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CROP LOAN SYSTEM—A CASE STUDY

V. D. DESHPANDE
M. B. PADKI

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M. B. Padki

**GOKHALE INSTITUTE OF POLITICS AND ECONOMICS,
POONA 4 (INDIA)**

FOREWORD

The present study in the crop loan system was undertaken at the request of the Aurangabad District Central Co-operative Bank. It is directed primarily to a study of the procedures of disbursement and recovery of the crop loans. Though undertaken initially at the instance of and for the use of the Aurangabad District Central Co-operative Bank, we are releasing it trusting that it will be of wider interest.

Gokhale Institute of
Politics & Economics
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V. M. Dandekar

CONTENTS

	Foreword	v
	List of Tables	ix
CHAPTER		<u>Pages</u>
I	Introduction	1
II	Genesis of the Crop Loan System	1
III	Growth of the Crop Loan in the State and in the District	8
IV	Per Acre Scales	10
V	Disbursement and Repayment of Crop Loans and Fictitious Transactions	15
VI	Facilities for Cooperative Marketing	28
VII	Cooperative Marketing Society at Aurangabad	29
VIII	Conclusion	35

LIST OF TABLES

<u>Table No.</u>		<u>Page</u>
1	Disbursement of Short-term and Medium-term Loans in Maharashtra	9
2	Cropwise Acreages and Crop-loan Sanctioned	38
3	Cropwise Per Acre Scales of Finance from 1960-61 to 1966-67	39
4	Per Acre Cash Expenditure for Bajara, Jowar and Wheat	40
5	Per Acre Expenditure for Groundnut and Cotton	41
6	Per Acre Expenditure for Cambodia	41
7	Distribution of Cultivators and Beneficiaries According to Size of Land Holding	42
8	Distribution of Loan Amount	42
9	Variation in Per Acre Loans Granted and Acreage Under Different Crops	43
10	Drawal and Repayment of Loan in Different Months (Sample Data)	44
11	Distribution of Kharif and Rabi Loans	45
12	Monthwise Repayment of Loans for the Three Branches	46
13	Monthwise Distribution of Market Arrivals of Kharif and Rabi Crops in the Year 1963-64 and 1964-65 (Regulated Market at Aurangabad)	47
14	Time Interval Between Repayment and Fresh Loan	48
15	Percentage Distribution of Recovery According to Time-intervals in Different Size-groups of Land Holding (1963-64)	49
16	Percentage Distribution of Recovery According to Size-groups	51
17	Proportion of Land Under Cereals and Cash Crops	53
18	'Frozen' Loan Amount and Percentages for the Year 1963-64	54
19	Arrivals in the Regulated Market and Proportion Handled by the Co-operative Marketing Society (Aurangabad Taluka)	55

I. Introduction

In October 1966, the Institute was requested by the Aurangabad District Central Co-operative Bank to enquire into the implementation of their crop-loan policy and to make recommendations as regards its operations. The present report pertains to the investigation carried out for this purpose. In the main the objective of the inquiry was the study of the method and pattern of disbursement of the crop-loan and the manner in which the loan was repaid. The report is divided in the following parts: ✓

1. Genesis of the crop-loan system.
2. Growth of crop-loan in the state and in the district.
3. Per acre scales.
4. Disbursement and repayment of crop-loans and fictitious transactions.
5. Co-operative marketing facilities. X
6. Conclusions.

II. Genesis of the crop-loan system

The crop-loan system is the latest addition to the armoury of the state for fighting the moneylender-cum-trader system. The consequences of the deep entrenchment of the private moneylender-cum-trader are quite well known. Agriculture remained stagnant and debts went on piling. The Royal Commission on Agriculture, while commenting on this situation in 1925, referred to the enormous extent of rural indebtedness. Ameliorative measures were undertaken since then, and there is a constant effort to improve the measures. The early measures were directed to lessen the burden of debt and prevent the malpractices on the part of private moneylenders. The Bombay Agricultural Relief Act, the Bombay Moneylenders Act and such others can be cited as illustrations of the earlier attempts. However, these were essentially negative measures; while it was necessary to give immediate relief, it was more important to devise an alternate system to provide credit to the agriculturists. For this purpose, efforts were directed to promote co-operative movement, of which co-operative credit is an important part. Progress in the co-operative field is uneven; while co-operative credit is taking root, co-operative marketing is still in its teething troubles. As will be seen later in the report, the ultimate objective of eliminating private moneylender-cum-trader system cannot be achieved unless all aspects of the co-operative movement make satisfactory progress.

In the present report we are concerned with the crop-loan system, which is supposed to fill in an important gap ✓

in the co-operative credit structure. Prior to it, co-operative credit was available for long-term and medium-term requirements and was essentially expected to cover capital investment in agriculture. The amount of credit, one could get, was linked up with the value of assets which was invariably very conservatively estimated. As a result the credit available was not adequate and the farmer could not be relieved from the private-lender-cum-trader system. His financial requirements were more and of a varied nature. Particularly his needs during the period of crop production were of urgent nature and co-operative credit system did not meet these. For example, his credit needs at the time of ploughing, sowing and harvesting, though small, were of great urgency and there was no alternative than to approach the private moneylender who could advance a loan easily and without any formalities and on the assurance that the entire marketable produce would be brought to him.

The Government appointed a committee, under the Chairmanship of Dr. D. R. Gadgil to consider this problem and suggest measures to provide both short-term and long-term credit to the farmers. One of the important recommendations of the committee related to the institution of what is known as the crop-loan system.

The essential features of the short-term or crop-loan as indicated by the Gadgil Committee were as follows:

1. The primary credit society should try to finance all the short-term needs of its members and also, subject to certain limitations, their intermediate-term needs.
2. In a co-operative society the credit worthiness of a member should be assessed on the basis of his repaying capacity. (This to be based on the amount of total output and not on the value of assets.)
3. The security for advances should ordinarily be personal. But the society should have a statutory charge on the crop as an additional security for all its seasonal finance, the wilful breach of which should be made a criminal offence. Mortgage security may be justified when the size and the period of the loan require it; it should be only collateral.
4. The delay in clearing loan applications should be minimised.
5. Loans should be advanced only as and when they are actually required.
6. Regular repayment of loans should be insisted upon.

This was the background which led to the central financing agencies in the state to undertake the responsibility of providing institutional credit for seasonal agricultural and marketing operations to credit-worthy agriculturists. A policy directive to the co-operatives in general and the central financing agencies in particular was framed by the Board of Directors of the Bank. It embodied the basic principles of the system and laid down a procedure for providing finance to the cultivators for the raising of crops.

It indicated that persons owning lands of their own or those who cultivate agricultural lands, either as owner or tenants or both, including restricted-tenure-lands, lands in possessory mortgage and lands given for maintenance, and who are entitled to the produce or proceeds thereof, were eligible for crop finance. It attempted to link credit-worthiness of the member, in so far as his requirements of the crop were concerned, directly with his production needs. It was a shift towards 'production-nexus' instead of 'asset-nexus'. This was an improvement over the old annual loan system which suffered from many defects and lacked flexibility and promptness; under that system loans were often inadequate for immediate cultivation purposes as credit was directly linked with physical assets and not with cultivation needs. Tenant-cultivators were completely outside the scope of such a system.

The subject of co-operative finance, both short-term and long-term, was examined by the Committee of Directors of the All India Rural Credit Survey in 1955. It was in general agreement with the recommendations made by the Gadgil Committee. To the four existing characteristics of the crop loan namely, (i) that it was a production-oriented finance; (ii) that it was on the basis of a crop and not on the basis of a title; (iii) that it had to be proportionate to the estimated outlay on raising the crop and (iv) that the recovery should be effected as and when the crop was sold from the proceeds of the sale, the Committee of Direction of the Rural Credit Survey added a fifth one namely, that the crop-loan should provide for as large a portion of the total credit as possible in kind i.e., in the form of seeds, fertilizers, manures etc. A second important policy recommendation pertained to the 'rationing' of available funds, when they fall short of legitimate credit requirements. Such rationing, according to the Committee, should have to be in favour of the medium and small cultivators. Thus, it might be arranged that, while the member, whose holding was relatively small got 100 per cent of his demand, the one with larger holding got only 60 or 70 per cent.

The new system was much more elastic and liberal as it was based on production requirements of each crop and was related to crop acreages. Loans for specific purposes and

return of the loan on the harvesting of the respective crops were other important features of the new system. The quantum of finance was dependent on actual crop acreages of different crops cultivated by the borrowers and scale of finance per acre of different crops was to be determined by the financing agencies in consultation with the representatives of the societies.

The crop-loan system was put into operation in 1950. Five years later a Committee under the chairmanship of Shri D. G. Karve was appointed to evaluate the working of the system; to devise further measures for the application of the system more efficiently in the whole of the state and to give general directions for the expansion of credit for production through co-operative organizations.

The Committee examined the system in detail and commented upon its working. As regards the adequacy of the crop-loan the Committee was of the opinion that it should be relative to the size of the farming unit and should cover maintenance expenses for the average unit of each region. As we shall see later, this was rarely done. The usual practice has been to assume the entire district as a homogeneous region and to assume the needs of cash outlay to be identical for all classes and size of farmers. The Committee likewise recommended that cash loans, reduced to the minimum, should be issued in two or three appropriate instalments, one for preparatory operations, another for mid-term cultivation expenses if necessary and the last at the time of harvesting. In practice, the entire cash loan is given in a single instalment, presumably on the grounds of administrative convenience. The total loan is split up only in the cases of irrigated crops where part of it is given in the form of fertilizers and pesticides. The third important recommendation made by the Committee pertained to the linking of the crop-loan with marketing. It was expected that the farmer borrowers should sell their produce through marketing co-operatives, the latter giving direct credit to the extent of the loan, to the Bank out of the sale proceeds of the farmer. This was found to be almost absent on account of reasons such as that the farmers borrowed harvesting loans from private traders on an implicit assurance of marketing the produce through them, that the marketing co-operative societies were not efficient enough and that the primary societies did not insist upon these borrowing members to sell their produce through such marketing co-operatives.

The Committee also commented on other practices followed by central banks as regards the crop-loans. It recommended that the loans should, as far as possible, be recovered out of the sale proceeds of the same crop for which they were given; that it is necessary that somebody whose duty it is to remind all members of their respective obligations at

the appropriate time and if need be to follow the movement of their produce should be on the staff of each society and that fieldmen be appointed in order to supervise the utilization of the loan.

The Crop-Loan Evaluation Committee submitted its report in 1958. The fact that its recommendations were not implemented in full by the central banks was discussed by the Standing Advisory Committee on Agricultural Credit in its meeting, five years later in 1963. The principal criticism made by the Standing Committee was that the central banks had exhibited a tendency to raise the cash component of the crop-loan year after year thus encouraging growers to lift the cash component to the full extent and not touch the kind component. The scale of finance was itself being raised without care being taken to see that the additional finance meant additional inputs. The outlay on crop and not the repaying capacity was considered more important in determining the quantum of the loan. But what that outlay was or should be in each individual case was not attempted to be determined in a systematic manner.

The Standing Advisory Committee's second major comment related to the raising of the crop-loan and its recovery. It was thought that there should be a seasonality for the advances as well as for the recoveries. Fresh advances were, in many cases, made immediately after repayment of the earlier loan at a time when no agricultural operations were carried out. And when the amounts repaid and advances were the same, it was open to doubt whether the repayment had been made out of the sale proceeds of the harvest or out of an interim accommodation from a fellow member or from the village moneylender. One of the principal objectives of the present inquiry pertained to an estimation of the extent of such practices.

The various comments and recommendations noted above resulted in the publication of the Manual on Short-term and Medium-term Loans for Agricultural Purposes by the Reserve Bank of India, in 1966. The Manual is the most recent official document on the crop-loan policy, laying down procedural and policy rules for the implementation of the system. These are briefly given below in order to provide a comprehensive understanding of the official policy as regards the crop-loan system.

The manual advised the fixation of scales of finance in three clear-cut components, as the extent to which improved practices were adopted differed from cultivator to cultivator. Component (a) to be advanced in cash, would help meet the miscellaneous cash outlays during the production period, production being assumed to be at the traditional level of technology. As it was not possible to work this out on the basis of an itemwise calculation of the

outlays under various heads, it was realistic to work upon this as a ways and means accommodation to the cultivator designed to augment whatever resources he may have. At the traditional level of cultivation, this was found, by and large, not to exceed about one third of the average value of production per acre and therefore it would be reasonable to fix the upper limit of this component at that level.

Component (b) should be the loan in kind i.e., fertilizers etc., which would increase to the extent to which the cultivator is inclined to adopt the improved practices, recommended by the extension agency; and a further component (c) in cash to meet the additional cash expenses which may have to be incurred consequent on the use of these inputs. Component (a) of the scale would be common to all cultivators, the differential needs as between one cultivator and another being in respect of component (b) and (c). The manual further notes that in the cases of certain money crops like potato, sugarcane, banana, vegetables etc. where the practices would be on a fairly high level of technology, there might be no need to fix the component (a) in the scales of finance of such crops, components (b) and (c) being adequate to take care of the credit needs of the cultivators growing such commercial crops.

As regards the repaying capacity, the manual clearly laid down that the composite scale of finance should not only meet the production requirements of the cultivators but has also to be within their repaying capacity. Fixed at not more than one-third of the average value of produce at the traditional level of cultivation, component (a) could be said to be well within the repaying capacity which, from a practical point of view, may be taken to be half the value of the expected output. It was reasonable to assume that components (b) and (c) would generate their own repaying capacity in the sense of leading to additional produce at least of the same value.

The central co-operative bank will then proceed to consider the extent to which it may be able to meet the requirements as reflected in the scales of finance. While component (a) may be taken more or less by all agriculturist members of societies, a large number of them may not use any fertilizers at all, which would mean that they will not utilize component (b) and consequently will not be eligible for the additional component (c). While the bank should try to meet the demand fully as reflected in the recommendation of the field workers' conference, it may not be in a position to do so for want of necessary resources. To the extent that reduction in the scale of finance is unavoidable, the cut may preferably be made in cash component (a) rather than the kind component (b) or the consequential cash component (c) as the latter two components are expected to have relatively greater importance from the point of view of increased agricultural production.

The manual also laid down certain limits on credits sanctioned to individual agriculturists. It suggested that the individual maximum borrowing power in all cases where it is lower than Rs. 2,000/- might be raised to Rs. 2,000 and that thereafter it might be raised gradually having regard to availability of resources. In the course of time the total limit could be fixed at a new higher level, which might go upto Rs. 5,000 in the predominantly unirrigated areas and Rs. 10,000 in the irrigated ones.

The actual drawals on the credit-limits, approved by the central bank, should be subject to the individual establishing his eligibility with his society and the latter with the bank. The individual might be allowed to borrow upto the limit sanctioned to him provided (i) he is not a defaulter; (ii) he holds shares in the society in the prescribed proportion; (iii) he has furnished the prescribed security to the society, and (iv) he has executed the necessary documents, e.g. pronote, agreement to sell through an approved marketing society etc.

The society might be allowed to operate on the sanctioned limit provided (i) it had repaid the prescribed proportion of the demand (which is expected to be fixed at not less than 50 per cent and not more than 75 per cent as recommended in the Action Programme); (ii) it held shares of the central bank in the prescribed proportion; and (iii) it executed the necessary documents e.g., pronote, agreement etc.

The manual expressly stated that, since under the crop-loan the loan is for the production of crops and the recovery is expected out of the sale proceeds of such crops, the advances should be confined to the period shortly before sowing and ending shortly before the harvest. It, however, conceded that so far as the basic cash component (a) was concerned, the borrower might be given an option to take the entire portion at the beginning of the sowing season or even a fortnight or so after he had cleared the earlier loan. Likewise, it would be preferable to provide the cash component (a) separately for kharif and rabi crops.

It may, however, be pointed out that the concession implied in the above is not tenable with the second major comment made by the Standing Advisory Committee of Agricultural Credit. It is our view that the central banks, in an effort to distribute credit to whosoever demanded it, appear to have made a regular rule of it and have advanced the credit at times when no agricultural operations were carried out in the fields.

The Manual also stated that seasonality is also necessary in the recovery of loans and for this purpose, the due date

might be so fixed that it was not too distant from the harvesting season and at the same time, a reasonable period was allowed for enabling the cultivation to dispose of the produce. If the cultivator did not want to sell the produce soon after the harvest and wanted to wait for a better price, he might do so by pledging his produce to a marketing society and utilizing the amount of the pledge loan to clear the loan for production owing to the society before the due date. The practice of some central banks to fix the due date at the end of twelve months from the date of drawal was inconsistent with the concept of seasonality. Such a practice might lead to overdues, as repayments did not coincide with the period when most cultivators were likely to have funds. The guiding principle should be to fix the due date or dates, with reference to the points of time when the majority of the cultivators in the area were likely to market their produce.

Another essential feature of the crop-loan system, the Manual pointed out, was that loans advanced by a credit society to an individual for raising crops were recovered out of the sale proceeds of such crops. It was, therefore, necessary to ensure that sales were effected through an agency with which the credit society was linked. Though in most parts of the country, agricultural credit societies did secure agreements to this effect from the borrowing members, in practice such agreements were not taken seriously either by the members who signed them or by the credit societies who executed them. The cultivators who sold their produce to or through marketing or processing societies, might be given encouragement in the form of an additional cash loan upto 5 per cent or even 10 per cent of the recovery of loan via the marketing or processing societies in the previous year. Such additional credit should preferably be disbursed during the period immediately preceding the harvest as this is generally the time when traders tempt cultivators with advances for securing a hold on their produce. Another incentive which might be provided to such cultivators was the provision of the cash component (a) of the loan for the next season at a date earlier than that in the case of other cultivators.

III Growth of the crop-loan in the State and in the district

It has been noted in the previous section that the crop-loan system was put into operation in 1950 in the then Bombay State. The fact that farmers experienced the need for short-term accommodation of such nature was reflected in the speed with which the size of the crop-loan increased. The loan amount increased from about Rs. 401 lakhs in 1951

to about Rs. 683 lakhs in 1955, showing an increase of 70 per cent during the five year period. ^{1/}

In Table 1 we give comparable figures of crop-loan as well as medium-term loan disbursed in the state.

Table 1 : Disbursement of short-term and medium-term loans in Maharashtra

Year	(in lakhs)					
	Short term				Medium term	
	Total Short term		Of which crop-loan		Amount	% In-crease
	Amount	% In-crease	Amount	% In-crease		
1960-61	3789	-	3678	-	247	-
1961-62	4016	6	3905	6	199	- 19
1962-63	4388	16	4318	47	173	- 30
1963-64	5495	45	5362	46	198	- 20
1964-65	6272	66	6211	69	223	- 10
1965-66	7179	89	7067	92	420	70

(Source: Co-operative Movement in India: Part I: Credit Sector; August 1967 (Provisional) loans to Primary Agricultural Credit and Multipurpose Societies.)

It may be seen that during the period between 1960-61 and 1965-66, the crop-loan showed a progressive increase beginning with a 6 point increase in 1961-62 to an increase of 25 points in the year 1965-66. The table also reveals the fact that the crop-loan has become almost identical with the total short-term requirements; that the rate of increase in the crop-loan was greater than that of total short-term loan and that the crop loan has assumed greater importance from 91 per cent in 1960-61 to 93 per cent in 1965-66, during the above period.

¹ Report of the Crop Evaluation Committee: Table VIII (Figures are for the then Bombay State).

The Aurangabad District Central Co-operative Bank came into being in 1957 as a result of the amalgamation of two central banks in the district, one at Aurangabad and the other at Jalna. It began its crop-loan operations from 1958.

Table 2 gives the acreage and crop loan figures for the district from 1963-64 to 1966-67. Columns 9 and 11 give the percentage increase both in the acreage and crop-loan between the two years. It may be seen that while the increase in the total acreage was 41 per cent, that in the crop-loan was 154 per cent, the latter showing an average increase of about 38 points per year. The average rate of increase for the three years between 1963-64 and 1965-66 for the State, as seen from Table 1, was about 15 points per year. It may thus be concluded that the crop-loan disbursed in the district of Aurangabad increased more rapidly than that for the State.

IV Per acre scales

Since the crop-loan is linked with the credit requirement rather than with the assets, assessment of credit requirement becomes of crucial importance. The prevailing agency for ascertaining these needs is the Field Workers Conference, constituted for the entire district. The Conference consists, on the one hand, of officials of the bank, Supervisory Union, Agricultural Department etc., and on the other of non-officials representing the primary co-operative societies. The Conference decides per acre average credit requirements for each crop. While deciding these per acre scales, the Conference is supposed to take into account mainly the cash and kind requirement of individual crops. The scales thus arrived at are made applicable uniformly throughout the district. As will be seen later, there is considerable arbitrariness in the determination of these scales and the observation made by the Karve Committee that it is the result of a tug of war between the two parties still holds even today.

Discussion about the scale can be conveniently begun with the discussion of the concept of 'limit'.

The Normal Credit Statement contains a column wherein the limit on the member's ability to get total amount of crop-loan is mentioned. This implies that the crop-loan a member is entitled to draw is not necessarily a sum-total of all crop-loans sanctioned according to the scales. If the total of all crop-loans exceeds this limit, the total amount of crop-loan would be reduced accordingly.

The limit is fixed as follows: In each village, the bank official examines all cases of sale and purchase

transactions in land, during the past five years. From these he deduces average value of dry and irrigated land separately. One-third of this per acre value is supposed to be the limit beyond which the total crop-loan cannot be drawn.

Strictly speaking, placing of any limits is against the spirit of the crop-loan system. The amount of credit under this system is limited only by the cultivation needs. No other limit, therefore, can be justified. An attempt to introduce the concept of limit reveals the anxiety of the bank to get some security base for the loans they advance. The concept of limit introduced in this manner, however, is meaningless for the following reasons.

In the first place, the per acre scales are substantially less than the limit. On an aggregate level, per acre limit worked out at Rs. 206. Per acre loan in the same manner worked out at Rs. 26 in 1963-64 and Rs. 33 in 1964-65. This shows that the possibilities of per acre loan exceeding the limit thus fixed are negligible.

It was further reported that the Panchayat Samiti can revise the limit fixed by the bank official in the above manner. This in fact makes the whole thing meaningless. Since there are no guidelines before the Panchayat Samiti for revising limits, there is bound to be considerable arbitrariness. In case the limit becomes an obstruction, the member, if influential, can get the limit shifted upward.

The Reserve Bank Manual considers the concept of limit a little more elaborately. The need for placing limit according to the Manual, arises on account of some practical considerations. To quote the Manual: "Firstly, it is reasonable to expect that the bigger cultivator should be able to meet a larger part of his production outlay from his own resources than the smaller cultivator and consequently his need for credit per acre should be relatively lower than that of the latter. Secondly, the individual maximum limit helps to ration the available resources, preference being shown to the needs of the small and medium cultivators. Thirdly, concentration of loans with a few larger cultivators will mean that in the event of their failure to repay, a large number of small and medium cultivators who account for a relatively small amount in the aggregate may suffer, as the eligibility of the society for fresh credit from the central bank will be impaired. While the imposition of an individual maximum borrowing power is justified for these reasons it should be ensured that the ceiling is not fixed at such a low level

that the cultivators who wish to raise high value money crops or to adopt improved practices are handicapped." 1/

It is clear from the above that while the Manual concedes the need of placing limits, the manner in which the limits are placed, at present is far from the one visualized in the Manual. The guidelines quoted above require consideration of several factors such as, size of the landholding, quality of soil, technique of cultivation, total resources at the disposal of the society etc.

As a broad general rule, the Manual prescribes that the limit should be fixed at one-third of the average value of gross produce at the traditional level of cultivation. 2/ This is, however, a general rule, and in individual cases, the actual limit will be fixed according to the factors discussed above.

The point is that even this limit would be higher than the present scale. Per acre scale, for jowar, wheat, cotton, groundnut etc., at present are around Rs. 40; per acre gross value of production in most of these, would be certainly more than three times the scale, particularly so in the case of irrigated crops. The present scales are, therefore, less than the limits even from this point of view.

Having discussed the concept of limit, let us proceed to discuss the scale.

Table 3 gives data regarding per acre scale since 1960-61. It is clear that the scales have been revised every year and the revision is always upward. Partly this is necessary due to the rising costs of production; however, in the context of the large number of fictitious transactions, discussed at a later stage, the pressure for a larger loan to repay the previous loan, cannot be ruled out as a factor influencing an upward revision of scales.

Since the range of scale is quite considerable, the actual amount of loan received per acre differs from region to region and from farmer to farmer. This is well illustrated by the Table 9. The table presents data of the three branches. 3/ In case of jowar, per acre loan

1/ Manual page 7, para 14.

2/ Manual page 4, para 9:

3/ These are (a) Lasur station from Gangapur taluka (b) Ner from Jalna taluka and (c) Pimpriraja from Aurganabad taluka. The branches are selected from three regions of the district.

drawn in 1963-64 was considerably less at branch I viz., Rs. 16.51; at other two branches the corresponding amounts were Rs. 22.71 and Rs. 21.67 respectively. Thus at branch I, the per acre loan was less than the minimum in the scale i.e., Rs. 20. In the following year, the amount increased considerably at branch I viz., by about Rs. 10 and stood at Rs. 26.40 per acre. At other two branches, the increase was moderate and the per acre loans were Rs. 23.64 and Rs. 22.75. Thus while in the first year per acre loan at branch I was considerably less as compared to those at branches II and III, and was less even than the minimum prescribed by the scale, in the second year the position changed considerably, that is, at place I, it increased substantially and stood higher even as compared to the one at branches II and III.

This holds good in the case of almost all crops. The case of sugarcane is perhaps more marked. Per acre loan for sugarcane was Rs. 337 at branch I in 1963-64; in the same year at branch II it was Rs. 458. In 1964-65, at branch I it increased almost twice and was Rs. 621; at branch II, however, the increase was moderate and per acre loan was considerably less than that the one at branch I.

These regional differences and yearly changes cannot be adequately explained. Our investigations show that while geographical reasons account for these variations to a certain extent, discrimination of the bank authorities and local pressures play an important part.

We may note a few more points in relation to per acre scales. Since one and the same scale is prescribed for the entire district, the regional variations in requirements seem to have been assumed away. Further, the same scale applies for all classes of farmers irrespective of the differences in the size of landholdings. This assumes that requirements of all types of farmers are uniform.

Though it is convenient from the administrative point of view to have uniform scales throughout the district, one of the important objectives of the crop-loan system is sacrificed to a considerable extent. The essential objective in question is the placement of the moneylender-cum-trader system. For achieving this objective the concept of crop-loan was widened in order to include not only the production credit requirements of the crop but also to a certain extent the subsistence credit requirements, if any.^{1/} If only the

^{1/} In this connection the observation made by the All-India Rural Credit Survey Committee is worth noting. It observed that "the private trader, because of the financial resources at his back and the private moneylender-cum-trader, because of both the resources and local knowledge at his back, are both in a position to offer the credit urgently required by
(continued)

production requirements are taken care of, the cultivator will be forced to approach the private moneylender for his maintenance. The enlargement of the concept of crop-loan thus necessarily implies differential treatment to different classes of farmers. While the requirement of production credit is larger for big farmers, requirements of consumption credit is larger for small farmers. This was one of the important findings of the rural credit survey. The crop-loan system, devised only to meet the requirement of production credit, on this account, is attractive and adequate for relatively bigger and more intensively developed farms. But for the smaller cultivators and the cultivators who grow less costly crops, such a system is not adequate enough to liberate them from the moneylender-trader system. This was because production credit needs played a relatively small part in their total requirements of credit. 1/

To accommodate the consumption credit requirement of each farmer is an impossible task; but it is necessary to devise the system in such a way that it will meet the requirements of all kinds for a majority of the farmers. How far the present scales meet the cultivation needs and subsistence needs is a point which needs careful attention on the part of the central bank.

During our inquiry we made an attempt to find out to what extent the present scales meet the cultivation and subsistence needs. For this purpose, five farmers at random were selected from each village where the branch office of the central bank was located and cash-expenditure for each crop grown by them was noted operationwise. The data pertained to the year 1965-66. With all the limitations of the data, it is adequate enough to give an idea about the cash needs of each crop in the light of which it is possible to examine per acre scales. The data is presented in Tables 4, 5 and 6.

the cultivators at the time he needs it. And what is more important, they are also able to provide the marketing arrangements (including processing, storage etc.) which help the final disposal of his produce. The Committee was of the opinion that if the private trader and moneylender were to be effectively replaced, the functions and scale of operations of the co-operative institutions at different levels would need considerable change. The primary agricultural credit societies will have to be stronger and bigger units, ... With emphasis on repaying capacity, rather than land security, the method of lending would need revision. In the crop-loan system, the loan will be related in amount to the estimated outlay on raising crop and will cover the subsistence needs as distinguished from specific consumption needs such as marriage, funerals etc.

1/ D. R. Gadgil - Prospective developments in co-operative finance.

All the tables reveal one common trend viz. that in most of cases, cash-needs of crops were considerably less than the scales. Take for example bajara, jowar and wheat. Per acre scales for these crops were respectively Rs.40-50 Rs. 40-60 and Rs. 40-55. In most of the cases, however, per acre cash expenditure was considerably less than the minimum in the scale. In the case of bajara, in 124 out of 144 cases, cash expenditure was less than Rs. 40 per acre. In 98 cases per acre expenditure was less than Rs. 20. Similarly in the case of jowar and wheat.

However, in respect of each crop, there were a few cases, where cash expenditure was considerably higher than the maximum in the scale. In the case of bajara, in 11 out of 144 cases, per acre expenditure was higher; among there in 4 cases, the expenditure exceeded even Rs. 100 per acre. In the case of jowar in 17 out of 160 cases, expenditure exceeded the scale. In the case of wheat in 26 out of 127 cases per acre expenditure exceeded the scale and in 17 out of these the expenditure was in excess of Rs. 100 per acre.

The proportion of cases with expenditure in excess of the scales was found to be higher in the case of cash crops like cotton and groundnut. In the case of cotton for example, in 22 out of 103 cases, per acre expenditure was higher; in the case of groundnut, in 18 out of 33 and in the case of Cambodia in 9 out of 35 cases, per acre expenditure was higher than the scale.

The data thus show, to say the least, that no systematic work has gone into the determination of scales. Where the cash needs are less than the scales, we can presume that the remaining amount takes care of subsistence requirement. But subsistence requirement varies from farmer to farmer, as stated earlier. Since no such differential treatment is recognized, uniform scales cannot be presumed to have considered this aspect carefully. Where higher expenditure is incurred; obviously the amount of crop-loan is very inadequate; particularly in the case of cash crops this is not justifiable.

V Disbursement and Repayment of crop-loans and fictitious transactions

The success of the crop-loan system lies in proper disbursement and proper repayment of loans. By proper disbursement we mean timely and adequate financing of agricultural operations; by proper repayment we mean repayment out of sale-proceeds of the produce and without unnecessary delay. If these two conditions are satisfied the crop-loan system would contribute substantially to the progress of agriculture, reduce the farmer's dependence on the private moneylender and ensure him a better return for his produce. The rapid increase in the magnitude of the crop loan produces in impression that the system is being operated successfully. This is, however, not wholly true. It was reported that quite a

significant number of farmer-borrowers repay the crop-loans by borrowing from the private moneylenders. As soon as fresh crop-loans are obtained, the private moneylenders are reimbursed. In essence thus, it is only a renewal of old debt and since every year the crop-loan is sanctioned, this goes on from year to year.

One of the important objectives of our investigation was to find out the extent of the prevalence of this practice. This is a difficult task because it is not possible to establish this fact in a formal or legal sense. We have mainly relied upon the recorded data relating to the drawal and repayment of loans for this purpose. No questionnaire was canvassed. Our first hand knowledge, together with the study of the pattern of drawal and repayment loans is thought adequate for the purpose.

Selection of the sample

There were in all 38 branches of the District Central Bank, distributed in 12 talukas of the district. The total number of primary credit societies was 1,161. From each branch a systematic sample of 10 per cent of the primary societies was selected for detailed study, the total number of primary societies thus selected coming to 118. From each of these societies 10 per cent of the members were selected, the total number of members coming to 727. Contacting the members personally was time-consuming and also appeared to be not so useful; instead, it was decided to make use of recorded data only.

The period to which the data pertains in 1963-64 and 1964-65. The reason for selecting this period was that it represented the 'normal' situation. The subsequent year was one of famine resulting in a disruption of the normal crop-loan operations. For the following year i.e., 1966-67, the transactions were not complete. There was, therefore, no alternative than to select this period.

Data for these two years was noted for the same sample of members selected in 1963-64.

Main features of the sample

Table 7 gives the distribution of the sampled borrowers according to the size of landholding. The purpose of presenting this information is to find out whether different classes of farmers get proportionate representation in the total number of beneficiaries under the crop-loan system. With all the limitations of the data used in Table 7, it is clear that small farmers (farmers in the first groups i.e., 0.1-5.0 acres and 5.1-10.0 acres) are proportionately less represented in the total number of beneficiaries. For example, farmers with less than 5 acres account for 14.1 per

cent in the total number of farmers; however, in the total number of beneficiaries, they account only for 8.4 per cent. On the other hand, farmers with landholding exceeding 15 acres account for about 48 per cent in the total; among the beneficiaries they account for about 54 per cent. It is apparent that relatively bigger farmers take more advantage of the crop-loan system.

Table 8 gives the distribution of loan amount according to the size-group of landholding. On the aggregate level, the loan amount has increased by 35 per cent in 1964-65.

In order to find out the reasons for the increase in the loan amount, data pertaining to the societies of three branches was examined in some details. The reasons were found to be as follows (Table 9):

- (a) increase in the acreage for which crop-loan was sought,
- (b) change in the cropping pattern,
- (c) revision of per acre scale and
- (d) sanctioning higher amount of loan within the same scales.

It is difficult to account for the share of each of the above in the total increase in the loan amount. The relative importance of each reason seems to change from region to region. Thus, for example, in Branch I, the increase is largely due to the increase in acreage under chillies. In Branch II, the main reason is the increase in acreage under chillies as well as under cereals like jowar and wheat. In Branch III, the main reason is the higher amount of per acre loan sanctioned for almost all crops. The revision of scales during the period under reference is marginal as can be seen from the footnote below. * Therefore, this by itself does not account for much of the increase in the loan amount.

*

Crop	Per acre scale in 1963-64	Per acre scale in 1964-65
Jowar	20-25	20-30
Bajra	20-25	20-30
Wheat	20-25	20-30
Cotton	25-50	25-60
Groundnut	25-50	25-50
Sugarcane	400-700	500-700
Cotton Co ₂	200	300
Plantain	400-700	500-700
Vegetables	-	150
Chilly	200	200

The percentage increase in the loan amount varied in different size-groups of landholding. In the smallest size group (0.1-5.0 acres) the increase was maximum, viz., 47 per cent. In the largest size-group it was minimum, viz., 34 per cent.

Drawal of loan

The objective of the crop-loan system is to provide credit required directly for agricultural operations in connection with individual crops. Apart from the fact that crop-loan is linked not to the assets but to the production requirement, the crop-loan is supposed to be available at a time when it is needed; such as for example at the time of ploughing, sowing, manuring, etc. This implies that credit would be supplied not in a lump-sum at a particular point of time but in smaller instalments at different times according to the requirements of individual operations. 1/ This would substantially minimize the possibility of diverting the use of credit for the purpose other than those intended.

This expectation, however, is not borne out by the practice. The credit-requirement of each crop is assessed separately after taking into account all the factors; on the basis of this, total loan required by a farmer is sanctioned. Loan for dry crops is paid in cash and in one single instalment; loan for irrigated crops is paid partly in cash and partly in kind (seed and manure). Most of the cash loan, both for Kharif and Rabi crop, is paid much before the beginning of the agricultural year, i.e., before June.

This is evident from Table No. 10, which gives the distribution of drawal and repayment in different months throughout the year. In the year 1963-64, about 77 per cent of the total loan was drawn between March and June. A small proportion, viz., 4.2 per cent of the total, was drawn in the month of August; this was part of the loan in kind. From September onwards, till the end of January, no loan was drawn. This means that loans for Rabi crops were already released even before the agricultural year commenced. A similar pattern is repeated for the subsequent year. 2/

1/ "Cash loans, reduced to a minimum, should be issued in two or three appropriate instalments, one for preparatory operations, another for mid-season expenses if necessary and the last at the time of harvesting." (Karve Committee recommendation No. 101.

2/ Loans drawn in January and February were meant for the use in the subsequent agricultural year.

This defeats one of the important purposes of the crop-loan system, viz., to provide credit at a time when it is needed most during the production process. Particularly in the case of Rabi crops, the cash part of the loan is paid almost six months earlier. This would mean that the bank expects the farmer to hold the liquid cash for that length of time. This is not very realistic. It, therefore, appears necessary in the first place to separate the loans for Kharif and Rabi crops and make them available only at the beginning of the respective seasons. 1/ Even this may not prove to be enough, because credit is required for different operations, which take place at different times. If the credit required for all the operations is paid in a lump-sum at the beginning, it is likely to be used, and is used generally, for purposes other than crop-production. Our inquiries revealed that the farmer was forced to borrow from private traders against an assurance to sell the produce through him. This had two undesirable effects: in the first instance, the produce was diverted away from the marketing co-operatives and secondly the farmer had to seek loan from private sources for a second time in order to convert his old crop-loan into a new one, through a fictitious transaction. 2/

It is interesting in this connection to note that the eligibility of an individual member to get fresh loan is tied up, to a certain extent, with the eligibility of the primary credit society. A primary credit society is not eligible for applying to the Central District Bank for fresh loans unless a certain minimum proportion 3/ of its previous loan is repaid. For an individual member, therefore, there is no assurance to get fresh loan on the basis of his own performance. While repaying his loan, he will be inclined to see whether other members are also paying simultaneously and this, to a certain extent, may result in the postponement of repayment.

1/ This was implied in the observation: "There should be a seasonality for the advances and repayments" made by the Standing Advisory Committee on Agricultural Credit in 1963. (page 56).

2/ The term 'fictitious transaction' is used for want of a better one. It means, in this context, the repayment by the cultivator out of the privately borrowed money and not out of sale proceeds of his crop.

3/ According to the Reserve Bank Manual this is fixed at 50 per cent. However, District Central Banks seem to enjoy some freedom in this respect. In Aurangabad, the minimum quota varied from year to year. During the famine years, no such quota was fixed. Subsequently it was fixed at 15 per cent.

The condition further introduces certain undesirable elements. As the year comes to a close, the authorities of the society become anxious to fulfil the minimum quota and when the members are unable to repay their dues, they are compelled to make some kind of adjustment. This is done in a number of ways. Quite often, the chairman of the society, who is interested in keeping the society alive and credit-worthy, advances cash for repayment of the loan to some of the members. Alternatively, he arranges to get short-term accommodation from the local moneylender by acting as a surety. 1/

Repayment of Loans

As stated above the objective of the crop-loan system is to provide credit when it is needed for the production of crop. One of the basic requirements for the success of the scheme is that the loan must be repaid soon after the crop is marketed and out of the sale proceeds. 2/

In order to verify whether the repayment is out of sale proceeds it is necessary to know the amount of loan advanced for Kharif and Rabi crops separately. This classification is not readily available in the records. However, for the purpose of present analysis, data of three branches 3/ (i.e., for 9 primary societies) was examined with a view to get a breakdown of the total amount of the loan into Kharif and Rabi loan under certain assumptions. 4/

It was found that the proportion of Kharif and Rabi loans varied considerably from region to region depending upon the cropping pattern. For example, the proportion of Kharif loan was respectively 13 per cent, 38 per cent and 54 per cent for the three branches referred to above. These percentages pertained to the year 1963-64. For the subsequent year, the corresponding figures were 23 per cent, 26 per cent and 76 per cent respectively (Table 11).

1/ Yet another method of avoiding genuine repayment though not directly related to the eligibility of the society as such, is to use the crop-loan received by some members for the repayment of dues of other members; accounts of members are thus kept alive by rotating such funds.

2/ The Karve Committee observes: "The almost deliberate tendency to allow dues to accumulate towards a single yearly point of repayment irrespective of crop seasons should be discontinued and loan made for each crop should be recovered from the proceeds of the same crop." (Recommendation No.108).

3/ These are (a) Lasur station (Tal. Gangapur), (b) Ner (Tal. Jalna), (c) Pimpri Raja (Tal. Aurangabad).

4/ This topic is discussed in detail in a different section, not included in the present paper.

Table 12 gives the monthwise distribution of repayments in the case of the three branches for the two years. Repayments in the year 1963-64, pertain to the loan borrowed in the preceding year. We have no data regarding the amount of loan taken in that year. But the general pattern of repayments can be known from the data pertaining to the years 1963-64 and 1964-65. In the case of Branch I, Kharif loan taken in 1963-64 and 1964-65. In the case of Branch I, Kharif loan taken in 1963-64 (Rs. 2080) was not paid till April next; a small amount was paid in February (Rs. 375) and in March (Rs. 625). In the case of Branch II, Kharif Loan amounted to Rs. 2546 in 1963-64. Of this, the bulk was repaid from April onwards only. In the case of Branch III, of the total kharif loan taken in 1963-64 (viz. Rs. 3253), nearly half was paid only in March and the remaining in April along with the Rabi loan. This clearly establishes the fact that there is no tendency on the part of borrowers to repay, at least the Kharif loans, immediately after the harvest.

The rabi loans are used from October onwards and the crops are harvested before March. Repayments, however, are delayed by a month or two. This can be seen from the fact that the bulk of the loan is usually paid from April onwards. In the case of Branch I about 84 per cent of the total repayments were made in April and May, a large part of this being in May. More or less similar is the case of Branch II. In the case of Branch III, for 1964-65, about 71 per cent of the total repayments were reported in May.

The repayments in general appear to have very little to do with the marketing of crops. This could have been directly established if data regarding sales had been available in respect of the farmers selected. In the absence of this, data regarding arrivals in the regulated market are used as representing the general pattern of sales in the area. Table 13 presents data of the regulated market at Aurangabad for the two years. It will be seen from this that sale of Kharif crops is mostly over by December end. It would thus be possible for the farmers to repay Kharif loans at about this time. Among rabi crops, the Cambodia variety of cotton is disposed of by the end of February; sale of jowar and wheat lingers up to March and to some extent upto April also. A substantial proportion of the loan thus could be repaid before March. This analysis shows clearly that there is no tendency on the part of borrowing members to utilize the sale proceeds directly for the repayment of crop-loans.

The failure of the farmer to repay crop-loan out of sale proceeds is also partly due to the present policy of the bank which is discussed more elaborately in the last section. The crop-loan is treated as one single loan and is advanced for a period of eleven months. The due date is 31st May. It is obvious that the due date is not related to the

sale period as seen above. This situation is to a great extent responsible for the fictitious transactions, discussed in the following sections.

The extent of fictitious transactions

It is suspected for a long time, almost since the inception of the crop-loan system that the original purpose of the crop-loans is not being served. In the initial year, the crop-loan may be utilized for the purpose for which it is taken. When the year draws to a close, the borrower has to repay it. If he does not or is unable to repay out of sale-proceeds of the crop, he may either not repay at all or repay by resorting to other measures referred to earlier.

To what extent does this practice prevail?

It is not possible to estimate the amount involved in such transactions in exact terms for the reason that there is no direct and legal evidence to establish it. Our discussion with farmers, however, gave an impression that the extent of this practice is quite large. In the absence of direct evidence, it was thought that the time-interval between the repayment of last year's loan and the drawal of the fresh loan may help in getting a crude estimation of fictitious transactions. The assumption 1/ is that where both repayment and drawal have occurred on the same day, the transaction is fictitious. Such an assumption can be made even in the cases where the time-interval is of only a few days, say of a week. Our investigations, however, have revealed that even a time-interval of a month or more may occur in the process of renewing old loans. The reason is that the work of assessing loan requirements, etc., starts early in the preceding rabi season. The officials of the bank assess and earmark for sanction definite sums against the members much before the previous loans are recovered fully. The release of the loan, however, takes place only after the old loan is recovered. As stated earlier, the authorities of the primary society are interested in keeping the society serviceable and hence extend financial help to members to repay the loans. The officials of the bank (Inspectors) in their turn, are also interested in recovering the old dues. It was observed that the career of the officials depends considerably upon the extent of recovery effected by them. When the members are unable to repay or do not repay out of sale proceeds, these officials encourage them to arrange

1/ One can proceed on different assumptions also. For example, the Standing Advisory Committee on Agricultural Credit (1963) assumed those transactions where the amounts repaid and advanced were identical, as fictitious (page 56). But such amounts were rarely identical.

financial accommodation from private sources and repay the dues. In this process the bank officials inadvertently act as sureties to private moneylenders owing to an implicit understanding that the moneylender would be allowed to recover his amount from the fresh loan that is promised to be sanctioned.

In Table 14 the data have been arranged to show the distribution of loan transactions according to different time-intervals. The data is presented for all classes of farmers together and for the whole of the district. Once the aggregate picture becomes clear, the study of the behaviour of different classes of farmers and also the location of areas where the fictitious transactions are relatively large will be facilitated.

It may be seen from this table, that in 1963-64, there were 13 members in the total of 493, who repaid the old loans and borrowed fresh ones on the same day. The loan repaid by these amounted to Rs. 8,175 and accounted for 3.4 per cent of the total repayment. According to our assumption this amount is no longer available as a genuine crop-loan. This amount has to be related to the amount borrowed in order to know the proportion of 'frozen' amount in the total borrowing. 1/ This is done in the following paragraph.

In the case of a time-interval of seven-days, the amount involved comes to Rs. 55,025 i.e., 8 per cent of the loan given during that year. 2/ For the subsequent year the corresponding amount comes to Rs. 78,810 i.e., about 17 per cent. 3/ The amount involved in the renewal of old debts is thus quite substantial.

1/ An illustration should make the point clear. A member repays Rs.100 by borrowing from a private source. He then takes a loan of Rs. 125 immediately from the Bank and the private moneylender is repaid.

This is borne out by the fact that the new loan is invariably larger than the old one. Most of the loans falling within the time-interval of one month are used mainly for repaying previous loans. The funds, to that extent, may be called 'frozen', that is, not directly entering the stream of active credit. The loan is kept 'alive' in the records, the system being facilitated by the continuous upward revision of the scales. The funds so 'lost' or 'frozen' would amount, in the present illustration, to 80 per cent of the fresh loan.

2/ This is the percentage of this amount to the total drawal in year 1963-64 which is Rs. 306,987.

3/ This is the percentage of this amount to the total drawal in year 1964-65 which is Rs. 442,854.

If we take a period of four weeks, the amounts come to Rs. 87,755 and Rs. 1,23,185 for the two years respectively. The proportion in the total borrowings amounts to 45 per cent for both the years.

It may be, therefore, reasonably concluded, that 45 per cent of the amount of crop-loan stays 'frozen' or fails to get into the stream of active credit.

Performance of different classes of farmers

It is natural to expect that the extent of fictitious transactions would be different for different classes of farmers. Broadly, it may be expected that it would be higher for smaller farmers, as their capacity to repay loans is limited because of the limited marketable surplus. An attempt is made to verify this with the available data.

Seven classes of farmers according to the size of landholding have been made (Tables 15 and 16). Table 15 gives the percentage distribution of loan according to the time-interval for each class of farmers, separately.

If all transactions with a time-interval of seven-days are treated as fictitious, we find that in 1963-64, in the smallest size-group of landholding (0.1-5 acres) the number of persons involved was only 4 out of 47. About 9 per cent of the repayments by this class of farmers was involved. This comes to about 5.2 per cent of the total borrowing by this class during this year. The corresponding figures for subsequent classes of farmers go on increasing consistently, with a minor exception of the 5th class (20.1-30 acres). In the last group i.e., among the big farmers, the number of persons and the amount involved are maximum; about 29 per cent of the loan taken during that year by this class of farmers is involved in the process of renewal of old loans.

A similar pattern is repeated in the year 1964-65.

This indicates that the practice of renewing old loans is more marked among the bigger farmers and as such belies the normal expectation.

The difference between different classes of farmers becomes less marked when we take into account the wider time interval of 4 weeks particularly for 1964-65. In both the years, the proportion of amount involved in the process of renewal as well as the number of persons reporting it is maximum among the big farmers. In 1963-64, about 27 per cent of the total borrowing was involved in such fictitious transactions in the smallest group of landholdings (viz. 0.1-5 acres); in the largest group (50.1 and above), the corresponding proportion was 55.4 per cent. In 1964-65, the corresponding figures were 41.8 per cent and 58.8 per cent respectively.

Since the share of bigger farmers in the total amount borrowed is larger and since the practice of renewing old loans is prevailing on a relatively larger scale in this class of farmers, the share of big farmers in the total amount involved in fictitious transactions is also larger. This is evident from Table 16.

It is often thought that the ability to repay loans is linked up not so much with the size of landholding but with the extent of cash crops grown in the field. In the area under cash crops is small, the amount involved in fictitious transactions would be larger. The cropping pattern in each size group of landholding was examined in order to verify this. Table 17 which presents this data, shows that the proportion of cash-crops is larger for larger size-group of landholdings. In the smallest size-groups (0.1-5 acres) about 17 per cent of the land is under cash-crops; it goes on increasing consistently and is maximum viz., 41 per cent in the largest size group (50.1 acres and more). This indicates that bigger farmers were in a better position to repay the loans; as we have seen, a larger number in this group was involved in fictitious transactions.

Regional variations in the frozen amount

It is natural to expect that the proportion of frozen amount would vary from region to region. ^{1/} An attempt was made to find out this proportion for the year 1963-64 in respect of regions under individual branches. Table 18 presents this data. For the sake of convenience, a break-up of frozen amount according to time-interval of single weeks, has not been presented; instead, proportion of frozen amount in the time-interval upto 4 weeks has been given. The branches have been arranged according to the ascending order. It will be seen that there were considerable variations from branch to branch. In 17 branches, the proportion of frozen amount was more than 30 per cent.

While the policy-measures suggested later would to a considerable extent minimize the frozen amount, additional measures will have to be thought of for the regions where the proportion of frozen amount is relatively very high. Some of the factors which contribute to the higher proportion of frozen amount, were found to be as follows :

(1) Lack of good leadership: Where the leadership was ineffective the proportion of genuine recoveries was found to be very significant. Moreover, where the leaders were keen on promoting co-operative marketing and were making personal

^{1/} Region here is understood to be the jurisdiction of individual branches.

efforts in this direction, the success was relatively very good. As an illustration of this, the case of Aurangabad branch may be cited.

(2) Lack of marketing facilities: Provision of regulated markets and co-operative marketing societies are not fully spread. The absence of these, to a certain extent, is responsible for the poor performance of genuine recoveries. This includes the absence of pledging facilities also.

(3) Lack of transport facilities: Some of the areas in the district do not enjoy adequate transport facilities. Roads and transport facilities are not available. This hampers the flow of produce to markets and as a result of it, farmers cannot repay crop-loans.

Policy implications

To start with, the foregoing analysis points towards the necessity of separating the Kharif and rabi loans from the operational point of view. While they are at present assessed separately, on the basis of acreages under different crops as declared by the loanee, the entire amount is treated at the time of sanctioning, as one single loan. For reasons stated earlier, there appears to be the need to separate them in the records of the Bank so that the phasing of their release can be facilitated.

It may easily be seen that such separation would enable the Bank to stipulate a time period, for purpose of recovery, for the Kharif and Rabi components separately. The present practice is that a crop loan is given for a period of eleven months irrespective of its Kharif or Rabi category. The bank could, after arranging for separation, stipulate six or seven months as the period of either the Kharif or Rabi loan. The bank could then base its subsequent year's advances on the repayment performance of the borrowing during the previous Kharif or Rabi season respectively.

The main reason for the separation of the loan into its Kharif and Rabi component is that it would facilitate their release in instalments according to the requirements of individual operations. For achieving this linkage, the method of disbursement will have to be altered. At present, the farmer has to go to the Bank (or its branch) to receive the loan. During the cultivation season he is busy in his fields and as such cannot be expected to go to the bank every time he needs an instalment of the crop-loan sanctioned to him. Instead, the season's loan, either Kharif or Rabi, may be split into three major instalments according to operations. The secretary of the society may be entrusted with the responsibility of collecting the particular instalment (of all the loanee members of his society) about a week before the operations fall due and of distributing the same to the loanees in the village itself.

This in effect amounts to making the society, as an organization, participate in the Bank's function of distributing the crop-loan. The participation can be made fuller by reversing the procedure that is, by deputing the secretary for recovering the loan and authorizing him to collect the money in the village and later depositing the same into the Bank. The society would thus be made a more responsible link between the farmer and the Bank.

The society may also be asked, in order to make the recoveries easier and genuine, to provide pledging facilities in the village in case the farmers want to wait for better prices.

It has been shown earlier how the officials of the Bank, in their endeavour to show higher recoveries, function, inadvertently, as sureties to private moneylenders. The provision of adequate pledging facilities would actually help the officials in effecting recoveries without acting as sureties to private moneylenders. They would, instead, advise the farmers to 'pledge' the produce and make the repayment. The pledge documents would show the recoveries effected by a particular official, whose career (promotions) may then be tied up with his efforts to recover the crop-loan.

While the adoption of the type of measures noted above might ensure a reasonably successful functioning of the crop-loan system, the measures by themselves do not guarantee the proper utilization of the loan. They would not prevent the farmer from raising a private loan on the assurance of a fresh crop-loan, which is not far away. There is thus no check to see that the crop-loan will be used for the intended purpose.

As a lender of the loan, the Bank may also be expected to satisfy itself as regards the proper utilization of the money. Towards this end, the Bank may have to provide a machinery for supervising the utilization of the crop-loan. 1/ This machinery will have to supervise and note every use of credit. The performance of the loanee farmer, thus revealed through the supervision, may further be linked to sanctioning of fresh loans so that the continuity of the crop-loan, which appears to be taken for granted at present, would be broken. If it is understood by the farmers that the continuity is made conditional on their satisfactory performance, the crop-loan system would achieve part of its objective.

1/ This was also recommended by the Karve Committee. It observes, "Besides the inspectors attached to branches, Central financing agencies should appoint fieldmen as assistants for the purpose of carrying out specific and sample checks as regards the conditions and needs of cultivation. (Recommendation No. 106-7.)"

The adoption of the supervised credit system may tender the crop-loan unpleasant to some of the loanee farmers, in the first instance. This may be considered an advantage from the Bank's point of view. It would mean that, though a smaller number of farmers are interested in seeking the crop-loan, they would use it for the purposes for which it is given. This may also make supervision more effective and complete. 1/

The adoption of the above measures, however, would not be conclusive for fulfilling the principal objective of the crop-loan, which is to lessen the dependence of the farmer on the private moneylender and to bring him under the co-operative fold. The most important line of action is to get control over the marketed surplus. This may have to be done by carrying the co-operative marketing facilities to the village i.e., by establishing a network of marketing societies. This fact was recognized as early as at the time of introduction of the crop-loan system. The Committee, appointed in 1955, to study the system, had emphatically stated that co-operative marketing was the sine-qua-non of the crop loan system. Our study of co-operative marketing in the Aurangabad district and its findings are incorporated in a separate section.

VI Facilities for co-operative marketing

In the preceding section reference was made to co-operative marketing. Co-operative marketing is supposed to be the most important remedy to remove the defects of the crop-loan system. This was realized as early as when the crop-loan system was introduced. The Karve Committee emphatically stated that co-operative marketing was the sine-qua-non for the success of the crop-loan system. Co-operative marketing in the fact was supposed to achieve much more. It was supposed to build up resources on the strength of which "not only will agricultural sector finance be soon self-sufficient but the agricultural sector co-operatively organized will help the growth of the industrial sector." 2/

This, however, was not the first reference or emphasis. Linking of co-operative credit with marketing was first

1/ Placing the secretaries of the primary societies under the bank's control would be one of the effective ways of achieving this. The bank would thus be directly watching the utilization of the credit. The participation of the societies in the function of providing short-term agricultural credit, administered by the bank at present would also be complete.

2/ Report of the Crop-loan Evaluation Committee, page 121.

experimented in 1935 in the Salem district of Madras. The experiment was on a small scale but it fully brought out the importance and feasibility of the idea. In 1945, the Co-operative Planning Committee once again emphasized the need of linking credit with marketing. Later the All-India Rural Credit Survey Committee opined that the system of crop-loan could not be regarded as really effective and complete unless it was integrated with co-operative marketing. In October 1961, the Conference of State Ministers of Co-operation stressed that "the development of co-operative marketing was a condition precedent to the large-scale expansion of co-operative credit envisaged in the Third Plan".

In spite of this realization, the progress in this field cannot be regarded as worthy of mention. In order to find out the reasons, we used the opportunity provided by the present inquiry to carry out an investigation into the working of one marketing society. Below we present the observations made by us in this regard.

VII Co-operative Marketing Society at Aurangabad

The co-operative marketing organization discussed here is the Aurangabad Taluka Co-operative Sale and Purchase Society. It was established in 1961. Its jurisdiction confines to the boundaries of the taluka. In the main it is engaged in the distribution of improved seeds, fertilizers, controlled articles like iron sheets and cement and the distribution of grain to the fair price shops in the taluka. It has built two godowns, one large and one of medium size for this purpose. An important service provided by the Society is the machinery shop where diesel engines, electric pumps, motors, spare parts and other agricultural implements are sold at competitive prices. The Society runs a commission shop in the regulated market, with a rented godown for short term storage of agricultural commodities that are brought to the Society for marketing.

The way by which the Society can get hold over the produce of farmer is through its function as a commission agent in the regulated market. There are 138 private commission agents besides the present society. It implies that the society has to compete with a large number of private commission agents and get a maximum share of the total produce of the farmers so that it can discharge its duties as the recovery agent of the Central Co-operative Bank. In order to succeed in this competition the society has to follow the methods which an astute businessman would employ.

Let us first, note the magnitudes of the business transacted by the society in the regulated market. There is no systematic data in this regard for the initial years. However, broad dimensions can be stated. Table 19 presents data relevant for this purpose. It will be seen from this

table that the society is commanding a very small proportion of the total arrivals. In the first two years the proportion handled by it is negligible viz., around 1 per cent or so. In 1964-65, the influence seems to have increased, particularly in respect to cash crops like jaggery and cotton. In the subsequent year, however, the proportion has declined indicating that society has failed to attract the producers. Performance in respect to the cash-crop is in fact a vital indicator of the success or failure of the society. Because it can be presumed that cash crop sellers are more business-minded and would carefully weigh the advantages of selling through different commission agents before they decide to approach any particular commission agent. The sudden decline in the quantity handled by the society in 1965-66, indicates from this point of view the failure of the society to attract producers.

It may be asked at this stage, what proportion should the society control in the regulated market. This brings up the whole discussion regarding the role of marketing organization. Without going into the details of this problem, it may be said that the Society must make its presence felt by offering attractive prices and services to the producers; secondly, in the context of the crop-loan system, it must handle at least that much proportion which would ensure the recovery of the crop-loans. In the case of the present society it is estimated roughly that the society must increase its transactions three to four times; i.e., it must handle at least 20 per cent of the total arrivals in the market.

It is apparent that the society under discussion has failed to acquire any control in the market. The probable causes need to be looked into. However, while doing so, it is necessary to bear in mind the fact that the society is relatively very new as compared to the private commission agents who have been operating for more than three decades in the market. It may not, therefore, be correct to jump to the conclusion that the society has failed to achieve its objective. The question, that may be attempted to answer is whether under the present set-up, the society with suitable modifications in its method of operation can develop and fulfil the desired role.

The regulated market at Aurangabad has been in existence since 1934, whereas the society was formed only in 1961. There was, thus ample scope for private commission agents to establish close relationships with the farmers. These relationships have continued through generations. Our inquiries disclosed the fact that the farmers found it difficult to break off the hereditary relationship with the specific commission agents. Each commission agent has a clientele of his own, comprising of a number of farmer households. It was reported that the son of a deceased farmer, continued as a matter of traditional practice to take his

produce to the specific trader for marketing. This relationship was one of the main hurdles in the Society's efforts to attract a larger quantum of trade.

In practice, the relationship turns out to be of mutual benefit to the farmer as well as to the agent. Our inquiries revealed that the farmers generally find themselves short of cash resources towards the tail-end of the cropping season. While a part of this need could be for purposes of consumption, it was explicitly stated that the farmers feel the need of cash for cutting and harvesting the crop. The trader advances the small loan to the farmer on the implicit understanding that the crop would be marketed through him.

Advances of this nature are largely crop-loans in part. The recovery is automatic in that the commission agent adjusts the dues owed to him before paying the sale proceeds to the farmer.

It is clear that the private trader has relatively more control over the produce of the borrowers. In the crop-loan system operated by the central co-operative bank, however, no such control exists. The farmer-borrower is free to sell his produce either through the co-operative marketing society or through a private commission agent. Even when he sells through the former, the co-operative marketing society cannot effect an automatic recovery of the crop-loans advanced by the bank. This is because, in the first place, unless the producer voluntarily requests the marketing society to make deductions, from the sale-proceeds of his marketed produce, for reimbursing the crop-loan, it is not possible or feasible to do so. ^{1/} Secondly, a large number of producers either do not or cannot afford to go to

^{1/} To make the recovery effective, the central co-operative bank will have to supply the list of borrowers to the marketing society. This is at present not done. Even if this is done, there are some practical limitations. In the first place, such a list will be a very long one and it will be difficult for the man on the spot to check the list every time a producer comes to sell his produce through the marketing society. This will involve great inconvenience and the producer will be discouraged to approach the marketing society. Secondly, even if he decides to sell his produce through a co-operative marketing society, there is no compulsion on him to sell through the society of his own region. The bank under this situation will have to supply the complete list of borrowers to all the marketing societies within the district as well as to those in the adjoining districts also. This will present some administrative difficulties.

the taluka place to market their produce as this involves much trouble, inconvenience and expenditure. As the quantities to be sold are small in the case of a majority of producers, the total gain resulting from the better prices in the regulated market hardly compensates for the trouble or expenditure involved. They, therefore, prefer to sell their produce to the local trader, even though the price offered is less than that prevailing in the distant regulated market.

In this context, it is necessary to think of adding to the present functions of the marketing society, viz., to have its own buying centres spread over the area under its jurisdiction. These centres will collect the produce from the smaller producers, who are unwilling to go to the regulated market. The task of collection can be entrusted to the primary itself, which now exists in almost every village. Thus a two-fold role is visualized for the marketing society; first, as a purchaser at the village level and second, as a broker in the regulated market. The first implies that the producers have to forgo the advantages of competition in the regulated market. This can be taken care of by the marketing society by offering competition to the local traders.

These centres would provide an opportunity for the automatic recovery of the crop-loans. A further improvement in this connection would be to recover crop-loans in kind. This practice is reported at some places in U.P. Under this scheme, the loss on sale of the members' produce is borne by the marketing society and the bank in agreed proportions. If profits occur, a part is turned over to the producers. While the advantages of such a scheme appear to be substantial, there is reason to believe, that the probable losses would be much less than those arising out of non-repayment of the crop-loan altogether. Moreover, the harmful practice of private borrowing for repaying the crop-loans would be reduced substantially and the basic objective of the crop-loan system would be realized.

The bank could also assist in this by statutorily controlling the marketing decisions of the farmer-borrower at least to the extent of the loan taken by him. It could get a written statement from the borrower that he would either repay in kind or sell his produce through the marketing society. The evidence of his having done so could be made the basis for subsequent crop-loans.

In this regard, the adoption of a further improvement, namely, that of routing the crop-loans through the smaller marketing societies or collection centres in order to unify the two functions of lending and recovering as in the case of the private commission agent, could be explored.

For achieving the goal of controlling an increasingly larger proportion of the marketed produce, resort has to be made to competitive measures in addition to the compulsive measures stated above. The society has to evolve a machinery which will provide marketing services at all levels and even compete with the private trader at village-level so that a larger quantum of total produce will be commanded by the society.

In this context, the marketing society at Aurangabad revealed certain shortcomings. In the first instance, our inquiries showed that the existence of the society was not known to a large number of farmers in the region. The primary societies which secure the crop-loan to their members are expected to publicise the fact that every member-borrower should sell his produce through the taluka marketing society and that, for this purpose, the marketing society has a commission shop in the market at Aurangabad. Besides publicising the existence of the society, it is also necessary to emphasize that there are certain definite advantages in selling through the co-operative marketing society, instead of selling through a private commission agent. The marketing society gives a rebate of Rs. 0.30 for one hundred rupees worth of produce sold through its commission shop. The storage charges charged by the Society are also lower. Further, the district central co-operative bank charges a lower interest rate to the society against pledge loans. The effect of all these measures is a lowering of marketing costs to be borne by the farmer. These facts, however, do not seem to have been widely and properly publicised.

Secondly, the marketing society appears to have failed in cultivating the goodwill of the producers. It was specifically reported that the marketing society does not care for the producers, and in particular the small farmers. This is presumably because of the inherent nature of bureaucratic organization. The society operates the commission shop with the help of hired servants who have no stake in the business beyond their own remuneration.

The rigidities of the institutional set-up affect the operations of the commission shop in yet another way. One of the functions of the marketing society, which has the welfare of the producers as its principal objective, is to uphold the prices whenever they show a decline either due to the normal forces of supply and demand or due to the collusion of vested interests of certain traders who attempt to bring down the prices by forming what is known as a 'syndicate'. In such circumstances, it is necessary for the marketing society to act boldly and in a dynamic way. In the interests of the producers the society should be ready to purchase all the supply at a price higher than the one offered by the 'syndicate'. The society can do this only if

it has necessary powers and funds and the capacity to undertake the risk involved. Taking of such decisions on the spot becomes essential. This is however difficult because the necessary powers rest with the board of management. It was specifically pointed out that in order to enable the society to take decision on the spot and to operate effectively in the market the officials should have some freedom as to the amounts they could call upon as also a readiness on the part of the society to bear losses.

For efficient trading operations, the marketing society also needs experts to evaluate the quality of the produce brought for sale. While the employees of the society's commission shop at Aurangabad can rely upon the judgements and the auction bids of the private traders, the need for such expertise becomes all the more important at those taluka places where the markets are not regulated. In this regard it was reported that the taluka marketing societies cannot attract experts without offering them a high salary. The experts in their turn are disinclined to settle in taluka places which are in the interior and which do not provide normal living amenities. Secondly, it was also reported that private traders can effectively attract efficient employees of the society, by offering them higher remuneration.

For a larger command over the arrivals, the society can also try out certain innovations in its operations. Firstly, it could undertake pooling of produce of the same quality for a better price. The produce of each farmer is auctioned separately at present. The practice of pooling prior to auctioning is reported to be working satisfactorily in Gujarat.

In the second instance, the marketing society could either be split up into several marketing societies separately for each individual crop or could establish separate marketing units for each crop in the present organization. Such splitting would enable each society or unit to concentrate on all aspects of marketing of the particular crop and over a period of time evolve an expertise in it. The society under review deals with all the crops of the region including cash crops like cotton, groundnut etc.

In the long run, it is necessary to take steps towards co-operativization of the entire agricultural sector. The Crop-Loan Evaluation Committee visualized this. Towards this end the co-operative marketing organization could enlarge its activities by undertaking services like transport and processing. The Aurangabad Society has to depend at present on private agencies for its transport needs. Likewise, in its commission business, it has to depend upon private purchasers or processors. In the event of co-operative processing units such as ginning, oil-pressing, dal-manufacturing etc. being established, the marketing society could

be in a more stable position for making direct purchases in the market. It would serve as an important link for the various processing units. Its functions in the recovery of crop-loans would also be strengthened.

VIII Conclusion

This section brings together the main findings of the survey that have been discussed in earlier sections. The attempt is to present an integrated policy for making the crop-loan system more efficient and successful.

The system has been reviewed and commented upon by a number of committees during the last twelve years. Their recommendations were, however, indifferently adopted by the central financing agencies. During this period the crop-loan continued to grow and has come to occupy the principal place in the co-operative agricultural credit structure. In the district of Aurangabad it was found that nearly half the total area under crops was under the crop loan system.

The main objective of the crop-loan system was to relieve the farmer from the moneylender-trader-system by providing seasonal finance for the production of crops, as this was one of the major needs of the farmer for which he sought the help of the moneylender according to the Gadgil Committee. The fact that about one half of the area of the district is under the crop-loan also indicates that the seasonal credit requirements for cultivating the other half are still being financed by the moneylender trader.

It has been seen that the crop-loan grew, in Aurangabad district, from Rs. 252 lacs to Rs. 640 lacs during the period between 1963-64 and 1966-67. The rapid increase in the magnitude produces an impression that the system is being operated successfully. This is, however, not wholly true.

An examination of some of the administrative methods revealed certain practices not consistent with the principle of the crop-loan system. The fixation of credit limits on the basis of the owned land of the farmer was one such instance. The fixation of uniform scales for the entire district also resulted in assuming away the differences in region or size. They were not adequate to liberate smaller cultivators or cultivators who grew less costly crops from the moneylender-trader-system because production credit in their case formed a relatively smaller part in their total credit requirements.

The method of disbursement of the crop-loan by the bank was also found to be inconsistent with the principle of the crop-loan system. Since the system is meant to provide seasonal production finance, the crop-loan had to be issued

in two or three instalments, one for preparatory operations, another for mid-season operations and the third at the time of harvesting. At Aurangabad, it was found that more than 85 per cent of the loan was disbursed before June when the agricultural season started. It included the loan meant for the Rabi crops also.

It is common knowledge that a significant proportion of the borrowers repay the loan by borrowing from private sources. On the assumption that all repayments made within four weeks from the date of drawal of next year's loan, were of the above nature, it was found that the amount so involved was 45 per cent of the total. It is obvious that to the extent of this proportion, the crop-loan system has failed to become active production credit. The principal factors that contributed to such behaviour on the part of the borrowers were lack of good leadership and transport and marketing facilities.

The analysis in respect of such 'frozen' credits i.e., that which fails to get into the active stream of credit, leads to certain policy implications. To start with, it appears necessary to separate the Kharif and the Rabi components of the crop-loan, facilitating their release in suitable instalments whenever agricultural operations fall due. It would also facilitate the fixing of separate due dates for each of the loans. The District Central Bank could then base its next year's Kharif finance on the performance of the previous Kharif loan and its repayment through the co-operative marketing channels.

As a lender of the crop-loan, the Bank may be expected to satisfy itself as regards its proper utilization. Thus supervision of the usage of the credit becomes necessary. It has been suggested that placing the secretaries of the primary co-operatives under the control of the Bank would be one of the effective ways of achieving this.

The crop-loan system may be said to be functioning successfully only if the credit is utilized for the purpose for which it is given and is repaid in time through the co-operative marketing societies. The linkage through the latter is important and has been stressed repeatedly by all the committees that discussed the crop-loan system.

The performance of the co-operative marketing sector is not satisfactory. It is estimated that the co-operative marketing sector, in the district, has to command at least thrice the present business in order to achieve an adequate linkage. This conclusion is based on the study of a single taluka marketing society. It has been reported that many of the taluka marketing societies in the district are much less efficient.

It has been suggested that in order to extend marketing facilities to the cultivator in his village, the taluka society may open more buying centres. It may be mentioned that almost all the primary co-operatives are multi-purpose ones. In order to effectively replace the village trader, each society may be converted into a purchasing centre for the taluka marketing society.

The earlier suggestion that the secretaries of the primary co-operatives may be placed under the control of the Bank appears to fit into the above scheme. It appears to ensure active mutual participation on the part of the Bank on one hand and the primary co-operative on the other. A primary multi-purpose co-operative with its secretary under the Bank's direction appears to provide an answer to many of the questions. Being a direct functionary of the Bank he would be responsible for making the advances available at times whenever the operations fall due. This would also ensure, to a major extent, supervision of the utilization of the credit. In the marketing function of the society, he would be in a position either to purchase or accept as a pledge, produce of the borrowers at least to the extent of the crop-loan advanced to them. The possibility of repayment in kind would also be facilitated.

It may be thought that administrative control of this nature hurts the spirit of co-operation. The suggestion made above is, however, of a provisional nature. Apart from ensuring efficient administration of the crop-loan and supervision as regards its proper utilization, it will, it is hoped instill a sense of co-operative discipline among the members. It is visualized that the control may eventually be lifted when the society builds up its own resources so as to be independent of the Bank.

The case study of one taluka marketing society revealed that the services provided by it were neither adequate nor efficient. Some of the suggestions made in this regard included proper and more extensive publicization of its existence and benefits, cultivation of the goodwill of the farmers and taking steps to minimize institutional rigidities inherent in the organization.

Table 2 : Cropwise acreages and crop-loan sanctioned

Crops	For 1963-64 (30-6-1963)		For 1964-65 (30-6-1964)		For 1965-66 (30-6-1965)		For 1966-67 (30-6-1966)		Per cent increase over col. 2 (9)	Per cent increase over col. 2 (11)
	Acreage	Amount	Acreage	Amount	Acreage	Amount	Acreage	Amount		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Jowar	471800	9036000	587279	11300000	585025	16700000	715423	52	21000000	132
Bajra	143300	1433435	150128	3500000	153774	4000000	197121	38	5000000	249
Wheat	80600	1010000	109940	1900000	110125	3500000	125447	56	3811000	277
Groundnut	71500	1030000	65391	1100000	65798	2200000	76173	7	2802000	172
Cotton	273600	5240000	341608	7700000	354094	13500000	380663	39	16000000	205
Others	33400	800000	43375	615000	31192	1000000	27469	-18	216000	-73
Deviraj Cotton	-	-	12943	2200000	14174	2700000	12388	-	2500000	-
Sugarcane	14200	4600000	14038	5000000	21032	10500000	23453	65	11000000	139
Plantains	3000	1200000	2268	900000	2198	1025000	2335	-22	1000000	-17
Chilli	4800	900000	4453	537000	6198	150000	8512	77	150000	-84
Fruit Plants	-	-	879	60000	1242	735000	2404	-	535000	-
Total	1116200	25249435	1336685	34812000	1345640	56010975	1571388	41	64022000	154

Source: The Aurangabad District Central Co-operative Bank Ltd., Aurangabad.

Table 3 : Cropwise per acre scales of finance from 1960-61 to 1966-67

Sr. No.	Crop	1960-61 Per acre	1961-62 Per acre	1962-63 Per acre	1963-64 Per acre	1964-65 Per acre	1965-66 Per acre	1966-67 Per acre
1.	Jowar	Rs. 10 to 20	20 to 25	20 to 25	20 to 25	20 to 30	40 to 45	40 to 50
2.	Bajara	R. 10 to 20	20 to 25	20 to 25	20 to 25	20 to 30	40 to 45	40 to 50
3.	Wheat	Rs. 10 to 20	20 to 25	20 to 25	20 to 25	20 to 30	40 to 45	40 to 55
4.	Cotton	Rs. 10 to 30	20 to 35	20 to 35	25 to 50	25 to 60	40 to 70	40 to 85
5.	Groundnut	Rs. 10 to 30	20 to 35	20 to 35	25 to 50	25 to 50	40 to 70	40 to 85
6.	Others	Rs. 10 to 20	20 to 25	20 to 25	20 to 25	20 to 30	40 to 45	40 to 45
7.	Sugarcane	Rs. 200 to 300	400 to 600	400 to 700	400 to 700	500 to 700	500 to 1000	500 to 1000
8.	Cotton Co2	Rs. 100	150	150	200	300	300	300
9.	Plantains	Rs. 200 to 300	400 to 700	400 to 700	400 to 700	500 to 700	500 to 1000	500 to 1000
10.	Vegetables	Rs. -	-	-	-	150	150	150
11.	Chillies	Rs. -	150	150	200	200	200	200
12.	Fruit Plants	Rs. -	-	-	-	Rs. 4 per plant containing fruits	Rs. 4 per plant containing fruits	Rs. 4 per plant containing fruits

Table 4: Per acre cash expenditure for Bajara, Jowar and Wheat

Per acre cash expenditure (Rs.)	No. of reporting families		
	Bajara	Jowar	Wheat
Upto 5	28	42	17
5.01 to 10.00	36	40	21
10.01 to 15.00	24	19	12
15.01 to 20.00	10	7	5
20.01 to 30.00	10	16	13
30.01 to 40.00	16	10	11
40.01 to 50.00	2	4	11
50.01 to 60.00	7	5	8
60.01 to 100.00	7	10	12
100.01 to 150.00	1	3	9
150.01 to 200.00	2	3	4
200.01 to 300 and more	1	1	4
Total	144	160	127

Table 5 : Per acre expenditure for Groundnut and Cotton

Per acre cash expenditure for Groundnut (Rs.)	Groundnut No. of families	Cotton No. of families
Upto 5	5	1
5.01 to 10.00	1	8
10.01 to 15.00	6	7
15.01 to 20.00	2	11
20.01 to 40.00	6	20
40.01 to 60.00	4	18
60.01 to 80.00	6	13
80.01 to 100.00	7	7
100.01 to 120.00	4	5
120.01 to 140.00	5	5
140.01 and more	4	9
Total	53	104

Table 6 : Per acre Expenditure for Cambodia

Per acre cash expenditure (Rs.)	Cambodia No. of families
Upto 100	9
100 to 200	8
200 to 300	11
300 to 400	8
400 to 500	3
500 to 600	2
600 to 700	2
Total	35

Table 7 : Distribution of cultivators and beneficiaries according to size of land holding

Size of land holding (acres)	Distribution of Total cultivators		Distribution of borrowing members (beneficiaries)	
	Number (2)	Per cent (3)	Number (4)	Per cent (5)
0.1 - 5	4,499	14.1	61.	8.4
5.1 - 10	6,641	20.9	140.	19.3
10.1 - 15	5,534	17.4	135.	18.6
15.1 - 30	8,964	28.2	248.	34.1
30.1 - 50	4,202	13.2	101	13.8
50.1 and more	1,973	6.2	42	5.8
Total	31,813	100.0	727	100.0

NOTE :- Data in col.2 is taken from 1961 census and is based on 20% sample from the district. Data in col.4 is from our survey. The two sets are not strictly comparable; however, juxtaposed to get a broad idea.

Table 8 : Distribution of loan amount

Size-group (acres)	Loan amount 1963-64		Loan amount 1964-65		Per cent increase in 1964-65
	Rs.	Per cent	Rs.	Per cent	
0.1 - 5.0	7,245	2.0	10,690	2.2	+ 47
5.1 - 10.0	28,725	8.2	40,530	8.5	+ 41
10.1 - 15.0	39,925	11.5	54,720	11.6	+ 37
15.1 - 30.0	127,405	37.2	170,780	36.1	+ 34
30.1 - 50.0	85,250	24.5	119,385	25.2	+ 40
50.1 & above	57,625	16.6	77,500	16.4	+ 34
Total	348,175	100.0	473,605	100.0	+ 35

Table 9 : Variation in per acre loans granted and acreage under different crops

	Per acre amount of loan given		Total area under the crop	
	1963-64 Rs.	1964-65 Rs.	1963-64 A.G.	1964-65 A.G.
(1) Branch at Lasur Station				
Jowar	16.51	26.40	317-00	306-32
Bajri	18.26	26.21	42-19	81-25
Wheat	16.80	27.00	53-23	77-26
Cotton	21.00	33.00	21-17	53-17
Cambodia	168.00	254.00	16-00	8-20
Chillies	170.00	200.00	3-00	0-20
Sugarcane	337.00	621.00	6-00	2-00
Groundnut	22.00	27.00	5-00	5-34
Total Loan	Rs. 12,725	Rs. 17,700	(increase: 39 per cent)	
(2) Branch at Ner				
Jowar	22.71	23.64	108-38	123-35
Wheat	22.52	23.58	76-38	95-37
Cotton	28.50	29.60	103-01	76-19
Sugarcane	458.00	474.66	1-00	3-00
Chillies	-	234.00	-	1-00
Total Loan	Rs. 7,600	Rs. 9,350	(increase: 23 per cent)	
(3) Branch at Pimpri-Raja				
Jowar	21.67	22.75	110-02	111-02
Bajri	21.29	22.38	31-32	31-27
Wheat	21.74	22.70	17-07	17-18
Cotton	27.13	28.38	87-36	87-36
Chillies	223.00	229.00	1-00	3-00
Total Loan	Rs. 6,025	Rs. 7,050	(increase: 17 per cent)	

Table 10 : Drawal and Repayment of loan in different months (Sample data)

Month	1963-64				1964-65			
	Repayment		Drawal		Repayment		Drawal	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
October	-	-	60	0.0	1,155	0.4	-	-
November	4,481	2.1	-	-	6,927	2.3	1,750	0.4
December	15,972	7.6	86	0.0	27,904	9.1	3,600	0.8
January	34,111	16.3	3,775	1.2	25,007	8.2	11,760	2.7
February	28,771	13.7	24,745	8.2	16,286	5.3	24,747	5.6
March	48,791	23.3	47,860	15.6	60,345	19.8	28,138	6.4
April	41,019	19.6	96,785	31.5	74,165	24.3	87,535	19.8
May	17,786	8.5	39,600	12.9	60,674	19.9	127,796	28.8
June	12,873	6.1	52,556	17.1	18,448	6.0	88,135	19.9
July	3,215	1.5	24,295	7.9	10,548	3.5	49,070	11.1
August	1,000	0.5	12,900	4.2	2,226	0.7	17,623	3.9
September	1,615	0.8	4,325	1.5	1,650	0.5	2,700	0.6
Total	209,634	100.0	306,987	100.0	305,335	100.0	442,854	100.0

Table 11 : Distribution of Kharif and Rabi Loans

Name of the Branch	1963-64				1964-65			
	Kharif	Rabi	Annual	Total	Kharif	Rabi	Annual	Total
1. Lasur Station (Taluka Gangapur) Rs.	2,080	11,680	2,224	15,984	2,990	9,932	316	13,238
Per cent	13	73	14	100	23	76	1	100
2. Ner (Taluka Jalna) Rs.	2,546	3,819	304	3,669	2,444	5,452	1,454	9,350
Per cent	38	57	5	100	26	58	16	100
3. Pimpri Raja (Taluka Aurangabad) Rs.	3,253	2,772	-	6,025	5,358	1,692	-	7,050
Per cent	54	46	-	100	76	24	-	100

Table 12 : Monthwise repayment of loans for the three branches

Month	I				II				III			
	Lasur Station				Ner				Pimpri-Raja			
	1963-64		1964-65		1963-64		1964-65		1963-64		1964-65	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
October	-	-	-	-	-	-	-	-	-	-	-	-
November	-	-	-	-	-	-	-	-	-	-	-	-
December	100	1.3	-	-	450	6.8	84	1.0	75	1.5	-	-
January	-	-	-	-	300	4.6	493	5.9	1,500	29.2	60	1.0
February	78	1.0	375	3.3	200	3.0	-	-	1,050	20.5	-	-
March	1,763	22.6	625	5.5	1,370	20.8	291	3.4	2,450	47.8	1,765	28.1
April	2,589	33.1	3,491	30.6	600	9.1	1,750	20.9	50	1.0	4,450	70.9
May	3,011	38.5	6,070	53.2	2,825	42.8	2,328	27.8	-	-	-	-
June	-	-	820	7.2	850	12.9	2,332	21.8	-	-	-	-
July	-	-	30	0.2	-	-	1,063	12.6	-	-	-	-
August	-	-	-	-	-	-	-	-	-	-	-	-
September	275	3.5	-	-	-	-	50	0.6	-	-	-	-
Total	7,816	100.0	11,411	100.0	6,595	100.0	8,391	100.0	5,125	100.0	6,275	100.0

Table 13 : Monthwise distribution of market arrivals of Kharif and Rabi crops in the year 1963-64 and 1964-65 (Regulated Market at Aurangabad)

Month	Kharif Crops						Rabi Crops					
	Bajara		Groundnut		Cotton		Jowar		Wheat		Cambodia	
	63-64	64-65	63-64	64-65	63-64	64-65	63-64	64-65	63-64	64-65	63-64	64-65
September	1.2	0.1	4.5	1.5	-	-	5.9	8.2	3.3	2.1	-	-
October	12.0	14.3	78.7	72.0	0.7	-	4.8	21.7	5.1	9.3	-	-
November	38.1	24.2	11.0	17.6	34.0	26.2	3.9	8.0	5.6	4.5	2.7	3.1
December	11.6	15.4	1.4	4.7	39.5	41.6	2.5	-	5.6	3.5	51.1	23.2
January	8.1	12.1	1.8	0.9	17.8	15.2	2.2	1.6	4.5	5.1	13.6	23.2
February	5.3	1.2	0.7	0.3	7.6	7.6	12.8	4.1	8.8	17.7	32.6	42.6
March	1.9	1.3	0.4	0.1	0.4	8.6	25.2	30.6	18.1	15.7	-	7.9
April	13.9	1.7	0.3	-	-	0.8	3.7	15.6	10.5	19.6	-	-
May	3.7	2.8	0.5	0.4	-	-	17.6	8.2	20.0	6.6	-	-
June	0.5	11.6	0.5	2.2	-	-	8.9	1.6	8.1	5.8	-	-
July	2.6	8.9	0.1	0.3	-	-	4.0	0.4	4.2	4.8	-	-
August	1.1	6.4	0.1	-	-	-	8.5	-	6.2	5.3	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Quintals	(5075)	(10187)	(4297)	(4931)	(53483)	(51001)	(115149)	(9931)	(12443)	(10310)	(15590)	(31526)

Table 14 : Time interval between repayment and fresh loan

Time interval	1963-64				1964-65			
	Persons		Amount		Persons		Amount	
	No.	Per cent	Rs.	Per cent	No.	Per cent	Rs.	Per cent
No time interval	13	2.6	8,175	3.4	4	0.8	3,700	1.1
<u>Days</u>								
1	16	3.4	13,940	5.8	8	1.6	7,725	2.3
2	8	1.6	3,200	1.3	14	2.8	7,770	2.3
3	12	2.4	11,300	4.7	8	1.6	10,500	3.2
4	9	1.8	5,435	2.3	11	2.2	14,250	4.3
5	5	1.0	1,625	0.7	12	2.4	8,940	2.7
6	11	2.2	9,600	4.0	18	3.6	14,425	4.4
7	3	0.6	1,750	0.7	11	2.2	8,500	2.5
Total (Week 1)	64	13.0	46,850	19.5	82	16.4	72,110	21.7
<u>Weeks</u>								
2	47	9.5	26,325	10.9	48	9.5	34,710	10.5
3	62	12.6	30,290	12.6	85	16.9	51,675	15.6
4	58	11.7	31,140	12.9	56	11.1	36,800	11.1
5	31	6.3	11,180	4.6	45	8.9	28,240	8.5
6	20	4.1	9,000	3.7	31	6.1	16,375	4.9
7	33	6.7	12,050	5.0	22	4.4	12,875	3.9
8 and more	122	24.8	43,255	18.0	96	19.1	40,715	12.3
Special cases <u>1/</u>	43	8.7	22,532	9.4	34	6.8	34,650	10.4
Total	493	100.0	240,797	100.0	503	100.0	331,850	100.0

1/ Special cases : Where the time interval could not be measured because of a number of instalments spread over a longer period.

Table 15: Percentage distribution of recovery according to time-intervals in different size-groups of land holding (1963-64)

Size of land holding (acres)	No. time interval	Time interval upto Weeks				Total for 4 weeks	Total persons and Amount	Loan borrowed in 1963-64 (Rs.)	
		1	2	3	4				
0.1 to 5	P	-	9.6	11.9	14.3	7.1	42.9	100.0 (42)	
	1	-	8.9	11.9	18.9	7.1	46.8	100.0 (4205)	
	2	-	5.2	7.0	11.0	4.1	27.3		7245
5.1 to 10	P	2.2	13.1	8.7	10.8	9.8	42.4	100.0 (92)	
	1	2.1	14.6	8.2	12.0	11.0	45.8	100.0 (18745)	
	2	1.4	9.7	5.4	7.8	7.1	30.0		28725
10.1 to 15	P	1.2	14.7	8.7	18.5	14.8	56.7	100.0 (81)	
	1	0.9	15.5	7.8	20.1	14.3	57.7	100.0 (23560)	
	2	0.6	9.2	4.6	11.8	8.5	34.1		39925
15.1 to 20	P	4.3	22.9	10.0	11.4	15.7	60.0	100.0 (70)	
	1	3.9	21.3	15.5	11.7	15.2	63.7	100.0 (29460)	
	2	2.6	14.1	10.4	7.8	10.2	42.5		44080
20.1 to 30	P	3.9	14.3	13.0	14.3	11.7	53.9	100.0 (77)	
	1	3.7	17.5	15.4	15.2	14.0	62.4	100.0 (48225)	
	2	2.1	10.1	8.7	8.6	7.9	35.3		85325
30.1 to 50	P	5.1	23.8	11.9	13.9	16.9	64.5	100.0 (59)	
	1	4.3	32.8	12.6	11.4	16.4	73.2	100.0 (51860)	
	2	2.6	20.0	7.7	7.0	10.0	44.7		85250
50.1 & more	P	3.5	24.4	10.3	17.2	13.7	65.6	100.0 (29)	
	1	5.5	38.6	9.1	13.7	13.4	74.8	100.0 (42440)	
	2	4.1	28.7	6.7	10.1	9.9	55.4		57625

P = Persons; 1 = Percentage distribution of total repayment.
2 = Repayment as a per cent of the total borrowing in the current year given in the last column.

Note : Special cases not included here.

(continued)

Table 15: (continued)

Size of land holdings (acres)	No. of time intervals	1964-65				Total for 4 weeks	Total persons and Amount	Loan borrowed in 1963-64 (Rs.)	
		Time interval upto Weeks							
		1	2	3	4				
0.1 to 5	P	-	12.1	9.8	22.0	14.6	58.5	100.0 (41)	
	1	-	14.3	11.0	12.2	22.9	60.4	100.0 (6125)	
	2	-	8.2	6.3	7.0	13.1	34.6		10690
5.1 to 10	P	-	11.2	9.2	29.6	10.2	60.2	100.0 (98)	
	1	-	9.7	18.3	28.0	10.2	66.2	100.0 (34175)	
	2	-	8.2	15.4	23.6	8.6	55.8		40530
10.1 to 15	P	1.2	13.5	11.1	17.3	16.0	57.9	100.0 (81)	
	1	1.0	15.4	10.4	20.2	19.1	65.1	100.0 (37942)	
	2	0.7	10.6	7.2	13.8	13.2	44.8		54720
15.1 to 20	P	-	16.7	16.7	11.5	6.4	51.3	100.0 (78)	
	1	-	23.5	21.0	9.5	5.6	59.6	100.0 (38588)	
	2	-	15.6	13.9	6.3	3.7	39.5		58205
20.1 to 30	P	1.2	23.1	4.9	13.4	11.0	52.4	100.0 (82)	
	1	1.8	30.2	4.5	16.8	9.4	60.9	100.0 (67970)	
	2	1.1	18.3	2.7	10.2	5.7	36.9		112575
30.1 to 50	P	1.8	28.2	10.5	14.0	15.7	68.4	100.0 (57)	
	1	2.1	30.2	12.2	13.5	16.7	72.6	100.0 (62650)	
	2	1.1	15.8	6.4	7.1	8.8	38.1		119385
50.1 & more	P	3.1	34.3	9.4	15.6	12.5	71.8	100.0 (32)	
	1	1.6	34.8	10.1	20.5	11.5	76.9	100.0 (49750)	
	2	1.0	22.2	6.5	13.2	7.4	49.3		77500

Table 16 : Percentage distribution of recovery according to size-groups

(1963-64)

Size of land holding (acres)		No time interval	Time interval upto Weeks				Total for 4 weeks	Total persons and amount
			1	2	3	4		
0.1 to 5	P	-	5.2	10.6	9.7	5.2	7.3	9.3
	A	-	0.7	1.9	2.6	1.0	1.5	1.9
5.1 to 10	P	15.4	15.6	17.0	16.1	15.5	16.0	20.4
	A	4.9	5.0	5.9	7.4	6.6	6.8	8.6
10.1 to 15	P	7.7	15.6	14.9	24.2	20.6	18.9	18.0
	A	2.7	6.6	7.0	15.6	10.8	10.6	10.8
15.1 to 20	P	23.1	20.8	14.9	12.9	18.9	17.2	15.6
	A	14.1	11.4	17.4	11.4	14.4	14.7	13.5
20.1 to 30	P	23.1	14.3	21.3	17.7	15.5	16.8	17.1
	A	22.0	15.4	28.2	24.3	21.6	23.5	22.0
30.1 to 50	P	23.1	19.5	14.9	11.3	17.4	16.0	13.1
	A	27.5	30.9	24.9	19.6	27.3	17.9	23.7
50.1 & more	P	7.6	9.0	6.4	8.1	6.9	7.8	6.5
	A	28.8	30.0	14.7	19.1	18.3	25.0	19.5
Total	P	100.0 (13)	100.0 (77)	100.0 (47)	100.0 (62)	100.0 (58)	100.0 (244)	100.0 (450)
	A	100.0 (8175)	100.0 (55025)	100.0 (26325)	100.0 (30290)	100.0 (31140)	100.0 (127480)	100.0 (218495)

P = Persons. A = Amount.

Note : Special cases not included.

(continued)

Table 16 : (continued)

		1964-65				Total for 4 weeks	Total persons and amount	
Size of land holding (acres)	No. time interval	Time interval in to Weeks						
		1	2	3	4			
0.1 to 5	P	-	5.8	8.3	10.6	10.7	8.7	8.7
	A	-	1.2	2.0	1.5	3.8	1.9	2.0
5.1 to 10	P	-	12.8	18.8	34.1	17.9	21.3	20.9
	A	-	4.4	18.0	18.5	9.5	11.4	11.5
10.1 to 15	P	25.0	12.8	18.8	16.5	23.2	17.0	17.3
	A	10.2	7.7	11.4	14.7	19.7	12.4	12.8
15.1 to 20	P	-	15.1	27.1	10.6	8.9	14.4	16.6
	A	-	11.9	23.3	7.0	5.8	11.5	13.0
20.1 to 30	P	25.0	22.1	8.3	12.9	16.1	15.5	17.5
	A	32.4	27.0	8.9	22.2	17.3	20.8	22.9
30.1 to 50	P	25.0	18.6	12.5	9.4	16.1	14.8	12.2
	A	35.8	24.9	22.0	16.4	28.4	22.8	21.1
50.1 & more	P	25.0	12.8	6.2	5.9	7.1	8.3	6.8
	A	21.6	22.9	14.4	19.7	15.5	19.2	16.7
Total	P	100.0 (4)	100.0 (86)	100.0 (48)	100.0 (85)	100.0 (56)	100.0 (277)	100.0 (469)
	A	100.0 (3700)	100.0 (75810)	100.0 (34710)	100.0 (51675)	100.0 (36800)	100.0 (198995)	100.0 (297200)

Table 17 : Proportion of land under cereals and cash crops

Size-group (acres)	Acreage under cereals	Acreage under cash crops	Total acreage
	A. G.	A. G.	A. G.
0.1 to 5	13-21	2-33	16-14
Per cent	83	17	100
5.1 to 10	65-12	16-04	81-16
Per cent	81	19	100
10.1 to 15	86-30	28-29	115-19
Per cent	75	25	100
15.1 to 20	118-39	44-18	163-17
Per cent	73	27	100
20.1 to 30	165-28	54-01	219-29
Per cent	75	25	100
30.1 to 50	268-15	61-39	330-14
Per cent	81	19	100
50.1 and more	99-00	68-16	167-16
Per cent	59	41	100

(Data pertain to the three branches referred to earlier.)

Table 18 : 'Frozen' Loan Amount and Percentages for the year
1963-64

Name of the Taluka	Name of the Branch	Amount Borrowed	Upto 4 weeks per cent
1. Pachod	Bidkin	8,500	2.7
2. Aurangabad	Aurangabad	11,405	4.4
3. Jafrabad	Jafrabad	4,875	8.7
4. Khultabad	Savagi bajar	8,275	9.4
5. Gangapur	Turkebad	17,300	14.3
6. Jalna	Ner	7,600	14.8
7. Kannad	Pishor	2,150	16.3
8. Bhokardan	Paradh	2,900	17.2
9. Jalna	Ranjani	8,425	17.7
10. Ambad	Dhansavagi	9,225	23.6
11. Bhokardan	Bhokardan	21,275	23.7
12. Sillod	Bharadi	9,875	23.7
13. Ambad	Kumbhar Pimpalgaon	5,225	23.9
14. Jalna	Badanapur	16,075	24.0
15. Jalna	Jalna	10,300	26.7
16. Soyagaon	Banoti	12,825	26.9
17. Soyagaon	Soyagaon	6,750	28.5
18. Khultabad	Khultabad	2,450	28.6
19. Ambad	Ambad	9,930	31.2
20. Sillod	Sillod	5,900	32.2
21. Sillod	Ajanta	12,300	34.8
22. Aurangabad	Kernad	7,800	35.9
23. Bhokardan	Shivana	9,290	37.5
24. Kenned	Chincholi Limbaji	7,025	39.5
25. Ambad	Vadigodri	5,675	42.7
26. Vaijapur	Veergaon	13,800	43.2
27. Gangapur	Gangapur	8,575	44.8
28. Vaijapur	Shivur	11,450	53.9
29. Aurangabad	Phulambri	14,300	54.3
30. Kannad	Aurala	17,200	55.2
31. Gangapur	Lasur Station	12,725	55.7
32. Aurangabad	Pimpri-Reja	6,025	72.5
33. Pachod	Pechod	4,550	81.3
34. Kenned	Kenned	4,775	82.2
35. Paithan	Paithan	12,500	85.1
36. Vaijapur	Vaijapur	9,225	

Table 19 : Arrivals in the regulated market and proportion handled by the Co-operative Marketing Society (Aurangabad Taluka)

Name of the Crop	1961-62		1962-63		1963-64		1964-65		1965-66	
	1	2	1	2	1	2	1	2	1	2
Rice	265		137		220		116	15	-	-
Wheat	7,070		6,110		13,043		10,310	360	11,038	257
Jowar	108,720		145,832		127,807		9,928	-	-	-
Bajri	16,244	4,072	8,523	894	5,049	N.A.	10,187	301	33,313	843
Gram	4,099	(1.3%)	6,600	(0.5%)	3,905		3,864	62	3,809	51
Tur	39,919		19,245		38,355		14,681	295	5,462	77
Mug	47,713		18,674		28,246		21,953	335	19,255	160
Udid	4,670		1,802		1,808		1,872	10	1,591	48
Groundnut	8,281	58	7,074	-	4,300		4,931	199	2,752	Neg.
Kardi	7,835		10,450		7,211		10,849	407 (3.7%)	3,788	195 (5.1%)
Other oil seeds	3,943		3,803		2,940		3,034			
Jaggery	26,467	517 (1.9%)	27,875	169 (0.6%)	32,382	N.A.	30,237	2,866 (9.5%)	28,833	88 (Neg.)
Cotton	68,083	1,167 (1.7%)	121,492	252 (0.2%)	90,644	N.A.	82,539	5,646 (6.8%)	84,864	1,195 (1.4%)

1 - Arrivals in the regulated market (quintals)

2 - Quantity (in quintals) handled by the Co-operative Marketing Society of Aurangabad.

N.A. - Data not available.

Neg. - Negligible.