https://doi.org/10.29321/MAJ.10.A03260

Madras agric. J. 64 (11) : 752—755, Nov., 1977

Agricultural Credit and Bank Nationalisation

V. S. NARASIMHAN[1], S. RADHAKRISHNAN[2], S. SELVARAJ[3] and M. SAMUEL SELVARAJ[4]

Co-operative societies, the traditional agency still continued to play an important role in the dispensation of credit to farmers. The commercial banks though they have come into the picture only recently in regard to direct finance to agriculture have fared well and in due course can be expected to pay a bigger role as they gain experience and certain concessions are granted as in the case of co-operatives. The co-operatives have in no way been affected by the impact of bank credit. The banks serve as a supplementing agency rather than competing with co-operative agency. Regarding recovery of loans in certain cases co-operatives are in better position as they can recover quickly by instituting arbitration proceeding.

The new strategies of agricultural development include high yielding varieties programme, the multiple cropping programme and other programmes. All these programmes involve increased inputs and as a result the demand for agricultural credit has increased. Besides the cost of fertilizers, seeds and chemical have also gone up. The secondary demand for credit for transport, storage, processing and other market operations has also correspondingly increased.

In the context of such a situation, the National Credit Council set up by Government of India in 1968 recommended Nationalisation of commercial banks to involve them in financing agricultural sector directly.

In order to study the impact of bank nationalisation on Co-operative credit a study was undertaken by the Department of Agricultural Economics of the Agricultural College, Madurai in 72-73 and the results are presented in this paper.

MATERIALS AND METHODS

Thirteen villages in Four Panchayat Unions of Madurai West, Madurai East, Tiruparankundram and Natham were selected for the purpose of this project. Sixty three farmers availing co-operative loans, thirty farmers availing Nationalised bank loans and seven availing from both were enquired. The villages selected and number of farmers contacted in each village are given in Table.

RESULTS AND DISCUSSION

Regarding the quantum of credit out of the 100 farmers it was found that 63 farmers had taken loans exclu-

---

1 - 4 : Department of Agricultural Economics, Agricultural College and Research Institute, Madurai.

sively from co-operatives to the tune of Rs. 94,476. Thirty farmers had borrowed from Nationalised banks to the extent of Rs. 56,650 while remaining seven farmers had borrowed Rs. 60,300 from both the institutions. Thus 44 per cent of the total credit are from the co-operatives.

When the acreage benefitted was considered, it was found that co-operatives benefitted 432.35 acres compared to 233.25 acres by Nationalised banks. When credit availed by farmers per acre was worked out, it was found in the case of co-operatives to be Rs. 218 52 on an average The quantum of credit varied according to tenurial conditions. Owner operators had obtained Rs 297.96 per acre while tenant operators got Rs. 239.75. In the case of owner-cum-tenants it was as low as 180.30 per acre. Compared to this the quantum of bank credit per acre was Rs. 264.39, Rs. 220 83 and Rs. 244-73 respectively for owner farms, tenant farms and owner-cum-tenant farms Commercial banks seemed to be comparatively more liberal in granting loans to owner-cum-tenants.

The credit gap for all farms when both the sources of credit, namely co-operatives and banks were considered came to Rs. 189-33 per acre with Rs. 206-96 for owner operated farms, Rs. 224-08 for tenant farms and Rs. 167-06 for owner-cum-tenant operated farms.

The credit gap for all farmers for co-operative credit alone came to Rs. 148.96 per acre with Rs. 190.76 for owner operated farms, Rs. 163.35 for tenant farms and Rs. 127 83 for owner-cum-tenant farms. Compared to this the credit gap per acre in the case of bank credit for all farms, owner farms, tenant farms and owner-cum-tenant farms worked out to Rs. 218.86, Rs. 209.29, Rs. 354.16 and Rs. 215.78 respectively.

The extent of credit gap also varied and in terms of percentage it varied from 17.83 per cent in Puthuthamaraipatti village to 58.48 per cent in Vandiyur village in the case of co-operatives. The credit gap in the case of bank credit varied from 36.67 per cent in Palappanaickenpatti to 50.63 per cent in Puthuthamaraipatti.

Regarding credit utilisation, the dominant purpose was cultivation expenses from both institutions. Out of 63 farmers who borrowed from co-operatives only seven farmers had borrowed for other than cultivation expenses. In the case of banks, out of 30 farmers 28 had borrowed crop loans and only two farmers borrowed for land development. When bank credit and co-operative credit were considered together, the average proportion of credit spent on cultivation of crops to the total credit obtained for all farms, owner farms, tenant farms and owner-cum-tenant farms were 68.03, 51.80, 100 and 76.85 per cent respectively.

When credit asset ratio was considered for both the institutions as percentages of value of assets, it varied from 5.33 in the case of owner-cum-tenant farms to 55.89 in the case of tenant operated farms. The percentage

TABLE. Source of credit, credit availed as assets and cultivation expenses

Village	Source of credit villagewise			Credit availed					
	No. of farmers who had obtained			Credit availed as percentage of assets			Credit availed as percentage of cultivation expenses		
	Co-op. credit	Bank credit	Both	Co-op. credit	Bank credit	Both	Co-op. credit	Bank credit	Both
Othakadi (Rajakambeeram)	5	—	—	6.15	—	—	13.06	—	
Puthuthamaraipatti	5	5	—	14.51	7.97	—	38.43	24.53	—
Karuppaurani	12	11	1	7.89	6.95	35.00	23.00	25.36	48.30
Vandiyur	—	5	—	—	2.00	—	—	22.88	—
Rajakur	5	1	—	4.54	66.93	—	27.38	other purpose	—
Paravai	2	—	2	3.27	—	3.74	39.24	—	41.48
Viraganur	7	—	1	4.15	—	42.35	47.60	—	other purpose
Thodaneri	5	—	—	23.79	—	—	39.37	—	—
Avaniapuram	6	—	—	5.89	—	—	45.03	—	—
Varichiyur	13	—	—	6.05	—	—	30.80	—	—
Appanthirupathi	3	—	—	6.74	—	—	22.01	—	—
Natham	—	5	1	—	3.43	4.52	—	34.52	32.38
Palapanaickenpatti	—	3	2	—	5.67	22.12	—	40.98	29.24
Total	63	30	7						

for owner operated farms worked out to 6.58 and for all farms 6.69. The credit institutions could have safely gone further to reduce the credit gaps. It was also found that co-operatives were more liberal with reference to the quantum of credit they extended to tenant operated farms and owner-cum-tenant farms, the percentages of credits to the value of assets being 59.23 and 5.57 respectively. In the case of owner operated farms, it was only 4.44 per cent

When credit cultivation expenses ratio was considered, the ratios for both sources of credit were as low as 30.67, 27.72 and 39.73 per cent for tenants, owner-cum-tenants and all farms respectively. Owner operators could meet almost 60 per cent of their cultivation expenses from the loans availed by them.

Credit availed size groupwise, and tenurewise was also studied. It was found that out of 57 farmers who have borrowed crop loans from co-operatives, 33 were small farmers (0 to 5 acres) 12 medium farmers (5.1 to 10 acres) and 12 big farmers. The three size groups had aggregate areas of

108.75 acres, 78.50 acres and 177.00 acres respectively covered by co-operative credit. The credit availed per acre in the case of small, medium and large farmers were Rs 257.90 Rs.197.74 and Rs. 180.07 respectively. In the case of bank credit out of 27 farmers obtaining crop loans, 17 were small farmers six medium farmers and four big farmers. Out of 210.65 acres covered by banks 57.15 acres belonged to small farmers, 45.50 acres to medium farmers and 108.00 acres to big farmers. The per acre bank credit for the three size groups worked out to Rs. 360.45, 303.20 and 106.48 respectively. It was observed that credit institutions extended more credit per unit area to small farmers than to other two groups. They also did not make distinction between small or big farms or tenant farms but advanced considering the repaying capacity.

When cost of credit was considered in the case of co-operative credit it worked out to Rs. 8.74 per hundred While bank credit was Rs. 11.74 per hundred. This is due to co-operatives enjoying certain concessions like exemptions from stamp duty and registration fees, location in the village itself or nearby. Commercial banks were also minimising the cost of loans provided the loans did not exceed Rs.5000/- and original documents are produced. In such cases a mere agreement costing Rs. 2.50 was involved, thus avoiding stamp duty registration fees etc. This was applied in certain notified areas.