

# REPORT

ON

## Coordination of Short-term, Medium-term and Long-term Credit



by

FUNCTIONAL COMMITTEE

on

CO-OPERATIVE AGRICULTURAL CREDIT

of

National Co-operative Development Corporation

C-56, South Extension Part II, New Delhi - 16.

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# **CHAPTER I**

## **BACKGROUND**

The National Cooperative Development Corporation, under its Notification dated 13th February, 1964, referred to its Functional Committee on Cooperative Agricultural Credit, the following issues for its consideration and report.

- (1) Categorisation of the purposes and periods of different types of loans namely, Short-term, Medium-term and Long-term.
  - (2) Security and standards of medium-term loans.
  - (3) The basis for computing the repaying capacity of an agriculturist in respect of long-term loans.
  - (4) Raising of resources by Central Cooperative Banks and Central Land Mortgage Banks and whether such raising of resources would lead to competition between these two agencies.
  - (5) Whether a separate organisation for dispensing long-term credit is at all necessary in such of the states as have yet to develop land mortgage banking structure.
2. A copy of the Notification issued by the Corporation in this behalf is at Appendix—I.
  3. The composition of membership of the Functional Committee on the date of the Notification was as under :—

(i) **Shri K.P. Pande** **CHAIRMAN**  
(Member, N.C.D.C.)  
Chairman,  
Madhya Pradesh State Cooperative Bank.

(ii) **Shri M.K. Firodia, M.P.** **Member**

\*(iii) **Shri Udaybhansinhji**  
Yuvraj of Porbander (Gujarat), „  
Chairman,  
The All India Central Land  
Mortgage Banks' Cooperative  
Union Ltd.

(iv) **Shri A.V. Narasimha Reddy,** „  
President,  
Mysore State Cooperative  
Apex Bank Ltd.

(v) **Shri D.P. Singh,** „  
(Member National Cooperative  
Development Corporation)  
Joint Secretary (Agriculture)  
Planning Commission.

(vi) **Shri P.D. Kasbekar** „  
Chief Officer,  
Agricultural Credit Department,  
Reserve Bank of India,  
Bombay.

•Consequent upon sad and sudden demise of **Shri B. Venkatratnam,**  
**Shri Udaybhansinhji** succeeded him as a Member of the Functional  
Committee of the Corporation.

(vii) **Shri N.P. Chatterjee,**  
Joint Secretary to the Govt.  
of India, Ministry of Community  
Development & Cooperation  
(Department of Cooperation).

(viii) **\*\*Shri A.C. Bandyopadhyay,** Convener.  
Secretary, National Cooperative  
Development Corporation.

4. The Committee held four meetings for this purpose—the first meeting was held on 3rd June, 1964 at New Delhi—the second meeting on 6th July, 1964 at Bombay, the third on 1st October, 1964 at New Delhi and the fourth and final meeting on 28th October, 1964 at Hyderabad. Apart from this, this subject was briefly mentioned at the meeting of the Committee held at Patna on the 22nd February, 1964 and was also discussed at an informal meeting in the office of the Chief Officer, Agricultural Credit Department, Reserve Bank of India, at Bombay on 6.4.1964.

5. The Corporation addressed the Managing Directors of the State Cooperative Banks and Central Land Mortgage Banks as also the Registrars of Cooperative Societies for eliciting relevant information on the subject. The copies of the circular letters issued are at Appendices II (a) and II (b). In these letters, information was sought to be obtained in respect of (i) purposes of loans ; (ii) periods of loans ; (iii) security required and basis of valuation of security ; (iv) whether the quantum of loan was related to (a) land revenue (b) land holding and (c) share capital ; (v) maximum amount of loan admissible and (vi) other conditions of loan admissibility. This information was requested separately in respect of medium-term and long-term loans. Information has been received from the States of

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\*\*He has since been appointed as Deputy Secretary in the Ministry of Community Development and Co-operation (Department of Cooperation).

Andhra Pradesh, Assam, Gujarat, Jammu and Kashmir, Kerala, Madhya Pradesh, Madras, Maharashtra, Mysore, Orissa, Punjab, Rajasthan, West Bengal and Union Territories of Himachal Pradesh, Manipur, Tripura and Pondichery.

To ascertain the purposes and the periodicity of various purposes in respect of medium-term loans, a circular letter was addressed to the Registrars of Cooperative Societies and the Managing Directors of the State Cooperative Banks to send necessary information and the same was received from the States of Andhra Pradesh, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Uttar Pradesh and the Union Territory of Manipur.

6. The information received from various States has been tabulated and placed at Appendix III.

7. Shri R.R. Madan, Deputy Director (Credit) of the Corporation, visited some cooperative institutions in the States of Orissa, Madras and Madhya Pradesh and conducted some case studies.

8. The Committee had the benefit of a note sent by Shri A.V. Narasimha Reddy, on the subject of integration of short-term, medium-term and long-term credit. Shri Udaybhansinhji (Yuvraj of Porbander) also sent a note on the measures adopted in the Gujarat State for promoting co-ordination between the long-term and the short-term agencies.

## **CHAPTER II**

### **SHORT TERM LOANS**

#### **Purpose of loans :**

9. Short-term loans are given for 'seasonal agricultural operations' i.e. for raising of a crop on land. There is a general understanding as to the specific items of expenditure, which would be considered as coming within the scope of seasonal agricultural operations. We do not consider it necessary to list out these items. We would, however, like to mention that in several States, short-term loans are also given for purchase of bullocks and this does not appear to us to be a purpose justifying the sanction of short-term loans. Instances have been noticed in which, members have been given loans for purchase of bullocks, partly as short-term and partly as medium-term. This appears to us to be an unsatisfactory arrangement. We would like to emphasise that short-term loans are to be given for seasonal operations directed towards raising a crop on land, including a reasonable amount for the maintenance needs of the farmer and his family. In this connection, we would like to refer to the brochure on "Action Programme for cooperative credit in the districts selected for Intensive Agricultural Development", which has been circulated by the Ministry of Community Development & Cooperation to the State Governments in March, 1964. While emphasising that loans should be production oriented, the Action Programme has suggested that the short-term credit needs of the cultivator-member should be determined chiefly with reference to the prevalent scales of production expenditure on different crops. The needs have been

classified in the Action Programme under the following five heads:

- (a) Cash requirements for production, fixed on per acre basis, crop-wise; for rainfed crops these should ordinarily be within about one-fourth of the average value of production per acre within the area; for irrigated crops, these may go up to one third.
- (b) Amount required per acre for fertiliser, pesticides, seed etc. upto the quantities recommended by the extension authorities for each crop. (This part of the credit should be disbursed in kind.)
- (c) An amount in cash to take care of the extra labour charges etc., arising from the use of the inputs mentioned in (b) normally not exceeding about one half of the amount availed of under (b).
- (d) A lump sum in cash, at not more than about Rs. 50 per family, to meet some part of the maintenance needs of the family; and
- (e) An additional cash amount equal to 5 per cent of the produce sold by the member through the co-operative during the previous year. This is by way of encouragement to cooperative marketing.

The amount of loan admissible to a member will be determined with reference to his needs subject to his repaying capacity. We are in agreement with these principles for determining the size of loans.

#### **Duration of loans:**

10. It is necessary to introduce seasonality in the matter of grant and recovery of loans for various crops, under which the loans should be given during the sowing season and the date of recovery should be fixed as near as possible to the period when the major marketable crop of a majority of the cultivators in



the area is likely to be marketed. The period of short-term loan should be ordinarily within the upper limit of 12 months. Short-term loans of a duration exceeding twelve months may, however, have to be given in exceptional situations, e.g. where a crop takes more than twelve months to be ready for harvest or where a crop has to remain on the field longer than usual waiting for its turn to be marketed. Some varieties of sugarcane offer instances of this kind. In areas where such loans of a duration beyond twelve months have to be given, a suitable balance will have to be maintained by the credit agency between the loans disbursed for 12 months and those disbursed for a longer duration.

### **Repaying capacity :**

11. The advancement of production finance on the crop loan basis assumes that the member will be able to pay off his loan after the produce raised on his farm has been marketed. In the Action Programme, it has been assumed that repaying capacity is equal to half the estimated total cash income of the member less the known demands on account of other loans taken by him. The cash income is to comprise both (i) estimated cash realisations from likely sales of produce and (ii) estimated off-farm income. We agree with this approach but suggest the following modifications in regard to the calculation of the repaying capacity, mainly with a view to simplification of the procedure:

Firstly, the repaying capacity for the short-term production loan and the medium-term loan (other than for new investments) together may be fixed at 50 per cent of the average gross value of the produce per acre cropwise instead of relating this ratio to the expected cash receipts from the sale of the cultivator's produce, as the latter may be difficult to compute in each individual case.

Secondly, the addition to the repaying capacity on account

of off-farm income may be taken at 50 per cent of only such off-farm income as is known to be of a regular nature.

In areas, where special programmes of agricultural development are undertaken, e.g. the Intensive Agricultural District Programme and Intensive Agricultural Development Areas, the approach may have to be somewhat different. On the one hand, it is necessary to ensure that adequate credit is available for financing the inputs of fertilisers, pesticides etc., which are indicated as necessary and also the consequential cash outlay; on the other, it has to be recognised that the intensity of the application of the package of improved practices is likely to vary from cultivator to cultivator in the initial stages of these programmes. In view of these two considerations, we suggest that short-term credit (mainly in kind) be provided to the full extent applied for by the participant for financing these inputs and the resulting cash expenditure. This would be over and above the normal scale of finance fixed for the non-participants. The assumption involved in this approach is that the additional credit provided to a participant in the form of inputs and the cash component linked to such inputs, will result in an increase in the gross value of output in the same proportion as the normal scale of finance fixed for non-participants bears to the level of gross value of output assumed in their case. Similarly, the balance of repaying capacity for medium-term loans to be taken by the participants can be deemed to increase in the same proportion as the short-term production credit availed of by them bears to the normal scale fixed for the non-participants. On these assumptions, the repaying capacity of the participants for their short and medium-term borrowings together can be deemed to bear the same relationship of 50 per cent of the anticipated gross value of produce.

To illustrate, we may assume that, in a particular case, the normal level of gross value of output per acre is Rs. 100 and that scale of the normal short-term loan is Rs. 35. In that case, the balance of repaying capacity for medium-term loan would be Rs. 15, the two together not exceeding 50 per cent of the

gross value. If the additional short-term credit required because of the increased outlay on recommended inputs is Rs. 17½ (both kind and cash), then the new short-term credit level will be Rs. 52½. On the basis of the relationship of 35:15 between short and medium-term repaying capacity, the new medium-term loan repaying capacity will be Rs. 22½ per year. The total repaying capacity under both short-term and medium term, therefore, will work out to Rs. 75/-. It is to be assumed in such a case that the gross value will be at least twice this sum i.e. Rs. 150/- as compared to the normal value of Rs. 100/-.

#### Security for Short-term loans :

12. The Mehta Committee on Cooperative Credit recommended that production loans should be advanced on the basis of sureties instead on the mortgage of land. Though this important recommendation has been accepted in principle in all the states, in practice it has been implemented only in varying degrees. In Orissa and Madhya Pradesh, a cultivator is required to mortgage his land for short-term and medium-term loans. In Bihar and West Bengal, a member can borrow upto Rs. 200 only on surety basis and has to offer mortgage security for loans exceeding this amount. In Rajasthan and Andhra Pradesh, he can borrow upto Rs. 500 on surety basis. In Mysore, loans are advanced on surety basis by the Central Banks on creation of a charge on the land but, by and large, for loans exceeding Rs. 500, security of land mortgage is obtained. In case of surety loans also the sureties are required to be members who own land. In Uttar Pradesh, until recently, loans used to be advanced to a member on surety basis upto Rs. 400, but now surety loans are advanced on the basis of and upto the requirement of production plans. In Kerala, most of the banks advance loans only on the basis of mortgage of land.

13. We are of the opinion that these restrictive loaning policies are unnecessary fetters in the way of providing production loans on a large scale and should be done away with. Mortgage of land for short-term loans restricts the cultivator's

capacity to borrow sufficient medium-term loans (as these are to be advanced on mortgage of land as security for amounts exceeding Rs. 1,000) or long-term loans which could be advanced only on the basis of mortgage of unencumbered land as security for the loan.

#### **Individual Maximum Borrowing Power (I.M.B.P.) :**

14. At present in some of the States, the individual maximum borrowing power has been laid down at an extremely low level. In Assam, the maximum credit limit of a member is as low as Rs. 500 only. In Orissa, West Bengal and Kerala, it is Rs. 2,000. In Rajasthan, this limit is Rs. 500; a higher limit of Rs. 1500 being allowed in case of a member marketing his produce through the concerned marketing society, and a limit of Rs. 3,000 being allowed to members in the IADP district who adopt improved practices.

15. We have given careful thought to this aspect of the problem and are of the view that these unduly low limits stand in the way of the co-operatives meeting fully the credit needs as determined on the basis of crop-cum-acreage with reference to agreed scales of finance. These limits should, therefore, be revised upwards without delay. In doing so, however, account should be taken of the position of the resources of the cooperative credit structure in each case and also of the danger of a small number of members securing the bulk of the credit available from a society. The individual maximum borrowing power should, therefore, be fixed at a reasonable and realistic level with reference to these somewhat conflicting considerations.

We are of the opinion that, as a first step, individual maximum borrowing power in all cases where it is lower than Rs. 2000 may be raised to Rs. 2,000. Thereafter, it may be raised, gradually and having regard to the availability of resources, over the next few years, upto Rs. 5,000 per member in unirrigated areas and Rs. 10,000 per

member in irrigated areas. Loans above the individual maximum borrowing power may be sanctioned in individual cases, provided resources are available and justification for a larger loan is fully established on the basis of the production programme and repaying capacity of the borrower. It is desirable that the circumstances in which the loans may be so advanced in excess of the individual maximum borrowing power are decided by the financing bank as part of its loan policy in consultation with the apex bank and the Cooperative Department.

## **CHAPTER III**

### **MEDIUM-TERM LOANS**

#### **Purposes of Medium-term loans :**

16. The various purposes, approved by the Reserve Bank of India, for which medium-term loans can be advanced by agricultural credit societies may be enumerated as under:—

- (i) Reclamation of land.
- (ii) Bunding and other land improvements.
- (iii) Preparation of land for orchards and plantation.
- (iv) Construction, development and maintenance of irrigation sources (wells and pump sets).
- (v) Purchase of such live-stock as is necessary or conducive to agriculture.
- (vi) Purchase of machinery, implements, transport equipments as are necessary and conducive to agriculture.
- (vii) Construction of farm-houses and cattlesheds etc.
- (viii) Purchase, construction, maintenance of such equipment as may be needed for carrying on animal husbandry and allied activities jointly undertaken with agriculture.
- (ix) Other purposes (such as gardening, fencing, plantation etc.).

(x) Purchase of milch cattle.

(xi) Purchase of shares in cooperative sugar factories.

17. It will be seen that some of these purposes are capable of interpretation in such a way as to cover some other allied or similar items. The above enumeration is not exhaustive and we would like to add a few more items to this list, such as purchase of sheep, piggery, purchase of shares in societies engaged in processing of agricultural produce other than sugarcane. This addition suggested to the list of purposes for medium-term loan is again primarily illustrative rather than exhaustive. As conditions will vary from area to area for defining additional purposes for medium-term loans, we are inclined to suggest that the State and Central Cooperative Banks may define such additional purposes suitable to their areas in consultation with the State Government and the Reserve Bank of India.

18. The purposes for which medium-term loans are needed may be classified into two categories:—

- (a) those connected with maintenance or replacement of existing production assets. We may call them, as normal medium-term requirements;
- (b) those which may be used for financing new investments for improving the productive capacity of the farm. This category may be named as 'special medium-term' loans.

#### **Normal Medium-term loans :**

19. We are of the opinion that the loans for maintenance of capital assets or replacement of existing capital assets should be given only by the medium-term loan agencies, i.e. the State Cooperative Banks, Central Cooperative Banks and the Primary Agricultural Credit Societies. Purchase of bullocks, which is the most important item in this category, is also a purpose for which finance should be made available only by the medium-term agencies.

Such 'normal' medium-term loans should be regulated as far as possible, on the lines of short-term crop loans. It is desirable that in each central bank area, standard norms are prescribed indicating the purpose for which such loans are admissible, the periodicity of loans for each such purpose and the scale of loan admissible. While prescribing the norms, an important point to be considered is whether the eligibility for a loan is to be made dependent on the possession of a minimum unit of land by the prospective borrower. For example, a central bank may consider fixing a scale of medium-term finance for purchase of bullocks somewhat on the following lines. If the general requirement is say one pair of bullocks per 10 acres of dry land, the price of a pair of bullocks is Rs. 1,000, and the average period of serviceability of a bullock is 5 years, the scale may be fixed at Rs. 100 per acre for 5 years subject to the proviso that the unit of land to be serviced is not less than the minimum of 10 acres of dry land. The possibility of several members, each possessing less than the minimum unit, joining together to raise a loan has also to be recognised.

20. We suggest that in each State the maximum quantum of loan admissible under each category of normal medium-term purpose should be laid down by the Apex and Central Cooperative Banks in consultation with the State Government and the Reserve Bank of India. This procedure has to some extent been already followed in the Maharashtra State, where a loan of Rs. 2,500 is admissible for purchase of engines, pumpsets etc. Rs. 1,000 for bunding and other land improvements as well as deepening and repairs of wells, Rs. 700 for purchase of milch cattle and Rs. 1,000 for construction of cattle sheds. It will, no doubt, be necessary for the financing agencies in various States to fix ceilings for these or similar other purposes according to the circumstances prevailing in each State. We feel that scales of financing medium-term loans in areas growing intensive crops such as sugarcane, tobacco and jute could be fixed at a somewhat higher level in view of the fact that the farmer's repaying capacity in such



areas is better. We feel that apart from fixing ceilings of loans for various purposes, it will be advantageous also to fix the minimum limits for various purposes as this would help to check the misuse of medium-term loans for short-term purposes including consumption. While fixing the upper and lower limits, the considerations regarding the repaying capacity of the borrower, which we have indicated in para 11, should be kept in view.

We find that at present there is no satisfactory system of linking medium-term loans with the acreage of the cultivator. In respect of short-term loan the need for such linking has been recognised at least in principle. The same logic should be applied to medium-term loans. This will help in bringing about some kind of uniformity in granting medium-term loans in the same area. Other things being equal, the amount of loan will depend upon the size of the holding. We feel that a guide line should be drawn up in this regard by the apex banks, in consultation with the central cooperative banks, for different areas of the State.

#### **Special Medium-term loans :**

21. Regarding loans for financing new investments, one view that has been urged before us is that all such loans, irrespective of the period for which they are given should be handled by the land mortgage banking structure only and that the short and medium credit structure should confine itself to giving short-term loans and 'normal' medium-term loans. The main argument given in favour of this view is that all developmental lending requires a special kind of expertise which is not likely to be available with the short and medium-term structure. Secondly, it is urged, medium-term resources with the short and medium-term structure are bound to be of a limited order and the surplus after meeting the requirements of normal medium-term loans and the need to absorb overdues and extensions in respect of short-term loans, would be negligible in relation to the needs of developmental lending.

An opposite view has also been placed before us viz. that term lending upto durations of 10 years for developmental purposes should be handled by the short and medium-structure, because from the point of view of the borrowers, the latter agency is much more convenient than the land mortgage banking structure.

We have given some thought to both these suggestions. We cannot favour the second view because the short and medium-term structure is not likely, in the near future, to command resources which can enable them to undertake loans of more than 3-5 years' duration. We are inclined to favour the first view in principle, but we do not think that all the land mortgage banks in the country are in a position to take responsibility for all types of term lending for development. The more advanced land mortgage banking systems may perhaps undertake, with the concurrence of the short and medium-term structures, pilot projects in selected areas for all types of developmental lending irrespective of the duration of the loans. For the rest there should be an understanding between the land mortgage banking structure and the short-cum-medium-term credit structure as to what type of investments may be financed by the latter. The division of responsibility should be on the basis that only such investments should be financed by the short-cum-medium-term structure as are known to be capable of being serviced on medium-term basis, having regard to the local conditions.

#### **Period of Medium-term loans:**

22. In determining the period for which medium-term loans should be given, the most important factor to be considered, in our view, is the period of the serviceability of the asset to be procured with the loan. For example, if a new pumpset can serve five acres of double crop area for five years, the loan for this purpose should be for a period of 5 years. However, in single crop areas, it may be difficult to repay the loans for pumpsets in five years as per acre burden of repayment will be more than in double crop areas. In such cases, loans will have

to be for a longer term, say 8 or 10 years. The case of pump sets has been cited only by way of illustration. The question whether a specific purpose calls for the grant of medium-term or long-term loan should be decided in each State by the State Government in consultation with the agencies responsible for disbursement of medium-term and long-term credits viz. the State and/or Central Cooperative Banks and the Land Mortgage Banks.

23. While there is a clear need for a purposewise division of the requirements to be respectively served by the medium-term and the long-term agencies, we would like to add that if in any area due to practical difficulties the medium-term agency is not in a position to provide the loan to a particular member, there should be no bar on him to draw a long-term loan from the land mortgage bank for the purpose which otherwise should appropriately be categorised as medium-term purpose. At the same time steps should be taken to remove the difficulties which may be standing in the way of the medium-term agency catering to the requirements of all medium-term purposes.

#### **Periodicity of Medium-term loans and criteria for repaying capacity :**

24. Sufficient data were not available to enable us to form an opinion as to the reasonable periodicity of loans for a particular purpose i. e. the period after which a loan for the same purpose by a borrower can be repeated. We feel, however, that a cultivator should be eligible to draw a second medium-term loan for a purpose other than the one for which the first loan was sanctioned, provided that the second loan does not exceed the balance of his repaying capacity. No such second or subsequent loan should, however, be sanctioned for the same purpose (s) unless the previous loan has been cleared. The question of providing medium-term loans at repeated intervals is, however, integrally linked up with the other short, medium and long-term loans liabilities of the borrower. Here we would like to refer to the considerations suggested by us in para 11 (Chapter II) relating

to the repaying capacity of a borrower in respect of short-term and normal medium-term loans. It is difficult to suggest any hard and fast criterion for calculation of repaying capacity in respect of special medium-term and long-term loans. These loans are intended to finance new investments for increasing the productivity of land, and are expected to generate sufficient additional income to cover the loan instalments. As a general guide-line, we feel that 10-15 per cent of the gross value of the produce may be assumed to be the extent of repaying capacity for such loans. This is in addition to 50 per cent of the gross value of the produce which we have assumed to be the extent of repaying capacity for short-term and normal medium-term loans.

#### **Security for Medium-term loans :**

25. We may briefly indicate the existing rules and practices in different states regarding security for medium-term loans. Loans for medium-term purposes are provided only on mortgage of land in the States of Andhra Pradesh, Assam, West Bengal and Union Territory of Tripura. In Kerala, Orissa and Madras, loans up to Rs. 500 are given on the basis of sureties and loans beyond this amount are given on the basis of mortgage of land. In the States of Gujarat, Madhya Pradesh, Mysore (except in the areas of two central banks), Punjab, Rajasthan and Union Territory of Pondichery, medium-term loans are to be disbursed according to the recommendation of the Mehta Committee i. e. loans up to Rs. 500 on the basis of sureties and loans above Rs. 500 and not exceeding Rs. 1,000 by creating a charge on the landed property. For loans exceeding Rs. 1,000, mortgage of land has been recommended as the desirable form of security. In Maharashtra, however, all medium-term loans are to be disbursed on the basis of creating a charge on the landed property. While the principle of giving medium-term loans up to certain limits on the basis of sureties or on the basis of creation of a charge, has been accepted in most States, in practice the managing committees of the societies usually insist on mortgage of land as a security for the loan. Not only is mortgage of land insisted upon, but the entire landed property of the borrower is

obtained as mortgage, the value of which in certain cases is disproportionately large compared to the amount of loan. This practice, in effect debars the members of the societies from applying for long-term loans from the Land Mortgage Banks, as no loans from that agency can be given without mortgage of unencumbered property. This has also resulted at least in some areas in creating a psychological feeling of incapacity to borrow in the minds of the members. Such a practice makes it almost impossible for members to borrow short, medium and long term loans simultaneously. This hampers agricultural production programme.

It is necessary to study the 'practical' conditions prevailing in the area of each central co-operative bank and lay down certain standards regulating the security necessary for the medium-term loans. The idea is to ensure that the value of lands mortgaged, where mortgage is unavoidable, has a reasonable relation to the amount of loan, and the balance of mortgagable resources is available for a long-term loan, should a borrower be in need of it.

The Mehta Committee on co-operative credit had recommended that medium-term loans upto Rs. 500 should be given on the basis of sureties, loans above Rs. 500 and upto Rs. 1,000 should be given on the basis of creation of a charge on land, and loans in excess of Rs. 1,000 should be given against mortgage security. We would like to reiterate the recommendation that loans upto Rs. 500 to a member may be given on sureties. For loans exceeding Rs. 500, we are of the opinion that creation of a charge on land should be regarded as adequate security, even if the loan exceeds Rs. 1,000. Those States who do not have legislative provision for creation of charge, may undertake necessary amendment of their Co-operative Law. The consensus of opinion amongst us is that for loans exceeding Rs. 1,000, it is not necessary to ask for sureties in addition to charge on land. One of our members is, however, of the opinion that sureties will provide a built-in assurance for prompt repayment of loans and

hence it will be desirable to insist on sureties also, in addition to charge on land.

A question to be considered is whether in the case of medium-term loans, it should be stipulated that the value of the land on which charge is created should be at least equal to the amount of the loan sanctioned. The Mehta Committee has not specifically dealt with this aspect of the matter. We feel, however, that if it were the intention of the Mehta Committee that the value of the land should bear certain relationship to the amount of the loan taken, the committee would have specifically said so. We are of the view that medium-term loans should be given irrespective of the value of the member's interest in the land provided all the land in his possession is subjected to charge, and the standards of loan admissibility mentioned earlier are fulfilled.

## **CHAPTER—IV**

### **LONG-TERM LOANS**

#### **Purposes of Long-term loans :**

26. The purposes for which long-term loans are generally provided are mentioned below :

- (i) Digging and repairs of wells, tanks etc. (ii) Preparation of land for irrigation, (iii) Reclamation, bunding and land improvements, (iv) Construction of farm houses, cattle sheds and machine sheds, (v) Horticulture, (vi) Purchase of oil engines, (vii) Purchase of tractors and other agricultural heavy machinery, (viii) Purchase of machinery for crushing sugarcane, manufacturing gur or khandsari, (ix) Purchase or land for consolidation of holdings, (x) Erection or repairing of houses for agricultural purposes, (xi) Purchase or acquisition of title to agricultural lands by tenants, and (xii) Liquidation of debts.

This is more or less a common list of purposes for which loans on long-term basis are available in most of the States. It is of course axiomatic that only such purposes which require long-term investments should be financed by the long-term agency. We are, however, of the opinion that some of the purposes which, strictly speaking, may come under the category of medium-term may also be financed by the long-term agency if the medium-term structure is, for some reasons, unable to provide the finance to a deserving cultivator. We consider it important that the agricultural production programme should receive the fullest possible support from the co-operative credit system.

In this context, we would like to refer to the special needs of areas where intensive development programmes are being undertaken. We may refer, for instance, to the rural electrification programme in Maharashtra, which involves heavy credit requirement for installation of electric motors, pump sets and wells etc. Loans for such purposes will be needed firstly on long-term basis for installation and secondly on medium-term basis for maintenance of these new assets. For creation of these new assets also loans could be sanctioned by the medium-term agency provided the quantum of loan required is such as can be repaid in a period of 3 to 5 years. In regard to the areas of heavy rainfall, say above 40", the bundings would be of a different type than in the areas with lesser rainfall. Hence, for putting up new bundings, like stone or concrete bundings, loans should be provided by the long-term agency and for periodical repairs of such bundings, loans should be given by the medium-term agency. In the same way, loans for levelling of land, where the cost is high, say Rs. 300 per acre, and loans for cantour bundings, should be given by the long-term agency.

At present, loans for 'pati earth' i.e. silt, are being provided by both medium and long-term agencies in Madhya Pradesh. In Andhra Pradesh, loans for this purpose are being given by the long term agency. This loan is intended for the maintenance of soil fertility and its manurial value is expected to last for about 3 years. We are, therefore, of the opinion that loans for 'silt' should be appropriately categorised as medium-term. In this connection, we commend, for the consideration of the concerned institutions, a suggestion which has been made to us, namely that the service co-operatives in the concerned areas may consider the feasibility of providing quick transport for silt so that its fertility is not lost in transit.

In regard to deep ploughing for keeping away the weeds, the cost is approximately Rs. 40—50 per acre. In addition, some more expenses are required say Rs. 10/- per acre. The question whether loans should be disbursed for this purpose by the medium-term agency or the long-term agency, depends upon



the amount of loan required per acre. There can be no hard and fast rule for financing such purpose by either agency. This should be decided on the basis of the amount involved and the additional repaying capacity generated by such developmental work.

#### **Periods for the Long-term loans :**

27. Long-term loans are at present advanced for a period ranging between 10-20 years. Some States have laid down varying periods depending upon the quantum or purposes etc. of the loan within this range of period. For example in Andhra Pradesh maximum loan admissible in deltaic areas is Rs. 15,000/- and in dry and upland areas it is Rs. 10,000. The period of loan is 15 years but the borrower can repay in 10 years if he wants to do so. In Gujarat, the period is 15 years for loans between Rs. 5,000 and Rs. 10,000 and 20 years for loan above Rs. 10,000. In Maharashtra loans out of Taccavi funds are for 10 years. For non-taccavi loans, the period is 10 years for wells, pumpsets and land improvements, 7 years for purchase of tractors, 12 years for group loans for lift irrigation, and for a period ranging between 10 and 15 years for purchase of land and redemption of debts. In Madhya Pradesh and Mysore, it is uniformly 10 and 15 years respectively. In Madras it varies from 15 to 20 years. In Rajasthan, it is up to 10 years for loans upto Rs. 10,000, and between 10-15 years for loans exceeding this amount. In West Bengal, it is upto 10 years, but the question of raising this period to 15 years is under consideration. The Tripura land mortgage bank sanctions loans upto 20 years for discharge of prior debts and 15 years for development of land for cultivation and purchase of cultivable land.

We find that in no State is long-term loan given for a period of less than 10 years. We do not consider it necessary that for all purposes long-term loans must be for periods of ten years or more. If certain purposes justify grant of loans of a duration of more than five years but less than ten years there should be no

bar to this. Periods of each type of loan should be fixed according to the purpose of the loan and the repaying capacity of the borrower member.

#### **Repaying capacity :**

28. At present, long-term loans are either not at all directly linked up or, if at all, very remotely connected with the repaying capacity of the borrower. We recommend that the long-term credit structure should, in consultation with other authorities concerned, devise a mode calculation for repaying capacity for each of the purposes under the long-term loans. In this connection, we suggest that the general consideration for determining the repaying capacity, as indicated in para 24, should be kept in view.

#### **Security for Long-term loans :**

29. Long-term loans are advanced only on the mortgage of un-incumbered property to which borrower member has a clear title. The basis of valuation of land offered, by way of mortgage, as security for the loan, varies from state to state. The important point, in our opinion is the need to take into account the enhanced value of the land after improvement of the land has been carried out. The principle has already been adopted to some extent in the States of Maharashtra, Gujarat, Andhra Pradesh and Madras. In Madras, the State Government stands guarantee against losses on account of loans advanced on this basis. The maximum limit of loan that a member can draw on this basis is Rs. 5,000/-. The guarantee of the Government of Madras is restricted to 50 per cent of the difference in the value of the land. The loss, if any is to be shared between the State Government and the central land mortgage bank in 66-2/3% and 33-1/3% proportions respectively. In Andhra Pradesh 50% of the value of a well, the cost of which exceeds Rs. 1500 and 75% of the value of a well in case of loan not exceeding Rs. 1500, is added to the value of hypotheca otherwise determined for the purpose of loan.

## CHAPTER V

### RESOURCES, STRUCTURE AND COORDINATION

30. In the preceding three chapters, we have dealt with the important aspects relating to short-term, medium-term and long-term loans. We now proceed to deal with the other specific questions covered by the terms of reference.

**Raising of resources by central cooperative banks and central land mortgage banks and whether such raising of resources would lead to competition between these two agencies :**

31. We are generally of opinion that agencies for providing finances to the medium-term and the long-term structures are more or less independent and distinct. The debentures are mostly contributed by the Life Insurance Corporation, the State Bank of India, the Reserve Bank of India, the National Co-operative Development Corporation and from out of the sinking funds of the land mortgage banks. The medium-term loans are, on the other hand, financed from out of the owned funds of the apex cooperative banks, the central cooperative banks and the primary agricultural credit societies which raise deposits from members and non-members ; in addition, there are borrowings from the Reserve Bank of India. Broadly speaking, therefore, there is hardly any occasion for competition between these two agencies for attracting contributions to the debentures or the deposits as the case may be.

We, however, feel apprehensive that investments from the public in the debentures of land mortgage banks may be difficult to obtain as similar rates of interest are available to depositors for deposits of 3-5 years in apex/central banks. Where State Governments stand guarantee for such deposits of 3-5 years, it

becomes even more difficult for debentures of land mortgage banks to get the required response from the public.

**Whether separate organisation for disbursing long-term credit is at all necessary in each of the states as have yet to develop land mortgage banking structure :**

32. We are of opinion that the two structures of financing viz. (a) the central cooperative banks and the service cooperative societies for short and medium-term loans and (b) the land mortgage banks for long-term loans, are traditionally accepted as agencies which will co-exist. In view of the fact that almost all the states, by now, have set up both the agencies, we do not feel inclined to reopen the question. However, if there are any areas where a long-term credit structure does not exist and it is not feasible to establish such a structure in the near future, such areas could be serviced by the short-term-cum-medium-term agencies as an interim arrangement, and during this period, practical steps could be taken to develop the long-term structure side by side.

**Measures for promotion of coordination between the cooperative agencies dealing in short and medium-term loans on the one hand and long-term loans on the other :**

33. Before we proceed to give our recommendations as to the measures necessary for promotion of co-ordination between short and medium-term loans on the one hand and long-term loans on the other, we would like to mention briefly the measures, which are being followed in the Gujarat State, and which are reported to be producing good results.

**Measures adopted in Gujarat :**

34. The agencies in the Gujarat State disbursing short-term and medium-term loans viz. state cooperative bank and central financing agencies and cooperative societies on the one hand and central land mortgage bank and other primaries or branch units dealing with long-term loans on the other, though

distinct from each other, have evolved measures, which mutually support and strengthen each other.

There is a provision in the bye-laws of the state cooperative bank and the central land mortgage bank which ensures that there is at least one nominee of each of these institutions on the Board of Directors of the other. The composition of the Board of Directors of these institutions also reveals that at least 1/3rd of the number of Directors of the respective banks are common to both—a factor promoting better understanding between the two agencies.

There is a Director from each District on the Board of the Central Land Mortgage Bank, who invariably happens to be a member of the Board of the District Financing Agency, thus establishing a coordination at district level too. Though it would not be possible for the common Directors and Committee members to know the credit worthiness or the repaying capacity of the individual borrowing members, as the quantum of work is quite considerable, yet in case of default on the part of loanees, the members on the Board of the central financing agencies or on the managing committee of the land mortgage bank unit at taluka would have some idea about the default committed in one sector or the other and they would decide such cases in the light of information available to them.

The central land mortgage bank has its units at the taluka level and some of the members of the managing committees of these units are also Directors on the board of the central financing agencies. Consequently, there has been a fair amount of common representation at lower levels like the district and the taluka.

The central land mortgage bank has made arrangements with the central financing agencies at the district level for an I. B. P. (Inward Bills Purchasable) account. According to this arrangement, the units of the land mortgage banks at the taluka level could draw cheques at the branches of the central financing

agencies at the taluka level for disbursement of the loan amounts. As it was discovered that the I. B. P. system did not invoke sufficient interest, the central financing agencies were approached to grant overdraft facilities to the land mortgage banks against the pledge of securities. Most of the central financing agencies have agreed to this request. The central land mortgage bank, therefore, transacts its entire business of loan disbursement through this arrangement. The central financing agencies also stand to gain by way of commission on account of the I. B. P. arrangement. Moreover, the central financing agencies can raise money by pledging the above securities with the State Bank of India or its subsidiaries, whenever they are in need of funds for maintaining their fluid resources.

The Apex Cooperative Bank of the State and the central financing agencies also subscribe to the ordinary debentures floated by the Gujarat Central Cooperative Land Mortgage Bank from time to time.

For the purpose of initial lending, the land mortgage banks require interim finance, which is usually made available from the State Bank of India or its subsidiaries by an overdraft arrangement under the state government's guarantee. As the need was felt for an alternative source of interim finance, an arrangement has been made with the state cooperative bank, by which the central land mortgage bank would be able to get an interim finance up to Rs. 1 crore, under the state government's guarantee.

35. We generally recommend that measures on the lines adopted in Gujarat may be tried in other states also. Inter-representation between the management committees of both agencies at corresponding levels is likely to be an effective method of achieving co-ordination. Some Directors of the Central Land Mortgage Bank should as well be directors of the Apex Cooperative Bank in the State. These Directors should have full knowledge about the loan policies of both

these sets of institutions, the requirements of loan of short term medium term and long term nature in different districts and areas of the state and also a full and comprehensive knowledge regarding the government developmental schemes in different areas. At the district level, there should be representation of the Primary/Taluka Land Mortgage banks on the Central Cooperative bank of the district and vice versa. The Directors of these banks should have information regarding the loans issued by the different societies to the members and also the loans issued by the Land Mortgage Banks to various members. It will be useful if a complete list of the loans disbursed during the year, loans outstanding and loans overdue at the end of the year towards various members is given to the Director of the Central Cooperative Bank who is also a Director of the Primary/Taluka Land Mortgage Bank. These Directors should also be members of the 'Loan Committees' so that they should be able to make specific recommendations whether a particular individual is entitled to further and other category of loan taking into account his land-holdings, repaying capacity and actual requirement. In this connection, we reproduce below the recommendations made by the All India Rural Credit Survey Committee in this behalf :

“While our recommendations regarding major State partnership will, we believe, provide the needed financial backbone to the superstructure of cooperative credit and enable it to extend full support to the rural base, it is also of great importance that the different components of the superstructure should function in coordination with one another. By and large, such coordination is now lacking. A theoretically ideal solution might be for one single agency to deal with short-term, medium-term and long-term-credit, but past experience, if nothing else, points to the desirability of having two separate institutions for dealing with short, and medium-term agricultural credit on the one hand and long-term credit on the other hand. Land mortgage banking is highly specialised, and it will not be desirable to saddle the short-term cooperative credit struc-

ture, which will be called upon to play an increasingly complex part within its own sphere, with additional responsibilities of so specialised a character. Short-term agricultural loans may be defined as those limited to 15 months, medium-term agricultural loans as ranging from 15 months to 5 years and long-term agricultural loans as extending beyond 5 years. At the apex level, short-term loans should continue, as at present, to be provided through state cooperative banks. Medium-term loans should also be the responsibility of the short-term cooperative credit structure; in this context, special attention should be paid to loans for the purchase of livestock which, as shown by the survey, are an important medium-term requirement in many parts of the country. Long-term loans should be provided by land mortgage banks.

We recommend that, while the state cooperative banks and the central land mortgage bank should continue to remain separate entities for legal and financial purposes, direction and management should be common to the farthest extent possible and the same administrative staff operate under the two types of institutions. Thus the State Cooperative Bank and the Central Land Mortgage Bank should have a common board of directors, a common administrative machinery and a common building to house them. If it is not practicable to have a common board of directors, at least some of the directors should be common to both. This recommendation applies in particular to states where either state cooperative bank or central land mortgage bank have to be newly established. Other states should as far as possible, attempt to modify existing arrangements in approximation to this model."

In view of the development, which has taken place since the publication of the Rural Credit Survey Committee's Report, and the observations we have made in para 35, we do not think that the mechanism of coordination which the Committee had recommended can be considered feasible in its totality under the



present conditions. But, it is possible, in our opinion, to secure substantial coordination while keeping the two agencies structurally as well as administratively distinct. In addition to inter-representation on the management committees recommended by us earlier, we suggest the following measures to achieve this end:

Firstly, the land mortgage banks should extend their support to the state cooperative banks by investing the permissible part of their sinking funds in fixed deposits with the latter.

Secondly, the state co-operative banks may support the central land mortgage banks by investing in their debentures to the extent of a part of their fluid cover requirements and, also wherever possible, providing interim accommodation to the latter.

Thirdly, the offices of the central and the apex co-operative banks may be used for canvassing support for the rural and other debentures floated by the central land mortgage banks and also for the payment of interest on such debentures.

Fourthly, branches of the central banks can act as disbursing offices in respect of long-term loans.

Fifthly, the management of the primary agricultural credit societies may be associated with the preliminary investigation and report in respect of applications of their members for long-term credit, the disbursement of such loans when sanctioned, supervision of their utilisation and recovery of the instalments of such loans. This should help to assure that total cooperative lending to an individual is within his repaying capacity, the available security is enlisted to the best advantage and the repayment performance is satisfactory all-round.

Sixthly, it should be possible, over a period of time, for selected service cooperatives to play an active part in drawing up, in consultation with the extension agency of the Government, plans for agricultural investment in the financing of which the short-term structure and the long-term structure could play their appropriate parts.

## **CHAPTER VI**

### **SUMMARY OF RECOMMENDATIONS**

#### **Short-term loans:**

(i) Short-term loans should not be given for purposes such as purchase of bullocks, which are appropriately served by medium-term loans.

(Para No. 9)

(ii) Short-term loans should be advanced on the basis of the principles outlined in the Action Programme circulated by Government of India in March, 1964. Seasonality should be introduced both in advancement and recovery of the loans. The quantum of loan should be based on:—

a) Needs under the 'crop loan system'; and

b) Subject to repaying capacity of the borrower, which may be assessed at 50 p.c. of the estimated value of produce plus off-farm income of a regular nature.

(Para No. 11)

(iii) Short-term loan should normally be for a duration of 12 months except in respect of certain crops which require a longer period for maturing or harvesting. For such crops, the upper limit of 12 months may be suitably exceeded.

(Para No. 10)

(iv) A minimum of Rs. 2,000 should be laid down as

Individual Maximum Borrowing Power and this should be progressively raised to Rs. 5,000 as a general limit. The aim should be gradually to work towards a maximum credit limit of Rs. 5,000 per member for unirrigated areas and Rs. 10,000 for irrigated areas.

(Para No. 15)

- (v) In many states, short-term loans for agricultural production are at present advanced upto very small extent on surety basis under the loaning policies laid down by the institution concerned, beyond which mortgage of land is insisted upon. We, recommend that restrictions on advancement of short-term production loans on surety basis be removed.

(Para No. 13)

## 2. Medium-term loans:

- (i) The definition of medium-term loans should be broad based. It is desirable that State and Central Co-operative Banks define the purposes suitable for their areas in consultation with the State Govt. and fix up minimum and maximum limits of loans.

(Para No. 17)

- (ii) Loans for normal medium-term purposes should be advanced on the lines of short-term crop loans.

(Para No. 19)

- (iii) Scale of loan for medium-term purposes and their periodicity should be laid down area-wise.

- (iv) Loans] for maintenance of capital assets should be given only by medium-term agencies. The maximum as well as minimum limits of loan should be laid down for each purpose as is being done in Maharashtra State.

(Paras No. 19 & 20)

(v) In regard to financing special medium-term loans i.e. for new investments, there should be an understanding between the land mortgage banking structure and the short-cum-medium-term credit structure as regards the purposes to be serviced by each.

(Para No. 21)

(vi) A second medium-term loan during the currency of first loan may be sanctioned for a purpose other than the one for which the first was sanctioned subject to repaying capacity.

(Para No. 24)

(vii) In certain states mortgage of landed property is being obtained even for loans below Rs. 500. We, recommend that loan upto Rs. 500 should be advanced on the basis of sureties for medium-term purposes as recommended by the Mehta Committee. Beyond this amount, all medium-term loans should be advanced on creating a charge. The value of the property on which charge is created need not set a limit to the quantum of loan, provided the entire land of the borrower is subject to charge.

(Para No. 25)

(viii) The special medium-term loans are expected to generate additional repaying capacity. As a general guide-line we recommend that the additional repaying capacity for special medium-term and long-term loans may be assessed at 10 to 15 per cent of the value of the produce, in addition to 50 per cent of the value of produce being taken as the limit of repaying capacity for short-term and normal medium-term loans.

### 3. Long-term loans :

(i) The purposes which require long-term investment

should be financed by the long-term agency.

(Para No. 26)

- (ii) Special attention is necessary for provision of long-term, medium-term and short-term loans in the areas being brought under intensive agricultural development programmes. Active co-ordination between the two agencies for advancing these loans is necessary in these areas.

(Para No. 26)

- (iii) The duration of long-term loans need not necessarily be 10 years or more. The duration of a loan for a specific purpose should be determined with reference to the nature of investment and repaying capacity of the borrower.

(Para No. 27)

- (iv) The security for long-term loans is the property to which a borrower member has a clear title. For the purpose of valuation of security, the presumptive value of the land after taking into account improvements to be carried out, should form the basis. The state government should come forward to guarantee losses, if any, on account of loans advanced on this basis. This is already being done in Madras.

(Para No. 29)

4. Whether raising of resources by the cooperative banks and central land mortgage banks would lead to competition between the two agencies :

We are of the opinion that the sources for providing finance for these two agencies i. e. short-term-cum-medium-term on the one hand and long-term on the other hand are distinct. Hence, normally there should not be any serious competition between these agencies in raising their resources.

(Para No. 31)

**5. Whether separate organisation for disbursing long-term credit is at all necessary in such of the states as have yet to develop land mortgage banking structure :**

In our opinion the two structures are traditionally accepted as agencies which will co-exist. Also, by now, almost all the states have set up long-term loan agency in addition to the short-term-cum-medium-term structure. We do not consider it necessary to disturb the existing structural system.

(Para No. 32)

**Measures for coordination :**

We recommend that there should be a close and intimate co-ordination between the two structures namely short and medium-term structure on the one hand and the long-term structure on the other. The following specific measures are suggested to bring about this co-ordination :

- (i) There should be some inter-representation between the committees of management of both agencies at corresponding levels.

(Para No. 35)

- (ii) The State Land Mortgage Banks should invest part of their sinking fund as deposits in State Cooperative Banks.

(Para No. 35)

- (iii) The Apex Cooperative Bank of the State and Central Financing Agency should subscribe to the ordinary debentures floated by the State Land Mortgage Bank. Interim finance may also be provided by state co-operative bank to the central land mortgage bank under state government's guarantee.

(Para No. 35)

- (iv) Offices of apex and central banks may be used for

canvassing support for the debentures floated by State Land Mortgage bank.

(Para No. 35)

(v) Branches of central banks may be used for disbursing long-term loans.

(Para No. 35)

(vi) Primary credit/service societies may be associated with investigation of long-term loan applications, and in the supervision of the utilisation of such loans and in their recovery.

(Para No. 35)

(vii) Selected service societies may be able to play an active part in drawing up plans for agricultural improvement in the financing of which both the financing agencies could play their appropriate parts.



**NATIONAL COOPERATIVE DEVELOPMENT  
CORPORATION**

**C-92, South Extn. (Pt. II).  
New Delhi-16.**

**Dated, the 13th February '64.**

**Coordination between Short, Medium & Long-Term Loans**

Under the system of cooperative credit, the agriculturists receive short-term, and long-term finance for the medium-term seasonal agricultural operations, purchase of live-stock, farm tools and implements and land improvement respectively. The different types of loans are complementary and are intended to increase agricultural production and improve the economic position of the agriculturists. There are, however, two separate agencies for providing agricultural finance to cultivators. The state cooperative bank, central banks and the primary agricultural credit societies constitute one agency for giving short and medium-term finance to the cultivators while the central and primary land mortgage banks at State and district or taluk levels constitute the other agency for catering to the needs of long-term finance of the agriculturists. It is, however, necessary to have full coordination between the different types of finances between these two agencies for evolving a system of integrated credit.

It has been decided that the Functional Committee on Co-operative Agricultural Credit, constituted by the National Co-operative Development Corporation, should examine the posi-

tion and recommend the steps by which a system of integrated credit could be evolved. In particular, the Committee may consider the following :

- (1) Categorisation of the purposes and periods of different types of loans namely, short-term, medium-term and long-term.
- (2) Security and standards of medium-term loans.
- (3) The basis for computing the repaying capacity of an agriculturist in respect of long-term loans.
- (4) Raising of resources by central cooperative banks and central land mortgage banks and whether such raising of resources would lead to competition between these two agencies.
- (5) Whether a separate organisation for dispensing long-term credit is at all necessary in such of the states as have yet to develop land mortgage banking structure.

The Functional Committee may, in addition, examine other aspects of this question as they consider relevant and suggest measures to bring about full coordination between short, medium and long-term loans and ensure their integrated development. The Committee is requested to give its recommendations as early as possible.

Sd/-

(B.M. Chitnis)

for (A.C. Bandyopadhyay)  
Secretary

**IMMEDIATE**

**Express Delivery to Banks**

**NATIONAL COOPERATIVE DEVELOPMENT  
CORPORATION**

**C-92 N.D.S.E. (Part II),  
New Delhi-16.**

**Dated : 3rd, March, 1964.**

**No. Cr./F.C. (4)/F/64.**

**From**

**The Secretary,  
N.C.D. Corporation,  
New Delhi.**

**To**

- 1. The Managing Director,  
Apex Cooperative Bank, Ltd.,  
All States & Union Territories.**
- 2. The Managing Director,  
The Central Cooperative  
Land Mortgage Bank, Ltd.,  
  
All States & Union Territories.**

**Subject :—Coordination between Short, Medium and  
Long term loans.**

**Sir,**

**I am directed to state that the Corporation has under its**

consideration the question of evolving suitable policies for bringing about integration between short, medium and long-term loans and in particular to find out the purposes and periods for which medium and long term loans are at present given by the Central Banks and Central Land Mortgage Banks respectively. To enable the Corporation to take this study and get information about the practices and policies followed in different states, the Corporation would appreciate if information in the following form is made available to it.

Sl. No.	Purpose of loan	Exact period of the loan	Security required and basis of valuation of the security	Is the loan related to (a) Land revenue, (b) Land-holding, and (c) Share capital.	Maximum amount admissible	Any important terms and conditions laid down.
1	2	3	4	5	6	7
1						
2						
3						

2. The information may kindly be supplied separately in respect of a) Medium terms loans and b) Long term loans.

3. Since the information is urgently needed it is requested that the same may be sent with the least possible delay and at any rate not later than 21st of March, 1964.

Your faithfully,

Sd

(R.R. Madan)

for (A. C. Bandyopadhyay)  
Secretary.

Copy to :

The Registrar Cooperative Societies,  
All States and Union Territories

*Appendix II (b)*

**NATIONAL COOPERATIVE DEVELOPMENT  
CORPORATION**

(Established by the Govt. of India U/s 3  
of the National Cooperative Development  
Corporation Act, 1962)

**Immediate**

**Express Delivery**

**C-92, N.D.S.E. II.**

**New Delhi-16**

**Dated : 1st April. 1964.**

**No. Cr./F.C. (4)/F/64.**

**From**

**The Secretary,  
National Cooperative Development Corporation,  
New Delhi-16.**

**To**

- 1. The Registrar Cooperative Societies  
All State Governments & Union Territories.**
- 2. The Managing Director  
Apex Cooperative Bank  
All State Governments & Union Territories.**

**Subject : Co-ordination between short, medium and long term  
loans.**

**Sir,**

**I am directed to refer to this Corporation's letter No. Cr./F.  
C./4)/F./64, dated 3rd March, 1964 wherein it was intimated**

that the Corporation is considering the question of evolving suitable policies for bringing about, integration between short, medium and long term credit.

Some information has already been received from several State Corporative Banks/Central Land Mortgage Banks in response to the Corporation's circular letter.

2. In regard to the medium-term loans, however, it is desired to elicit some further information. Medium-term credit is usually made available for a) replenishment of certain assets e.g. bullocks, repairs to bundings etc. etc.—i.e. purposes which as such do not lead to net addition of assets and b) creation of new assets e.g. digging of new wells, new bundings, reclamation of land etc. etc. At the time of natural calamities and failure of crops, a part of the short-term loan is also, in appropriate cases, converted into medium-term. I shall feel grateful to be furnished with information about the following points :—

- (i) "Acre-wise loan admissibility for various crops (dry and wet lands separately)" for both the purposes mentioned above viz. a) replenishment of old assets and b) creation of new assets.
- (ii) Frequency of medium term loan for each of these purposes taken by an average cultivator, i.e. whether such a loan is taken every year or every alternate year or once in three or more years.
- (iii) Is repayment of medium term loan better or worse than in case of short term loan ; is there variation in repayment performance in respect of medium term loan depending upon the purpose as enumerated under i (a) or i (b) ?
- (iv) In case of default in payment of medium term loan, is the default in most cases directly relatable to any natural calamity ?

3. It will be appreciated if information on the above points, based on the experience of the past three years, is furnished to the Corporation by 25.4.1964 at the latest.

Yours faithfully,  
Sd/-  
R.R. Madan  
for (A.C. Bandyopadhyay)  
Secretary.

## Co-ordination Between Short, Medium & Long Term Loans

*Appendix III*

(Information received from Central Co-operative Land Mortgage Banks Ltd.  
regarding Long Term Loans)

State	Purpose of loan	Exact period of loan	Security required and basis of valuation of the security	Is the loan related to			Maximum amount admissible	Any important terms and conditions
				Land Revenue	Land holding	Share capital		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Andhra Pradesh	(i) Sinking and repair of irrigation wells, (ii) purchase of Agri. machinery & construction of sheds, (iii) construction of tobacco barns. (iv) conversion of dry land into wet, (v) growing fruit gardens, (vi) development of land in new project areas.	15 years. 10 years In case where an applicant desires to repay in 10 years.	<u>Andhra Area.</u> Mortgage of land  (1) Average of sales statistics for similar lands for 7 years preceding, subject to maximum of Rs. 2,000 per acre.  (2) For well irrigated lands, 25%	Yes, in Telen-gana Area.	—	Yes, 6% of the loan	Rs. 15,000 in deltaic areas and Rs. 10,000 in dry and upland areas.	Nil



(vii) application or patil earths including tank silt @ not exceeding Rs. 400 per acre, (viii) bunding and levelling of wet lands @ not exceeding Rs. 300 per acre and dry lands, (ix) loans for repayment of debts for above purposes, (x) loans may be sanctioned on the security of dry lands not under cultivation, if the loan is required to dig a well to bring the land under cultivation.

will be added in the value arrived at above criteria.

(3) (a) Loan for digging of new wells—50% of the cost value of the well should be added to the land value arrived at (1) above, (4) where-in loan does not exceed Rs. 1500, 75% of the estimated value of well may be added.

**(5) Garden Lands.**  
In the case of fruit bearing gardens the valuation is made on the basis of a fixed price per tree and fixing an average number of trees per acre as follows :—

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
-----	-----	-----	-----	-----	-----	-----	-----	-----

Type of gardens.	Av. No. of trees per acre	Price per tree
		Rs.
1. Lime	80 plants	20
2. Orange	60 trees	25
3. Mango	30 trees	20
4. Coco-nut	60 trees	20

if the land is classified as dry. Otherwise it is valued on general basis.

#### **Telengana Area.**

- (1) (i) **Wet lands.**  
i.e. served by irrigation canals tanks —to be valued at 60 times the land revenue assessment.
- (ii) On single crop

lands, where revenue assessment is made as for single crop lands, but a second crop is grown in practice continuously for 5 years, addition to normal valuation of such lands may be made to the extent of 25%.

**(2) Dry lands.**

(a) Rainfed dry lands should be valued at 100 times the land revenue assessment.

(b) Dry lands irrigated by wells, where paddy, sugarcane, plantains etc. are grown, may be treated as wet lands and value may be assessed by taking the average single crop assessment pre-

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
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vailing in the area. Such lands may be valued at 50 times the land revenue assessment arrived at for wet lands provided the lands have been under wet crop cultivation continuously for 5 years at least.

(c) Dry lands, irrigated by wells and where garden crops are raised, should be valued at 150 times the land revenue assessment arrived at subject to a maximum of Rs. 500 per acre.

**(3) Special valua-**

**tion for Adilabad District.** Dry lands other than black cotton soil, with an assessment of less than 50 P. the assessment may be assumed at 50 P. and where the assessment is more than 50 P. and less than Re. 1 and the lands valued at 100 times the land revenue assessment subject to these values may be compared with market values as per statistics available with the Tehsildar or the bureau of Economics for three years prior to the application and lesser of the two should be taken.

4. Dry lands with

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			<p>black cotton soil having an assessment of less than Rs. 2 the assessment may be taken at Rs. 2 per acre and valued at 100 times the land revenue assessment.</p>					
			<p><b>(5) Fruit Gardens and other gardens.</b> Dry lands having fruit bearing trees like mango, lime, orange, cocoanut, grapes in addition to normal valuation Rs. 2 may be added for each fruit bearing tree subject to a maximum of Rs. 100 per acre.</p>					
			<p><b>(6) Loan eligibility.</b> Having regard to the</p>					

increase in the valuations of land, loan eligibility should be fixed at 50% of the estimated value in all cases. The period of loan should be fixed with reference to repaying capacity of the borrower subject to a maximum period of 15 years.

Gujarat	(i) Digging and repairs of wells, tanks etc., (ii) preparation of land for irrigation, (iii) Reclamation, bunding and land improvements, (iv) Construction of farm houses, cattle sheds & machine rooms, (v) Horticulture. (vi) Purchases of oil engines, electric motors, pumping sets etc.	15--20 yrs. For loan between Rs. 5,000 to 10,000. The period of repayment is 15 years and for Rs. 10,000 and above 20 years.	Security of agricultural lands, machines, tractors etc. are taken as collateral security of the loan. Valuation is taken equivalent to 100 times assessment. The formula for persons who do not get adequate loan, is as under— <b>Panch valuation.</b> Opinion of panchayat	Yes. Yes.	No. Except that every loanee has to subscribe 5% of the loan amount as share capital.	No limit. The loan granted & eligibility of the applicant taking into account such factors as assessment, sale statis-	(i) In case of construction of wells 2 ins talments are paid keeping in view the progress of well. (ii) In case of machine, tra-
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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<p>(vii) Purchase of tractors &amp; other agricultural heavy machinery. (viii) Purchase of machinery for crushing sugarcane, manufacturing gur or khandsari. (ix) Purchase of land for consolidation of holdings.</p>	<p>(x) Erection or repairing of houses for agricultural purposes. (xi) The purchase or acquisition of title to agri. lands by tenants or tenants purchasers. (xii) The liquidation of debts.</p>	<p>about approximate value of land.</p>	<p><b>Sales statistics.</b></p>	<p>Sales statistics of similar adjacent lands for last 3-5 years is taken and the average is taken.</p>	<p><b>Valuation on Average Assessment.</b></p>	<p>A village has average rate of assessment per acre. 90 times of the average assessment is taken.</p>	<p>tics, repay-otor and ing capaci- electric ty &amp; ten- motors, ure of loan is land. paid di- rectly to the dealer company on behalf of applic- ant as per bill presented.</p>	



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**Taqavi Schemes :**

1. Construction of new wells.	of 10 years	300 times the assessment plus full cost of development subject to minimum of Rs. 300 per acre. 50% of this amount arrived at.	No Information received.	Rs. 4,000
2. Repairs to old wells.	do	do		Rs. 2,000
3. Purchase & Installation of oil engine & pumpset.	do	do		Rs. 4,000

**Non-Taqavi  
Schemes :**

1. Construction of new wells, repair to old wells, purchase and installation of oil engine & pumpset.	do	do		No limit.
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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2. Land improvement (bundling, levelling & fencing).		do	do				Rs. 2,000	
3. Purchase of tractors.		7 years	300 times the assessment subject to a minimum of Rs. 300 per acre. Half the cost of tractor to be taken into account for the purpose of valuation.				Rs. 30,000	
4. Group loan for Bandharas & lift irrigation.		12 years	do				Rs. 30,000	
5. Purchase of lands, redemption of debts.		10-15 years	do				No limit.	
6. Land improvement loans to coop. farming societies.		10 years	do				Rs. 25,000	Only joint farming societies

Madhya Pradesh	(1) Construction & repairs of wells, including tubewells, tanks and other works for agricultural purposes.	10 years. Borrower can repay the loan before scheduled time.	Maximum loan admissible is 50% of the value of hypotheca. For valuation, following things are considered :—	Yes. 50% of the valuation of land.	Yes. Borrower has to contribute towards share capital a sum equal to 5% of the loan.	Rs. 10,000 Rs. 25,000 with special permission of the Registrar.	are eligible for loan.  Loan applications are examined and attention is given to title and repaying capacity and necessary conditions are laid down accordingly.
	(2) Renewal, reconstruction or alteration therein or addition thereto.		The local sales, standard multiples, situations of the land and due appreciation for wells, fruit trees etc.				
	(3) Purchase of oil engines, pumping sets, tractors and electric motors for agricultural operation.						
	(4) Bunding & similar improvements.						
	(5) Horticulture.						

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
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(6) Reclamation, clearance or permanent improvement of land.

(7) Drainage, reclamation from rivers or protection from floods & from erosion or other damage by water for agricultural purposes or waste land which is cultivable.

(8) Purchase of machines for crushing.

(9) Purchase of land for consolidation of holdings or for economic cultivation.

(10) 40% of loans towards repayment of debts borrowed for productive purposes.

<p>Madras (1) Land Improvement.</p>	<p>15-20 yrs.</p>	<p>Agricultural lands. Houses will be taken as collateral security if the mortgaged property is not enough for the amount upto 25% of the value. Valuation of land is as under—</p>	<p>No.</p>	<p>No.</p>	<p>Yes, loan should not exceed 20 times the Share Capital, loan should not exceed 50% of the market value of the land.</p>	<p>Rs. 10,000</p>	<p>Loans may be sanctioned upto 40% in respect of applications for discharge of prior debts and 50% for direct land improvement.</p>
<p>(2) Discharge of prior debts.</p>		<p>(i) Per sales statistics of similar lands in the locality for 5 years prior to the date of application.</p>					
		<p>(ii) Land growing casurina &amp; cashew-nuts may be accepted as security to the extent of 25% of</p>					

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			total hypotheca of the loan amount sanctioned.					
			(iii) Cocoanut gardens may be valued at the rate of Rs. 20 per fruit bearing tree, in respect of fruitless cocoanut trees value of land alone may be taken.					
			(iv) The produce may be valued as per the current market value for assessing repaying capacity.					
Mysore	1. Prior debts 2. Improvement of lands.	15 yrs.	First mortgages on the securities of Dry, Wet Garden, Coffee and Cardomam lands.	Yes.	Yes, loans are granted to such agricultu-	Yes loans are limited to 20 times the	Rs. 10,000. But total loans sanctioned to	The applicants for loans should

## Valuation.

(a) In old Mysore area lands are valued on the average sales statistics obtained from Sub-Registrar's offices.

(b) In Bombay—Karnatak and Hyderabad-Karnatak areas valuations are made on the basis of multiples of assessment for the lands. At present 300 times the assessment is fixed.

(c) In parts of South Canara 20 times the value of net yield is taken as valuation.

Uniform rules for the whole State are pend-

rists who paid up any indi- prove their  
have pro- Share Ca- vidual for titles to  
prietary pital sub- both the the lands  
rights over scribed by above pur- offered as  
the lands. the indivi- poses shall security  
vidual to not exceed with refer-  
the Pri- Rs. 15,000 ence to  
mary at any title deeds.  
Bank. time.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			ing approval with the Registrar of Co-operative Societies.					
Rajas- than	<p>(a) Construction &amp; repairs of wells, tanks and other works for storage.</p> <p>(b) Preparation of land for irrigation. (c) Drainage, reclamation from rivers, protection from floods etc.</p> <p>(d) Reclaiming, clearing, levelling, bunding and similar land improvements. (e) Horticulture (f) Purchase of oil engines, pumping sets, electric motors, tractors, machinery for crushing sugar cane etc</p>	<p>10 years for loan of Rs. 1,000.</p> <p>15 years for loan above Rs. 1,000 i.e. 10-15 yrs.</p>	<p>Mortgage of agricultural land.</p> <p>(a) Valued at per average sales statistics of the previous 5 years.</p> <p>(b) In the absence of above, loan can be sanctioned upto— 30 times of land revenue in case of rain-fed areas and 40 times of land revenue in other cases.</p>	Yes.	Yes.	<p>Yes, A borrower should invest at least 5% of loan amount in share capital.</p>	<p>Rs. 8,000 :— (canal irrigated lands)</p> <p>Rs. 5,000 well irrigated lands.</p> <p>Rs. 3,000 Rainfed areas.</p>	



(g) purchase of land for consolidation and rounding of holdings.

(h) construction of permanent farm houses, cattle sheds, sheds for processing agricultural produce.

(i) for discharge of prior debts incurred for above purposes.

(j) redemption of mortgages.

Punjab 1. Development and improvement of land and methods of cultivation.	10 years.	Landed property of the kind of Nabri, Chahi, Barani & Sailab is taken as security.	Yes.	Yes.	Yes.	Rs. 10,000 in case of individual and Rs. 25,000 for societies.
2. Purchase of land for cultivation.		<b>The method of valuation is as under :</b>				
3. Redemption of mortgages on agricultural lands and liquidation of prior debts.		(i) The average of the sales statistics —available for the				

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
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last 5 years of similar kind of land of the same village is considered as the value of a particular land.

(ii) In the absence of above item No. (i) the average of sales statistics for another 5 preceding years for similar kind of land is considered as the value of a particular land.

(iii) In the absence of above information, the value is determined after multiplying the land revenue including cases of the hypotheca into 300.

## Information Received from Land Mortgage Banks Regarding Long Term Loans

*Appendix III*

State	Purpose of loan	Exact period of loan	Security required and basis of valuation of the security	Is the loan related to			Maximum amount admissible	Any important and conditions laid down
				Land Revenue	Land holding	Share capital		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
West Bengal	<p>(a) Improvement of land.</p> <p>(b) Discharge of prior debt.</p> <p>(c) Redemption of prior debt.</p> <p>(d) Purchase of land for rounding off holdings.</p>	<p>10 years. Extension of period upto 15 years is under consideration.</p>	<p>1st mortgage of agricultural lands and loans are given not exceeding 50% of the valuation of the mortgaged property.</p> <p>The basis of valuation is the valuation of different kinds of lands recommended by the primary land mortgage banks and as accepted by the Central Land Mortgage Bank.</p>	No.	Yes, upto 50 % of the value of mortgaged property.	Yes, upto 20 times the paid up share capital.	<p>Rs. 5000. It has been extended upto Rs. 10,000 in case of genuine purpose of improvement of land.</p>	<p>Long-term loans are not given for any of the purposes for which short-term and medium-term loans are given.</p>

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Tri- pura	(i) Discharge of prior debts.	(i) 20 Yrs.	(a) The price paid for the same land or a portion of it.	No.	No.	Yes. Borrowing limit is 20 times of share holding.	Rs. 10,000	(a) Necessary 'A' or/and 'B' class shares have to be subscribed.
	(ii) Development of land for cultivation.	(ii) 15 ,,	(b) The price paid for land of similar description & quality in the vicinity.					(b) Non-encumbrance certificate of the proposed hypotheca for 12 yrs. has to be submitted.
	(iii) Purchase of cultivable land.	(iii) 15 ,,	(c) The net annual income from the land which may be capitalised and certain number of years purchase depending upon the nature of land, position of money market & the circumstances of the cases.					(c) Execution of a surety bond by two suret-
			(d) Awards made by the Revenue or Civil Courts in cases of acquisition of neigh-					

bouring lands. Sale value of similarly situated property in the vicinity in court or revenue auction.

ies if the amount is not exceeding Rs. 1000.

(d)Execution of mortgage deed in favour of the Bank.

## Co-ordination Between Short, Medium & Long Term Loans

*Appendix III*

(Information received from Apex Co-operative Bank regarding  
Medium Term Loans)

State	Purpose of loan	Exact period of loan	Security required and basis of valuation of the security	Is the loan related to			Maximum amount admissible	Any important terms and conditions
				Land Revenue	Land holding	Share capital		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Andhra Pradesh	1. M. T. Agricultural. 2. M. T. Sugar. 3. M. T. non-Agricultural.  (i) Pump set.  (ii) Motor transport.	3 yrs.	(1) Mortgage of land. Market value of lands.  (2) Share holding of the members value of shares.  (3) (i) Security of pump sets and land. (ii) Security of motor lorries.	In Telanana it relates to land holdings	Andhra central banks relate to share capital.	As per the maximum borrowing power of the society concerned noted in its by-laws (usually 8 times of the share capital plus	Package production plans of the borrowing members is taken into account towards the disbursement of	

							Reserve Fund).	the loan in respect of package loan application (b) Produce loans are advanced against produce store in pacca godowns only which are either owned or leased or taken on lease by the society concerned doing such business.
ASSAM	(i) Reclamation, bunding and other land	3 years	Mortgage of land. Valuation of land is	No.	Yes. The land	Yes.	Rs. 1,000	In addition to medium

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	improvement.		based on local enquiry viz. recent sale of land in the neighbourhood by the enquiring officer of the financing bank.		holding of a member is also taken into consideration to determine the quantum of finance.			term loan bond three Time Promissory notes are required to be executed by the borrowing society.
	(ii) Preparation of land for orchards and plantation.							
	(iii) Construction, development and maintenance of irrigation sources.							
	(iv) Construction of farm houses and cattle sheds.							
	(v) Purchase of live-stocks, implements, machinery and transport equipment for agriculture.							
	(vi) Purchase, construction, development or maintenance of such equipment etc.							



Bihar	Purchase of bullocks for irrigational purposes such as digging up wells & filling of pumps etc.	3 years	Personal security upto Rs. 500 in general and Rs. 750 in package areas and landed security for amounts exceeding above limits.	No.	Yes.	Yes.	Rs. 1000 and higher loan is in exceptional cases.	A second not allowed unless 80% of the demand of previous loans have been repaid.
			Valuation of land is done on the basis of lowest sale price of land existing in different areas.					
Gujarat	Agricultural purposes viz. (i) Purchase of bullocks, milch cattle, ploughs, simple agricultural implements, carts, repairs to old carts, land improvement like bunding	Exceeding 15 months but not more than 5 years (repayable by annual equal in-	For loans upto Rs. 500 :—personnel security of the borrower together with signature of 2 sound sureties. For loan between Rs. 501 to Rs. 1000 on	—	Yes. For loans above Rs. 500/-.	—	No, maximum limit is fixed.	—

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
etc.	Not issued for	stalments) ordinarily for 3 years.	creating a statutory charge by the borrower on his land in favour of the lending institution. For loans above Rs. 1000/- a registered mortgage deed of his land by the borrower to lending institution. Valuation of land is as per the standard fixed by Government for giving takavi loans.					
Maharashtra	(i) Purchase of engines, pumping sets etc.  (ii) Bunding and	3 years.	Both members owning land or tenants are required to create a charge on the lands of adequate value in	Information not received.			(i) Rs. 2500  (ii) Rs. 1000	Loans to members above Rs. 1000 are required

other land improvements, deepening and repairs to wells.

(iii) Purchase of milch cattle and bullocks.

(iv) Construction of cattle sheds.

favour of the society. If security offered is inadequate, two solvent sureties are insisted upon.

(iii) Rs.  
700

(iv) Rs.  
1000

to be got secured by first mortgage of land to which members have a clear title and unrestricted transferability of rights.

The lands given in security are valued at Rs. 200 and Rs. 300 per rupee of assessment

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
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in the case of Jiryat and Bagait lands respectively. The value of engines and pumping sets etc. installed in the said lands are also taken into consideration for ascertaining the value of

							available security.	
Madras	Sinking of or repairs to wells, purchase of machinery, purchase of milch cattle, minor improvement to lands and purchase of shares in Coop. Sugar Factories.	15 months-60 months	On personal surety upto Rs. 500 per member, upto Rs. 3,000 against mortgage of immovable properties valued on the basis of the certificates issued by village officers. In case of advances for purchase of pumpsets, they are taken as collateral security in addition.	No.	Yes.	Yes.	Subject to individual maximum borrowing power (ordinarily Rs. 3,000) In case of purchase of pumpsets upto Rs. 3,500	Sanction of loans depends upon the performance of individual members in making proper utilisation of the loans advanced, the area under cultivation and nature of crops raised.
Kerala	(i) Reclamation, bunding and other improvements of land,	3 years	Loans upto Rs. 500 on personal security, Loans above Rs. 500	No.	No.	Yes	No maximum is fixed.	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	<p>(ii) Preparation of land for orchards, plantation, for cultivation of cocconut, pepper or other like crops. (iii) Construction, development and maintenance of irrigation sources, construction of farm houses and cattle sheds. (iv) Purchase of livestock, implements, machinery and other equipments for agriculture. (v) Purchase, construction, development or maintenance of such equipment for carrying on animal husbandry and allied activities.</p>		<p>on mortgage of land. 50% of the market value is the basis for valuation.</p>				<p>Within the individual maximum borrowing power fixed under the by-laws, medium term loan is disbursed according to needs.</p>	

<p>Madh- ya Pra- desh</p> <p>(i) Reclamation, bundling and other land improvements.</p>	<p>3 yaors</p>	<p>For loan between Rs. 500 to Rs. 1,000 —either 1st mortgage of land to which borrower has a clear title and unrestricted transferable rights or against a charge created on such land by a declaration under Sec. 41 of M.P. Coop. Soc. Act 1960. For loan over Rs. 1,000—1st mort- gage of land.</p>	<p>--</p>	<p>Yes Rs. 35 per acre irrespec- tive of the fact whether the land is irrigat- ed or un- irrigated.</p>	<p>—</p>	<p>Rs. 1,000. Rs. 1500 for sinking of wells in instal- ments of Rs. 500 each. Rs. 3,000 for instal- lation of pumping sets—by directly paying to the vendor towards the cost of the set.</p>	<p>—</p>
<p>(ii) Preparation of lands for orchards and plantation.</p>							
<p>(iii) Construction of farm houses, cattle sheds etc. and cons- truction, development and maintenance of irrigation sources.</p>							
<p>(iv) Purchase of live- stock, milch cattle, machinery, imple- ments, transport equipment.</p>							
<p>(v) Purchase, con- struction, develop- ment and mainte- nance of such equip- ment for carrying on</p>							

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Jam- mu & Kash- mir	animal husbandry and allied activities jointly undertaken with agricultural operations.  Agricultural purposes in terms of section 17(4) AA of the Re- serve Bank of India Act.	3 years	The M.T. loans from Apex Bank are con- fined to only Central Banks at Anantnag, Baramulla & Jammu.	No.	No.	Yes	The extent and mag- nitude of the loan are deter- mined by the Reser- ve Bank.	The loans paid so far have been con- ditioned to be liqui- dated in 5 years equal ins- talments annually.	One impor- tant point is that the Apex Bank has not re- ceived security or shares adequately from any of the banks, ex- cept that



the loans are authorised by the Dept which are advanced by the Apex Bank against Coop. paper (promote etc.)

Mysore (i) Reclamation of land.	3-5 years	Upto Rs. 500 on sureties. From Rs. 500 to Rs. 1000 on declaration under Sec. 36 of M.C.S. Act. Above Rs. 1,000 on	—	Yes.	— Rs. 6000	M.T. loans are disbursed in instalments after securing the
(ii) Bunding and other land improvements.						

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	(iii) Preparation of lands for orchards and plantations.		mortgage of lands.				proper utilisation of prior instalments and only after obtaining a certificate from the District Co-operative Central Bank's Supervisor.	
	(iv) Construction, development and maintenance of irrigation sources.		<b>Valuation.</b>					
	(v) Purchase of such live-stocks as are necessary for agriculture.		50% of the market value of the lands.					
	(vi) Purchase of machinery, implements, transport equipment etc.							
	(vii) Construction of farm houses, cattle sheds etc.							

(viii) Purchase, construction, development and maintenance of equipment for carrying on animal husbandry and allied activities.

(ix) Other purposes like gardening, fencing, etc.

(x) Purchase of milch cattle.

Orissa	(a) Improvement of land.	3 years.	(a) Demand Promissory note of the Central Coop. Bank.	—	Yes. (In case of individual members of the coop. Society). Not necessary in case of Central	Yes. both in case of Central Coop. Bank and Coop. Society.	(i) In case of Central Coop. Bank both paid up share capital and statutory Reserve Fund.
	(b) Purchase of livestock.		(b) Demand Promissory note or Bond executed by the Society as a collateral security.				
	(c) Reclamation of land.						
	(d) Preparation of						

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	land for orchard and plantations.				Coop. Banks.		(ii) In case of Coop. Society (Ltd.) 10 times of both paid up share capital and Reserve Fund.	
	(e) Construction, development and maintenance of irrigation sources.						(iii) Coop. Society (Unlimited) 1/6th of net assets.	
Punjab	(i) Reclamation, bunding and improvement of land.	3 years. Maximum 5 years.	Loans exceeding Rs 1,000 are advanced by Central Coop. Banks against mortgage of land. State Bank takes		Information not received.			
	(ii) Construction of farm houses, cattle							

sheds and development and maintenance of irrigation sources.

(iii) Purchase of machinery, bullocks, agricultural implements and milch cattle.

(iv) Preparation of land for orchards and plantations.

security from Central Coop. Banks in the form of promissory notes, lodged with R. B. I.

Rajasthan	(i) Reclamation, bunding and other land improvements.	3 to 5 years.	Mortgage of land by making a declaration under Sec. 29 A of Rajasthan Coop. Societies Act of 1953, if the loan to a member exceeds Rs. 500 otherwise it is a clean loan.	No.	No.	Yes, and Rs. 2000 value of land effected as security.	Value of land is to be calculated at 100 times of the land revenue payable thereon. Loan is advanced 50% of
	(ii) Preparation of lands for orchards and plantations.						
	(iii) Construction, development and maintenance of irrigation sources.						

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<p>(iv) Purchase of live- stocks, machinery, implements, transport equipment, milch cattle. Purchase, con- struction, develop- ment and maintenance of equipment for ani- mal husbandry and allied activities.</p>	<p>(v) Construction of farm houses, cattle sheds etc.</p>						<p>value of irrigated land and 33-1/33% of unirrigat- ed land.</p>	<p>(2) Loan is allowed as reimbur- sement finance up- to 90% of advances made by Central Coop. Banks to the societ- ies. (3) Loans from Apex Bank, should</p>

always remain covered with non over due loans outstanding against societies.

<p>West Agricultural purposes 3 years. Mortgage of land—          Bengal like : In special Loan shall not ex-          (i) Reclamation, cases up- ceed 75% of the esti-          bunding and other to 5 years mated market value          improvements of land. provided of the land in          (ii) Preparation of total of mortgage.          land for orchards and such loans          plantations. (iii) Con- shall not          struction of farm exceed          houses, cattle sheds 25% of          and construction, the total          development and M.T. loan.          maintenance of irri-          gation sources. (iv)          Purchase of live-          stocks, implements,          machinery and equip-          ment for agricultural          purposes. (v) Deve-</p>			No.	Yes.	Yes.	Rs. 5,000 for indi- vidual member.
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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Manipur Tri-pura	lopment and maintenance of such equipment as may be needed for processing of fruits, milk products and carrying on animal husbandry and allied activities.	The Bank does not advance medium and long-term loans.						
	(i) Purchase of bullocks.  (ii) Small development work to bring the land under cultivation.	3 years.	Mortgage of land.	—	Yes.	Yes.	Rs. 500	(i) Disbursement of loans would be made in presence of a departmental officer.  (ii) After disbursement, a



Hima- For purchase of 15 months  
 chal bullocks, implements, to 3 years.  
 Pra- temporary improve-  
 desh ment of land and  
 light machinery etc.

N.A.

— Declara- 20 times **Occu-** All these  
 tion forms of the **pancy** loans are  
 creating Bank's **Tenants.** allowed to  
 charge on shares **10 times** societies  
 their land purchased of the for pro-  
 holdings. by Socie- amount of duction  
 ties. paid up purposes.  
 shares or They are  
 Rs. 1,000 further  
 whichever advised to  
 is less meet the  
 with the demands  
 concerned of their

certificate  
 has to be  
 submitted  
 by the  
 society  
 counter-  
 signed by  
 the officer  
 present at  
 the time  
 of dis-  
 bursoment.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pondicherry	(i) Reclamation, bunding and other land improvements necessary or conducive for cultivation of crops. (ii) Preparation of land for orchards and plantations. (iii). The	3 years. 5 years for Special M. T. loans for purchase of oil engines, electric.	Upto Rs. 1,000 on personal security. The borrower and surety should have landed property to the value of at least 6 times the loan amount. For loan ex-	—	Yes. In addition to the personal surety loans relate to the repaying	Yes.	Up to Rs. 1,000-per-sonal surety loans. Up- to Rs. 3,000-mor- tgage loans.	Loans to the so- cieties will be ad- vanced up- to $\frac{1}{3}$ of maximum borrowing
							society. members for un- productive purposes from the 5 times of socys.' the value owned of paid up funds. shares contribut- ed by him with the concerned socy.	

construction, development and maintenance of irrigation sources (iv) the purchase of livestock, implements, machinery and transport equipment for agriculture. (v) Construction of farm houses and cattle sheds. (vi) Purchase, construction, development or maintenance of such equipment for carrying on animal husbandry and allied activities jointly undertaken with agricultural operations and cultivation expenses.

motors, boring sets, pump sets, etc.

ceeding Rs. 1,000 unencumbered immovable property solely belonging to the borrower, of the value twice the loan amount at least should be obtained as security. Encumbrance certificate be obtained for preceding 13 years upto date of Reg. and sent to Bank for verification along with title deed etc. For loans for installation of pump sets, oil engines, electric motors, the balance loans are further subject to the condition that the machinery should be pledged to the society as collateral security.

**Rates for assessing the value of land.**

capacity of the member.

Upto Rs. 3,500 for installation of pump sets, oil engines and electric motors. Further maximum borrowing power of the member shall not exceed the limit mentioned in the societies' by-laws.

power of the society, taking into consideration M.T. loans outstanding against that society. The annual net savings of the borrower be at least equal to the amount he has to repay every year.

In case of undivided Hindu family, all the members of the

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(i) Channel irrigated wet lands per acre Rs. 1,500.					family shall join in execution of deed.
			(ii) Tank irrigated wet lands per acre Rs. 1,500.					If the applicant claims to be a separate member and wishes to borrow on security of separate share, he should produce registered partition deed. The panchayat of the society should furnish the utilisation certificate after disbursement.
			(iii) Well or channel irrigated dry lands per acre Rs. 1,000.					
			(iv) Rainfed dry lands per acre Rs. 500. Further village Karnam and panchayatdars of the society should furnish a certificate for the valuation.					

## Co-ordination Between Short, Medium & Long Term Loans

(Information received from Apex Co-operative Banks  
regarding short-term loans)

State	Purpose of loan	Exact period of loan	Security required and basis of valuation of the security	Is the loan related to			Maximum amount admissible	Any important terms and conditions
				Land Revenue	Land holding	Share capital		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

Andhra	I. (A).S.T. Loan	(a) one yr.	(a) Collateral security and surety loan. Assessment of the property leading to the repaying capacity of the borrower.	— Yes. in Telengana area.	Yes. Andhra Central Banks.	As per the maximum borrowing power of the society concerned noted in its bye-laws (usually 8 times of the share	As regards the package production plans of the borrowing members are taken into account towards the
Pradesh	(a) Seasonal operations.	agril.					

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
							capital plus reserve fund).	disbursement of the loan in respect of package loan applications.
	(b) Marketing of crops.	(b) Nine months for marketing of crop.	(b) Produce pledged on the basis of the proportion of the produce pledged to the cultivable land on which the produce is raised.					(b) Produce loans are advanced against produce stored in pucca godowns only which are either owned or leased or taken on lease by the so-
	(c) Salary earners.		(c) Salary pronote.					
	1. (B) Short-term cash credit.							
	(a) Consumers		(a) Stock of stores. Value of stocks to cover the drawals.					

(b) Chemical manures.

(b) Manures stock.

ciety con-  
cerned  
doing such  
business.

(c) Iron & steel

(c) Stock of iron &  
steel ;

(d) 17 (2) (bb)  
weavres.

(i) Less than 3  
months 100% value.

(ii) Between 3 to  
6 months 90% value.

(iii) Between 6 to 12  
months 70% value.

(iv) Between 12  
months to 2 years—  
60% value.

(v) Between 2 to 3  
years 50% value.

(vi) Over three years  
—Nil.

Assam Seasonal agril. opera- 1 year.

(a) Two sureties.

No.

No.

Yes.

Rs. 500 on

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
tions and marketing of crops.			(b) A loan bond executed by an individual member hypothecating his crop to be raised with the loan.				the basis of shares, credit worthiness etc. For loan above Rs. 500 the borrower shall be required to furnish tangible securities acceptable to financing bank.	
Maha-rashtra Agril. operations for different crops.	12 months, 15 months in case of many crops like	As regards the valuation of land it is taken at 200 times per rupee of the assessment in case of			Information not received.	Rs. 25,000		



adsali, jiryat land and 300  
sugar-cane times in case of  
or bana- Bagait land. For non-  
nas. owners of land, the

total anticipated pro-  
duction & surplus  
available to repay  
the loan borrowed, is  
considered.

**Security.** Both mem-  
bers owning land or  
tenants are required  
to create a charge on  
the lands of adequate  
value in favour of the  
society. If the se-  
curity offered is in-  
adequate, personal  
sureties are taken as  
additional security.  
The lands thus decla-  
red in favour of the  
society are made  
unalienable till the  
socy's dues are sett-  
led. Insistence on

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Mad ras	Cultivation and/ or harvesting expenses, holding up of produce for better market etc.	12 months	sale of produce through co-operative marketing societies is another measure adopted to ensure liquidity. On personal surety upto Rs. 1000. Above it, against immovable properties, valued on the basis of certificates issued by village officers subject to a maximum limits of Rs. 3,000.	No.	Yes.	Yes.	Subject to individual maximum borrowing power (ordinarily Rs. 3,000)	Sanction of loans depends upon the performance of individual members in making proper utilisation of the loans advanced, the area under

cultiva-  
tion and  
nature of  
crops  
raised.

Orissa	(a) Cultivation ex- 12 months penses. (b) Domestic expenses. (c) Payment of kist of rent. (d) Holding of pro- duce for a better market. (e) Production and marketing of animal products.	(a) Demand Pro- missory note of the Central Co-op. Bank. (b) Demand Pro- missory note or bond executed by the society as a collateral security.	—	Yes, (in case of individual members of the coop. so- ciety).	Yes.	(i) In case of Central Coop. Bank 10 times of both paid up share capital and sta- tutory re- serve fund.  (ii) In case of Coop. Soey. (Ltd.) 10 times of both paid up share capital and re-
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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
							serve fund.	
							(iii) Coop. Society (un.Ltd.) 1/6th of net assets.	
Punjab	Agricultural purposes i.e., seasonal agricultural operation and marketing of crops and also for non-agricultural purposes like maintenance of fluid resources and general banking business.	12 months	Promissory notes of central financing institution. The facility of over-draft against joint securities pledged with State Coop. Bank.	—	—	Yes.	20 times of paid up share capital.	
Tri-pura	Current agril. operations like purchase of seeds, weeding etc.	12 months	Personal surety of two members,	—	Yes.	Yes.	Rs. 300	(i) Disbursement to be made in the presence of a

Pondi- cherry	Cultivation expenses. 12 months	Rs. 1,000 on personal surety basis. Upto Rs. 5,000 on a pledge of agri. produce for not more than 6 months.	—	Yes	Yes
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Depttl. Officer.  
(ii) After disbursement, a certificate to be submitted by the society counter-signed by Officer present.  
Personal surety loans relate to share capital, land holding or lease holding and repaying capacity of the member.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Himachal Pradesh	For purchase of fertilizers, seeds and marketing of crops.	12 months to 15 months.	N.A.	—	Declarations of creating charge on their land holdings.	20 times of the Bank's shares purchased by Socys.	<b>Occupancy Tenants.</b> 10 times of the amount of paid up share or Rs. 1,000 whichever is less with the concerned society.	All these loans are allowed to the societies for production purposes. They are further advised to meet the demands of their members for unproductive purposes from the socys' owned funds.
							<b>Non-occupancy Tenants.</b> 5 times of the value of paid up share contributed by him with the concerned society.	

# Information Received from Apex Co-operative Banks regarding Medium-term loans.

Appendix III

State	Acrewise loan admissibility for various crops (dry and wet lands separately) for :  (a) Replenishment of old assets.  (b) Creation of new assets.	Frequency of medium-term loan taken by an average cultivator i.e.; whether such a loan is taken every year or every alternate year or once in three or more year.	Is repayment of medium term loan better or worse than in case of short term loan? Is there variation in repaying performance in respect of medium term loan depending upon the purpose in Col. 1. (a) and 1 (b) ?	In case of default in payment of medium term loan, is the default in most cases directly relatable to any natural calamity ?	Remarks
(1)	(2)	(3)	(4)	(5)	(6)

Andhra Pradesh	No acrewise loan admissibility. As such loans are given for replenishment of old assets and accessories needed thereto as in case of sinking of wells, improvement of lands, reclamation of land, purchase of cattle and pump sets etc. Amount	Medium-term loans are given once in three years.	The repayment of Medium-term loan is better than in case of Short-term loan.	In most cases defaults are directly related to natural calamities.	
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(1)	(2)	(3)	(4)	(5)	(6)
<p>needed for such purchases are issued as Medium-term loans—agriculture without any bearing on acrewise extent.</p>					
Gujarat	<p>Not available ; as the Gujrat State Co-operative Bank is issuing Short and Medium term loans as reimbursement finance only to the central financing agencies and not to the primaries.</p>				
Maha-rashtra	<p>No differentiation is made in allowing loans in dry and wet lands as the condition regarding security is uniform.</p>	<p>There is no restriction as to the time or frequency. The loan is, however, drawn once in a year to correspond with the agricultural operation.</p>	<p>Repayment of loans depends upon the surplus yield which the members are able to get. Defaults are due to failure of crops in general though wilful defaults are not totally absent.</p>	<p>Default is generally caused by failure of crops.</p>	<p>This Bank functions as a Federal Body and direct finance to credit societies is provided by district central banks. Medium-term loan is provided for such agricultural purposes as are approved by Reserve Bank of India and repayable within 3-5 years. The finance thus allowed is treated as supplemental finance</p>



and conducive to agriculture.

Loans of developmental nature and which require longer period for repayment are allowed by Land Development Banks. If an agriculturist is unable to pay his Short term dues due to failure of crops, extension is granted till the next harvesting is and fresh finance season provided for the next year's agricultural operation after ascertaining his minimum requirements. The conversion of short-term dues into medium-term loans would only arise if there is excessive failure of crops.

(1)	(2)	(3)	(4)	(5)	(6)
Bihar	No standards laid down.	Generally Medium-term loans are taken once in three years.	Repayment of Medium-term loan is slightly better than in case of Short-term loans.	N. A.	
Madras	Medium-term loans are issued on acreage basis for replenishment of old assets only and not crop-wise.	Medium-term loans are ordinarily issued once in three years.	Repayment performance is similar in both cases.	Beside natural calamities, the fact that the dates for repayment of loans falling due at times when no income is expected from the lands is also a reason for default in instalments of Medium-term loans.	
Kerala	Acrewise admissibility for loans fixed for Short-term loans only. Though no acrewise admissibility fixed for Medium-term loans, the quantum of Medium-	Data is not readily available.	Repayment of Medium-term loans are fairly very regular. The overdues under Medium-term loans are comparatively very less than that under Short-term	No case of default in Medium-term loans on account of natural calamity has been reported.	

term loans does not exceed in any case 50% of the value of the land.

loans.

Madhya Pradesh	The limit for financing Medium-term loans is Rs. 35/- per acre irrespective of the land being irrigated or un-irrigated. No distinction is made between (a) Replenishment of old assets and (b) Creation of new assets.	Medium-term loan is generally repayable in 3 years and during the currency of the loan no further advance is made for the second time for the same purpose.	Repayment of instalment in both the cases of Short-term loans and Medium-term loans is related to the harvesting of crops. However Medium-term loan being spread over to 3 years, the agriculturists find it convenient to pay off the instalments.	The default in most of the cases is directly relatable to natural calamities viz., failure of crops, draughts, heavy rains, floods etc.
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Punjab	Not available	Not available	None of the Central Co-operative Banks in the State has so far defaulted in repayment of Medium-term loan. Default has however, occurred in respect of Short-term loan, which	No default so far.	As regards conversion of Short-term loan into medium-term loan due to natural calamities, no such action has been taken by Apex Bank. The defaulting institutions were given
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**Note :** During the past three years the Apex Bank did not advance any Medium-term loan to the Central Co-operative Banks from its own funds. During 1961-62, however, Medium-term advances were made to Central financing

(1) (2)

(3)

(4)

(5)

(6)

institutions to the tune of Rs. 75 lacs against the credit limit sanctioned to them by Reserve Bank of India on condition that loans above Rs. 500 shall be given to the cultivators only against the first mortgage of land.

is due to natural calamities viz, floods, famine and draught etc.

extension in the period of repayment of loans in default.

Rajas- Medium-term loan is Data is not readily  
than admissible on the basis available.  
of value of land instead  
of acrewise basis.  
Various types of lands  
are valued at 100 times  
of land revenue payable  
thereon. Medium-term  
loans are admissible  
upto 50% of the value  
of irrigated lands and  
33½% of the value of  
non-irrigated lands sub-  
ject to a maximum of  
Rs. 2000/-.

Repayment perfor-  
mance in respect of  
Medium-term loans is  
better than in case of  
Short-term loans,

Repayment by the  
members to societies is  
made without men-  
tioning the purpose  
for which it was  
utilised. It is, there-  
fore difficult to give  
particulars of variation  
in repayment per-  
formance depending  
upon the purposes.

Defaults are  
caused by  
famine con-  
ditions, at  
present pre-  
valent in  
Rajasthan  
State.

Manipur

1. The Manipur State Co-operative Bank is issuing Short-term loans only for seasonal agricultural operations.
2. There is no Land Mortgage Bank in Manipur. It is proposed to open a Land Mortgage Banking Section in the Manipur State Co-operative Bank.

Uttar Pradesh Medium-term loans are advanced roughly @ Rs. 100 per acre provided it does not exceed the estimated cost for the purpose for which the loan is advanced. There is no distinction between the loan advanced for replenishment of old assets or creation of new ones.

N.A.

Repayment performance in case of Medium-term loans is better than that of Short-term loans.

No such situation has arisen in the state. The cases of default are few and they are not due to natural calamities.

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