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change in relative prices. The inelasticity of long run response may, in this context, be viewed as a blessing in disguise.

This line of reasoning presents only a partial picture because it does not take into consideration the variable of technological change. From the same or even smaller parcel of land a much larger output may be obtained and this alters the whole dimension of supply given by acreage response. While it may not be possible to obtain large increases in production through expansion of acreage in the long run, the same may be realised by a superior technique of production. Land, which is the most restricting resource in the traditional framework, becomes only a secondary input and thus exercises only a minor influence on output variations under the new technology. In other words, the response of output may be highly elastic in spite of inelastic acreage response. The role of prices in this changed context is clear. They have to be such as to encourage adoption of these innovations; their impact would be more meaningfully measured in terms of variations in production rather than acreages. This is in total agreement with the inferences drawn by Mellor[11] that in a traditional agriculture price policy has a limited role to play as a direct stimulant to output in so far as this increase is supposed to come through expansion in acreage, but it has significant importance in the context of agricultural modernization and technological change.

DAYANATHA JHA*

CO-OPERATIVE CREDIT AND AGRICULTURAL DEVELOPMENT : COST AND OVERDUES IN A LESS DEVELOPED RICE REGION

Raipur in Madhya Pradesh is one of the seven districts chosen from different States for the implementation of the Intensive Agricultural District Programme in its first round. Co-operative credit was assigned an important role in the programme. Credit under this programme is production-based and production-oriented, and is to be tied to the repaying capacity of the farmer or to the additional production due to improved practices and not to tangible security.

A major reorganization of the credit structure in the district took place in December, 1959 when the primary credit societies were transformed into service societies with a broad-based membership. The introduction of Package Programme in April, 1961 resulted in another major change in the co-operative credit structure of the district. At the close of the co-operative year, 1967-68, the Central Bank had 20 branches covering the 23 development blocks in the district. Under the scheme to make the societies viable, the number of societies has declined sharply from 1,026 in 1965-66 to 593 in 1967-68.

Increasing Overdues

One of the factors which led to the selection of Raipur district for the programme was the ready availability of a strong and sound base of agricultural credit through the well established Raipur District Central Co-operative Bank and its

11. Mellor : *ibid.*

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many branches and the numerous societies served by it. But, the growth of co-operative credit in the district has been far from encouraging in recent years. It was seen that the overdues, an important indicator of efficiency of credit system, have risen sharply with the result that the new advances have declined appreciably leading to stagnation or recession in co-operative credit and adversely affecting the agricultural development in the district.

The loans advanced by the Central Co-operative Bank to its member societies had risen sharply from Rs. 177 lakhs in 1959-60 to Rs. 278 lakhs in the next year largely due to liberal financing policies and increased scale of financing. Thereafter, it declined and rose alternatively but could never reach the figure of 1960-61. On the other hand, the loans outstanding had steadily risen from Rs. 164 lakhs to Rs. 234 lakhs with the result that the ratio of loans outstanding to loans advanced had registered a gradual rise from 59 per cent in 1960-61 to 110 per cent in 1963-64. The percentage for the latest year, 1967-68, is as high as 155. Due to the increasing overdues, new financing since 1964-65 has received a great setback with the result that the Central Bank could not draw much of the special credit limit sanctioned by the Reserve Bank of India. The overdues constituted as much as 45 per cent of the amount of loans outstanding in 1966-67 and 36 per cent in 1967-68. As would be seen in detail later, the main reasons for the increasing overdues and the consequential recession were : (*a*) successive failure of crops due to adverse seasonal conditions, (*b*) excessive financing, (*c*) inadequate supervision and (*d*) absence of seasonality in the matter of recovery of loans.

At the primary level, the membership of these societies had steadily risen by 55 per cent from 0.91 lakh in 1959-60 to 1.43 lakhs in 1964-65, which has since then remained more or less at this level. With the introduction of the package programme, loans advanced by the societies to the members rose sharply from Rs. 143.22 lakhs in 1959-60 to Rs. 190.99 lakhs in the next year, but there was a sharp decline to Rs. 72.05 lakhs in the subsequent year. Virtually, there has been stagnation since 1963-64, the amount of loans advanced varying within a narrow range of Rs. 162 to 172 lakhs, the figure for 1967-68 being Rs. 165.08 lakhs. Due to the heavy default in repayments by borrowing members, loans outstanding had steadily risen from Rs. 170.08 lakhs in 1960-61 to Rs. 247.68 lakhs in 1963-64 (a rise of 45 per cent) and overdues from Rs. 0.75 lakh to Rs. 79.63 lakhs. The overdues, at the bank level, for 1966-67 and 1967-68 were, respectively, Rs. 166.11 lakhs and Rs. 136.03 lakhs. Consequent to this, since 1963-64, only kind loans were issued to defaulting members leading to a marked decline in the average amount of loan advanced per member from Rs. 199 in 1960-61 to Rs. 108 in 1964-65. It has not changed much, since then, the figures for 1966-67 and 1967-68 being Rs. 102 and Rs. 115, respectively.

To enquire into the causes for such heavy overdues, a field study was conducted in the middle of 1965. For this purpose, six blocks were selected at random after stratifying the 16 blocks covered by the programme by average loan per member and the selected blocks represent a fair cross section of the district. Two societies were chosen at random from each of these blocks in addition to two Stage II societies from two blocks. After stratification by area owned, twelve members were selected at random from each of these 14 societies. In all, 164 members were contacted for a detailed study of the agricultural credit situation

in the district. Each of the societies serves between two and three villages, all lying within a distance of five kilometres, and covering an average of about 150 members. In 1963-64, the societies supplied, on an average, agricultural requisites worth Rs. 7,583; fertilizers alone accounting for 84.4 per cent of all kind loans, and seeds, pesticides and *dhencha* (green manure seeds) accounting for the rest.

Members, excepting a few, were not aware of the farm plans being an extension tool for raising agricultural production; they knew only that the societies give loans on the basis of farm plans, which are prepared for a majority of farmers without consulting them. In many cases, the fertilizers supplied were not fully applied to the area included in the farm plans because of the fear that such high dosage may affect the crop and were resold to big farmers of the area or to traders at a loss. Such thinning of resources over a large area comes in the way of realising the entire potential of these limited resources and there is an urgent need to enquire into the factors contributing to such persistent fear and discounting of extension advice by farmers. The extension approach to the farmers may have to be suitably modified in the light of these investigations.

Low Level of Borrowings

The programme envisages the provision of seasonal credit in proper quantity and at proper time. Recoveries are also to be made in conformity with the agricultural seasons of the area. While advances were made to a large majority (80 per cent) of members in time, repayments were invariably delayed; while the main paddy crop was harvested in October-November, most of them repaid only in April-May. Only 108 out of 164 selected members had borrowed in 1963-64. On an average, a member had borrowed Rs. 461; as against this, the amount repaid was only Rs. 304, or two-thirds of total borrowings. On a per acre basis, the borrowings and recoveries came to a mere Rs. 39 to Rs. 25. In the following year, the number of borrowing members was only 58. The sharp fall was largely due to the increasing number of defaulters, who were declined new advances. One half of the 106 non-borrowing members were defaulters; 34 were reported to have sufficient owned funds, and therefore, had no need of borrowing from the society; 9 were not convinced of the profitability of fertilizers and other agricultural requisites supplied; 6 had complained about the difficulties involved in obtaining credit from co-operatives while four small landowners were refused credit. The percentage of defaulting members was higher among tenants (55) and small farmers (40) as compared to the overall average of 36 per cent. Successive crop failures during the initial years of the programme were found to be the most important cause for overdues. Social ceremonies like marriages and family consumption were cited as reasons by 23 and 9 per cent of defaulters, respectively. Five members, all large farmers, did not pay their dues because of mismanagement of societies. They alleged that the registers were not maintained properly and entries for repayments were not made correctly. Two tenants could not repay the amount borrowed because they had bought land with their surplus incomes from cultivation.

The level of borrowings of the farmers of Raipur from the co-operatives has continued to remain low as brought out by the various Reports of the Expert

Committee on Assessment and Evaluation of Intensive Agricultural District Programme. The loan amount per hectare of cultivated area taken by the medium farmers from co-operatives or Government was only Rs. 4 in 1967-68 for Raipur district as against the average of Rs. 47 for all the seven package districts. While the loan amount has risen considerably between 1962-63 and 1967-68 in other package districts, it has sharply declined in Raipur district. Further, the loan taken from the co-operatives or Government, expressed as a percentage of total loan taken from all sources, has declined sharply from 68 to 10 among medium farmers of Raipur. This may be taken to indicate that non-institutional credit has been supplying an increasing proportion of agricultural credit during these years.

CREDIT AVAILED BY FARMERS OF DIFFERENT SIZE-GROUPS OF HOLDINGS IN THE I.A.D.P. DISTRICTS*

	Loan taken from co-operatives or Government expressed as percentage of total loan taken from all sources (Raipur)			Loan per hectare of cultivated area taken from co-operatives or Government (in Rs.) by					
				Raipur			Average of seven I.A.D.P. districts		
	Small	Medium	Large	Small	Medium	Large	Small	Medium	Large
1962-63	45	68	67	14	21	14	28	28	20
1967-68	8	10	28	6	4	8	43	47	40

* *Source* : Modernising Indian Agriculture—Report on the Intensive Agricultural District Programme, (1960-68), Volume 1, Fourth Report of the Expert Committee on Assessment and Evaluation, Ministry of Food, Agriculture, Community Development and Co-operation (Department of Agriculture), Government of India, 1969, p. 109.

Low Level of Application of Quality Inputs

All the 140 members (for whom we have got data on composition of short-term credit) have reported the receipt of fertilizers from the societies, while 65 households did not get cash credit during 1964-65. The shortfall in the number of households reporting cash loans is explained by the decision of the bank to finance only kind loans to the defaulters. Only 36 per cent have reported the receipt of pesticides and 21 per cent *dhencha* seeds. It was told that a large majority of farmers had not used the pesticides and *dhencha* seeds supplied to them. The need, on the part of officials, for the fulfilment of certain targets for distribution of improved technical inputs has been responsible for this unhappy situation leading not only to economic hardship and monetary loss to the poor farmers but also to a waste of valuable resources of production which are still in short supply in the country as a whole. This also makes the co-operatives less popular with these farmers.

Cash loans and the value of fertilizers lifted by members accounted for 50 and 47 per cent of their total short-term borrowings. On an average, they had applied fertilizers to the value of only Rs. 12 per acre of paddy. The low level of application of fertilizers and pesticides has also been brought out by more recent

studies. The Fourth Report of the Expert Committee estimates the consumption of nitrogenous and phosphatic fertilizers, per hectare, as 4.7 kgs. (in terms of elements) in Raipur district in 1967-68 as against the average of 24.6 kgs. for all the seven I.A.D.P. districts.[1]

The Third Report of the Expert Committee on Assessment and Evaluation of the I.A.D.P. places the percentage of fields receiving plant protection measures as only 7. Another recent study[2] estimates the rate of application of fertilizers among the selected farmers growing TN-1 paddy as 19 per cent of the recommended dosage for nitrogenous fertilizers and 10 per cent for the phosphatic fertilizers. Another report[3] brings out vividly the large gap between the actual level of application of inputs by a group of selected farmers and the official recommended levels. The divergence is very significant in the case of pesticides, as could be seen from the following figures:

	Scale of financing, per hectare, in Rs. for IR. 8 and TN-1 paddy	Actual expenditure incurred by the sample farmers (in Rs.)
For seed	30	62
For pesticides	74	7
For fertilizers	469	212
Total	573	281
In cash	198	
Grand Total ..	771	

Poor Progress in Linking

Credit being production-based and production-oriented, the scale of financing is appreciably high in package programme areas as compared to the credit limits in the neighbouring districts. One of the best ways of recovering such large amounts is to integrate credit with marketing of farmers' produce or through linking, as is usually referred to. Although, much progress has taken place in this sphere, still the results achieved are much below the expectations. According to the Fourth Report of the Expert Committee, the value of agricultural produce marketed through the co-operatives during 1967-68 was only Rs. 178 lakhs for the entire Raipur district.[4] The inadequacy or lack of transport facilities with the societies comes in the way of timely purchase of produce from members at their farms and its speedy disposal to rice mills and other wholesale agencies. The inadequacy or absence of processing facilities and the inconvenience caused

1. *op. cit.*, p. 103.
2. Report on the Study of High Yielding Varieties Programme, Raipur, Paddy Kharif, 1967-68, Agro-Economic Research Centre for Madhya Pradesh, Jabalpur, 1969, p. 40.
3. A Study of High Yielding Varieties Programme, Kharif (Paddy), 1968-69 in Raipur District, Madhya Pradesh, Agro-Economic Research Centre for Madhya Pradesh, Jabalpur, 1969, p.39.
4. *op. cit.*, p. 112.

to farmers due to strict observance of office hours (even during peak seasons) by the society are some of the other causes. The practice of overbidding very often resorted to by private traders in order to place the societies in a helpless position needs no recounting here. It is learnt that the societies very often do not fix the purchase price on the spot; even if they do, they make payment only after they had marketed the produce to the wholesaler. It is alleged that the marketing societies make use of the amount realised by the sale of members' produce for their open market purchases and credit the amount into the members' account only after a lapse of one or two weeks. But, the members have to pay the interest on loans borrowed for this period also. On the other hand, if the members had sold their produce to private traders they not only would have saved all the botherations and hardships that they had to undergo in marketing through the co-operatives, but would have realised the money immediately after the sale. It has been noted that the marketing societies are very active only during the post-harvest months of November-December, when the price of paddy is at its low. The discriminating farmers, who plan marketing in later months to fetch better prices have, therefore, little use in 'linking.' The farmers who market their produce in November-December under the scheme of linking stand to lose in three ways. The low price realised for paddy sold during these post-harvest months has already been pointed out. Secondly, the credit societies usually start giving fresh loans only in May-June and during the intervening period of five to six months, the farmer is left with no cash to meet his pressing needs. If the farmer goes to a moneylender he will have to pay a high interest. Therefore, he finds it beneficial to sell through a trader and repay the amount directly to the bank in May-June. It also happens often that in the meantime, he spends out of the sale proceeds and finds it difficult to repay when the time comes. There is another great disadvantage. Even if he has repaid his loans through linking in November-December, he will not get new loans until the society pays at least the stipulated percentage of its outstandings to the bank. He has to patiently wait until other members have repaid their loans to the society; but it is quite likely that he may not get any fresh loans due to the failure of the society to repay the stipulated percentage of its outstandings to the bank.

High Cost of Credit

The compulsion to lift agricultural supplies had its own adverse effect during the initial years of the programme. A large section of the cultivators are of the opinion that fertilizers without assured irrigation are of no use, as the crop will 'dry up.' Therefore, forcing fertilizers on the unwilling farmers in a year of poor rain is not in the interest of the farmers. Similarly, the sowing of *dhencha* seeds for green manuring is considered not worthwhile because of difficulties in its decomposition without assured irrigation. The absence of fencing around the fields makes its growing a risk from the stray cattle. The farmers are of the opinion that the application of pesticides is not necessary every year and its application by every farmer individually takes a lot of their time during the busiest part of the year. Further, they feel that its application by a few farmers in a few fields is not helpful unless the surrounding fields are protected likewise. It seems that very small farmers, owning less than two acres and tenants, who are numerous in the district, are not encouraged to become members of primary societies. This, together with the practice of not preparing farm plans for non-members, amounts

to keeping a significant section of farmers out of the influence of not only the co-operative credit but also from the benefits of the programme itself. Again another important section consisting of large farmers, who are not inclined to become members of co-operatives for various reasons, is also left out of the programme.

The compulsion on members to contribute towards the share capital of societies and deposits has adversely affected the further development of the co-operative movement. Due to their meagre education, many farmers are unable to distinguish between the deductions made on these accounts and the actual interests payable on the loans borrowed by them, with the result, they come to the view that the co-operative loans too carry an annual interest of about 24 per cent (made up of 9 per cent interest, 5 per cent towards thrift deposits and 10 per cent[5] towards share capital contribution), the prevailing market rate commonly charged by local moneylenders. The farmers do not seem to approve of the idea of receiving an interest of only $5\frac{1}{2}$ per cent on their deposits as against the 9 per cent interest paid by them on the loans borrowed from the same societies. Added to all these, an ordinary farmer is unable to clearly understand (rather distinguish) the recoveries (and deductions) made on account of short-term and medium-term loans for different durations, share capital contribution, deposits, and penal interest, if any. Therefore, he grudgingly pays whatever is shown as due from him in the demand form. A large number of farmers are at least not fully convinced of the correctness of the figures and this is not a good augury for the proper development of the co-operative movement. (In contrast, he has to pay only the interest and principal taken from private agencies.) The large amount (in cash) that he has to pay towards these payments after the harvests in contrast to the meagre amount[6] of cash received at the time of sowing, affects the enthusiasm of cultivators in borrowing from the societies. This creates an adverse psychological effect on the farmer who feels (may be wrongly!) that very little of the produce, for which he had been waiting anxiously and had toiled for one year, is available for him and his family. The human element here is immensely important and it should not be ignored.

Even many of the knowledgeable farmers seem to feel the same way as they do not find any convincing reason to distinguish between contributions towards deposits (or share capital) and interest paid, since the deposits carry a very low interest of $5\frac{1}{2}$ per cent as compared to the market rate of 24 per cent. This creates a psychological barrier between the co-operatives and its farmer members. The farmers significantly discount a sizable portion even from this meagre $5\frac{1}{2}$ per cent interest on account of difficulties and inconveniences associated with the co-operative credit. It is true that such deductions towards deposits and share capital promote the habit of thrift among the farmers and are in fact an indirect form (although compulsory) of raising the level of savings of farmers which not only raise his investment and productive capacity, but also go a long way in building

5. This has been subsequently reduced to 5 per cent. Although the farmer has to make the capital contribution only in the first year, what comes uppermost in his mind is the real rate of interest paid by him in the first year.

6. The standard scale of financing of Rs. 110 per acre consists of a cash component of only Rs. 50. But, when he repays at the end of the year, he has to pay in all Rs. 136 in *cash* (principal—Rs. 110, interest—Rs. 10, share capital (in the first year) contribution—Rs. 11 and deposits—Rs. 5).

up a sound and strong co-operative structure which is accepted as an important instrument of agricultural development in our country. The farmer's economic horizon is not wide enough to measure and balance all these benefits. Again, he gives, perhaps rightly, greater weight to short-term consideration of survival than to the long-term consideration of growth. But this has to be considered in the light of the difficulties pointed above. Leaving alone the feelings of the farmer and its impact on moulding his attitude towards the co-operatives, we have to carefully look into the possible repercussions of this policy on the future development of agriculture in the region.

One of the major aims of providing credit at reasonable (far from cheap) cost is defeated by this practice of compulsory deductions and compulsion to lift supplies (however improved they may be from the point of view of the agencies charged with the responsibility of their propagation and distribution). Apart from these deductions, the farmers have to meet with much personal inconvenience and incidental expenses like transport and lodging for themselves and entertainment of petty officials. There is also the problem of non-availability of credit in right time and right amount. Therefore, it is natural that the farmer weighs all these factors and comes to the conclusion that the *real* cost of the loans borrowed from the co-operative society is much more than the official interest of 9 per cent per annum. For a large majority of the farmers in the region, who seem to be afflicted by greater uncertainty and risk, both economic and weather, than many of the rice regions of the country, the co-operative credit in the present form and shape does not seem to offer sufficient incentives to invest in agriculture and improve the levels of production on his farm and of his living standards.

So, there is a great need to review the policy of compulsory deduction towards share capital and 5 per cent towards deposits from the loans advanced to members. For some years to come, at least the small and medium farmers should be exempted from this practice. Other ways to improve the capital structure of societies and to raise the savings of members may have to be thought out. If complete relaxation is not possible for some reason or other, the percentage of deductions should be considerably reduced. There is a strong case for such liberalisation to capital-hungry farmers situated in regions similar to Raipur district which are often subjected to a greater degree of risks due to economic, weather and other forms of uncertainties but have considerable scope for raising the agricultural productivity from the present low levels.

Factors Contributing to Heavy Overdues

As on June 30, 1964, nearly Rs. 80 lakhs or 46 per cent of the total demand was overdue from the members of all co-operative societies in the district. As on June 26, 1965, as many as 215 (out of 993) or 22 per cent of all societies had not paid even half the amount due to the Central Bank and, therefore, could not be refinanced in the next year. Due to the chocking of credit line and denial of new credit to defaulting farmers, only 25 per cent of all members were financed in 1965-66. At the bank level, the percentage of overdues to loans outstanding was 45 in 1966-67 and 36 in 1967-68.

The successive crop failures had been the most important among the external factors contributing to heavy overdues. When the programme was launched in April, 1961, the farmers who were till then very much short of credit were, all of a sudden, faced with liberal credit on a scale unaccustomed to them, and that too, mostly in cash. (In the first year of the programme, very little was given in kind.) This led to misuse of credit on a very large scale for non-productive purposes. Thus, the implementation of the programme without necessary preparation was an important cause. Until 1963-64, the practice of adjusting outstanding loans from the fresh loans issued in subsequent years was widely prevalent and it had also adversely affected the proper recovery of loans. Again, the defaulters continued to be financed with kind loans in the initial years of the programme, under Government instructions which go to disturb the discipline that the co-operatives have to observe in their own interest.[7]

Another important factor is the over-financing in excess of need and repaying capacity through the fixation of repaying capacity of farmers at an artificially high level of 50 per cent of the harvested produce (60 per cent for those who market through the co-operatives). This percentage is quite high for this rain-fed region, afflicted by frequent droughts, with a preponderance of small farmers with low level of application of quality inputs and low productivity leading to a low level of surplus available for repayment. Moreover, the expected increase in output due to the adoption of package of practices has been highly over-estimated and such increases have not materialised for many reasons. There were also instances where the area of farmers included in farm plans had been inflated and *bharri* (dry) land had been shown as *dhana* (wet) land with a view to raising the borrowing capacity of members. All these had contributed to the financing of many members well above their repaying capacity resulting in heavy overdues. The cash portion of the loans advanced to small farmers invariably gets spent on non-productive purposes such as domestic consumption and social ceremonies. Again, the medium-term loans advanced to them in the initial years were meagre, and inadequate to make any worthwhile capital investment, causing their diversion to unproductive purposes. There was a substantial increase in the issue of medium-term loans in later years for easily not identifiable purposes when there was serious drought causing further diversion to non-productive purposes. In view of the difficulties of getting fresh loans, many members, although their crops are harvested in November-December, postpone their repayment to May-June and in the meantime, they spend the amount on domestic consumption, social ceremonies, entertainment, etc. This emphasizes the need to ensure seasonality in the matter of recovery of loans. Very often, the medium-term loans are distributed in May-June; but bullocks and labour (for bunding paddy fields and digging wells) are not only cheap but also easily available during the lean months, namely, March-April. Such untimely financing provides opportunity to farmers for diversion and, therefore, seasonality in financing is very important.

A number of necessary changes in the credit procedures have already been touched upon. The small farmers need cash during lean months, September-October, for consumption expenditure; but no cash loans were given to them

7. These two practices have since been discontinued.

during this part of the year. So, they approach the moneylender, thus creating an opportunity for the latter to have once again a hold on the cultivators. Presently, the entire amount of cash portion of short-term credit, including that portion which is meant for meeting the expenses on weeding and inter-ploughing operations, is given at the beginning of the season, which leads to wide misuse of co-operative loans. Inadequacy or lack of effective supervision on the proper use of co-operative loans, although these are intended to be production-based and production-oriented, is one of the major causes for heavy overdues. The weaknesses in the management of societies and the absence of any clear-cut responsibility for the recovery of loans on any of the numerous officials and agencies engaged in the field must be mentioned here. Whereas the private moneylender visits the farmer on his fields at the time of harvest to recover the loans, the farmer is expected to go to the bank and remit the amount himself.[8] Some incentives may have to be provided to the local officials for improving the recoveries along with the proper fixing of responsibility among the officials for the recovery of loans. The credit procedures need thorough modification and simplification. The farmer should not be burdened to draw the entire supplies and cash loan in lump at the beginning of the season. He should have the facility to draw them as and when he needs them. Incidentally, this will also lessen the chances of misuse of loans for unproductive purposes. The long awaited introduction of pass books will go a long way in eliminating some of the familiar malpractices and errors in entries mentioned earlier. This will also help in restoring the confidence of members on the co-operative movement.

Some Conclusions

Although this study relates only to Raipur district, the findings are fairly general in application to similar areas, particularly the 'Rice Bowl' or the Chattisgarh region of Madhya Pradesh. When we enquired of their intention to borrow in the coming years, a large number of farmers have expressed their intention of either not to borrow at all or borrow only towards the cost of fertilizers, because they find credit costly and risky. They see the chance of loss of their much avowed land increasing with the rise in the level of borrowings and overdues. The rising overdues and the increasing reluctance of farmers to borrow due to 'risk-aversion' have led to a reversion in co-operative credit threatening to affect the entire agricultural development envisaged in the Package Programme. For, co-operative credit is assigned an important role in the programme designed to raise agricultural production as well as the investment and earning capacity of the farmers. The programme envisaged the provision of seasonal credit in proper quantity at proper time and their recoveries in conformity with the marketing seasons of the locality. But the experience does not seem to suggest the achievement of these well-deserved objectives. The co-operative agencies have been found to be much slower, less flexible and cumbersome. There is an urgent need for simplification of credit procedures and for measures to create and sustain the confidence of farmers in the correctness of accounts of the societies. Nor can we say clearly that the credit was available to farmers in adequate amount and at appropriate costs. A large number of farmers continue to borrow at high

8. Although the Central Bank has some machinery, by and large, it is not deployed effectively for this purpose.

rates of interest from local moneylenders and traders, who were able to secure priority for the prompt repayment of their loans at harvest time to the detriment of the societies which continue to expect the farmer (on his own accord) to walk upto the nearby market town to remit into the bank his dues to the society. All these provide several situations leading to 'capital rationing' and to the use of capital being restricted by many farmers to a point short of that which equates the marginal cost to marginal product of capital. If we are able to bring into being such discerning cultivators, we will have achieved a great deal. The fact is that a majority of farmers of the region under study look more to easy availability of large resources, often at exhorbitant rates, than to long-term gains. In spite of the fact that credit was envisaged to be production-based and production-oriented, the supervision on the use of co-operative credit has been practically absent leading to considerable misuse of credit by a significant section of farmers. The fixation of specific responsibility for the recovery of loans on any one of the number of agencies and officials working in the field and offering of incentives for the recovery of loans are also found to be important for the proper development of the movement. Lack of co-ordinated effort and understanding between the extension staff and those in charge of administering credit was very much noticed.

The practice of compulsory supply of modern productive inputs to unwilling farmers, with a view to achieve certain quotas or targets, leads not only to sizable loss and hardship to farmers but a waste of valuable resources which are still in short supply in the country as a whole. This creates a feeling of hostility in the minds of farmers towards the programme. Such a practice needs to be discouraged, however improved the inputs may be from the point of view of the extension department. The factors contributing to poor progress in 'linking' should be looked into carefully as it plays a vital part in the 'integrated credit,' an important instrument thought of for the proper development of agriculture.

The compulsion on members to contribute towards the share capital and deposits not only raises the *real* cost to the farmer significantly higher than the official rate of 9 per cent per annum but also leaves very little cash with him from the proceeds of the sale of harvested produce for which he had been eagerly waiting for. This creates a strong impact on his attitude towards the movement and makes him critical of its activities. Raipur district is more prone to economic and weather uncertainties than many other rice growing parts of the country indicating its unsuitability for the implementation of a programme of the nature of I.A.D.P. The average income levels and yields are comparatively low and provide wide opportunities to raise agricultural production through improved technology and capital injection. The need to provide credit in a form and shape to offer sufficient incentive to farmers to use modern agricultural requisites and make further productive investments in agriculture is very much felt. Some relaxation in the quantum of (compulsory) deductions towards deposits and share capital of the society is suggested at least for the capital-hungry small and medium farmers for a few years so as to realise at least a part of the vast agricultural potentials awaiting exploitation in the region. The causes responsible for the heavy overdues of co-operative credit in recent years need careful study at field level and require urgent remedial measures so as to achieve the objectives of the I.A.D.P.

To conclude, as the recent report of the Venkatappiah Committee has clearly pointed out, recovery is an activity which is as important as lending, however unpopular or unspectacular the work of recovery is. "The overriding objective is that a climate of recovery-mindedness should be created by all functionaries of credit institutions as well as those elements in the administration and the government who are interested in increased production."[9]

C. MUTHIAH*

9. Report of the All-India Rural Credit Review Committee, Reserve Bank of India, 1969, p. 523.

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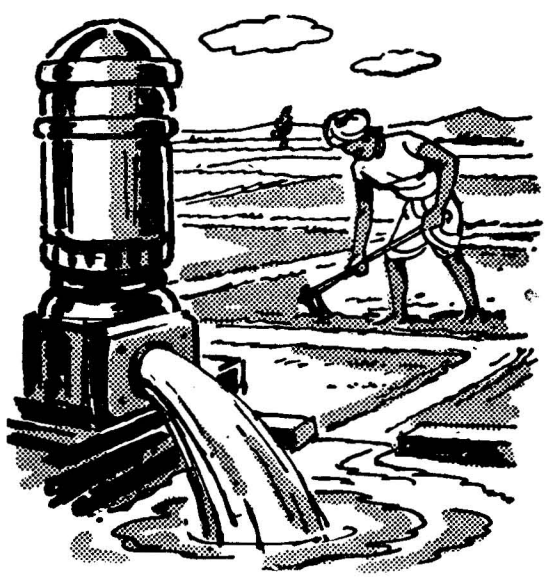

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