4,100	2,500	2,800	1,000
V <sub>3</sub>	400	19,700	4,000	3,300	x
V <sub>4</sub>	300	10,600	x	5,300	3,400
V <sub>5</sub>	200	9,600	1,800	2,000	2,000
V <sub>6</sub>	2,100	8,900	3,000	2,100	x
<b>Total :</b>	<b>16,300</b>	<b>68,000</b>	<b>14,300</b>	<b>16,400</b>	<b>8,400</b>

### 5.8 Observations

(a) It was gathered that the SKUS did not pay 100 per cent of the amount of loan sanctioned in cash to the recipients. Interest on loan was found to be deducted in advance from the amount of loan sanctioned. Thus, in a loan amount of Rs.100.00, actually Rs.35.00 was found to be paid, deducting interest at 15 per cent. So, the actual rate of interest was as much as 17.7 per cent.

(b) Interest on loan was deducted in advance, and calculation of interest was made for one year in all cases, without considering the actual time factor. It was found that crop loans were taken for an average period of 9 months. If this is considered then rate of interest on loan becomes about 23.5 per cent.

(c) A documentation charge of Rs. 6.00 to Rs.10.00 was found to be charged in each case which appeared to be too high.

(d) It was reported that the Secretary of a SKUS very often had the tendency to get undue advantage before sanctioning loan to a farmer. This includes going to the town, 'taking meals at Hotel', 'enjoying a Cinema Show' etc. at the cost of the farmer whose loan would be sanctioned and in such cases the cost is to be borne by the farmer applying for a loan.