

CHAPTER - VI :: A SHORT HISTORY OF LAND
DEVELOPMENT BANK ::

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HISTORY OF LAND DEVELOPMENT BANK

It was in 1863 that the first land mortgage bank, called the "Land Mortgage Bank of India Ltd.," was established by an English company.

The maximum period for which loans were granted was seven years and the rate of interest varied between 8 and 10 percent. For about twenty years the bank carried on a profitable business throughout the whole of India. Thereafter its loan operations declined and the bank was closed shortly after 1885.

The first cooperative land mortgage bank saw the light of the day in Punjab when 1920 such a bank was organised at Jhang. Its membership was confined to land-owners and agricultural credit societies. Loans were made for the redemption of land, for the liquidation of unsecured debts and for the improvement of land. The individual loans were allowed upto 30 times the land revenue paid by the borrower. By 1931, there were 12 cooperative land mortgage banks in Punjab. These banks were, however, far from successful. The depression, with the accompanying fall in land values and the existence of the Land Alienation Act mainly accounted for their failure, to which the defaults of directors and honorary workers who were themselves large borrowers also contributed.

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In Bengal the first land mortgage bank was registered in 1924 at Naogaon in the district of Rajshahi and other at Bhola in the district of Bakargani in 1927. Both these banks were limited liability institutions registered under the cooperative societies act. In Assam the first Land Mortgage Bank was started in 1926, at Gauhati and the second one at Sylhet in the following year. The Kamnyp Land Mortgage Bank at Gauhati was meant to provide loans for trade, commerce and industry.

The real beginning of the Land Mortgage Banking in India was marked by the establishment of the Central Land Mortgage Bank in Madras in 1929 for centralising the issue of debentures and for coordinating the working of primary banks in that province. This gave considerable impetus to the organisation of new primary banks and within 10 years the number of such banks in Madras increased from 10 to 119.

In Bombay, the formation of land mortgage bank was suggested as early as 1923 but the scheme could materialise by 1929. These banks advanced loans for the improvement of land and methods of cultivation; the installation or purchase of costly agricultural plants and machinery; the redemption of mortgaged lands and houses and liquidation of old debts, and the purchase of land for purposes of land improvement or for making better cultivation possible in the general interest of the

community. These banks were authorised to advance loans to a maximum of 50 percent of the value of the encumbered land, or in special circumstances of house property. The period of loan was from 10 to 30 years.

In other provinces the technique of land development banking was either inadequately developed or hardly developed at all.

Post-Independence Period

During the post-Independence period the war time phenomenon of restricted demand for loan was reversed. This was due to food shortage which assumed serious proportions and call for all out efforts for increasing agricultural production. Large-scale improvement in land and methods of cultivation assumed greater importance, and land mortgage banks which had so far confined their attention to financing the discharge of old debts were required to play an effective part in providing finance in connection with land improvements also.

The period 1930-39 was one of the trials and tribulations for the land mortgage banks which were just beginning to function. They were organised paretically in all the major provinces. Towards the middle of 1939 there were 226 Land Mortgage Banks with a membership of 80,000/-.

The period 1939-50 comprised the war and the post-war period. The war period was comparatively one of stability for the Land Development Banks. Since the membership of the Central and Primary Land Development Banks increased.

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Some key figures for the credit structure as a whole given in the following tables, show the growth over the period and the latest position.

Table 6.1

Progress of Central Land Development Banks *in India*

(Rs. in lakhs)

Items	1955-56	1978-79
No. of Central L.D.Bs.	9	19
No. of Primary Branches	302	2171
Membership ('000)	505	7800
Owned Funds (Share capital & reserves)	13C	22775
Loans outstanding	1490	<u>138005</u>
Advances during the year	280	24500

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Source - Book - S S M Desai - Rural Banking in India and Agriculture Banker - July-Sept. 1982 p.38.

The Table 6.1 indicates that progress of the primary land development banks. The number of the primary branches increased from 302 in 1955-56 to 2171 in 1978-79.

The number of Central Land Development Banks increased from 9 to 19 during the same period. In respect of practically every item, namely membership, owned funds, loan advanced etc. there is fair amount of progress. But the most disturbing features is that the loans outstanding in the case of Central Land Development Banks have gone up from Rs.1490 lakhs in 1955-56 to Rs.1,38,005 lakhs in 1978-79.

Table 6.2

Progress of State/Central Land Development Bank in India

(Rs. in lakhs)		
Items	1976-77	1978-79
Number	19	19
Owned funds	164	234
Debentures outstanding	1591	1765
Working Capital	1918	2188
Loans issued	249	241
Loans outstanding	1211	1393
Loans overdue	94	182
Loans to dividends individuals by		
CLDBs/PLDBs	-	-
i. Issued	278	239
ii. Outstanding	1193	1310
iii. Overdues	115	195

Source : Book - Rural Banking in India SSM Desai
p.137.

From the Table 6.2 indicates the latest progress of state/central land development banks. It would be observed that the number of state/central L.D.Bs. has remained steady at 19 over the years. There has been only some increase in owned funds which have gone up from Rs.164 lakhs in 1976-77 to Rs.234 lakhs in 1978-79. The working capital has increased from Rs.1918 lakhs in 1976-77 to 2188 lakhs in 1978-79. It would be observed that loans outstandings have gone up from Rs.1211 lakhs in 1976-77 to Rs.1393 lakhs in 1978-79. A substantial part of this constitutes overdues also increased; But it is most disturbing feature.

The performance of the bank particularly after 1960, has been most spectacular. During the year 1979-80 there had been a sharp increase in the loan disbursement of the banks which was of the order of about Rs.290 crore compared with Rs.245 crore lent during the preceding year 1978-79. But for the restricted ability for undertaking fresh advances, in several states, due to in discipline, the performance of the long term credit sector would have been of much higher order. For the Sixth Five Year Plan, ^{period} 1980-85, the banks are likely to be given a target of Rs.2300 crores which in itself is quite substantial.

In the Sixth Plan, Rs.12,000 crores outlay has been projected for increasing irrigation potential which account for 12 percent of the total plan. Additional

15 million hectare of land will be brought under the scheme envisaged in the Sixth Five Year Plan.

Barring a few states, land development banking is yet to take strong roots in the most of other states. Yet the performance of these banks is not less insignificant than those of similar other agencies considering the complexities of rural credit operations.

Progress of Primary Land Development Banks

The following two tables explain how the primary Land Development Banks have progressed over years.

Table 6.3

Progress of Primary Land Development Banks
(Rs. in crores)

Items	1951-52	1961-62	1968-69
No. of Banks	289	536	740
Membership (in lakhs)	214	852	2800
Share Capital	0.58	2.83	25.26
Borrowing	6.84	34.26	277.90
Working Capital	7.59	38.51	309.76
Loans Advanced during the year	1.30	12.59	103.76
Loans Outstanding	6.96	38.28	285.56

Source : Book - Rural Banking In India - SSM Desai, p.135.

Table 6.4

Recent Progress of Primary Land Development Banks
(Rs. in thousands)

Items	1969-70	1975-76
No. of Banks	809	890
Membership (Regular)	19,79,563	26,22,347
Share Capital (paid-up)	33,64,440	63,11,695
Borrowings	36,11,825	56,92,835
Working Capital	40,39,158	70,42,264
Loans Advanced	11,32,214	13,60,976
Loans Outstanding	36,68,737	57,67,053

Source : Rural Banking In India - SSM Desai p.135

From ^{the} above table, 6.3 and 6.4, it will be observed that the number of primary Land Development Banks has gone up only slightly from 809 in 1969-70 to 890 in 1975-76. There are also increases practically under all heads; but what is to be noted is that these increases over years have been very gradual.

Maharashtra

There are 29 districts in Maharashtra State and a Land Development Bank exists in every district. The head office of all Land Development Banks is located at Bombay. The Land Development Bank has 321 sub-branches

at Taluka/Primary levels, all over Maharashtra. There are 6 zones/divisions functioning under Maharashtra State Land Development Bank for the administrative purposes. And these are located at Nasik, Pune, Aurangabad, Nagpur, Amaravati and Kolhapur.

The position of Maharashtra State Land Development Bank as on 30th June, 1985 is as follows :

Table 6.5

The position of Maharashtra Land Development Bank as on 30th June, 1985

(Rs. in lakhs)

Item	1985
Paid up share capital	3870
Reserve Fund	1614
Own Funds	5484
Loans Outstanding	32311
Investment	7021
Debentures	32863
NCDC Godown loans outstanding	779

Source : Record from District L.D.B. Kolhapur Office, 1985.

Kolhapur Zone :

The Kolhapur District Land Development Division has got 16 Primary Land Development Banks which are generally established at Taluka Places.

The position of District Land Development of Kolhapur Zone as on 30th June, 1986 is as per the following details.

Table 6.6

The position of Kolhapur Zone L.D.B. as on 30th June, 1986

		(Rs. in lakhs)
Items		1986
Share Capital	...	143.15
Working Capital	...	1645.00
Loans Outstanding	...	1261.00
Overdues	...	35.31
NCDC (godown) loan outstanding	...	105.00
Members - i. Individuals	...	23,711
(Numbers) ii. Institutions	...	224

Source : Record from District L.D.B. Kolhapur, 1986

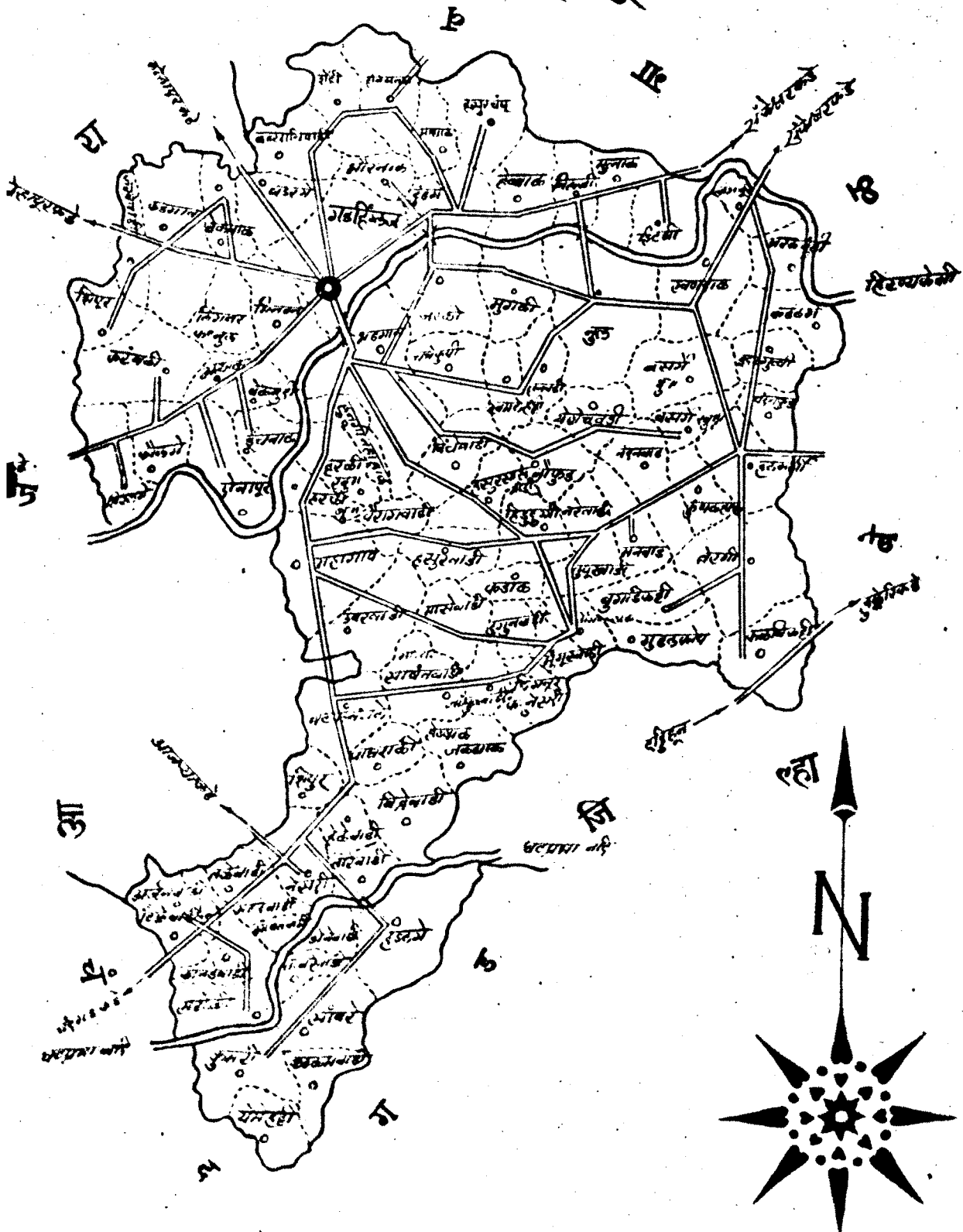
Gadhinglaj Taluka

Gadhinglaj is a taluka consisting of ninety two villages in the Kolhapur district. Its population is 1,56,225 excluding that of the Gadhinglaj town. There are 84 grampanchayats in this taluka. The taluka covers the total area of 481.2 square K.M. Two rivers, namely Hiranyakeshi and Ghataprabha flow through the taluka.

The Geographical area of the taluka is 48,115 hectares. The total area under forest is 1741 hectares.

गडहिंग्लज तालुका

जिल्हा कोल्हापूर



The total area of land under irrigation is 6116 hectares.

Rice is the major crop of this taluka. It is cultivated on 8,724.60 hectares. Whereas jawar 6,356.65 hectares, Groundnut (another major crop) 6,381.99 hectares. Sugar-cane is an important cash crop, which covers the total area of 3,962.51 hectares.

Besides farming activities, the taluka has other agriculture related activities such as animal husbandry etc. There are 80588 animals in all in the taluka, of which 21,383 are bullocks and cows, and 33,877 buffalo's (of both sexes). There are also 408 cross-breed cows in the Taluka.

This Taluka is developed as far as cooperative institutions are concerned. There are 67 agricultural cooperative institutions and 78 dairies in the taluka.

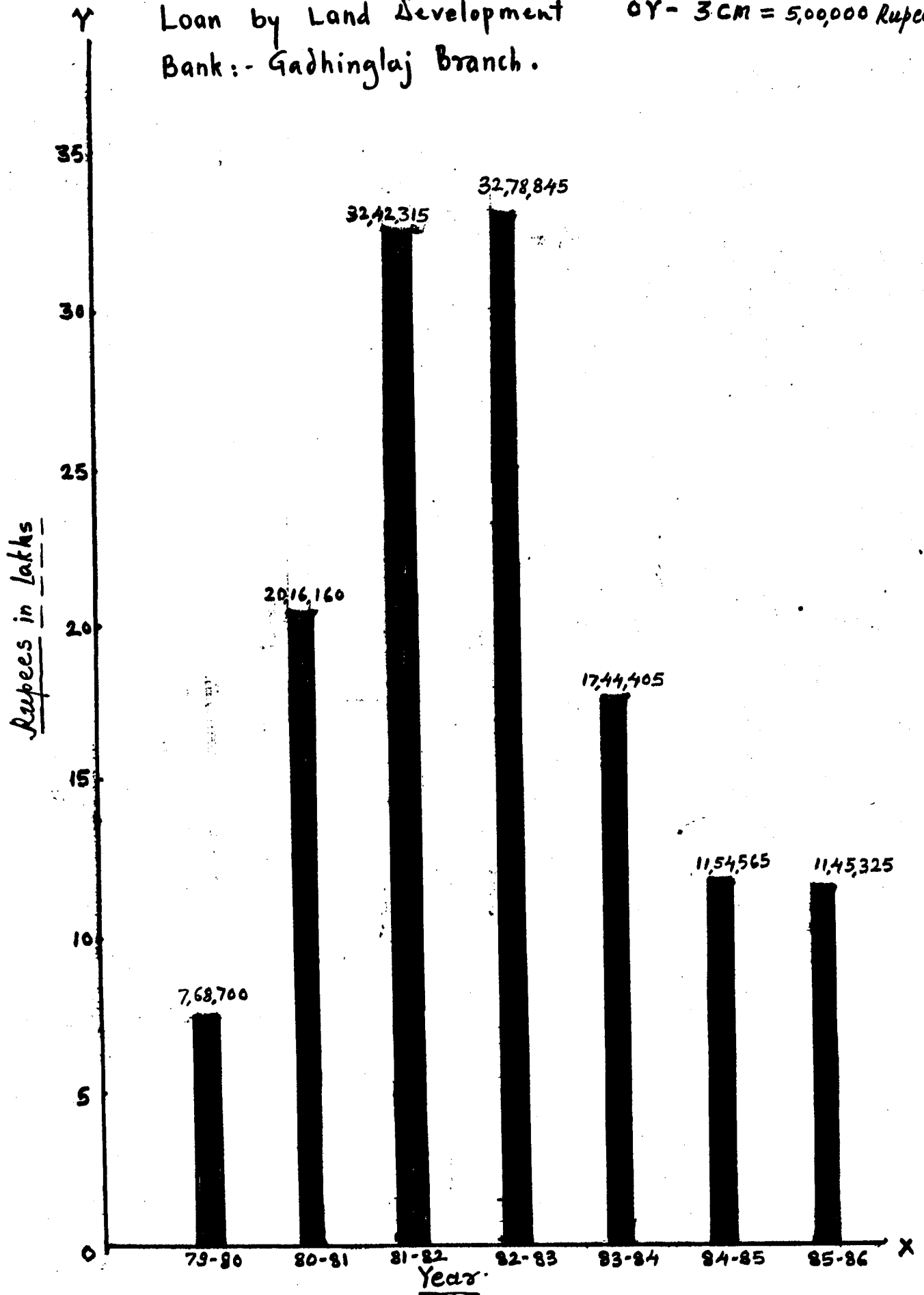
The average rain-fall is 45 inches per year. The temperature varies between 19^o cc and 31.7^o c.c.

The former name of the Land Development Bank was Bombay Land Mortgage Bank. Its branch was established in Gadhinglaj in 1961 with the same name. It had 224 members. These members were transferred from Bombay Land Mortgage Bank to Maharashtra Land Development Bank. The main purpose behind the establishment of this bank was to provide long term loans to the farmers for agricultural development.

Land Development Bank Gadhinglaj has distributed Rs.14 lakhs by way of subsidies. When the accounts are

Graph of the Distribution of
Loan by Land Development
Bank:- Gadhinglaj Branch.

OX - years - 1979-80 To
1985-86
OY - 3CM = 5,00,000 Rupees



closed the amounts are refunded to the borrowers with the rate of 4.5% interest.

The present position of the bank is that there are 2904 individual members and 15 institute members. The share capital is Rs.11 lakhs. Its loan outstanding is Rs. 1 crore 15 lacks. The total overdues of the branch amount to Rs.4 lacks40 thousands.

The record of recovery from 1981 to 1985 of the branch is 80% which is, indeed, praise worthy. This branch has been awarded an award for the best recovery rate in 1981-82.

The branch has been distributing year-wise loans for the last seven years.

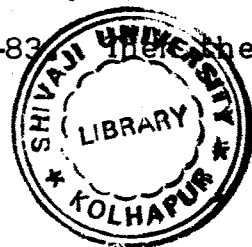
Table 6.7

Distribution of Loans by LDB, Gadhinglaj branch,

Year	Amount (Rs.)
1979-80	7,68,700
1980-81	20,16,160
1981-82	32,42,315
1982-83	32,78,854 ✓
1983-84	17,44,405
1984-85	11,54,565
1985-86	11,45,325

The above data shows that there is a rising trend of distribution of loans, i.e. from Rs.7,68,700 during 1979-80 to Rs.34,78,854 during 1982-83

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is a sudden downfall in the amount distributed by this branch to Rs.17,44,405 during 1983-84 and Rs.11,45,325 during 1985-86.

The reasons behind this downfall are :

1. NABARD became more active in distributing the loans after 1982. Its conditions were rigid so the L.D.Bank could not find proper scope in giving loans to the applicants.
2. The bank has stopped sanctioning loans for the repairing of well.
3. If there is a well which has water in abundance, the bank cannot sanction loan for another well nearby.
4. The L.D.Bank cannot sanction loans for new irrigation schemes unless the Irrigation Department gives licences to utilise water and the development of irrigation is very ~~is~~ reluctant to do so under the excuse that there is no water available.
5. Other nationalised and district cooperative banks began to provide long-term loans without having to observe the conditions imposed by NABARD.
6. The scheme of sanctioning loans for purchase of tractors by LDB is based on quota system. The LDB, Gadhinglaj, comes under this

Department

regard to

scheme and has completed its quota. However, the demand for loans for the purchase of tractors is very high, but the Bank can do nothing about it, as NABARD does not permit *to give* of such loans beyond the Bank's quota.