

A CRITICAL STUDY OF THE IMPACT OF INSTITUTIONAL
FINANCE ON AGRICULTURE IN SELECTED VILLAGES OF
ERNAKULAM REVENUE DISTRICT

THESIS SUBMITTED TO
COCHIN UNIVERSITY OF SCIENCE AND TECHNOLOGY
FOR THE AWARD OF THE DEGREE OF
DOCTOR OF PHILOSOPHY IN ECONOMICS
UNDER THE FACULTY OF SOCIAL SCIENCE

By

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C E R T I F I C A T E

Certified that the thesis 'A Critical Study of the Impact of Institutional Finance on Agriculture in Selected Villages of Ernakulam Revenue District' is the record of bonafide research carried out by Shri.A.I.George, Part-time Research Scholar, Department of Applied Economics, Cochin University of Science and Technology, under the joint supervision of Dr.K.C.Sankaranarayanan, Professor and Head of the Department of Applied Economics, Cochin University of Science and Technology and myself.

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D E C L A R A T I O N

I declare that the thesis entitled 'A Critical Study of the Impact of Institutional Finance on Agriculture in Selected Villages of Ernakulam Revenue District' is a bonafide work done by me under the joint supervision of Dr.V.Karunakaran, Ex-Visiting Professor, Department of Applied Economics and Dr.K.C.Sankaranarayanan, Professor and Head of the Department of Applied Economics. I further declare that this has not previously formed the basis of the award of any Degree, Diploma, Associateship, Fellowship or other similar title of recognition.

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A. I. GEORGE

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CHAPTER - I

INTRODUCTION

1.1. Importance of Agriculture in India

Agriculture assumes great importance in a developing country like India for the many and varied contributions it makes to economic development. The share of the primary sector in the Net Domestic Product of India was 37.7 percent in 1985-86.¹ According to the 1981 Census figures, 59.4 percent of the working population in India was engaged in agriculture. Moreover, agriculture sustains much of the non-agricultural activities of the economy. It is the source of raw materials or inputs for a variety of manufacturing industries. Agricultural exports and imports constitute a considerable portion of the total foreign exchange earnings and expenditure of the country. Agricultural products account for about 50 percent of our aggregate exports.

1. At 1970-71 prices, Economic Review 1986, State Planning Board, Trivandrum, p.8.

Manufactures with agricultural content (such goods as manufactured jute, cloth and sugar) contribute another 20 percent of the exports. Thus agriculture accounts for 70 percent of India's exports.

In Kerala too, agriculture plays a predominant role in determining the net domestic product as well as the level of employment. The sectoral contribution of Net Domestic Product of Kerala by the primary sector stood at 39.0 percent in 1985-86 at 1970-71 prices.² The percentage distribution of total workers in Kerala by industrial category 1981, reveals that 52.9 percent of the total working population derived their livelihood directly from the primary sector.³

1.2. Indian Agriculture Prior to the Mid-Sixties

Agriculture in India prior to the mid-sixties was traditional in nature. Agricultural productivity was very low. The average rate of growth of agricultural output in India from 1891 to 1947 was only 0.11 percent per year.⁴ Even after the First Five Year Plan, the productivity of Indian agriculture continued to be low, although the output of food grains had

2. Ibid., p.8.

3. Statistics for Planning 1986 - Department of Economics & Statistics, Trivandrum - Aug. 1986, p.27.

4. Blyn, George, Agricultural Trends in India 1891-1947: Output, Availability and Productivity, Quoted by Dantwala, M.L. "From Stagnation to Growth", The Indian Economic Journal, Vol.XXIII No.2, Oct-Dec. 1970, pp.166-167.

increased at an average rate of 2.75 percent per annum during the period 1950-51 to 1965-66.⁵ This was attributed to the extensive method of cultivation where land and labour as traditional factors of production had greater contribution. Thus, Indian agriculture remained in a traditional stage till the middle of the sixties.

1.3. Agriculture and Indebtedness

Though agriculture provides employment to about three-fourths of the working population and contributes the major share of the national income, yet, in India, it is more a way of life than a pure business. As cultivation becomes un-economic, the cultivator is forced into a hand-to-mouth existence, which, in turn, presses him to borrow either for consumption or for investment in agriculture. The Indian farmer borrows year after year but he is not in a position to clear off the loans, either because the loans are larger or because his agricultural output is not large enough to pay off his debt. In this way, the debt of the farmer goes on increasing. This is what is known as rural indebtedness. It is the burden of debt which shackles agriculture and condemns the cultivator to a life of penury and

5. Ibid.

slavery which deprives him of the incentive to increase his production.⁶ As farming becomes uneconomic, the cultivator is forced to reduce himself to the level of mere 'subsistence' which, in turn, compels him to borrow both for consumption and agricultural operations. It is only common knowledge that rural masses borrow almost habitually. Neither the condition of the country nor the nature of land tenures, nor the position of agriculture affects the basic fact that agriculturists must borrow.⁷

1.4. The Need for Agricultural Credit

The need for credit originates from a number of factors. It may be essential for the temporary mobilisation of a farmer's capital which is locked up in his land and stock. In this case, indebtedness never becomes a symptom and cause of danger. Cyclical, seasonal and annual fluctuations in agricultural production may impart wide gap between income expected and originally realised from the farm. Farmers who have no sound savings to meet their essential requirements, in such circumstances, resort to borrowing left and right. Social customs and obligations often compel a poor farmer to borrow because his earnings from agriculture can never fully meet expenses due to his many and varied social obligations. In such cases, credit becomes a sign of weakness and cause of danger.

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6. Wolff, H, Co-operation in India, Thacker Spink and Coy. London 1927, p.3.
7. Nicholson, F.A., Report regarding the possibility of introducing Land and Agricultural Banks into the Madras Presidency, p.46.

1.5. Unorganised Money Market and Rural Indebtedness

In the classical sense, agricultural credit is a 'gap filling' agent between income and expenditure of farmers. In a backward agriculture wherein the unorganised money market plays a dominant role, the dynamics of debt is reflected in the process of involuntary market involvement of small and marginal farmers. It is this underlying mechanism of debt which serves the dual purpose of extracting surplus from small peasants through forced commercialization, on the one hand, and creating a continuous process of differentiation among them, on the other.⁸ It is interesting to note that while poor peasants are credit-worthy to private lenders, the institutional agencies never consider them so. Standing crops, promise to render future labour services, already encumbered land, revision of tenurial arrangements in case of default, which are generally unmarketable as collaterals in the organised money market, frequently serve as securities in the unorganised money market.⁹ Lender's risk in case of default is a genuine concern for institutions, but it is reduced to a largely irrelevant concept by private lenders in rural areas through systematic under valuation of collaterals that are typically unacceptable to institutions.¹⁰ It is

8. Bhaduri Amit, 'Economic Structure of Backward Agriculture', Macmillan, New Delhi, 1984, p.49.

9. Ibid., p.74.

10. Ibid., pp.82-83.

only natural that well-off peasants who have sufficient farm liquidity will try not to expose themselves to such transfer risks. The defaulted peasants who have accumulated debt to money lenders have no option but have to involuntarily sell their assets offered as collaterals. Thus, usury which is used as a convenient device by money lenders for accumulating assets through the transfer of under-evaluated collaterals leads to dispossession, pauperisation and proleterianisation of poor peasants.

1.6. Agriculture Credit and the New Technology

The New Technology, commonly known as 'Green Revolution' effected rapid changes in agriculture. The production of food grains rose to 108 million tonnes in 1970-71 from 88 million tons in 1964-65; and it went up to a record production of 150.6 million tonnes in 1983-84.¹¹ in 1985-86 and 1986-87, the figures stood at 150.4 million tons and 144.1 million tonnes respectively.¹² But, the new technology, though size-neutral in character, is well known for its capital intensity. The application of costly inputs like seeds, fertiliser and pesticides with assured irrigation, necessitates more investments compared to traditional agriculture. It is believed that the application of high dosage of capital can make agriculture a powerful engine of

11. Pany Raj Kishore, Institutional credit for Agriculture in India, Ashish Publishing House, New Delhi 1985, pp.2-3.

12. Agrawal A.N., Varma H.O., R.C.Gupta India, Economic Information Year Book, Op.cit., p.99.

growth. Once there are investment opportunities and efficient incentives, farmers will turn sand into gold.¹³ This growing importance of capital for transformation of agriculture points to the need for credit, for the majority of farmer's farm liquidity is very small and virtually nil. Big farmers were capable of purchasing the new technique because they were having sufficient investible funds derived from their own farms. At the same time, small and already indebted farmers in the traditional agriculture had no ways and means to adopt the new technology which would lead to increased productivity. In this context, the role of institutional finance to agriculture becomes significant and invariable.

1.7. Institutional and Non-Institutional Sources of Credit

The Reserve Bank of India has classified the credit agencies as Institutional and Non-Institutional. (a) Government, (b) Co-operative Society/Banks, (c) Commercial Banks, (d) Insurance, and (e) Provident Fund are grouped under "Institutional Agencies", and (f) Landlords, (g) Agricultural money lenders, (h) Professional money lenders, (i) Traders, (j) Relatives and Friends, (k) Others are grouped under "Non-Institutional Agencies."¹⁴

13. Schultz.T.W., Transforming Traditional Agriculture, New Haven 1964, p.70.

14. Reserve Bank of India Bulletin, "All India Debt and Investment Survey, 1981-82, Assets and Liabilities of Households as on 30th June 1981- Salient Aspects, p.447.

1.8. The Need for Institutionalisation of Agricultural Finance

The Agricultural Finance Sub Committee, while examining the role of money lenders in the rural money market, noted that the credit dispensed by money lenders acts as a serious drag on agricultural development instead of contributing to it.¹⁵ The nature of operation of the unorganised money market, as described by the All India Rural Credit Survey Committee, revealed that money lenders not only have an opportunity of amassing wealth, mainly through the snowballing of compound interest charges, but also get innumerable pecuniary benefits by acquiring a thorough grip over the peasants' life.¹⁶

Despite the various Acts enacted since independence to regulate the activities of money lenders, their hold on the rural credit market continued to increase. As a consequence, the need for strengthening institutional credit agencies was increasingly felt. The beginning of the institutional finance in agriculture dates back to the first decade of the present century with the enactment of co-operative societies act in 1904. Grant of taccavi and land improvement loans were the old forms of state-help.

15. Government of India, Report of the Agricultural Finance Sub Committee, New Delhi, 1945, p.59.

16. Reserve Bank of India, All India Rural Credit Survey, Report of the committee of direction, The General Report, Vol. II. Bombay, 1954, p.167.

Taccavi loans were first advanced as far back as 1873. Subsequently, a number of Acts were brought about in 1871, 1876 and 1897. Two Acts, namely, Land Improvement Act, 1883 and the Agricultural Loans Act, 1884 were enacted on the basis of the recommendations of the Famine Commission 1880. All these were intended to provide credit facilities for effecting permanent improvement to agriculture. The word 'improvement' meant enhancing the rental value of land. Whereas the Land Improvement Act provided long term finance, the Agricultural Loans Act envisaged the provision of working capital. The co-operative societies Act of 1904, prescribed broad principles, with an object to encourage thrift, self-help and co-operation among rural people. This Act did not make any provision for societies for purposes other than the supply of credit. The recommendations of Sir Frederick Nicholson who had studied the working of co-operative societies in Europe, were the guidelines for drafting the principal tenets of the Act. Since 1904, co-operatives were encouraged to act as the single source of institutional credit for agriculture. The role of commercial banks in providing credit to agriculture at that time was insignificant. Neither these banks nor the Government was in favour of the deployment of credit to cultivators directly by the commercial banking sector. The Informal Group of Institutional Arrangements for Agricultural Credit 1965 reported that

"one cannot look to the commercial banks for providing a satisfactory system on supplementary and transitional basis for any large scheme for the cultivating population in Indian conditions".¹⁷

In addition, the cultivators were also reluctant to borrow from commercial banks on account of the banks' unsuitable lending policy and inconvenient procedures. Thus, the share of agricultural credit by commercial banks was very low in India prior to the late sixties. The share of commercial banks in the total supply of credit to cultivators was 0.9 percent during 1951-52, and it further declined to 0.6 percent during 1961-62.¹⁸ However, the share of co-operative credit in the total supply of credit to cultivators rose from 3.1 percent in 1951-52 to 15.5 percent in 1961-62.¹⁹

Again, it went up to 22.0 percent in 1971.²⁰

1.9. The Introduction of Multi-Agency Approach

The study group appointed by the Reserve Bank of India on organisational framework for the implementation of social objectives held the view that co-operatives would fail to meet such

17. Government of India, Report of the Informal Group on Institutional Arrangements for Agricultural Credit, New Delhi, 1965, p.85.

18. Report of the All India Rural Credit Review Committee, p.100, Table-1.

19. Ibid.

20. Reserve Bank of India Bulletin "All India Debt and Investment Survey, 1981-82", p.447, Table-7.

big amounts of credit-requirements as suggested by new technology and the new technology would not yield the expected results owing to the inadequate supply of institutional credit.²¹ The supply of credit from co-operatives was not only inadequate but inequitous too. The lending policy of co-operatives had a high bias towards big land-holders. While the per-hectare supply of co-operative credit to small farmers increased from 54 percent in 1962-63 to 58 percent in 1967-68, the corresponding figures for the period, increased from 100 percent to 154 percent in the case of large farmers.²² These drawbacks and weaknesses of co-operatives led to review the agricultural credit policy in India.

As a result, the introduction of other institutional agencies, mainly, commercial banks, to finance agriculture was suggested. The establishment of Agricultural Credit Corporation was another alternative suggestion. However, the agricultural credit situation in India did not undergo a great change till the nationalisation of 14 major commercial banks on the 19th of July 1969. The bank nationalisation upheld the role of commercial banks as very important in the field of agricultural credit. Thus, a multi-agency approach to finance agriculture was introduced with the nationalisation of banks in 1969.

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21. Report of the All-India Rural Credit Review Committee, pp.88-95.
 22. Rao C.H. Hanumantha, "Farm Size and Credit Policy", Economic and Political Weekly, Vol.V No.52, Dec.26, 1970.

Moreover, the Banking Commission (1972) recommended the establishment of Rural Banks. In 1976, the National Commission on Agriculture recommended the establishment of Regional Rural Banks. Initially, five regional rural banks were set up in 1975. In 1986, there were 193 regional rural banks with 12,600 branches all over India.

The nationalisation of six more commercial banks in 1980 was another step that facilitated the process of agricultural financing in India. The establishment of a separate bank at the national level for agriculture and rural development (NABARD) in 1982 was an important landmark in the development multi-agency approach.

1.10. Problem Under Study

Vast changes have taken place in the field of institutional rural credit in India since the nationalisation of nineteen commercial banks in 1969. The supply of institutional finance to cultivators amounted to 63.2 percent of the total credit in 1981 compared to 31.2 percent in 1971. Institutionalisation of agricultural credit envisaged two objectives in general. One was to emancipate cultivators and farmers from the clutches of indigenous financiers and money lenders. The second was to make farmers financially capable of adopting the new technology or improved practices in agriculture so as to increase their agricultural production and thereby contributing to the development of agriculture in India.

In order to realise the first objective, it was essential to enhance the institutional credit supply. The decadal change in institutional rural credit supply from 1971 to 1981 as shown by the Reserve Bank of India reports revealed that the **endeavours** made by institutional agencies in this regard were promising. But the second objective which related to the qualitative aspect of credit pre-conditioned the productive and proper utilisation of the borrowed fund. As long as the credit is not utilised for productive purposes in agriculture, there is not much meaning in credit expansion by institutional agencies. It can be argued that because small farmers in India have higher propensity to consume, it is possible that they divert the production credit either fully or partially to consumption needs.

In Kerala, where the propensity to consume non-food items like medicine, education, clothing etc. is higher among all classes of people, it can be argued that the tendency to divert the production credit is also higher in Kerala.

The diversion of credit may constitute a high risk in repayment of credit. Even if small farmers use credit for production, because of their higher marginal propensity to consume, the increased income may be used for consumption rather than repayment of credit. The two important problems facing those who could not repay the borrowed funds within the stipulated period are,

- 1) the borrowers lose their integrity and credit-worthiness before the institutional agency, and
- 2) consequent on the accumulation of overdues a permanent relief from indebtedness becomes impossible.

Another problem is related to the nature of credit distribution among different classes of cultivators. In contrast to the attitude of institutional agencies before 1969 "credit-worthiness" has been redefined immediately after the introduction of multi-agency approach in the field of agricultural finance. Accordingly, the progressive idea of need-based credit replaced the old notion of creditworthiness which was identified with "asset-worthiness" of borrowers. This deviation from the objective to the subjective approach brought about certain loopholes and posed some technical problems in institutional credit management. Few excerpts from "...Instructions on Agricultural Finance 1980" issued to managers of commercial banks would make it clear. In one chapter it said, "There is no upper limit for the amount sanctioned to individuals or group of farmers. The only criterion is that the loan amount should be need based and for agricultural production purposes."²³ In contrast to this, another chapter prescribed a strict limit to credit, based on specific arithmetical

23. Check list and Compendium of Instructions on Agricultural Finance 1980, Chapter-IV, p.2.

calculation regarding the scale of finance to agriculture.

According to this calculation, the scale of financing agriculture was related to the yield per hectre, total income per hectre and net surplus produced.²⁴ This would, indirectly mean that those who owned more land or assets could command more credit. Thus, the norm 'asset worthiness' to assess creditworthiness reappears and continues to exist there with all the constraints.

Apart from this, the new provision did not prevent large land holders with big farm liquidity from borrowing for working capital in agricultural operations. In addition, the instruction to bank managers that "Finance should be extended for viable or potentially viable proposals and subsistence farmers should be excluded"²⁵ indirectly encourages to turn the direction of credit supply towards those "asset-worthy"-cum-credit-worthy cultivators. In the case of big cultivators capable of producing sufficient surplus within the farm house hold itself for investment as working capital, crop loan is unnecessary. Therefore, borrowing of crop loan by any cultivator with sound farm liquidity should be viewed seriously in the sense that there is a possibility of diversion of the borrowed money. The credit supply agencies are particularly interested in the recovery of the money lent. Though strict procedures are

24. Ibid., Chapter-V, p.1.

25. Ibid., Chapter-X, p.2.

prescribed to supervise the utilisation process, there are chances that some borrowers would divert the fund. There are chances that well-off farmers who have borrowed from institutional agencies relend it at exorbitant rates of interest to small and marginal farmers who never get adequate credit for their needs from institutional agencies for want of asset worthiness. It will be, therefore, highly useful to probe into the mechanism of credit diversion in the sense that it can find out those factors that prompt different classes of borrowers to divert credit in an economy where different sectors have attained different levels of development.

In Kerala, where development of the service sector has relatively gone ahead, such an inquiry seems to be quite significant.

1.11. The present study is an attempt to examine the above-said problems in Kerala at the village level. The study has been conducted with the following objectives.

1. To study the nature of borrowal and the criteria for credit distribution among different categories of farmers.
2. To study the nature of credit utilisation by different categories of farmers.
3. To identify the important factors that induce borrowers of different size-classes to divert credit.

4. To examine overdues position among different classes of farmers.
5. To understand the socio-economic situation in which credit diversion and debt accumulation take place.

1.12. Hypotheses

In pursuance of the above objectives, the study has advanced the following hypotheses.

- 1) Institutional credit could not replace small peasants' dependence on rural merchants and money lenders.
- 2) The magnitude of borrowing by cultivators from institutional agencies is independent of the farmers' need for agricultural credit or their farm liquidity. Indeed, it depends on the credit availability to and creditworthiness of the cultivators.
- 3) Diversion of agricultural credit is a usual practice among land holders of all size-classes.
- 4) Increased supply of institutional finance could not substantially contribute to the growth of capital equipments in agriculture.
- 5) Institutional finance to agriculture can prevent cultivators from being dispossessed of their capital assets as well as valuables like gold ornaments.

1.13. Scope of the Study

Though vast literature on Institutional Credit and agriculture is available, no indepth and serious work examining thoroughly the cause of credit diversion has been undertaken so far. The present study is an attempt to fill up this gap. The study will be helpful to lending institutions, viz. Co-operatives, Commercial banks and various other institutional agencies in connection with their lending activity. Also, the study will help government in formulating proper policies that will insure a preferential treatment in favour of the most needy category of farmers and cultivators with respect to agricultural credit disbursement.

1.14. Data Base and Methodology

The study has made use of information and statistics from various publications of the Reserve Bank of India; Government of India; Department of Agriculture, Government of Kerala; Directorate of Economics and Statistics, Government of Kerala; and State Planning Board, Government of Kerala etc. However, as the study is mainly related to the utilisation aspects of credit for which adequate secondary data and literature are not available, a primary level inquiry, using survey schedules and structured questionnaires, was conducted.

The field study was conducted in two selected villages of Ernakulam Revenue District of Kerala. A selection at the taluk level was made prior to the basic selection of villages. The following criteria were adopted for the selection of taluks as well as villages (a) The proportion of cultivators among total main workers in the area (b); The number of institutional agencies in the area giving priority to agricultural financing, and (c) The cropping pattern.

Ernakulam district has 7 taluks. As per the census of India 1981, the ratio showing the percentage distribution of cultivators on main workers was highest for Muvattupuzha (23.38 percent) taluk and second highest for Kothamangalam (20.43 percent) taluk. There were 46 and 28 institutional agencies financing agriculture in Muvattupuzha and Kothamangalam taluks respectively during the reference period. Compared to other taluks in the district, the taluks under consideration had a relatively advanced agro-oriented banking set up. Moreover these taluks had a uniform cropping pattern in the sense that almost all major crops in Kerala were cultivated there. Therefore, Muvattupuzha and Kothamangalam Taluks were selected at the taluk level.

Coming to the village level, two villages, one each from the two taluks, were selected based on the same criteria.

Muvattupuzha taluk is constituted by 18 villages. The ratio showing the percentage distribution of cultivators among the main workers, as per the census of India 1981 records, was found highest for Elanji (35.19 per cent) village in the taluk. . There were 3 scheduled banks (including one branch of the Lead Bank for the district) and one village Co-operative Bank in the village. Regarding cropping pattern the village was found typically representing Kerala. Hence, Elanji from Muvattupuzha taluk was selected for the field study.

The same method was applied in selecting Kadavoor village from Kothamangalam taluk.

From each village, 40 cultivators were selected at random from a list of cultivators. The cultivators were categorised into the following size-classes of land holding.

less than : 50 Cents
 50 - 100 "
 100 - 200 "
 200 - 500 "
 500 -1000 "
 above 10 : 1000 "

Data given by the cultivators regarding the ownership of land was verified with the basic tax register and other related records kept in the respective village offices.

Thus, the sample size for the field study in the district included two taluks, two villages and 80 farm households. The sample villages had 4 scheduled banks including 2 lead bank branches and 2 village co-operative banks during the reference period.

For the collection of data, both survey and interview methods were adopted. Information from the sample cultivators was collected by a structured survey schedule.

The reference period for the study was 1983-1986. The field study was conducted in three phases; one visit each to a sample cultivator household in every year.

1.15. Scheme of the Study

The study is divided into 8 chapters.

The first chapter introduces the research problem along with the objectives, hypotheses and methodology adopted for the study.

In the second chapter, a review of related literature is presented. Innumerable studies on rural credit have been undertaken by the Reserve Bank of India. Many social scientists, both Indian and foreign, also have carried out enquiries to understand the mechanism of rural credit in India. None of these studies has focussed attention on the specific factors underlying credit diversion.

1.16. Limitations of the Study

As adequate secondary data on the utilisation aspects of institutional credit to agriculture is unavailable, the study has to depend on the primary data collected through a survey schedule from 80 randomly selected farm - households in the two villages of Ernakulam revenue district. Had the number of households been bigger it would have adequately contributed to the analytical generalisations and the general findings of the study. But, because the randomly selected households are spread unevenly in various parts of the villages, it was difficult to collect data from more households due to limited time and finance.

With regard to the collection of data, unlike in industry, where the nature of organisation and the prevalence of book-keeping practices possibly account for the greater reliability and accuracy of quantitative information, data on the assets and financial aspects of agriculture are prone to be less accurate. It is common among all cultivators that they do not keep regular accounts on all matters relating to agricultural operations. Hence, valuation of assets, especially those created on the farm and for which we have no direct market valuation, poses a difficult problem. Similarly, evaluating the depreciation of a non-standardized variety of capital asset is another difficulty. Hence, implements and machinery owned by cultivators are evaluated at current market prices and depreciation charges as a certain percentage of its

value. Difficulties multiply when data on income and expenditure, savings, rents and interests are to be obtained. This arises not only due to the absence of proper records but also to the chance of misreporting. However, maximum possible efforts were made to overcome such difficulties in order to collect reliable and relevant data.

As per the classification of the Reserve Bank of India, there are five categories of institutional agencies viz. (1) Government, (2) Co-operative Societies/Banks (3) Commercial Banks (4) Insurance and (5) Provident Fund. But, the present study has included only two categories namely (1) Co-operative societies/banks and (2) Commercial Banks for the following reasons. Firstly, the pilot survey conducted in the sample villages showed that the number of beneficiaries from sources other than these two was insignificantly small. Secondly, it was very difficult and time consuming to make a cross-checking of the details given by such beneficiaries, with the office from where they got credit, because the concerned offices were situated far away from the sample villages. Thirdly, as far as the sample villages were concerned, the major share of its agricultural credit had been supplied by these two agencies.

CHAPTER - II

REVIEW OF RELATED LITERATURE

2.1. The growth of institutional arrangements since the introduction of the multi-agency approach in the field of agricultural finance has widened the scope of literature on it, considerably. A large number of studies on different aspects of institutional credit have been made by several expert committees and individual scholars. The present chapter attempts to make a brief review of the important studies related to institutional finance for agriculture in India.

All works done hitherto have attempted to examine the following five major issues connected with institutional credit for agriculture.

- 1) The magnitude of rural indebtedness
- 2) Supply of Institutional credit
- 3) Assessment of production credit requirements
- 4) Utilisation and repayment of credit
- 5) Problems of institutional credit

2.2. The Magnitude of Rural Indebtedness

The Reserve Bank of India conducted four decennial surveys with an objective to build up dependable estimates of assets and liabilities, borrowings, capital formation etc. of cultivators at state and all India levels. The first two decennial surveys, viz; the All India rural credit survey, 1951-52 (A I R C S) and the All-India Rural Debt and Investment Survey 1961-62 (A I R D I S) were conducted by the Reserve Bank of India. The third and fourth decennial surveys on debt and investment were carried out by the National Sample Survey Organisation, (N S S O), Government of India in the 26th and 37th rounds respectively, at the instance of the RBI.

Prior to the All-India Rural Credit Survey of 1951-52, there was no organised effort to assess the level of rural indebtedness in India. Before the Second World War, the figure of rural indebtedness was roughly indicated according to certain estimates as Rs.1800 Crores and during the post-war period the amount of rural indebtedness was estimated to have come down to Rs.900 Crores.¹ It was only from the Rural Credit Survey Report (AIRCS) 1951-52 of the Reserve Bank of India that separate information regarding indebtedness among cultivators in India was first made available. The report revealed that the average

1. Choubey-B.N., - Institutional Finance for Agricultural Development, Shubhada Saraswat, 67 Patel Estate, Pune-41100 ,p.22.

borrowing per cultivator was Rs.210.² The survey observed wide variations in the average borrowings per cultivator household as between one state and another in India. These variations in the level of average borrowings were argued to be connected with the stage of agricultural development, the type of farming, the nature of crops, cropping pattern, the method of cultivation, the state of monetisation and the availability of credit from institutional sources. The survey also found that the borrowings varied between different classes of cultivators ranging from Rs.111 per family for small cultivators and Rs.173 per medium cultivators to Rs. 357 per family for large cultivators. It was explained that this might be due to the variations in the requirements, debt absorbing capacity and varying degrees of borrowers' credit-worthiness. An examination into the purpose-wise borrowings revealed that 46.9 percent of the cultivators' borrowing was for family expenditure, 31.5 percent was for capital expenditure on the farm and 10.6 percent was for current cultivation expenses on the farm.

According to the All-India Rural Debt and Investment Survey (RBI) 1961-62, about 52 percent of the cultivator families reported borrowings, for the country as a whole. In the case of indebted cultivators the survey observed wide variations as between

2. The All-India Rural Credit Survey 1951-52, Reserve Bank of India, Bombay.

proportion of loans obtained from institutional sources in Kerala was 16.5 percent. The corresponding figure for India as a whole was 16.8 percent.⁵ This would mean that the level of institutional credit supply to agriculture in Kerala was more or less the same as in the country as a whole. But, the All-India Debt and Investment Survey 1981-82 revealed that the percentage of indebted cultivator households in Kerala was higher than that in India as a whole. While the percentage of indebted cultivator households stood at 22.34 in India as a whole, the corresponding figure for Kerala was 29.54.⁶

A comparative analysis revealed that the proportion of indebted households decreased quite sharply in the rural sector from 43 percent in 1971 to 20 percent in 1981, but the average debt per rural household increased during the decade from Rs.500 in 1971 to Rs.661 in 1981.

A statewise distribution of cash dues as assessed by the All-India Debt and Investment Survey 1981-82 revealed that the percentage distribution of cash dues owed to institutional agencies by cultivators in Kerala was 78.9 percent⁷ of which 5.8 percent came from the Government, 33.8 percent contributed by Co-operatives, 37.5 percent supplied by commercial banks including

5. The All-India Debt and Investment Survey 1961-62, The Reserve Bank of India Bulletin 1965, Sept. and Dec.

6. Reserve Bank of India, Dept. of Statistical Analysis Computer Services, Bombay, All-India Debt and Investment Survey 1981-82, Assets and Liabilities of Households as on 30th June 1981, p.441.

7. Ibid., Table-4.1.3, p.45.

regional rural banks, 0.4 percent given by Insurance and 1.4 percent distributed by Provident Fund. It is visible from the survey results that Kerala, out of the seventeen states described in the report, remained one among the four states in India where the percentage distribution of credit to cultivators by institutional agencies was the highest.

2.4. Supply of Institutional Credit

The trend in the supply of institutional credit during 1970-71 was analysed by the National Council of Applied Economic Research (NCAER). A survey conducted by the Council revealed that 30.3 percent of the total borrowings made by the cultivating households in the country was from the institutional agencies, viz. Government, Co-operatives and Commercial Banks. The survey results showed that the share of cooperatives was the highest (22.7 percent) followed by commercial banks (4.0 percent) and then by the Government (3.6 percent).⁸ Later, the All-India Debt and Investment Survey 1971-72 conducted by the Reserve Bank of India throughout the country showed that the borrowings from institutional agencies were 21.7 percent of the total cash borrowings of the cultivator households.⁹ The third decennial survey conducted by the Reserve Bank of India, thus, revealed that the supply of institutional credit to cultivators had increased in 1971-72 compared to the early sixties.

8. National Council of Applied Economic Research, Credit requirements for Agriculture, New Delhi, 1974 p.80 Table.32.

9. RBI, All-India Debt and Investment Survey 1971-72, Statistical Table Relating to Cash borrowings and Repayments of Households during July 1971 to June 1972 and cash outstanding as on 30th June 1972, Bombay 1978, p.26.

The Review committee of the Reserve Bank of India calculated the progress of institutional credit supply to agriculture to observe that both the primary agricultural credit societies and commercial banks were successful in achieving their lending targets.¹⁰

As regards Kerala, the committee found that the supply of institutional credit was the highest in Kerala (Rs.268) followed by Tamil Nadu, Punjab and Gujarat.¹¹

The inter-state variation in credit disbursal was noted by the committee to Review Arrangements for Institutional Credit for Agriculture And Rural Development, after studying the supply of institutional credit to cultivators in 1977-78.¹² General studies at the individual level were launched to look into the uneven distribution of agricultural loans in different states in India. Gupta and Balareo¹³ while discussing the problem remarked that the regional difference in technological progress might be the reason for the regional variations in credit disbursal. In another study on inter-regional as well as intra-regional disparities in the flow of credit, the authors found several factors influencing the demand

10. Reserve Bank of India, Regional Rural Banks, Report of the Review Committee, Bombay 1978 pp.8-9.

11. Ibid., p.32.

12. RBI, Report of the committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) pp. 41-42.

13. Gupta, S.B.L., Balareo.M.M. and Venketeswaralu.M. "Regional inequality in the supply of co-operative credit in India", Indian Journal of Agricultural Economics, Vol.XXXIII, No.4, Oct. Dec. 1978, p.157.

for agricultural credit along with the supply of it to be vitally important in determining the variations in credit flow.¹⁴ As per the findings of the study conducted by S.K. Tewari and J.S. Sharma,¹⁵ inter-state disparities in the disbursement of farm credit have declined because of the expansions of general branch net-work. A study conducted in seven regions of the state of Maharashtra found that the supply of farm credit by commercial banks was abnormally high for the Greater Bombay as compared to the remaining six regions.¹⁶

Regarding the distribution of institutional credit among different size-groups of cultivators, the study conducted by the National Council of Applied Economic Research found that while small farmers (below 2 hectares) could get only a small portion of the total lendings of cooperatives and commercial banks, the large size category (above 6 hectors) could obtain 35 to 36 percent of their total lendings.¹⁷ A study conducted in Ludhiana

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14. Mukhopadhyay, A., Banerjee, B.N., and Saitra B.N., "Variations in flow of credit-A cross-sectional analysis" Financing Agriculture, Vol.XI, July-Sept. 1979, p.23.
 15. Tewari, S.K. and Sharma, J.S., "Disparities in Flow of Rural Bank Credit among Major States in India". Indian Journal of Agricultural Economics, Vol.XXXIII No.4 Oct. Dec. 1978, p.144.
 16. Dhongade, M.P. and Dangat, S.B., "Regional Disparities in Farm Finance By the Commercial Banks in Maharashtra". Indian Journal of Agricultural Economics, Vol.XXXIII No.4, Oct. Dec. 1978, p.131.
 17. National Council of Applied Economic Research, Credit Requirements for Agriculture, p.81, Table-34.

district revealed that the average amount borrowed by large farmers from institutional agencies was significantly higher than that of small and medium farmers.¹⁸ The findings of another study on agricultural advances made by the Lead Bank in Varanasi district of Uttar Pradesh, in the year 1971-72, disclosed that 40 percent small farmers received only 21.08 percent of the total loans advanced to cultivators while 33.33 percent medium farmers and 26.67 percent large farmers received 32.60 percent and 43.32 percent of the advances respectively.¹⁹ D.Kumar and A.S.Kahlon in their study found that on an average, the amount of overdues per small, medium and large farmer was Rs.2843, Rs.2423 and Rs.4330 respectively.²⁰ Lavenia and others, through a case study in U.P., revealed that small farmers who consisted of 21.53 percent of the total sample borrowers received only less than 4 percent of the total bank loans, whereas large farmers who were 41.54 of the total number got more than 83 percent of the total bank loans.²¹

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18. Kumar, Darshan and Kahlon, A.S. "A critical Study of Farmers', Indebtedness in Ludhiana District" Financing Agriculture, Vol.X. No.3 Oct. Dec. 1978, p.4.
 19. Pandey H.K. "A Study of credit Requirements and Advances by Lead Bank in Varanasi, U.P.," Economic Affairs, Vol.17, Nos. 7-10 Sept. Oct. 1972, p.443.
 20. Kumar, Darshan and Kahlon, A.S. "A critical study of Farmers' indebtedness in Ludhiana District" Table 1 op.cit. pp.4-5.
 21. Lavenia, G.S., Balerao, M.B., and Tiwari, M.P., "Commercial Banks and the small Farmers" Economic Affairs, Vol.21, No.5, May 1976, pp.170-171.

Almost all studies relating to the pattern of distribution of institutional credit observed that the access to institutional credit for small farmers or weaker sections in agriculture continued to be limited. The report of the working group on Rural Credit²² has strengthened the abovesaid observation.

The All-India Debts Investment Survey 1981-82 has brought out certain interesting observations regarding the relationship between the cash dues of different asset groups among cultivators and credit agencies. Table 4.2.3 in the survey reports revealed that there existed direct relationship between the value of assets owned by cultivator and the amount of loans advanced by institutional agencies. As per the table, while cultivators in the asset group of 5 lakhs rupees and above could get 94.8 percent of their total credit from institutional agencies, those in the asset group of less than 1000 rupees, could borrow only 4.6 percent of their total borrowal from institutional sources.²³

22. Government of India, Ministry of Commerce, Civil Supplies and Co-operation, Report of the Working Group on Rural Credit and Co-operation, Medium Term Plan, 1978-1983, New Delhi, 1979, p.5.

23. RBI, Dept. of Statistical Analysis & Computer Service Bombay, All India-Debt and Investment Survey 1981-82 Op.cit. Table 4.2.3, p.52.

2.4. Assessment of Production Credit Requirements

As regards literature on assessment of production credit requirements, certain reliable calculations were made in all the first three decennial surveys conducted by the Reserve Bank of India, though the term "credit requirements" was defined there in a narrow sense. As per this estimate the total borrowings of cultivating households were placed at Rs.750 crores for 1951-52,²⁴ Rs.1034 crores for 1961-62²⁵ and Rs.1155 crores for 1971-72²⁶. All these estimates, were based on the 'borrowing approach' to assess credit requirements. But consequent upon the adoption of the New Agricultural Strategy, the 'expenditure approach' otherwise known as 'cost of production approach' began to replace the borrowing approach in credit assessment. The working group set up by the Agricultural Production Board (1965), the All-India Rural Credit-Review Committee (1969) and the National Commission on Agriculture had adopted the 'cost of production' method in the assessment of production requirements in agriculture, in India. A.C. Shah's study was to give a projection of the demand for agricultural credit using a very simple method.²⁷

24. All India Rural Credit Survey, the Survey Report, p.1045.

25. Report of the All-India Rural Credit Review Committee, p.105 Table-3.

26. All-India Debt and Investment Survey 1971-72 Statistical Tables Relating to cash borrowings and Repayment of Rural Households During July 1971 to June 1972 and Cash Dues Outstandings as on 30th June 1972, p.10.

27. Choubey B.N., Op.cit., p.38.

The working group (1965) had estimated the production credit requirements at Rs.1106 crores assuming 40 percent, and in some cases 70 percent of the total cash requirements for various inputs.²⁸

The review committee in 1969, made an improvement in its earlier estimate by projecting credit requirements area-wise and crop-wise. According to them, the cash credit requirement was estimated at Rs.1173 crores. The credit requirement for kind components, when added to the above, the total credit requirements went up to Rs,2000 crores.²⁹

The National Commission on Agriculture (NCA) had resorted to a different approach in estimating the production credit requirements. Here, the projection was made both area-wise and farm size-wise. For this purpose, the commission classified the area into irrigated and unirrigated; farmers into small, marginal, medium and large. Thus, the production credit-requirements were worked out at Rs.7230 crores for the year 1985.³⁰

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28. Report of the All-India Rural Credit Review Committee, Op.cit., pp.81-82.
 29. Report of the All-India Rural Credit Review Committee, Op.cit., pp.84-88.
 30. Government of India, Ministry of Agriculture and Irrigation, Report of the National Commission Part XII Supporting Services and Incentives, New Delhi, 1976. p.103.

Assessments of the production credit requirements were made at individual levels also. P.C.Bansils' projection of production credit requirements for India as a whole stood at Rs.987 crores for the year 1973-74.³¹ However, all these macro level estimates on credit requirements were criticised on the ground that macro level estimates could not give effective and clear guidance to institutional personnel in disbursing farm credit.³²

Subsequently, several microlevel assessments of production credit requirements were also made in various parts of the country. B.M.Desai and D.K.Desai together made a noted work on the lines as described above in one of the districts in Gujarat. Sharma and Prasad brought out another micro-level assessment of production credit requirement, based on details collected from some districts of Uttarpradesh.³³ Singh and Gupta using single average method had made assessment of

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31. Bancil P.C., "Short-Term Credit Requirements at the End of the Fourth Plan Period 1973-74." Indian Journal of Agricultural Economics, Conference Number Vol, XXVI, No.4, Oct. Dec. 1971, pp.467-472.
 32. Desai, B.M. and Desai, D.K., Farm Production Credit in changing Agriculture, I I M, Ahmedabad, 1971, p.1.
 33. Sharma, J.S. and Prasad, B., "An assessment of production Credit Needs in Developing Agriculture", Indian Journal of Agricultural Economics, Vol. XXVI, No.4, Oct, Dec. 1971, pp.503-511.

production credit requirements in Agra District.³⁴ Both macro and micro level methods were used for the assessment of production credit requirements.

2.5. Utilisation and Repayment of Credit

As the core of the present study ^{is} constituted ^{by} the utilisation as well as the diversion aspects of institutional credit in agriculture, an overview of literature on it is very essential. Though there are a number of studies on the utilisation aspects of credit, yet, there hardly exists a comprehensive and analytical study that probes into the multi-faced problem of credit diversion. Hence the scope of reviewing literature on agricultural credit diversion is very much limited. However, an attempt is made here to have a look at the various aspects of credit utilisation.

According to Horace Belshaw,³⁵ the institutional credit differs from non-institutional credit mainly on the basis of supervision over the end-use of credit. A failure in utilising the credit for which it is borrowed may lead to other problems

34. Singh, Gurder and Gupta, L.C., "An Estimation of short-term credit requirements for an Area (Aggregation of Farm Analysis), Indian Journal of Agricultural Economics, Vol. XXVI No. Oct-Dec. 1971, p.566.

35. Belshaw, H., Agricultural Credit in Economically Underdeveloped countries, FAO, Agricultural Studies No.46, Rome, 1959, pp.199-210.

like irregular and inconsistent repayment, non-repayment and thus to debt accumulation. Lack of supervision is pointed out to be one of the reasons for the misutilisation or diversion of credit.

A study on utilisation of loans conducted by planning commission³⁶ has revealed that 23 percent of the short-term and 35 percent of medium-term credit were diverted to purposes other than those for which credit was advanced. The study conducted by the State Evaluation Organisation of the Planning and Co-ordination Department, Government of Orissa,³⁷ indicates that the total utilisation of funds was about 47 percent of the total amount disbursed. The commission has pointed out the lack of supervision as the cause of such a high degree of credit misutilisation.

Studies made at the individual levels have also probed into the problems of credit diversion in agriculture. An inter-state study on diversion of long-term credit found that the extent of diversion was 37 percent in Madhya Pradesh, 21 percent in Orissa and 11 percent in Gujarat.³⁸

36. Government of India, Programme Evaluation Organisation, Planning Commission, Report on Utilisation of Co-operative Loans, New Delhi, 1966.

37. Government of Orissa, State Evaluation Organisation, Planning and Co-ordination Department, Utilisation of Loans Advanced to the Agriculturists by Land Development Banks in Orissa, An Evaluation, 1975, pp.19-20.

38. Bhatt, M.L., "Diversion of Long-Term Agricultural Finance, A Study of Past Trends and Future Strategy", Economic and Political Weekly, Vol.VI No.41, Oct. 1971, p.2151.

The extent of diversion was found to be 54.31 percent in case of short-term credit and 27.37 percent in case of medium-term credit in a micro level study conducted among the small farmers in Haryana.³⁹ Another study among the small farmers in Punjab indicates that 43 percent of the short-term borrowings were diverted for unspecified purposes.⁴⁰ In most cases, marginal and small farmers have been found misutilising the borrowed fund to a large extent. In the case study of a credit society in Maharashtra, V.D.Galgalikar and N.A. Gadre,⁴¹ observed that the diversion of agricultural credit was 62.5 percent among marginal farmers. In relation to the remaining category of borrowers, this figure stood the highest.

Regarding the repayment of credit there exists a lot of literature. The incapability of lending institutions in effecting prompt recovery performance causes obstacle to the recycling of more loanable funds. The ratio of overdues to total loans outstanding to an institution is the measure of the recovery performance of lending institutions. According^{to} the

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39. Ghakar, R.K. and Gangwar, A.C., "Small Farmers and Utilisation of SFDA Credit in District, Gurgaon (Haryana)", Financing Agriculture, Vol.VII No.1, April-June 1975, pp.2-3.
40. Sing, A.J. and Dhawan, K.C., "Sources, Utilisation and Productivity of Agricultural Credit in Ludhiana District of Punjab State, Indian Journal of Agricultural Economics, Vol.XXXIII No.4, Oct-Dec, 1978. p.164.
41. Galgalikar, V.D. and Gadre, N.A., "Structure of Rural Credit in Akola District (Maharashtra State)", Indian Journal of Agricultural Economics, Vol.XXXIII No.4, Oct-Dec. 1978, p.137.

Reserve Bank of India report, the recovery performance of primary agricultural credit societies in India was very poor during period 1970-71 to 1978-79. The report reveals that the overdues increased from Rs.322.40 crores in 1970-71 to Rs.908 crores in 1978-79.⁴² In other words the overdues position during the period 1970-71 to 1978-79 has registered an increase of 45.2 percent of the total loans outstanding. In the case of public sector banks, only 51 percent of the amount due at the end of June 1976 could be recovered in respect of their direct advances to agriculture.⁴³ In a study conducted at the individual level, C.L.Dadhichi⁴⁴ has observed that there are some wilful defaulters. According to the study, generally those having large holdings, from higher castes, with a higher level of education were found to be the wilful defaulters. In another study Dadhichi⁴⁵ pointed out that there existed a direct relationship between repayment of loan and the area of irrigation. In her study of overdues position of the

42. RBI, Report of the Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD), Op.cit., p.55.

43. R.B.I, Regional Rural Banks Report of the Review Committee, Op.cit., p.32.

44. Dadhichi, C.L., "Wilful default of Co-operative Credit in Rajasthan : Some Issues", Indian Journal of Agricultural Economics, Conference Number, Vol.XXVI, No.4, Oct-Dec. 1971, pp.585-586.

45. "Socio-Economic Factors Influencing Repayment of Co-operative Dues in Rajasthan" Indian Journal of Agricultural Economics, Conference Number, Vol.XXVI No.4, Dec. 1971, p.585.

Gujarat Land Development Bank, Mrs. B.H.Elavia has observed that the overdues position was 61 percent and 45 percent of the demand during the years 1972-73 and 1973-74 respectively.⁴⁶

The study on co-operative credit for farm production in Mysore State carried out by Glenn and Brown,⁴⁷ has indicated that 69 percent of all defaulters were big farmers. A case study conducted in Uttarpradesh has found that even though the number of defaulters was higher amongst marginal and small farmers as compared to the medium and large farmers, their share in the total amount of overdues was very much less compared to the medium and large farmers.⁴⁸ A sample survey on the performance of Primary Agricultural Co-operative Credit Societies in Orissa, revealed that 24 percent of the members was defaulters.⁴⁹ In a case study of a primary co-operative society in Tamil Nadu it was found that the amount of overdues had been growing at a faster

46. Elavia, B.H., The Study of Co-operative Land Development Banking in Gujarat, Baroda, 1979, pp.78-80.

47. Ames, Glenn.C.W., and Brown, David. W., Co-operative/for Farm Production in Mysore State, India, The University of Tennessee, Knoxville, 1973, p.31. Credit

48. Pandey, U.K. and Muralidharan, M.A., "Overdues and the size of Holdings of Defaulters" Financing Agriculture, Vol.XI No.3 & 4 Oct-Dec., 1979, Jan- March 1980, pp.49-50.

49. Government of Orissa, Registrar, Co-operative Societies; Survey Report on Primary Agricultural Credit Co-operative Societies in Orissa 1979-80, Bhubaneswar, 1982, pp.17-19.

rate than the total advances.⁵⁰ Another study conducted by Singh and Sandhu⁵¹ strengthened the finding that wilful defaulters belonged to the category of big farmers. Thus, it is seen that various studies on institutional credit for agriculture in India have examined the different aspects of credit viz., utilisation and repayment, the type of defaulters, diversion of credit in the absence of proper supervision etc., leaving the inter-connected socio-economic factors that prompt borrowers to divert credit, unanalysed.

2.6. Problems of Institutional Credit

As the present study does not intend to launch a serious investigation into the problems of institutional agencies in disbursing agricultural credit, no detailed review of literature on the topic is required. Yet, it is desirable to discuss the major issues connected with the administrative problems with respect to agricultural credit supply. Broadly, the problems can be divided into two, namely, (1) Structural Problems and (2) Operational Problems. Structural problems are inherent in co-operatives because of their largescale dependence on the Reserve Bank of India for finance. The Operational Problems are common both in the case of co-operatives and commercial banks.

50. Thiruvengkatachari, K., "Constraints in Co-operative Credit - An Indepth Study of a Tamil Nadu Village" Indian Journal of Agricultural Economics, Vol.XXXIII, No.4, Oct-Dec. 1978, p.138.

51. Singh Kamaljit and Sandhu, Harbans. K., "An Economic Analysis of Overdues in Kapurthala District of Panjab". Financing Agriculture, Vol.XII No.1, Jan-March 1980, pp. 13-14.

Even though commercial banks are not short of resources, they did not have adequate net work of branches in rural areas till the nationalisation of commercial banks in India. However, they got through the initial difficulty because of the bank nationalisation, but the banks' main problem remain operational.⁵²

In a study conducted by Chaudhury and Sharma,⁵³ denial of loan to owner cultivators, faulty setting of credit limits, etc. were found to be some of the faults in the operational aspects of the institutional credit system. A study by the Reserve Bank of India, found that the weak capital base was the reason for the poor performance of the long-term co-operative credit structure in many states.⁵⁴

Many studies have pointed out that the lending policy and procedures adopted by commercial banks in advancing agricultural loans are unsuitable to a majority of borrowers. The study on the security-oriented lending policy of banks conducted by

52. Nambiar, P.C.D., "Bank Finance for Agriculture" Commerce, Vol.137, No.3507, Aug.26, 1978, p.23.

53. Chaudhury, T.P.S. and Sharma, J.N., Crop Loan System; "A study in Andhra Pradesh and Punjab", Hyderabad, 1970, p.95.

54. RBI, Report of the Committee on Co-operative Land Development Banks, Bombay 1975, pp.63-66.

S.K.Basu⁵⁵ indicates that bank lending in rural areas has been dominated by the rural rich whose assets include both land and other types of business concerns.

Lack of co-ordination among credit institutions is another operational problem that makes farmer usually over-credited. The Food and Agricultural Organisation of United Nations has warned all under-developed countries against the duplicating of agricultural credit institutions. The Export group of F.A.O. has noted the lack of co-ordination among different institutional credit agencies in India.⁵⁶

It is, thus, seen that a number of studies are there examining the various aspects of institutional credit for agriculture. But, a review of the existing literature shows that there are scarcely any detailed studies probing into the causes of credit diversion. The present study is an attempt to fill this gap.

55. Basu.S.K., Commercial Banks and Agricultural Credit, A Study in Regional Disparity in India, Bombay 1979, p.158.

56. United Nations, Food and Agricultural Organisation, 'Agricultural Credit through Co-operatives and other Institutions, Rome, 1965, pp.128-130.

C H A P T E R - I I I

SOCIO-ECONOMIC PROFILE OF KERALA IN GENERAL AND ERNAKULAM REVENUE DISTRICT IN PARTICULAR

General Features:

3.1. The State of Kerala which is situated in the south western tip of the Indian sub continent was formed in 1956 by the integration of the princely States of Travancore and Cochin and the Malabar District of erstwhile British Presidency. The geographical area of Kerala is 38854 Sq.Km. and it lies 8°17'30" and 12°47'4" north latitude and 75°51'57' and 77°24'47" east longitude. It is bounded by the Arabian Sea on the West, Tamil Nadu in the South and east and Karnataka on the north and north east.

3.2. Topographically the state can be broadly divided into three natural regions, viz., the highland, the midland and the lowland. In contrast to the nucleus pattern seen in other states, habitation in all the three natural regions of Kerala is continuous.

3.3. Kerala is exposed to very heavy rains. The undulating nature of the land and heavy rainfall have given rise to a large number of rivers. There are 44 rivers in Kerala. Kerala is unique with respect to her backwaters, too. In fact, Kerala constitutes about 5 percent of the water potential of India while the total area of Kerala is only about 1.2 percent of the entire area of India.¹

3.4. Forest is an important resource base of Kerala. The area under forests in 1979-80 covered 27.8 percent of the total geographical area of the state and it contributed Rs.42.89 crores to the state's Domestic Product during 1980-81.²

3.5. Turning to the fishery resources of Kerala, it may be noted that she has only 10 per cent of the total coast line of India. But, Kerala earns about 80 percent of the foreign exchange which India gets from marine exports.

3.6. Though Kerala constitutes only 1.2 per cent of the entire geographical area of India, she has to support 3.89 per cent of the total population of the country. Population of Kerala which stood at 68 lakhs in 1901 increased to 169 lakhs in 1961, again to 213 lakhs in 1971 and further to 254 lakhs in 1981.

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1. "Techno Economic Survey of Kerala", National Council of Applied Economic Research, New Delhi, 1962.
 2. Data base of Kerala Economy, Dept. of Economics and Statistics, Trivandrum, p.36.

As per the provisional estimates of 1991 census, Kerala has the lowest population growth rate. The decadal growth rate according to the provisional figures of 1991 is 13.91 per cent as against 19.00 percent during 1971-81. Kerala which used to have the highest density of population till 1981, now stands second to West Bengal. According to the provisional estimates of 1991 census, the density of population is 747 persons per square kilometre. However, Kerala, with 1040 females per 1000 males continue to be the only State in India with sex ratio favourable to females.

The latest Census figures reveal that Kerala has the lowest birth rate in India.

3.7. Regarding literacy, the provisional estimates show that Kerala still tops the list among the states with a literacy rate of 90.59 percent as against 52.11 percent for India as a whole.

3.8. Kerala has a very high level of unemployment particularly among its educated people. The National Sample Survey 1977-78, revealed that Kerala with less than 4 percent of the population of India accounted for 11.09 percent of the total unemployment and underemployment. According to 1981 census, there were 19.04 lakhs of work seekers in Kerala.

3.9. The State has been always in the forefront as regards education. The number of schools in Kerala increased from 10814 during 1970-71 to 12110 during 1984-85. There were 117 Arts and Science Colleges in the State during 1970-71 and the number rose to 172 during 1984-85. The per capita expenditure on education was Rs.126 as against Rs.80 during 1970-71.

3.10. In the field of health services, Kerala has achieved considerable progress. The State's per capita expenditure on health rose 8 times during the period from 1970-71 to 1984-85.

Growth of Net State Domestic Product

3.11. In order to understand the complexity and nature of economic development that has been taking place in Kerala, let us now examine the changes in State income as well as per capita income since 1970-71. Table 3.1 shows that the Net Domestic Product of Kerala had registered an increase of 433 percent during 1970-71 to 1986-87, at current prices. But it shows that, at constant prices the growth was only 43.6 per cent, during the same period. The table further reveals that the increase in State income at constant prices during the entire period from 1970-71 to 1986-87 was nearly 6 times greater than the increase in per capita income at constant prices during the same period. This indicates that the population growth of Kerala during the entire period has outstripped the growth of State's Net Domestic Product.

Table 3.1 Growth of Net State Domestic Product and Per Capita Income of Kerala

Year	At Current Prices			At Constant Prices					
	Net Domestic Product	Per Capita Income	Index	Net Domestic Product	Per Capita Income	Index			
	Rupees	Rupees	(3)	Rupees	Rupees	(7)			
(1)	(2)	(3)	(4)	(5)	(6)	(8)	(9)		
1970-71	125464	100.00	100.00	594	100.00	125464	100.00	594	100.00
1975-76	222823	177.60	177.60	954	160.60	142323	113.40	610	102.70
1980-81	349887	278.90	278.90	1382	232.70	156958	125.10	620	104.40
1981-82	370470	295.30	295.30	1441	242.60	161824	129.00	629	105.90
1982-83	442172	352.40	352.40	1689	284.30	165605	132.00	633	106.60
1983-84	520341	414.70	414.70	1951	328.50	165380	131.80	620	104.40
1984-85	571361	455.40	455.40	2104	354.20	169671	135.20	625	105.20
1985-86	591750	471.60	471.60	2140	360.30	178471	142.20	646	108.80
1986-87	668097	532.50	532.50	2371	399.20	180203	143.60	639	107.60

Source: 1) Statistics for Planning 1986 - op.cit., IX Income, p.4.
2) Statistics for Planning, 1988 - Directorate of Economics & Statistics, Trivandrum, p.264.

Now let us examine the structural changes in the State Domestic Product and the relative share of different sectors in it. It is discernible from table 3.2 that in 1960-61 the share of the primary sector in State income at constant prices was 56 per cent and that of the secondary and tertiary sectors were 15.20 per cent and 28.80 percent respectively. Thereafter, the contribution of the primary sector, as is visible, from the table, had been declining while that of the

Table 3.2 Structural Changes in the State Domestic Product and the Relative Share of Different Sectors, at Constant (1970-71) Prices

(Percentage)

Sector	*1960-61	1970-71	1975-76	1980-81	1986-87
Primary	56.00	49.44	47.19	40.31	34.09
Secondary	15.00	16.32	17.37	19.81	20.09
Tertiary	28.80	34.24	35.44	39.88	45.82
N.S.D.P.	100.00	100.00	100.00	100.00	100.00

*At constant (1960-61) prices.

- Source:
1. Statistics for Planning 1980, Directorate of Economics and Statistics, Kerala, p.71.
 2. Statistics for Planning 1988, op.cit., p.265.

other two sectors had been rising. During 1986-87, the share of the primary sector in state income was only 34.09 percent when the secondary and tertiary sectors contributed 20.09 percent and 45.82 percent respectively. The spectacular growth of the tertiary sector is also discernible from the table.

Performance of Agriculture

3.12. Though the sectoral contribution to the State Domestic Product by the primary sector has declined over years, still agricultural and related activities constitute the most important sector of the economy. Even now, the primary sector continues to be the source of employment for the largest segment of the labour force. As is seen from table 3.3, primary sector which provided employment to 54.35 percent of the total labour force in 1961, could provide employment to 51.46 percent of the labour force in 1981. But the tertiary sector which had absorbed 24.90 per cent of the labour force in 1961, inspite of its substantial growth, could absorb only 29.44 per cent of the labour force in 1981. Thus, the table reveals that the primary sector in Kerala still continues to provide employment to more than one half of its growing labour force.

Table 3.3. Occupational Distribution of Labour Force
in Kerala

(Percentage)

Sector	1961	1971	1981
Primary	54.35	55.97	51.46
Secondary	20.75	17.47	19.10
Tertiary	24.90	26.56	29.44

Source: 1. Census Reports.
2. Statistics for Planning 1986 op.cit.,
I - Human Resources, p.28.

3.13. The gross cropped area of the State which stood at 2089.11 thousand hectares in 1951-52 increased continuously to 2981.28 thousand hectares in 1975-76³, and then declined to 2885.8 thousand hectares in 1980-81. Again, the area decreased to 2870.31 thousand hectares during 1986-87⁴. Thus, it is seen that the extensive phase of agricultural growth in Kerala was over by the middle of seventies.

3. Pillai.P.P. (Ed.) "Growth of Agricultural output in Kerala", Agricultural Development in Kerala, Agricole Publishing Academy, 1982, p.30.

4. Statistics for Planning, op.cit., p.19.

3.14. When we examine production and productivity of agriculture in Kerala over years, we find that, during the entire period from 1952-53 to 1977-78, agricultural output grew at a rate of 2.789 percent per annum, between 1952-53 to 1960-61 at a rate of 2.758 per cent per annum, between 1960-61 to 1970-71 at 4.365 per cent per annum and between 1970-71 to 1974-75 at 1.866 per cent per annum.⁵ After 1974-75, there started a decline in the growth of production. As is seen from table 3.4, the agricultural growth started decelerating with 1974-75. Production of rice which stood at 1334 thousand tonnes during 1974-75 declined to 1255.9 thousand tonnes during 1984-85 and again to 1133.8 thousand tonnes during 1986-87. Similarly the production of tapioca and coconut also had decreased during the period. However, the production of rubber had increased considerably during the period from 1974-75 to 1986-87.

Turning to the productivity of major crops, it may be noted that the productivity of these crops except that of rice had declined during the period from 1974-75 to 1986-87. Though the production of rice per hectare had been increasing the production of rice per person, at the same time, had been decreasing. For instance, the per capital production of rice which stood at 61 kilograms in 1970-71 had declined to 50 kilograms in 1980-81 and further to 40 kilograms in 1986-87. In the case of tapioca, the per capita output had decreased from 216 kilograms during 1970-71 to 115.7 kilograms during 1986-87.

Table 3.4: Output and Productivity of Major Crops in Kerala

Year	Production					Productivity			
	Rice '000 tonnes	Coconut Million Nuts	Tapioca '000 tonnes	Rubber '000 tonnes	Rice Kg/Hect.	Coconut Nuts/Hect.	Tapioca kg/Hect.	Rubber kg/Hect.	
1974-75	1334.0	3719	5625.0	122.0	1513	4971	17696	601	
1975-76	1329.4	3439	5390.0	126.3	1717	4962	16488	611	
1976-77	1254.0	3348	5125.5	139.4	1468	4817	15855	664	
1977-78	1294.6	3053	4188.6	135.9	1540	4533	14457	640	
1978-79	1272.7	3211	4044.0	123.7	1592	4860	14787	577	
1979-80	1299.7	3032	4088.9	136.6	1638	4576	16774	634	
1980-81	1272.0	3008	4060.9	140.3	1587	4618	16576	590	
1981-82	1339.14	3006	3745.1	139.4	1600	4509	15097	562	
1983-84	1207.9	2602	3903.2	162.2	1632	3814	16751	598	
1984-85	1255.9	3453	3694.3	172.1	1720	5000	17044	555	
1985-86	1173.1	3377	3276.9	184.7	1729	4792	16149	559	
1986-87	1133.8	3173	3292.3	202.1	1708	4494	17069	581	

Source: 1. Economic Review 1976 to 1987, State Planning Board, Trivandrum, Government of Kerala.

2. Statistics for Planning 1988, op. cit. p.30.

Similarly the per capita production of food grains as a whole had been declining during the period. All these indicate that agricultural growth in Kerala could not outstrip its population growth.

To sum up the above discussion, it may be noted that during the entire period from 1952-53 to 1986-87, Kerala economy could experience a well accelerated growth in agriculture only during the period between 1960-61 and 1970-71. It also seems that the extensive phase of agricultural growth in Kerala was over by the middle of seventies. Unlike in the Indian agriculture where the general performance of agricultural production and yield were better during the seventies than in the sixties, in Kerala's agriculture it was the other way round.⁶

3.15. The discussion on agricultural situation in Kerala will remain incomplete unless the impacts of Land Reforms on agriculture is mentioned. Land reform legislation in Kerala prior to the Land Reform (Amendment) Act 1969, aimed at achieving abolition of intermediaries between the State and the tillers conferment of security of tenure on cultivating tenants, regulation of rent, consolidation of holdings etc. The Land Reform (Amendment) Act 1969, which came into force on 1st January 1970 was a turning point in Kerala's history of land relations. This

6. Ibid., p.50.

Act conferred full ownership on the tenants in respect of land in their possession. In fact, land lordism in Kerala stands abolished from 1st of January 1970.

Land reforms have significantly changed the structure of the ownership and operation of land holdings. The percentage of tenants in Kerala came down from 44.9 percent in 1966-67 to 8.2 in 1971 and the percentage of owners went up from 40.6 to 88.4 during the period.

Consequent on the implementation of the 1969 Act, there have been vast changes in the distribution of cultivated holdings. The proportion of marginal holdings in Kerala in 1970-71 was as high as 67.9 percent of the total holdings while the corresponding percentage for India as a whole was only 20 percent. Similarly, the proportion of area of marginal holdings in Kerala during the period stood at 17.3 per cent of the total area while the corresponding figure for India as a whole was 1.75 percent. The average size of holdings in Kerala has also declined from 2.99 acres in 1953-54 to 1.22 areas in 1970-71. Thus, the above discussion indicates that the implementation of land reforms has resulted in further sub-division and fragmentation of land holdings in Kerala. Though it is very difficult to isolate the effects of land reforms on agricultural production and productivity, as they are the resultant of the interaction of various complex variables, it is certain that fragmentation of land holdings in to uneconomic units of cultivation will negatively affect production and productivity.

Agricultural Finance in Kerala

3.16 As per the Debt and Investment Survey 1981-82 by the Reserve Bank of India, institutional agencies constitute the major source of agricultural credit in Kerala as well as in other state of India. The rural credit market was dominated by non-institutional agencies till 1971. Of the total credit availed by cultivators in India, 68.3 percent^{was} from non-institutional agencies while institutional sources contributed only 31.7 per cent. Among institutional agencies, co-operatives stood first with 22 per cent of the total agricultural lending to their credit. The role of commercial banks in rendering financial help to cultivators till 1971 was very small. For instance, commercial banks' share in the total credit in India was only 2.4 per cent. Rural money market in Kerala was not at all different from this general picture.

However, the situation underwent substantial changes during the decade of seventies. All-India Debt and Investment Survey 1981-82, revealed that cultivators in India owed 63.2 per cent of their total agricultural debt to institutional agencies. The performance of agricultural lending by institutional agencies in Kerala during the period was better than that of India as a whole. As per table 3.5, the share of institutional agencies in Kerala in the total agricultural credit comes to 78.9 per cent as against 63.2 per cent at the All-India level. Co-operatives and banks together supplied 71.3 per cent of the total agricultural

credit in Kerala while their joint contribution at the all-India level was only 58.6 per cent. This is an indication of their domination in the rural credit market of Kerala. Further, it is seen from the table that banks stand above co-operatives in providing agricultural credit in Kerala while they stand below at the all-India level. The fact that banks which are more powerful in terms of resources and capacities when compared to co-operatives, assuming the lead role is indicative of a betterment of the rural credit market. Hence, it can be presumed that the rural credit market in Kerala has got relatively a better arrangement for the distribution of agricultural credit.

3.17. Let us now briefly examine the performance of Kerala's industrial sector. Kerala is an industrially backward State. Many controversial as well as universally accepted reasons can be attributed to this. Compared to many other State of India, Kerala has a fairly developed agricultural sector. The development of the overhead facilities is also fair. In an economy where these two sectors, viz. infrastructure and agriculture register a fair level of development, the process of industrialisation becomes smoother. But, it is still unknown why such a process did not take place in Kerala. It is often argued that the paucity of certain other vital facilities like accessibility to resources and markets for final output, availability of energy, supply of skilled labour, industrial peace etc. hinder the path of Kerala's industrialisation.

Table 3.5. Debt Owed to Different Credit Agencies by Cultivators as on 30th June 1981.

Credit Agencies	Kerala	All-India
1. <u>Institutional</u>	78.9	63.2
1.1. Government	5.8	3.9
1.2. Co-operatives	33.8	29.8
1.3. Banks	37.5	28.8
1.4. Others	1.8	0.7
2. <u>Non-Institutional</u>	21.1	36.8
2.1. Land lord	-	3.7
2.2. Agricultural Money lenders	-	8.3
2.3. Professional Money lenders	3.4	7.8
2.4. Traders	1.4	3.1
2.5. Relatives and Friends	11.9	8.7
2.6. Others	4.6	5.2
T o t a l	100.0	100.0

Source: RBI, All-India Debt and Investment Survey 1981-82
op.cit., table 4.1.3. p.45.

The number of registered factories in Kerala which stood at 3040 in 1971, increased to 11489 in 1986. The number of workers employed in factories increased from 2.05 lakhs during 1970-71 to 2.9 lakhs during 1984-85. The annual index of industrial production went up to 184 considering 1970-71 as the base year.

Having discussed some of the major socio-economic and agro-climatic characteristics of the State in brief now let us draw a brief profile of the district where the sample villages are situated.

Profile of Ernakulam District

3.18. Ernakulam district which is the commercial capital of Kerala and situated almost centrally in Kerala State was formed in 1958 by taking out regions from Trichur and Kottayam districts. It comprises parts of former Travancore, Cochin and Madras States and lies between 9°42' and 10°70' and longitude 76°9' and 77°2'. It is bounded on the north by Trichur district, on the east by Kottayam District, on the south by Kottayam and Alleppey districts and on the west by Arabian Sea. Area of the district is 2377 Sq. Kims and the district ranks eight in size in the State. The district has roughly 6.12 percent of the total area of the State. As on 1st April 1981, there were 7 taluks in the district viz., Kanayannoor, Cochin, Alwaye, Parur, Kunnathunad, Muvattupuzha and Kothamangalam. There were 122 revenue villages, 86 Panchayaths and 15 N.E.S. Blocks in the district during the period.⁷

7. Government of Kerala, District Statistical Hand Book 1986, Ernakulam, Department of Economics and Statistics, Trivandrum, p.3.

3.19. The physiographic conditions of the district are more or less similar to the rest of the state. The district can be divided into three natural regions viz., the highland, the midland and the lowland.

The unique geographical position of the district has had tremendous impact on the history and culture of the district. The Cochin Port in the district has been the centre of cultural and trade contacts with European and Middle East countries from very ancient times.

3.20. The district has a tropical humid climate with almost uniform temperature throughout the year. It receives an annual rainfall of 3320.3 mm. The normal rainfall during 1985-86 was 3548.5 mm.⁸

3.21. Periyar and Muvattupuzha are the most important rivers in the district. Periyar is very rich in hydro-electric potential. The river plays a very important role in the agricultural, industrial and commercial development of the district. The Periyar Valley Irrigation Project is capable of irrigating a net area of nearly 20,000 hectares.

The lowland region of the district is blessed with a network of canals and backwaters. Vembanad Kayal is a very spacious lake extending over an area of 205 Sq.km. Cranganore

8. Ibid., p.17.

Kayal is the other important backwater in the district. People in the district heavily depend on these backwaters in the sense that for coir spinning and inland fishing they owe very much to these backwaters.

3.22. Sandy soil, laterite soil and hilly or forest soil are the three important soils found in different natural regions of the district. While the low land regions are covered with sandy soil, the midland and highland regions are rich in laterite soil and forest or hilly soil respectively. The district is not rich in mineral resources.

3.23. As per the land utilisation pattern during 1983-84, the forest area of the district was 8123 hectares and this accounted for 3.45 per cent of the total geographical area of the district. This shows that the extent of forest area in Ernakulam district is very small compared to that of Kerala State as a whole.

3.24. According to the 1981 Census the population of the district stood at 25.35 lakhs. The net addition to the population of the district over the decade 1971-81 was 3.72 lakhs, recording a decennial growth rate of 17.18 per cent. Ernakulam is one of the most densely populated districts of the State. According to the 1981 census, Ernakulam district has 910 people per Sq.Km. and ranks third in the State.

The sex ratio of the district shows a fluctuating trend from decade to decade. In all the decades except that which ended in 1951 males out-numbered females. As per 1981 Census the sex ratio is 998 females to 1000 males. Details on rural-urban distribution of population shows that the rural population in the district has considerably decreased from 71 per cent to 60 per cent over the decade 1971-81.

3.25. District income is one of the important indices for measuring the economic development of a district. In order to find out the relative position of Ernakulam district with respect to district income among the 14 districts of the state, a table exhibiting district income estimates at constant (1970-71) prices is presented.

Table 3.6 shows that Ernakulam district stands first during 1980-81, 84-85 and 85-86 so far as the district income is concerned. It is discernible from the table given in the appendix that Ernakulam district has been ranked first during the period from 1976-77 to 1985-86. However, it seems that Quilon district occupies the first place during the years 1970-71 to 1975-76.

District per capita income can be considered as another index for measuring economic development of districts against the background of population growth. Here also, the

Table 3.6 District Income of Kerala at Constant (1970-71) Prices

District	1970-71		1980-81		1984-85		1985-86	
	Income	Rank	Income	Rank	Income	Rank	Income	Rank
Trivandrum	12874	5	16569	3	18574	2	18866	2
Quilon	15693	1	17440	2	14282	5	14909	5
Pathanamthitta	--	--	--	--	7237	11	7809	11
Alleppey	12572	6	14749	6	13359	7	14008	6
Kottayam	9928	8	11906	9	12808	9	13265	8
Idukki	4992	11	6433	11	6651	12	7514	12
Ernakulam	13832	2	21135	1	22093	1	23233	1
Trichur	11477	7	14688	7	14975	4	17103	3
Palghat	9605	9	12588	8	13310	8	15120	4
Malappuram	8329	10	9913	10	9861	10	10514	10
Kozhikode	13116	3	15347	5	14204	6	13622	7
Wayanad	--	--	--	--	5175	13	5756	--
Cannanore	13046	4	16365	4	16482	3	11098	9
Kesargode	--	--	--	--	--	--	5654	14
State	125464		157133		169011		178471	

Source: 1) District Income and Related Aggregates of Kerala 1970-71 to 1984-85, pp.7-8.
2) Economic Review - Kerala 1987, pp.106-109.

trend exhibition from 1980-81 onwards shows that Ernakulam district has the highest per capita income. It is seen from table 3.7 that the per capita income of Ernakulam district at constant prices (1970-71) which stood at Rs.646 during 1970-71 has increased to Rs.844 and ranked second during 1985-86 (See Appendix

As per details shown in Appendix, Ernakulam district has been ranked first in per capita income at constant (1970-71) prices continuously from 1977-78 to 1983-84.

Thus, the income analysis of Ernakulam District indicates that it stands very high among other districts in the state in economic development. Let us now examine the development of agricultural sector in relation to the other sectors in the district.

Agriculture and Allied Activities

3.26. The district has achieved laudable progress in the secondary and tertiary sectors and it is often referred to as the industrial and commercial capital of Kerala. Eventhough the progress registered in the agricultural sector is not commensurate with either the potential for development or the actual requirements of the district, agriculture still continues to be the most important segment of the economy of the district and it is still the largest source of employment of the district. Details regarding sector-wise distribution of Net Domestic Product of Ernakulam District at factor cost is presented in table 3.8.

Table 3.7 District Per Capita Income of Kerala
(at 1970-71 Prices)

District	1970-71		1980-81		1985-86	
	Per Capita Income	Rank	Per Capita Income	Rank	Per Capita Income	Rank
Trivandrum	592	6	644	4	669	7
Quilon	658	1	621	6	626	10
Pathanamthitta	-	-	-	-	649	8
Alleppey	598	5	629	5	691	5
Kottayam	652	2	703	2	719	3
Indukki	658	1	667	3	714	4
Ernakulam	646	3	837	1	844	2
Trichur	545	9	605	8	646	9
Palghat	576	7	620	7	681	6
Malappuram	453	10	417	11	403	14
Kozhikode	629	4	588	9	559	12
Wayanad	-	-	-	-	955	1
Cannanore	557	8	553	10	529	13
Kasargode	-	-	-	-	596	11
State	594		621		646	

Source: 1) District Income Aggregates of Kerala 1970-71 to 1984-85 pp.11-12.

2) Economic Review Kerala 1987, p.110.

Table 3.8 Sector-wise Distribution of Net Domestic Product of Ernakulam District at Factor Cost and at Constant (1970-71) Price.

Year	Primary	Secondary	Tertiary	Total
(1)	(2)	(3)	(4)	(5)
1970-71	38.7	27.2	34.1	100.0
1975-76	31.7	31.7	36.6	100.0
1980-81	32.1	31.6	36.3	100.0
1981-82	31.4	31.4	37.2	100.0
1982-83	30.7	30.5	38.8	100.0
1983-84	27.7	35.9	36.4	100.0
1984-85	31.7	28.7	39.6	100.0
1985-86	31.4	29.2	39.4	100.0

Source: 1) Economic Review 1976, State Planning Board, Government of Kerala, Appendix 2.19 p.101.
 2) Economic Review 1987, State Planning Board, Government of Kerala, Appendix 2.5 p.107.
 3) District Income and Related Aggregates of Kerala 1970-71 to 1984-85 Government of Kerala, 0.20.

It is discernible from table 3.8 that the primary sector has been contributing nearly one-third of the district income during period from 1970-71 to 1985-86. This contribution is admittedly low when compared with the position in other districts. But the situation has to be viewed against the background of the relatively high pace of industrialisation and growth of trade and commerce as a result of several favourable conditions available in the district for the development of secondary and tertiary sectors. Moreover, being one of the densely populated districts, the pressure of population on land is probably the highest among the district of the state. This has resulted in the fragmentation of holdings, which in turn reduced the contribution of agricultural sector to the net district income as compared to many other districts in the state.

3.27. The total geographical area which stood at 3,17,428 hect. as on 30th June 1971 was reduced to 2,35,319 hect. during 1975-76 and thereafter no change in area has been made.⁹ Now, the district possesses approximately 6.1 per cent of the total area of the state and contains 10.96 per cent of State's total population. Net area shown in the district during 1984-85 is 1,78,127 hect. which comes to 8.15 per cent of the State's net area cultivated during the year 1984-85.¹⁰

9. Ibid., p.20.

10. Ibid.

Detailed information on land use in the district over a period of 14 years is furnished in table 3.9. The reduction in the geographical area during 1975-76 is caused by the transfer of certain areas to other districts. Therefore, the study can be much more meaningful if we look into the changes in land use since 1975-76. The table 3.10 shows that the net area under cultivation has increased from 61,534 hect. in 1975-76 to 68,724 hect. in 1984-85. The area shown more than once in the district has also increased during the period from 1975-76 to 1984-85. The total cropped area which stood at 2,39,323 hect. during 1975-76 has increased by 3.15 percent of it during 1984-85. All these are indicative of an extensive phase of cultivation in the district unlike the rest of the state during the period from 1975-76 to 1984-85. The proportion of area under food crops in the district, as per the table, has been declining from 67.15 per cent of the gross cropped area during 1975-76 to 63.20 per cent during 1980-81 and further to 58.52 per cent during 1984-85. On the other hand, the proportion of area under rubber has increased from 9.65 per cent of the gross cropped area during 1975-76 to 13.90 percent during 1984-85. Similarly, the proportion of the area under coconut cultivation also has registered a slight increase during the above period. Thus the foregoing discussion implies that like the rest of Kerala the district also has been experiencing a disinclination towards the cultivation of food crops during 1975-76 to 1984-85, and on comparison with relevant figures pertaining to Kerala, it becomes clear that the intensity of this

Table 3.9. Distribution of Area According to Land Utilisation

(Area in Hectares)

Sl. No.	Classification	1970-71	1975-76	1980-81	1983-84	1984-85
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Total geographical area according to village papers	317428	235319	235319	235319	235319
2.	Forests	55202	8123	8123	8123	8123
3.	Land put to Non-agricultural use	27325	30460	32752	34222	33544
4.	Barren and Uncultivable land	4345	2020	2649	2649	2869
5.	Permanent pastures and other grazing land	2000	968	198	166	166
6.	Land under miscellaneous tree crops	344	4005	1343	1329	1209
7.	Cultivable waste	36.20	4740	5304	5010	5401
8.	Fallow and other current fallow	2837	2399	3079	2775	2648
9.	Current fallow	3239	4815	3714	3563	3232
10.	Net area sown	218516	177789	178157	177482	178127
11.	Area sown more than once	58365	61534	80658	67960	68724
12.	Total cropped area	276881	239323	258815	254442	246851

Source: District statistical handbook 1986 Ernakulam.p.20.

attitude has been more pronounced in the case of Ernakulam district. On comparison with Kerala, the fact that a relatively higher increase from 9.65 percent during 1975-76 to 13.90 percent during 1984-85 in the proportion of area under rubber cultivation in the district indicates that the growing interest among cultivators of the district towards rubber cultivation is much more than that found in Kerala as a whole.

Output and Productivity of Important Crops

3.28. Table 3.11 furnishes the details regarding output and productivity of certain important crops in the district. Table 3.11 reveals that unlike that of Kerala, production of important crops like rice, coconut and tapioca in the district has been increasing during the period between 1975-76 and 1984-85. Like the rest of Kerala, the production of rubber in the district has also registered substantial increase during the period.

The productivity of all these important crops in the district has increased during the period. While there has been a decline in the productivity of rubber at the all Kerala level during the period, the productivity of rubber in the district has been going up.

In short, production and productivity with respect to all major crops in the district have gone ahead in Kerala during the period 1975-76 to 1984-85. This indicates that Ernakulam district stands in the forefront of all other districts not only

Table 3.10 Distribution of Gross Cropped Area According to Cropping Pattern.

		(Area in Hectares)		
		1975-76	1980-81	1984-85
1.	Gross Cropped Area	239323	258815	246851
2.	Area under food crops	160710	163568	144462
3.	As percentage of the Gross Cropped Area	67.15	63.20	58.52
4.	Area under Rubber	23096	23334	34319
5.	As percentage of the Gross Cropped Area	9.65	9.02	13.90
6.	Area under coconut	50726	60881	55678
7.	As percentage of the Gross Cropped Area	21.20	23.52	22.56
8.	Others	4791	11032	12392
9.	As percentage of the Gross Cropped Area	2.00	4.26	5.02

Source : District Statistical Hand book 1986, Ernakulam
pp.20, 22, 23.

Table 3.11 Output and Productivity of Important Crops in Ernakulam District.

Crops	1975-1976		1980-1981		1984-1985	
	Output	Productivity	Output	Productivity	Output	Productivity
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Rice	119160M.T.	1339.73 kg/H	144601 M.T.	1410.74 Kg/H.	149199 M.T.	1672.95 Kg/H.
Tapioca	323702M.T.	18940 kg/H.	240267 M.T.	19279.9 Kg/H.	205207 M.T.	19800 Kg/H
Coconut	269 Million Nuts	5303 No/H	327 Million Nuts	5371 No/H.	363 Million Nuts	6520 No/H
Rubber	13556 M.T.	586 kg/H.	13929 M.T.	597 Kg./H.	21727 M.T.	633 kg/H

Source : District Statistical Handbook 1986 PP. 22,23.

in terms of net domestic product but also with respect to her agricultural advancement.

Bank Credit and Agriculture

3.29. As in the rest of Kerala, the major sources of credit to agriculture in the district are commercial banks and co-operatives. Ernakulam district has a comparatively well developed co-operative sector. Co-operative credit system in the district has registered appreciable progress in extending credit support for agricultural operations. As on 30th June 1984 there were 165 primary agricultural credit societies and farmers' service societies extending services to its 4,05,574 members. The amount of agricultural credit disbursed by these societies in the district during 1983-84 comes to Rs.3,312.79 lakhs. The total working capital of these societies as on 30th June 1984 amounts to Rs.6586.22.

Compared to other districts in the State, Ernakulam district is better developed in terms of the availability of banking facilities. Of the total number of 2744 scheduled commercial bank offices in Kerala as on 31st December, 1987, 399 are in the district. May be that the district is the commercial capital of Kerala, it continues to hold the largest proportion of bank branches in Kerala since 1969. The Federal Bank Ltd., has its headquarters in this district. The Union Bank of India is the lead bank for the district. With a view to giving meaningful content to the strategy of area development

within the framework of the Lead Bank Scheme, it prepared the first credit plan in August 1978. This credit plan laid particular stress on agricultural development programmes in the district, viz., 1) agricultural programmes for increased growth in production through the supply of various agricultural inputs and equipments, 2) Minor Irrigation and soil conservation Programmes. 3) Development of agricultural and allied activities such as dairying, poultry farming, goat rearing, Apiculture etc.

The same strategy has been adopted in the preparation of further credit Plans and Annual Action Plans for district.

The District Credit Plan 1983-85 envisaged an outlay of Rs.72.26 crores in which 31.15 crores (43.1%) were expected to be invested in agriculture and allied activities. The annual Action Plan 1983 prepared for the district envisaged a credit disbursement of the order of Rs.41.72 crores in which Rs.22.39 crores (53-7%) was expected to be in agriculture. However, as per table 3.12 it is seen that the scheme could not fulfil its target with respect to agriculture and industries while the service sector could get more than what was due to it.

A bank-wise break-up of the details reveals that while State Banks and Nationalised Banks could successfully exceed the target with respect to agricultural credit, private sector banks as well as co-operatives fell short of their assigned target. At the same time, it is observed that both the co-operatives and the private sector banks could lend more than the targeted amount

Table 3.12 Progress in the Implementation of the Ernakulam District Credit Plan, 1983

(Rs. in crores)

Banks	Agriculture		Industries		Services		Total	
	Target	Achievement	T	A	T	A	T	A
State Bank Group	1.73	2.01	3.20	2.36	1.96	1.95	6.89	6.32
Nationalised Bank Group	3.85	6.20	4.06	2.83	2.84	5.89	10.74	14.92
Private sector Bank Group	3.31	0.92	3.01	2.14	3.25	3.26	9.57	6.32
Co-op. sector	13.50	7.88	0.56	-	0.45	0.46	14.52	8.34
Total	22.39	17.01	10.83	7.33	8.50	11.56	41.72	35.90

Source: Annual Action Plan 1985 Ernakulam District,
Union Bank of India p. 3.

assigned to them in the case of the service sector. This is indicative of their interest in lending to the service sector where risk is minimum, and profitability is maximum. It also implies the existence of a largely developed service sector in the district.

Similarly, the Annual Action Plan 1986, reveals that the primary sector in the district could avail credit facilities from institutions to the tune of Rs.21.37 crores as on 30th June, 1985 as against the targeted amount of Rs.22.74 crores. Table 3.13 shows that the service sector could manage to get 36 percent more credit than the target assigned for it. As is visible from the table, the institutional financiers could disburse Rs.25.94 crores in other areas as against the targeted amount of Rs.11.57 crores. Thus, the foregoing analysis of the district credit plan indicates that banking institutions in the district lag behind in the supply of credit to the primary sector in relation to the other two sectors.

Land Reforms in the District

3.30. Land reform measures implemented in the district are mainly centred on the Kerala Land Reforms Act, 1963 as amended by Act 35 of 1969 and a series of Amendment Acts in subsequent years.

Ernakulam was the district that first introduced the system of granting Kudikidappu rights based on mutual consent statements filed by the Kudikidappukar, the Land owner, intermediaries if any, etc. Within few months of this Act,

Table - 3.13 - Progress in Implementation of Annual Action Plan 1985 (as on 30th June 1985) Ernakulam District

(Rs. in crores)

	<u>Agriculture and Allied Activities</u>				
	Crop loan	Term loan	Allied Activities	Total	Service Others Sector
Target	14.00 (100.0)	4.71 (100.0)	4.03 (100.0)	22.74 (100.0)	13.41 (100.0) 11.57 (100.0)
Achievement	14.09 (100.6)	4.35 (92.35)	2.93 (72.70)	21.37 (93.98)	18.24 (136.01) 25.94 (224.2)

* Percentage in bracket

Source: Annual Action Plan 1986 Ernakulam District, Union Bank of India, pp.9 to 15.

this district could distribute certificate of purchase to a large number of Kudikidappukars at Land Reforms Festivals held in various places of the district. As on 30th September 1979 certificate of purchase in 55,593 cases were issued in the district.

In implementing the ceiling provisions of the Kerala Land Reforms Act, also, this district has achieved fairly good progress.

Livestock Asset

3.31. As in the other districts of the State, livestock rearing is a major instrument of economic betterment of the rural poor in this district too. Table 3.14 shows that the livestock population in the district has increased from 5.05 lakhs during 1977 to 5.28 lakhs during 1982. As per the table the poultry population also has increased from 15.5 lakhs to 16.24 lakhs during the period.

There were 9 veterinary hospitals and 29 dispensaries in the district during 1975-76. But most of the dispensaries were turned into hospitals during the period between 1975-76 and 1984-85. The number of hospitals increased to 51 during 1984-85 cutting down the number of dispensaries to 12.

3.32. Fisheries play a very important role in the economy of this district. More than 3 percent of the total population of the district are engaged in fishing. In a district like Ernakulam where there is chronic deficit in the production of food materials fish products will help in improving the nutritional standards of the people.

Ernakulam district can play a vital role in the development of fisheries in the State. The district has a coastline, 46.2 km. in length, extending from Chellanam at the Southern end to Munambam at the northern end. Of the 590 Km.

Table 3.14 Growth of Livestock and Poultry Population
in Ernakulam District

		(Number)	
Items	1977	1982	
Cattle:-			
a) Male over 3 years	55,976	31,767	
b) Female over 3 years	1,19,830	1,42,962	
c) Young stock	1,21,637	1,29,638	
Total	2,97,443	3,04,367	
Buffalows:-			
a) Male over 3 years	16,251	14,829	
b) Female over 3 years	9,179	8,327	
c) Young stocks	3,260	4,116	
Total	28,690	27,272	
d) Sheep	-	253	
e) Goat	1,56,280	1,80,354	
f) Horses & Ponies	-	1	
g) Mules	-	-	
h) Donkeys	-	6	
i) Pigs	22,720	15,335	
j) Elephants	-	66	
Total Livestock	5,05,133	5,27,654	
Poultry:-			
a) Fouls	14,44,649	14,89,939	
b) Ducks	1,05,935	1,26,003	
c) Others	355	8,210	
Total	15,50,939	16,24,152	

Source: District statistical Handbook 1986, Ernakulam
op.cit. p.29

length of coast line in Kerala, the district has only 7.8 percent of it to rank 7th among the 8 major district in terms of coast line length. However, the district ranks 2nd with respect to marine fish landings. During 1984-85, of the 3,32,443 M.tonnes of marine fish landings in the state the district had a share equal to 56,690 (17.1%) M.tonnes.¹¹

3.33. Ernakulam is one of the most advanced districts in the state in the field of literacy and standard of education. The progressive educational policy of the rulers of erstwhile Cochin State and the activities of Christian missionaries influenced the rapid growth of education in this district. In fact, rulers of those times provided tax free land to missionaries for the establishment of educational institutions. The first English School of the district and probably of the whole State was started by a missionary by name Mr.J.Davison at Mattancherry in 1818.¹² The educational activities of the Christian missionaries inspired Non-Christian Organisations also to enter the field of education.

This revenue district is divided into three educational districts, viz., Alwaye, Ernakulam and Muvattupuzha. The number of institutions for general education in the district increased from 846 during 1970-71 to 979 during 1986-87, (62.1%) being in the private sector and 371 (37.9%) in the Government sector. However, 554 (91.2%) institutions in the private sector are running with Government aid. The total strength of students in general education in the district during 1984-85 comes to 5.34 lakhs.

11. Statistics for Planning, 1988, op.cit., pp.84-85.

12. Status Paper Ernakulam District, 1980, op.cit., p.58.

The district has achieved substantial progress in the field of higher education also. Ernakulam district houses the largest number of arts and science colleges in the state. Of the 168 colleges in Kerala, 23 (13.7%) are functioning in this district. Most of the colleges in the district are working under private management though the Government are liable to meet all expenses in running these institutions. It may be noted that 19 out of the 23 Colleges are under private management.

Of the 25 Polytechnics and 47 Technical High Schools in the State in 1986-87, 3 Polytechnics and 5 Technical High Schools are situated in this district. There exist 6 colleges for professional education in the district, 3 each under Government and private managements.

It may also be noted that Cochin University of Science and Technology, one of the technical Universities in India, is situated in Ernakulam District. This University offers courses at the post-graduate level in 18 faculties.

Turning to health and medical facilities, Ernakulam district's progress has been tardy though public health and medical activities in the State has expanded considerably during the past few years. The development of health care facilities in the district has not been able to keep pace with the relatively fast industrial development and resultant high density of population. All the three major systems of medicine viz.,

Allopathy, Aurveda and Homeopathy have to make quick progress in keeping pace with the very fast industrial developments of the district. Table 3.15 reveals that Ernakulam ranks only 6th with respect to population per bed in medical institutions during 1986-87.

Industries in the District

3.34. Ernakulam district which is often described as the industrial capital of Kerala is blessed with several unique facilities which make it highly suitable for industrial development. Availability of electricity and fresh water, the proximity to Cochin Port which is a powerful centre of international trade etc. are conducive to rapid industrial development of the district.

Ernakulam is the most developed district in the State in the industrial sector. However, in terms of industrial employment it ranks only 2nd in the State, the 1st being Quilon where a number of Cashew factories operate. This, in fact, indicates that the labour absorbing capacity of large scale industries is relatively limited.

In 1985, of the 11,107 registered factories in Kerala 1855 factories are located in this district.¹³ There are 40 large and medium industrial units in the district, the vast majority of which are located in Ernakulam-Eloor-Always industrial belt.

13. Statistics for Planning, 1988, op.cit., p.99.

Table 3.15. District-wise and Population-wise Distribution of Beds - Allopathy - 1986-1987.

District	*Population (in'000s)	Total Number of Beds	Population per Bed	Rank
Trivandrum	2889	6540	442	1
Quilon	2441	1973	1237	9
Pathanamthitta	1233	887	1390	10
Alleppey	2076	4193	495	2
Kottayam	1889	3581	528	3
Idukki	1079	499	2162	14
Ernakulam	2822	3859	718	6
Trichur	2715	4018	676	5
Palaghat	2275	1623	1402	11
Malappuram	2674	1406	1902	13
Kozhikode	2499	4224	592	4
Wayanad	617	590	1045	8
Cannanore	2149	2403	894	7
Kasargode	971	608	1597	12
State	28329	36404	778	

* Projected Population of Kerala as on 1st March 1987.

- Source: 1. Statistics for planning 1988. Department of Economics and Statistics, Government of Kerala, p.3.
 2. Economic Review 1987, Government of Kerala, op.cit., p.211.

As the problem under study is related to the primary sector of the economy a detailed profile of industries seems unnecessary. Having taken a broad look at the major socio-economic and agro-climatic characteristics of the district which will help to understand the problem under investigation in its broader perspective let us now turn to examine the socio-economic background of the sample beneficiaries in selected villages.

C H A P T E R - I V

SELECTED VILLAGES AND THE SOCIO-ECONOMIC BACKGROUND OF THE SAMPLE BENEFICIARIES

Sample Villages

4.1. For making a correct appraisal of the problem posed a profile of the villages and the socio-economic background of the sample beneficiaries is deemed essential. This chapter is an attempt in this directions.

As discussed earlier, the sample villages consist of Elanji in Muvattupuzha taluk and Kadavoor in Kothamangalam taluk of Ernakulam revenue district.

Elanji Revenue Village

4.2. Elanji revenue village lies in Elanji Panchayath which is situated in the southern tip of Muvattupuzha taluk in Ernakulam district. The geographical area of the village is 29.48 Sq.Km.¹ As per 1981 Census, the population of the village remained at 16,030. The village is agrarian in nature. Most of the people derive their income from agriculture. Majority of the population belong to the category of cultivators and agricultural labourers.

1. Status Paper, Ernakulam District, District Planning Office, Ernakulam, 1980, p.122.

As per 1981 Census, there were 1621 cultivators and 1483 agricultural labourers out of the main workers of 4606.² A large chunk of the population belongs to the scheduled caste. Though there are no settled harijan colonies, harijans who got recently converted to Christianity live in large groups in miserable conditions in a hilly region called 'Koorumala' situated more or less at the centre of the village. This hilly area is almost surrounded by big rubber plantations whose owners live in far away places; may be for the easy availability of cheap plantation labour, large groups of harijans are allowed to stay under primitive conditions at the top of this hill.

The village has a tropical humid climate with plenty of rainfall throughout the area. The fertility of the soil found in the plains of the village is very high. It comes under the development scheme of Pampakuda Block of Ernakulam District.

Most of the crops found in Kerala are cultivated in this village also. The cropping pattern includes Paddy, Coconut, Arecanut, Tapioca, Ginger, Pepper, Turmeric, Rubber, Cocoa, Clove, Cinamon, Nutmeg, 'Kachuvallom', Vegetables, Sesamum, Ragi, Betal leaves, Coffee, Sugarcane, Pineapple, Banana, Chasew, Drumstick, Sweet Potatoes, Lemon grass, Fodder grass etc. Paddy, coconut, Rubber and Tapioca are the major crops.

The average land holding in this village is about 2.5 acres.

2. Census of India 1981 - Paper 5. Final Totals of Workers and Non-Workers.

The village has no natural irrigation facilities except the 'Elanji thodu' - a small natural canal flowing through the village. It experiences acute shortage of drinking water. In the absence of irrigation facilities, the cultivation of high yielding paddy is done only on a limited extent.

In spite of a relatively advanced agriculture the village does not have any agro-industries or handicrafts.

To cater to the needs of education, there exist 2 high schools, 2 upper primary schools and 5 primary schools in the village.

The only facility in the field of health is a Government allopathy dispensary.

Though the village is electrified, the supply of electricity is inadequate.

Koothattukulam - Vikom road and Piravom-Monippilly road are the two important roads running through the village. The available means of transport are very meagre.

Important places in the village are Mutholapuram, Alapuram, Elanji, Periyapuram and Perumpadavam. Elanji, the most important place in the village, is fairly developed with market for hill produces and other agricultural commodities. There are 3 banks and 1 co-operative bank working in the village. The offices of the Union Bank of India, and the Federal Bank are situated in Elanji. The other two offices are located in Mutholapuram. Mutholapuram, like Elanji is a busy agricultural

Centre. Though several development schemes and master plans were proposed for the development of the village,³ none of these schemes has been taken up for implementation.

Kadavoor revenue village situated in the Paingattoor Panchayath lies in Kothamangalam Taluk. The village which was part of the erstwhile Muvattupuzha taluk is located in the eastern border of Ernakulam District. Kadavoor village whose geographical area extends to 23.50 Sq.Km. is placed under the National Extension Scheme of Kothamangalam Block.

The population of this agrarian village, according to 1981 Census was 13,446. Out of the 4,473 main workers in the village 1,448 are cultivators and 1,856 agricultural labourers. Compared to the other 7 revenue villages of the taluk, the proportion of cultivators among main workers in Kadavoor works out to be the highest, (37 per cent).

Kadavoor village also is agriculturally very much active. The major sources of income and employment of the people of Kadavoor are agriculture and related activities. This village also has a tropical humid climate with heavy rains brought about by the south-west-monsoon from June to August and North East Monsoon ~~from~~ October to November.

3. Ernakulam Jilla Vikasanam - Samagramaya Nirdeasangal -
Ernakulam Jilla Vikasana Samithi Prasadheekaranam,
1972, p.1635.

With high rain fall coupled with high fertility of the soil every inch of land has been brought under cultivation.

The major crops are Paddy, Coconut and Rubber even though most of the crops common to Kerala are cultivated here. The average area of the cultivating land in Kadavoor Village is estimated to be 1.5 acres.

Irrigational facilities in the village are not adequate. Electricity has yet to reach many parts of the village. The Muvattupuzha road which runs through the middle of the village is the major motorable road for transportation.

There exist 5 lower primary schools, 2 upper primary schools and 1 high school within the Paingattoor Panchayath territory where the village is situated.

To render health services, there is only a small government dispensary.

As the village has a large live stock population, a veterinary hospital working here is very much helpful to farmers.

Kadavoor, Muriyodi, Kulappuram and Unakkad are the important places in Kadavoor Village.

One branch of a scheduled bank and a co-operative bank are the financial institutions situated in this village.

Socio-Economic Background of the Sample Beneficiaries

4.4. It has been already pointed out that an analysis of the socio-economic back ground of the sample beneficiaries will help to understand the working of agricultural credit in its proper perspective.

To begin with, we take up the sex-wise distribution of members of the sample households. Table 4.1 shows that out of the total 263 people in the Elanji Sample, 142 are males and 121 are females. Here males outnumber females keeping the male-female proportion as 852 females to every 1000 male. This is in contrast to the all-Kerala pattern of sex-distribution where females outnumber males. However, in Kadavoor Village, the male-female ratio is in consonance with the all-Kerala pattern. In Kadavoor village there are 120 females for 118 males making the sex-ratio 1017 females to every 1000 male. No precise explanation can be offered for the low proportion of females to males found in the Elanji sample.

On further examination of the table it is seen that the average number of members of different households ranges between 3.5 and 9.17 in Elanji and between 4.33 and 7.17 in Kadavoor. It is also discernible from the table that in both the villages, the average membership is the highest for households in the size group of above 10 acres. This indicates the tendency of affluent agricultural house-holds to have more members in the family. Hence, it seems that the prevailing

Table 4.1. Sex-wise Distribution of the Members of Beneficiary Households - (1985-86)

Size of Holding (Acre)	E L A N J I			K A D A V O O R			Average Member per HH	No. of Total HHs	Male	Female	Average Member per HH
	(1)	(2)	(3)	(4)	(5)	(6)					
Less than 0.5	2	7	4	3	3.5	5	22	9	13	4.4	
0.5-1	3	22	15	7	7.33	1	8	2	6	8.0	
1-2	6	39	17	22	6.5	3	13	7	6	4.33	
2-5	16	94	48	46	5.88	19	119	61	58	6.26	
5-10	7	46	27	19	6.57	6	33	17	16	5.5	
above 10	6	55	31	24	9.17	6	43	22	21	7.17	
Total	40	263	142	121	6.56	40	238	118	120	5.95	

Source: Sample Survey

notion of an inverse relationship between number of members and financial position of a household does not apply to agricultural households in the sample villages. Sound economic position, recognition and respect given by rural society to rich and bigger families, the feeling that more members command more social power, interest in extensive relationship, the pleasure of family get together and merry making during festive occasions etc., are some of the reasons that tempt rich agricultural households to have bigger family.

4.5. From table 4.2 it can be seen that out of the 40 sample households in Elanji Village, 7 (17.5%) belong to the Hindu religion, 33 (82.5%) to Christianity and none to Islam. Similarly, out of the 40 households in Kadavoor Village 14 (35%) belong to Hinduism, 26 (65%) to Christianity and none to Islam. A further breakup of the table reveals that 1 (2.5%) of the Hindu beneficiary households and none of the Christian households belong to Scheduled Caste, in Elanji Village, which in Kadavoor, 3 (7.5%) of the Hindu and 3 (7.5%) of the Christian households belong to the scheduled caste community. It may be noted that the scheduled caste beneficiary households in Kadavoor village are, in fact, Christian converts from Pulaya community. Further, it is clear from the table that all scheduled caste beneficiary households in both the villages belong to the holding size of less than 5 acres.

4.6. Turning to the educational levels of the beneficiary households, the following interesting observations can be made. Table 4.3 shows that in the case of Elanji Village as a whole, out of the 245 members above 5 years age, 19 (7.6%) persons are illiterate, 67(27.4%) of them have primary education, 72(29.5%) individuals have secondary education, 35(14.3%) persons have passed higher secondary, 28 (11.4%) of the members hold Pre-Degree certificates, 16 (6.5%) of them are graduates, and 8(3.3%) persons have post-graduation. Similarly, in Kadavoor village, as per table 4.4, out of the 229 persons above the age of 5 years 36 (15.7%) persons are illiterate, 35 (15.2%) of the have primary education, 48 (21.0%) individuals have secured secondary education, 21 (9.2%) have gone through higher secondary, 15 (6.6%) persons have pre-degree certificates 15(6.6%) persons are graduates and 8 (3.5%) individuals are postgraduates. Further, the tables reveal that in both the villages the magnitude of illiteracy decreases as the size of holding increases. Another important finding that emerges from the analysis is that the proportion of individuals who got higher education at the College level is directly related to the size of land-holding. For instance, in Elanji Village only 13.7 percent of the total members of households owning less than 5 acres have got college education while 33.7 percent of those belonging to the group owning above 5 acres have obtained college education. It may also be noted that 22(45%) out of the 49 members in the largest group have acquired higher education in Elanji sample.

Table 4.2 Size-wise and Religion-wise Distribution of Sample House-holds.

Size of Holdings (Acre)	E L A N J I						K A D A V O O R					
	Hindu		Christian		Muslim		Hindu		Christian		Muslim	
	S.C/ S.T. ral.	Gene- ral.	S.C/ S.T. ral.	Gene- ral.	S.C/ S.T. ral.	Gene- ral.	S.C/ S.T. ral.	Gene- ral.	S.C/ S.T. ral.	Gene- ral.	S.C/ S.T. ral.	Gene- ral.
Less than 0.5	1	1	-	-	-	-	1	2	1	1	-	-
0.5-1	-	1	-	2	-	-	-	1	-	-	-	-
1-2	-	1	-	5	-	-	-	3	-	-	-	-
2-5	-	1	-	15	-	-	2	4	2	11	-	-
2-10	-	2	-	5	-	-	-	1	-	5	-	-
above 10	-	-	-	6	-	-	-	-	-	6	-	-
Total	1	6	-	33	-	-	3	11	3	23	-	-
	*(2.5)	(15.0)		(82.5)			(7.5)	(27.5)	(7.5)	(57.5)		

source : sample survey

* Figures in brackets show percentage

Table : 4.3 Size-wise Distribution of the Sample Population
According to Levels of Education (ELANJI).

		E L A N J I					
Size of Holdings (Acre)	Total Members above 5 years Illit-erate.	School Level			College Level		Post-Graduation
		Primary	Secondary	Higher Secondary	Pre-Degree	Graduation	
Less than 0.5	7	3(42.8)	2(28.6)	2(28.6)	-	-	-
0.5-1	19	6(31.6)	7(36.8)	3(15.8)	-	-	-
1-2	36	10(27.8)	13(36.1)	5(13.9)	3(8.3)	1(2.8)	1(2.8)
2-5	91	28(30.7)	30(33.0)	10(11.0)	6(6.6)	7(7.7)	3(3.3)
5-10	43	8(18.6)	14(32.6)	9(21.0)	7(16.2)	2(4.7)	-
Above 10	49	12(24.5)	6(12.2)	6(12.2)	12(24.6)	6(12.2)	4(8.2)
Total	245	67(27.4)	72(29.5)	35(14.3)	28(11.4)	16(6.5)	8(3.3)

Source : Sample Survey

Figures in brackets show percentage.

Table : 4.4 Size-wise Distribution of the Sample Population
According to Levels of Education (KADAVOOR)

Soze of Holdings (Acre)	Total Members above 5 years	Illiterate.	School Level			College Level		
			Primary	Secondary	Higher Secondary	Degree	Graduation	Post-Graduation
less than 0.5	22	8(36.4)	1(4.5)	3(13.4)	1(4.5)	-	-	-
0.5-1	8	2(25.0)	1(12.5)	1(12.5)	1(12.5)	-	-	-
1-2	13	3(23.1)	2(15.4)	2(15.4)	-	-	-	-
2-5	114	16(14.1)	20(17.5)	25(21.9)	9(7.9)	7(6.1)	1(0.9)	-
5-10	31	4(12.9)	5(16.1)	7(22.6)	5(16.1)	3(9.7)	2(6.5)	-
above 10	41	3(7.3)	6(14.6)	10(24.4)	5(12.2)	5(12.2)	5(12.2)	-
Total	229	36(15.7)	35(15.2)	48(21.0)	21(9.2)	15(6.6)	8(3.5)	-

Source : Sample survey

Figures in brackets show percentage

The above findings seem to be true with respect to Kadavoor too, where 12 percent of the total members of households below the group owning 5 acres have got only school level education. But, 38 percent of the members belonging to groups of above 5 acres have acquired higher education. Here also, the biggest group holds the largest proportion of the highly qualified persons. Thus, the foregoing analysis reveals that the level of literacy as well as higher education are positively related to the size of land holdings. Inability of poor parents to send their children to distant colleges keep the number of college going children from smaller **size-groups very low.**

4.6. While discussing the occupational distribution, it may be noted that out of the total population of 263 in the sample households of Elanji during 1985-86, 76 (28.9%) people are engaged in gainful occupations. The remaining 187 (71.1%) people constitute the depending population. Similarly, in Kadavoor, the proportion of people engaged in gainful occupations is 31.5 percent keeping the proportion of depending population at 68.5 percent.

A further breakup as is given in table 4.5, shows that in Elanji sample 67.1% of the working population is engaged in agriculture and related activities as their main occupation. Similarly in Kadavoor village 61.4 percent of the working population has agriculture and allied activities as their major means of livelihood. This, in fact, implies the predominance of agriculture and related activities in determining the way of life of the

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people in the sample villages. It is seen from the table that 10 (13.2%) persons of the labour force in Elanji sample and 12 (16%) persons in Kadavoor sample have public sector employment. People engaged in business and trade as their main occupation are few in both the villages. However, 6 persons (7.9%) in Elanji and 5 (6.7%) persons in Kadavoor are running self-enterprises. Proportions of the labour force working on daily wages in sectors other than the primary sector are 3.9 percent and 5.3 per cent for Elanji and Kadavoor samples respectively. Table 4.6 exhibits details regarding subsidiary occupations of the working population in the sample households. The table shows that 24 (31.6%) out of the 76 workers in Elanji and 21 (28%) among the 75 workers in Kadavoor have subsidiary occupations. It is visible from the table that while 50 percent of the workers in Elanji sample and 42.9 percent in Kadavoor sample are engaged in animal husbandry, 37.5 percent and 38.1 percent of them in Elanji and Kadavoor respectively are engaged in money lending as their subsidiary occupation. The usual rate of interest charged ranged between 36 percent and 60 percent so that the profit from this business is very large. Shops-keepers and other petty traders constitute 12.5 percent of the subsidiary occupation in the case of Elanji sample and 19 percent with respect to Kadavoor sample.

The fact that a considerable proportion of the working population in the sample households in both the villages has subsidiary occupation indicates the enterprising nature of

Table 4.5
Details of Occupational Distribution 1985-86.

Occupation	Elanji		Kadaveer	
	Number	Percentage	Number	Percentage
1. Cultivator	40	52.6	41	54.7
2. Agricultural Labourer	5	6.6	2	2.7
3. Wage earner in the Primary Sector	6	7.9	3	4.0
Sub Total	51	67.1	46	61.4
4. Salaried employees in Public Sector	10	13.2	12	16.0
5. Salaried employees in the private sector	4	5.3	7	9.3
6. Business trade	2	2.6	1	1.3
7. Self-Enterprise	6	7.9	5	6.7
8. Others (dailywage earners)	3	3.9	4	5.3
T o t a l	76	100.0	75	100.0

Source: Sample Survey

Table 4.6 Distribution of Subsidiary Occupation (1985-86)

Occupations	Elanji		Kadavoor	
	Number	Percentage	Number	Percentage
1. Animal Husbandry	12	50.0	9	42.9
2. Money lending	9	37.5	8	38.1
3. Shops and Petty Trades	3	12.5	4	19.0
Total	24	100.0	21	100.0

Source: Sample Survey

the people. The activity performance of the population other than those employed in gainful occupation as presented in table 4.7 shows that majority of the people in non-gainful activities are housewives and students. For instance, the proportion of persons engaged in domestic chores are 25.7 percent in case of Elanji and 28.8 percent with respect to Kadavoor. But the proportion of students in the population comprising those in non-gainful activities are found to be still higher in the case of both the villages. In fact, students constitute the major portion of the population in non-gainful activities. At the same time, it may be noted that no children above the age of five has been recorded as not going to school. All these imply the availability of school facilities within the reasonable reach of the villagers.

Table 4.7 Activity Performance of People other than Gainfully Employed, 1985-86

Activity	Elanji		Kadavoor	
	Number	Percentage	Number	Percentage
1. Domestic Duty	48	25.7	47	28.8
2. Student	84	44.9	55	33.7
3. Job Seeking	20	10.7	30	18.4
4. Oldage	14	7.5	12	7.4
5. Patient/Disabled	3	1.6	4	2.5
6. Children below 5 years	18	9.6	15	9.2
Total	187	100.0	163	100.0

Source: Sample Survey

As per the table, the proportion of the unemployed in the beneficiary households in Elanji is 10.7 percent of the total population in non-gainful activities. When compared to the total population of the sample households in Elanji Village, this proportion works out to be 7.6 percent. Similarly, in case of Kadavoor sample, the proportion of job seekers is 18.4 percent of the non-gainfully active population while it works out to be 12.6 percent of the total population of the households in the village.

The fact that a significant portion of the sample population is unemployed and another considerable portion put to domestic chores are indicative of the lack of employment opportunities due to the absence of proper rural development programmes.

4.6. Now, let us examine the distribution of beneficiary households according to the size of their land asset. In order to facilitate a meaningful analysis, the beneficiaries are classified into 6 groups viz., cultivators who own land,

- 1) less than 0.5 acre
- 2) between 0.5 and 1 acre
- 3) ,, 1 and 2 acres
- 4) ,, 2 and 5 ,,
- 5) ,, 5 and 10 ,, and
- 6) above 10 acres

Table 4.8 presents a size-wise distribution of land among beneficiary households in both the sample villages.

According to Table 4.8 and 4.9, there are no changes in the area of land owned by different groups during the period from 1983 to 86 in both the samples. Of the 213.09 acres of land owned by 40 households in Elanji sample, 96.75 (45.4%) acres are owned by 6 households belonging to the largest group. 48.39(22.7%) acres are under the ownership of 7 households in the next largest group and the remaining 67.95(31.9%) acres are owned by 27 households belonging to the small and marginal categories.

Table 4.8 Size-wise Distribution of Land Among Beneficiary Households (El. in ha)

Size of Ho. Holding of (Acres) HHS	1983-84						1984-85						1985-86								
	Land Owned (Irrigated)		Land Owned (Non-Irrigated)		Land Owned (Total)		Land Owned (Irrigated)		Land Owned (Non-Irrigated)		Land Owned (Total)		Land Owned (Irrigated)		Land Owned (Non-Irrigated)		Land Owned (Total)				
	I*	NI*	I	NI	Total	I	NI	Total	I	NI	Total	I	NI	Total	I	NI	Total	I	NI	Total	
Less than 0.5	-	-	0.28	-	0.10	0.68	-	0.20	-	0.40	0.46	-	0.28	-	0.40	0.68	-	-	-	0.40	0.68
0.5-1	-	-	-	-	1.75	1.75	-	-	-	1.75	1.75	-	-	-	1.75	1.75	-	-	-	1.75	1.75
1-2	-	-	0.77	-	7.45	8.22	-	0.77	-	7.45	7.45	-	0.77	-	7.45	8.22	-	-	-	7.45	8.22
2-5	16	2.87 (5.01)	5.42	-	49.01	57.30	2.87 (5.01)	5.42	-	49.01	49.01	3.87 (6.75)	4.42	3.00 (5.24)	46.01	57.30	3.87 (6.75)	4.42	3.00 (5.24)	46.01	57.30
5-10	7	3.00 (6.20)	5.93	5.00 (12.40)	32.46	48.39	5.00 (10.33)	4.93	6.00 (12.4)	32.46	48.39	5.00 (10.33)	4.93	6.00 (12.4)	32.46	48.39	5.00 (10.33)	4.93	6.00 (12.4)	32.46	48.39
Above 10	6	3.50 (3.62)	9.30	19.00 (19.64)	64.95	96.75	3.50 (3.62)	9.30	20.00 (20.67)	63.95	96.75	3.50 (3.62)	9.30	22.00 (22.74)	61.95	96.75	3.50 (3.62)	9.30	22.00 (22.74)	61.95	96.75
Total	40	9.37 (4.40)	22.70	25.00 (11.74)	156.02	213.09	11.37 (5.34)	20.70	26.00 (12.20)	155.02	213.09	12.37 (5.91)	19.7	31.00 (14.55)	156.02	213.09	12.37 (5.91)	19.7	31.00 (14.55)	156.02	213.09

*I - Irrigated,
NI - Non-Irrigated
Figures in brackets show percentage
Source: Sample Survey

Table 4.9. Size-wise Distribution of Land owned by Beneficiary Households (Kadavoor)

Size of Holding (Acres)	No. of HHS	1983-84				1984-85				1985-86					
		Land owned (Acres)		Land owned (Acres)		Land owned (Acres)		Land owned (Acres)		Land owned (Acres)		Land owned (Acres)			
		Wet	Dry	Wet	Dry	Wet	Dry	Wet	Dry	Wet	Dry	Wet	Dry		
I*	NI*	I	NI	Total	I	NI	Total	I	NI	Total	I	NI	Total		
Less than 0.5	5	-	0.14	-	1.14	-	0.14	-	1.00	1.14	-	0.14	-	1.00	1.14
0.5-1	1	-	-	-	0.57	-	-	0.57	0.57	-	-	-	-	0.57	0.57
1-2	3	-	-	-	4.90	-	-	4.90	4.90	-	-	-	-	4.90	4.90
2-5	19	3.76 (5.8)+	8.18	-	52.85	3.76 (5.8)	8.18	64.79	4.20 (6.48)	48.65	3.76 (5.8)	8.18	4.20 (6.48)	48.65	64.79
5-10	6	3.38 (8.99)	3.71	1.00 (2.66)	29.52	3.38 (8.99)	3.71	37.61	7.10 (18.98)	23.42	3.38 (8.99)	3.71	8.20 (21.80)	22.32	37.61
above 10	6	4.96 (5.74)	4.17	35.30 (40.82)	42.04	4.96 (5.74)	4.17	86.47	40.10 (46.37)	37.24	4.96 (5.74)	4.17	42.10 (46.37)	37.24	86.47
Total	40	12.10 (6.19)	16.20	36.30 (18.57)	130.88	12.10 (6.19)	16.06	195.48	51.40 (26.29)	115.78	12.10 (6.19)	16.20	52.50 (26.86)	114.68	195.48

I* - Irrigated

NI* - Non-irrigated

+ - Figures in brackets shows percentage

Source : Sample Survey

Similarly, in the case of Kadavoor sample, 44.23 per cent of the total area belongs to 6 households in the largest group. 19.24 percent of the total area are owned by another 6 households in the next largest group and the remaining 28 households belonging to the small and marginal category own 36.53 percent of the total area. Thus, the foregoing discussion indicates that the ownership of land in the samples is concentrated in the hands of a very few rich farmers. As the sample households are randomly selected from all beneficiary households in the villages, the generalisation drawn above holds good at the village level too.

Turning to the divisions of land into wet lands and dry lands, it is seen from the table that 15 percent of the total land in Elanji was wet land during 1983-84. There had been no change in this, during 1984-85 and 1985-86. In case of Kadavoor, the proportion of wet land area to the total area remained at 14.48 percent throughout the period from 1983-84 to 1985-86. This implies that there had been hardly any tendency for the inter-conversion of land, as far as the sample households are concerned.

Regarding irrigation, it is observable from the tables that, the area under irrigation has been increasing in general. However, it is seen that the increase in area under irrigation during the period from 1983-'84 to 1985-86, in case of lower groups owning less than 5 acres has been insignificantly small. Farmers in the group of 5 to 10 acres in Elanji

sample had 18.6 percent of their total land area under irrigation during 1983-'84. During 1984-'85, their irrigated area increased to 22.73 percent. In the case of largest two groups, the irrigated area which stood at 23.26 percent of their total land during 1983-84, are rose to 24.29 percent during 1984-85 and further increased to 26.36 percent during 1985-86.

As is discernible from Table 4.9, the same trend holds good in case of Kadavoor too. Thus, it is observed that the extent of area under irrigation is directly related to the extent of the land asset owned by the farmer.

4.7. As far as the sample beneficiary households are concerned, it has become a practice among farmers in general and the large size-groups in particular, that they lease out a portion of their land. At the same time, it is observed that some of the households lease in land for cultivation. Table 4.10 presents a size-wise distribution of land leased in and leased out during the period 1983-84 to 1985-86. It is seen from the table that the total extent of land leased in for cultivation in Elanji sample comes to 1.30 acres during 1983-84, 2.30 acres during 1984-85 and 3.25 acres during 1985-86. Similarly, in the case of Kadavoor sample, the corresponding figures are 0.85 acre, 1.20 acres and 1.70 acres during the respective years. It is also observed from the table that in the case of both the villages the lessees belong to the groups of holding size above 1 acre and less than 5 acres. It is also seen from the table that the extent of land leased in increases year after year in the case of both the samples.

The table further reveals that of the 213.09 acres of land owned by the sample households in Elanji, 10.25(4.8%) acres during 1983-84, 18.95(8.9%) acres during 1984-85 and 21.60 (10.1%) acres during 1985-86 are leased out by owner cultivators. Corresponding figures with respect to Kadavoor during these periods, are 7.40 (3.8%) acres, 11.00 (5.6%) acres and 15.25(7.8%) acres. It is thus understood that the intensity of leasing out land in Kadavoor sample is lower than that of Elanji Sample. However, in contrast to the practice found in Elanji where the lessors comprise exclusively the largest two groups, in Kadavoor it is seen that all groups above 2 acres come under the category of lessors. In Kadavoor, it is observed that 80.3 percent of the leased out land belongs to the largest group of above 10 acres.

On further examination, it is observed from the table that beneficiary households in the group of below 1 acre are neither lessors nor lessees as far as both the samples are concerned. Because these groups do not own much land, the possibility for leasing out is ruled out. At the same time, it may be that the lessors do not consider them to be reliable and capable of paying rent, they seldom get access to the lease market.

Table 4.10 reveals that the lessees in both the samples belong to the groups of 1 to 2 acres and 2 to 5 acres. This may be due to the fact that the lessors consider them as relatively enterprising so that the payment of rent would be prompt and certain.

Table 410 Distribution of Land Leased in and Leased Out According to the Size of Holdings

Size of Holdings (Acre)	ELANJ I		Total area owned (Acre)		KADAVCOR	
	Land leased in 1983-84	Land leased in 1984-85	Land leased out 1983-84	Land leased out 1984-85	Land leased in 1983-84	Land leased out 1984-85
less than 0.5	0.68	-	-	-	1.14	-
0.5-1	1.75	-	-	-	0.57	-
1-2	8.22	0.80	1.30	1.50	4.90	-
2-5	57.30	0.50	1.00	1.75	64.79	0.40
5-10	49.39	-	-	-	37.61	0.50
above 10	96.75	-	10.25	18.95	86.47	6.50
Total	213.09	1.30	21.60	21.60	195.48	15.25

Source : Sample Survey

It is also observed from the table that cent percent of the leased out land in Elanji sample belongs to the largest group while, in Kadavoor sample they hold 87.8 percent of the total land leased out during 1983-84, 77.3 percent of it during 1984-85 and 80.3 percent during 1985-86. Moreover, the table reveals that the extent of leased out land among all groups increases year after year. Thus, table 4.10 on one hand, shows the growing tendency among small categories to lease in land, on the other it portrays the growing tendency among large groups to lease out land. Both are the two faces of the same coin of a new strategy of land management. Land hunger due to under-employment forces small farmers to lease in land, while low profitability from cultivation in relation to their income from non-agricultural activities induces large farmers to lease out land. However, this can be treated as a new form of tenancy; may be in an open or concealed form, it remains a paradox that tenancy has reappeared in a State where it stands legally abolished.

Details of agricultural implements owned by beneficiary households in the sample villages are given in tables 4.11 and 4.12. These tables show that Spade, Sickle, Plough, Hammer, Sprayer, Rubber Roller and Pumpsets are the important implements owned by the sample households in both the villages. It may be noted that in order to compensate for their wear and tear, a depreciation at the rate of 10 percent of the total value of each item per annum is allowed in assessing the value of items every year. Therefore, even if the physical stock of items remain the same, the value is likely to decrease unless the wear and tear is fully replaced.

As per table 4.11 the value of these stocks in Elanji sample as a whole amounted to Rs.82,033.00 during 1983-84. The value of stocks increased to Rs.1,02,179.70 during 1984-85 and then decreased to 93,793.70 during 1985-86. The increase in the value of stocks during 1984-85, as is seen from the table, was due to the addition of 1 tractor and 1 pumpset to the total stock during the year. However, the value of stocks declined during 1985-86 because there was no addition to the physical stock of agricultural implements during this year.

In Kadavoor sample, the aggregate value of agricultural implements stood at Rs.1,28,884.00 during 1983-84. As there was no addition to this stock during 1984-85, the value decreased to Rs.1,13,060.40 during the year. However, as seen from table 4.12, there had been a major reduction in the physical stock of these goods during 1985-86, though there were minor additions too. This is reflected by the reduction in its aggregate value to Rs.90,204.48 during 1985-86.

Thus, the above discussion indicates that, there had been no growth of implements in the agricultural sector during the period from 1983 to 1986 as far as Kadavoor sample is concerned. Similarly, in the case of Elanji, there were no major additions to the stock of agricultural implements during the period, except that of 1 tractor during 1984-85. In fact, the value of the stock of agricultural implements had been declining over the 3 years under reference, even though the physical stock of these goods remained more or less the same.

A further break-up of the tables reveals that the largest size groups own the largest proportions of the total stock of agricultural implements. Table 4.13 shows that in Elanji sample the per capita stock of agricultural implements amounted to Rs.9,915.17ⁱⁿ the case of the largest size group (above 10 acres) as against Rs.48.00 with respect to the small size-group (below 2 acres) during 1983-84. There were no agricultural implements for households in the size-group below 1 acre, during any year of the study.

As regards Kadavoor, the value of per capita stock of agricultural implements amounted to Rs.17,236.83 for the largest size-group as against Rs.1.60 for the smallest size-group during 1983-84. It is also seen from the table that the value of per capita stock of agricultural implements increases with increase in the size of holdings. This observation holds good during all the years under study. Thus, the analysis indicates that the value of the stock of agricultural implements owned by farmers and cultivators in both the samples, is a direct function of the size of their holdings.

Moreover, it is discernible from table 4.14 that 96.88 percent of the aggregate value of the stock of agricultural implements in Elanji Sample, was under the ownership of 13 (32.5%) households in the larger groups during 1983-84. The proportion of their share further increased to 97.11 percent during 1984-85 and then to 97.17 per cent during 1985-86.

Table 4.11 : Size-wise Distribution of Agricultural Implements During 1983-84, 1984-85 & 1985-86 (Elanfil)

Size of Holdings (Acre)	No. of HHs.	Name, Number and value of Agricultural Implements											
		1983 - 1984			1984 - 1985			1985 - 1986			Total		
		Name	No.	Value (Rs.)	Name	No.	Value (Rs.)	Name	No.	Value (Rs.)	Name	No.	Value (Rs.)
Less than 0.5	2												
0.5 - 1	3												
1 - 2	6	Spade	12	180.00	Spade	12	162.00	Spade	12	145.80			
		Sickle	17	108.00	Sickle	14	80.00	Sickle	14	72.00			
		Total		288.00	Total		242.00	Total		217.80			
2 - 5	16	Pumpset	1	1,800.00	Pumpset	1	1,800.00	Pumpset	1	1,620.00			
		Hammer	2	60.00	Hammer	2	54.00	Hammer	2	48.60			
		Spade	49	637.00	Spade	52	634.00	Spade	54	570.60			
		Sickle	45	274.00	Sickle	40	219.20	Sickle	40	197.30			
		Total		2,271.00	Total		2,707.20	Total		2,436.50			
5 - 10	7	Pumpset	4	18,800.00	Tractor	1	20,000.00	Tractor	1	28,000.00			
		Agricultural Vehicles	3	120.00	Pumpset	4	16,920.00	Pumpset	4	15,228.00			
		Plough	1	35.00	Agricultural Vehicles	2	108.00	Plough	1	27.50			
		Sprayer	1	500.00	Plough	1	31.50	Sprayer	1	405.00			
		Hammer	2	40.00	Sprayer	1	450.00	Hammer	2	32.40			
		Spade	23	368.00	Hammer	2	36.00	Spade	20	259.20			
		Sickle	15	120.00	Spade	20	288.00	Sickle	12	77.60			
		Total		19,983.00	Sickle	15	108.00	Total		34,029.70			
Above 10	6	Pumpset	4	19,000.00	Pumpset	5	25,100.00	Pumpset	5	22,590.00			
		Agri.Vehicle	1	18,000.00	Agri. vehicle	1	16,200.00	Agri.Vehicle	1	14,580.00			
		Plough	12	585.00	Plough	8	351.00	Plough	8	315.00			
		Sprayer	4	2,500.00	Sprayer	4	2,250.00	Sprayer	4	2,025.00			
		Rubber Roller	5	18,000.00	Rubber Roller	5	16,200.00	Rubber roller	6	16,580.00			
		Hammer	7	350.00	Hammer	7	315.00	Hammer	6	243.00			
		Spade	48	816.00	Spade	45	688.50	Spade	45	418.50			
		Sickle	35	240.00	Sickle	32	185.20	Sickle	30	156.30			
		Total		59,491.00	Total		61,283.00	Total		57,109.70			
		G.Total		82,033.00	G.Total		102,179.70	G.Total		93,793.70			

Source: Sample Survey.

Table 4.12: Size-Wise Distribution of Agricultural Implements During 1983-84, 1984-85 & 1985-86 (Kadavoor)

Size of Holdings (Acre)	1983 - 1984		1984 - 1985		1985 - 1986	
	No.	Value (Rs.)	No.	Value (Rs.)	No.	Value (Rs.)
Less than 0.5	5	8.00	1	7.20	1	6.48
		8.00		7.20		6.48
0.5 - 1	1					
1 - 2	3	48.00	4	43.20	4	38.90
		20.00		18.00		16.20
		68.00		61.20		55.10
2 - 5	19	12,400.00	2	8,000.00	2	7,200.00
		400.00		360.00		324.00
		120.00		108.00		97.20
		1,600.00		1,440.00		1,296.00
		214.00		192.60		173.30
		780.00		702.00		631.80
		343.00		338.70		319.80
		15,857.00		11,141.30		10,042.10
5 - 10	6	8,830.00	3	7,947.00	3	7,152.30
		500.00		450.00		405.00
		36.00		32.40		29.20
		320.00		288.00		259.20
		132.00		118.80		107.00
		9,530.00		8,836.20		7,952.70
Above 10	6	86,000.00	6	77,400.00	5	58,050.00
		3,300.00		2,970.00		2,673.00
		12,500.00		11,250.00		10,125.00
		660.00		594.00		534.60
		740.00		630.00		567.00
		221.00		170.50		198.50
		1,03,421.00		93,014.50		72,148.10
Grand Total:-		1,28,884.00		1,13,060.40		90,204.48

Source: Sample Survey

Table 4.13 Size-Wise Distribution of Per Capita Stock of Agricultural Implements (Value in Rs.)

Size of Holding (Acre)	E L A N J I			K A D A V O O R		
	1983-84	1984-85	1985-86	1983-84	1984-85	1985-86
Less than 0.5	-	-	-	1.60	1.44	1.30
0.5-1	-	-	-	-	-	-
1-2	48.00	40.33	36.30	22.67	20.40	18.37
2-5	141.94	169.20	152.28	834.57	586.38	528.53
5-10	2854.71	5420.21	4861.39	1588.33	1427.70	1325.45
above 10	9915.17	10214.83	9518.28	17236.83	15502.42	12024.68
Total	2050.83	2554.49	2344.84	3222.10	2826.51	2255.11

Source: Sample Survey

Similarly, with respect to Kadavoor, of the 40 households, 12(30%) households in the larger groups shared 87.64 percent of the aggregate value of agricultural implements during 1983-84. The proportion further increased to 90.09 percent during 1984-85 and then slightly declined to 88.80 percent during 1985-86.

The above discussion, thus, indicates that the stock of agricultural implements is highly concentrated in the hands of large farmers.

4.10. As regards live stock assets too, large farmers are seen to share larger proportions of the total value of live stock assets owned by the total households. Table 4.15 and

Table 4.14 Share in the Aggregate Value of Agricultural Implements According to size of Holding.

(Percentage)

Size of Holdings (Acre)	E L A N J I			K A D A V O O R		
	1983-84	1984-85	1985-86	1983-84	1984-85	1985-86
Less than 0.5	-	-	-	0.01	0.01	0.01
0.5-1	-	-	-	-	-	-
1-2	0.35	0.24	0.23	0.05	0.05	0.06
2-5	2.77	2.65	2.60	12.30	9.85	11.13
5-10	24.36	37.13	36.28	7.39	7.82	8.82
above 10	72.52	59.98	60.89	80.25	82.27	79.98
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Sample survey

Table 4.16 present details of livestock assets owned by various categories of households during the entire period of this study. It is seen from the tables that the value of live stock assets in Elanji village as a whole increased from Rs.1,15,316.00 during 1983-84 to Rs.1,27,435.00 during 1984-85 and further to Rs.1,38,403.00 during 1985-86. However, the physical stock of live stock assets remained more or less the same during the entire period. Similarly, in the case of Kadavoor, the aggregate value of livestock assets increased from Rs.91,352.00 during 1983-84 to Rs.1,01,548.00 during 1984-85 and again to Rs.1,01,813.00 during 1985-86. Here also, the physical stock of items remained more or less unchanged. The increase in the aggregate value of live stock over years, in both the samples, can be attributed to the general rise in market price of various livestock items.

Table-4.15 : Distribution of Live Stock Assets According to Size ~~the~~ of Holdings During 1982-84, 84-85 & 85-86 (Elanjil)

Size of Holdings (Acre)	No. of HHs.	1983		1984		1985		1986		
		Item	No.	Value (Rs.)	Item	No.	Value (Rs.)	Item	No.	Value (Rs.)
Less than 0.5	2	Milch cow/Bufallo	1	2600.00	Milchcow/Bufallo	1	2800.00	Milchcow/Bufallo	1	3000.00
		Hen/Duck	8	160.00	Hen/Duck	8	176.00	Hen/Duck	4	92.00
		Total		2760.00	Total		2976.00	Total		3092.00
0.5 - 1	3	Milchcow/Bufallo	2	1400.00	Milchcow/Bufallo	2	1600.00	Milch cow/Bufallo		1700.00
		Draught Animals	2	900.00	Draught Animals	2	1000.00	Draught Animals	2	1200.00
		Goat	1	120.00	Goat	1	140.00	Goat	1	160.00
Total		2420.00	Total		2740.00	Total		3060.00		
1 - 2	6	Milch cow/Bufallo	5	8500.00	Milch cow/Bufallo	5	9600.00	Milch cow/Bufallo	6	13400.00
		Hen/Duck	16	290.00	Hen/Duck	16	320.00	Hen/Duck	18	370.00
		Goat	1	100.00	Goat	1	125.00	Goat	1	175.00
Total		8890.00	Total		10045.00	Total		13945.00		
2 - 5	16	Milch cow/Bufallo	21	34500.00	Milch cow/Bufallo	21	37500.00	Milch Cow/Bufallo	21	41300.00
		Hen/Duck etc.	63	1256.00	Hen/Duck	60	1308.00	Hen/Duck	62	1472.00
		Draught Animal	1	1200.00	Draught Animal	1	1300.00	Draught Animal	1	1400.00
		Goat	1	70.00	Goat	1	80.00	Goat	1	120.00
Total		37026.00	Total		40188.00	Total		44292.00		
5 - 10	7	Milchcow/Bufallo	10	14650.00	Milch cow/Bufallo	10	16150.00	Milch cow/Bufallo	11	16800.00
		Hen/Duck	36	720.00	Hen/Duck	30	740.00	Hen/Duck	41	923.00
		Draught Animals	4	7400.00	Draught Animals	4	8000.00	Draught Animals	4	8400.00
		Goat	1	200.00	Goat	1	250.00	Goat	1	300.00
Total		22970.00	Total		25140.00	Total		26423.00		
above 10	6	Milch cow/Bufallo	21	37400.00	Milch cow/Bufallo	21	42400.00	Milchcow/Bufallo	19	43247.00
		Hen/Duck	87	1850.00	Hen/Duck	80	1746.00	Hen/Duck	92	1944.00
		Draught Animals	2	2000.00	Draught Animals	2	2200.00	Draught Animals	2	2400.00
Total		41250.00	Total		46346.00	Total		47591.00		
Total	40	G. Total	115316.00	G. Total :-	127435.00	G. Total :-	138403.00			

Source : Sample Survey

Table-4.16 : Distribution of Live Stock Assets According to Size of Holdings During 1982-84, 84-85 & 85-86
(Kadavoor)

Size of Holdings (Acres)	No. of H.H.s.	1983		1984		1985		1986		
		Item	No.	Value (Rs.)	Item	No.	Value (Rs.)	Item	No.	Value (Rs.)
Less than 0.5	5	Milch Cow/Bufalo	1	1200.00	Milch Cow/Bufalo	1	1300.00	Milch Cow/Bufalo	1	1400.00
		Total		1200.00	Total		1300.00	Total		1400.00
0.5 - 1	1									
1 - 2	3	Milch Cow/Bufalo	2	1800.00	Milch Cow/Bufalo	2	2050.00	Milch Cow/Bufalo	1	1150.00
		Hen/Duck	4	80.00	Hen/Duck	3	66.00	Hen/Duck	10	220.00
		Drought/Animal	3	2200.00	Drought Animal	2	2000.00	Drought Animal	3	2900.00
		Goat	3	300.00	Goat	2	220.00	Goat	3	360.00
		Total		4380.00	Total		4336.00	Total		4630.00
2-5	19	Milch Cow/Bufalo	24	31500.00	Milch Cow/Bufalo	24	35150.00	Milch Cow/Bufalo	20	34000.00
		Hen/Duck	48	932.00	Hen/Duck	58	1199.00	Hen/Duck	72	1503.00
		Drought Animal	3	4400.00	Drought Animal	3	4900.00	Drought Animal	2	3500.00
		Goat	6	730.00	Goat	6	895.00	Goat	4	640.00
		Pig	3	400.00	Pig	3	1000.00	Pig	3	3600.00
		Total		37962.00	Total		43144.00	Total		43243.00
5-10	6	Milch Cow/Bufalo	10	19600.00	Milch Cow/Bufalo	10	21700.00	Milch Cow	8	18800.00
		Hen/Duck	32	640.00	Hen/Duck	34	738.00	Hen/Duck	25	610.00
		Goat	3	450.00	Goat	2	360.00	Goat	3	510.00
		Pig	2	200.00	Pig	2	400.00	Drought Animal	2	4000.00
		Total		20890.00	Total		23198.00	Total		24820.00
above 10	6	Milch Cow/Bufalo	13	24400.00	Milch Cow/Bufalo	12	25550.00	Milch Cow/Bufalo	10	23460.00
		Hen/Duck	21	420.00	Hen/Duck	30	720.00	Hen/Duck	20	460.00
		Drought Animal	2	2100.00	Drought Animal	3	3300.00	Drought Animal	4	3800.00
		Total		26920.00	Total		29570.00	Total		27720.00
Total	40	G. Total		91352.00	G. Total		101548.00	G. Total		101813.00

Source : Sample Survey.

Table 4.17 Size-Wise Distribution of Per Capita Live Stock Assets

(Value in Rs.)

Size of Holdings (Acre)	E L A N J I			K A D A V O R		
	1983-84	1984-85	1985-86	1983-84	1984-85	1985-86
Less than 0.5	1380.00	1488.00	1546.00	240.00	260.00	280.00
0.5 - 1	806.67	913.33	1020.00	-	-	-
1 - 2	1481.67	1674.17	2324.17	1460.00	1445.00	1543.33
2 - 5	2314.13	2511.75	2768.25	1998.00	2270.74	2275.95
5 - 10	3281.42	3591.43	3774.71	3481.67	3866.33	4136.67
above 10	6875.00	7724.33	7931.83	4486.67	4928.33	4620.00
All sample	2882.90	3185.88	3460.75	2283.80	2538.70	2545.33

Source : Sample Survey

Table 4.17 depicts the average value of live stock assets owned by different categories of farmers in the sample villages. The table shows that in the case of all households in the groups of above 1 acre in Elanji, and with respect to all groups in Kadavoor, the average value of live stock increases with increase in the size of land holdings.

Table 4.18 shows that the physical stock of live stock assets is also positively related to the size of holding. For instance the proportion of the total stock owned by 13 (32.5%) households of the largest size groups in Elanji sample was 50.7 per cent in 1985-86, while the remaining 27 (67.5%) households held 50.3 per cent of the stock. Similarly in Kadavoor during the same period, 12 (30%) households of the largest 2 size - groups had 44 per cent of the total live stock in the sample.

As the live stock population in the samples remain more or less the same during the previous two years, the above finding holds good during those years too. The important observations which follow from the foregoing analysis on land, live-stock and agricultural implements are as follows. 1) There had been no significant addition to or subtraction from the extent of land owned by various households during the entire period of the study 2) The physical stock of major agricultural implements owned by the sample households remained more or less the same throughout the period of this study. 3) There had been no significant increase or decrease in the physical stock of

Table 4.18 Percentage Distribution of Physical Stock of Livestock Assets
According to the Size of Holdings, During 1985-1986.

Size of Holding (Acre)	E L A N J I				K A D A V O O R					
	No. of HHs.	No. of Cattle	Poultry	No. of HHs	No. of Cattle	Poultry	No. of HHs	No. of Cattle	Poultry	
	Total	% of the Total	% of the Total	Total	% of the Total	% of the Total	Total	% of the Total	% of the Total	
Less than 0.5	2	1	1.4	4	1.8	1.8	5	1	1.5	-
0.5 - 1	3	5	6.8	-	-	-	1	-	-	-
1 - 2	6	7	9.6	18	8.4	8.4	1	7	10.6	10
2 - 5	16	23	31.5	62	28.5	28.5	19	29	43.9	72
5 - 10	7	16	21.9	41	18.9	18.9	6	15	22.8	25
above 10	6	21	28.8	92	42.4	42.4	6	14	21.2	20
Total	40	73	100.0	217	100.0	100.0	40	66	100.0	127

Source: Sample Survey

livestock assets during the period, and 4) The stock of agricultural implements and livestock assets owned by various groups of farmers are directly related to the size of their holdings.

4.11. In order to obtain a precise idea about the financial position of beneficiary households, let us now examine the annual income and expenditure of these households. It may be noted that details of annual income and expenditure have been collected only during the year 1984-85. Table 4.19 depicts the details.

It is discernible from the table that annual income falls short of annual expenditure in the case of size groups below 2 acres, in both the samples. It is seen that income exceeds expenditure in the case of size groups above 2 acres. But this does not mean that all households belonging to the lower size-groups (below 2 acres) have expenditure over their income. For instance, table 4.20 shows that one household in each sample in the size-group of 1 to 2 acres has an annual income which is greater than annual expenditure.

Similarly, some of the beneficiary households belonging to the size-groups of 2 to 5 acres, have greater expenditure than their income. It is clear from the table that 10 (62.5%) out of the 16 households in Elanji, and 10 (52.6%) out of the 19 households in Kadavoor were to spend in excess of their income. However, all beneficiary households belonging to the largest two size-groups are found to have greater income than expenditure.

Table 4.19 Details of Annual Income and Expenditure According to the Size of Holdings (1984-85)

Size of Holdings (Acre)	E L A N J I			K A D A V O O R			
	No. of HHs	Annual Income	Annual Expenditure	No. of HHs	Annual Income	Annual Expenditure	Income Over Expenditure
Less than 0.5	2	26417.50	26958.50 -	541	35294.00	44976.00 -	9682
0.5 - 1	3	27170.50	36119.50 -	8949	4062.00	5927.00 -	1865
1 - 2	6	113457.50	129412.50 -	15955	36302.00	37866.00 -	1564
2 - 5	16	556400.00	470939.00 +	85461	877684.00	817681.00 +	6003
5 - 10	7	492557.00	345005.00 +	147552	334788.00	245263.00 +	89525
above 10	6	1290256.00	617459.00 +	672797	1274142.00	624930.00 +	649212
All Holdings	40						

Source: Sample Survey

Table 4.20 Size-Wise Distribution of Households According to the Difference in Annual Income and Expenditure, 1984-'85.

Size of Holdings (Acre)	NUMBER OF HOUSEHOLDS					
	E L A N J I			K A D A V O O R		
	Total	Income over Expenditure	Expenditure Over Income	Total	Income over Expenditure	Expenditure Over Income
Less than 0.5	2	NIL	2(100.0) ⁺	5	NIL	5(100.0)
0.5 - 1	3	NIL	3(100.0)	1	NIL	1(100.0)
1 - 2	6	1(16.7)	5(83.3)	3	1(33.3)	2(66.7)
2 - 5	16	6(37.5)	10(62.5)	19	9(47.4)	10(52.6)
5 - 10	7	7(100.0)	NIL	6	6(100.0)	NIL
above 10	6	6(100.0)	NIL	6	6(100.0)	NIL
All Holdings	40	20(50.0)	20(50.0)	40	22(55.0)	18(45.0)

+ Percentage in brackets

Source: Sample Survey.

4.12 Agriculture being the mainstay of the people of the sample villages, it is desirable to make an overview of the agricultural situation of the sample households during the period of this study. This will enable us to examine the impact of institutional finance on agriculture in the sample villages. Table 4.21 and 4.22 show the details of cropping pattern and area under different crops during the period from 1983-84 to 1985-86. It is seen from table 4.22 that, as regards Kadavoor sample, out of the gross cropped area, 45.62 (23.8%) acres were under paddy cultivation, 32.12 (16.7%) acres under coconut, 6.40 (3.3%) acres under tapioca 28.00 (14.6%) acres under vegetables, 40.75 (21.2%) acres under rubber (yielding), 22.48 (11.8%) acres under rubber (Young) and 16.51 (8.6%) acres under other crops, during 1983-84. The net area as well as gross area of cultivation declined from 163.46 acres and 191.88 acres during 1983-84 to 160.05 acres and 187.24 acres during 1984-85. Similarly, the area of cultivation of all important crops except rubber declined during 1984-85. For instance, the proportion of area under paddy, coconut, tapioca, vegetable and other crops decreased to 22.8 percent, 16.3 percent, 2.6 percent, 13.8 percent and 7.4 percent of the gross area respectively during 1984-85. However, it is seen that the proportion of area under rubber cultivation increased from 34.0 percent of the gross area in 1983-84 to 37.1 percent of it during 1984-85. Further, both the net area and gross area of cultivation declined by 1.90 per cent and 1.67 per cent respectively during 1985-1986. The

proportion of area under paddy, coconut, tapioca, vegetable and other crops also declined to 22.0 per cent, 14.6 per cent, 1.3 per cent, 11.7 per cent and 6.5 per cent of the gross area, during this year. As in the previous year, the area of rubber cultivation increased from 69.47 acres in 1984-85 to 80.75 acres in 1985-86. This means that the area under rubber increased by 16.23 per cent during the year compared to the previous year.

In the case of Elanji, it is discernible from table 4.21 that the net area and gross area of cultivation which stood at 189.73 acres and 205 acres during 1983-84, declined to 186.49 acres and 200.16 acres respectively during 1984-85 and further to 183.44 acres and 198.41 acres during 1985-1986. It is seen from the table that the area of cultivation of all important crops except rubber also declined during 1984-85 and again during 1985-1986. The proportion of area under rubber which stood at 36.8 per cent of the gross area in 1983-84 increased to 43.1 per cent of it during 1985-86. This indicates the extensive nature of rubber cultivation at the cost of other crops particularly food crops.

4.13 As regards production and productivity of important crops cultivated by the beneficiary households, details are given in tables 4.23 and 4.24. The tables show that production of all important crops except rubber declined during the entire period from 1983-84 to 1985-86 in both the samples. However, as it is seen from table 4.23, in Elanji, the productivity of rice which

Table 4.21: Size-wise Distribution of Area Under Different Crops 1983-84 to 1985-86 (Elan 11)
(in Acre)

Year	Size of Net Area Holdings of Cultiva- (Acre) tion.	Gross Cropped	Area under different crops						Rubber Young	Other Crops
			Paddy	Coconut	Tapioca	Vegetable	Rubber Yielding			
1983- '84	Less than 0.5	0.32	-	0.08	-	0.04	-	-	-	0.20
	0.5-1	1.32	-	0.32	0.55	0.15	-	-	-	0.30
	1-2	7.24	1.54	2.20	0.50	2.17	2.17	-	-	1.10
	2-5	52.72	12.29	11.60	1.64	5.90	9.09	13.80	-	2.40
	5-10 above 10	43.55 84.58	14.43 18.80	8.90 21.75	1.50 2.70	4.04 7.20	10.85 24.20	5.43 10.03	-	2.90 5.90
Total	189.73	205.00	47.06 (22.0)	44.85 (21.9)	6.89 (3.3)	17.83 (8.7)	46.31 (22.6)	29.26 (14.2)	-	12.80 (6.3)
1984- '85	Less than 0.5	0.32	-	0.08	-	0.06	-	-	-	0.18
	0.5-1	1.32	-	0.32	0.70	0.20	-	-	-	0.10
	1-2	7.24	1.54	2.20	0.50	2.17	2.17	-	-	1.10
	2-5	51.12	11.49	9.20	1.40	5.20	9.09	16.74	-	2.20
	5-10 above 10	42.91 83.58	13.93 17.50	7.40 19.50	1.25 2.80	3.60 7.50	11.30 24.30	6.83 11.28	-	2.60 5.40
Total	186.49	200.16	44.46 (22.2)	38.70 (19.3)	6.65 (3.3)	17.06 (8.5)	46.86 (23.4)	34.85 (17.5)	-	11.58 (5.8)
1985- '86	Less than 0.5	0.32	-	0.08	-	0.04	-	-	-	0.20
	0.5-1	1.32	-	0.32	-	0.70	-	-	-	0.30
	1-2	6.84	1.54	2.20	-	0.70	2.17	-	-	1.00
	2-5	49.07	12.29	8.00	1.25	4.50	10.09	16.94	-	2.00
	5-10 above 10	42.81 83.08	13.63 17.00	7.00 19.00	1.00 2.30	3.00 7.20	12.30 25.10	7.08 11.68	-	2.50 5.00
Total	183.44	198.11	44.46 (22.4)	36.60 (18.5)	4.55 (2.3)	16.14 (8.1)	49.66 (25.1)	35.70 (18.0)	-	11.00 (5.6)

Source: Sample Survey
(Figures in brackets indicate percentage)

Table 4.22: Size-wise Distribution of Area Under Different Crops: 1983-84 to 1985-86 (Kadavoor)
(in Acre)

Year	Size of Net Area Holdings of Cultivation. (Acre)	Gross Cropped	Area under different crops								
			Paddy	Coconut	Tapioca	Vegetable	Rubber Yielding.	Rubber Young	Other Crops		
1983-'84	Less than 0.5	0.42	0.56	0.28	0.08	-	0.20	-	-	-	-
	0.5-1	0.57	0.34	0.20	0.14	-	-	-	-	-	-
	1-2	3.71	3.71	-	2.21	0.25	-	-	-	1.00	-
	2-5	59.60	75.26	15.66	13.23	3.05	12.75	12.60	10.15	7.82	-
	5-10	31.61	37.73	13.62	4.74	1.90	4.30	6.00	4.00	3.17	-
above 10	67.55	74.28	15.86	11.72	1.20	10.50	22.15	7.33	5.52	-	
Total	163.46	191.88	45.62 (23.8)	32.12 (16.7)	6.40 (3.3)	28.00 (14.6)	40.75 (21.2)	22.48 (11.8)	16.51 (8.6)	-	-
1984-'85	Less than 0.5	0.42	0.56	0.28	0.08	-	0.20	-	-	-	-
	0.5-1	0.57	0.34	0.20	0.14	-	-	-	-	-	-
	1-2	3.71	3.71	-	2.21	-	0.50	-	-	1.00	-
	2-5	57.79	72.80	15.20	12.27	2.11	12.65	12.60	12.15	5.82	-
	5-10	31.11	37.23	13.12	4.14	2.00	4.00	6.00	4.80	3.17	-
above 10	66.45	72.60	13.86	11.62	0.70	8.50	22.15	10.77	5.00	-	
Total	160.05	187.24	42.66 (22.8)	30.46 (16.3)	4.81 (2.6)	25.85 (13.8)	40.75 (21.8)	28.72 (15.3)	13.99 (7.6)	-	-
1985-'86	Less than 0.5	0.42	0.56	0.28	0.08	-	0.20	-	-	-	-
	0.5-1	0.57	0.34	0.20	0.14	-	-	-	-	-	-
	1-2	3.71	3.71	-	2.21	-	0.50	-	-	1.00	-
	2-5	55.60	70.60	13.12	10.14	1.50	10.65	13.60	16.89	4.70	-
	5-10	30.66	36.90	13.00	4.14	1.00	3.00	6.00	7.09	2.67	-
above 10	66.05	72.00	13.86	10.12	-	7.25	24.15	12.02	4.60	-	
Total	157.01	184.11	40.46 (22.0)	26.83 (14.6)	2.50 (1.3)	21.60 (11.7)	43.75 (23.8)	37.00 (20.1)	11.97 (6.5)	-	-

Source: Sample Survey

Figures in brackets indicate percentage

Table 4.23: Production and Productivity of Important Crops
Cultivated by the Sample Households
During the period from 1983 to 1986 (Elanjil)

Crops	1983-1984		1984-1985		1985-1986	
	Output	Productivity per Acre	Output	Productivity per Acre.	Output	Productivity per Acre.
Rice	41180 kg.	875.05 kg	39134 kg.	880.2 kg	38431 kg.	858.6 kg.
Tapioca	53742 kg.	7800.00 kg.	50712 kg.	7625.8 kg.	36173 kg.	7950.0 kg.
Coconut	158321 Nos.	3520 Nuts	148685 kg.	3842 Nos.	120780 Nos.	3300 Nos.
Rubber	14380 kg.	310.5 kg.	14592 kg.	311.4 kg.	15519 kg.	312.5 kg.

Source : Sample Survey

Table 4.24: Production and Productivity of Important Crops
Cultivated by the Sample Households
During the Period from 1983 to 1986 (Kadavoor)

Crops	1983-1984		1984-1985		1985-1986	
	Output	Productivity per Acre	Output	Productivity per Acre	Output	Productivity per Acre
Rice	37719 kg.	826.80 kg.	34589 kg.	810.80 kg.	32977 kg.	815.05 kg.
Tapioca	44160 kg.	6900.00 kg.	34151 kg.	7100.00 kg.	15250 kg.	6100.00 kg.
Coconut	120129 Nos.	3740 Nos.	103869 Nos.	3410 Nos.	102625 Nos.	3825 Nos.
Rubber	13250 kg.	325.16 kg.	14067 kg.	345.20 kg.	15251 kg.	348.60 kg.

Source : Sample Survey

stood at 875.050 kg. per acre during 1983-84, increased to 880.2 kg. per acre during 1984-85 and then declined to 858.6 kg/acre during 1985-86. In the case of tapioca, the productivity declined from 7800.000 kg. per acre in 1983-84 to 7625.8 kg. per acre in 1984-85 and then rose to 7950 kg. per acre in 1985-86. The productivity of coconut increased from 3520 nuts per acre during 1983-84 to 3842 nuts per acre during 1984-85 and decreased to 3300 nuts per acre during 1985-86. As regards rubber, the productivity increased steadily from 310.5 kg. per acre in 1983-84 to 311.4 kg. per acre in 1984-85 and further to 312.5 kg. per acre in 1985-'86.

In the case of Kadavoor, as per table 4.24, it is seen that the productivity of rice decreased from 826.800 kg. per acre during 1983-84 to 810.800 kg. per acre during 1984-85 and increased to 815.050 kg. per acre during 1985-86. The productivity of tapioca which stood at 6900.000 kg. per acre in 1983-84 increased to 7100.000 kg. per acre in 1984-85 and then decreased to 6100.000 Kg. per acre in 1985-86. As regards the productivity of coconut, it declined from 3740 nuts per acre during 1983-84 to 3410 nuts per acre during 1984-85 and then increased to 3825 nuts per acre during 1985-86. However, the productivity of rubber in Kadavoor sample too, registered a continuous increase from 325.160 Kg. per acre in 1983-84 to 345.200 Kg. per acre in 1984-85 and again to 348.600 Kg. per acre during 1985-86.

Thus, the foregoing analysis reveals that though the area of cultivation and the production of all important crops except rubber had been continuously declining during the entire period from 1983-84 to 1985-86, changes in the productivity of these crops had not been steady. However, the area of cultivation, production and productivity of rubber had been going up continuously throughout the period. A substantial increase in the area under rubber (young) during the reference period is indicative of a definite swing towards cash crops at the expense of food crops.

C H A P T E R - V

SOURCES, TERMS AND CONDITIONS OF AGRICULTURAL CREDIT

Credit is essential for the temporary activation of a farmer's capital which is locked up in his land and stock. Also, credit plays the role of a gap filling agent between income and expenditure. In the broad sense, sources of credit can be classified into 1) institutional and 2) non-institutional. Banks, Co-operatives, Government etc, constitute institutional sources of credit while money lenders, traders, etc. comprise non-institutional agencies. For small farmers with low incomes and high marginal propensity to consume, it is usual that they resort to borrowing irrespective of the type of agency which provides the financial assistance.

This tendency of the weaker sections of cultivators is fully exploited by the non-institutional agencies supplying credit. It is through the manipulation of the terms and conditions of the loans that the non-institutional agencies realise their goal. The credit supplied by money lenders or other non-institutional agencies carries along with it, an exorbitant rate of interest. Lenders' risk involved in disbursing a loan against inadequate and ineffective security is not a problem as far as non-institutional agencies are concerned.

They usually overcome such risks through a systematic under~~evaluation~~ of collaterals which are unacceptable to institutional agencies. The failure in repaying the borrowed sum by cultivators is considered as a blessing by the non-institutional lender. The peasants who have borrowed from non-institutional sources are forced to sell their assets offered as collaterals, at a price well below the valuation attached to them. In this way, the credit disbursed by the money lenders or other non-institutional agencies works as a serious drag on agricultural development. It is in this context, that the role of institutional agencies viz. banks, co-operatives, Governments etc. become very important. The rate of interest of institutional agencies are comparatively very low and they never transfer risk to the borrower in their lending operations. In this chapter, an attempt is made to analyse the data collected from the sample villages in order to examine whether the above views will hold good in the empirical situation.

An analysis of the beneficiary households in the sample village Elanji shows that 27 out of the total 40 beneficiary households belonging to the various size-classes have availed themselves of loans from institutional agencies while only 9 households have borrowed from non-institutional agencies during 1983-84. The corresponding figures for the years 1984-85 and 1985-86 are 34 and 38 respectively in the case of institutional agencies and 8 and 14 respectively in the case of non-institutional agencies. In comparison, 30 out of the total 40 beneficiary households have received loans from institutional agencies in

Kadavoor village for the year 1983-84 and 6 households have resorted to borrowing from non-institutional agencies in the same year. The number of households that have made use of institutional loans for the year 1984-85 and 1985-86 in Kadavoor village are 35 and 35 respectively. At the same time 8 households in 1984-85 and 13 households in 1985-86 have borrowed from non-institutional agencies in Kadavoor village. Thus, it can be said that in both the villages institutional credit has become very popular. However, the various categories of cultivators do not have equal or equitable access to institutional credit. As is clear from table 5.1, cultivators who own less than 1 acre in Elanji village did not avail or get any loan from institutional agencies in 1983-84, while, only 3 out of the six households in the Kadavoor village had borrowed from institutional agencies.

In the group owning 1 to 2 acres, 4 out of 6 households in Elanji and 2 out of the 3 households in Kadavoor had availed credit during 1983-84. At the same time, only 2 out of 6 households in Elanji and none in Kadavoor had borrowed from non-institutional sources during the same period. For the years 1984-1985 and 1985-1986, the number of borrowers from institutional sources, in the same group mentioned above are 4 and 6 for Elanji and 3 and 2 for Kadavoor. The respective figures in the case of non-institutional credit are 5 and 4 for Elanji

Table: 5.1 Source-wise Distribution of Borrowing Households

Size of Holdings (Acres)	1983-84				1984-85				1985-86			
	Institutional		Non-Institutional		Institutional		Non-Institutional		Institutional		Non-Institutional	
	E*	K*	E	K	E	K	E	K	E	K	E	K
less than 0.5	-	3	1	2	2	2	-	1	1	2	1	2
0.5-1	-	-	1	-	2	1	-	1	2	1	2	1
1 - 2	4	2	2	-	4	3	5	-	6	2	4	2
2 - 5	11	14	5	4	16	18	6	6	16	19	7	8
5 - 10	6	5	-	-	5	5	-	-	7	5	-	-
above 10	6	6	-	-	5	6	-	-	6	6	-	-
Total	27	30	9	6	34	35	11	8	38	35	14	13

* E - Elanji

* K - Kadavoor

Source: Sample Survey

and nil and 2 for Kadavoor. Similarly, in the group of 2 to 5 acres which constitute the major portion of the sample beneficiaries, the number of households that had borrowed from institutional sources are 11, 16 and 16 out of the total 16 households in this group during the period 1983-84, 84-85 and 85-86 respectively, in the case of Elanji Village. For Kadavoor Village, the corresponding figures are 14, 18 and 19 out of the total 19 beneficiary households in this class. There had also been non-institutional borrowings by the same category in all these years.

But, when we come to a relatively higher size group (5 to 10 acres) the percentage of households which had borrowed from institutional agencies considerably increases in both the villages under study. In this category 6 out of the total 7 households in Elanji and 5 out of the 6 households in Kadavoor had availed institutional credit during 1983-84. Similarly, the number of beneficiaries, during the years 1984-85 and 85-'86 in this category stand at 5 and 7 for Elanji, and 5 and 5 for Kadavoor respectively. It is to be particularly noted that none of the beneficiaries belonging to this group, in both villages had borrowed from non-institutional agencies during the period under study.

As we move on to beneficiaries holding land above 10 acres it is seen that almost all of them had availed loans

from institutional sources in all the three years under study. It is also noted that there had been no non-institutional borrowings by this category during the three years.

An analysis of the foregoing data reveals that only small and middle class farmers had resorted to non-institutional credit for meeting their needs connected either with farming or consumption, in all the years under study. Table 5.2 shows that the percentage of beneficiaries of institutional credit generally rises with increase in the size of their holding.

It is seen from table 5.2 that the dependence of cultivators on non-institutional agencies, is greater in the case of those who own land below 5 acres. This is not because they do not want to replace a non-institutional loan by an institutional one but because of their poor accessibility to the institutional sources in obtaining adequate amount of loan. This is due to the following two reasons: 1) the lack of credit worthiness of the borrower and 2) the inability of the borrower to wield influence on institutional lenders.

Though the progressive idea of need-based credit has replaced the old notion of credit worthiness which was identified with "asset worthiness" of borrowers, still asset worthiness rules the roost.

Table: 5.2 The Percentage Distribution of Borrowing Households and the Sources of Credit (1983-86)

Size of Holding (Acres)	No. of Households.	1983-84		1984-85		1985-86				
		Institutional.	Non-Institutional.	Institutional.	Non-Institutional.	Institutional.	Non-Institutional.			
		E	K	E	K	E	K			
less than 0.5	2	5	-	60.0	40.0	100.0	40.0	20.0	50.0	40.0
0.5-1	3	1	-	-	33.3	-	66.6	100.0	66.6	100.0
1 - 2	6	3	66.6	66.6	33.3	-	66.6	100.0	83.3	-
2 - 5	16	19	68.8	73.7	31.5	80.0	100.0	94.7	12.5	31.5
5 - 10	7	6	85.7	83.3	-	-	71.4	83.3	-	-
above 10	6	6	100.0	100.0	-	-	83.3	100.0	-	-

E* - Elanj1

K* - Kadavoor

Source: Sample Survey

Table: 5.3 Distribution of Households According to the Size of Holdings and Average Amount Borrowed - Source-wise, 1983-86, Elanji and Kadavoor.

Size of Holding (Acre)	Average Amount borrowed (in Rs.)											
	1983-84				1984-85				1985-86			
	Institutional		Non-Institutional		Institutional		Non-Institutional		Institutional		Non-Institutional	
	E*	K*	E	K	E	K	E	K	E	K	E	K
less than												
0.5	NIL	583.33	250.00	125.00	750.00	290.00	NIL	250.00	375.00	550.00	300.00	233.33
0.5-1	NIL	NIL	200.00	NIL	1375.00	700.00	NIL	600.00	2416.00	2500.00	450.00	1500.00
1-2	2600.00	932.50	1850.00	NIL	2050.00	1666.66	2008.33	NIL	2816.67	1350.00	750.00	200.00
2-5	3472.72	3657.85	1380.00	3047.36	4265.00	5444.44	1975.00	1426.31	2981.25	3223.68	300.00	2563.15
5-10	8833.33	5400.00	NIL	NIL	10100.00	8960.00	NIL	NIL	9328.57	5400.00	NIL	NIL
above 10	9016.67	13833.33	NIL	NIL	12740.00	29333.33	NIL	NIL	18000.00	10833.33	NIL	NIL

E* - Elanji

K* - Kadavoor

Source: Sample survey

It is clear from Table 5.3 that there exists a direct relationship between the average amount borrowed and the size-class to which the borrower belongs. At the same time, such a relationship is not found in the case of non-institutional credit. When small and middle class farmers get a loan ranging from Rs.583 to Rs.3,660 in 1983-84, and from Rs.290 to Rs.5,450 in 1984-85, the well off and big farmers could manage to get loans between Rs.5400 and Rs.13,835 in 1983-84 and, between Rs.8,960 and Rs.29,334 in 1984-85. During 1985-86, while small and middle land-holders could borrow only between Rs.375 and Rs.3,224, the big ones could avail loans between Rs.5,400 to Rs.10,834 in the sample villages. This bias towards big farmers in the lending operations of institutional agencies is the result of the social and political influence these groups wield.

In the case of non-institutional sources, as loans are not disbursed on the basis of the extent of land, establishing a relationship between the asset position of the borrower and the amount of credit is not possible. Hence, it becomes clear that it is the inaccessibility of the borrowers to institutional sources that drives them to non-institutional sources of credit.

Table 5.4 shows the nature of institutional credit distribution among various size-classes of farmers in the sample villages during the years 1983-84, 1984-85 and 1985-86. It is discernible from the data that 13 households from the largest two size-groups owned 72.14 percent of the total area in the

sample and had managed to bag 62.61 percent of the total institutional lending in the sample during the year 1983-84, as far as Elanji was concerned.

Similarly, in Kadavoor sample 12 out of the total 40 households owned 63.15 percent of the total land and could bag 66.74 percent of the total loan amount disbursed by institutional sources during the same period. In 1984-85 and 1985-86, the same category in Elanji had obtained 69.9 percent and 70.42 percent of the total agricultural credit respectively. As far as Kadavoor is concerned, this category of farmers could manage to get 67.91 percent and 62.73 percent respectively of the total institutional credit supplied to the sample borrowers. This further strengthens our finding that institutional lending is largely biased in favour of big farmers.

At the same time, it should be noted that big farmers have sound farm liquidity. To them cultivation is a profitable economic activity particularly when the major portion of their cultivation is covered by commercial crops like rubber. In the case of a cultivator with sound farm liquidity or sufficient reinvestible funds, crop loan or working capital is unnecessary. Still, a large percentage of them, had borrowed crop loans. The purpose of crop loan is to enable a farmer to purchase inputs other than capital equipments, for the seasonal operations. Short-term credit

is intended to serve this purpose. Medium and long-term credits are supplied with a view to effect permanent improvements to land and in the methods of cultivation. Purchasing of implements for cultivation viz. pump sets, bullocks, tractor tiller etc. and the cost for the construction of dug wells, Gobar or Bio-gas plants, levelling of land and reclamation etc. come under the coverage of mid and long term credits which are together known as term credit. It is stipulated by the institutional lenders that, in the case of short-term credit the loan amount will be repaid within one year of its disbursement, whereas the period extends upto 5 years in the case of mid-term loan and more than 5 years in the case of long term loan. The beneficiaries in the sample villages have availed short-term, mid-term and long-term credits. Nevertheless, the attraction of beneficiaries belonging to the largest two size-groups towards short-term credit is very much pronounced.

Table 5.5.1 reveals that households belonging to the size-group above 2 acres in Elanji village had availed only crop loans during all the years under study. In the case of borrowers in the group of 2 to 5 acres, all the 11 borrowings were under short-term credit in 1983-84. But, during 1984-85, out of a total of 16 borrowings, 13 borrowings included short-term and 3 borrowings included mid-term credits. The total number of borrowings, in 1985-86 by the same size-group in the village was 17 of which 16 loans were short-term and 1 was mid-

Table: 5.4 - Distribution of Households According to the Proportion of Land Area and Proportion of Credit Availed from Institutional Sources - 1983-'86.

		K a d a v o o r								
Size of Holding (Acre)	No. of House-holds	Proportion of the total area	Proportion of the total credit			No. of House-holds	Proportion of the total credit			
			1983-84	1984-85	1985-86			Proportion of the total area	1983-84	1984-5
<0.5	2	0.32	-	0.53	0.15	5	0.58	1.06	0.18	0.55
0.5-1	3	0.82	-	0.97	1.97	1	0.29	-	0.22	1.26
1-2	6	4.08	7.82	2.91	6.87	3	2.52	1.13	1.54	1.34
2-5	16	22.64	29.57	25.69	20.59	19	33.46	31.07	30.15	34.12
5-10	7	26.84	30.98	17.91	26.54	6	18.78	16.38	13.78	13.60
> 10	6	45.30	31.63	51.99	43.88	6	44.47	50.36	54.13	49.13
Total	40	100.00	100.00	100.00	100.00	40	100.00	100.00	100.00	100.00

Source: Sample Survey

Table:5.5.1 Distribution of Institutional Borrowings According to the Size of Holdings and the Nature of Credit (Elanji)

Size of Holdings in (Acre)	1983-84				1984-85				1985-86			
	No. of Borrowings.	Nature of Credit			No. of Borrowings.	Nature of Credit			No. of Borrowings.	Nature of Credit		
		ST*	MT*	LT*		ST	MT	LT		ST	MT	LT
< 0.5	-	-	-	-	2	2	-	-	1	1	-	-
0.5-1	-	-	-	-	2	2	-	-	2	2	-	-
1 - 2	4	4	-	-	4	4	-	-	6	6	-	-
2 - 5	11	11	-	-	16	13	3	-	17	16	1	-
5-10	8	7	1	-	6	5	1	-	10	9	1	-
> 10	10	8	1	1	10	8	1	1	12	9	2	1
Total	33	30	2	1	40	34	5	1	48	43	4	1

Source: Sample Survey

Table: 5.5.2 Distribution of Institutional Borrowings According to the Size of Holdings and the Nature of Credit. (Kadavoor)

Size of Holdings in (Acre)	1983-84				1984-85				1985-86			
	No. of Borrowings.	Nature of Credit.			No. of Borrowings.	Nature of Credit.			No. of Borrowings.	Nature of Credit.		
		ST*	MT*	LT*		ST	MT	LT		ST	MT	LT
< 0.5	3	3	-	-	2	2	-	-	2	1	1	-
0.5-1	-	-	-	-	1	1	-	-	1	1	-	-
1 - 2	2	2	-	-	3	3	-	-	2	2	-	-
2 - 5	14	12	2	-	18	15	2	1	20	17	3	-
5-10	6	6	-	-	6	6	-	-	5	4	-	1
> 10	9	9	-	-	10	6	3	1	9	9	-	-
Total	34	32	2	-	40	33	5	2	39	34	4	1

ST* - Short-term Credit

MT* - Medium-term Credit

LT* - Long-term Credit

Source: Sample Survey

term credit. When we examine the case of bigger size-groups, it can be seen that out of the 18 borrowings made by these groups together in 1983-84, only 3 loans were of the term category; the remaining loans were short-term credits. Similarly, during 1984-85 and 1985-86, the same groups, in total, had availed 16 and 18 loans respectively from different institutional sources. But the number of borrowings, corresponding to mid-term and long-term categories in Elanji as a whole, were only 5 and 1 respectively for the period 1984-85, and the figures for the year 1985-86 stood at 4 and 1 respectively. It is, thus, clear that large farmers had a preference for crop loans, even though they had availed of mid-term and long-term loans.

In the case of Kadavoor Village, the same finding holds good. During 1983-84, 32 out of the 34 borrowings in the sample were short-term credits. When 2 mid-term loans were reported, no long-term loan was found disbursed during the period. Here also, the size-groups above 5 acres are more interested in short-term credit. All the 15 borrowings made by these two categories were short-term ones in the year 1983-84. At the same time, it is to be noted that the beneficiaries in the size-group of 2 to 5 acres had obtained 2 mid-term loans along with 12 short-term ones in their total borrowing numbering 14, during 1983-84. However, compared to the total number of beneficiaries in this group (19) this would certainly remain a low figure.

In the size-group below 2 acres, of the 5 borrowings, made in 1983-84 no term-credit was reported. During 1984-85 and '85-86, the same trend continued in general but 2 mid-term and 1 long-term loans in 1984-85 and 3 mid-term loans in 1985-86 were found to be availed by beneficiaries in the size-group of 2 to 5 acres.

In comparison, farmers in the size-group of 5-10 acres had availed only 1 term-credit during the years 1984-85 and 1985-86 when they together had made 10 short-term borrowings in these years. At the same time, in the case of beneficiaries belonging to the group of above 10 acres, out of the total 19 borrowings made in the years 1984-85 and 1985-86 there were only 4 term loans.

It is, thus, found that farmers in the medium-size group in Kadavoor Village were exhibiting a growing interest for investment credit in all the years under study. In Elanji also, the same group was found availing the mid-term loans. This would indicate that the middle size-group (2 to 5 acres) of farmers are relatively enterprising. The foregoing analysis reveals that almost all the households in both the samples, had borrowed agricultural credit from institutional agencies subject to the availability and accessibility to credit.

The following analysis of income and expenditure data of households with respect to crop loan or short-term credit will

enable us to know how crop loans are disbursed by institutional agencies among the various categories of cultivators. For the present analysis, income of a household is estimated by adding up annual income from all sources viz, agriculture, animal husbandry, fishing, employment, land rent, interest on deposits etc., other than borrowings. In the same way, expenditure includes all annual expenses due to agriculture, livestock, consumption of food and non-food items, education, health care, clothing, travelling, entertainments, interest on loans etc., except the repayment of loans. If annual income of household overweighs its annual expenditure, the difference is treated as surplus income. On the other hand, when annual expenditure exceeds annual income of a household, the difference is termed as deficit income. The relationship between the difference in income and expenditure of the households is depicted in table 5.6. Surplus as well as Deficit income are shown in absolute amounts.

Table 5.6 indicates that generally expenditure is greater than income in the case of households below the size-group of 2-5 acres. But it is seen that one household in each village in the size-group of 1-2 acres has an annual income which is greater than annual expenditure. On examination, it is found that these households had some non-agricultural sources of income too. However, the number of crop-loans disbursed among these groups is smaller than the number of households coming under it. This

Table 5.6 Distribution of Households According to the Difference in their Income & Expenditure during 1984-85 and Institutional Borrowings (Crop Loans/Short-term Credit) during 1985-1986.
(in Rs.)

Size of Holdings (in Acre)	E l a n j i				K a d a v o o r			
	No. of HHS.	No. of Borrowing HHS.	Surplus	Defi- cit.	No. of HHS.	No. of Borrowing HHS.	Surplus	Defi- cit.
< 0.5	2	1		246	5	2	-	3952
				295			-	1022
							-	1950
							-	111
							-	2647
0.5-1	3	2	-	212	1	1	-	1865
			-	2432				
			-	6305				
1-2	6	6	-	7584	3	2	-	4552
			-	4305			-	10
			-	5129			2998	-
			3551	-				
			-	103				
			-	2385				
2-5	16	16	-	5099	19	19	-	2455
			-	1202			-	6141
			-	169			-	5248
			-	446			13011	-
			-	7522			-	597
			55410	1410			-	6318
			-	1663			2635	-
			70	-			12541	-
			7047	-			-	10011
			-	8586			16737	-
			20351	-			34218	-
			-	5796			-	7609
			36266	-			4311	-
			450	-			7771	-
-	2240	-	1161					
		-	4984					
		-	3453					
			8163					
			8593					
5-10	7	7	10304	-	6	5	52545	-
			15074	-			19626	-
			9149	-			7497	-
			12025	-			2758	-
			9970	-			538	-
			52428	-			6561	-
38602								
> 10	6	6	11660	-	6	6	81055	-
			46647	-			108639	-
			65433	-			114475	-
			364167	-			115000	-
			48445	-			164668	-
			136445	-			65375	-

Source : Sample survey

would indicate that the accessibility of these group to institutional agencies is poor even though their financial background points out of the need for economic help. In the size-group of 2-5 acres which constitutes the biggest population in both samples, the number of households deficient in their annual income in relation to their annual expenditure, is larger than that of the surplus income earning households. However, 6 out of the 16 households in Elanji and 9 out of the 19 households in Kadavoor are found deriving income greater than expenditure. The surplus income for this group varies from Rs.70 to Rs.55,410 in Elanji and from Rs.2,635 to Rs.34,218 in Kadavoor. Nevertheless it is seen that, all the 16 households in this group had obtained crop loans. Infact some of the surplus income earning households in this group could have undertaken seasonal agricultural operations without recourse to crop loans.

But the fact that these households obtained crop loans reveal that institutional agencies do not follow a scientific method in the distribution of crop loans or short-term credit. It seems that asset worthiness, the conventional criterion, still continues to be the only criterion as far as institutional agencies are concerned, in disbursing agricultural credit. Further analysis of data relating to bigger size-groups once again confirms this finding. The difference between annual income and expenditure of households in the size-group of 5 to 10 acres for the year

1984-85 was positive for all households in both the villages and it ranged from Rs.9149 to Rs.52428 in the case of Elanji and between Rs.538 to Rs.52,545 with respect to Kadavoor. Similarly all households in the size-group of above 10 acres had registered a positive difference between their annual income and expenditure for the same period. In the case of big farmers the difference ranged between Rs.11,660 and Rs.3,64,167 for Elanji and between Rs.65,375 and Rs.1,15,000 for Kadavoor. In spite of this excess of income over expenditure for the year 1984-85 it is seen that none had spared the opportunity of short-term credits from institutional agencies during the year 1985-86. Thus, it becomes clear that the lending criteria of institutional sources do not follow the progressive policy of "need-based credit" and instead, they continue to consider 'assetworthiness' as the basis of credit supply. When we further examine this finding against our earlier observation that the average amount borrowed by cultivator households from institutional sources varied directly with the size of their holding, it can be confirmed that the notion of 'need based credit' does not replace the criteria of 'assetworthiness' for credit disbursal as visualised by the promoters of multi-agency approach. Therefore, it is presumed that the supply of credit by institutional agencies is independent of farmers need for agricultural credit. Infact, the magnitude of short-term borrowing by cultivators is determined by the credit availability and credit-worthiness of cultivators.

Again, we can find that farmers in the large size-group in both villages, could avail credit from institutional sources more than once in a year. Table 5.7 shows that 27 households in Elanji could get 33 institutional credits during 1983-84. When 12 households in the large size groups of 5 to 10 acres and above it, were able to obtain 18 loans, 15 households in the small groups got 15 loans during the period. In the case of Kadavoor Village, 30 households obtained 34 loans during the period 1983-'84, in which 11 households in the large size-groups could get 15 loans. Similarly, out of the 40 loans availed by 34 households in Elanji and 40 loans taken by 35 households in Kadavoor during 1984-85, 16 loans in Elanji and 16 loans in Kadavoor pertained to 10 and 11 households respectively of the large size-groups in the villages. Again, during 1985-86, 38 households in Elanji could get 48 loans and 35 households in Kadavoor had obtained 39 loans. In this, 22 borrowings were made by the 13 big size-groups in Elanji and 14 loans were taken by the 11 households in the same size-groups in Kadavoor.

The foregoing analysis, therefore, reveals that, not only the magnitude but also the frequency of borrowings are directly related to the particular group to which the borrowers belong. This, further, reinforces the importance of asset worthiness in agricultural credit disbursement.

Table: 5.7 - Size-wise Distribution of Borrowing Households
and the Number of Borrowings from Institutional
Sources - 1983-'86.

Size of Holding in (Acres)	1983-84		1984-85				1985-86		Number of Borrowings.			
	Number of Borrowing HHs		Number of Borrowings		Number of Borrowing HHs		Number of Borrowing HHs					
	E*	K*	E	K	E	K	E	K	E	K		
<0.5	-	3	-	3	2	2	2	2	1	2	1	2
0.5-1	-	-	-	-	2	1	2	1	2	1	2	1
1-2	4	2	4	2	4	3	4	3	6	2	6	2
2-5	11	14	11	14	16	18	16	18	16	19	17	20
5-10	6	5	8	6	5	5	6	6	7	5	10	5
> 10	6	6	10	9	5	6	10	10	6	6	12	9
Total	27	30	33	34	34	35	40	40	38	35	48	39

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E* - Elanji

K* - Kadavoor

Source: Sample Survey

Table: 5.8 - Size-class Distribution of Borrowing Households
and the Number of Short-term Borrowings from
Institutional Sources - 1983 - '86.

Size of Holdings in (Acres)	1983-'84				1984-'85				1985-'86			
	Number of Borrowing HHs		No. of Short Term Borrowings.		Number of Borrowing HHs		No. of Short Term Borrowings		Number of Borrowing HHs		Number of Short Term Borrowings	
	E*	K*	E	K	E	K	E	K	E	K	E	K
<0.5	-	3	-	3	2	2	2	2	1	2	1	1
0.5-1	-	-	-	-	2	1	2	1	2	1	2	1
1-2	4	2	4	2	4	3	4	3	6	2	6	2
2-5	11	14	11	12	16	18	13	15	16	19	16	17
5-10	6	5	7	6	5	5	5	6	7	5	9	4
>10	6	6	8	9	5	6	8	6	6	6	9	9
	27	30	30	32	34	35	34	33	38	35	43	34

E* - Elanji

K* - Kadavoor

Source: Sample Survey

Again, it is found that large cultivators are particularly interested in getting short-term credits. The preference of large cultivators for short-term loans, is illustrated in Table:5.8.

In Elanji Village, during 1983-84, 8 short-term borrowings were made by 6 households in the group of above 10 acres. This trend holds good during the years 1983-84 and 1985-86 also, when 8 short-term credits by 5 households and 9 borrowings by 6 households were made by cultivators, belonging to the same group, during the respective years.

In Kadavoor Village, 9 short-term loans by 6 households, 6 short-term loans by 6 households and 9 short-loans by 6 households of the same group, were taken during the years 1983-84, 1984-85 and 1985-'86. In contrast to this, the number of short-term borrowings is found smaller than the number of borrowing households in the remaining cases.

It may be the easy availability of short-term credit in comparison to mid and long-term credits that make borrowers opt for it. As the accessibility of borrowers to institutional credit is found to be a direct function of their assetworthiness, the share of small cultivators in any type of institutional credit will have to be relatively small. Because of the availability

of short-term loans on the basis of their assetworthiness, large farmers borrow more, even when they could have done seasonal operations in agriculture without any such financial assistance from institutions. Hence, it can be presumed that the short-term credit availed of by large cultivators is diverted for non-agricultural operations.

Terms and Conditions of Institutional Credit

(a) Security

The concept of security has undergone a transformation in banking sectors with greater emphasis on need-based lending policy since the introduction of the multi-agency approach in the field of agricultural financing. Banks, in accepting securities have been taking into account various factors such as the strength of their field staff, area of operation and the easiest way to recover dues. Different banks are found disbursing loans against different types of securities. Some banks are liberal in their lending policy while some others are very strict. Commercial banks, during the period under study were expected to advance crop loans up to Rs.1000 on the basis of demand promissory Note (DPN) or loan agreement. Crop loans exceeding this amount were to be given on the basis of hypothication of crops. But, normally, banks were found demanding a good guarantor acceptable to them in addition to the hypothication of crops, for advancing crop loans exceeding Rs.1,000. In the case of short-term loans over Rs,5,000 banks can

demand hypothication of crops and (b) Mortgage of land or third party guarantee. For loans meant for purchasing agricultural machinery, animals or other implements, hypothication of such items together with one or two personal sureties acceptable to the bank was found common.

Land was mortgaged for medium and long-term loans. In certain cases land was found mortgaged even for getting crop loans. Commercial banks as well as co-operatives distribute agricultural advances against gold. To small and marginal farmers it has been a very convenient form of security, free from the complications of paper formalities. Because loans are available from banks against gold ornaments small and marginal cultivators who have no other access to institutional sources for credit, can keep away from the usurious non-institutional lenders.

Co-operatives are not expected to demand securities like commercial banks. In order to obtain a loan from Co-operatives, the borrower must be a member of the institution. Nevertheless, co-operatives are also found demanding securities, viz., personal surety, hypothication of crops, mortgage of land, gold ornaments, etc. against loan advances, in the sample villages.

However, the above discussion indicates that both bank loans as well as Co-operative loans are security-oriented. A scrutiny of the data collected from the sample villages helps us to form an idea as to the nature of relationship existing between the type of loan and the form of security against which loans were secured from institutional agencies by various categories of farmers.

Table 5.9 - Distribution of Households According to the Number and Nature of Institutional Borrowings and the Type of Securities.

Year	Size of Holdings (in Acres)	Type of Security																	
		Short - term Loan												Term-Loan					
		No. of borrowings.		No security		surety		Land Mortgage		Gold		Hypothecation of Crops		Hypothecation of Crops with surety.		Others		Hypothecation of Asset	
E	K	E	K	E	K	E	K	E	K	E	K	E	K	E	K	E	K		
1983-84	<0.5	-	3	-	-	-	-	-	2	-	1	-	-	-	-	-	-	-	
	0.5-1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	1-2	4	2	-	-	-	-	2	2	2	-	-	-	-	-	-	-	-	
	2-5	11	14	-	-	-	-	2	2	2	6	-	-	7	4	-	-	2	
	5-10	8	6	-	-	2	4	-	-	-	6	2	-	-	-	-	-	-	
	>10	10	9	-	-	8	9	-	-	-	-	-	-	-	-	-	-	2	-
	Total	33	34	-	-	10	13	4	6	4	7	6	2	7	4	-	-	2	2
1984-85	<0.5	2	2	-	-	-	-	-	2	2	-	-	-	-	-	-	-	-	-
	0.5-1	2	1	-	-	-	-	-	2	1	-	-	-	-	-	-	-	-	-
	1-2	4	3	-	-	-	-	1	1	3	-	-	-	2	-	-	-	-	-
	2-5	16	18	-	-	-	-	4	-	6	7	-	3	6	5	-	-	-	3
	5-10	6	6	-	-	4	4	-	-	-	1	2	-	-	-	-	-	1	-
	>10	10	10	-	-	8	6	-	-	-	-	-	-	-	-	-	-	2	4
	Total	40	40	-	-	12	10	5	1	13	10	1	5	6	7	-	-	3	7
1985-86	<0.5	1	2	-	-	-	-	-	1	1	-	-	-	-	-	-	-	-	1
	0.5-1	2	1	-	-	-	-	-	2	1	-	-	-	-	-	-	-	-	-
	1-2	6	2	-	-	-	-	2	-	3	2	-	-	1	-	-	-	-	-
	2-5	17	20	-	-	-	-	2	3	6	3	2	4	6	7	-	-	1	3
	5-10	10	5	-	-	7	-	-	-	-	2	4	-	-	-	-	-	1	1
	>10	12	9	-	-	8	6	-	-	-	1	3	-	-	-	-	-	3	-
	Total	48	39	-	-	15	6	4	3	12	7	5	11	7	7	-	-	5	5

E - Elanjil K - Kadavoor

Source: Sample Survey

From table 5.9, it can be seen that no loans were granted without a security during the years under study in both the villages. However, the types of securities against which advances were made vary with the group to which the farmers belong.

Table:5.9 shows that out of the 31 short-term borrowings made in Elanji during 1983-84, 10 (32.3 percent) borrowings were against personal surety, 4 (12.9 percent) borrowings were against land mortgage 4 (12.9 percent) borrowings were against gold, 6 (19.4 percent) borrowings against hypothication of crops and 7 (22.5 percent) borrowings against hypothication of crops with surety. This indicates that the highest proportion of loans was secured against personal surety. A further examination of the table reveals that all the 10 loans disbursed against surety in Elanji Village went to the higher group holding more than 5 acres. Similarly, out of the 32 short-term loans, in Kadavoor, during the same period, 13 (40.6 percent) loans were advanced against personal surety, 6 loans (18.7 percent) were advanced against mortgage of land, 7 (21.9 percent) loans were advanced against gold, 2 (6.3 percent) loans were advanced against hypothication of crops and 4 (12.5 percent) loans were advanced against hypothication of crops with surety. In the case of Kadavoor Village also, the highest proportion of loans was secured against personal surety. Again, it is found that cent percent of the advances made against personal surety was secured by the well-off farmers above the size-group of 5 acres. Only 6 out of the 18 borrowings in Elanji and 2

out of the 15 borrowings in Kadavoor made by these groups needed hypothecation of crops, during 1983-84. None of the farmers above the group of 5 acres are seen to have borrowed against hypothecation of crops with surety. At the same time, the table reveals that, 7 loans in Elanji and 4 loans in Kadavoor were advanced against hypothecation of crops with surety, to farmers below the size-group of 5 acres. Similarly, it is seen that cent percent of the farmers who had borrowed against land mortgage and gold securities, during the period, belong to the category below 5 acres. The findings hold good for the years 1984-85 and 1985-86 also. According to the table 5.8 cent percent of the gold loan beneficiaries belong to the groups of less than 5 acres, in both villages, during the years 1984-85 and 1985-86. Similarly, cent percent of the borrowers against land mortgage, during the years, in the sample villages, belong to the middle and small size-groups.

The foregoing analysis, thus, indicates that while well-off farmers who own more than 5 acres of land are accessible to institutional finance for agriculture with light and just needed securities, middle and small farmers who owned less than 5 acres needed strong and liquid collaterals to get access to institutional credit for agriculture.

(b) Rate of Interest

Cost of credit in case of institutional lending is mainly related to the varying rates of interest charged by various institutional agencies. Depending on factors like the number of staff, infrastructural facilities, the nature of competition, from sister concerns etc. interest rates on agricultural loans vary from institution to institution. Table 5.10 shows the different rates of interest charged by institutional agencies from beneficiaries of agricultural credit.

Table: 5.10 - Rates of Interest Charged by the Institutional Credit Agencies on Agricultural Loans as on 31-3-1986.

(In Percentage)

Institutions	Types of Loan	
	Short-term Loans	Term Loan
	Upto Rs.25,000	Above Rs.25,000
Co-operatives	11.0	14.0 10.0
Commercial Banks	11.5	14.0 10.0

Source: Institutional Agencies in the sample villages,

Institutional agencies provide for low interest bearing agricultural loans in the case of non-defaulted borrowers who are regular and systematic in repayment. Co-operatives as well

as commercial banks have provision to lend agricultural loans at an interest rate as low as 7 ½ percent per annum. But, small size-group of farmers often lose these benefits for they are not regular and systematic in remitting the instalments.

Terms and Conditions of Non-institutional Credit

Non-institutional credit differs from institutional credit on the basis of its terms and conditions of credit. In contrast to institutional credit, formalities and procedures involved are quite simple with respect to non-institutional agencies. According to the Reserve Bank of India classification, (a) land lords, (b) Agricultural moneylenders, (c) Professional money lenders, (d) Traders, (e) Relatives and Friends and (f) others constitute the non-institutional sources of credit. As land-lordism has been abolished in Kerala now there is no provision for the concept, 'landlord' among the sources of non-institutional credit. In the case of our sample villages, the remaining categories of non-institutional agencies were found operating during the period of study. Table 5.11 shows a holding-wise distribution of non-institutional credit in the sample villages during 1983-'86.

Table: 5.11 Holding-wise Distribution of Non-Institutional
Credit 1983-'86.

Size of Holding (in Acres)	E l a n j i			K a d a v o o r				
	No. of HHS	No. of Borrowing HHS		No. of HHS	No. of Borrowing HHS			
		'83-84	84-85	85-86	83-84	84-85	85-86	
Less than 0.5	2	1	-	1	5	2	1	2
0.5-1	3	1	-	2	1	-	1	1
1-2	6	2	5	4	3	-	-	2
2-5	16	5	6	7	19	4	6	8
5-10	7	-	-	-	6	-	-	-
above 10	6	-	-	-	6	-	-	-
Total	40	9 (22.5)	11 (27.5)	14 (35.0)	40	6 (15.0)	8 (20.0)	13 (32.5)

Source: Sample Survey

Figures in bracket indicate percentage.

Table 5.11 shows that no household from the large size-group had borrowed from non-institutional sources of Credit, during the period under study. It is also observed that the percentage of households that depended on non-institutional agencies has increased from 22.5 in 1983-84 to 27.5 in 1984-85 and again to 35.0 in 1985-86 in the case of Elanji and from 15 to 20.0 and again to 32.5 respectively in the same period, for Kadavoor. This indicates that institutional credit could not replace small peasants' dependence on non-institutional agencies though the magnitude of institutional credit supply has in general, considerably increased during the years 1983-84 and '85-86.

(a) Security

In contrast to institutional agencies, non-institutional lenders supply credit without security. It may be that the borrowers are either relatives or friends or those in whom the lender has some vested interest. However, the proportion of borrowings against nil security or mutual trust is relatively very small. Table 5.12 shows that out of the 15 borrowings from non-institutional agents during 1983-84, there were only 2 borrowings based on mutual trust. Similarly, during 1984-85 and 85-86, there were only 4 and 4, nil security borrowings respectively out of the total 19 and 27 non-institutional borrowings made in the sample villages during the respective years. This would indicate that the idea of security based credit is getting strengthened in the non-institutional credit circles.

Table 5.12 further reveals that the type of security is confined either to gold or land. No loan was found disbursed against hypothication of crops or assets in both sample villages during the period of study. This was not because the farmers were unwilling to hypothicate crop or assets but the lenders were not ready to accept them as securities. Non-institutional agencies growing interest in gold security is visible from table 5.12. According to the table, out of the 13 security based borrowings made in 1983-84, 8 borrowings were on gold security basis. Similarly, out of the 15 and 23 security based borrowings made in 1984-85 and '85-86, 11 and 20 borrowings respectively were based on gold security. This points towards the importance that the non-institutional agencies attach to gold as security against lending money. It may be that a gold loan involves little risk as the gold price has increased substantially during the last decade. Moreover, recovery of the amount along with the exorbitant rate of interest that non-institutional agencies usually charge is rather easy in the case of gold loans. Besides, the lender can avoid unnecessary social problems that may crop up with the recovery performance in case of default with respect to other security oriented credits. It, is thus, clear that gold security-oriented credit has become much popular among the non-institutional circles of credits.

Table: 5.12 - Distribution of Households According to the Number of Non-Institutional Borrowings, and the Number and Type of Securities - 1983-'86.

Size of Holding (in Acres)	No. of Borrowing		No. of Securities		Type of Securities											
					No. Secur-ity/ Mutual Trust		Gold		Land Mortgage		Hypothi-cation of crops		Hypo-thi-cation of Assets		Oth-ers.	
	E*	K*	E	K	E	K	E	K	E	K	E	K	E	K	E	K
1983-84	<0.5	1	2	1	2	-	-	1	1	-	1	-	-	-	-	-
	0.5-1	1	-	1	-	-	-	1	-	-	-	-	-	-	-	-
	1-2	2	-	2	-	-	-	-	-	2	-	-	-	-	-	-
	2-5	5	4	4	3	1	1	3	2	1	1	-	-	-	-	-
	5-10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	> 10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	9	6	8	5	1	1	5	3	3	2	-	-	-	-	-
1984-85	<0.5	-	1	-	1	-	-	-	1	-	-	-	-	-	-	-
	0.5-1	-	1	-	1	-	-	-	1	-	-	-	-	-	-	-
	1-2	5	-	4	-	1	-	3	-	1	-	-	-	-	-	-
	2-5	6	6	5	4	1	2	4	2	1	2	-	-	-	-	-
	5-10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	> 10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	11	8	9	6	2	2	7	4	2	2	-	-	-	-	-
1985-86	<0.5	1	2	1	2	-	-	1	1	-	1	-	-	-	-	-
	0.5-1	2	1	2	1	-	-	2	1	-	-	-	-	-	-	-
	1-2	4	2	3	2	1	-	3	2	-	-	-	-	-	-	-
	2-5	7	8	5	7	2	1	4	6	1	1	-	-	-	-	-
	5-10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	> 10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	14	13	11	12	3	1	10	10	1	2	-	-	-	-	-

E* - Elanji
K* - Kadavoor

Source: Sample Survey

(b) Rate of Interest

It is a very common feature that non-institutional agencies charge exorbitant rates of interest. In their lending operations, they are not actuated by any social perspective as in the case of institutional agencies, but by the lure of profit alone. Normally, non-institutional sources charge interest at the rate of 24 to 60 percentage.

Table 5.13 shows the different rates of interest for different type of loans that prevailed in the sample villages during the period under study.

Table: 5.13. Rates of Interest Charged by Non-Institutional Credit Agencies for Various Types of Credit
(In Percentage)

Year	Gold Loan		Mortgage of Land		Hypothication of Crops/Assets	
	Elanji	Kadavoor	Elanji	Kadavoor	Elanji	Kadavoor
1983-84	18to30	19to28	24to36	24to48	NK	NK
1984-85	20to34	21to36	24to48	24to60	NK	NK
1985-86	22to40	24to60	36to60	36to60	NK	NK

* NK - Known

Source: Sample Survey.

From table 5.13, it is seen that the rate of interest charged by non-institutional agencies, has steadily and continuously increased over the years under study. Further, the table shows that non-institutional agencies charge a relatively higher rate of interest for loans against land mortgage. This may be to compensate the larger risk involved in the recovery procedure connected with such loans.

C H A P T E R - V I

UTILISATION AND REPAYMENT OF CREDIT

6.1. Utilisation of Agricultural Credit

The basic objective of institutional credit supply for agriculture is to ensure economic betterment of the clientele of the institutions, contrary to the exploitative motive behind non-institutional credit supply. Borrowing turns productive and non-productive depending upon the nature of its utilisation for different purposes. If loan is utilised for the purpose for which it is borrowed, it creates its own means of repayment. Proper utilisation of credit may lead to timely repayment of institutional dues and, thus, helps in the further flow of institutional credit. Misutilisation, on the other hand, leads to default and overdues of credit, with the result that the borrowers lose their integrity and creditworthiness before the institutional agency. Moreover, consequent on the accumulation of overdues a permanent relief from indebtedness is impossible. Some times, poor recovery of loans breeds a rupture in the relationship between borrowers and institutions. Often, lending institutions are forced to resort to unpleasant legal procedures for recovering the overdues. Slowly, but surely, political and social elements creep in only to make things more complicated. Recently, we have some farmers' Unions as well as some political organisations agitating for the exemption of farmers from the payment of institutional dues. It is well-known that now, the Government

of India, have agreed to redeem farmers debt up to Rs.10,000/-. This relief as a welfare measure, may have its own importance but it remains to be seen whether such decisions are conducive to the economic interests of the country. The discussion points out that utilisation and timely repayment of credit, are as important as the availability of credit.

In the present study, utilisation is examined in the context of the purpose for which the credit has been borrowed and the purpose for which it has been actually used. Also, it is presumed that a loan is productive only when it is exclusively used for the purpose for which it is advanced. In other words, utilisation of loan go synonymous with the productive use of loan. The use of credit, in part or full, for any other (desirable or undesirable) purpose is visualised as misutilisation (or diversion). Thus, the difference between the amount borrowed for a purpose and the amount utilised for it indicates the extent of credit diversion. Table 6.1 illustrates the extent of credit utilisation in agriculture, by various categories of farmers in the sample villages during the years 1983-84, 1984-85 and 1985-86.

The table reveals that the extent of institutional credit utilisation as a whole was 23.96 percent for Elanji and 14.14 for Kadavoor during 1983-84. The respective figures for the years 1984-85 and 1985-86 were 34.41 and 32.77 for Elanji and 33.47 and 31.86 for Kadavoor.

The utilisation of credit according to the size of holding reveals that the percentage of credit used for the purpose

for which it was borrowed was 21.15, 35.99, 10.86 and 28.83 with respect to size-classes 1 to 2 acres, 2 to 5 acres, 5 to 10 acres and above 10 acres in Elanj1 and 0.00, 0.00, 42.00, 6.67 and 0.00 with respect to size-classes less than 0.5 acres, 1 to 2 acres, 2 to 5 acres, 5 to 10 acres and above 10 acres in Kadavoor during 1983-84.

The analysis indicates that the proportion of credit utilisation in general, was very small compared to the amount borrowed. Further, it shows that the productive utilisation of credit was less among small and big size-classes; whereas, a higher proportion of the borrowed amount was productively utilised by the medium category of farmers, in both the villages during the years. The same trend is seen to continue during 1984-85 and 1985-86 also. The proportion of credit as a whole utilised for the purpose for which it was borrowed was 34.41 percent and 32.77 percent respectively during 1984-85 and 1985-86, for Elanj1 and for Kadavoor, the corresponding figures were 33.47 and 31.86. Again, the analysis of credit utilisation on the basis of the size of holdings indicates that the proportion of productive utilisation was higher in the case of medium-size farmers (in the size-group of 2 to 5 acres) in both villages, during the years, with only one exception for Elanj1 during 1984-85, where a still higher proportion of credit was found utilised by another category belonging to 5 to 10 acres. Table 6.1, further, reveals that most of the small size-groups (below 1 acre) did not at all utilise the borrowed sum, because the average amount was comparatively very small. Some of the big farmers (above 10 acres) also did not utilise any amount they had borrowed.

Table 6.1. Percentage Utilisation of Institutional Credit by Different Size-group of Households in the Sample Villages during 1983-'86

Year	Size of Holdings (in Acres)	E L A N J I				K A D A V O O R			
		No. of Borrowing (HHs)	Amount Borrowed (Rs.)	Amount Utilised (Rs.)	Percentage of Utilisation	No. of Borrowing (HHs)	Amount Borrowed (Rs.)	Amount Utilised (Rs.)	Percentage of Utilisation
1983-'84	< 0.5	-	-	-	-	3	1750.00	NIL	00.00
	0.5-1	-	-	-	-	-	-	-	-
	1-2	4	10400.00	2200.00	21.15	2	1867.00	NIL	00.00
	2-5	11	38200.00	13750.00	35.99	14	51210.00	21508.00	42.00
	5-10	6	53000.00	5760.00	10.86	5	27000.00	1800.00	6.67
	> 10	6	54100.00	15600.00	28.83	6	83000.00	NIL	00.00
	Total	27	155700.00	37310.00	23.96	30	164827.00	23308.00	14.14
1984-'85	< 0.5	2	1500.00	NIL	00.00	2	580.00	NIL	00.00
	0.5-1	2	2750.00	NIL	00.00	1	700.00	NIL	00.00
	1-2	4	8200.00	1450.00	17.68	3	5000.00	1400.00	28.00
	2-5	16	68240.00	29622.00	43.41	18	98000.00	44560.00	45.47
	5-10	5	50500.00	26000.00	51.49	5	44800.00	1340.00	2.99
	> 10	5	63700.00	10000.00	15.70	6	176000.00	61500.00	34.94
	Total	34	194890.00	67072.00	34.41	35	325080.00	108800.00	33.47
1985-'86	< 0.5	1	375.00	NIL	00.00	2	1100.00	NIL	00.00
	0.5-1	2	4832.00	NIL	00.00	1	2500.00	NIL	00.00
	1-2	6	16900.00	4200.00	24.85	2	2700.00	430.00	15.93
	2-5	16	47700.00	18475.00	38.73	19	61250.00	34500.00	56.33
	5-10	7	65300.00	22000.00	33.69	5	27000.00	2400.00	8.89
	> 10	6	108000.00	35000.00	32.41	6	65000.00	13500.00	20.77
	Total	38	243107.00	79675.00	32.77	35	159550.00	50830.00	31.86

Source: Sample Survey

The foregoing analysis, thus, indicates that no category of farmers has fully utilised the borrowed sum for the purpose for which it was borrowed. The various categories are found utilising the credit in different proportions. Small as well as big farmers are found to be poor productive utilisers of credit while, medium farmers are found to be better utilisers of credit. Further, if we look into the proportion of credit utilisation according to the purposes for which loans were obtained, it is noted that in the case of farmers whose holdings were below 1 acre and that of above 10 acres, cent percent of the short-term credit was diverted. (see Tables 6.1.1 and 6.1.2) In both the villages during the years under study. From table 6.1.1. it is seen that the proportions of short-term credit utilised for current farm operations by the size-group of 1-2 acres were 21.15 percent in 1983-84, 17.68 percent in 1984-85 and 24.85 percent in 1985-86 with respect to Elanji. The corresponding figures for Kadavoor were 0.00 percent, 28.00 percent and 15.93 percent (See table 6.1.2) This indicates that this size-group of cultivators had utilised only a small portion of the short-term credit for the seasonal operation of agriculture. But when we come to the size-group of 2-5 acres, it is seen that the proportion of short-term credit productively utilised had risen to 35.99 percent in 1983-84, 36.00 percent in 1984-85 and 33.31 percent in 1985-86 as regards Elanji while the corresponding figures for Kadavoor had increased to 35.44 percent, 42.78 percent and 42.16 percent. However, the proportion of short-term credit utilised for current farm expenditure, seems to be very

low in the case of farmers above the size-group of 5 acres. Table 6.1.1 and 6.1.2 show that cent percent of the short-term credit availed of by these groups in Elanji during the three years of study had been diverted away from the desired use with the only exception that 4.57 percent of the credit availed of by the size-group of 5-10 acres had been utilised in 1983-84. But, on comparison with the huge amount that these groups had borrowed, this proportion seems to be quite insignificant and negligible.

Similarly, in the case of Kadavoor, cultivators in the size-group of above 10 acres did not utilise any portion of the short-term credit for current farm operations during the years under study. But farmers in the size-group of 5-10 acres had utilised the short-term borrowing to the tune of 6.67 percent in 1983-84, 2.99 percent in 1984-85 and 8.89 percent in 1985-86. Still, one can note that compared to the magnitude of their borrowings, these proportions are very small.

Thus, the analysis of utilisation of short term credit on the basis of the size of land-holding in both villages reveals that there does not exist any positive or negative relationship between size of holding and extent of credit utilisation. The result of the analysis can be summed up as both big and small land holders divert production credit almost in full, while medium ones productively utilise a portion of it.

As regards mid-term and long-term credit which are supplied to meet the capital expenditure in agriculture the picture is different as is visible from tables 6.1.1 and 6.1.2. These

Table 6.1.1 Utilisation of Credit According to Purposes by Different Size Groups of Farmers During 1983-'86, (Elanjil Village).

Year	Size of Holdings (in Acres)	Short term credit for current farm expenditure				Institutional Credit for Various Purposes				Long-term credit for capital expenditure			
		Borrowed (Rs.)	Utilised (Rs.)	Percentage Utilisation	Borrowed (Rs.)	Utilised (Rs.)	Percentage Utilisation	Borrowed (Rs.)	Utilised (Rs.)	Percentage Utilisation	Borrowed (Rs.)	Utilised (Rs.)	Percentage Utilisation
1983-'84	< 0.5	-	-	-	-	-	-	-	-	-	-	-	-
	0.5-1	-	-	-	-	-	-	-	-	-	-	-	-
	1-2	10400.00	2200.00	21.15	-	-	-	-	-	-	-	-	-
	2-5	38200.00	13750.00	35.99	-	-	-	-	-	-	-	-	-
	5-10	49500.00	2260.00	4.57	3500.00	3500.00	100.00	-	-	-	-	-	-
> 10	28500.00	NIL	0.00	20000.00	10000.00	50.00	5600.00	5600.00	100.00	5600.00	5600.00	100.00	
Total	126600.00	18210.00	14.53	23500.00	13500.00	57.45	5600.00	5600.00	100.00	5600.00	5600.00	100.00	
1984-'85	< 0.5	1500.00	NIL	0.00	-	-	-	-	-	-	-	-	-
	0.5-1	2750.00	NIL	0.00	-	-	-	-	-	-	-	-	-
	1-2	8200.00	1450.00	17.68	-	-	-	-	-	-	-	-	-
	2-5	60340.00	21722.00	36.00	7900.00	7900.00	100.00	-	-	-	-	-	-
	5-10	24500.00	NIL	0.00	26000.00	26000.00	100.00	-	-	-	-	-	-
> 10	28700.00	NIL	0.00	5000.00	5000.00	100.00	30000.00	30000.00	100.00	5000.00	5000.00	16.67	
Total	125990.00	23172.00	18.58	38900.00	38900.00	100.00	30000.00	30000.00	100.00	5000.00	5000.00	16.67	
1985-'86	< 0.5	375.00	NIL	0.00	-	-	-	-	-	-	-	-	-
	0.5-1	4832.00	NIL	0.00	-	-	-	-	-	-	-	-	-
	1-2	16900.00	4200.00	24.85	-	-	-	-	-	-	-	-	-
	2-5	43825.00	14600.00	33.31	3875.00	3875.00	100.00	-	-	-	-	-	-
	5-10	40300.00	NIL	0.00	25000.00	22000.00	88.00	-	-	-	-	-	-
> 10	48000.00	NIL	0.00	15000.00	15000.00	100.00	45000.00	45000.00	100.00	20000.00	20000.00	44.44	
Total	154232.00	18800.00	12.31	43875.00	40875.00	93.16	45000.00	45000.00	100.00	20000.00	20000.00	44.44	

Source: Sample survey

Table 6.1.2. Utilisation of Credit According to Purposes by Different Size-groups of Farmers during 1983-86, Kadavoor.

Year	Size of Holdings (in Acres)	Institutional Credit for various purposes				Short term credit used for				Mid-term credit used for				Long-term credit used for capital expenditure			
		Amount borrowed (Rs.)	Amount utilised (Rs.)	Percentage utilisation	Age Utilisation	Amount borrowed (Rs.)	Amount utilised (Rs.)	Percentage utilisation	Age Utilisation	Amount borrowed (Rs.)	Amount utilised (Rs.)	Percentage utilisation	Age Utilisation	Amount borrowed (Rs.)	Amount utilised (Rs.)	Percentage utilisation	Age Utilisation
1983-84	< 0.5	1750.00	NIL	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-
	0.5-1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1-2	1867.00	NIL	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-
	2-5	46010.00	16308.00	35.44	5200.00	5200.00	100.00	-	-	-	-	-	-	-	-	-	-
	5-10	27000.00	1800.00	6.67	-	-	-	-	-	-	-	-	-	-	-	-	-
> 10	83000.00	NIL	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total	159627.00	18108.00	11.34	5200.00	5200.00	100.00	-	-	-	-	-	-	-	-	-	
1984-85	< 0.5	580.00	NIL	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-
	0.5-1	700.00	NIL	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-
	1-2	5000.00	1400.00	28.00	-	-	-	-	-	-	-	-	-	-	-	-	-
	2-5	93400.00	39960.00	42.78	4600.00	4600.00	100.00	-	-	-	-	-	4750.20	4750.20	100.00	-	
	5-10	44800.00	1340.00	2.99	-	-	-	-	-	-	-	-	-	-	-	-	-
> 10	40000.00	NIL	0.00	27000.00	12500.00	46.30	-	-	-	-	-	109000.00	49000.00	44.95	-	-	
	Total	184480.00	42700.00	23.37	31600.00	17100.00	54.66	-	-	-	-	113750.20	53750.00	47.25	-	-	
1985-86	< 0.5	300.00	NIL	0.00	800.00	800.00	100.00	-	-	-	-	-	-	-	-	-	-
	0.5-1	2500.00	NIL	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-
	1-2	2700.00	430.00	15.93	-	-	-	-	-	-	-	-	-	-	-	-	-
	2-5	46250.00	19500.00	42.16	15000.00	15000.00	100.00	-	-	-	-	-	-	-	-	-	-
	5-10	27000.00	2400.00	8.89	-	-	-	-	-	-	-	-	40000.00	13500.00	33.75	-	-
> 10	25000.00	NIL	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total	103750.00	22330.00	21.52	15800.00	15800.00	100.00	-	-	-	-	40000.00	13500.00	33.75	-	-	

Source: Sample Survey

tables show that except the borrowing equal to Rs.800/- in Kadavoor Village during 1985-86, no other mid or long-term credits had been availed of by the size-group below 2 acres. Two reasons can be attributed to this. One is that farmers in this size-group are reluctant to avail mid or long-term loans. The second reason may be the inaccessibility of these groups to institutional agencies because of their poor creditworthiness and social status. But, the fact that these groups had availed of short-term loans from institutional agencies lessens the possibility of their inaccessibility to such agencies, eventhough assetworthiness is found to wield higher say in credit supply. Moreover, it is noted that at least mid-term loan had been supplied to this category. Therefore, one has to look into the other possibility of their non-availing of term loans. In this connection, the bleak possibility for term loans to get diverted because of the stipulations of institutions in this regard, is to be taken into account. As the propensity to consume is higher among the farmers of this size-groups, there is every possibility that they look for funds which can meet their consumption needs first. Therefore, it can be legitimately argued that they would prefer to avail of such loans which can be diverted to meet their urgent consumption needs. In this context, short-term loans are helpful rather than medium or long-term loans. Hence, we can presume that it is not their need for agricultural credit but the easy availability of such credit from institutions at a lower rate of interest, coupled with their urgent consumption needs, that induce them to prefer short-term loan.

Tables 6.1.1 and 6.1.2 further reveals that mid-term loans amounting to Rs.7,900/- during 1984-85 and Rs.3,875/- during 1985-86 in Elanji and Rs.5,200/- during 1983-84 Rs.4,600/- during 1984-85 and Rs.15,000/- during 1985-86 in Kadavoor had been obtained by farmers in the size-group of 2-5 acres. Also, it is to be noted that in both villages they had productively utilised cent percent of the mid-term loan. The fact that this category of borrowers also had diverted a portion of the short-term loan from proposed use, indicates that diversion of mid-term loan is not easy as lenders might have a tighter control over the end use of term loans. In the case of beneficiaries of term loans in the size-group of 5 to 10 acres, it is seen from the tables, that they had obtained mid-term loans amounting to Rs.3,500/- during 1983-84, Rs.26,000/- during 1984-85 and Rs.25,000/- during 1985-86 in Elanji. There was no mid-term borrowing in Kadavoor during the years under study.

As regards utilisation it is seen that cent percent of the mid-term credit availed of by this category had been productively used during 1983-84 and 1984-85, while only 88 percent of it was utilised during 1985-86. This shows that the chance of mid-term loan getting diverted is very much limited. However, the fact that 12 percent of the mid-term loan was diverted during 1985-86. despite the strict control over it, points to the possibility of certain loopholes in mid-term credit management of institutional agencies. The observation that in Kadavoor Village there was no mid-term borrowings by the category of farmers in the size-group of 5-10 acres, indicates their unwillingness to obtain a loan for

capital expenditure, especially when the chances for diverting it are very few.

When we take the case of large farmers in the size-group of above 10 acres, according to the tables, in Elanji there were mid-term borrowings by this group in all the three years. Regarding utilisation, the group had productively utilised only 50 per cent of the credit obtained during 1983-84, while they had utilised cent percent of the mid-term credit availed of during 1984-85 and 1985-86. In Kadavoor Village, while this size-group had productively utilised cent percent of the mid-term credit during 1983-84, there was only 46.30 percent of its utilisation during 1984-85. This size-group of farmers is not found to have obtained any mid-term credit during 1985-86. Thus, the analysis of mid-term credit in relation to the largest size-group in the samples, once again confirms the findings with respect to its immediate preceding size-group.

As regards long-term loan, the tables show that the majority of beneficiaries belong to the largest size-group. This may be due to either the lack of interest for lower size-groups in getting long-term credit or their inaccessibility to lending institutions in getting such a loan. As can be seen from the tables, the beneficiaries in Elanji Village had productively used cent percent of the long-term credit during 1983-84, but only 16.67 percent of it during 1984-85 and 44.44 percent during 1985-86. In the case of Kadavoor Village as a whole 47.25 percent and 33.75 percent of of the long-term loans were utilised for purposes for which they were borrowed during 1984-85 and 1985-86 respectively. It is to be noted that the size-group of 2 to 5 acres had made cent percent

utilisation of the loan. There was no long-term borrowing during 1983-84.

The data on long-term credit reveals that the frequency of diversion of long-term credit is more than that of mid-term credit. For instance, in Elanji Village, during 1984-85 only Rs.5,000/- was utilised when the borrowing amounted to Rs.30,000/-. Similarly only a sum of Rs.20,000/- was utilised for capital expenditure in relation to the borrowing of Rs.45,000/- during 1985-86. In the case of Kadavoor, out of the borrowing equal to Rs.1,13,750.20, only Rs.53,750/- was properly utilised during 1984-85. So also, the capital expenditure made out of the loan amounting to Rs.40,000/- was only 13,500/- during 1985-86.

Thus, the analysis of long-term credit brings out two important findings. One is that the lion's share of credit was available to the bigger size-group of farmers. The other is that a considerable portion of the credit was diverted from its desired use. These findings also reveal that there exist certain loopholes in institutional credit management which are cleverly exploited by economically and socially powerful farmers.

So the general observations which follow from this discussion are (a) among different size-group of farmers, middle size-group seems to have utilised the highest proportion of credit in both the villages during all the years under study and hence they appear to be more enterprising in making better use of agricultural credit (b) large and small size-groups divert credit more, for reasons differing from one to the other, as would be seen in the next chapter.

6.2. Repayment of Institutional Credit

Adequate and timely supply of credit is an indicator of the efficiency of financial institutions in agricultural lending. So also, timely and full repayment of dues is the index of borrowers' integrity and discipline in the credit market. Mounting overdues resulting from non-repayment of dues in time lead to a breach of mutual confidence between institutions and the beneficiaries. Large scale overdues may even break the capital base of those co-operatives with limited resource base. In the case of commercial banks also which have relatively better resource position, accumulated overdues may affect their lending capacity after a considerable time gap. Against this back-ground, now we attempt to examine the repayment performance of each category of borrowers in the sample villages subject to the availability of data. In order to assess the repayment and overdues position of beneficiaries, only short term borrowings commencing from 1st July 1983 onwards were considered. Because of the difficulty in getting relevant and useful details regarding borrowing, repayment, and overdues prior to the period, such items were omitted. However, in the case of term loans, borrowings whose first repayment fall due as on 30th June 1984 were considered.

In the case of both villages, short-term loan constitute the major component of credit. Table 6.2. shows that except in Kadavoor Village during 1984-85, the portion of total term credit as a percentage of the total short-term credit was less than 60 and in the case of Kadavoor during the said period it was 78.79. This indicates that short-term credit takes the lion's share in the total

credit supply, as far as the sample villages are concerned. Hence, an analysis of the repayment performance with respect to short term borrowing seems to be very important.

6.3 Repayment and Overdues Position of Short-term Credit

Table 6.3 shows the repaying performance and overdues position of borrowers with respect to short-term credit. As on 30th June 1984, it is seen that, the amount demanded for repayment by institutional agencies, as a whole, stood at Rs.1,39,520.30 in Elanji and Rs.1,76,205.50 in Kadavoor. But it seems that only Rs.77,717.55 and Rs.95,934.50 were repaid in Elanji and Kadavoor respectively, as on 30th June 1984. Thus, the proportion of overdues, in the case of Elanji remained at 44.30 percentage of the amount demanded at the end of the agricultural year. As far as Kadavoor is concerned, the figure stood at 43.43 percentage. Further, a size-wise analysis reveals that in Elanji when the proportion of overdues as on 30th June 1984 were 58.64 percent, 50.00 percent and 56.00 percent with respect to size-classes 1 to 2 acres, 5 to 10 acres and above 10 acres, it was only 24.00 percent in the case of size-class 2 to 5 acres. So also, the overdues positions in Kadavoor for the same period were 100 percent, 92.08 percent, 49.19 percent and 55 percent with respect to the size-classes of less than 0.5 acres, 1 to 2 acres, 5 to 10 acres and above 10 acres. But, the proportion of overdues for the same period in the size-class of 2 to 5 acres was only 22 percent.

Similarly, data on repayment and overdues as on 30th June 1985 and 30th June 1986, in both the villages reveal that the proportion of overdues was nearing or above 50 percent in case of

Table: 6.2. Distribution of Credit According to the Nature of Credit - 1983 to 1986

Year	(Amount in Rs.)							
	E L A N J I			K A D A V O O R				
	Nature of Credit Short-term	(2)	(3)	(2+3) as percentage of (1)	Nature of Credit Short-term	(5)	(6)	(6+7) as percentage of (5)
1983-84	1,26,600	23,500	5,600	22.99	1,59,627	5,200	NIL	3.26
1984-85	1,25,990	38,900	30,000	54.69	1,84,480	31,600	1,13,750.20	78.79
1985-86	1,54,232	43,875	45,000	57.62	1,03,750	15,800	40,000	53.78

Source: Sample Survey

size-classes below or above 2-5 acres. The overdues position with respect to 2 to 5 acres size-class was 27.99 percent in Elanji and 26.96 percent in Kadavoor as on 30th June 1985. The respective figures stood at 22.99 percent and 27 percent as on 30th June 1986. The overdues position, as a whole, remained at 48.71 percent and 52.03 percent as on 30th June 1985 and 54.07 percent and 55.26 percent as on 30th June 1986, in Elanji and Kadavoor respectively.

The analysis of repayment and overdues in relation to short-term credit, thus, indicates that both small and big-size-class farmers in both villages are the major defaulters. In comparison, the performance of the middle size-class with respect to repayment seems far better, eventhough cent percent repayment has not been found in their case too. It can be presumed that the repayment performance of beneficiaries of short-term credit, in general, is very poor and it is reflected in their growing indebtedness to institutional agencies, over years. For instance, table 6.3 shows that the proportion of overdues as a whole was 44.30 percent as on 30th June 1984 in case of Elanji. But it had increased to 48.71 percent as on 30th June 1985 and again to 54.07 percent as on 30th June 1986. As regards Kadavoor, the proportion of overdues, as a whole, was 43.43 as on 30th June 1984. But it rose to 52.03 percent as on 30th June 1985 and further to 55.26 percent as on 30th June 1986. Though the repaying performance and overdues position of the different size-classes of borrowers in both villages seem to be irregular and not confined to any particular order with

respect to the time period, the trend of growing indebtedness among farmers is clearly established.

6.4 Repayment and overdues with respect to Mid-term Credit

It has been already established in the earlier chapter that borrowers are not much attracted by mid-term credit. Mid-term credit supplied by financial institutions to farmers is intended for the purchase of Pumpsets, Cattle, Rubber Roller and for the construction of farm houses and digging wells. However, the number and magnitude of mid-term borrowing were smaller in relation to short-term credit.

Table 6.4 reveals that the amount to be repaid as on 30th June 1984, in Elanji sample as a whole was Rs.4,287.50 of which Rs.262.50 was only repaid. In other words, only 6.12 percent of the total amount to be repaid to the financial institutions was made on 30th June 1984. As per the table it is seen that all these borrowers belong to the size-class of above 5 acres. When the proportion of repayment was 33.33 percent of the amount due to them with respect to the size-class of 5 to 10 acres, there was no repayment at all as far as the biggest size-group was concerned. During the same period, in Kadavoor, all the loans were repaid. Here, it is to be noted that the category of borrowers exclusively belonged to the size-group of 2-5 acres.

As on 30th June 1985 and 30th June 1986, the proportion of repayment were 22.50 percent and 20.40 percent respectively of the dues in the case the Elanji sample as a whole, while the corresponding figures were 33.78 percent and 18.29 percent with respect to the Kadavoor sample.

Table: 6.3 - Distribution of Households According to Repayment and Overdues of Short-term Credit among Different Size-groups During 1983-'84, '84-'85 and 1985-'86.

Year	Size of Holding	E L A N J I			Amount Overdue (Rs.)	Percentage of overdues	K A D A V O O R			Amount overdue (Rs.)	Percentage of overdues
		Amount demanded (Rs.)	Amount Repaid (Rs.)	Amount demanded (Rs.)			Amount repaid (Rs.)	Amount overdue (Rs.)			
as on 30th June 1984.	< 0.5	NIL	-	-	-	-	1881.20	NIL	1881.20	100.00	100.00
	0.5-1	NIL	-	-	-	-	NIL	-	-	-	-
	1-2	11067.30	4576.30	6491.00	58.64	2021.00	160.00	1861.00	1861.00	92.08	92.08
	2-5	41494.75	31536.00	9958.75	24.00	50035.90	39028.00	11007.9	11007.9	22.00	22.00
	5-10	55727.00	27863.50	27863.50	50.00	29722.50	15102.00	14620.5	14620.5	49.19	49.19
> 10	31231.25	13741.75	17489.50	56.00	92544.90	41644.90	50900.00	50900.00	55.00	55.00	
	Total	139520.30	77717.55	61802.75	44.30	176205.5	95934.5	76528.40	76528.40	43.43	43.43
as on 30th June 1985.	< 0.5	1605.00	NIL	1605.00	100.00	2735.30	NIL	2735.30	2735.30	100.00	100.00
	0.5-1	3013.55	NIL	3013.55	100.00	757.75	NIL	757.75	757.75	100.00	100.00
	1-2	16220.00	6317.70	9902.30	61.05	7467.80	2540.50	4927.30	4927.30	65.98	65.98
	2-5	76471.90	55067.40	21404.50	27.99	115146.60	84100.20	31046.40	31046.40	26.96	26.96
	5-10	57820.27	24197.77	33622.50	58.15	119192.70	45290.70	73902.00	73902.00	62.00	62.00
> 10	51105.74	20186.79	30918.95	60.50	101991.30	34680.10	67311.20	67311.20	65.99	65.99	
	Total	206236.46	105769.66	100466.80	48.71	347291.45	166611.50	180679.95	180679.95	52.03	52.03
as on 30th June 1986.	< 0.5	2363.60	NIL	2363.60	100.00	3389.80	NIL	3389.80	3389.80	100.00	100.00
	0.5-1	9040.90	NIL	9040.90	100.00	3554.93	NIL	3554.93	3554.93	100.00	100.00
	1-2	29320.10	12314.40	17005.7	58.00	8441.30	3880.00	4561.30	4561.30	54.04	54.04
	2-5	71488.30	55046.00	16442.30	22.99	85261.60	62240.90	23020.70	23020.70	27.00	27.00
	5-10	79872.90	30351.70	49521.20	62.00	112616.50	38290.00	74326.5	74326.5	65.99	65.99
> 10	92814.30	33134.70	59679.60	64.30	103023.90	37088.60	65935.3	65935.3	64.00	64.00	
	Total	284900.10	130846.80	154053.33	54.07	316288.03	141499.50	174788.53	174788.53	55.26	55.26

Source: Sample Survey

A size-wise analysis of the repayment and overdues situation of mid-term borrowing, indicates that, while cent percent of the dues as on 30th June 1985 was repaid by borrowers belonging to the size-class of 2 to 5 acres in both villages, only 22.60 per cent and 6.09 percent of the dues were repaid by the size-groups coming under 5 to 10 acres and above 10 acres respectively in Elanji. As regards Kadavoor during the period no repayment was made by the size-group of above 10 acres.

Similarly, as on 30th June 1986, in Elanji the proportion of repayment stood at 100 percent, 16.24 percent and 6.65 percent with respect to size-classes 2 to 5 acres, 5 to 10 acres and above 10 acres respectively. In the case of Kadavoor, borrowers in the size-group of 2 to 5 acres had repaid 70.43 percent of the dues, while the size-group above 10 acres as well as the size-group of less than 0.5 acres had repaid nothing as on 30th June 1986.

The foregoing analysis of mid-term credit repayment, thus, reveals that most of the borrowers in the size-group of above 10 acres were cent percent defaulters throughout the reference period. Also, the repaying performance of beneficiaries in the size-group of 5 to 10 acres seems to be very poor. But, the middle size-group exhibits a very encouraging trend in repaying the mid-term credit in time. It is seen from table 6.4 that they had no overdues in respect of mid-term loans, over years except that of 29.57 percent of the dues as on 30th June 1986, in Kadavoor Village. This implies that the middle size-group of borrowers is better disciplined and more prompt than the other size-groups as far as the institutional credit market is concerned.

Table : 6.4 Distribution of Households According to Repayment and Overdues of Mid-term Credit During 1983-'84, 1984-'85 and 1985-'86.

Year	Size of holding (in Acres)	E L A N J I			K A D A V O O R		
		Amount demanded (Rs.)	Amount repaid (Rs.)	% repaid	Amount demanded (Rs.)	Amount repaid (Rs.)	% repaid
As on 30th June 1984.	< 0.5	-	-	-	-	-	-
	0.5-1	-	-	-	-	-	-
	1-2	-	-	-	-	-	-
	2-5	-	-	-	1039.30	1039.30	100.00
	5-10	787.50	262.50	33.33	-	-	66.67
	> 10	3500.00	NIL	100.00	-	-	NIL
Total	4287.50	262.50	6.12	1039.30	1039.30	100.00	
As on 30th June 1985.	< 0.5	-	-	-	-	-	-
	0.5-1	-	-	-	-	-	-
	1-2	-	-	-	-	-	-
	2-5	2352.50	2352.50	100.00	2410.70	2410.70	100.00
	5-10	7558.60	1708.00	22.60	-	-	77.4
	> 10	11160.60	680.00	6.09	4725.00	NIL	93.91
Total	21071.70	4740.50	22.50	7135.70	2410.70	33.78	
As on 30th June 1986	< 0.5	-	-	-	160.00	NIL	0.00
	0.5-1	-	-	-	-	-	-
	1-2	-	-	-	-	-	-
	2-5	3290.20	3290.20	100.00	4755.00	3348.75	70.43
	5-10	19735.66	3205.40	16.24	-	-	83.76
	> 10	13083.00	870.00	6.65	13392.00	NIL	93.35
Total	36108.86	7365.60	20.40	18307.00	3348.75	18.29	
							66.22
							100.00
							29.57
							100.00
							81.71

Source: Sample Survey

6.5 Repayment and Overdues in respect of Long-term Loan

For the purpose of the study loans whose loan period exceed 5 years were considered as a long-term loans. Institutional agencies supply long-term loans for investments in the farm sector which requires longer periods to generate income. Financial institutions expect that these investments should generate adequate incremental income to the beneficiaries to repay the loan with interest in instalments leaving enough surplus for the borrower's sustenance. According to the lenders, the period of repayment should not be more than the normal economic life of the asset created out of their finance. Normally, the time of repayment of instalment should coincide with the period of income generation from the activity. As there is no immediate income generation, sufficient moratorium is expected to be allowed by the lending institution before making the demand for the first instalment. Long term loans are granted for purposes like minor irrigation, land development, farm mechanisation, biogas development etc. In the sample villages long-term loans are availed of for the above mentioned purposes.

Table 6.5 illustrates the amount demanded, the nature of repayment and overdues in respect of long-term credit in the sample villages during the period of this study. In Elanji, as on 30th June 1984, the demanded amount was Rs.794.70 for which there was no repayment. So, also there was no repayment during 1985-86, though the demanded amount had increased to Rs.6,301.05. The amount demanded for repayment as on 30th June 1986 was Rs.24,278.90 against which also no repayment was made.

Table : 6.5 Distribution of Households According to Repayment and Overdues of Long-term Credit During 1983-'84, 1984-'85 and 1985-'86.

Year	Size of Holding (in Acres)	E L A N J I				K A D A V O O R			
		Amount demanded (Rs.)	Amount repaid (Rs.)	Percent tage repaid	Percent tage overdue	Amount demanded (Rs.)	Amount repaid (Rs.)	Percent tage repaid	Percent tage overdue
As on 30th June 1984.	< 0.5	-	-	-	-	-	-	-	-
	0.5-1	-	-	-	-	-	-	-	-
	1-2	-	-	-	-	-	-	-	-
	2-5	-	-	-	-	-	-	-	-
	5-10	-	-	-	-	-	-	-	-
	> 10	794.70	NIL	0.00	100.00	-	-	-	-
	Total	794.70	NIL	0.00	100.00	-	-	-	-
As on 30th June 1985.	< 0.5	-	-	-	-	-	-	-	-
	0.5-1	-	-	-	-	-	-	-	-
	1-2	-	-	-	-	-	-	-	-
	2-5	-	-	-	-	-	-	-	-
	5-10	-	-	-	-	-	-	-	-
	> 10	6301.05	NIL	0.00	100.00	20004.60	3111.10	15.55	84.45
	Total	6301.05	NIL	0.00	100.00	20004.60	3111.10	15.55	84.45
As on 30th June 1986.	< 0.5	-	-	-	-	-	-	-	-
	0.5-1	-	-	-	-	-	-	-	-
	1-2	-	-	-	-	-	-	-	-
	2-5	-	-	-	-	-	-	-	-
	5-10	-	-	-	-	5448.20	463.80	8.50	91.50
	> 10	24278.90	NIL	0.00	100.00	22369.69	2650.80	11.95	98.15
	Total	24278.90	NIL	0.00	100.00	27817.89	3114.60	11.20	98.80

Source: Sample Survey

As regards the Kadavoor sample, the amount due was Rs.20,004.60 against which a sum of Rs.3,111.10 (15.55 percent) was repaid as on 30th June 1985. Similarly, out of Rs.27,817.89 to be collected as on 30th June 1986, only Rs.3,114.60 (11.20 percent) was received by the financial institutions.

The analysis, thus, indicates that the proportion of overdues in relation to long-term credit availed of by the largest size group of farmers in Elanji village was cent percent of the amount demanded in all the years of study. In Kadavoor, the proportion of overdues stood at 84.45 percent and 88.80 percent as on 30th June 1985 and 30th June 1986 respectively. The analysis also indicates the trend of growing indebtedness among farmers in the case of long-term credit too.

The foregoing discussion on repayment and overdues can be summed as (1) the repaying performance of borrowers, in general is very poor, (2) because of the mounting overdues year after year there is a growing indebtedness among borrowing farmers and (3) both big and small farmers do not care for prompt repayment of loans while middle size farmers are relatively better in repaying credit.

6.6 Reasons for Poor Recovery Performance by Institutional Agencies

Most often, low productivity of agriculture is pointed out as the reason for poor recovery performance of lending institutions. But, there are some other reasons too which may sometimes outweigh the reasoning of low productivity. One among them is that small

and marginal farmers may have to depend on non-institutional agencies for credit when such credits are not provided by institutional lenders. In repayment, borrowers give preference to non-institutional agencies first, knowing the difficulties of institutional agencies in effecting recovery of the disbursed fund. Economically and socially powerful borrowers exploit this handicap of financial institutions to a very great extent. The institutions, in turn, try to overcome the situation resorting to pen and paper method. For institutions, loan recovery is a difficult task. Most often, they have to move the court of law to effect the recovery. Even if institutions get a decree to attach the property for its execution, other institutional requirements like police force, revenue personnels etc. are necessary. Thus the process being complicated and time consuming, institutions sometimes adopt certain evasive practices by opening a new account in the name of some relatives of the defaulters and thus adjust the loans due. Another practice consists in rolling loans. In this case the lender and the defaulted borrower come to an understanding that the lender will issue a fresh loan equal to the amount due, immediately after the borrower repays the dues. Often, borrowers seek help from non-institutional sources for fund so that the next day with the fresh loan he can pay back the non-institutional credit. It is often argued that if institutional agencies stop fresh lending at least for one year, the proportion of recovery to demand will come down considerably. This indicates that a portion of the credit supplied for agricultural operations is immediately pumped back to the source

from where it has come out, without getting it used for the desired purpose. Similarly, the false notion spread by some prominent politicians and social workers in order to earn cheap popularity that institutional dues need not be repaid also causes low recovery of institutional dues.

6.7 Repayment and Overdues with regard to Non-Institutional Loans

As regards repayment of non-institutional credit, it is noted that the pay back is faster than the institutional credit repayment. Also, the magnitude of overdues with respect to non-institutional credit is considerably smaller compared to institutional credit. It seems that borrowers are cautious about the usurious nature of non-institutional lending and it is reflected in their eagerness to clear off non-institutional debt. For instance, table 6.6 illustrates that the proportion of repayment in Elanji as a whole, was 93.26 percent of the total amount demanded by non-institutional lenders as on 30th June 1984. Here, it may be noted that as in the case of institutional credit, details regarding borrowings prior to 1st July 1983 were discarded for reasons described earlier. In the case of Kadavoor, it is seen that 86.97 percentage of amount demanded was repaid as on 30th June 1984. A size-wise analysis reveals that both in Elanji and Kadavoor smaller size-groups had paid back cent percent of the credit. Similarly, as on 30th June 1985 the proportion of repayment to the amount demanded was 89.38 percent in case of Elanji and cent percent with respect to Kadavoor. But, here, unlike in the preceding year

the middle size-group of 2 to 5 acres had repaid cent percent of the loan. So also, the proportion of repayment, as on 30th June 1986 was cent percent of the amount demanded in Elanji and 91.89 percent in Kadavoor.

Except the middle size-group (2 to 5 acres) who had repaid only 91.05 percent of the amount demanded, all other small size-groups had paid back cent percent of the credit. From the above discussion, it becomes clear that smaller size-groups are more eager to clear off non-institutional credit than the rest. This happens because of the fear that they might lose their valuables, mainly gold ornaments given as securities. In order to clear off non-institutional debts, borrowers rely upon institutional borrowing, the dynamics of which will be discussed under the title 'Diversion of Credit' in the next Chapter.

To sum up, we can say that repayment of non-institutional credit takes place at a faster rate than that of institutional credit. Though there does not seem to be a clear-cut relation between size-groups and the proportion of repayment of non-institutional dues, it is seen that the smaller size-groups are more interested in clearing their dues.

Table : 6.6 Distribution of Households According to the Amount Demanded by Non-Institutional Sources and the Amount Repaid by Different Size - Groups of Borrowers -1983-'84 to 1985-'86.

Year	Size of Holding (In Acres)	Elanjil				Kadavoor			
		Amount demanded	Amount repaid	Percentage of repayment	Percentage of overdue	Amount demanded	Amount repaid	Percentage of repayment	Percentage of Overdues
As on 30th June 1984.	< 0.5	310.00	310.00	100.00	NIL	290.00	290.00	100.00	NIL
	0.5-1	236.00	236.00	100.00	NIL	-	-	-	-
	1-2	4588.00	4588.00	100.00	NIL	-	-	-	-
	2-5	8349.00	7440.00	89.11	10.89	15114.90	13144.90	86.97	13.03
	5-10	-	-	-	-	-	-	-	-
	> 10	-	-	-	-	-	-	-	-
	Total	13483.00	12574.00	93.26	6.74	15114.90	13144.90	86.97	13.03
As on 30th June 1985.	< 0.5	-	-	-	-	317.50	317.50	100.00	NIL
	0.5-1	-	-	-	-	654.00	654.00	100.00	NIL
	1-2	11856.60	8856.6	74.70	25.30	-	-	-	-
	2-5	16396.00	16396.00	100.00	-	9071.30	9071.30	100.00	NIL
	5-10	-	-	-	-	-	-	-	-
	> 10	-	-	-	-	-	-	-	-
	Total	28252.60	25252.60	89.38	-	10042.80	10042.80	100.00	NIL
As on 30th June 1986.	< 0.5	372.00	372.00	100.00	NIL	488.30	488.30	100.00	NIL
	0.5-1	1089.00	1089.00	100.00	NIL	1590.00	1590.00	100.00	NIL
	1-2	6080.00	6080.00	100.00	NIL	236.00	236.00	100.00	NIL
	2-5	2142.00	2142.00	100.00	NIL	22350.70	20350.70	91.05	8.95
	5-10	-	-	-	-	-	-	-	-
	> 10	-	-	-	-	-	-	-	-
	Total	9683.00	9683.00	100.00	NIL	24665.00	22665.00	91.89	8.11

Source: Sample Survey

C H A P T E R VII

DIVERSION OF INSTITUTIONAL CREDIT

7.1 Utilisation of credit is normally examined in the context of the purpose for which the credit is advanced and the purpose for which it is actually utilised. The difference between these two indicates the extent of diversion or misutilisation of credit. Various reasons can be attributed to the diversion of agricultural credit. They may be classified as (a) Economic Exigencies (b) Social Necessities (c) Business Motives, on the part of beneficiaries (d) Defective Lending Policies and Procedures (e) Lack of Supervision and (f) Target-Oriented Lending Programmes, of institutional agencies.

7.2 Economic Exigencies

Because of the low income, people have higher propensity to consume. Moreover, a considerable proportion of the population particularly those belonging to the lower size-classes of land holders is below the poverty line. To them, money for meeting their consumption needs is of primary importance. In such a situation, it is only natural that people will explore all possible opportunities to gather money for meeting their immediate consumption needs. Moreover, with the implementation of Money Lender's Control Act and the recent amendments to it whereby the weaker sections have been exempted from paying old debts to non-institutional agencies, the funds available from them to poor farmers have dried up. In such circumstances, there is every

chance for borrowers to divert the credit advanced by institutional agencies to meet their consumption needs.

7.3 Social Necessities

Marriage is universal in India. The State of Kerala is no exception to this. Those who remain unmarried even after the attainment of marriageable age are looked upon with contempt. The stigma is all the more in the case of women. Moreover, parents are very anxious to give their daughters in marriage as early as possible. In Kerala, where dowry system is more prevalent, it is difficult for poor parents to seek good alliance for their daughters. At the same time, their social as well as parental obligations compel them to exploit all possible sources of finance to gather money for giving dowry. Marriage feast also is an unavoidable social obligation for which a lot of money is usually spent. All these force them to resort to borrowing in a big way. Because of the usurious nature of non-institutional lending, farmers prefer to borrow from institutional sources subject to their accessibility to such institutions. Moreover, in the changed social situation of Kerala where the activities of indigenous financiers have been severely controlled, the size of funds available from them also has considerably been reduced. In such circumstances, farmers manage to avail maximum amount of agricultural loan from institutional agencies with a view to divert them either in full or in part for meeting marriage expenses.

Similarly, expenses incurred in connection with contingencies such as death or accident may induce farmers to borrow

ultimately from institutional sources, so that they can repay the loans taken from money lenders or from other non-institutional agencies at the time of the casualty.

In Kerala, death is usually accompanied by a number of religious rites and social functions including grand feasts. Even the poor peasants do not lag behind in putting up a big show on such occasions. All these require big amount, with the result that they often have to resort to borrowing. Short-term agricultural loans that they borrow from institutional sources, are easily diverted for these purposes.

Housing in Kerala is more a social than an economic problem. Because of the recent changes in land relations and the spread of education, the break-down of the joint-family system, unlike in other states, had been very fast and its effects are more telling on Kerala. This automatically creates the need for more houses. A house is not only a question of shelter but also a symbol of social recognition too. After marriage every couple wants to move to their own house. But, since funds at the disposal of small and medium farmers are usually meagre, they make use of agricultural loans either fully or partially for house construction. Compared to loans for house construction, agricultural loans are less costly and hence they make maximum use of these funds for house construction. Farmers who borrow for the construction of their farm houses often divert it either for

construction or maintenance of their residential buildings.

7.4 Business Motive

Agriculture in Kerala now-a-days, is not considered as a profitable enterprise. Therefore, people seek alternative investment opportunities where profitability is maximum and risk minimum. In rural areas, money lending is a very lucrative business even now. Similarly, various types of small trades are found to be relatively more profitable than cultivation. Therefore, it is only natural that low cost agricultural loans borrowed from institutional agencies are directed to such activities. Educated well-to-do farmers, often travel across the boundaries of rural areas in order to invest the borrowed sum in stocks and shares with a view to reap huge profits. This trend has become much more pronounced now, because of the recent break-down of indigenous banking (blade companies) in Kerala.

In Kerala, where unemployment among the educated is very high, getting a job particularly a white collar one is every one's dream. A person who gets a job commensurate with his educational qualification is held in high esteem. As opportunities for employment in the public sector are very bleak and as competition is very acute people are compelled to turn to the private sector for employment. Private schools, colleges, co-operatives, banks etc., are some of the major institutions offering white collar jobs. But these institutions usually demand big donation for appointments. Farmers, subject to their accessibility take recourse to institutional agencies for low interest bearing

agricultural loans and divert a portion of the amount to be given as donation.

7.5 Defective Lending Policies and Procedures

A review of the loan policy and procedures followed by institutional agencies reveals that they do not stick to a uniform pattern in all respects. Though all banks are expected to follow the directions contained in the circular of the Reserve Bank of India, entitled, "Guide lines for Financing Agricultural Development by Commercial Banks", differences are found at the implementation stage. This may happen due to the inadequate strength of trained field staff, technical staff and supervisory staff particularly at the branch level. Alongwith these, differences in degrees of competition faced by bank branches at the village level from other institutions such as co-operatives, regional rural banks etc., may force banks to adopt different procedures for disposing loans. Similarly, the production of certain certificates required by banks put uneducated farmers in difficulties and for this reason they keep away from the banks. Most of the banks insist on the submission of extracts from revenue records about ownership rights in lands, "No Dues or No Objection Certificate" from local primary agricultural society, Demand Promissory Note, Hypothication Deed of Assets purchased out of loans, equitable mortgage of land, No encumbrance certificate and Letter of guarantee from one or more sureties acceptable to the bank. Though such insistence on the submission of documents and certificates reduces the risk of financial institutions genuine borrowers find it extremely difficult to collect them because of the unhelpful

attitude of the revenue officials. However, farmers who wilfully come forward to avail the loan with a view to divert it, overcome these difficulties by forgoing a portion of the loan amount in the form of bribes and tips to officials of different offices. Because a fair share of loanees of commercial banks belongs to this category, a large amount of loan is getting diverted.

7.6 Lack of Supervision

As discussed in earlier chapters, institutional credit is chiefly distinguished from non-institutional credit on the grounds of supervision. This is why institutional credit is usually referred as 'supervised credit'. In a situation where the propensity to consume among farmers is high, the credit agencies have to play a more dynamic or catalytic role by stressing the supervision aspect of credit more than credit deployment. Either due to the lack of technically qualified supervisory staff or being overburdened with paper work at their offices or due to laxity, institutional agencies in general and banks in particular do not devote adequate time to the supervision of credit utilisation. Consequently it is very easy to divert funds.

7.7 Target-Oriented Lending Programme

Too much stress on targets rather than on actual needs of cultivators leads to diversion of agricultural credit. The efficiency of the field staff and branch managers is judged by the headquarters, on the basis of achieving the targets assigned to them. Therefore, they try to deploy credit without looking into

the veracity or actual needs of farmers. Thus, a defective credit plan which is not need-based or result-oriented causes mis-utilisation or diversion of agricultural credit.

The foregoing discussion sheds light on the possibility of credit diversion only in a general way. The extent and nature of the problem could be better gauged by the field investigations .

It is discernible from table 7.1 that the extent of credit diversion as a whole was 76.04 percent in the case of Elanji sample and 85.86 with respect to Kadavoor sample during 1983-84. The corresponding figures for the year 1984-85 and 1985-86 were 65.59 percent and 67.23 percent for Elanji and 66.53 percent and 68.14 percent for Kadavoor.

A further break-up of the table according to the size of holdings shows that the percentage of credit diverted were 78.85, 64.01, 89.14 and 71.16 with respect to size-classes 1 to 2 acres, 2 to 5 acres, 5 to 10 acres and above 10 acres in Elanji and 100.00, 100.00, 58.00, 93.33 and 100.00 with respect to size-classes less than 0.5 acres, 1 to 2 acres, 2 to 5 acres, 5 to 10 acres and above 10 acres in Kadavoor, during 1983-84.

The analysis, thus indicates that there had been large scale diversion of credit in general, particularly among the small and large size-classes of farmers in both the samples. The Middle size-class beneficiaries (2 to 5 acres), as is seen from the table, diverted only a less proportion of the credit as compared to other size-classes.

Table: 7.1 Magnitude of Diversion of Institutional Credit by Different size-classes of Farmers in the Sample Villages During 1983-86.

Year	Size of Holdings (Acres)	E L A N J I			K A D A V O O R		
		Amount Borrowed Rs.	Amount Diverted Rs.	Percentage of Diversion.	Amount Borrowed Rs.	Amount Diverted Rs.	Percentage of Diversion
1983-84	less than 0.5	-	-	-	1750.00	1750.00	100.00
	0.5-1	-	-	-	-	-	-
	1-2	10400.00	8200.00	78.85	1867.00	1867.00	100.00
	2-5	38200.00	24450.00	64.01	51210.00	29702.00	58.00
	5-10	53000.00	47240.00	89.14	27000.00	25200.00	93.33
	above 10	54100.00	38500.00	71.16	83000.00	83000.00	100.00
	Total	155700.00	118390.00	76.04	164827.00	141519.00	85.86
1984-85	less than 0.5	1500.00	1500.00	100.00	580.00	580.00	100.00
	0.5-1	2750.00	2750.00	100.00	700.00	700.00	100.00
	1-2	8200.00	6750.00	82.32	5000.00	3600.00	72.00
	2-5	68240.00	38618.00	56.59	98000.00	53440.00	54.53
	5-10	50500.00	24500.00	48.51	44800.00	43460.00	97.01
	above 10	63700.00	53700.00	84.30	176000.00	114500.00	65.06
	Total	194890.00	127818.00	65.59	325080.00	216280.00	66.53
1985-86	less than 0.5	375.00	375.00	100.00	1100.00	1100.00	100.00
	0.5-1	4832.00	4832.00	100.00	2500.00	2500.00	100.00
	1-2	16900.00	12700.00	75.15	2700.00	2270.00	84.07
	2-5	47700.00	29225.00	61.27	61250.00	26750.00	43.67
	5-10	65300.00	43300.00	66.31	27000.00	24600.00	91.11
	above 10	108000.00	73000.00	67.59	65000.00	51500.00	79.23
	Total	243107.00	163432.00	67.23	159550.00	108720.00	68.14

Source: Sample Survey

The above findings hold good for the years 1984-85 and 1985-86 also. A further examination of the table shows that beneficiaries belonging to small size-classes (below 2 acres) diverted credit in full during all the three years of this study. Thus, it becomes clear that the intensity of diversion is relatively pronounced in the case of small farmers, though the magnitude of their borrowing is relatively small. A clear picture of diversion can be drawn only if we look into the proportion of diversion according to the purposes for which loans were obtained. Table 7.2 shows that the proportions of short-term credit diverted as a whole were 85.47 percent for Elanji sample and 88.66 percent for Kadavoor sample during 1983-84. During the period 42.55 percent of the mid-term credit in Elanji was diverted. In Kadavoor no diversion was reported. No portion of the long term credit was found diverted during the period.

When we analyse the data according to the size of holdings it is seen that beneficiaries belonging to the size group below 2 acres as well as those belonging to the size group of above 10 acres had diverted the short-term credit in full. Beneficiaries in the size-group of 5 to 10 acres had diverted almost all short-term credit while those in the middle size-group (2 to 5 acres) had diverted only 64.01 percent of it.

As regards mid-term credit, the table shows that there was no diversion in the case of beneficiaries belonging to the size-group 5 to 10 acres during 1983-84, while beneficiaries

Table: 7.2 Diversion of Credit According to the Nature of Credit
During 1983-86.

Year	size of Holdings (Acres)	Proportion of Diversion (in Percentage)					
		Short-term credit (for current farm expenditure)		Mid-term credit (for capital expenditure)		Long-term credit (for capital expenditure)	
		E	K	E	K	E	K
1983-84	Less than 0.5	-	100.00	-	-	-	-
	0.5-1	-	-	-	-	-	-
	1-2	78.50	100.00	-	-	-	-
	2-5	64.01	64.56	-	0.00	-	-
	5-10	95.43	93.33	0.00	-	-	-
	above 10	100.00	100.00	50.00	-	0.00	-
	Total	85.47	88.66	42.55	0.00	0.00	-
1984-85	Less than 0.5	100.00	100.00	-	-	-	-
	0.5-1	100.00	100.00	-	-	-	-
	1-2	82.32	72.00	-	-	-	-
	2-5	64.00	57.22	0.00	0.00	-	0.00
	5-10	100.00	97.01	0.00	-	-	-
	above 10	100.00	100.00	0.00	53.70	83.33	55.05
	Total	81.42	76.63	0.00	45.34	83.33	52.75
1985-86	Less than 0.5	100.00	100.00	-	0.00	-	-
	0.5-1	100.00	100.00	-	-	-	-
	1-2	75.15	84.07	-	-	-	-
	2-5	66.69	57.84	0.00	0.00	-	-
	5-10	100.00	91.11	12.00	-	-	66.25
	above 10	100.00	100.00	0.00	-	55.56	-
	Total	87.69	78.48	6.4	0.00	55.56	66.25

E - Elanjil
K - Kadavoor

Source: Sample Survey

belonging to the size-group above 10 acres had diverted 50 per cent of it.

During 1984-85 and 1985-86, in the case of short-term credit the same trend as described earlier, continued in both the samples. As regards term credits, no portion of the mid-term credit and 83.33 percent of the long-term credit were diverted in Elanji sample during 1984-85. At the same time, 45.34 percent of the mid-term credit and 52.75 per cent of the long-term credit were diverted in Kadavoor sample.

As per the table, of the total mid-term and long-term credit availed in Elanji sample during 1985-86, 6.4 percent of the mid-term credit and 55.56 percent of the long-term credit were diverted. During the same period in Kadavoor, there was no diversion of mid-term credit. But 66.25 percent of the long-term credit was diverted. Further, a size-wise analysis of term credits, reveals that in both the samples no portion of the term credits availed by the middle size-group (2 to 5 acres) of farmers, was diverted during the period between 1983 and 1986. However, beneficiaries belonging to larger size-groups (above 5 acres) were found diverting a significant portion of their term credits during 1984-85 and 1985-86.

The following conclusions emerge out of the foregoing analysis.

- 1) Beneficiaries belonging to lower size-groups (below 2 acres) and the highest size-group (above 10 acres) diverted short-term credit in full;

- 2) Beneficiaries in the middle size-group (2 to 5 acres) diverted relatively a lesser proportion of short-term credit.
- 3) Only households belonging to size-groups above 2 acres, were found availing term credits. Among the beneficiaries of term credits; while the larger size-groups were found diverting a significant portion of it, middle size group (2 to 5 acres) did not divert any portion of it.

7.8 We have earlier classified the factors that lead to diversion of credit under three major heads, as (1) Economic Exigencies (2) Social Necessities and (3) Business Motives. Now let us examine how far these factors have influenced beneficiaries in diverting credit, at the village level.

For the purpose of the present analysis, it is assumed that Economic Exigencies include all annual expenses of a household incurred in connection with the consumption of food, clothing and medicine.

All expenses due to marriage (including dowry), death, construction or maintenance of residential building and expenses associated with education are placed under Social Necessities.

Business Motives consist of all money investments made with a view to raise income, profit or interest. They include investments for money lending and donations for getting employment and investments in business and trades.

Still, beneficiaries are found diverting credit to meet needs such as repayment of old debts, release of mortgaged deeds, recovery of pledge (gold) etc. All these are included in 'Others'

Table 7.3 and 7.4 show the relative proportions of the total diverted amount, spent under each head in the sample villages during 1983-86. As per the tables, proportion of the total amount diverted to meet Economic Exigencies of the sample households as a whole, stood at 5.5 percent, 7.7 percent and 8.9 percent for Elanji sample and 4.7 percent, 5.2 percent and 6.6 percent for Kadavoor sample, during the years 1983-84, 1984-85 and 1985-86. As regards Social Necessities, the proportions at the all-holdings level were 27.7 percent, 23.6 percent and 16.0 percent in the case of Elanji sample and 22.5 percent, 16.7 percent and 19.7 percent in the case of Kadavoor sample during the period 1983-84, 1984-85 and 1985-86. During these years, proportions of the amount diverted with regard to Business Motives stood at 59.6 percent, 58.5 percent and 66.0 percent for Elanji sample as a whole and 69.9 percent, 69.7 percent and 63.5 percent for Kadavoor sample as a whole. Of the total amount diverted each year 7.2 percent in 1983-84, 10.2 percent in 1984-85 and 9.1 percent in 1985-86 were under the major head 'Others' for Elanji and the corresponding proportions for Kadavoor were 2.9 percent, 8.4 percent and 10.2 percent.

The above discussion reveals that in general the lion's share of the amount was diverted for 'Business Motives'; 'Social Necessities' comes second. This indicates that the largest proportion of the diverted amount is either invested in profit bearing or in permanent income earning enterprises.

Table: 7.3 Size-wise Classification of the Diverted Amount (Elanji) (in Rs.)

Year	Size of Holdings (Acre)	Credit Diverted to Meet Expenses Incurred with				Total Amount
		Economic Exigencies	Social Necessities	Business Motives.	Others	
1983-84	less than 0.5	-	-	-	-	-
	0.5-1	-	-	-	-	-
	1-2	4300.00 (52.4)	-	-	3900.00 (47.6)	8200.00 (100.0)
	2-5	2200.00 (9.0)	17690.00 (72.3)	-	4560.00 (18.7)	24450.00 (100.0)
	5-10	-	12050.00 (25.5)	35190.00 (74.5)	-	47240.00 (100.0)
	above 10	-	3080.00 (8.0)	35420.00 (92.0)	-	38500.00 (100.0)
	Total	6500.00 (5.5)	32820.00 (27.7)	70610.00 (59.6)	8460.00 (7.2)	118390.00 (100.0)
1984-85	less than 0.5	1200.00 (80.0)	-	-	300.00 (20.0)	1500.00 (100.0)
	0.5-1	2010.00 (73.1)	-	-	740.00 (26.9)	2750.00 (100.0)
	1-2	4274.00 (63.3)	-	-	2476.00 (36.7)	6750.00 (100.0)
	2-5	2307.00 (6.0)	26250.00 (68.0)	501.00 (1.3)	9560.00 (24.7)	38618.00 (100.0)
	5-10	-	3890.00 (15.9)	20680.00 (84.1)	-	24500.00 (100.0)
	above 10	-	-	53700.00 (100.0)	-	53700.00 (100.0)
	Total	9791.00 (7.7)	30140.00 (23.6)	74811.00 (58.5)	13076.00 (10.2)	127818.00 (100.0)
1985-86	less than 0.5	375.00 (100.0)	-	-	-	375.00 (100.0)
	0.5-1	3300.00 (68.3)	-	-	1532.00 (31.7)	4832.00 (100.0)
	1-2	8700.00 (68.5)	-	-	4000.00 (31.5)	12700.00 (100.0)
	2-5	2300.00 (7.9)	17580.00 (60.1)	-	9345.00 (32.0)	29225.00 (100.0)
	5-10	-	8600.00 (19.9)	34700.00 (80.1)	-	43300.00 (100.0)
	above 10	-	-	73000.00 (100.0)	-	73000.00 (100.0)
	Total	14675.00 (8.9)	26180.00 (16.0)	107700.00 (66.0)	14877.00 (9.1)	163432.00 (100.0)

Figures in bracket indicate percentage.

Source: Sample Survey

Table: 7.4 Size-wise Classification of the Diverted Amount (Kadavoor) (in Rs)

Size of Holdings (Acre)	Credit Diverted to Meet Expenses Incurred with				Total Amount
	Economic Exigencies	Social Necessities	Business Motives	Others	
1983-84					
Less than 0.5	1750.00 (100.0)	-	-	-	1750.00 (100.0)
0.5-1	-	-	-	-	-
1-2	1311.00 (70.2)	-	-	556.00 (29.8)	1867.00 (100.0)
2-5	3560.00 (11.99)	18400.00 (61.95)	4200.00 (14.14)	3542.00 (11.92)	29702.00 (100.0)
5-10	-	6000.00 (23.8)	19200.00 (76.2)	-	25200.00 (100.0)
above 10	-	7450.00 (9.0)	75550.00 (91.0)	-	83000.00 (100.0)
Total	6621.00 (4.7)	31850.00 (22.5)	98950.00 (69.9)	4098.00 (2.9)	14151.90 (100.0)
1984-85					
Less than 0.5	580.00 (100.0)	-	-	-	580.00 (100.0)
0.5-1	700.00 (100.0)	-	-	-	700.00 (100.0)
1-2	2950.00 (81.9)	-	-	650.00 (18.1)	3600.00
2-5	7050.00 (13.2)	26700.00 (49.9)	2300.00 (4.4)	17390.00 (32.5)	53440.00
5-10	-	9500.00 (21.9)	33960.00 (78.1)	-	43460.00
above 10	-	-	114500.00 (100.0)	-	114500.00
Total	11280.00 (5.2)	36200.00 (16.7)	150760.00 (69.7)	18040.00 (8.4)	216280.00
1985-86					
Less than 0.5	1100.00 (100.0)	-	-	-	1100.00
0.5-1	2500.00 (100.0)	-	-	-	2500.00
1-2	1970.00 (86.8)	-	-	300.00 (13.2)	2270.00
2-5	1600.00 (6.0)	17300.00 (64.7)	-	7850.00 (29.3)	26750.00
5-10	-	4080.00 (16.6)	17520.00 (71.2)	3000.00 (12.2)	24600.00
above 10	-	-	51500.00 (100.0)	-	51500.00
Total	7170.00 (6.6)	21380.00 (19.7)	69020.00 (63.5)	11150.00 (10.2)	108720.00

Figures in brackets show percentage

Source: Sample Survey

A further break-up of the data according to the size of holdings reveals that beneficiaries belonging to lower size-groups (below 2 acres) made use of the amount mainly to meet their economic exigencies. For instance, the category of farmers in the size-group, 1-2 acres in Elanji utilised 52.4 percent of their fund for meeting economic exigencies during 1983-84. During the period, in Kadavoor, beneficiaries in the size-group, less than 0.5 acres utilised the full amount for the same purpose. Those in the size-group 1 to 2 acres, at the same time, utilised 70.2 percent of the fund for meeting 'Economic Exigencies'. As is seen from the table, this trend was more pronounced during subsequent years. Also, it is discernible from the tables that they did not utilise any portion of the fund either for Social Necessities or for Business Motives. However, it is seen that they made use of the balance amount for other purposes such as payment of old debts, release of pledges etc.

As regards the middle size-group (2 to 5 acres), it is seen that the proportion of fund utilised under the heads, 'Economic Exigencies', 'Social Necessities', 'Business Motives' and 'Others' stood at 9.0 percent, 72.3 percent 0.00 percent and 18.7 percent respectively during 1983-1984, in the case of Elanji. The corresponding figures with respect to Kadavoor were 11.99 percent, 61.95 percent, 14.14 percent and 11.92 percent. During 1984-85 the same group made use of 6.0 percent, 68.0 percent, 1.3 percent and 24.7 percent of the fund in Elanji and 13.2 percent, 49.9 percent, 4.4 percent and 32.5 percent of the fund in Kadavoor, under

the respective heads as described above. The analysis, thus indicates that beneficiaries of the middle size-group made use of the fund mainly for meeting their expenses connected with 'Social Necessities'. The proportion of the fund that they utilised under 'Business Motives' was relatively small. As far as this group of beneficiary households are concerned, the same trend continued during 1985-86, too. However the proportion of the fund utilised by them under 'Others' during 1984-85 and 1985-86 were found to be higher, in relation to that under 'Economic Exigencies'. As regards beneficiaries in the size-group 5 to 10 acres, it is seen that of the total fund 74.5 per cent was utilised for meeting their expenses under 'Business Motives', and the remaining 25.5 percent, expenses under 'Social Necessities', during 1983-84, in Elanji sample. During 1984-85 and 1985-86 also, beneficiaries in the same group in Elanji utilised the fund mainly for covering expenses under 'Business Motives'. It is discernible from table 7.4 that the same category of beneficiaries in Kadavoor sample diverted 76.2 percent of the total fund to 'Business Motives' and the remaining 23.8 percent to 'Social Necessities', during 1983-84. During the subsequent years also the lion's share of the fund was diverted to 'Business Motives' by this group. Thus, it is seen that beneficiaries of this larger size-group made use of the fund mainly for satisfying their 'Business Motives'. Coming to the largest size-group of beneficiaries, it is visible from tables 7.3 and 7.4 that they utilised the full amount for investment under 'Business Motives' in both the samples during the last

two years under reference.

Thus, the general finding emerging out of the foregoing analysis is that while beneficiaries belonging to lower size-groups (below 2 acres) made use of the diverted fund mainly to meet their expenses connected with 'Economic Exigencies', their counterparts in the middle size-group (2 to 5 acres) utilised its major portion to cover expenses under 'Social Necessities'. At the same time, beneficiaries in the larger size group (5 to 10 acres) diverted the lion's share of the fund to 'Business Motives', while those in the largest size-group (above 10 acres) made use of the entire fund for investment under 'Business Motives' during the last two years.

7.9 The analysis can be much more enlightening if we have a further break-up of the fund utilised by various beneficiaries under each major head. Table 7.5 shows details of classification of the fund under the major head 'Economic Exigencies'. It is discernible from table 7.5 that only beneficiaries belonging to holding size below 5 acres diverted credit to meet expenses under 'Economic Exigencies' during the entire period from 1983 to 1986. It is seen from the table that during 1983-84, of the total fund of Rs.6,500.00 diverted to 'Economic Exigencies' in the Elanji sample as a whole Rs.2,880.00 (44.3 percent) was utilised for consumption of food, Rs.1,670.00 (25.7 percent) purchasing medicine, and Rs.1,950.00 (30 percent) on clothings. In the case of Kadavoor sample as a whole, during the year, of the total fund of Rs.6,621.00, Rs.3,085.00 (46.6 percent) was spent on food items, Rs.1,847.00 (27.9 percent) on medicine

and Rs.1,689.00 (25.9 percent) on clothing. Thus, it is seen that in each sample as a whole, during 1983-84, the largest proportion of the fund was utilised for consumption of food. During the period, the proportions of expenditure on medicine and clothing remained more or less the same. Similarly, it is discernible from the table that in both the samples the same pattern of expenditure as regards 'Economic Exigencies' continued during the subsequent years also.

However, a further break-up on the basis of size of holdings, reveals that while beneficiaries in the lower size-group (below 2 acres) spent a larger proportion of the fund on food, those in the middle size-group (2 to 5 acres) spent only a lower proportion on food. During the entire period from 1983 to 1986 beneficiaries in the middle size-group had been exhibiting a tendency to spend relatively a larger proportion of the fund on medicine.

The general observation following from the above discussion is that while beneficiaries owning land below 2 acres show a tendency to spend relatively a larger proportion of the diverted fund on food items, those in the middle size-group used to spend a major portion of the fund on medicine and clothing. Because their income is very low and the consumption of food, at the same time, is unavoidable, it is natural that beneficiaries belonging to lower size-groups (below 2 acres) would spend a larger proportion of funds available to them, on food items. (This only confirms Engel's law.)

Table: 7.5 Size-wise Details of Fund Utilised under 'Economic Exigencies' During 1983-86
(In Rupees)

Year	Size of Holdings (Acre)	ECONOMIC EXIGENCIES									
		ELANJI					KADAVOOR				
		Food	Medicine	Clothing	Total Fund	Food	Medicine	Clothing	Total Fund		
1	2	3	4	5	6	7	8	9	10	Total Fund	
	Less than 0.5	-	-	-	-	1575.00 (90.0)	105.00 (6.0)	70.00 (4.0)	-	-	1750.00 (100.0)
	0.5-1	-	-	-	-	-	-	-	-	-	
1983-84	1-2	2360.00 (54.8)	820.00 (19.1)	1120.00 (26.1)	4300.00 (100.0)	700.00 (53.4)	282.00 (21.5)	329.00 (25.1)	-	-	1311.00 (100.0)
	2-5	520.00 (23.6)	850.00 (38.6)	830.00 (37.7)	2200.00 (100.0)	810.00 (22.8)	1460.00 (41.0)	1290.00 (36.2)	-	-	3560.00 (100.0)
	5-10	-	-	-	-	-	-	-	-	-	
	above 10	-	-	-	-	-	-	-	-	-	
	Total	2880.00 (44.3)	1670.00 (25.7)	1950.00 (30.0)	6500.00 (100.0)	3085.00 (46.6)	1847.00 (27.9)	1689.00 (25.9)	-	-	6621.00 (100.0)

Contd....

	1	2	3	4	5	6	7	8	9	10
Less than										
0.5			1200.00 (100.0)	-	-	1200.00 (100.0)	580.00 (100.0)	-	-	580.00 (100.0)
0.5-1			1400.00 (69.7)	400.00 (19.9)	210.00 (10.4)	2010.00 (100.0)	550.00 (78.6)	55.00 (7.9)	95.00 (13.5)	700.00 (100.0)
1-2			1950.00 (45.6)	1000.00 (23.4)	1324.00 (31.0)	4274.00 (100.0)	1480.00 (50.2)	615.00 (20.8)	855.00 (29.0)	2950.00 (100.0)
2-5			1490.00 (21.2)	1150.00 (49.8)	667.00 (29.0)	2307.00 (100.0)	1410.00 (20.0)	1970.00 (42.1)	2670.00 (37.9)	7050.00 (100.0)
5-10			-	-	-	-	-	-	-	-
above 10			-	-	-	-	-	-	-	-
Total			5040.00 (51.5)	2555.00 (26.0)	2201.00 (22.5)	9791.00 (100.0)	4470.00 (39.5)	3360.00 (29.9)	3450.00 (30.6)	11280.00 (100.0)
Less than										
0.5			375.00 (100.0)	-	-	375.00 (100.0)	1010.00 (91.8)	90.00 (8.2)	-	1100.00 (100.0)
0.5-1			2350.00 (71.2)	780.00 (23.6)	170.00 (5.2)	3300.00 (100.0)	1950.00 (78.0)	250.00 (10.0)	300.00 (12.0)	2500.00 (100.0)
1-2			3900.00 (44.8)	2800.00 (32.2)	2000.00 (23.0)	8700.00 (100.0)	900.00 (45.7)	445.00 (22.6)	625.00 (31.7)	1970.00 (100.0)
2-5			330.00 (14.3)	1050.00 (45.7)	920.00 (40.0)	2300.00 (100.0)	280.00 (17.5)	690.00 (43.1)	630.00 (39.4)	1600.00 (100.0)
5-10			-	-	-	-	-	-	-	-
above 10			-	-	-	-	-	-	-	-
Total			6955.00 (47.3)	4630.00 (31.6)	3090.00 (21.1)	14675.00 (100.0)	4140.00 (57.7)	1475.00 (20.6)	1555.00 (21.7)	7170.00 (100.0)

Figures in bracket indicate percentage.

Source: Sample Survey

7.10 Tables 7.6 and 7.7 show details of classification of the fund spent under the major head 'Social Necessities'. Table 7.6 shows that in Elanji sample as a whole, of the total fund spent under 'Social Necessities', 32.0 percent was due to marriage, 7.6 percent, by death, 30.9 percent, education and 29.5 percent, construction or maintenance of residential buildings, during 1983-86. However, a further break-up of the table on the basis of the size of holdings gives a different proportion of expenditure on each item by various categories of beneficiaries. First of all, it may be noted that the diverted fund had been utilised for meeting expenses under 'Social Necessities' only by beneficiaries owning land above 2 acres. Beneficiaries belonging to the middle size-group (2 to 5 acres), during 1983-84, spent the largest proportion (59.4 percent), of their fund under this head in order to meet expenses connected with marriage and the next largest proportion (26.5 percent) on construction or maintenance of their residential buildings. At the same time beneficiaries belonging to larger size-group (5 to 10 acres) spent 58.5 percent of their fund on education. The largest size-group (above 10 acres) utilised the full amount for education. During 1984-85 and 1985-86 also, beneficiaries belonging to the middle size-group spent the largest portion of the fund for marriage and the next largest portion for construction or maintenance of residential buildings. At the same time those in larger size-groups spent the full amount on education. It may be noted that the largest size-group (above 10 acres) of farmers

Table 7.6 Classification of Fund Utilised Under 'Social Necessities'
According to the size of Holdings. (Elanji) (in Rupees)

Year	Size of Holdings (Acre)	Social Necessities.				Total Fund.
		Expenses due to Marriage	Expenses due to death.	Expenditure on Education.	Expenses due to construction/Maintenance of House.	
1983-84	less than 0.5	-	-	-	-	-
	0.5-1	-	-	-	-	-
	1-2	-	-	-	-	-
	2-5	10500.00 (59.4)	2500.00 (14.1)	Nil	4690.00 (26.5)	17690.00 (100.0)
	5-10	Nil	Nil	7050.00 (58.5)	5000.00 (41.5)	12050.00 (100.0)
	above 10	Nil	Nil	3080.00 (100.0)	Nil	3080.00 (100.0)
	Total	10500.00 (32.0)	2500.00 (7.6)	10130.00 (30.9)	9690.00 (29.5)	32820.00 (100.0)
1984-85	less than 0.5	-	-	-	-	-
	0.5-1	-	-	-	-	-
	1-2	-	-	-	-	-
	2-5	17000.00 (64.8)	3500.00 (13.3)	750.00 (2.9)	5000.00 (19.0)	26250.00 (100.0)
	5-10	Nil	Nil	3890.00 (100.0)	Nil	3890.00
	above 10	-	-	-	-	-
Total	17000.00 (56.4)	3500.00 (11.6)	4640.00 (15.4)	5000.00 (16.6)	30140.00 (100.0)	
1985-86	less than 0.5	-	-	-	-	-
	0.5-1	-	-	-	-	-
	1-2	-	-	-	-	-
	2-5	9000.00 (51.2)	Nil	Nil	8580.00 (48.8)	17580.00 (100.0)
	5-10	Nil	Nil	8600.00 (100.0)	Nil	8600.00 (100.0)
	above 10	-	-	-	-	-
Total	9000.00 (34.3)	Nil	8600.00 (32.9)	8580.00 (32.8)	26180.00	

Figure in brackets indicate percentage.

Source: Sample Survey

Table 7.7 Classification of Fund Utilised Under 'Social Necessities' According to the size of Holdings
(Kadavoor) (in Rupees)

Year	Size of Holdings (Acre)	Social Necessities				Total Fund.
		Expenses due to Marriage	Expenses due to Death.	Expenditure on Education.	Expenses due to construction/Maintenance of House.	
1983-84	less than 0.5	-	-	-	-	-
	0.5-1	-	-	-	-	-
	1-2	-	-	-	-	-
	2-5	10000.00 (54.3)	-	400.00 (2.2)	8000.00 (43.5)	18400.00 (100.0)
	5-10	-	-	6000.00 (100.0)	-	6000.00 (100.0)
	above 10	-	-	7450.00	-	7450.00 (100.0)
	Total	10000.00 (31.4)	-	13850.00 (43.5)	8000.00 (25.1)	31850.00 (100.0)
1984-85	less than 0.5	-	-	-	-	-
	0.5-1	-	-	-	-	-
	1-2	-	-	-	-	-
	2-5	15000.00 (56.2)	2000.00 (7.5)	700.00 (2.6)	9000.00 (33.7)	26700.00 (100.0)
	5-10	-	-	9500.00 (100.0)	-	9500.00 (100.0)
	above 10	-	-	-	-	-
	Total	15000.00 (41.4)	2000.00 (5.5)	10200.00 (28.2)	9000.00 (24.9)	36200.00 (100.0)
1985-86	less than 0.5	-	-	-	-	-
	0.5-1	-	-	-	-	-
	1-2	-	-	-	-	-
	2-5	9000.00 (52.0)	1000.00 (5.8)	2300.00 (13.3)	5000.00 (28.9)	17300.00 (100.)
	5-10	-	-	4080.00 (100.0)	-	4080.00 (100.0)
	above 10	-	-	-	-	-
	Total	9000.00 (42.1)	1000.00 (4.7)	6380.00 (29.8)	5000.00 (23.4)	21380.00 (100.0)

Figures in brackets indicate percentage

Source: Sample Survey

did not utilise any portion of the diverted fund for meeting expenses under 'Social Necessities' during 1984-85 and 1985-86.

With reference to Kadavoor sample too, it is seen from table 7.7 that the largest proportion of the fund was utilised for the purpose of marriage by beneficiaries in the middle size-group (2 to 5 acres) during the entire period from 1983 to 1986. Beneficiaries belonging to the larger size-group (5 to 10 acres) at the same time, spent the entire fund on educational aspects.

The foregoing analysis, thus, indicates that while middle farmers (2 to 5 acres) utilised the fund under 'Social Necessities' mainly for the purpose of marriage, large farmers made use of it for meeting educational needs.

7.11 The classification of expenditure under the major head 'Business Motives' is given table 7.8. It is discernible from the table that beneficiaries owning land less than 2 acres in both the samples did not have any fund to utilise under 'Business Motives' during any year of this study. However, beneficiaries in the middle size-group (2 to 5 acres) in Elanji had something to spend under 'Business Motives' during 1984-85 and in Kadavoor during 1983-84 and 1984-85. Though their fund was relatively small, in Elanji, they invested the whole amount in money lending activity. Their counterparts in Kadavoor, on the other hand, utilised the whole fund, during 1983-84, for giving donation for securing salaried employment. During 1984-85, again they invested the fund, though only a meagre amount, in money lending activity.

It is visible from the table that beneficiaries in the size-group 5 to 10 acres utilised 71.0 percent of their total fund for giving donations for securing salaried employment during 1983-84 in the case of Elanji. In Kadavoor sample, the same category of farmers spent 93.8 percent of the fund for the same purpose during the year. During subsequent years also this group of beneficiaries in both the samples continued to utilise almost all of their fund for giving donations with a view to secure salaried jobs. At the same time, beneficiaries owning land above 10 acres, in both the samples, did not utilise any portion of the fund in order to secure jobs. As is seen from the table, beneficiaries belonging to this size-group utilised most of their fund for investing in money lending activity or in business. For instance, during 1983-84, in Elanji sample, the whole fund amounting to Rs.35,420.00 was invested in money lending. During 1984-85, of the total fund of Rs.53,700.00, Rs.30,000.00 (55.9 percent) were invested in money lending and the remaining Rs.23,700.00 (44.1 percent) in business or trade. Again, out of the total fund Rs.50,000.00 (72.6 percent) were invested in money lending activity and the remaining Rs.23,000.00 (27.4 percent) were invested in business or trade, during 1985-86. In the case of Kadavoor sample too, beneficiaries belonging to this group utilised a major portion of their fund for investment in money lending and the remaining portion of it in business or trade.

The above analysis shows that beneficiaries owning land more than 5 acres only had enough fund to utilise under the major

Table: 7.8 Size-wise Classification of Fund under 'Business Motives'

Year	Business Motives (in Rs.)										
	Elanjil					Kadavoor					
Size of Holding (Acre)	Investment in Money Lending.	Donation against Employment.	Investment in Busi-ness/Trade	Total Fund	Investment in Money Lending.	Donation against Employment.	Investment in Busi-ness/Trade	Total Fund	Investment in Money Lending.	Donation against Employment.	Total Fund
1	2	3	4	5	6	7	8	9	10	11	12
less than 0.5	-	-	-	-	-	-	-	-	-	-	-
0.5-1	-	-	-	-	-	-	-	-	-	-	-
1-2	-	-	-	-	-	-	-	-	-	-	-
2-5	-	-	-	-	-	-	4200.00 (100.0)	-	-	-	4200.00 (100.0)
5-10	15190.00 (29.0)	25000.00 (71.0)	-	-	35190.00 (100.0)	1200.00 (6.2)	18000.00 (93.8)	-	-	-	19000.00 (100.0)
above 10	35420.00 (100.0)	-	-	-	35420.00 (100.0)	48000.00 (63.5)	-	27550.00 (33.5)	-	-	27550.00 (100.0)
Total	50430.00 (71.4)	25000.00 (28.6)	-	-	70610.00 (100.0)	49200.00 (49.7)	22200.00 (22.4)	27550.00 (27.8)	-	-	98950.00 (100.0)

1983-84

contd...

	1	2	3	4	5	6	7	8	9	10
less than										
0.5		-	-	-	-	-	-	-	-	-
0.5-1		-	-	-	-	-	-	-	-	-
1-2		-	-	-	-	-	-	-	-	-
2-5		501.00 (100.0)	-	-	-	501.00 (100.0)	2300.00 (100.0)	-	-	2300.00 (100.0)
5-10		610.00 (3.0)	20000.00 (97.0)	-	-	20610.00 (100.0)	1960.00 (5.8)	32000.00 (94.2)	-	33960.00 (100.0)
above 10		30000.00 (55.9)	-	23700.00 (44.1)	-	53700.00 (100.0)	95000.00 (83.0)	-	19500.00 (17.0)	114500.00 (100.0)
Total		31111.00 (41.6)	20000.00 (26.7)	20000.00 (31.7)	23700.00 (31.7)	74811.00 (100.0)	99260.00 (65.8)	32000.00 (21.2)	19500.00 (13.0)	150760.00 (100.0)
less than										
0.5		-	-	-	-	-	-	-	-	-
0.5-1		-	-	-	-	-	-	-	-	-
1-2		-	-	-	-	-	-	-	-	-
2-5		-	-	-	-	-	-	-	-	-
5-10		-	20000.00 (57.6)	14700.00 (42.4)	-	34700.00 (100.0)	2520.00 (14.4)	15000.00 (85.6)	-	17520.00 (100.0)
above 10		50000.00 (72.6)	-	23000.00 (27.4)	-	73000.00 (100.0)	40000.00 (77.7)	-	11500.00 (22.3)	51500.00 (100.0)
Total		50000.00 (46.4)	20000.00 (18.6)	37700.00 (35.0)	107700.00 (100.0)	42520.00 (61.6)	15000.00 (21.7)	11500.00 (16.7)	11500.00 (16.7)	69020.00 (100.0)

Source: Sample Survey

Figures in bracket indicate percentage

head 'Business Motives'. While farmers belonging to the size-group 5 to 10 acres made use of the fund mainly for giving donations to secure salaried job, those in the size-group of above 10 acres utilised it for business or trade activities.

7.12 Tables 7.9 and 7.10 show the classification of fund utilised under the major head 'Others' in Elanji and Kadavoor samples respectively. Repayment of old debt owing to institutional and non-institutional agencies and expenditure due to the release of mortgaged deeds and pledges from these agencies are included under this head. As per the table, it is seen that beneficiaries owning land more than 5 acres did not utilise any portion of the diverted fund on this account as far as Elanji sample is concerned. In Kadavoor sample too, the situation remained the same but for the repayment of old debt owing to institutional agencies, during 1985-86. As is discernible from table 7.9 beneficiaries in the size-group 1 to 2 acres in Elanji sample utilised 53.8 percent of their fund in order to release mortgaged deeds from non-institutional agencies during 1983-84; the remaining 46.2 percent of the fund was used for releasing gold pledged with them. At the same time farmers in the size-group 2 to 5 acres made use of their fund in full for repaying old debts owing to non-institutional agencies. During 1984-85, it is seen that beneficiaries belonging to the lowest two size-groups (below 2 acres) utilised the whole fund for the release of gold pledged with non-institutional agencies. At the same time farmers in the size-group 1 to 2 acres made use of their fund for releasing mortgaged deed from non-institutional agencies,

Table: 7.9 Size-wise Classification of Fund Under 'Others'
(Elanjí) (in Rs.)

Year	Size of Holding (Acre)	'Others'						Total Fund
		Repayment of Old Debts owing to		Release of Mortgaged Deed from		Release of Pledge (Gold) from		
		I.A*	N-I.A*	I.A	N-I.A	I.A	N-I.A	
1983-84	less than 0.5	-	-	-	-	-	-	-
	0.5-1	-	-	-	-	-	-	-
	1-2	Nil	Nil	Nil	2100.00 (53.8)	Nil	1800.00 (46.2)	3900.00 (100.0)
	2-5	-	4560.00 (100.0)	Nil	Nil	Nil	Nil	4560.00 (100.0)
	5-10	-	-	-	-	-	-	-
	above 10	-	-	-	-	-	-	-
	Total	Nil	4560.00 (53.9)	Nil	2100.00 (24.8)	Nil	1800.00 (21.3)	8460.00 (100.0)
1984-85	less than 0.5	Nil	Nil	Nil	Nil	Nil	300.00 (100.0)	300.00 (100.0)
	0.5-1	Nil	Nil	Nil	Nil	Nil	740.00 (100.0)	740.00 (100.0)
	1-2	Nil	Nil	Nil	2476.00 (100.0)	Nil	Nil	2476.00 (100.0)
	2-5	Nil	Nil	Nil	2960.00 (31.0)	Nil	6600.00 (69.0)	9560.00 (100.0)
	5-10	-	-	-	-	-	-	-
	above 10	-	-	-	-	-	-	-
	Total	Nil	Nil	Nil	5436.00 (41.6)	Nil	7640.00 (58.4)	13076.00 (100.0)
1985-86	less than 0.5	-	-	-	-	-	-	-
	0.5-1	443.00 (28.9)	1089.00 (71.1)	Nil	Nil	Nil	Nil	1532.00 (100.0)
	1-2	Nil	Nil	Nil	Nil	Nil	4000.00	4000.00 (100.0)
	2-5	7203.00 (77.1)	Nil	Nil	Nil	Nil	2142.00 (22.9)	9345.00 (100.0)
	5-10	-	-	-	-	-	-	-
	above 10	-	-	-	-	-	-	-
	Total	7646.00 (51.4)	1089.00 (7.3)	Nil	Nil	Nil	6142.00 (41.3)	14877.00 (100.0)

I.A*: Institutional Agencies. N-I.A: Non-Institutional Agencies.

Figures in brackets indicate percentage.

Source: Sample Survey

Table: 7.10 Size-wise Classification of Fund Under 'Others'
(Kadavoor) (in Rs.)

Year	Size of Holding (Acre)	'Others'						Total Fund
		Repayment of Old Debts owing to		Release of Mortgaged Deed from		Release of Pledge (Gold) from		
		I.A*	N-I.A†	I.A	N-I.A	I.A	N-I.A	
1983-84	less than 0.5	-	-	-	-	-	-	-
	0.5-1	-	-	-	-	-	-	-
	1-2	Nil	Nil	Nil	556.00 (100.0)	Nil	Nil	556.00 (100.0)
	2-5	Nil	Nil	Nil	Nil	Nil	3542.00 (100.0)	3542.00 (100.0)
	5-10	-	-	-	-	-	-	-
	above 10	-	-	-	-	-	-	-
	Total	Nil	Nil	Nil	556.00 (13.6)	Nil	3542.00 (86.4)	4098.00 (100.0)
1984-85	less than 0.5	-	-	-	-	-	-	-
	0.5-1	-	-	-	-	-	-	-
	1-2	Nil	Nil	Nil	Nil	Nil	650.00 (100.0)	650.00 (100.0)
	2-5	2000.00 (11.5)	Nil	Nil	2730.00 (15.7)	Nil	12660.00 (72.8)	17390.00 (100.0)
	5-10	-	-	-	-	-	-	-
	above 10	-	-	-	-	-	-	-
	Total	2000.00 (11.1)	Nil	Nil	2730.00 (15.1)	Nil	13310.00 (73.8)	18040.00 (100.0)
1985-86	less than 0.5	-	-	-	-	-	-	-
	0.5-1	-	-	-	-	-	-	-
	1-2	Nil	Nil	Nil	Nil	Nil	300.00 (100.0)	300.00 (100.0)
	2-5	5708.00 (72.7)	Nil	Nil	Nil	Nil	2142.00 (27.3)	7850.00 (100.0)
	5-10	3000.00 (100.0)	Nil	Nil	Nil	Nil	Nil	3000.00 (100.0)
	above 10	-	-	-	-	-	-	-
	Total	8708.00 (78.1)	Nil	Nil	Nil	Nil	2442.00 (21.9)	11150.00 (100.0)

I.A* Institutional Agencies. N-I.A† Non-Institutional Agencies.
Figures in brackets indicate percentage. Source: Sample Survey

while those in the next higher group used 69.0 percent of the fund for releasing gold and the remaining 31.0 percent for releasing mortgaged deed from non-institutional agencies. During 1985-86, beneficiaries belonging to the size-group 0.5 to 1 acre, utilised 28.9 per cent of their fund for the payment of institutional dues and the remaining 71.1 per cent for clearing non-institutional debts. At the same time farmers in the size-group 2 to 5 acres made use of 77.1 per cent of their fund for repaying old debts due to institutional agencies and the remaining portion for releasing gold pledged with non-institutional agencies.

Thus, the table reveals that during 1983-84 and 1984-85 a major portion of the fund under 'Others' was used for releasing gold and collaterals pledged with non-institutional agencies. However, during 1985-86 a significant portion of the fund was used for the repayment of old debts owing to institutional agencies.

In the case of Kadavoor sample too, the lion's share of the fund was utilised for releasing collaterals and gold from non-institutional agencies during 1983-84. However, a small portion of the fund during 1984-85 and a major portion of it during 1985-86 were utilised for clearing debts owing to institutional agencies.

The inference from the foregoing discussion is that only lower and middle groups of farmers made use of the diverted fund for repaying old debts and releasing mortgaged deeds and pledged gold. Whereas, small farmers utilised most of the fund for releasing mortgaged deeds and pledged gold from non-institutional agencies, the middle farmers made use of it for repaying institutional debts too.

7.13 Factors, on the part of institutional agencies, such as defective lending policies, lack of supervision and target-oriented lending programmes were also conducive to the diversion of credit. As these factors originate either due to the unimaginative policies of financial institutions, or because of the inadequate strength of banking staff or due to their laxity, it is likely that the influence of these factors work irrespective of the asset position of beneficiaries. Therefore, any attempt to analyse the influence of such factors on various categories of farmers in diverting the agricultural credit seems to be irrelevant. However, to obtain an idea about the performance of institutional agencies as the custodians of 'Supervised credit', details regarding their supervisory aspects collected from the samples are presented in table 7.11.

It is discernible from table 7.11 that, of the 33 loans granted in Elanjil during 1983-84, only 3 (9.1 percent) loans were verified in the field. Similarly, 6 (15 percent) loans in 1984-85 and 4 (8.3 per cent) loans in 1985-86 were verified for their utilisation. The proportions of loans to total number of loans verified in the field stood very low during the entire period from 1983 to 1986, in the case of Kadavoor sample too.

The table also reveals that there had been no attempt by institutional agencies to render followup assistance to beneficiaries in both the samples during the entire period.

Table: 7.11 Details of Formal Visit by Institutional Officials to Verify Credit Utilisation.

		ELANGI				KADAVOOR			
Year	Size of Holdings (Acre)	No. of Formal Visit by Institutional Officials to:		No. of Holdings (Acre)	No. of Formal Visit by Institutional Officials to:		No. of Holdings (Acre)	No. of Borrowings	No. of Formal Visit by Institutional Officials to:
		No. of Hds.	No. of wings.		Verify Credit Utilisation	Render Followup Assistance			
1983-84	less than 0.5	2	-	Nil	Nil	5	3	Nil	Nil
	0.5-1	3	-	Nil	Nil	1	-	Nil	Nil
	1-2	6	4	1	Nil	3	2	Nil	Nil
	2-5	16	11	Nil	Nil	19	14	2	Nil
	5-10	7	8	1	Nil	6	6	Nil	Nil
	above 10	6	10	1	Nil	6	9	1	Nil
	Total	40	33	3(9.1)	Nil	40	34	3(8.8)	Nil
1984-85	less than 0.5	2	2	1	Nil	5	2	1	Nil
	0.5-1	3	2	Nil	Nil	1	1	Nil	Nil
	1-2	6	4	Nil	Nil	3	3	Nil	Nil
	2-5	16	16	3	Nil	19	18	2	Nil
	5-10	7	6	1	Nil	6	6	Nil	Nil
	above 10	6	10	1	Nil	6	10	2	Nil
	Total	40	40	6(15)	Nil	40	40	5(12.5)	Nil
1985-86	less than 0.5	2	1	Nil	Nil	5	2	Nil	Nil
	0.5-1	3	2	1	Nil	1	1	Nil	Nil
	1-2	6	6	Nil	Nil	3	2	Nil	Nil
	2-5	16	17	1	Nil	19	20	3	Nil
	5-10	7	10	1	Nil	6	5	1	Nil
	above 10	6	12	1	Nil	6	9	Nil	Nil
	Total	40	48	4(8.3)	Nil	40	39	4(10.3)	Nil

Source: Sample Survey
 Figures in brackets indicate percentage

It follows from the above discussion that the extent of supervision on agricultural credit, by institutional agencies has not been to the required level. Though we cannot argue that diversion of credit takes place only because of inadequate supervision, we may, however, say that better supervision would have reduced the magnitude of diversion.

CHAPTER VIII

SUMMARY AND CONCLUSION

8.1 The present study is an attempt, at the empirical level, to examine the impact of institutional finance on agriculture. It may be noted that the study has been undertaken against the background of multi-agency system in the field of institutional finance for agriculture. The multi-agency system, otherwise known as the 'New Approach' apart from providing adequate credit to cultivators envisages a change in the direction of institutional credit in favour of the small and marginal farmers. In other words, the new approach aims at providing adequate credit without being biased for size of holdings. As in the rest of India, banks and co-operatives are the major operators of agricultural credit in Kerala. As per the All-India Debt and Investment Survey 1981-82 commercial banks and Co-operatives together accounted for 82.2 per cent of the total institutional credit supplied to cultivators in Kerala. Hence, the study has been confined to examine the impact of credit on agriculture, supplied by these two agencies only.

8.2 The major objectives of the study were:

1. to analyse the nature of borrowal and the criteria for credit distribution among different categories of farmers,

2. to ascertain the nature of credit utilisation by different categories of farmers,
3. to identify the important factors that induce borrowers of different size-classes to divert credit,
4. to examine overdues position among different classes of farmers and
5. to understand the socio-economic situation in which credit diversion and debt accumulation take place.

In pursuance of the above objectives the following hypotheses were formulated.

1. Institutional credit could not replace small peasant's dependence on rural merchants and money lenders,
2. The magnitude of borrowing by cultivators from institutional agencies is independent of the farmers need for agricultural credit or their farm liquidity. Indeed, it depends on the credit availability and creditworthiness of the cultivators,
3. Diversion of agricultural credit is a usual practice among land holders of all size-classes.
4. Increased supply of institutional finance could not substantially contribute to the growth of capital equipments in agriculture, and
5. Institutional finance to agriculture can prevent cultivators from being dispossessed of their capital assets as well as valuables like gold ornaments.

The study has made use of secondary data published by various agencies, the major among them were the Reserve Bank

of India; Government of India; Department of Agriculture, Government of Kerala; Directorate of Economics and Statistics, Government of Kerala; State Planning Board, Government of Kerala etc. However, as the study is mainly related to the utilisation aspects of credit for which adequate secondary data and literature are not available, a primary inquiry using survey schedules was conducted. The field study was conducted in two selected villages of Ernakulam revenue district in Kerala. The sample size for the field study in the district included two taluks, two villages and 80 cultivators. The sample villages had 4 scheduled banks including 2 lead bank branches and 2 service co-operative banks during the reference period. (For the criteria of sample selection, please see, 1.1.4.) This study covers a period from 1983-84 to 1985-86. The field study was conducted in three phases; one visit each to a sample household in every year.

8.3 A comparison of various economic characteristics between sample beneficiary households of Elanji and Kadavoor as revealed by the study is summarised below.

Both the samples exhibit similarity with regard to the distribution of farm size holdings. In both the samples, there was predominance of middle farmers (Owning land between 2 and 5 acres). However, in both the samples, the ownership of land was concentrated in the largest size-group (holdings above 10 acres). For instance, during the entire period of

the study, 15 percent households belonging to the largest size-group (above 10 acres) owned 45.4 percent of the total land in Elanji sample. Similarly, 15 percent households belonging to the same size-group owned 44.23 percent of the land in Kadavoor sample.

Of the total land 15 percent in Elanji and 14.48 percent in Kadavoor were wet lands. This proportion continued throughout the entire period from 1983-84 to 1985-86, in both the samples. This implies that there had been hardly any tendency for the inter-conversion of land, as far as both the samples are concerned. As regards irrigation, it is observed that the extent of area under irrigation throughout the period of this study was directly related to the extent of land assets owned by beneficiary household in both samples. The study has also revealed that the extent of land owned by various categories of farmers in both the samples did not change throughout the period of the study. This indicates that there had been no addition to or subtraction from the stock of land assets owned by households in both the samples, during the three years under reference.

8.4 As regards leasing of land, it is found, that beneficiary households in the size-group below 1 acre were neither lessors nor lessees as far as both the samples were concerned. Because these groups did not own much land, the possibility of leasing out their land was ruled out. At the same time,

because of their poor asset worthiness, they were not considered worthy of entering the lease market. Lessees in both the samples belonged to the size-group of 1 to 2 acres and 2 to 5 acres. This indicates that these groups were considered to be relatively more enterprising. The study has also revealed that in both the samples lessors consisted of beneficiary households belonging to the largest two size-groups. As it is found that the extent of land leased out and land leased in had been increasing year after year, it is inferred that, tenancy which stands legally abolished in Kerala has reappeared.

8.5 Details of agricultural implements owned by beneficiary households in both the samples, reveal that Spade, Sickle, Plough, Hammer, Sprayer, Rubber Roller and Pumpsets were their major implements. Analysis of data related to these items, reveals that the value of the physical stock of agricultural implements owned by farmers and cultivators was directly related to the size of their land holdings. Further, it is observed that in both the samples, though the value of the stock of agricultural implements had been declining over the three years, there had been no significant change in the physical stock of these items. This indicates that there had been no growth in the stock of agricultural implements owned by farmers in both the samples.

8.6 Similarly, as regards livestock assets, it is seen that large farmers shared larger proportions of the total

value of livestock assets owned by all households, during the three years of study. However, it is observed that the physical stock of assets owned by beneficiaries of both the samples remained more or less the same during the entire period.

The important observations which follow from the analysis of land, livestock and agricultural implements are as follows.

1. There had been no significant addition to or subtraction from the extent of land owned by various households during the entire period of the study.
2. The physical stock of major agricultural implements owned by the sample households remained more or less the same throughout the period of the study.
3. There had been no significant increase or decrease in the physical stock of livestock assets during the period, and
4. The stock of agricultural implements and livestock assets owned by various size-groups of farmers was directly related to the size of their holdings.

8.7 The analysis of data on income and expenditure of beneficiary households in both the samples reveals that annual income exceeded annual expenditure in the case of households belonging to the category owning land - **above** 2 acres.

8.8 Regarding cropping pattern it is found that 55.9 per cent of the gross cropped area in Elanji sample and 58.4 per cent of the gross cropped area in Kadavoor sample were under food crops such as paddy, coconut, tapioca and vegetables.

Of the gross cropped area, 36.8 percent in Elanji, and 33 percent in Kadavoor were under rubber, during 1983-84. The area of cultivation of these food crops had been declining continuously during subsequent years. However, it is observed that the area under rubber cultivation had been continuously increasing during the entire period from 1983-84 to 1985-86. As regards productivity, it is noted that changes in the productivity of food crops over the three years had not been steady. At the same time, the productivity of rubber registered a continuous increase during the entire period. Thus, the analysis on production and productivity of important crops brings out the following observations.

1. Both the net area and gross area of cultivation in the samples had been continuously declining during the entire period from 1983-84 to 1985-86.
2. The changes in productivity of major food crops like paddy, coconut, tapioca and vegetable had not been steady during the period.
3. The area of cultivation, production and productivity of rubber had been going up continuously throughout the period. It may be inferred from the analysis that during the period of study there had been a definite swing towards the cultivation of cash crops at the expense of food crops.

8.9 As per the first objective of the study, the sources of borrowings and the pattern of credit distribution among different farm sizes of both Elanji and Kadavoor samples,

during the period from 1983-84 to 1985-86 are examined. Results reveal that almost all households, irrespective of the size of their land holdings, had availed agricultural credit from institutional agencies. Analysis of data with reference to institutional borrowings, according to the size-group, reveals that only small (holdings below 2 acres) and middle farmers (holdings between 2 and 5 acres) had resorted to non-institutional credit in all the three years of this study. This is because of their poor accessibility to institutional sources. The following reasons can be attributed to this:

(1) lack of creditworthiness and (2) inability to wield influence upon institutional lenders. The analysis, thus, shows that the old criterion of credit worthiness still influences the lending policy of credit institutions. As regards the amount of credit from institutional sources, there existed a direct relationship between the average amount borrowed and the size-group to which the borrower belonged. It is also observed that not only the magnitude of borrowing but also the frequency of it were directly related to the size of land holdings of the borrower. Thus, a bias towards big farmers in the lending operation of institutional agencies is observed. This is true in the case of both the samples. This may probably be the result of social and political influence these groups wield.

In the case of non-institutional credit, as loans are not disbursed on the basis of the extent of land, it is not

possible to establish any relationship between the asset position of the borrower and the amount of credit. Analysis of data reveals that households belonging to all size-classes had availed short-term credit, in both the samples, during the period of the study. In the case of cultivators with sound farm liquidity or sufficient reinvestible funds, short-term loan is not necessary. But it is found that a large proportion of the cultivators belonging to the largest two size-groups, who had enough reinvestible surpluses during all the years under reference had availed short-term credits from institutional agencies during these years. It is also observed that large farmers in both the samples has shown a preference for short-term loans. The fact that surplus income earning households who could have undertaken seasonal operations of agriculture without recourse to institutional credit had availed crop loans during all the three years is indicative of the defective lending policy pursued by institutional agencies.

As regards terms and conditions of institutional credit, it is seen that bank loans as well as co-operative loans disbursed during the entire period from 1983-84 to 1985-86, were security-oriented. A scrutiny of data related to this reveals that the type of securities against which advances were made varied with the size-group to which the beneficiary belonged. In fact, the analysis indicates that, while well-off farmers who owned land above 5 acres were accessible to institutional

finance for agriculture with light and just needed securities, middle and small farmers who owned land below 5 acres needed strong and liquid collaterals to get access to institutional credit for agriculture. It is also found that interest rates on agricultural loans vary from institution to institution.

With reference to terms and conditions, non-institutional credit differs from institutional credit. The analysis of data regarding security points out that non-institutional agencies had shown preference to gold as security against lending. It is seen that the rate of interest charged by non-institutional agencies had steadily and continuously increased over the three years under reference. It is also found that they often charged relatively high rate of interest for loans against land mortgage. This may be to compensate larger risk involved in the recovery procedure connected with such loans.

8.10 The second objective of the study was to ascertain the nature of utilisation of borrowed funds among different farm size-groups in Elanji and Kadavoor samples. The analysis indicates that the proportion of credit utilisation in general, was very small compared to the amount borrowed. Further, it shows that the productive utilisation of credit was less among small and big size-classes, while a higher proportion of the borrowed amount was productively utilised by the middle category (2 to 5 acres) of farmers, in both the samples during the period. A detailed analysis regarding the proportion of credit utilisation vis-a-vis the purposes for which loans were obtained shows

neither any positive nor any negative relationship between the size of holdings and the extent of credit utilisation, with respect to short-term credit. It is found that both big and small farmers diverted production credit (short-term credit) almost in full, while middle farmers productively utilised only a portion of it. As regards mid-term and long-term credits, the proportion of credit availed by households owning land below 2 acres was insignificantly small. A scrutiny of data relating to the utilisation aspects of term credit reveals that, while middle (2 to 5 acres) farmers utilised cent percent of the term credit availed by them, large farmers (above 5 acres) diverted a significant portion of the term credit for non-agricultural operations.

8.11 The fourth objective of the study was to examine the nature of repayment and overdues position among farmers belonging to different size-groups. The analysis of data relating to repayment and overdues in relation to short-term credit, indicates that both small and big farmers in both the villages were the major defaulters. In comparison, the performance of those in the middle size-group was far better, even though they too did not repay credit in full.

Analysis with reference to repayment of mid-term credit reveals that in the case of Elanji, only 6.12 percent of the total amount demanded for repayment was made on 30th June 1984. As on 30th June 1985 and 30th June 1986, the proportions of

repayment were 22.50 percent and 20.40 percent of the total amount demanded.

In the case of the Kadavoor sample, cent percent of the total amount demanded for repayment was made as on 30th June 1984. But the proportions of repayment were 33.78 percent and 18.29 percent of the total amount demanded as on 30th June 1985 and 30th June 1986. A size-wise analysis reveals that, in Elanji, farmers owning land (less than 2 acres) did not avail mid-term credit during any year of the study. Similarly, in Kadavoor, as regards this category there were no mid-term credits during 1983-84 and 1984-85. With respect to repayment, in Elanji, beneficiaries belonging to the middle size-group (2 to 5 acres) repaid cent percent of the mid-term credit during all the years. In the case of Kadavoor, this category made cent percent repayment during 1983-84 and 1984-85. However, they could repay only 70.43 percent of the total amount demanded during 1985-86. Beneficiaries in the size-group 5 to 10 acres in Elanji, repaid 33.33 percent of the total amount demanded while the largest size-group (above 10 acres) made cent percent repayment as on 30th June 1984. However, as on 30th June 1985, in the above sample the proportion of repayment stood at 22.60 percent and 6.09 percent of the total amount demanded with respect to size-classes 5 to 10 acres and above 10 acres. During 1985-86, these proportions were 16.24 percent and 6.65 percent. In the case of Kadavoor, beneficiaries in the largest size-group (above

10 acres) did not repay any amount during 1984-85 and 1985-86.

The foregone discussion reveals that the repaying performance of beneficiaries belonging to the largest two size-groups were very poor, while farmers in the middle size-group (2 to 5 acres) exhibited a very encouraging trend in repaying mid-term credit, in time.

As regards long-term credit, it may be noted that farmers owning land below 10 acres in Elanji and 5 acres in Kadavoor did not avail long-term credit during the period under reference. In the case of Elanji, of the total amount demanded for repayment as on 30th June 1984, 30th June 1985 and 30th June 1986 nothing was repaid. In Kadavoor, beneficiaries belonging to the largest size-group (above 10 acres) repaid 15.55 percent of the total amount demanded for repayment as on 30th June 1985. Beneficiaries in the size-group 5 to 10 acres repaid 8.50 percent of the total amount due as on 30th June 1986. As on this date those in the largest size-group repaid 11.20 percent of the total amount demanded.

Thus, the analysis of data relating to repayment and overdues leads to the following conclusions.

1. The repaying performance of borrowers, in general was very poor.
2. Because of the mounting overdues year after year there developed growing indebtedness among farmers.
3. Both big and small farmers did not care for prompt repayment of loans while middle farmers (2 to 5 acres) were

relatively good in repaying credit. (For details, please see tables 6.3, 6.4 and 6.5)

8.12 The third and fifth objectives related to the identification of the important socio-economic factors that induce borrowers of different size-classes to divert agricultural credit. The analysis relating to this also has assessed the magnitude of credit diversion among different categories of farmers. A scrutiny of data relating to the diversion of credit shows that beneficiaries belonging to the lower size-groups (below 2 acres) as well as those in the largest size-group (above 10 acres), in both the samples, diverted short-term credit in full.

However, beneficiaries belonging to the size-group 1 to 2 acres diverted 78.50 percent, 82.32 percent and 75.15 percent of the total short-term credit during 1983-84, 1984-85 and 1985-86 respectively in the case of Elanji, while their counterparts in Kadavoor diverted 100.00 percent, 72.00 percent and 84.07 percent respectively during the same period. Beneficiaries in the middle size-group (2 to 5 acres) diverted 64.01 percent, 64.00 percent and 66.69 percent of the short-term credit during 1983-84, 1984-86 and 1985-86 respectively, in Elanji, while their counterparts in Kadavoor diverted 64.56 percent, 57.22 percent and 57.84 percent respectively during the same period. In the case of those belonging to larger size-groups (5 to 10 acres) the proportion of the short-term

credit diverted stood at 95.43 percent, 100.00 percent and 100.00 percent respectively in Elanji and 93.33 percent, 97.01 percent and 91.11 percent respectively in Kadavoor during 1983-84, 1984-85 and 1985-86.

As regards mid-term credit, farmers in the middle size-group (2 to 5 acres) did not divert any portion of the credit during the period of study. But those in the size-group 5 to 10 acres diverted 12 percent of the credit during 1985-86, in Elanji. Beneficiaries belonging to the largest size-group (above 10 acres) in Elanji diverted 50.0 percent of the mid-term credit availed during 1983-84. However, in their case, there was no diversion during 1984-85 and 1985-86.

With respect to long-term credit, the largest size-group (above 10 acres) in Elanji, diverted 83.33 percent of it during 1984-85 and 55.56 percent during 1985-86. As regards Kadavoor, beneficiaries of the middle size-group (2 to 5 acres) did not divert any portion of the long term credit. But those in the largest size-group (above 10 acres) diverted 55.05 percent of the credit during 1984-85. Those in the size-group of 5 to 10 acres who were the only beneficiaries of long-term credit during 1985-86, diverted 66.25 percent of the same.

Thus, the foregone discussions can be summarised as follows:

1. Beneficiaries belonging to the lower size-group (below 2 acres) as well as those in the highest size-group (above 10 acres), in both the samples, diverted short-term credit in full during all the years of study.
2. Beneficiaries in the middle size-group (2 to 5 acres) diverted relatively only a small proportion of the short-term credit.
3. Among the beneficiaries of term credit (mid-term and long-term), in both the samples, the largest two size-groups diverted a significant portion of credit, while the middle size-group did not divert any portion of it during any year under reference.

On examining the various socio-economic factors that induce farmers for diverting agricultural credit, the following factors viz. (1) Economic Exigencies (2) 'Social Necessities' (3) 'Business Motives' and (4) 'Others' come to the forefront.

Economic exigencies include all annual expenses incurred on consumption of food, clothing and medicine. All expenses due to marriage (including dowry) and death and money spent for the construction or maintenance of residential buildings and expenses associated with education etc.

are clubbed under 'Social Necessities'. 'Business Motives' consist of all money investments with a view to reap profit or interest. Investments in money lending and business or trade, and donations for employment are included under 'Business Motives'. Expenses due to repayment of old debts, releasing mortgaged deeds and pledged gold are included in 'Others'.

The analysis, thus, reveals that in Elanji as a whole, 59.6 percent, 58.5 percent and 66.0 percent of the diverted amount was utilised under 'Business Motives' during 1983-84, 1984-85 and 1985-86 respectively. In the case of Kadavoor the corresponding proportions were 69.9 percent, 69.7 percent and 63.5 percent. As regards 'Social Necessities' the proportions at the all holdings level were 27.7 percent, 23.6 percent and 16.0 percent in the case of Elanji and 22.5 percent, 16.7 percent and 19.7 percent in the case of Kadavoor during 1983-84, 1984-85 and 1985-86 respectively. During these years, proportions of the diverted amount utilised under 'Economic Exigencies' stood at 5.5 percent, 7.7 percent and 8.9 percent respectively for Elanji and 4.7 percent, 5.2 percent and 6.6 percent respectively for Kadavoor. Of the total amount diverted each year 7.2 percent in 1983-84, 10.2 percent in 1984-85 and 9.1 percent in 1985-86 were under the major

head 'Others' for Elanji, and the corresponding proportions for Kadavoor were 2.9 percent, 8.4 percent and 10.2 percent.

It is, thus, seen that in each sample as a whole, the lion's share of the diverted amount was utilised under 'Business Motives' during all the years of study. Again, it is seen that 'Social Necessities' occupied second priority in the case of diversion. The fact that the largest proportion of the diverted amount was utilised under 'Business Motives', indicates that a significant portion of the institutional credit for agriculture was diverted to non-agricultural and lucrative activities.

A further break-up of the data according to the size of holdings reveals that while beneficiaries belonging to lower size-groups (below 2 acres) made use of the diverted fund mainly to meet their expenses connected with 'Economic Exigencies', their counterparts in the middle size-groups (2 to 5 acres) utilised its major portion to cover expenses that fall under 'Social Necessities'. At the same time, beneficiaries in the larger size-group (5 to 10 acres) diverted the lion's share of the fund to 'Business Motives', while those in the largest size-group (above 10 acres) made use of the entire fund for investment that fall under 'Business Motives' (For details please see 7.8). Again, it is found that, while beneficiaries in the lower size-group (below 2 acres) spent a larger proportion of the fund under

'Economic Exigencies', on food, those in the middle size-group (2 to 5 acres) spent only a lower proportion on food. During the entire period from 1983 to 1986, beneficiaries in the middle size-group had been exhibiting a tendency to spend, relatively a larger proportion of the fund under 'Economic Exigencies', on medicine. (For details, please see 7.9)

It is also seen that while middle farmers (2. to 5 acres) utilised the fund under 'Social Necessities' mainly for the purpose of marriage, farmers in the larger size-group (5 to 10 acres) made use of it for meeting educational needs (For details please see 7.10). Further, it follows from the analysis that beneficiaries owning land (more than 5 acres) only had enough fund to utilise under 'Business Motives'.

While farmers in the size-group of 5 to 10 acres made use of the fund mainly for giving donations to secure salaried job, those in the size-group of above 10 acres utilised it for business or trade activities (For details, please see 7.11).

It is also seen that only lower (below 2 acres) and middle (2 to 5 acres) size-groups of farmers made use of the diverted fund for repaying old debts and releasing mortgaged deeds and pledged gold. Whereas, small farmers (below 2 acres) utilised the fund under 'Others' for releasing mortgaged deeds and pledged gold from non-institutional agencies, the middle farmers made use of it for repaying institutional debts, too. (For details, please see 7.12).

Impact of Institutional Finance on Agriculture.

8.13 Credit is only one of the many inputs for agricultural operations. But it plays a catalytic or facilitatory role in agricultural production process. The need for credit intensifies particularly when a farmer's capital is locked up in his land and stock. The importance of institutional credit is that it is 'Supervised Credit', and institutions do not transfer risk in the lending activity to borrowers. Moreover, by the introduction of the multi-agency approach in the field of institutional finance, the old criterion of 'asset worthiness' has been replaced by a new approach known as 'Need-based credit'. All these envisage productive utilisation of credit in order to increase production and productivity of agriculture. Therefore, the impact of institutional finance is examined in terms of increased production and productivity of agriculture. The increase in both net and gross area of cultivation is indicative of the extensive nature of cultivation in agriculture. Similarly, an increase in the stock of agricultural implements per unit of land implies agricultural growth through increased marginal productivity of labour. A scrutiny of details regarding land owned by beneficiary households of both the samples, the area of cultivation, production and productivity, and the stock of both the live and dead stock assets during the period from 1983-84 to 1985-86, brings out the following observations.

1. There had been no significant addition to or subtraction from the extent of land owned by various households during the entire period.
2. Both the net area and gross area of cultivation had been declining during the period from 1983-84 to 1985-86.
3. The area under major food crops such as paddy, tapioca and vegetable had been declining during the period under reference.
4. The area under coconut cultivation also had been declining throughout the period.
5. Production of all major crops such as paddy, coconut, tapioca, and vegetable had been continuously declining, during the entire period, while their productivities had been fluctuating.
6. However, there had been a continuous increase in the production and productivity of rubber during the period under reference.
7. The physical stock of both agricultural implements and livestock assets remained more or less the same throughout the period of study.

Based on the observations, it can be concluded that even though a portion (23.96 to 34.41 percent in Elanji and 14.14 to 33.47 percent in Kadavoor) of the institutional credit had been utilised in agricultural operations during

the period of study (For details, please see Table 6.1) it did not make any positive impact on agriculture in the form of increased production and productivity. The increase in area, production and productivity of rubber, however, need not contradict the conclusion because such a growth had resulted at the expense of other major crops particularly food crops.

Conclusion

8.14 The major findings of the study are:

1. Of the 40 households in Elanji, 22.5 percent households in 1983-84, 27.5 percent in 1984-85 and 35.0 percent in 1985-86 belonging to size-groups below 5 acres availed non-institutional loans. Similarly, in Kadavoor, out of the 40 households 15.0 percent households in 1983-84, 20.0 percent in 1984-85 and 32.5 percent in 1985-86 belonging to size-groups below 5 acres borrowed from non-institutional sources. This indicates the growing dependence of small farmers on non-institutional agencies for credit. In view of these findings, the first hypothesis that institutional credit could not replace small peasants' dependence on rural merchants and money lenders stand true.
2. In Elanji, 83.33 percent households belonging to the largest size-group (above 10 acres) had surplus income (income over all expenses including agricultural) ranging

from Rs.46,647/- to 3,64,167/- during 1984-85. Still, it is found that they had availed short-term credit to the tune of Rs.8,000/- on an average during 1985-86. In Kadavoor, 100 percent of the households belonging to the largest size-group (above 10 acres) had surplus income ranging from Rs.65,375/- to Rs.1,64,668/- during 1984-85. It is found that all these households could manage to avail short-term credit amounting to Rs.4,166.67 on an average during 1985-86. Similarly, 28.6 percent of the households in Elanji and 16.67 percent of the households in Kadavoor belonging to the size-group 5 to 10 acres whose surplus income ranges between Rs.38,602/- to Rs.52,545/- during 1984-85 availed short-term credit during 1985-86. Again, 12.5 percent of the households in Elanji and 5.26 percent of the households in Kadavoor belonging to the middle size-group (2 to 5 acres) who had sufficiently large surplus income, during 1984-85, had obtained short-term agricultural credit to the tune of Rs.2,739.06 on an average in the case of Elanji and Rs.2,434.21 on an average as regards Kadavoor during 1985-86. All these farmers could have done seasonal operation of agriculture without taking recourse to institutional agencies for short-term agricultural credit. Hence, the above findings, confirm the second hypothesis that the magnitude of borrowing by cultivators from institutional agencies is independent of the farmer's need for agricultural credit or their farm liquidity. Indeed, it depends on the credit availability and credit worthiness of the cultivators.

3. The study has revealed that beneficiaries belonging to size-groups below 1 acre diverted credit in full during the period of study. Those in the size-group 1 to 2 acres diverted 72 to 100 percent of the credit, while beneficiaries in the middle size-group (2 to 5 acres) diverted 43.67 to 64.01 percent of the credit during the period under reference. Of the total credit availed by farmers belonging to the size-group 5 to 10 acres, 48.51 to 97.01 percent were diverted while, in the case of beneficiaries belonging to the largest size-group (above 10 acres) 65.06 to 100 percent were diverted during the period of study. Hence, the hypothesis that diversion of agricultural credit is a usual practice among land holders of all size-classes is confirmed.
4. It has been observed from the study that the extent of land owned by all the sample households in Elanji stood at 213.09 acres during 1983-84. Similarly, in the case of Kadavoor the corresponding figure was 195.48 acres. These figures remained the same during 1984-85 and 1985-86, too. This indicates that there was neither addition to nor subtraction from the area of land owned by sample beneficiaries during the period of study. Similarly, the value of the per capita stock of agricultural implements which stood at Rs.3,222.10 during 1983-84 declined to Rs.2,826.51 during 1984-85 and further to

Rs.2,255.11 in Kadavoor sample as a whole. But, as regards Elanji as a whole, the value of per capita stock of agricultural implements increased from Rs.2,050.83 during 1983-84 to Rs.2,554.49 during 1984-85 and then declined to Rs.2344.84 during 1985-86. It is also observed that the physical stock of agricultural implements remained the same throughout the period with the only exception in Elanji during 1984-85. Similarly, the cattle population in Elanji which stood at 73 during 1983-84 continued to be 73 during 1984-85 and 1985-86. In Kadavoor sample as a whole, the cattle population declined from 75 during 1983-84 to 72 during 1984-85 and further to 66 during 1985-86. In view of the above findings, the hypothesis that increased supply of institutional finance could not substantially contribute to the growth of capital equipments in agriculture is confirmed.

5. In Elanji, of the total fund diverted by beneficiaries in the size-group 1 to 2 acres, 47.6 percent was utilised to release mortgaged deeds and pledged gold ornaments from non-institutional agencies during 1983-84. Similarly, 20.0 percent and 26.9 percent of the diverted amount with respect to size-group below 0.5 acre and 0.5 to 1 acre respectively were spent for the release of pledged gold from non-institutional agencies during 1984-85. During the same year, beneficiaries in the middle size-group (2 to 5 acres) utilised 24.7 percent of the diverted amount

for releasing mortgaged deeds and pledged gold from non-institutional agencies. Farmers in the size-group 0.5 to 1 acre utilised 31.7 percent of their diverted amount for the release of hypothicated deeds and pledged gold from non-institutional sources, while those in the middle size-group (2 to 5 acres) made use of 22.9 percent of their diverted fund for the same purpose during 1985-86. In Kadavoor, farmers in the size-group 1 to 2 acres utilised 29.8 percent, 18.1 percent and 13.2 percent of the diverted fund during 1983-84, 1984-85 and 1985-86 respectively for the release of mortgaged deeds and pledged gold. During the respective years, the middle size-group (2 to 5 acres) made use of 11.92 percent, 28.8 percent, and 8.7 percent of their diverted fund for the same purpose. Thus, it becomes clear that low interest bearing institutional credit for agriculture had been a source of finance for small and medium farmers in releasing mortgaged deeds and pledged gold from non-institutional financiers. In the case of small and medium farmers whose annual expenditure exceeds income, the hypothicated land and pledged gold would have certainly been lost, had they not diverted agricultural credit for the release of such items. Hence, the hypothesis that institutional finance to agriculture can prevent cultivators from being dispossessed of their capital assets as well as valuables like gold ornaments is confirmed. Based on the findings of the study, the

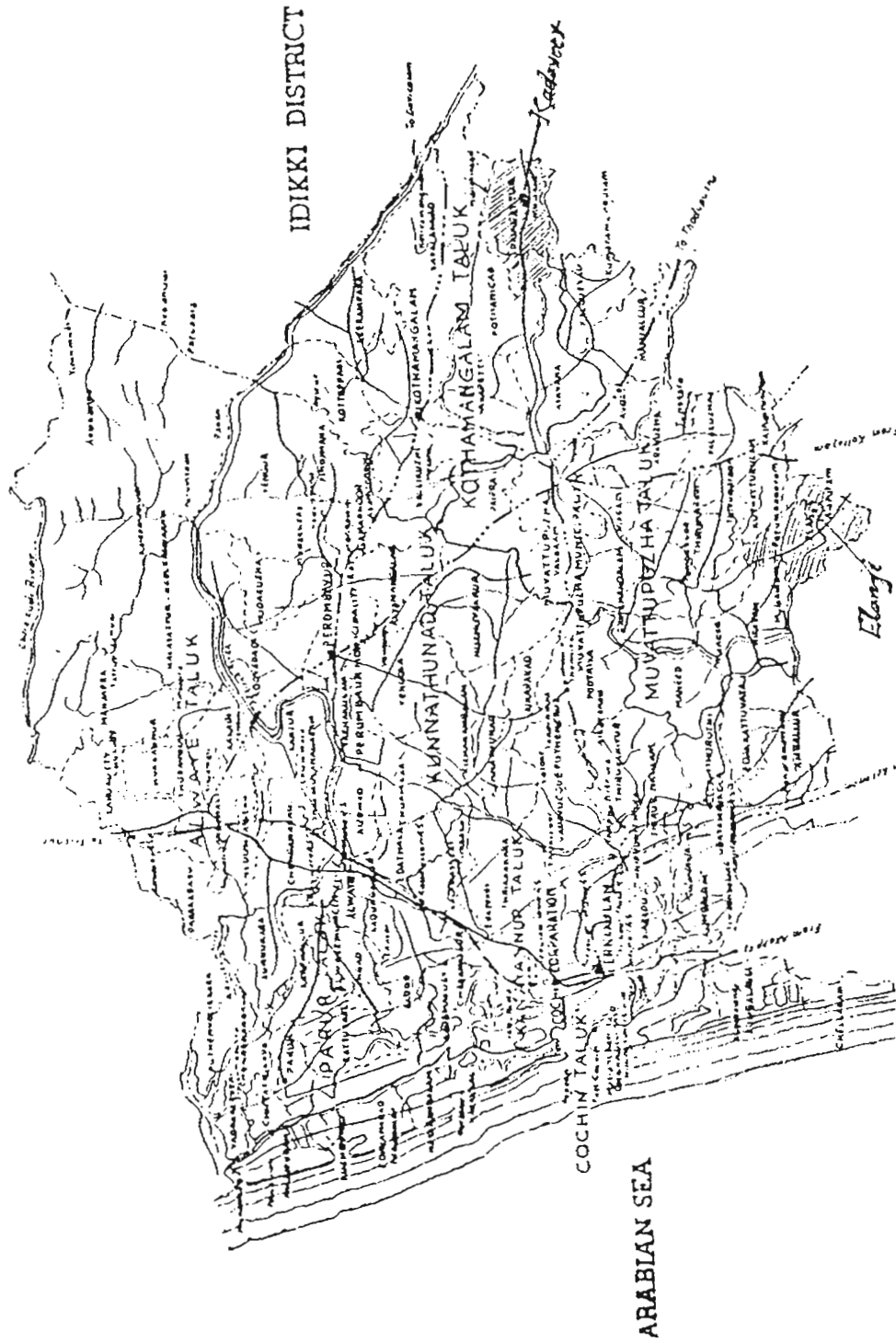
following suggestions are made.

- (1) Cultivators with sufficient reinvestible surplus or sound farm liquidity should not be allowed to avail production credit (short-term credit) from institutional agencies.
- (2) There are mainly two categories of defaulters, viz. wilful and non-wilful. In the case of wilful defaulters more stringent action is to be taken by the institutional agencies with the full support of the Government. Since big and influential cultivators belong to this group, overdues should be collected from them, like land revenue. Collection of such dues from the other groups should be made in a convenient number of instalments.
- (3) Production credit advanced to small and marginal farmers should be tied up with adequate amount of consumption credit in order to delink them completely from non-institutional agencies.
- (4) Too much emphasis on targets for deployment of credit should not be given. Rather, credit supply should be made need-based.
- (5) Institutional agencies should be well equipped with adequate field staff and supervisory staff at the farm level in order to make sure that the credit availed by any cultivator is utilised for the purpose for which it is advanced.

- (6) Village committees are to be associated with the supervision and recovery of institutional dues. In this regard villagers are to be educated about the objectives of institutional finance.

MAP of Ernakulam District

TRICHUR DISTRICT



IDIKKI DISTRICT

KOTTAYAM DISTRICT

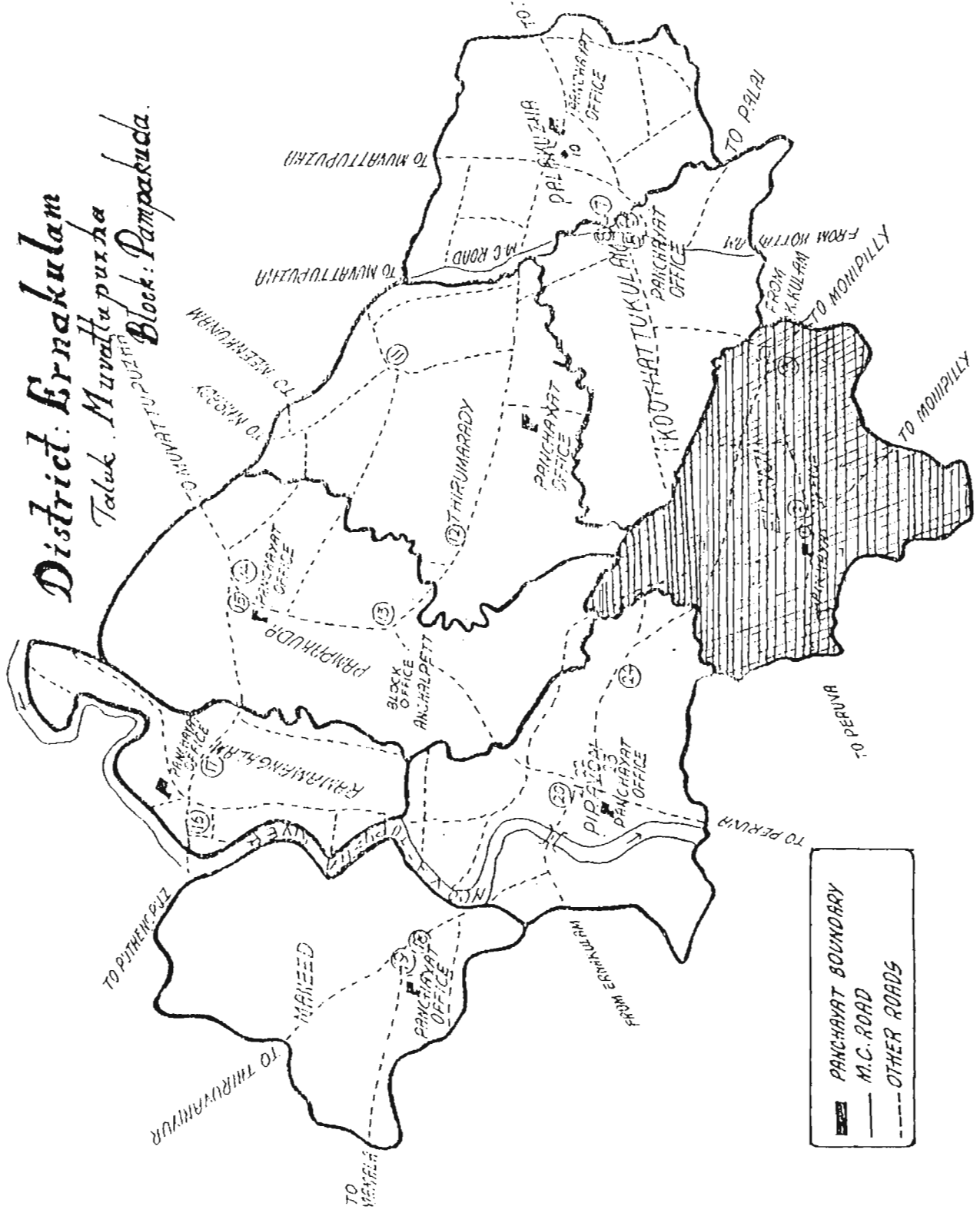
ALEPPEY DISTRICT

ARABIAN SEA

Ernakulam

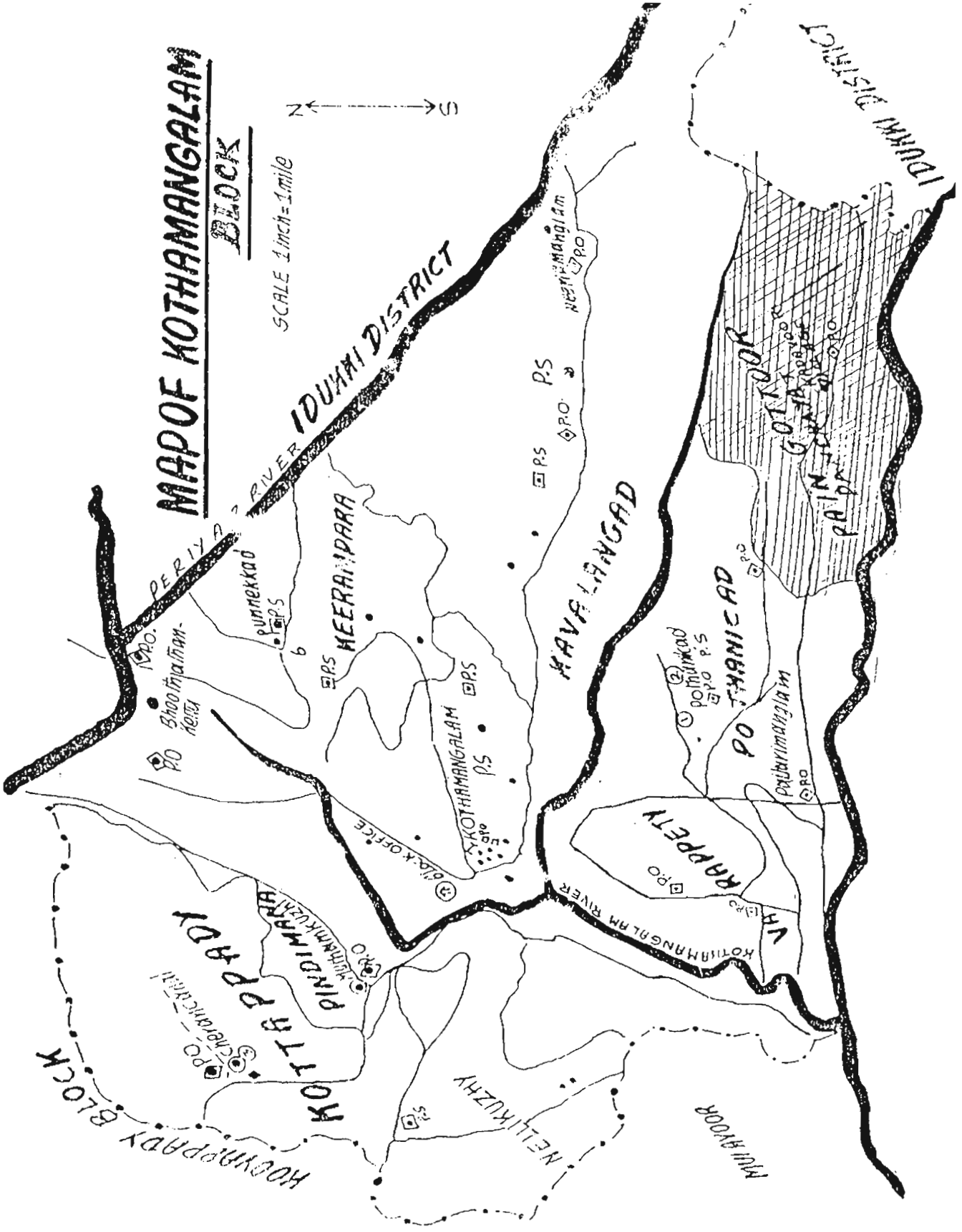
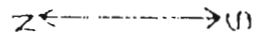
District: Ernakulam

Taluk: Muvattupuzha
Block: Pampadua



MAP OF KOTHAMANGALAM BLOCK

SCALE 1 inch = 1 mile



A P P E N D I C E S

SOME IMPORTANT STATISTICAL TABLES

Table: 1. Taluk-wise Details of Workers in Primary Sector Ernakulam District, 1981.

Sl. No.	Taluk	Total Main Workers	Cultivators	Agricultural labourers	Percentage of cultivators on Main Workers
1.	Parur	81626	3625	7581	4.00
2.	Alwaye	111421	14044	24300	12.60
3.	Kunnathunadu	112257	22051	38534	19.64
4.	Kothamangalam	49536	10118	19256	20.43
5.	Muvattupuzha	84203	19685	24681	23.38
6.	Kanayannoor	160362	4125	13569	2.57
7.	Cochin	110177	627	1927	0.57

Source. Census 1981

Table 2: Village-wise Details of Workers in Primary Sector in Kothamangalam and Muvattupuzha Taluks 1981.

KOTHAMANGALAM TALUK				MUVATTUPUZHA TALUK					
Sl. No.	Name of Village	Total Main Workers	Cultivators	Percentage of Cultivators on Main Workers	Sl. No.	Name of Village	Total Main Workers	Cultivators	Percentage of Cultivators on Main Workers
1.	ERAMALLOOR	6391	915	14.32	1.	MULAVOOR	5767	1117	19.36
2.	KOTTAPADY	5058	1027	20.30	2.	VELLORKUNNAM (PORTION)	2258	346	15.32
3.	PINDIMANA	4415	895	2.03	3.	VALAKOM	4516	1169	25.89
4.	KEERAMPARA	3971	705	17.75	4.	MARADY	3394	849	25.01
5.	KUTTIAMANGALAM	3842	1755	22.38	5.	ONAKKOOR	3430	766	22.33
6.	KADAVOOR	4473	1448	32.37	6.	MEMURY	3968	960	24.19
7.	POTHANIKKADU	3920	1001	25.54	7.	RAMANGALAM	2983	627	21.02
8.	VARAPPETTY	4003	875	21.86	8.	MANEED	4884	1026	21.01
					9.	PIRAVAM	7089	1457	20.55
					10.	ELANGI	4696	1621	35.19
					11.	KOOTHATTUKULAM	4887	1142	23.37
					12.	THIRUMARADY	4639	1301	28.04
					13.	PALAKKUZHA	3770	1266	33.58
					14.	ARAKKUZHA	4021	1234	30.69
					15.	MUVATTUPUZHA (PORTION)	4044	841	20.80
					16.	ERAMALLOOR	5262	1544	29.34
					17.	KALLOORKAD	3789	1149	30.32

Source: Census, 1981.

Table 3 - District income of Kerala at a glance 1970-71 to 1984-85
(at current prices)

District	(Rs. in lakhs)																
	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	Income Rank	Rank
Trivandrum	12874	13526	15096	18830	22319	23944	24900	24114	24900	24900	24900	24900	24900	24900	24900	IV	IV
Quilon	15693	15844	18848	23462	28239	30727	28116	28527	28116	28116	28116	28116	28116	28116	28116	II	II
Pathanamthitta	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Alleppey	12572	12337	14223	17538	19406	20344	21647	21775	21647	21647	21647	21647	21647	21647	21647	VI	VII
Kottayam	9928	10205	11532	14640	18385	18755	19146	19141	19146	19146	19146	19146	19146	19146	19146	VIII	VIII
Kozhikode	4992	5070	5613	7129	9131	9874	11243	10957	11243	11243	11243	11243	11243	11243	11243	XI	XI
Eranakulam	13832	14466	16016	19624	23422	25271	29108	31651	29108	29108	29108	29108	29108	29108	29108	I	I
Trichur	11477	11587	13089	15581	17295	18915	21097	23075	21097	21097	21097	21097	21097	21097	21097	VII	VI
Palghat	9605	10647	12406	15842	14823	16560	16497	18434	16497	16497	16497	16497	16497	16497	16497	IX	IX
Melappuram	8329	8573	9772	12189	12573	13569	16893	17151	16893	16893	16893	16893	16893	16893	16893	X	X
Kannikode	13116	12646	14445	19087	21212	22204	24475	27331	24475	24475	24475	24475	24475	24475	24475	V	IV
Wayanad	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Cannanore	13046	12705	14682	18278	21645	22661	26716	29510	26716	26716	26716	26716	26716	26716	26716	IV	III
State	125464	127506	145722	182300	238555	222324	239838	250516	239838	239838	239838	239838	239838	239838	239838		

(contd.)

(contd. Table 3)

District	1978-79		1979-80		1980-81		1981-82		1982-83		1983-84		1984-85	
	Income	Rank	Income	Rank	Income	Rank	Income	Rank	Income	Rank	Income	Rank	Income	Rank
1	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Trivandrum	26866	V	31408	V	35229	IV	36889	III	40999	IV	50625	II	56822	III
Quilon	30609	III	36273	II	39202	III	39551	II	46769	II	42748	VI	46792	VI
Pathanamthitta	--	--	--	--	--	--	--	--	--	--	20287	XII	23761	XII
Alleppey	23828	VII	26996	VII	31622	VII	34670	IV	38785	VI	36692	VIII	42287	VII
Kottayam	20279	IX	22243	IX	25360	IX	28372	VIII	33265	VIII	38591	VII	41522	VIII
Idukki	14228	XI	17368	XI	15880	XI	17106	XI	19182	XI	24085	XI	25500	XI
Ernakulam	33878	I	38117	I	47556	I	53729	I	60309	I	68120	I	79145	I
Trichur	24591	VI	27508	VI	32262	VI	34034	VI	39470	V	46341	IV	49022	V
Palghat	20398	VIII	23594	VIII	25420	VIII	28237	IX	31784	IX	36033	IX	40033	IX
Malappuram	17501	X	19982	X	22024	X	22302	X	25795	X	28600	X	33253	X
Kozhikode	29850	IV	33846	IV	35226	V	28687	VII	36247	VII	45848	V	49967	IV
Wayanad	--	--	--	--	--	--	11726	XII	10851	XII	12015	XIII	16922	XIII
Cannanore	31002	II	35339	III	40755	II	34347	V	41971	IV	50425	III	58904	II
State	273030		312674		350536		369650		425427		500410		565930	

Source : District Income and Related Aggregates of Kerala 1970-71 to 1984-85,
Government of Kerala.

Table 4 - District income of Kerala at a glance 1970-71 to 1984-85
(at 1970-71 prices)

District	1970-71		1971-72		1972-73		1973-74		1974-75		1975-76		1976-77		1977-78	
	Income	Rank	Income	Rank	Income	Rank	Income	Rank	Income	Rank	Income	Rank	Income	Rank	Income	Rank
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Trivandrum	12874	V	14239	III	13999	IV	14270	IV	14664	III	15081	III	15054	IV	13982	V
Quilon	15693	I	16668	I	17934	I	17485	I	17732	I	18551	I	16387	II	15872	II
Pathanamthitta	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Alleppey	12572	VI	12635	VI	12833	VI	12672	VI	12836	VI	13385	VI	12971	VI	12788	VII
Kottayam	9928	VIII	10923	VIII	11078	VIII	11312	VIII	11480	VIII	12044	VIII	11440	VIII	11026	IX
Idukki	4992	XI	5377	XI	5299	XI	5580	XI	5540	XI	5911	XI	5511	XI	5386	XI
Ernakulam	13832	II	14817	II	15072	II	14602	II	15382	II	15974	II	16851	I	17268	I
Trichur	11477	VII	11859	VII	12074	VII	11712	VII	11900	VII	12648	VII	12661	VII	13188	VI
Palghat	9605	IX	10022	IX	10432	IX	10505	IX	10593	IX	10968	IX	10292	IX	11107	VIII
Malappuram	8329	X	8944	X	9193	X	8738	X	8579	X	9000	X	9813	X	9652	X
Kozhikode	13116	III	13648	IV	14008	III	14286	III	13898	IV	14537	IV	14505	V	15009	IV
Wayanad	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Cannanore	13046	IV	13146	V	13578	V	13735	V	13707	V	14224	V	15120	III	15539	III
State	125464	132278	135500	134897	136311	140605	142323	140817	140605	140817	140605	140817	140605	140817	140605	140817

(contd.)

(table 4 contd.)

District	1978-79		1979-80		1980-81		1981-82		1982-83		1983-84		1984-85	
	Income	Rank	Income	Rank	Income	Rank	Income	Rank	Income	Rank	Income	Rank	Income	Rank
1	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Trivandrum	14870	V	15572	V	16569	III	16811	III	16213	III	17108	II	18574	II
Quilon	16115	II	17019	II	17440	II	16949	II	17129	II	13523	V	14282	V
Pathanamthitta	--	--	--	--	--	--	--	--	--	--	6553	XI	7237	XI
Alleppey	13131	VII	13590	VII	14749	VI	15512	IV	15321	V	12406	VIII	13359	VII
Kottayam	10883	IX	11050	IX	11906	IX	12335	IX	12618	IX	12111	IX	12808	IX
Idukki	6443	XI	6991	XI	6433	XI	6459	XI	6571	XI	6305	XII	6651	XII
Ernakulam	18050	I	19086	I	21135	I	22198	I	22300	I	21302	I	22093	I
Trichur	13401	VI	13755	VI	14688	VII	14987	V	15022	VI	14856	IV	14975	IV
Palghat	11284	VIII	12031	VIII	12588	VIII	12965	VII	12924	VIII	12568	VII	13310	VIII
Malappuram	9390	X	9754	X	9913	X	9736	X	9777	X	9166	X	9861	X
Kozhikode	15709	III	16011	III	15347	V	12572	VIII	13769	VII	13365	VI	14204	VI
Wayanad	--	--	--	--	--	--	4829	XII	3917	XII	3965	XIII	5175	XIII
Cannanore	15606	IV	15702	IV	16365	IV	14561	VI	15609	IV	15114	III	16482	III
State	144882		150569		157133		159914		161170		158382		169011	

Source : District Income and Related Aggregates of Kerala 1970-71 to 1984-85,

Government of Kerala.

Table 5 - District per capita income of Kerala at a glance 1970-71 to 1984-85
(at current prices)

District:	1970-71		1971-72		1972-73		1973-74		1974-75		1975-76		1976-77		1977-78	
	percapita income	rank	percapita income	rank	percapita income	rank	percapita income	rank	percapita income	rank	percapita income	rank	percapita income	rank	percapita income	rank
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Trivandrum	592	VI	609	V	666	VI	817	VII	950	V	1000	V	1023	V	975	VIII
Quilon	658	I	651	III	760	I	933	I	1102	II	1180	I	1063	IV	1062	V
Pathanamthitta	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Alleppey	598	V	578	VII	657	VIII	803	VIII	877	VII	910	VIII	958	VIII	954	IX
Kottayam	652	II	661	I	737	II	928	II	1151	I	1161	III	1173	III	1163	III
Idukki	658	I	653	II	705	V	879	IV	1097	III	1162	II	1292	I	1235	II
Ernakulam	646	III	661	I	717	IV	862	V	1008	IV	1067	IV	1207	II	1288	I
Tirunur	545	IX	539	VIII	596	IX	681	X	737	X	767	X	867	X	933	X
Palghat	576	VII	627	IV	718	III	903	III	830	IX	914	VII	897	IX	988	VII
Malappuram	453	X	454	X	505	X	615	XI	624	XI	657	XI	793	XI	787	XI
Kozhikode	629	IV	592	VI	656	VII	851	VI	924	VI	945	VI	1018	VI	1111	IV
Wayanad	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Cannanore	557	VIII	529	IX	596	IX	726	IX	839	VIII	857	IX	989	VII	1032	VI
State	594		592		662		811		910		954		1009		1037	

(contd.)

(table 5 contd.)

District	1978-79		1979-80		1980-81		1981-82		1982-83		1983-84		1984-85	
	percapita income	rank	percapita income	rank	percapita income	rank	percapita income	rank	percapita income	rank	percapita income	rank	percapita income	rank
1	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Trivandrum	1072	VII	1239	VI	1369	VI	1411	VI	1539	IX	1862	VII	2051	VII
Quilon	1122	V	1316	V	1395	IV	1388	VII	1616	VI	1860	VIII	1999	IX
Pathanamthitta	--	--	--	--	--	--	--	--	--	--	1749	X	2010	VIII
Alleppey	1037	IX	1162	IX	1348	VIII	1464	V	1619	V	1878	VI	2125	V
Kottayam	1223	III	1327	IV	1498	III	1659	IV	1926	II	2170	III	2293	IV
Idukki	1550	I	1870	I	1647	II	1737	III	1899	III	2373	II	2466	II
Ernakulam	1371	II	1525	II	1884	I	2099	I	2316	I	2566	I	2926	I
Trichur	1011	X	1118	X	1329	IX	1385	VIII	1583	VII	1814	IX	1884	XI
Palghat	1055	VIII	1207	VIII	1252	X	1366	IX	1507	X	1683	XII	1836	XII
Malappuram	774	XI	874	XI	927	XI	915	XII	1031	XII	1136	XIII	1297	XIII
Kozhikode	1187	IV	1331	III	1350	VII	1267	X	1570	VIII	1950	V	2686	IV
Wayanad	--	--	--	--	--	--	2075	II	1884	IV	2068	IV	2958	II
Cannanore	1093	VI	1232	VII	1378	V	1214	XI	1454	XI	1718	XI	1970	X
State	1112		1259		1385		1438		1626		1877		2077	

Source : District Income and Related Aggregates of Kerala 1970-71 to 1984-85,
Government of Kerala.

(table 6 contd.)

District	1978-79		1979-80		1980-81		1981-82		1982-83		1983-84		1984-85	
	percapita income	rank	percapita income	rank	percapita income	rank	percapita income	rank	percapita income	rank	percapita income	rank	percapita income	rank
1	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Trivandrum	593	V	615	VII	644	IV	643	VI	609	VII	629	V	671	IV
Quilon	591	VI	617	V	621	VI	595	IX	592	X	588	VII	610	VII
Pathanamthitta	--	--	--	--	--	--	--	--	--	--	565	XI	612	VI
Alleppey	572	VIII	585	VIII	629	V	655	V	640	V	635	IV	671	IV
Kottayam	656	III	659	III	703	II	721	III	731	II	681	III	707	III
Idukki	702	II	753	II	667	III	656	IV	651	IV	627	VI	643	V
Ernakulam	730	I	764	I	837	I	867	I	856	I	802	I	817	II
Trichur	551	IX	559	IX	605	VIII	610	VIII	602	VIII	583	IX	576	IX
Palghat	584	VII	616	VI	620	VII	627	VII	613	VI	587	VIII	610	VII
Malappuram	415	XI	427	XI	417	XI	400	XII	391	XII	364	XIII	385	XI
Kozhikode	625	IV	630	IV	588	IX	555	X	597	IX	568	X	593	VIII
Wayanad	--	--	--	--	--	--	855	II	680	III	682	II	874	I
Cannanore	550	X	547	X	553	X	515	XI	541	XI	515	XII	551	X
State	590		606		621		622		616		594		622	

Source : District Income and Related Aggregates of Kerala 1970-71 to 1984-85,
Government of Kerala.

III. ASSET POSITION A. LAND

Sl. No.	Type of land	1983-84						1984-85						1985-86											
		Area in cents			Annual Rent (Rs.)	Nature of Lease	Period of Lease	Area in cents			Annual Rent (Rs.)	Nature of Lease	Period of Lease	Area in cents			Annual Rent (Rs.)	Nature of Lease	Period of Lease						
		Wet	Dry	Total				Wet	Dry	Total				Wet	Dry	Total									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
1	Owred																								
2	Operated																								
3	Leased in																								
4	Leased out																								
5	Total																								

B. Agricultural Implements

Sl. No.	Description	1983-84		1984-85		1985-86		1983-84		1984-85		1985-86	
		No.	Value in Rs.	No.	Value in Rs.	No.	Value in Rs.	No.	Value in Rs.	No.	Value in Rs.	No.	Value in Rs.
1	Pumpset with oil Engine/Electric Motor							7					
2	Tractor							8					
3	Tiller							9					
4	Transport equipments (Mechanical)							10					
5	Transport (Automobile)							11					
6	Wooden/Metal Plough							12					

8. Productivity of Live Stock

No.	Item	1983-84				1984-85				1985-86					
		Total yield		Price		Total Value		Price		Total Value		Price		Total Value	
		Rs.	Pi.	Rs.	Pi.	Rs.	Pi.	Rs.	Pi.	Rs.	Pi.	Rs.	Pi.	Rs.	Pi.
1	Milk (cow)														
2	Milk (Buffalo)														
3	Milk (Goat)														
4	Egg (Hen)														
5	Egg (Duck)														
6	Dung														
7	Others Specify)														
	Total														

VI Income And Expenditure A Income (Annual) 1984-85

i Sale of Agricultural Products

No.	Item	Qty	Price		Per	Amount		No.	Item	Qty	Price		Per	Amount	
			Rs.	Pi.		Rs.	Pi.				Rs.	Pi.		Rs.	Pi.
1.	Paddy							7	Tumeric						
2.	Coconut							8	Veg t bl						
3.	Areca nut							9	Seserum						
4.	Tapioca							10	Pepper						
5.	Banana							11	Coffee						
6.	Ginger							12	Cocoa						
								13	Fruits						
								14	Rubber						
								15	Straw						
								16	Sugarcane						
								17	Others						
									Sub Total						

ii Sale of Live Stock Products

No.	Items	Qty	Price	Per	Amount	No.	Item	Qty	Price	Per	Amount
1.	Milk					ix	Liquidation of gold and other valuable items				
2.	Eggs					x	Rent on buildings land				
3.	Chicken					xi	Interest on deposits				
4.	Pig (for pork)					xii	Profit from business				
5.	Duck (for meat)					xiii	Remittance				
6.	Cattle (for meat)					xiv	Others (Specify)				
	Sub Total						Sub Total				
iii	Lending of Draught animals					xv	Home grown products consumed				
iv	Lending of agal implements					xvi	Wages				
v	Sale of wood and Timber					xvii	Salary				
vi	Sale of animals & birds						Sub Total				
vii	Sale of land & Building					xviii	Loan				
viii	Sale of farm equipments						G. Total				

B. Expenditure 1984-85

ii Non-Food Items												
No.	Item	Qty	Price		Per	Amount	No.	Item	Qty	Price		Amount
			Rs.	Ps.						Rs.	Ps.	
1.	Rice						1.	Rent				
2.	Wheat						2.	Electricity				
3.	Other Cereals						3.	Fuel				
4.	Tapioca						4.	Pasupari				
5.	Pulses						5.	News paper & Journals				
6.	Sugar						6.	Liquor				
7.	Oil						7.	Education (annual)				
8.	Milk						8.	Medicine (..)				
9.	Fish						9.	Travelling (..)				
10.	Meat						10.	Entertainments (annual)				
11.	Egg						11.	Donations (..)				
12.	Vegetable						12.	Maintenance on Residential Blds (annual)				
13.	Others (specify)						13.	Wages of Domestic Servants (annual)				
							14.	Others				
	Sub Total							Sub Total				
	Sub Total							G. Total				

vii Savings

No.	Item	1983-84		1984-85		1985-86	
		Rs.	Ps.	Rs.	Ps.	Rs.	Ps.
1.	Bank Deposits						
2.	Deposits in indigenous financial Institution						
3.	Company Shares etc.						
4.	P. F./L. I. C. etc.						
5.	Others (specify)						
6.	Gold/other valuable						

viii Follow-up Questions

1. Do you cultivate the whole cultivable area of land Yes/No.
 2. If no, why ? (give code)
 3. Do you employ wage labour in agricultural activity ? Yes/No.
 4. Number of labourers you employ annually.
 5. Number of persons engaged in agcl. activity with zero marginal Productivity.
 6. Do you think that your financial position can be bettered by investing more in agriculture. Yes/No.
 7. If no, can you point out other area for investment that will profitably add to your financial position ? (mention the scheme)
 8. Did you sell the surplus produce immediately after the harvest.
 9. If yes why ? (give code)
 10. If no why ? (give code)
 11. Do you think that any bank will readily extend needed financial help when you approach it for an agricultural credit Yes/No.
 12. Do you feel any difficulty in approaching a bank for financial help ? Yes/No.
 13. If yes, give reasons. (code)
 14. Did you have to incur any undue expenditure in getting loan from Co-operatives/Bank/Govt. Yes/No.
 15. If yes, give details.
 16. Number of days you spent in getting a loan from an institutional financial agency.
 17. Number of days you spent in getting a loan from a non-institutional agency.
 18. Did any official from institutional agency visit your land to check whether the loan was utilised for the actual purpose. Yes/No.
 19. Did any official visit your land to render any assistance as a follow-up attempt. Yes/No.
 20. If yes, give the number of such visits.
 21. Remarks.
- The present value of your house & farm house.
22. Where do you store your produces (code)
 23. To whom you sell your produces (code)
 24. Did you loose Land/Valuables consequent to debt redemption—give details.

Investigator

Appendix III

Concepts And Basis of Cost Evaluation

(a) Concepts

1. Net Sown Area - The area of land actually cultivated (including current fallow) by the farmer and his family irrespective of title or location. The term net sown area has been used as synonymous to operational holding.
2. Gross Cropped Area - Net sown area plus area sown more than once.
3. Family Labour - Members of the family who are engaged in farm operations.
4. Income of a household - Annual income from all sources, viz. agriculture, animal husbandry, fishing, employment, land rent, interest on deposits etc., other than borrowings.
5. Expenditure of a household - All annual expenses due to agriculture, livestock, consumption of food and non-food items, education, health care, clothing, travelling, entertainments, interest on loans etc., except the repayment of loans.

(b) Basis of Cost Evaluation

1. Human Labour

- (a) Hired Human Labour - It includes permanent farm servant and casual labour (men, women and children). The evaluation of both has been made on the basis of prevailing wage rates in the locality.

(b) Family Labour - Prevailing wage rate for hired human labour has been applied for men workers of the family. Wage rates paid to casual women have been used for assessing the wage of female labour.

2. Animal Labour

(a) Owned Animal Labour - On the basis of working cost per labour day (8 hours work by a pair of drought animals).

(b) Hired Animal Labour - At actual rates.

3. Seeds

(a) Farm Produced - At average farm prices.

(b) Purchased - At actual prices.

4. Mannures and Fertilisers

Farm produced mannures valued at prevalent market prices. In case of purchased mannures and fertilisers actual cost of purchase is taken plus transport cost, if any.

5. Irrigation charges

It includes irrigation charges paid to both the government and others.

6. Land tax

Land Cess and other taxes paid to the government.

7. Pesticides

value of pesticides is calculated at actual cost.

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