

CHAPTER I

INTRODUCTION

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1.1: IMPORTANCE OF LAND DEVELOPMENT BANKS:

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Agriculture, animal husbandary, trade and cottage industries are the four pillars of Indian economy. Nearly 82% of India's population resides in the villages and about 70% of India's population directly depends upon agriculture. Naturally India has been known as agricultural country. Agriculture is considered as the backbone of Indian economy. But unfortunately the productivity of Indian agriculture is very low. Improvement in agricultural productivity is necessary as it provides food and other wage-goods to the rising population. Moreover, it ensures a strong base for the future development of Industrial Sector,. Thus, agriculture is the most important sector in Indian economy and the development of agriculture is essential for general economic development of the country.

For the development of agriculture among other things the provision of credit on reasonable terms is the basic economic condition as the Indian farmers are economically very poor. The average farmers in India has hardly any finance to effect improvement in the land. Therefore, they have to borrow at one or another time. In this context Nicholson stated that , 'the history of rural economy is alike in Europe, America and India, has no lesson more distinct than this that agriculturists must and will borrow.'

The success of agriculture in our country depends not only on the use of new technology in shape of application

of high yielding varieties to more and more areas, use of better seeds, fertilizers and plant protection methods but also in the provision of adequate credit.

Agriculturists requires short, medium and long term credit. But the pressing need is the provision of long-term credit. In order to improve productivity continuous and adequate supply of long-term investible fund becomes necessary. "Utilization of long-term credit increases irrigated area which causes increase in productivity of land. Some recent studies pointout that investment on irrigation and irrigation equipments would require adequate supply of long-term credit!"¹ The provision of long-term finance for buying irrigation equipment and investment in irrigation appears to be pre-requisite for stimulating demand for production credit. Moreover, it is observed that availability of assured irrigation plays important role in the adoption of high-yielding varieties technology.

Explaining the importance of long-term credit R.B.I. has rightly stated that 'The long-term credit is more important and if any effective steps are to be taken to make the agriculturists credit worthy, this is the first problem which is to be tackled".

Thus, the priliminary need is to provide long-term credit to the agriculturists. Recently the long-term credit is badly needed by the cultivators for the development of water resources, and soil conservation practices, for farm machanisation, for purchase of cows and poultry farming. This ~~xxxx~~ ultimately increased the demand for

long-term credit.

At present the land development banks are providing this vital long-term credit to agriculturists. In recent years, their importance has considerably increased due to the emphasis on increasing the productivity of land and the yield of various food and commercial crops which can be possible only if a large amount of capital is invested for a pretty long period. Today LDBS prefer to advance loans for improvement of agricultural land and productive purposes, instead of those for repayment of old debts. These LDBS now faced the challenge of diversification of their loans to other subsidiary activities like dairy farming, Poultry farming etc. In the earlier days of history of LDBS only big farmers took advantages of loans from LDBS. But recently, more and more loans are being provided by the LDBS to small and marginal farmers. "The group on long term e agricultural credit (9th co-operative congress 1982) recommended that the LDBS should identify their efforts further and make positive efforts to increase the share of loans to weaker sections from 50% to the level of 75%". Considering this important role played by LDBS in India for the upliftment of agriculturists the researcher has selected the sub-branches of The Maharashtra State Co-operative Land Development Bank in Walva Taluka for present study. Various authorities have studied the working of LDBS at state level in India. But a detailed study of the role of land Development Banks at taluka level has not done by any researcher. This-consideration has inspired the

research in the field of Land Development Banking. Present study is an attempt in that direction.

1.2: STUDY AREA AND TOPIC:

The researcher proposes to work on "The role of the Maharashtra State Co-operative Land Development Bank in Walva Taluka" (1979-80 to 1983-84). The title of the topic proves that researcher has concentrated his attention only on Walva Taluka. The researcher has selected the Walva Taluka of Sangli district as it is very feasible for the researcher to collect the required data for this study.

Walva taluka is one of the eight talukas in Sangli District. It covers an area of 778 Sq.Km. which is bounded by Karad taluka in the north, Hatkanagale taluka in the South, Shirala taluka in the West and Targon taluka in the east. Krishna and Warna are the two rivers in the taluka. Warna river flows on Southern border of Walva Taluka.

GENERAL FEATURES OF WALVA TALUKA:

Some of the important general features of Walva Taluka can be stated as under.

1. Walva Taluka is progressive taluka from the point of view of co-operative movement. There are 52 co-operative agricultural societies, 23 other co-operative societies, 16 Urban societies, 64 co-operative dairies, 44 Banks (including commercial Banks) and 2 co-operative Sugar factories.

SANGLI DISTRICT

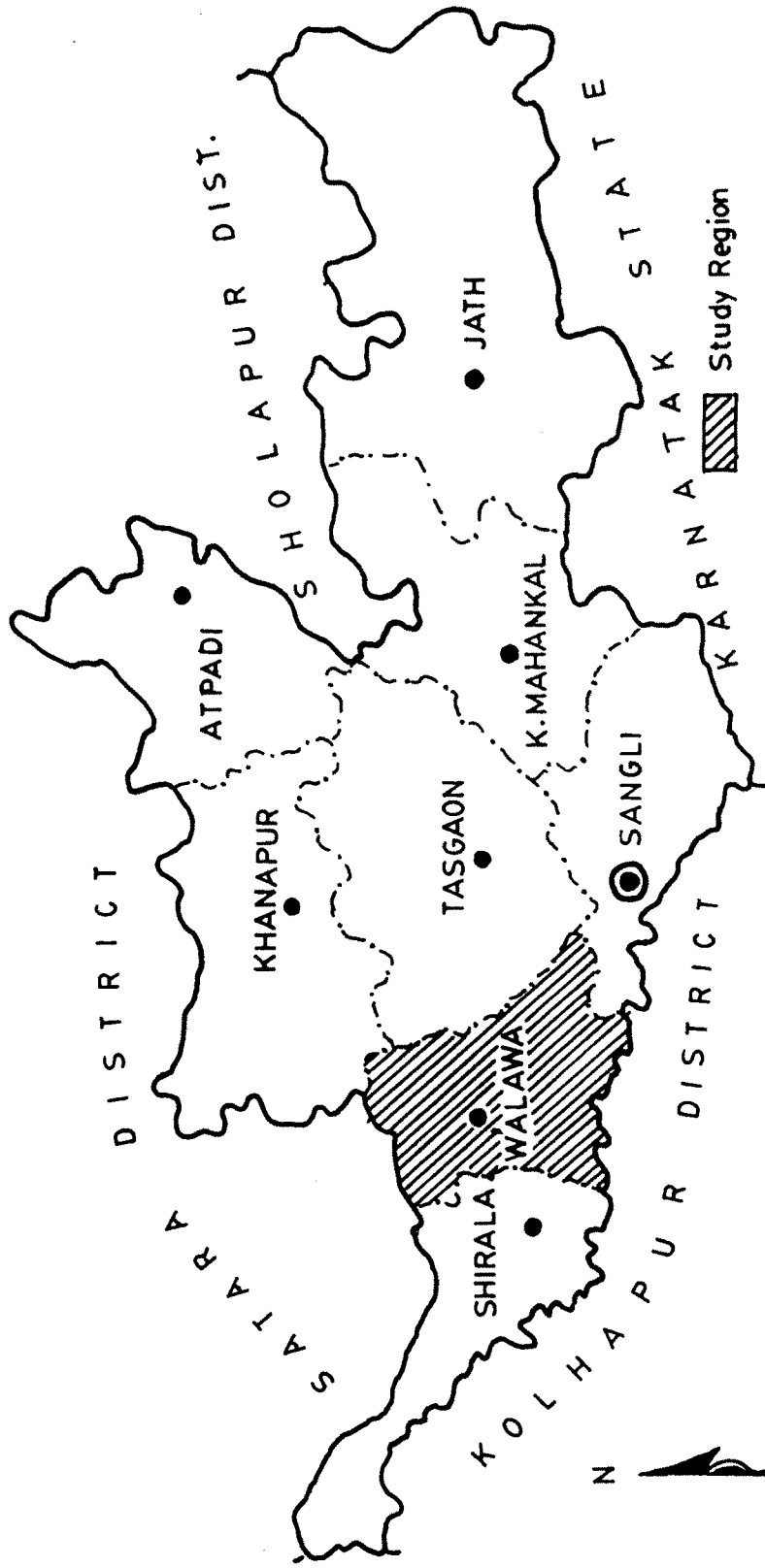


Fig. 1-1

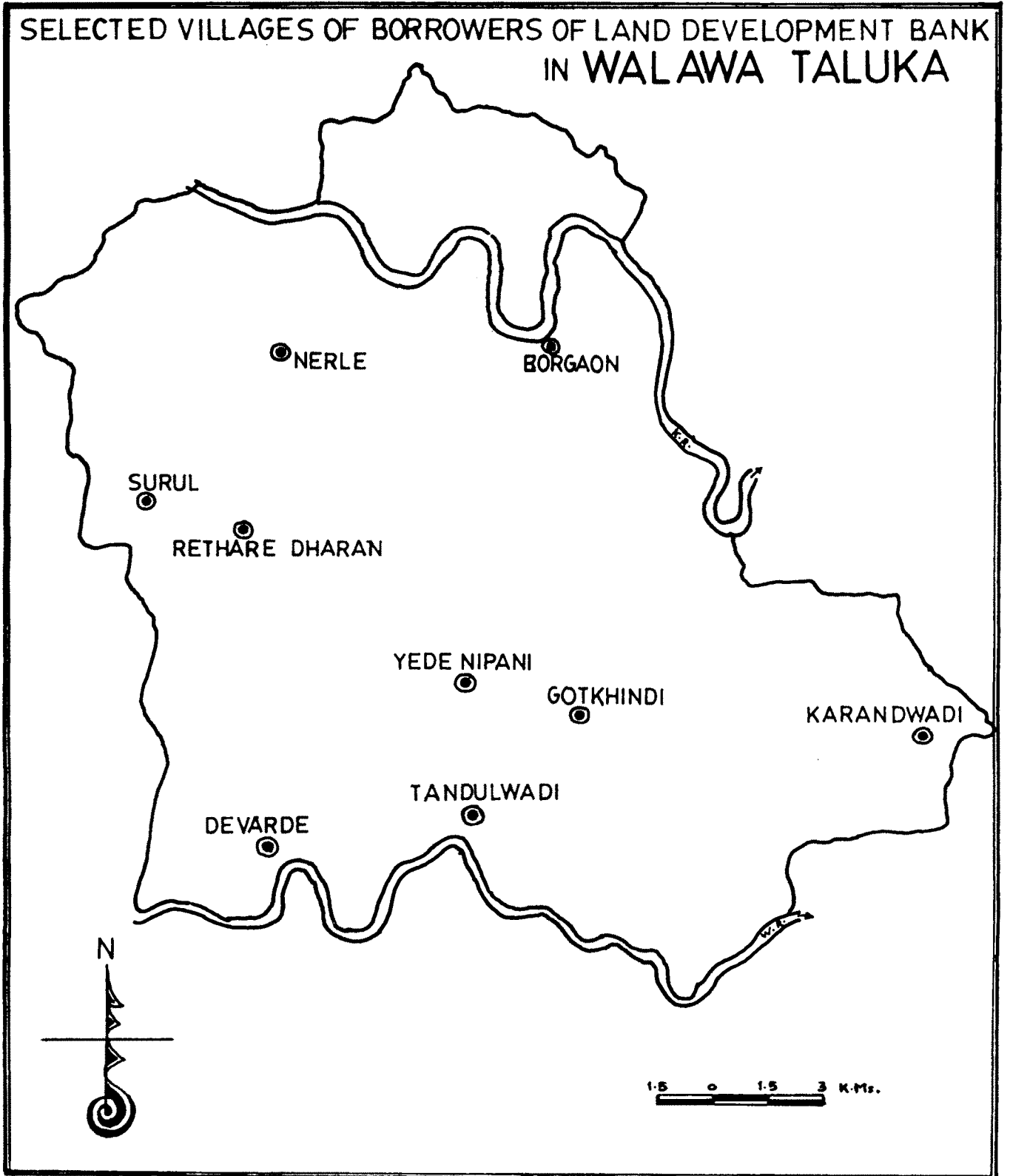


Fig.12

2. Total geographical area of Walua Taluka amounts to 78,700 hectares accounting for 9.80% of the total area of Sangli District. The details of the total area of Walua Taluka are as follows:-

a) Forests	3000	hectares
b) Barren and uncultivable land	5000	hectares
c) Land put to non-agricultural use	2100	hectares
d) Permanent pastures & other grazing land	400	hectares
e) Current fallow	2700	hectares
f) Other fallow land	900	hectares
g) Net sown area	64700	hectares

3. Total cultivable area of Walua Taluka accounts to 68,300 hectares of which 64,700 hectares in net sown area and 3,600 hectares is area sown more than once. The proportion of cultivable area to total area accounts for as much as 86.78%.

4. Total irrigated area in Walua Taluka is about 12,938 hectares, of which 3,363 hectares is net irrigated area and 9,575 hectares is command area. It constitutes 18.94% of total cultivable area.

5. Hy.Jawar and groundnut are the main crops while sugarcane is the main cash crop in Walua taluka. In spite of these cash crops various other crops such as Tobacco, Grape, wheat, Chilli, Rice are also produced in Walua Taluka.

6. Average annual rainfall # amounts to 20 to 25 inches in Walua Taluka.

7. There are 890 villages and 2 urban centers in Walua Taluka.
8. The total population of Walua taluka is about 3,01,302 of which 2,46,953 is rural population and 54,349 is urban population.
9. There are 59,373 cultivators in Walua taluka of which 49,514 are males and 9,859 are females.
10. The Maharashtra State co-operative Land Development Bank is functioning through its 3 sub-branches in Walua taluka. These branches are as follows:-
 - a) Islampur South
 - b) Islampur north
 - c) Ashta

Taluka-wise position of sub-branches of LDB Bombay in Sangli district is as follows:-

<u>NAME OF TALUKA</u>	<u>NO. OF SUB BRANCHES</u>
1. Shirala	1
2. Walua	3
3. Tasgaon	3
4. Khanapur	1
5. Mirej	1
6. Kavathe Mahankal*	1
7. Jat	1
8. Atpadi	<u>1</u>

TOTAL: 12 *

* Since July 1986 there are only 11 sub-branches of LDB Bombay in Sangli district, as it has been decided to

to close the Kavathe Mahankal sub-branch from 1st July 1986.

From the above table it is clear that 25% of the total sub-branches of LDB Bombay in Sangli District are located in Walua Taluka.

1.3: HYPOTHESIS:

It seems that the sub-branches of the Maharashtra State Co-operative Land Development Bank in Walua Taluka has advancing loans only for improvement of agricultural land and productive purposes. But at the same time these sub-branches have not yet diversified sufficiently their lending policy to subsidiary activities such as dairy farming, poultry farming etc. Further it seems that the distribution of long-term credit is uneven amongst the cultivators. Loan's share is always taken by large farmers and the small & medium farmers deprived of. Moreover, the recovery performance of these sub-branches is far from satisfactory. The mounting overdues of these sub-branches adversely affected their loaning operations.

1.4: OBJECTIVES OF THE STUDY:

The specific objectives of the present study are as follows:-

1. To study the extent of loans issued by 'The Maharashtra State co-operative Land Development Bank' in Walua Taluka for different purposes.
2. To know the type of agriculturists to whom loans were advanced by the LDB in Walua taluka.

3. To study the extent of loans utilised by the agriculturists in Walva Taluka.
4. To study the recovery performance.

1.5: SCOPE OF THE STUDY:

The present study covers Walva Taluka only. The study is related to some important aspects, like: loans issued, type of agriculturists, utilization of loans and recovery performance of the Bank. For the completion of this study five years period (1979-80 to 1983-84) of the working of the Bank is taken into consideration.

1.6: METHODOLOGY:

Both the primary and secondary data is used for this study. The primary data has been collected from the selected sample borrowers of the sub-branches of LDB in Walva taluka by using a questionnaire. The sample survey was under taken during the year 1985-86.

SELECTION OF BORROWERS:

For the purpose of sample survey, out of the total villages in Walva Taluka (90) 10% villages have been selected. Further on, out of the total borrowers in that 10% villages, who had received long-term credit from sub-branches of LDB, in Walva taluka, during 79-80 to 1983-84., 25% borrowers have been selected by stratified sample method.

Keeping in view the time limit for the present study and a large no of farmers receiving long term loans from sub-branches of LDB, the researcher has selected only 25% borrowers in 10% villages of Walva

Taluka as mentioned above. However, this sample survey is undertaken only to know the type of agriculturists; particularly the small, medium, & large farmers, level of education and caste structure, to whom loans were advanced by the sub-branches of The Maharashtra State co-operative Land Development Bank in Walua Taluka.

The secondary data have been collected from the office records of the sub-branches of LDB in Walua Taluka and Panchayat Samity office, Walua.

In addition to this personal discussions are also made with the sub-branch managers & supervisors of the sub-branches of LDB Bombay in Walua Taluka, particularly in connection with recovery performance.

Following simple statistical techniques have been made use of to ascertain results and conclusions

1. Growth index
2. proportions
3. Average
4. Simple average growth rate.

1.7: DEFINITIONS OF IMPORTANT CONCEPTS:

1) LONG TERM LOANS:

According to All India Rural Credit Survey Committee Report (1954) those loans exceeding 5 years are considered to be long term loans.

2) LAND DEVELOPMENT BANK:

According to Sec.111 of The Maharashtra State Co-operative Societies Act 1960 -

(A) Land Development Bank means any co-operative bank or banks advancing loans other than short term loans to or through the primary Land Development banks or directed

for the following purposes:

1. Land improvement & productive purposes.
2. Works undertaken by Lift irrigation societies & Electricity supply societies, for productive purposes.
3. Erection, rebuilding or repairing of houses for agricultural purposes.
4. The purchase or acquisition of title to agricultural lands.
5. The purchase of agricultural land by the persons whose agricultural lands have been acquired for any public purpose, or

6. The liquidation of debts &

B) Land Development bank means any other co-operative bank permitted by the Registrar under Sec.142 to function as a Land Development Bank.

As a separate LDBS ~~is~~ ^{are} now functioning in each District, no question has arisen for the registrar to permit any other bank to function as land development bank.

3) LAND IMPROVEMENT & PRODUCTIVE PURPOSES:

Land improvement & productive purposes means any work, construction or activity which adds to the productivity of the land and in particular includes the following:

1. Construction and repairs of wells, tanks and other works for the storage, supply or distribution of water for the purpose of agriculture, or for the use of men & cattle employed in agriculture.

2. Preparation of land for irrigation.
3. Bunding & similar improvements.
4. Reclamation, clearance & enclosure of permanent improvement of land for agricultural purposes.
5. Purchase of oil Engines, Pumping sets, Electrical motors.
6. Purchase of tractors or other agricultural machinery.
7. Construction of permanent farm, houses, cattlesheds etc.
8. Purchase of machinery for crushing sugarcane.
4. SMALL MEDIUM & LARGE FARMERS:

For the classification of sample borrowers as small, medium & large farmers following definition of medium & large farmers has been adopted.

'Those farmers having land holdings between 2 to 6⁷ hectares are considered as medium, & those having ~~xxxx~~ holdings upto 2 hectares are considered as small and those having land holdings above 6 hectares are considered as large farmers.'

5. UTILIZATION AND MISUTILIZATION: OF LOANS:

Utilization of credit refers to the use of credit for the purpose for which it was originally granted. The term misutilisation of loan may be defined as the use of credit for a purpose other than the one for which it was originally granted.

1.8: CHAPTER SCHEME:

The entire work is divided into six chapters.

Chapter first deals with the importance of study, objectives of the study and methodology.

Chapter Second explains the history and development of Land development banks. In this chapter need of specialised institution for long term credit, the rise of LDBS and their organisational pattern has been discussed.

Chapter Third deals with the long-term co-operative credit policy of India. In this chapter the changing nature of agricultural long-term credit policy and recommendations regarding the agricultural long-term credit policy has been discussed.

Chapter Fourth entitled 'Analysis of loans' deals with the role of sub-branches of LDB Bombay in Walwa Taluka in relation to sanction of loans, disbursement of loans and the type of agriculturists to whom these loans were advanced.

Chapter Fifth entitled 'Analysis and Interpretation of Data' deals with the utilisation of long-term loans by agriculturists, outstandings, recovery and overdue position of sub-branches of LDB Bombay in Walwa Taluka.

Chapter Sixth deals with summary and conclusions. Suggestions made by the researcher are also included in this chapter.

: REFERENCES :

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2. Sammi Uddin and Mahzoofer Rahman:
: Co-operative Sector in India 1983-P.163
3. News Paper:Maharashtra Times - 19th July-1986.

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