# REPORT
# of the
# EXPERT COMMITTEE
# on
# CONSUMPTION CREDIT

GOVERNMENT OF INDIA
DEPARTMENT OF REVENUE & BANKING
(BANKING WING)

April, 1976

CHAPTER 1

# INTRODUCTION

Consequent on the measures recently taken by State Governments for moratorium, discharge and scaling down of debts from non-institutional sources and the vacuum created in so far as the credit needs for consumption purposes of the small/marginal farmers, landless labourers and rural artisans are concerned, Government of India by a Resolution* No. F. 2-17/76-AC dated the 10th March, 1976 constituted an Expert Committee. The composition of the Committee and its terms of reference are reproduced below :

*Composition :*

1. Shri B. Sivaraman, Member, Planning Commission, New Delhi. — Chairman
2. Shri N. C. Sen Gupta, Secretary, Deptt. of Banking, Ministry of Finance, New Delhi. — Member
3. Shri K. S. Narang, Secretary, Department of Agriculture, Ministry of Agriculture, and Irrigation, New Delhi. — Member
4. Shri I. J. Naidu, Secretary, Deptt. of Rural Development, Ministry of Agriculture and Irrigation, New Delhi. — Member
5. Dr. C. D. Datey, Executive Director, Reserve Bank of India, Central Office, Bombay. — Member
6. Shri G. V. K. Rao, Chief Secretary, Government of Karnataka, Bangalore. — Member
7. Shri B. R. Gupta, Chief Secretary, Government of West Bengal, Calcutta. — Member
8. Shri B. B. Tandon, Secretary & Administrator, 20-Point Programme, Government of Uttar Pradesh, Lucknow. — Member
9. Shri V. M. Bhide, Chairman & Managing Director, Bank of Maharashtra, Poona. — Member
10. Shri K. P. A. Menon, Joint Secretary, Department of Banking, Ministry of Finance, New Delhi. — Member-Secretary

1.2. The terms of reference of this Committee were as follows :

(i) To study the impact of the moratorium, discharge and scaling down of rural indebtedness of the small/marginal farmers, landless labourers and rural artisans so far as their genuine and inescapable consumption credit needs are concerned.

(ii) To inquire into the purpose for which such consumption credits were availed of.

(iii) To assess broadly the credit gap in respect of consumption loans consequent on these measures.

(iv) To review the present position of availability of consumption credit to such people from institutional sources.

(v) To make recommendations as to the purposes for and the agencies from which such consumption loans are to be provided.

(vi) To make recommendations on any matter incidental to the terms of reference, as the Committee may consider necessary.

1.3. As there was limited time at its disposal, the Committee met on five occasions only. In order to elicit relevant information, the Committee addressed two letters—one to all the State Governments and

* A copy of the Resolution is at Annexure I.

another to the 14 nationalised banks and the State Bank of India. Copies of these letters are given at Annexures II & III. A list of those State Governments and Banks who have responded to the Committee's request, as also of those individuals who have favoured the Committee with their views is at Annexure IV.

1.4. *Acknowledgements :* We would like to make special mention of the valuable contribution made by Dr. B. D. Sharma, Joint Secretary, Ministry of Home Affairs in finalising the Committee's recommendations in so far as the Tribals are concerned and by Shri R. Srinivasan, Director, Department of Rural Development and Smt. K. Bavani, Deputy Secretary, Department of Revenue & Banking in compiling at short notice the various statistical tables utilised by the Committee.

The Chairman and members of the Committee would like to take this opportunity to place on record their appreciation of the excellent secretarial support provided by the concerned officers and members of staff in the Planning Commission and Banking Wing of the Department of Revenue & Banking.

1.5. In the last and final meeting held on April, 24, 1976 the members of the Committee, after finally approving the draft, authorised the Chairman to sign the Report on behalf of all the members and to present it to the Minister of Revenue & Banking.

## Chapter II

## IMPACT OF RECENT DEBT LEGISLATION ON AVAILABILITY OF CONSUMPTION CREDIT TO SMALL AND MARGINAL FARMERS AND LANDLESS LABOURERS

2.1. In July, 1975, the Government of India issued guidelines to the State Governments suggesting that all the debts of cultivators holding land upto 2.5 acres of unirrigated land should be taken as totally discharged and those of cultivators holding between 2.5 acres and 5 acres of such lands should be scaled down. Also as an emergent measure, pending final legislation on the above lines, it was suggested that a moratorium from recovery of debts through the courts should be available to both the above categories for a period of one year. For those holding irrigated land, the conversion ratio as adopted in the concerned State's Land Reform Legislation was to be adopted for the above. Following these guidelines, various State Govts., have introduced Debt Redemption and Moratorium Legislation. A complete list of action taken by various State Governments is given at Annexure V.

2.2. Though strenuous efforts have been made by expansion of the co-operative credit structure and lending to the rural population by the commercial banks, by the year 1974, institutional credit system may have met only about 40 per cent of the production credit needs of the rural population. A substantial part of the credit needs of the rural population is still met by moneylenders, traders and more affluent agriculturists. During the last several years, the Reserve Bank has taken special steps to ensure that a good percentage of the credit given by the cooperative system and the commercial banks passes to the small and marginal farmers. Even then, there is a large population of agricultural labour, artisans and marginal farmers with very small holdings who depend almost entirely for their credit needs on the non-institutional sector. Broadly, therefore, it can be asserted that the recent legislation will affect very adversely the agricultural labourers, artisans as well as small and marginal farmers who have been depending for their credit needs on the non-institutional sector.

2.3. Credit is needed by the rural population for meeting their production as well as consumption requirements of various sorts. Credit purely for meeting consumption needs is seldom taken from the institutional or the non-institutional financing agencies. The effect of the legislation, therefore, will be that agriculturists as well as non-agriculturists may be denied both consumption credit and production credit by the professional as well as non-professional money-lenders. Any scheme drawn up to fill the void thus created will, therefore, have to take care of a package of consumption-cum-production credit.

2.4. Moneylending as such has not been prohibited by legislation. There are professional or licensed money-lenders and non-professional or unlicensed money-lenders some of whom are the more affluent agriculturists. There are also all types of unrecorded leases of land in some of which the lessee is reduced almost to the position of a labourer, the landlord assuming the responsibility to provide the inputs of agriculture and also some cash. It is obvious that professional or licensed money-lenders will not take the risk of lending even to agriculturists with more than 2.5 acres of unirrigated lands. Perhaps, they will hesitate to lend to formers with land upto 5 acres as that has been the criterion for defining a small farmer. It will not be far from correct to say, therefore, that the source of credit from the professional moneylenders will almost completely dry up not only in respect of agricultural labourers even if they are prepared to provide tangible security other than land but also in respect of small and marginal farmers with holdings up to 5 acres whether irrigated or not. The credit provided by non-professional, i.e., non-licensed Moneylenders and distant or near relatives generally form a significant proportion of the total credit provided by all the agencies in the rural areas. This class of money-lenders have a very select clientele closely known to them and do not rely upon any legal methods for recovery of their loans. The effect of the recent debt relief legislation on their activities may not probably be such as to dry up this source completely as in the case of the professional money-lenders in respect of agricultural labourers, artisans and small/marginal farmers owning less than 5 acres of land. It will, however, be realistic to proceed on the basis that this source of credit will also dry up substantially if not wholly. Further, whatever little credit facilities may flow from this class of money-lenders will certainly be on more extortionate terms than before so as to cover risk of non-realisation. Under these circumstances, one has to proceed on the basis that, by and large, the non-institutional sources of credit for the weaker sections of the community have dried up substantially in the wake of the recent debt relief legislation passed in the different States. Among these should also be considered certain sections of the village community like barbers, dhobis and sweepers who form an integral part of the community life of the village and who have generally been looking up to the landlords as professional money-lenders in times of need. Alternative sources of credit will, therefore, have to be found quickly to handle both the production and consumption credit requirements of these sections. This Committee has been asked to assess the consumption credit requirements and suggest means of meeting such credit and, as such, will not be dealing with production credit except incidentally.

## CHAPTER-III

## THE NATURE AND REQUIREMENT OF CONSUMPTION LOANS

3.1. The class of people whose debts have been totally discharged are those that live from hand to mouth. The consumption loans that they avail themselves of are generally for expenditure on clothing and food during lean periods. These loans are paid back with an extortionate rate of interest, sometimes on a daily basis or a weekly basis. The classes whose debt is to be scaled down are farmers and tenants who are engaged in subsistence farming. They require loans for food during the lean season when the crops are in the field. These loans are generally paid back in kind and sometimes in cash when the harvest comes in. We can take this as the general pattern of consumption credit. In addition, these families take loans for social purposes like birth, funeral or marriage ceremonies and medical expenses. Normally, loans for educational purposes for these classes are extremely rare.

3.2. Any system which seeks to replace the moneylender will have to be readily available to the borrower without too many formalities. At the same time, extravagance in consumption should be discouraged and borrowing restricted to the bare minimum that is necessary. Otherwise, there is a possibility of taking the scheme as a general charity move by Government. Psychologically this will be dangerous for a developing economy.

3.3. The Committee has carefully considered the types of consumption loans that will be legitimate and the levels of loans under each of these heads. The Committee recommends as follows :—

(i) *Medical expenses.*—relating to the borrower and the members of his family. Even where medical attention is available in a village from a health centre or a charitable dispensary, he is often put to a lot of expense (even apart from the medicines he might have to purchase and requirements of better diet) due to his incapacity to earn his livelihood during the period of illness and convalescence. Sometimes one of the earning members of the family may have to be on attendance thereby losing one's capacity to earn. The total amount that may be advanced for this purpose may not, however, exceed Rs. 250.

(ii) *Educational needs.*—Though free primary education is expected to be available to all citizens, school expenses are often beyond the capacity of a poor man earning his daily bread. The ceiling on such loans may be kept at Rs. 100.

(iii) *Expenses relating to marriage ceremonies.*—No provision can certainly be made for dowry which has been declared as a social evil. In spite of all the economy one may advocate, there are certain expenses relating to the marriage of one's son or daughter. Ceiling for such loans is recommended at Rs. 250.

(iv) *Funerals, births, etc.*—Some expenditure is absolutely inescapable on such occasions. Ceiling of Rs. 75 is recommended for such loans.

(v) Certain religious ceremonies are so deeply rooted in our culture that they are considered inescapable by certain sections of society. For such loans also, a ceiling of Rs. 75 is recommended.

3.4. The Committee has recommended ceilings for the types of loans that are contemplated. The ceilings have been suggested on the basis of the general experience as to the levels of borrowing of the classes of people we are dealing with. The actual loan to be given to a person must have relation to his minimum needs and his capacity to repay. Cases of indigence, where a person requires consumption credit but has no capacity to repay it, are problems to be tackled by social reform and charity structures. In our view, these are not the cases which can be dealt with under a system of credit. Anyhow, it must be noticed that the money-lending system obviously does not lend to the people who have no capacity to repay. The moneylender sees to it that his client has the capacity to repay even at an extortionate rate of interest. We are examining for our limited purpose these clients who have now been deprived of a credit because of the debt redemption legislation.

3.5. A reasonably close idea of the debt liability of the classes of people we are considering can be gathered from the data available in the All-India Debt and Investment Survey, 1971-72 conducted by the Reserve Bank of India and published on 14th April, 1975. This survey gives the debt liability of various classes of rural households, classified according to area of land owned. Those holding no land are the landless labourers, artisans, traders and others in the rural areas. This class may, no doubt, contain some people who are not so badly off but any error in considering the levels of borrowing under this class as representing on the average the borrowings of agricultural labour and rural artisans will, in the view of the Committee, be extremely marginal. In Table I of the Survey Report, the number of households under each group of land holdings has been analysed into households under asset groups. This Table is being used as explained below to arrive at the nature of the problem we have to tackle.

3.6. The Committee has assumed that all the borrowing families under the group with no land holdings are those that are fully affected by the legislation for total discharge of debts. Even though this class may contain a few better off persons, we will not be far wrong in assuming the overall numbers for our calculations. We are also assuming that in the total number of households owning lands in each range upto 5 acres and those that have assets of Rs. 5,000 and above will not normally be covered by the debt legislation. The ceiling for the debt legislation being 5 acres of unirrigated land, the Committee feels that this is a reasonable assumption. Table IV of the Survey Report gives the average liability per household for each State, for each group of assets owned and area of land owned. Multiplying the number of households by the average liability of each borrowing household in each such pool, the total liability for all the borrowing households was obtained. The above exercise has been done for each State separately. Statement-I at the end of this Chapter gives the estimate of liability of borrowing households under the various holdings size groups upto and including 5 acres under each of the States. The actual liability of all the borrowing households who, in the view of the Committee, will be affected by the debt legislation works out to Rs. 974.40 crores as on 30th June, 1971.

3.7. The Committee is basing this Report on the figures in the All India Debt and Investment Survey for 1971-72. This may lead to the criticism that the Committee has not taken note of the inflation in the economy since 1971-72. There is a general impression that poverty has increased and because of the inflationary tendency, rural indebtedness should also have increased. This general impression is not borne out by the facts. The following table compares the average per-household cash loans outstanding on 30th June, 1962 with the cash dues outstanding on 30th June, 1972 on the basis of the data given in the All India Debt and Investment Survey of the Reserve Bank of India for 1961-62 and 1971-72.

TABLE

| Assets | Groups | Cultivators | | Non-cultivators | | All rural households | |
|---|---|---|---|---|---|---|---|
| | | 1962 | 1972 | 1962 | 1972 | 1962 | 1972 |
| 0 | 500 | 126.9 | 97.86 | 90.2 | 73.17 | 99.9 | 76.35 |
| 500 | 1000 | 171.4 | 129.60 | 182.5 | 129.14 | 176.1 | 129.28 |
| 1000 | 2500 | 239.8 | 207.14 | 262.8 | 231.51 | 244.5 | 216.96 |
| 2500 | 5000 | 364.9 | 286.12 | 423.0 | 348.73 | 370.6 | 297.72 |
| 5000 | 10000 | 538.5 | 389.92 | 710.4 | 538.61 | 550.6 | 411.89 |

It may be noticed that even at current prices, for all asset groups upto and including Rs. 5000 the dues outstanding in 1972 is invariably lower than that in 1962 for cultivators and non-cultivators alike. It has to be borne in mind that the All India Index number of wholesale prices with 1961-62 prices as 100 was 107.4 in 1962 for food articles and 230.6 in 1972. Similarly, for all commodities the index was 104.1 in 1962 whereas it was 200.7 in 1972. Therefore, the Committee would specifically draw the attention to the fact that with prices nearly doubling between 1962 and 1972 the loans outstanding at current prices was lower in 1972 than in 1962 for all the classes we are considering. There is no reason to believe that with prices at present at the level of 283 in March, 1976, the loans outstanding at Current prices would be above those in 1972. If the trends have been maintained, the outstandings must be lower. In a recent talk on the All India Radio, Dr. Khusro has pointed out that in absolute numbers population below the poverty line seems to have risen during the last decade but in percentage the poverty of the population has lessened. There is a definite improvement in numbers and in percentages in those going above the poverty line. The Committee will, therefore, be erring on the liberal side, in basing its report on the 1971-72 figures.

3.8. In Statement-I we have analysed the estimates of liability of households reporting borrowing as on 30th June, 1971 for the various holding size groups. These figures indicate total borrowing including those for capital and production. The All India Debt and Investment Survey 1961-62 has full analysis of the purposes for which the debts have been incurred and the amounts under each purpose.

The 1971-72 survey has not yet released data of a similar nature. For our purpose, therefore, we are assuming that the percentages of the various purposes in the 1961-62 survey has been maintained for 1971-72. According to the All India Debt and Investment Survey 1961-62 the household expenditure constituted 71.6 percent of the total borrowings for the asset group of less than Rs. 500/-, 60.8 per cent for the asset group of Rs. 500 to Rs. 1000/-; 59 per cent for the asset group of Rs. 1000/- to Rs. 2500/- and 53.5 per cent for the asset group of Rs. 2500/- to Rs. 5000/-. We are assuming that the holding size groups 'nil' and '0.01' '0.50' acre fall within the asset group less than

Rs. 500/- and Rs. 500/- to Rs. 1000/-. Though this would not be strictly correct, the Committee feels that the margin of error will not be substantial. The Committee is also assuming for these two holding groups together, 65 per cent can be taken roughly as borrowings for household expenditure at present. Similarly, for the other groups from 0.50 acre to 5 acres the Committee is assuming an average of 55 per cent for household expenditure. On this basis the total requirements for consumption credit for these two groups are given in Statements-II and III. Household expenditure includes consumption expenditure and expenditure on social obligations like marriage ceremonies, funeral and other religious rites, education and medical expenses. Household consumption also inincludes some items of capital expenditure. As the percentage is small the error will be marginal in the approximation the Committee has accepted. The only other purpose in the list which may be considered as borrowing for consumption is the group "other purposes". As this constitutes only 0.1 per cent for all the above asset groups, the Committee is not assuming any credit for this purpose as falling within the consumption needs that have to be looked after. It will be seen that for the holding size groups 'nil' and '0.01 to 0.50' acre together, the consumption credit for all purposes will be of the order of Rs. 340 crores. Similarly for the holding groups above 0.50 acre and including 5 acres, the consumption credit for all purposes will be of the order of Rs. 250 crores.

3.9 The Committee has also worked out the total credit that will be required for the borrowing classes on the assumption that the number of borrowing families under each of the classes are given the maximum amount of loan for each purpose as suggested by the Committee at paragraph 3.3 above. For the purpose of this calculation, the number of borrowing families in each State in the 'nil' holding group and the group with holdings up to 0.50 acre has been analysed in Statement-IV. For general consumption loans the total number of such borrowing families have been considered. For funeral ceremonies, the death rate has been taken for assessing the possible number of funeral ceremonies amongst the borrowing groups in a year. For birth observances the birth rate per thousand has been adopted.

3.10 For marriages it is assumed that on the life expectation at present of the order of 50 years and each person marrying once in life, on a rough estimate the number of people married per year would be of the order of 100 per thousand families, each family having five members. This is no doubt a very rough estimation, but will give us the order of the requirements. Applying this formula on the number of borrowing families, we get the requirement for this purpose. Details are in Statement IV-A.

3.11. It will be noticed that for various purposes including general consumption loans, including also loans for birth or death ceremonies but excluding marriages, the amount required on the assumption that every borrowing family borrows the maximum, is of the order of Rs. 90 crores. To this should be added requirements for marriages, medical expenses and education. Statement IV-A shows that the credit requirements for marriage purposes for this class of people is of the order of Rs. 24 crores if all the households in this group borrow at the maximum ceiling prescribed. We have to add to this, the requirements for medical expenses and education. It is not possible to base these requirements on any indices at present available. We can take a rough amount of Rs. 10 to 15 crores for the two purposes together. Therefore, the total requirement for all consumption purposes listed above would be of the order of Rs. 130 crores. We have, in a later Chapter, assessed the requirements of the tribal areas at about Rs. 20 crores in all as an outside figure. As the tribal lending is included in the overall figures for all India, no separate addition for this purpose need be made in the total figures.

3.12 The total liability of rural households as on 30th June, 1971 reported in Statement-II is of the order of Rs. 340 crores in respect of the households owning land up to 0.50 acre. It will be noticed that this differs substantially from the estimate of Rs. 130 crores made above on the basis of the recommendations of the Committee. It is a well-known fact that loan given to the poorest sections of the community is extremely usurious and has no relation to the actual money transferred from the lender to the borrower. The liability of Rs. 340 crores would have been built up over a substantial period of time following usurious practices of never allowing capital to be shown as paid. The Damdupat law has rarely been observed in the case of the poorest sections. The Committee would, therefore, reiterates that in their judgment a credit of Rs. 130 crores distributed judiciously according to the principles stated by the Committee will more than look after the actual credit needs of those whose debts have been wiped out by the recent Debt legislation.

3.13 According to the All India Debt and Investment Survey 1971-72, the percentage of borrowing households is only 27.73 in respect of landless households and 39.32 in respect of those owning up to 0.50 acre of land. To some extent, this low percentage of borrowers may not represent the real needs for borrowing of these poorest sections of the community. If credit had been available at reasonable rates more persons may have borrowed to tide over difficult periods and improve their earning capacity. A large institutional frame for giving consumption credit will, therefore, result in more people from this class applying legitimately for loans. Some cushion will have to be provided for such new clientele. The Rs. 130 crores the Committee has fixed for those that are already borrowing has an inbuilt margin for new credits because the figure is arrived at by the assumption that every borrower will borrow the maximum allowed. This will not take place. Further, in the first year, not all requiring credit will come to the credit system as new systems take time to establish themselves. Taking all this into considerations, the Committee estimates that it will be safe to place the requirements for consumption credit of this class at Rs. 170 crores for the first year of operation. After the experience in the first year, the figures for the following years can be worked out.

3.14 The total liability of rural households on 30-6-1971 for all the households owning land above 0.50 acres and up to 5 acres has been estimated at Rs. 250 crores as explained in Statement-II. This figure in the view of the Committee, is an inflated figure of the actual money transferred from the lender to the borrower in this sector. For the same reasons as those the Committee has explained for the landless sector, this figure will have to be reduced. The Committee considers that credit of the order of Rs. 125 crores should more than look after the present needs of this class of borrowers. This class of borrowers will generally be taking productive credit for agricultural production in addition to consumption credit. The production loans that the institutions can and do provide has an in-built consumption credit fraction. The Reserve Bank of India has advised the commercial cooperative banks to provide credit for short-term agricultural purposes according to scale fixed per acre, per crop, consisting of two components of which Component-A is provided entirely in cash as 'ways and means' advance.[4] The Committee feels that the institutional agencies can take care of the pure consumption needs of this class of the rural community without making any change in existing policies and procedures except marginally. Hence, no special arrangement for providing to them credit of this type appears necessary except taking steps to strengthen the net work of institutional credit agencies. The marginal improvements will be for meeting the special needs in respect of marriages, birth or funeral ceremonies and medical relief. In these cases the ceiling allowing for the hidden consumption credit may have to be pierced in individual cases. Some reasonable concession in this regard based on credit-worthiness will solve this problem.

STATEMENT I

*Statement showing the estimates of liability of households reporting borrowing as on 30-6-71*

(Rs. in crores)

| States/U.Ts. | Holding size group in acres Nil | 0.01 to 0.50 | 0.50 to 1.00 | 1.00 to 1.25 | 1.25 to 2.50 | 2.50 to 5.00 | Total |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 1. Andhra Pradesh | 10.50 | 46.79 | 16.43 | 11.29 | 23.35 | 25.26 | 133.62 |
| 2. Assam | 2.81 | 1.44 | 3.40 | 0.33 | 5.49 | 1.14 | 14.61 |
| 3. Bihar | 2.60 | 51.79 | 11.56 | 4.66 | 9.87 | 3.86 | 84.34 |
| 4. Gujarat | 19.76 | 23.58 | 5.28 | 4.10 | 8.61 | 10.76 | 72.09 |
| 5. Haryana | 2.98 | 14.10 | 0.02 | 0.49 | 0.13 | .. | 17.72 |
| 6. Himachal Pradesh | 0.87 | 1.89 | 0.38 | 0.08 | 0.06 | .. | 3.28 |
| 7. Jammu & Kashmir | 0.04 | 0.88 | 0.47 | 0.11 | 0.51 | 0.32 | 2.33 |
| 8. Karnataka | 9.65 | 16.47 | 3.92 | 3.57 | 18.65 | 18.16 | 70.42 |
| 9. Kerala | 3.35 | 14.53 | 4.94 | 0.84 | 1.95 | 0.40 | 26.01 |
| 10. Madhya Pradesh | 3.91 | 18.01 | 3.21 | 2.86 | 7.68 | 10.72 | 46.39 |
| 11. Maharashtra | 8.23 | 14.48 | 6.63 | 2.71 | 8.69 | 10.87 | 51.61 |
| 12. Manipur | 0.03 | 0.20 | 0.06 | 0.03 | 0.15 | 0.10 | 0.57 |
| 13. Meghalaya | Neg. | 0.05 | 0.01 | Neg. | 0.04 | 0.03 | 0.13 |
| 14. Nagaland | .. | .. | .. | .. | .. | .. | .. |
| 15. Orissa | 2.79 | 9.79 | 4.63 | 2.95 | 9.32 | 5.98 | 35.46 |
| 16. Punjab | 1.55 | 30.21 | 0.34 | 0.11 | 0.19 | .. | 32.40 |
| 17. Rajasthan | 3.99 | 18.63 | 2.92 | 1.90 | 11.55 | 15.32 | 54.31 |
| 18. Sikkim | .. | .. | .. | .. | .. | .. | .. |
| 19. Tamil Nadu | 15.64 | 48.96 | 18.96 | 12.77 | 28.90 | 16.45 | 141.68 |
| 20. Tripura | 0.17 | 0.21 | 0.20 | 0.15 | 0.44 | 0.29 | 1.46 |
| 21. Uttar Pradesh | 10.05 | 83.51 | 17.64 | 5.98 | 15.82 | 4.54 | 137.54 |
| 22. West Bengal | 4.29 | 25.08 | 7.62 | 3.10 | 6.50 | 1.84 | 48.43 |
| TOTAL | 103.21 | 420.60 | 108.62 | 58.03 | 157.90 | 126.04 | 974.40 |

STATEMENT II

*Statement showing the estimates of consumption credit requirements of households owning upto 0.50 acres of land reporting borrowing*

Total liability of rural households reporting borrowing as on 30-6-1971 (Rs. in crores)

Holding size in acres

| States/U.Ts. | Nil | 0.01 | Total Col. 2+3 | Of which consumption expenditure at 65% of Col. 4. |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 1. Andhra Pradesh | 10.50 | 46.79 | 57.29 | 37.24 |
| 2. Assam | 2.81 | 1.44 | 4.25 | 2.76 |
| 3. Bihar | 2.60 | 51.79 | 54.39 | 35.36 |
| 4. Gujarat | 19.76 | 23.58 | 43.34 | 28.17 |
| 5. Haryana | 2.98 | 14.10 | 17.08 | 11.10 |
| 6. Himachal Pradesh | 0.87 | 1.89 | 2.76 | 1.79 |
| 7. Jammu & Kashmir | 0.04 | 0.88 | 0.92 | 0.60 |
| 8. Karnataka | 9.65 | 16.47 | 26.12 | 16.98 |
| 9. Kerala | 3.35 | 14.53 | 17.88 | 11.62 |
| 10 Madhya Pradesh | 3.91 | 18.01 | 21.92 | 14.25 |
| 11. Maharashtra | 8.23 | 14.48 | 22.71 | 14.76 |
| 12. Manipur | 0.03 | 0.20 | 0.23 | 0.15 |
| 13. Meghalaya | .. | 0.05 | 0.05 | 0.03 |
| 14. Nagaland | .. | .. | .. | .. |
| 15. Orissa | 2.79 | 9.79 | 12.58 | 8.18 |
| 16. Punjab | 1.55 | 30.21 | 31.76 | 20.65 |
| 17. Rajasthan | 3.99 | 18.63 | 22.62 | 14.70 |
| 18. Sikkim | .. | .. | .. | .. |
| 19. Tamil Nadu | 15.64 | 48.96 | 64.60 | 41.99 |
| 20. Tripura | 0.17 | 0.21 | 0.38 | 0.25 |
| 21. Uttar Pradesh | 10.05 | 83.51 | 93.56 | 60.81 |
| 22. West Bengal | 4.29 | 25.08 | 29.37 | 19.09 |
| TOTAL | 103.21 | 420.60 | 523.81 | 340.48 |

STATEMENT III

*Statement showing the estimates of Consumption Credit requirements of households owning from 0.50 acres to 5 acres reporting borrowing*

Total liability of household reporting borrowing as on 30-6-1971

(Rupees in crores)

Holding size group in acres

| States/U.Ts. | 0.50 to 1.00 | 1.00 to 1.25 | 1.25 to 2.50 | 1.50 to 5.00 | Total Col. 2, 3, 4, & 5. | Of which consumption expn. i.e. 55% of Col. 6 |
|---|---|---|---|---|---|---|
| 1. Andhra Pradesh | 16.43 | 11.29 | 23.35 | 25.26 | 76.33 | 41.98 |
| 2. Assam | 3.40 | 0.33 | 5.49 | 1.14 | 10.36 | 5.70 |
| 3. Bihar | 11.56 | 4.66 | 9.87 | 3.86 | 29.95 | 16.47 |
| 4. Gujarat | 5.28 | 4.10 | 8.61 | 10.76 | 28.75 | 15.81 |
| 5. Haryana | 0.02 | 0.49 | 0.13 | .. | 0.64 | 0.35 |
| 6. Himachal Pradesh | 0.38 | 0.08 | 0.06 | .. | 0.52 | 0.29 |
| 7. Jammu & Kashmir | 0.47 | 0.11 | 0.51 | 0.32 | 1.41 | 0.78 |
| 8. Karnataka | 3.92 | 3.57 | 18.65 | 18.16 | 44.30 | 24.37 |
| 9. Kerala | 4.94 | 0.84 | 1.95 | 0.40 | 8.13 | 4.47 |
| 10. Madhya Pradesh | 3.21 | 2.86 | 7.68 | 10.72 | 24.47 | 13.46 |
| 11. Maharashtra | 6.63 | 2.71 | 8.69 | 10.87 | 28.90 | 15.90 |
| 12. Manipur | 0.06 | 0.03 | 0.15 | 0.10 | 0.34 | 0.19 |
| 13. Meghalaya | 0.01 | .. | 0.04 | 0.03 | 0.08 | 0.04 |
| 14. Nagaland | .. | .. | .. | .. | .. | .. |
| 15. Orrisa | 4.63 | 2.95 | 9.32 | 5.98 | 22.88 | 12.58 |
| 16. Punjab | 0.34 | 0.11 | 0.19 | — | 0.64 | 0.35 |
| 17. Rajasthan | 2.92 | 1.90 | 11.55 | 15.32 | 31.69 | 17.43 |
| 18. Sikkim | .. | .. | .. | .. | .. | .. |
| 19. Tamil Nadu | 18.96 | 12.77 | 28.90 | 16.45 | 77.08 | 42.39 |
| 20. Tripura | 0.20 | 0.15 | 0.44 | 0.29 | 1.08 | 0.59 |
| 21. Uttar Pradesh | 17.64 | 5.98 | 15.82 | 4.54 | 43.98 | 24.19 |
| 22. West Bengal | 7.62 | 3.10 | 6.50 | 1.84 | 19.06 | 10.48 |
| TOTAL | 108.62 | 58.03 | 157.90 | 126.04 | 450.59 | 247.82 |

STATEMENT IV

*Statement showing credit requirements for consumption purposes and for Birth and Death Ceremonies*

| State | Holding size Groups (in cee acres) | No. of Rural house-holds with assets upto Rs. 5000 '000' | % of Borrow-ing Rural house holds | Credit Needs for consumption purposes: Est. No. of Rural Borro-wing h.h. '000' | Credit Needs for consumption purposes: Amt. reqd. @ Rs. 75/- per bor-rowing h.h. (Rs. lakhs) | Credit Needs for birth ceremonies: No. of births @ 35.57 per thousand or 177.85 per thou. borrowing h.h. | Credit Needs for birth ceremonies: Amt. reqd. @ Rs. 75 per birth ceremony (Rs. lakhs) | Credit Needs for death ceremonies: No. of deaths @ 15.23 per 1000 or 76.15 per 1000 borrowing h.h. | Credit Needs for death ceremonies: Amt. reqd. @ Rs. 75 Per death ceremony (Rs. lakhs) | Total credit reqd. for consump-tion, birth* *and deaths (Col. 6 +8+10) (Rs. lakhs) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1. Andhra Pradesh | Nil | 635 | 32.94 | 209 | 156.75 | 37171 | 27.88 | 15915 | 11.94 | 196.57 |
| | 0.01—0.50 | 2042 | 40.94 | 836 | 627.00 | 148683 | 111.51 | 63661 | 47.75 | 786.26 |
| | Total | 2677 | | 1045 | 783.75 | 185854 | 139.39 | 79576 | 59.69 | 982.82 |
| 2. Assam | Nil | 352 | 18.99 | 67 | 52.25 | 11916 | 8.94 | 5102 | 3.83 | 63.08 |
| | 0.01—0.50 | 197 | 23.83 | 47 | 35.25 | 8359 | 6.27 | 3579 | 2.68 | 44.20 |
| | Total | 549 | | 114 | 85.50 | 20275 | 15.21 | 8681 | 6.51 | 107.22 |
| 3. Bihar | Nil | 231 | 36.24 | 84 | 63.00 | 14939 | 11.20 | 6397 | 4.80 | 79.00 |
| | 0.01—0.50 | 3049 | 47.08 | 1435 | 1076.25 | 255215 | 191.41 | 109275 | 81.96 | 1349.62 |
| | Total | 3280 | | 1519 | 1139.25 | 270154 | 202.61 | 115672 | 86.76 | 1428.62 |
| 4. Gujarat | Nil | 578 | 30.87 | 178 | 133.50 | 31657 | 23.74 | 13555 | 10.17 | 167.41 |
| | 0.01—0.50 | 650 | 40.21 | 261 | 195.75 | 46419 | 34.81 | 19875 | 14.91 | 245.47 |
| | Total | 1228 | | 439 | 329.25 | 78076 | 58.55 | 33430 | 25.08 | 412.88 |
| 5. Haryana | Nil | 69 | 22.29 | 15 | 11.25 | 2668 | 2.00 | 1142 | 0.86 | 114.11 |
| | 0.01—0.50 | 282 | 37.11 | 105 | 78.75 | 18674 | 14.01 | 7996 | 6.00 | 98.76 |
| | Total | 351 | | 120 | 90.00 | 21342 | 16.01 | 9138 | 6.86 | 112.87 |
| 6. Himachal Pradesh | Nil | 18 | 16.87 | 3 | 2.25 | 534 | 0.40 | 228 | 0.17 | 2.82 |
| | 0.01—0.50 | 48 | 49.17 | 17 | 12.75 | 3023 | 2.27 | 1295 | 0.97 | 15.99 |
| | Total | 53 | | 20 | 15.00 | 3557 | 2.67 | 1523 | 1.14 | 18.81 |
| 7. Jammu & Kashmir | Nil | 5 | 17.42 | 1 | 0.75 | 179 | 0.13 | 76 | 0.06 | 0.94 |
| | 0.01—0.50 | 48 | 37.17 | 18 | 13.50 | 3201 | 2.40 | 1371 | 1.03 | 16.93 |
| | Total | 53 | | 19 | 14.25 | 3380 | 2.53 | 1447 | 1.09 | 17.87 |
| 8. Karnataka | Nil | 813 | 28.66 | 233 | 174.75 | 41439 | 31.08 | 17743 | 13.31 | 219.14 |
| | 0.01—0.50 | 775 | 38.80 | 301 | 225.75 | 53533 | 40.15 | 22921 | 17.19 | 283.09 |
| | Total | 1588 | | 534 | 400.50 | 94972 | 71.23 | 40664 | 30.50 | 502.23 |
| 9. Kerala | Nil | 291 | 25.43 | 74 | 55.50 | 13161 | 9.87 | 5635 | 4.23 | 69.60 |
| | 0.01—0.50 | 860 | 30.99 | 267 | 200.25 | 47486 | 30.61 | 20332 | 15.25 | 251.11 |
| | Total | 1151 | | 341 | 255.75 | 60647 | 45.48 | 25967 | 19.48 | 320.71 |
| 10. Madhya Pradesh | Nil | 443 | 24.77 | 110 | 82.50 | 19564 | 14.67 | 8377 | 6.28 | 103.45 |
| | 0.01—0.50 | 1010 | 35.15 | 355 | 266.25 | 63137 | 47.35 | 27033 | 20.27 | 333.87 |
| | Total | 1453 | | 465 | 348.75 | 82701 | 62.02 | 35410 | 26.55 | 437.32 |
| 11. Maharashtra | Nil | 911 | 20.88 | 190 | 142.50 | 33792 | 25.34 | 14469 | 10.85 | 178.69 |
| | 0.01—0.50 | 1021 | 29.38 | 300 | 225.00 | 53355 | 40.02 | 22845 | 17.13 | 282.15 |
| | Total | 1932 | | 490 | 367.50 | 87147 | 65.36 | 37314 | 27.98 | 460.84 |
| 12. Manipur | Nil | 6 | 18.52 | 1 | 0.75 | 1788 | 0.13 | 76 | 0.06 | 0.94 |
| | 0.01—0.50 | 24 | 17.73 | 4 | 3.00 | 711 | 0.53 | 305 | 0.23 | 3.76 |
| | Total | 30 | | 5 | 3.75 | 889 | 0.66 | 381 | 0.29 | 4.70 |
| 13. Meghalaya | Nil | 12 | 2.31 | — | — | .. | .. | .. | .. | .. |
| | 0.01—0.50 | 22 | 8.04 | 2 | 1.50 | 356 | 0.27 | 152 | 0.11 | 1.88 |
| | Total | 34 | | 2 | 1.50 | 356 | 0.27 | 152 | 0.11 | 1.88 |
| 14. Orissa | Nil | 250 | 17.10 | 43 | 32.25 | 7648 | 5.74 | 3274 | 2.45 | 40.44 |
| | 0.01—0.50 | 915 | 27.13 | 248 | 186.00 | 44107 | 33.08 | 18885 | 14.16 | 233.24 |
| | Total | 1165 | | 291 | 218.25 | 51755 | 38.82 | 22159 | 16.61 | 273.68 |
| 15. Punjab | Nil | 666 | 34.17 | 23 | 17.25 | 4091 | 3.07 | 1751 | 1.31 | 21.63 |
| | 0.01—0.50 | 577 | 55.70 | 321 | 240.75 | 57090 | 42.82 | 24444 | 18.33 | 301.90 |
| | Total | 643 | | 344 | 258.00 | 61181 | 45.89 | 26195 | 19.64 | 323.53 |
| 16. Rajasthan | Nil | 116 | 36.79 | 43 | 32.25 | 7648 | 5.74 | 3274 | 2.45 | 40.44 |
| | 0.01—0.50 | 307 | 52.02 | 160 | 120.00 | 28456 | 21.34 | 12184 | 9.14 | 150.48 |
| | Total | 423 | | 203 | 152.25 | 36104 | 27.08 | 15458 | 11.59 | 190.92 |
| 17. Tamil Nadu | Nil | 1068 | 33.12 | 354 | 265.50 | 62008 | 47.22 | 26957 | 20.22 | 332.94 |
| | 0.01—0.50 | 2193 | 40.75 | 894 | 670.50 | 158998 | 119.25 | 68078 | 51.06 | 840.75 |
| | Total | 3261 | | 1248 | 936.00 | 221957 | 166.47 | 95035 | 71.28 | 1173.69 |
| 18. Tripura | Nil | 22 | 24.81 | 5 | 3.75 | 8889 | 0.67 | 381 | 0.29 | 4.71 |
| | 0.01—0.50 | 25 | 26.76 | 7 | 5.25 | 1245 | 0.93 | 533 | 0.40 | 6.58 |
| | Total | 47 | | 12 | 9.00 | 2134 | 1.60 | 914 | 0.69 | 11.29 |
| 19. Uttar Pradesh | Nil | 406 | 31.55 | 128 | 96.00 | 22765 | 17.07 | 9747 | 7.31 | 120.38 |
| | 0.01—0.50 | 3357 | 39.42 | 1323 | 902.25 | 235296 | 176.47 | 100746 | 75.56 | 1244.28 |
| | Total | 3763 | | 1451 | 1088.25 | 258061 | 193.54 | 110493 | 82.87 | 1364.66 |
| 20. West Bengal | Nil | 668 | 25.27 | 169 | 126.75 | 30057 | 22.54 | 12869 | 0.65 | 158.94 |
| | 0.01—0.50 | 2122 | 35.42 | 752 | 564.00 | 133743 | 100.31 | 57265 | 42.95 | 707.26 |
| | Total | 3790 | | 921 | 690.75 | 163800 | 120.85 | 70134 | 52.60 | 866.20 |
| 21. Delhi | Nil | 12 | 23.98 | 3 | 2.25 | 534 | 0.40 | 228 | 0.17 | 2.82 |
| | 0.01—0.50 | 19 | 34.03 | 6 | 4.50 | 10677 | 5.70 | 457 | 0.34 | 10.54 |
| | Total | 31 | | 9 | 6.75 | 1601 | 6.10 | 685 | 0.51 | 13.36 |
| ALL INDIA | Nil | 6972 | 27.73 | 1933 | 1449.75 | 343789 | 257.83 | 147196 | 110.41 | 1817.99 |
| | 0.01—0.50 | 19530 | 39.32 | 7659 | 5744.25 | 1362154 | 1026.51 | 583232 | 437.42 | 7208.18 |
| | Total | 26502 | | 9592 | 7194.00 | 1705943 | 1284.34 | 730428 | 547.83 | 9026.17 |

STATEMENT IV A

*Statement showing credit requirements for marriage purposes*

| State | Holding size Groups (in acres) | Credit needs for marriage purposes: No. of borrowing Rural Households '000 | Credit needs for marriage purposes: No. of persons likely to be married in one year (100 per thousand/borrowing households) | Amount required @ Rs. 250 per marriage (Rs. lakhs) | Total credit requirements for consumption, births, deaths & marriages. (Rs. lakhs) |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. Andhra Pradesh | Nil | 209 | 20900 | 52.25 | 248.82 |
| | 0.01—0.50 | 836 | 83600 | 209.00 | 995.26 |
| | Total | 1045 | 104500 | 261.25 | 1244.08 |
| 2. Assam | Nil | 67 | 6700 | 16.75 | 79.77 |
| | 0.01—0.50 | 47 | 4700 | 11.75 | 55.95 |
| | Total | 114 | 11400 | 28.50 | 135.72 |
| 3. Bihar | Nil | 84 | 8400 | 21.00 | 100.00 |
| | 0.01—0.50 | 1435 | 143500 | 358.75 | 1708.37 |
| | Total | 1519 | 151900 | 379.75 | 1808.37 |
| 4. Gujarat | Nil | 178 | 17800 | 44.50 | 211.91 |
| | 0.01—0.50 | 261 | 26100 | 65.25 | 310.72 |
| | Total | 439 | 43900 | 109.75 | 522.63 |
| 5. Haryana | Nil | 15 | 1500 | 3.75 | 17.86 |
| | 0.01—0.50 | 105 | 10500 | 26.25 | 125.01 |
| | Total | 120 | 12000 | 30.00 | 142.87 |
| 6. Himachal Pradesh | Nil | 3 | 300 | 0.75 | 3.57 |
| | 0.01—0.50 | 17 | 1700 | 4.25 | 20.24 |
| | Total | 20 | 2000 | 5.00 | 23.81 |
| 7. Jammu & Kashmir | Nil | 1 | 100 | 0.25 | 1.19 |
| | 0.01—0.50 | 18 | 1800 | 4.50 | 21.43 |
| | Total | 19 | 1900 | 4.75 | 22.62 |
| 8. Karnataka | Nil | 233 | 23300 | 58.25 | 277.39 |
| | 0.01—0.50 | 301 | 30100 | 75.25 | 358.34 |
| | Total | 534 | 53400 | 133.50 | 635.73 |
| 9. Kerala | Nil | 74 | 7400 | 18.50 | 88.10 |
| | 0.01—0.50 | 267 | 26700 | 66.75 | 317.86 |
| | Total | 341 | 34100 | 85.25 | 405.96 |
| 10. Madhya Pradesh | Nil | 110 | 11000 | 27.50 | 130.95 |
| | 0.01—0.50 | 355 | 35500 | 88.75 | 422.62 |
| | Total | 465 | 46500 | 116.25 | 553.57 |
| 11. Maharashtra | Nil | 190 | 19000 | 47.50 | 226.19 |
| | 0.01—0.50 | 300 | 30000 | 75.00 | 357.15 |
| | Total | 490 | 49000 | 122.50 | 583.34 |
| 12. Manipur | Nil | 1 | 100 | 0.25 | 1.19 |
| | 0.01—0.50 | 4 | 400 | 1.00 | 4.76 |
| | Total | 5 | 500 | 1.25 | 5.95 |
| 13. Meghalaya | Nil | .. | .. | .. | .. |
| | 0.01—0.50 | 2 | 200 | 0.50 | 2.38 |
| | Total | 2 | 200 | 0.50 | 2.38 |
| 14. Orissa | Nil | 43 | 4300 | 10.75 | 51.19 |
| | 0 01—0.50 | 248 | 24800 | 62.00 | 295.24 |
| | Total | 291 | 29100 | 72.75 | 346.43 |
| 15. Punjab | Nil | 23 | 2300 | 5.75 | 27.38 |
| | 0 01—0.50 | 321 | 32100 | 80.25 | 382.15 |
| | Total | 344 | 34400 | 86.00 | 409.53 |
| 16. Rajasthan | Nil | 43 | 4300 | 10.75 | 51.19 |
| | 0.01—0.50 | 160 | 16000 | 40.00 | 190.48 |
| | Total | 203 | 20300 | 50.75 | 241.67 |
| 17. Tamil Nadu | Nil | 354 | 35400 | 88.50 | 421.44 |
| | 0.01—0.50 | 894 | 89400 | 223.50 | 1064.25 |
| | Total | 1248 | 124800 | 312.00 | 1485.69 |
| 18. Tripura | Nil | 5 | 500 | 1.25 | 5.96 |
| | 0.01—0.50 | 7 | 700 | 1.75 | 8.33 |
| | Total | 12 | 1200 | 3.00 | 14.29 |
| 19 Uttar Pradesh | Nil | 128 | 12800 | 32.00 | 152.38 |
| | 0.01—0.50 | 1323 | 132300 | 330.75 | 1575.03 |
| | Total | 1451 | 145100 | 362.75 | 1727.41 |
| 20. West Bengal | Nil | 169 | 16900 | 42.25 | 201.19 |
| | 0 01—0.50 | 752 | 75200 | 188.00 | 895.26 |
| | Total | 921 | 92100 | 230.25 | 1096.45 |
| 21. Delhi | Nil | 3 | 300 | 0.75 | 3.57 |
| | 0.01—0.50 | 6 | 600 | 1.50 | 12.04 |
| | Total | 9 | 900 | 2.25 | 15.61 |
| All India | Nil | 1933 | 193300 | 483.25 | 2301.24 |
| | 0.01-0.50 | 7659 | 765900 | 1914.75 | 9122.93 |
| | Total | 9592 | 959200 | 2398.00 | 11424.17 |



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## CHAPTER IV

## INSTITUTIONAL ARRANGEMENTS FOR PURVEYING CONSUMPTION CREDIT

4.1 The institutions and authorities at present purveying credit in the rural areas are :—

(i) the co-operatives;

(ii) the commercial banks, including the Regional Rural Banks ;

(iii) Government ; and

(iv) the Khadi and Village Industries Board.

4.2 Although there is no bar on providing consumption credit to their members, the primary agricultural credit societies provide primarily only production credit to farmers and tenants. The short-term production credit however, takes care of the consumption needs to some extent as explained in chapter III through the 'A' component of the scale of finance. The societies hardly ever provide loans to agricultural labourers who do not require production credit but pure consumption credit. There are weavers societies and other industrial societies which provide wages to their members and very small loans for meeting their consumption needs. The State khadi and Village Indnstries Boards give loans for those engaged in village industries for financing their production and not the consumption needs Government taccavi loans are given for land improvement or agricultural production and thus do not cover consumption needs either the agriculturists or agricultural labourers. The commercial banks do not normally provide consumption credit to the people in the rural areas; but the Regional Rural Banks have provision for medical and educational loans to their clients. It will be seen, therefore, that there is very little provision at present for any lending for pure and simple consumption credit·

4.3 We have in Chapter III proceeded on the basis that no special arrangement may be recessary in respect of farmers having more than 0.50 acre of land. Where the size of the holding is less than 2.5 acres or even where the expenditure is somewhat high, the credit provided as cash component 'A' may not be adequate. Hence, some arrangements may have to be thought of for meeting such consumption needs as go beyond the production credit provided and which cannot be considered as extravagant.

4.4 The co-operative system has been examining the need for consumption credit in the light of the debt legislation. The Co-operation Department of the Government of Maharashtra, has recently prepared a scheme for grant of consumption loans to the weaker sections of the society. Under this scheme, the loanee who has to be a non-defaulter member of a co-operative society holding less than 5 acres of land or who is a landless agricultural labourer or rural artisan can get a loan upto a maximum limit of Rs. 250 on the mortgage of moveable properties like utensils, radio sets, cycles, watches, etc. There is a restriction that total lending by a society should not be more than 10% of the crop loan advanced by it. The repayment period will be one year which may be extended by another 3 months. The rate of interest will be 13% for the year and 18% for the extended period. The Agricultural Credit Department of the Reserve Bank of India has advised the Registrars of Co-operative Societies that a primary agricultural credit society may advance consumption loans to a person up to 10% of his short-term loan eligibility subject to a maximum of Rs. 250 per individual and that preference in this behalf should be given to the weaker sections. The Reserve Bank has not prescribed any additional security for the consumption loans. The Reserve Bank of India is, however, not agreeable to refinance such operations, but expects the banks or societies to use their own funds for the purpose. The co-operative credit societies/banks of Kerala are financing such operations on a fairly big scale out of their own funds. The banks and societies have launched a very big drive for mobilising deposits with full support from the Government. Deposits of the order of Rs. 20 crores are expected to be added to the co-operative credit system during April, 1976 alone. Many State Governments and co-operative banks have, however, expressed their inability to advance pure consumption loans unless their resources are supplemented from outside.

4.5 The commercial banks have also examined the problem and some of them have formulated certain schemes, more or less on an experimental basis, in an attempt to meet some part of the consumption needs of the poorer sections of the society. Bank of India, for example, has formulated a scheme for financing released bonded labourers. The quantum of loan granted for medical expenditure is limited to Rs. 200 for educational purposes to Rs. 25 per child with a maximum limit of Rs. 75 per borrower. Under the scheme, the bank extends for social purposes Rs. 125 once for all. The total limit per borrower for all the purposes together is not to exceed Rs. 400. As security, the bank accepts group guarantee wherever possible and/or gold/silver articles/ornaments. Being a package scheme, the bank does not extend loans exclusively for consumption purposes but only along with production loans. Under a scheme formulated by Punjab National Bank, consumption loans for modest amounts are available to small farmers having land holdings upto 2.5 acres, if irrigated and 5 acres, if unirrigated. The loan is granted for genuine consumption requirements of the borrowers with the stipulation that no loans are granted for wasteful expenditure like those on marriages, dowry or post-funeral rituals. The amount of loan is need-based but does not exceed Rs. 1500/- to any single borrower. The loans may be granted against the guarantee from a suitable person. Canara Bank has formulated a scheme for extending financial assistance to small/marginal farmers who have fallen victims of natural calamities like floods, famine, droughts, etc. This scheme envisages granting of loans up to Rs. 1000/- per person. The actual quantum is, however, fixed taking into account the person's income-generating capacity. It will be noticed that in the commercial banking system, loans for consumption purposes are associated with the production activity of the borrower. It is, therefore, unlikely that it will substantially help those classes who are non-agriculturists or are only labourers.

4.6 State Governments have been lending taccavi loans during natural calamities like droughts, floods, etc. The legislation under which taccavi is given enables State Governments to give loans only for land improvement and agricultural production, but in practice taccavi loans also contain an element of consumption. Taccavi loans are generally given on a group loan system. Lending of the Khadi and Village Industries Board is very limited and is purely for production.

4.7 It is, therefore, evident that barring the element of consumption credit in the production loans, the banking institutions and the Government do not have any arrangement at present to meet the consumption needs of the weaker as well as the relatively better-off sections of the rural community. This is due firstly to the fact that until the passing of the recent debt relief laws, provision of credit to meet consumption needs even of those who had tangible security to offer was not encouraged. Secondly, the institutions do not also have the infrastructure necessary to reach the mass of people both for providing loans and more so for the recovery thereof. The class of persons are such that while they will need the credit facilities in a lump sum, the repayment will have to spread over many months often in daily or weekly instalments as their income is derived not from agricultural production but from wages earned from time to time. Any system that can effectively look after this type of lending business must be situated as close as possible to the borrower to facilitate his repaying in small amounts and over a period of time. The commercial banks have come into the field during the last seven years for extending rural credit, but they have limitations in servicing large number of individual loans of very small amounts directly. Considering all aspects of the situation, the Committee is of the definite view that the primary agricultural credit societies reorganised into viable units, farmers' service societies, large-size multi-purpose societies in the tribal areas each having a full-time paid Secretary/Managing Director will be the best suited to handle the business of providing consumption credit to the various categories of the rural community.

4.8 Several steps have been taken by the Agricultural Credit Department of the Reserve Bank of India to ensure that the primary co-operative credit structure is enabled to discharge its growing responsibilities satisfactorily. The main thrust has been on—

(1) reorganisation of primary credit societies into viable units by weeding out non-viable units by amalgamation with the potentially viable unit or liquidating them if their financial position is bad;

(2) appointment of full-time paid secretary to each primary co-operative;

(3) tightening up the loan recovery system so that more and more funds can be pushed through this sector for rural credit;

(4) introduction of universal membership to prevent a closed shop mentality and enable all persons in the rural sector requiring loans for production to join the co-operative; and

(5) reserving a given proportion of credit for short-term agricultural purposes in favour of small/marginal farmers.

The Committee notes with satisfaction that during the last two years there has been a determination on the part of several States to reorganise and strengthen the co-operative credit structure at the base level on the lines advised by the Reserve Bank of India. This is a happy augury because there cannot be any dispute on the point that the primary credit society is the most appropriate agency for shouldering such responsibilities.

4.9 Following the lead given by the Maharashtra and Kerala Co-operative systems, the obvious solution is to provide in the co-operative credit structure for both consumption credit as a part of production credit as well as pure consumption credit. It is also necessary to ensure automatic membership to all those agriculturists and non-agriculturists who want to join a society for production and/or consumption credit facilities. The universal membership concept should answer this requirement. If these changes are made in the policies governing the provision of credit by the societies, consumption credit for agricultural producers and consumption credit for agricultural labourers and artisans can be purveyed through primary co-operative credit societies which have been reorganised into viable units and are having a full-time paid secretary. This means that the programmes of reorganisation which have been drawn up in the different States should be speeded up so that the necessary agency at the village level is created. We recommend, therefore, that the State Government should give the highest priority to implement the programme of reorganising the societies to form viable units, farmers service societies or large-size multipurpose societies in the tribal areas.

4.10 In spite of the best efforts, the reorganisation and strengthening of the primary agricultural credit societies may take some time and, therefore, there will be many areas in every State where the society at the village level will not have the capacity to handle the consumption credit business. The commercial banks have been opening their branches in the rural areas and the number of such branches is even now quite substantial. The central co-operative banks have also a large net-work of branches in the rural areas and there is a definite programme of branch expansion in their case also. While it will be difficult for the branches of the commercial or the central co-operative banks to provide consumption credit directly to those who cannot offer any tangible security, it should be possible for them to provide facilities at their own branches where such security could be offerred. In South India, and, particularly, in Tamil Nadu and Kerala, advances of commercial banks against the security of gold and silver ornaments are sizeable. We understand that with the approval of the Reserve Bank of India, central co-operative banks in Tamil Nadu have also been extending a similar facility at their branches directly to individuals. The Reserve Bank of India has recently advised all the Secretaries to State Governments' Co-operation Departments, that subject to certain conditions and within certain limits, central co-operative banks all over the country may advance loans directly to individuals against the security of gold and silver ornaments, provided that the total loans to individuals from them inclusive of gold and silver loans do not exceed 10 per cent of their total time and demand liabilities. We recommend that full advantage of the permission given by the Reserve Bank of India to the central co-operative banks should be taken and that the commercial banks also may step up their advances against gold and silver ornaments to needy persons.

4.11 We have emphasised the need for reorganising primary agricultural credit societies so as to equip them with the ability to handle the consumption credit business. However, reorganisation of the socieites is not going to solve the problem of funds for providing consumption credit to their members. Barring Kerala, the primary agricultural credit societies in most States have very meagre internal resources as their deposits are poor and their share capital is substantially invested in the shares of the central co-operative banks. The dependence of the societies on central financing agencies for providing loans even for production purposes is admittedly very large. In many districts, the central co-operative banks are unable to lend the necessary financial support to the societies and large credit gaps exist. The Reserve Bank of India had sponsored six years ago, a scheme for financing primary agricultural credit societies by commercial banks and most States have by now accepted the idea. Similarly, on the recommendations of the National Commission on Agriculture, the Government of India and the Reserve Bank have advised the State Governments to organise a number of Farmers' Service/Societies in the Small Farmers Development Agency areas as well as in the districts covered by the Regional Rural Banks. Most of these societies are expected to be financed by commercial banks. We recommend, therefore, that where central co-operative banks are weak and are not in a position to give the necessary financial support to all the societies in their areas, some societies may be attached to commercial banks for the purpose of credit facilities, both for production and consumption purposes. Similarly, the organisation of Farmers' Service Societies as repeatedly advised by the Government of India should also be speeded up.

4.12 We have emphasised that only primary agricultural credit societies as have a full time paid secretary should be entrusted with the responsibility for providing consumption credit. As at present, only about one-third of the societies in the country have full-time paid secretaries. There are many States where the number of societies having full-time paid secretaries is much less than one-third of the total. The number of primary agricultural credit societies attached to the commercial banks is only 3291 at the end of December, 1975. The number of Farmers' Service Societies already in position and recognised by the Reserve Bank of India is less than 100 for the country as a whole. There is a clear need to strengthen the primary cooperative societies on a war footing in the next two months by all the methods available as recommended so that at least half the societies in the country are made viable and have full time paid secretaries. Even then, it is obvious that in a very large part of the country it may not be possible to make immediately any institutional arrangements for the provision of consumption credit to any sector of the rural community. Under these circumstances, there seems to be no alternative but to cater to the needs of the rural communities in the 'grey' areas by the States Governments through their revenue and other administrative departments. The first step will have to be for identifying the 'grey' areas so that there is no overlapping in the provision of consumption credit between the Government on the one hand and institutional agencies on the other. To facilitate the grant of consumption loans by the Government, special laws may have to be enacted, because it is apprehended that the present laws under which taccavi loans are granted may not allow the provision of consumption loans. For facilitating recovery, such loans may be provided on a group basis where no tangible security is available so that there will be joint and several liability in the group.

4.13 Finally, it will be advantageous if the recovery of pure consumption loans is made out of the wages payable to a person under an employment programme. The Committee have noted with interest the Employment Guarantee Scheme which the Maharashtra Government has been working for the last two years. The report of a Committee under the Chairmanship of Shri R. N. Azad, Joint Secretary, Department of Rural Development, recommending a suitable expansion of this scheme to other States is now under examination. From the fact that there are agricultural labourers and marginal farmers who live mainly on wages for whom a pure consumption credit is required, it is obvious that such people can benefit by a controlled employment scheme. In order, therefore, to solve the twin problems of provision of employment and collection of consumption loans, the Committee recommends that in both these areas of difficulty, the borrowers should be put on to an employment scheme worked by the Government Departments. As wages will be paid by the Department on the basis of work done on a weekly basis or a daily basis, provision should be made for collecting back a percentage of the wage as repayment of the consumption loan taken. The Committee is of the view that there are quite a lot of production schemes in which this earmarking can be done without seriously upsetting the plan budgets. The Committee, therefore, recommends that each State should identify such programmes and ensure the linking up of the loanees with such production schemes so that the loans can be recovered promptly. In the case of artisans in such difficult situations, the cooperative marketing structure will have to take the responsibility for marketing the goods and collecting back the loan instalments.

4.14 The basis on which loans may be sanctioned and the manner in which they will be recovered will have to be fixed carefully. We recommend that the Government of India may appoint a Working Group which should include representatives of commercial and cooperative banks and of the State Governments to suggest appropriate norms and procedures.

CHAPTER—V

## ARRANGEMENTS FOR TRIBAL AREAS

5.1 The problem of credit in the tribal areas needs special treatment because of the distinguishing features of their socio-economic siutation. In the Fifth Plan separate sub-plans have been prepared for areas with more than 50% tribal population. In the new approach, considerable flexibility is envisaged so that specific programmes can be formulated with reference to the problems of each area.

5.2 The tribal communities have a simple socio-economic situation; their needs are modest and often not clearly demarcated. The money lender meets all his requirements including consumption purposes and social ceremonies. The money lender has been able to win his confidence by his prompt service and flexible repayment schedules. He, however, operates in a subtle way and charges usurious interest ranging between 100 to 300%, contracts advance sale of crops at low prices and employs him at below subsistence wage levels.

5.3 The average land holding in the tribal areas is considerably larger than in the advanced areas. But the actual utilization of the land and the intensity of its use is considerably smaller. The yield and productivity are also low. The tribal draws substantial part of his subsistence from minor forest produce or casual wage labour in the Forest Department. Since the level of his agricultural technology is low and he depends to a considerable extent on non-agricultural operations notwithstanding larger land holdings, the tribal economy is, by and large, not as yet covered significantly by the institutional credit structure. This situation, therefore, forces him to rely on the traditional moneylender even in those areas where modern credit institutions might have been established.

5.4 Marketing and credit operations in the tribal areas are subjected to numerous forms of exploitation and, therefore, a large portion of gross production in the tribal economy is siphoned off making it a net deficit economy. This results in high indebtedness and land alienation. This area, therefore, needs special attention if the benefits of the new developmental programmes are to accrue to the tribal community.

5.5 The question of an appropriate institutional framework for the tribal aras has been examined in considerable detail by an Expert Committee set up by the Government of India (Bawa Committee) recently. This Committee accepted that the simple tribal sutuation needs a simple institutional structure. The Committee recommended that a network of strong and viable large-sized Multi-purpose Cooperative Societies (LAMPS) should be set up at the base level which should purchase agricultural and minor forest produce, supply necessities of life at fair price, provide production credit and also credit for consumption and social purposes. The size of the LAMPS may depend on the level of economic development of an area—in the more backward areas it could cover a block and in comparatively advanced areas one society could serve one *haat* centre.

5.6 Since the existing cooperative structure in the tribal areas is generally weak, the first necessary step for adequate provision of consumption credit would be to rationalise it and set up the LAMPS as quickly as possible so as to cover the entire sub-plan area. The various State Governments are already working out the details for such a reorganisation. This should now be taken up as a time-bound programme so that the new structure is ready for effectively servicing the sub-plan area by the next kharif season.

5.7 The new LAMPS are an adaptation of the Farmer's Service Societies. In the sub-plan area the credit and marketing structure, on the one hand, and the administrative and extension agency on the other are being rationalised simultaneously. Therefore, it is expected that the adequate extension support for the production programmes which may be taken up with the larger credit flow will be available. The situation could be reviewed with reference to the needs of each area.

5.8 The cooperative structure is generally weak in tribal areas the branches of commercial banks are few and far between and the rural banks are yet to make a beginning. Therefore, the linkage of the LAMPS with secondary level organizations will need to be carefully defined so as to utilise the existing structure optimally. One credit institution should be responsible for one I.T.D.P. area at the secondary level so as to ensure efficient service and accountability. The Central Cooperative Banks should assume this responsibility as far as possible. In those areas where these banks are weak, a commercial bank could be assigned this responsibility.

In the alternative, the State Cooperative Bank may open a branch or a Rural Bank could be established. The secondary level organization in the areas should be responsible for providing the entire credit protfolio of the LAMPS. The channel for refinancing of consumption credit in the cooperative system should be the same as for the production credit.

5.9 Adaptation and adequate flexibility in the application of rules, procedures, etc., is the cornerstone for effective implementation of tribal programmes. While such flexibility is accepted in principle, rigidity may appear in application. For example, 'A' component of the production credit is provided in lieu of individual's own labour and it is permissible to advance it separately. The package of input advances in 'B' component can also be varied. But there is little appreciation of the significance of this flexibility at the lower levels which results in considerable hardship. Flexibility in the existing rules and possibility of adapting them further in the context of local needs should be emphasised.

5.10 There is a well defined prolonged lean season in the tribal economy before the agricultural season strats, which continues till the arrival of their only crop by about October. The tribal has to depend upon forest roots and tubers. The advances for consumption credit to the tribal, therefore, should have a time schedule different from the one for advanced areas. He also needs help when he is engaged in collection of minor forest produce. The consumption credit during this period is really production credit since otherwise he may be forced to sell the collection at a small price. The eligibility for consumption credit in the tribal areas will also need to be specially defined because even larger land holders may need this support during the lean seasons. The repayment schedules will need to be worked out in the context of the calendar of economic operations in each specific area. The approach towards credit operations in the tribal areas should, therefore, be kept sufficiently flexible to accommodate the varying requirements of different socio-economic situations.

5.11 The net liability of an average tribal in predominantly tribal areas is considerably lower than that of the relatively advanced areas. A closer analysis of the results of the All-India Debt and Investment Survey conducted by the Reserve Bank of India (1971-72) reveals that this liability may be between 1/2 to 1/4th of that in the corresponding advanced areas. Thus the per family liability in the tribal areas in Orissa is about Rs.75/- in Bihar Rs. 106/- and in Madhya Pradesh Rs. 206/- only. The average liability for the tribal areas as a whole can be assumed to be between Rs.100/- and Rs.150/-. As this liability includes all this requirements, the maximum consumption need of a tribal may be of the order of Rs.75/-. Therefore, the general ceiling recommended for consumption will adequately cover his requirements. The requirement of loan for special social purposes may not exceed Rs. 250/-.

5.12 The tribal sub-plan area will cover about 2 crores tribal population or about 40 lakhs tribal families. About 50% of these families would be eligible for consumption credit provided tribals with more than two hectares of land satisfy their consumption credit requirement from the normal production credit channels. The total consumption need of this group, therefore, will be about Rs. 15 crores. If 10% of these families are to be accommodated loans for social purposes @ Rs.250/-per family, the total outlay will be Rs. 5 crores. Thus, the total advances for social purposes and consumption needs of tribals in the sub-plan area, will not exceed Rs. 20 crores. This consumption credit will be self-liquidating. If the tribal gets a fair price for his minor forest produce and is saved from usuary, his total production would be adequate to meet his consumption requirements. Rs. 20 crores, therefore, will be the outer limit for adequately covering the consumption needs and social requirements of tribals in the sub-plan area.

**Loan Recovery**

5.13 The key to the consumption loan system in the tribal areas is the organisation of the collection of minor forest produce. The ownership of the minor forest produce is with the Forest Departments of the States. The normal practice is to lease out the collection of the same to middlemen. These middlemen pay very low collection charges to the tribals and absorb the bulk of the profit. Today kendu leaf, sal seed, mahua seed, minor oilseeds, myrobolam, barooms and such minor forest produce are very valuable and can give substantial income to the tribal population. The States have been advised to bring minor forest produce collection directly under the Tribal Cooperative Corporations or a suitable Department and organise the collection effectively through suitable Administrative Centres. The Committee recommends that immediate steps should be taken to ensure that as much of the minor forest produce as possible in the tribal areas is collected through a corporation or departmental arrangements at fair prices.

5.14 The tribal needs his consumption credit in the form of food articles, salt, oil, clothes, etc. The Fair Price Shop system was accepted as the right organisation for giving consumption loans of this nature to the tribal and buying back the minor forest produce and farm produce at fair prices from the tribal. Unfortunately, this system has not spread sufficiently widely except in the Girijan cooperative area of Andhra Pradesh. Establishment of LAMPS in spite of our best efforts will take time. On the other hand, the States can open Fair Price Shops immediately through appropriate government departments. The Committee recommends that the Fair Price Shop System should be opened straightway in all the areas where tribals conglomerate and where LAMPS cannot be formed immediately. Such a move will substantially solve the problem of consumption credit to the tribals.

CHAPTER-VI

# FINANCIAL ARRANGEMENTS

6.1 We have estimated the consumption credit requirements of those who have holdings up to 0.50 acre at about Rs.170 crores. We have also indicated that these sections of rural community do not enjoy, by and large, any credit facilities from institutional agencies or the Government, because these provide consumption credit only as part of production credit. Pure consumption credit will have to be made available to such sections of rural population without linking the same with production. We have also emphasised that the agency most suited for taking this responsibility at the village level is the primary agricultural credit society reorganised as a viable unit, having a full-time paid secretary, the farmers service society or a large sized multi-purpose society in that area. We have also indicated that the number of such societies is hardly about one-third of the total. Assuming that these societies cover one-third of the areas in the country and assuming further that the consumption credit needs are evenly distributed among those areas, the various types of societies may be able to take care of only one-third of the total consumption needs amounting to Rs.170 crores, that is, of about Rs. 57 crores only. Even if some allowance is made for the reorganisation of primary credit societies taking place speedily during the course of the year, the primary agricultural credit societies can at best take care of consumption credit requirements to the extent of Rs. 70 crores only.

6.2 The point for consideration is whether it will be possible for the societies to find this amount of resources from their own funds as supplemented by borrowings from the central financing agencies on the assumption that those who are not at present members of the societies are admitted to their fold. The Reserve Bank of India has objection to providing refinance in respect of pure consumption loans advanced by the cooperatives. It may not however, take exception to providing larger credit facilities for short-term agricultural purposes. We understand that during the year 1975-76, the increase in the credit limits sanctioned by the Bank to state Co-operative banks was of the order of about Rs. 120 crores. Not all this increase has been utilised because of the weakness of Cooperative Banks. It should not, therefore, be difficult for the Reserve Bank of India to take care of the requirements of about Rs. 70 crores needed for providing consumption credit, provided the non-overdue outstandings of the central co-operative banks against societies increase by that amount. It was also pointed out by the representative of R.B.I. that many central co-operative banks are not able to take full advantage of the credit limits sanctioned by the Reserve Bank largely on account of heavy overdues. The Reserve Bank insists on the borrowings from it supported only by loans which are not overdue, and hence the under-utilisation. The total overdues at the level of primary agricultural credit societies at the end of June, 1975 may have exceeded Rs. 400 crores. All these overdues are absorbed by the internal resources of the three-tier structure of the co-operatives namely, the state co-operative bank, central co-operative banks and the primary agricultural credit societies. If a percentage of the loans which are already overdue were recovered through a collection drive this year, which is a bumper crop year, it should be possible for the banks to take full advantage of the existing credit limits and also for the Reserve Bank of India to sanction additional limits, if necessary. The funds drawn from the Reserve Bank can replace those which the institutions have locked up out of their own and become available for providing consumption loans. What is required, therefore, is a sustained drive to recover the overdues and bring them down to a reasonable level so that the problem of resources needed for consumption credit will be resolved.

6.3 The Secretary (Agriculture), however, pointed out that the recent special extension drives of the Department of Agriculture all over the country has resulted in greater demand for production credit and any improvement in the co-operative system will have to be earmarked first for the growing credit demand for agricultural production. The Committee has already drawn attention to the need for an intensive collection drive during the next three months and an intensive deposit mobilisation drive in order to strengthen the cooperative structure. With all good intentions the improvement in the cooperative credit structure thereby may not cover both the requirements of extra agricultural production credit and the new demand for consumption of credit.

6.4 The Committee notes that though the Reserve Bank has sanctioned an overall limit of Rs. 489.52 crores to the cooperative credit system for seasonal agricultural operations during 1974-75, the actual utilisation has been only Rs. 346.14 crores. The shortfall of the order of Rs. 143.38 crores is due to the inability of the system to absorb the loans due to structural deficiencies. For improving the structure on a priority basis, the following steps are definitely of use and have to be exploited to the maximum possible :—

(i) Organising a collection drive.

(ii) Net at least 30 per cent of the overdue of Rs. 400 crores in the system within the next two months. This will give a cushion of Rs. 120 crores to the system.

(iii) Organising a deposit collection drive which should not at least Rs. 100 crores.

(iv) Strengthen the equity structure of the private primary cooperative societies by pumping in, if possible, at least Rs. 5 crores into the system within the next two months. This may require a quick review of the eligibility criteria regarding loans from the L.T.O. fund for contribution to the share capital and cooperative credit institutions.

(v) Provide grants to the Central Banks which are weak but can be made viable under the Centrally-sponsored scheme on an urgent basis by pumping in Rs. 10 crores into the system, in the next two months.

If all the above steps are taken on an urgent basis, and the Committee will recommend that they be done in the next two months, the cooperative system will be in a position to absorb a much higher amount as compared to the previous years. For the Reserve Bank this means firstly translating the limits it has allowed to the system into actuality with any further increase that may become necessary any justified. If this be done, the cooperative system can look after the Rs. 70 crores requirement for consumption credit in addition to the extra requirement of production credit which the Agriculture Secretary has emphasised. To the extent that the steps advised by the Committee are not taken and thereby the credit absorption capacity of the system is weakened, pressure will come on Government budgetary resources for the additional funds required for this consumption and production. It is in this context that the Committee will reiterate that there is no escape from bringing order into cooperative credit structure and improving its performance particularly this year when there has been a bumper agricultural production.

6.5 Besides, the consumption credit needs of the weakest among the weaker sections of the community, arrangement has to be made for providing consumption credit to the categories of persons whose holdings are between 0.50 acre to 5 acres. The cooperative and commercial banks together may be able to take a care of a part of the credit needs of these people by providing refinance to primary agricultural credit societies or by direct loans through their branches against the security of gold and silver ornaments. It has already been pointed out in para 3.14 of Chapter III that the 'A' component of crop loans is provided in cash as 'ways and means' advance. Reference has also been made in Chapter IV to certain provisions made in a scheme prepared by the Government of Maharashtra for meeting certain special consumption needs of non-defaulting members of cooperative societies having less than 5 acres of land. The scheme which has been recommended to all the States by the Reserve Bank of India, however, imposes a limit of 10% of the crop loan advanced to an individual member even though the quantum of loan in any particular case may be well below the ceiling of Rs. 250 etc. recommended by our Committee for different purposes. The Committee feels that the imposition of such a constraint may cause hardship to borrowers whose needs may be genuine and who may have the repaying capacity. The guiding criteria in all such cases should be the genuineness of the need and the loanee's capacity to repay. The Committee, therefore, recommends that the R.B.I. should make suitable modifications in the guidelines issued by them in this regard.

6.6 The Reserve Bank is not at present allowing refinance facility to the cooperative system for financing consumption purposes even though there is no legal bar under the Reserve Bank of India Act. S. 17(4)(c) makes a mention of "Such bills of exchange and promissory notes as are eligible for purchase or rediscount by the Bank (or as are fully guaranteed as to the repayment of the principal and payment of interest by a State Government)." It will, therefore, appear that refinancing even for consumption purposes can be extended to a co-operative bank if the concerned State Government extends a guarantee as contemplated in the above provision of the Reserve Bank of India Act. We, therefore, suggest that the Government of India may discuss this question with the Reserve Bank of India so that necessary resources become available to the co-operative credit system.

6.7 If the co-operatives can possibly take care of consumption credit needs of the weakest among the weaker sections to the extent of Rs. 70 crores only, the "grey" areas will account for Rs. 100 crores to be met out of the budgetary resources of the State Governments. Most States have already drawn up their budgets for 1976-77 which may not probably contain any provision for loans for meeting the consumption requirements in the 'grey' areas. The States may have to consider also the possibility of imposing a special tax as the Government of Maharashtra have done for financing their Employment Guarantee Scheme. Even then it is doubtful whether the States will be able to mobilise additional resources to take care of such a large amount as Rs. 100 crores. It is obvious, therefore, that special assistance from the Centre will be necessary. The Committee recommends that Central and State Governments may enter into a dialogue for raising as much of the resources as possible. It may be mentioned that apart from financial constraints in meeting all the consumption credit needs in the 'grey' areas the State Governments will also face the problem of building up the necessary infrastructure for providing consumption credit needs of a large mass of agricultural labourers, artisans etc. It is, therefore, of paramount importance that the State Governments should make earnest efforts to strengthen their co-operative structure for which various facilities are being extended by the R.B.I. and the Government of India, so that the 'grey' areas can be kept to reasonable limits even at this stage.

6.8 The strengthening of the cooperative credit structure will require the following immediate action :

(i) Strengthening of the weak Central Cooperative Banks which can be made viable by suitable grants in the Centrally-sponsored sector. The Committee recommends an immediate investment of an extra Rs. 10 crores under this sector in the Central Plan for 1976-77.

(ii) Increasing equity participation of the State Governments in primary cooperative societies to make them viable and increase their business. This will include requirements of Farmer's Service Societies. The Committee recommends an extra provision of Rs. 5 crores under this head in the State Plans to be funded from the long-term operation fund.

(iii) Provide management subsidy on a tapering basis for appointing qualified full time paid secretaries in a large number of primary societies to enable the system to increase its coverage from 1/3 to 1/2. This may require roughly Rs. 5 crores extra provision this year. Summing up, the Plans, both of State and Centre, should immediately increase allocations in the cooperative structure by Rs. 20 crores. Details will have to be worked out for each State separately.

6.9 **Rate of interest and security :** The rate of interest charged by the cooperative banks or commercial banks on the consumption loans should be the same as charged by them for crop loans. The question of charging a lower rate of interest has been carefully examined by the Committee particularly because the beneficiaries are going to be mostly the weakest among the weaker section of the rural community. The Committee did not favour the idea because a lower rate may amount to encouraging consumption and secondly because the scope for lowering the rate will hardly exist if the primary agricultural credit societies, which will be the principal agency receive funds from the higher financing agency at the same or perhaps even a higher rate than that charged on short term agricultural loans. The cost of servicing the consumption loans will perhaps be even higher than the agricultural loans and therefore to expect the societies to operate on smaller margins that on the agricultural loans will be unrealistic. Moreover, the rate proposed by us will be considerably less than what the persons have generally been accustomed to pay to the money lender.

6.10 The question of risk involved and the nature of the security available was also examined by the Committee. The Maharashtra scheme envisages pledge of gold ornaments or consumer durables. Considering the type of clientele who will be taking pure consumption loans, it is most unlikely that they will have any substantial gold ornaments or consumer durables to pledge against their loan. Even if they have, the primary agricultural credit societies cannot possibly have an arrangement to appraise the articles and keep them in safe custody. It is mainly for this reason that we have recommended that the facility for jewel loans may be extended somewhat freely by the commercial and cooperative banks at their branches where arrangements for appraisal and for safe custody can be made easily. Therefore, the consumption loans to the weaker sections of the rural community will have to be mainly on the basis of personal security of one or more individuals or even of a group of persons and the local appraisal of repaying capacity of the loanee. There is, therefore, an element of risk in this lending. This risk will be more than that of lending to small and marginal farmers who have some land of their own which in the ultimate analysis can be attached in satisfaction of the loans due, if the other methods available fail. For instance, loans advanced by commercial banks to these persons have the cover from the Credit Guarantee Corporation to the extent of 75 per cent. In the cooperative credit institutions there is an arrangement under which Government contributes to the risk funds of the banks and societies at a given proportion of the loans to small/marginal farmers etc. Risk in the present case being greater, the Committee recommends that risk fund assistance limited to 10% of the total quantum of loans advanced as pure consumption loans and not as part of production loans, should be given to the lending institutional structure in the following manner :—

(1) Where the primary credit society/farmers' service society gives the loans, the contribution of 10% will be divided in the proportion of 3 : 1, i.e. 7½% in favour of the primary society and 2½% the financing bank whether cooperative or commercial.

(2) Where a cooperative or a commercial bank advances money directly to the loanees without any tangible security the entire 10% contribution will go to the bank concerned.

6.11 The Committee has estimated in Chapter III the total quantum of consumption loans to the weakest among the weaker sections of the rural community at about Rs. 170 crores. The risk fund, therefore, to be given will be of the order of Rs. 17 crores when the loans reach that level. The immediate requirements for 1976-77 may not, however, be of that order as the level of Rs. 170 crores may not be reached in that year not so much for want of resources as for want of the necessary infrastructure. Whatever may be the level reached, the Committee recommends that the burden calculated with reference to that level be divided equally between the Central and the State Governments. A point was raised that the State Governments have already tied up their resources with the Plan for the year 1976-77, and hence they will find it difficult to raise additional resources to meet their share of the burden. We would, however, emphasise that the provision of credit facilities to those who have been adversely affected by the recent debt relief legislation is a very important item in the 20-Point Economic Programme of the Prime Minister and, therefore, the State Governments may have to raise the necessary resources for the purpose. However, there may be no objection to raising the share of the Centre to more than 50 per cent in the case of States which have some difficulty in making the necessary provision.

CHAPTER-VII

## MEASURES FOR URGENT IMPLEMENTATION

7.1 The problem before us is of making arrangements for consumption credit for the large number of the rural population who have been adversely affected by the debt relief legislation. The need for such consumption loans arises at the beginning of the kharif season. All arrangements have, therefore, to be completed before the end of June 1976 and loaning started soon after. The Committee has explained as to how the cooperative credit structure will be the main pillar of this new drive. The cooperative credit organisation cannot discharge its responsibility unless it is reorganised at the base level into viable primary agricultural credit societies, farmers' service societies or LAMPS in the tribal areas and rehabilitated and strengthened at the intermediate level, viz., the central cooperative banks. In particular, there is urgent need for taking the following measures :—

(1) A vigorous drive should be launched for the recovery of overdues which have assumed alarming proportions in many States and have crippled the cooperative credit structure at all levels and rendered them incapable of receiving larger credit facilities from the Reserve Bank of India as such facilities can be taken advantage of to replace their funds locked up in the overdues, making them available for loans for consumption purposes.

As a first step in the drive, the climate for prompt repayment should be created by the State Governments and the managements of the cooperatives.

(2) Deposit mobilisation will have to be taken up on a war footing by the cooperatives somewhat on the lines of Kerala so as to mop up the substantial surpluses that will accrue in the rural areas this year because of the excellent crop conditions and increase the capacity of cooperative banking structure to absorb substantial additional funds for agricultural purposes from the Reserve Bank.

(3) As many primary societies as possible should be made into viable societies by the end of June 1976 according to the plans drawn up in this behalf by the Reserve Bank of India.

(4) Farmers' Service Societies on the pattern laid down by the Government of India and the Reserve Bank should be organised in Small Farmers' Development Agency Areas and the areas served by the Regional Rural Banks so that substantial lending can be made both for production and consumtption purposes through such societies most of which will be financed by the commercial banks and the Regional Rural Banks.

(5) Arrangements should be made to provide full time paid Secretaries for as many viable/potentially viable primary agricultural credit societies as possible before the end of June, 1976. Financial assistance for this purpose will have to be provided in the State budgets for 1976-77.

(6) Legislative measures should be taken immediately for enforcing universal membership in all primary agricultural cooperative credit societies so that all those requiring consumption loans and production loans are automatically brought into the cooperative lending system. The Committee would in this context commend the law passed by the Governments of Karnataka and Andhra Pradesh.

(7) Identification of the areas that can be covered by the cooperative credit system. the commercial banks including Regional Rural Banks, and the 'grey' areas that will have to be looked after by the State administration should be done immediately by each State Government so that the responsibility for providing consumption loans in the ensuing season is properly fixed on the different agencies.

(8) Legislation should be enacted to facilitate direct lending by the State authorities for consumption purposes and the recovery thereof.

(9) In the 'grey' areas to be covered by a State Government and areas covered by primary agricultural credit societies which do not have a full-time paid secretary, public works should be identified and arrangements made to recover out of the wages payable the consumption loans advanced to agricultural labourers and marginal farmers.

(10) In the tribal areas, large-sized multi-purpose cooperative societies (LAMPS) should be organised on an emergency basis as widely as possible and credit for the LAMPS tied up with the Central cooperative banks or commercial banks.

(11) Purchase of mino- forest produce from the tribals should be taken over by the Forest or other concerned Department of all the States where cooperative marketing societies cannot be immediately organised. Suitable arrangements for locating purchase centres should be made well in advance of the collection season. Arrangements should be made to realise the loans that may have been advanced to the tribals by the LAMPS out of the sale proceeds of the minor forest produce.

(12) Wherever LAMPS cannot be organised immediately in the tribal areas, the State Government should open fair price shops for providing consumption loans to the tribals in the form of food articles, etc. to be recovered out of the cash crops and minor forest produce brought for sale by the tribals.

(13) The Government of India, Department of Revenue and Banking, should discuss the question with the Reserve Bank of India of finding the resources needed by the cooperative banking system for discharging their responsibility towards providing consumption credit, since it will take some time for the cooperatives to get their funds at present locked up in overdues released for that purpose.

(14) State Governments may have to find the resources needed to meet their responsibility in the 'grey' areas which is quite substantial either through special taxation or reappropriation. Similarly the Governments should provide in their budget the funds for meeting their share of the Risk Fund contributions.

(15) The Central Government may discuss the question of the resources with the States and also consider the extent to which it can assist the States in the matter.

7.2. Taking into consideration the various recommendations made by the Committee in the preceding paragraphs, action points, agency wise, are enumerated below :

**A. State Governments :**

(i) State Governments should immediately take suitable legislative measures for universalisation of membership in the cooperatives and for enabling the concerned State Department to provide consumption credit in the "grey" areas along the lines recommended by the Committee.

(ii) Immediate steps should be taken for strengthening the cooperative credit structure so that the bulk of the programme can be taken over by them in the near future and the 'grey' areas kept confined to reasonable limits even at the initial stage. In this process, an all-out effort should be made for collection of overdues, mobilisation of deposits and increasing the share capital. Primary societies should be made into strong and viable units, professionally managed by full time trained secretaries or managing directors in the case of Farmers' Service Societies. In tribal areas, LAMPS should be organised according to the time schedule.

(iii) Arrangements should be made by the Government Department concerned to open fair price shops for providing consumption loans to the tribals in the form of food articles etc. pending formation of such large scale multi-purpose societies specially meant for tribals. Such departmentally managed shares should also purchase directly from the tribals the minor forest produce etc. collected by them at a fair price adjusting it against their consumption requirements.

(iv) State Governments should demarcate those areas which cannot be covered by cooperative organisations, commercial banks or Rural Banks during the ensuing season and make necessary arrangements for provision of loans through their own agency in these "grey" areas. Budgetary provision should also be made for meeting the demand of such areas. Provision will also have to be made for contribution to the risk fund as recommended by the Committee.

(v) Suitable employment programmes should be drawn up by the State Governments on the model of Maharashtra Scheme and a methodology worked out for deducting the percentage of wages from the loanees working on such programmes for crediting the same to the lending agencies.

**B. Central Government :**

(i) Department of Revenue & Banking should enter into a dialogue with the Reserve Bank of India for finding the resources required by the cooperative banking system for discharging the responsibility towards providing consumption credit.

(ii) Provision will have to be made in the Central budget for giving the required support to the State Governments for implementing the different facets of the scheme as per recommendations.

(iii) Guidelines will be issued by the Department of Revenue & Banking to the commercial banks so that they also fall in line with the recommendations of the Committee in the distribution of consumption loan.

(iv) The Department of Revenue & Banking should issue guidelines to the commercial banks including Rural Banks to provide consumption credit to their clientele as per recommendations of the Committee. The banks should also be asked to go ahead with their programme of organising Farmers' Service Societies or viable multi-purpose societies in order to supplement the efforts of the cooperatives.

(v) The Department of Rural Development in the Ministry of Agriculture and Irrigation should issue directions to the State Cooperative Departments to take full advantage of the facilities that are being extended by the Govt. of India and R.B.I. and complete the reorganisation of the cooperative structure according to a definite time schedule.

*C. Reserve Bank of India* :

(i) R.B.I. should immediately issue necessary guidelines to the cooperatives and commercial banks in order to implement the recommendations of the Committee without delay.

(ii) Based on a re-examination of the existing criteria for provision of loans in regard to State participation in the share capital of co-operative credit institutions, the R.B.I. should make an immediate assessment of the requirements of the different State Governments for drawal from the L.T.O. Fund in order to strengthen the equity base of the co-operatives.

B. SIVARAMAN, Chairman

New Delhi

26 April, 1976.

GOVERNMENT OF INDIA

ANNEXURE I

**MINISTRY OF FINANCE**

**(Department of Banking)**

New Delhi, the 10th March, 1976

## RESOLUTION

Government have been considering for sometime past the measures to be taken for meeting the consumption needs of small farmers, landless labourers and rural artisans, consequent on the measures recently taken by State Governments for moratorium, discharge and scaling down of debts from the non-institutional sources. It has now been decided to set up an Expert Committee consisting of the following persons:

1. Shri B. Sivaraman, Member, Planning Commission, New Delhi. — Chairman
2. Shri N.C. Sen Gupta, Secretary, Department of Banking, Ministry of Finance, New Delhi. — Member
3. Shri K.S. Narang, Secretary, Deptt. of Agriculture, Ministry of Agriculture & Irrigation, New Delhi. — Member
4. Shri I.J. Naidu, Secretary, Deptt. of Rural Development, Ministry of Agriculture and Irrigation, New Delhi. — Member
5. Dr. C.D. Datey, Executive Director, Reserve Bank of India, Central Office, Bombay. — Member
6. Shri G. V. K. Rao, Chief Secretary, Government of Karnataka, Bangalore. — Member
7. Shri B.R. Gupta, Chief Secretary, Government of West Bengal, Calcutta. — Member
8. Shri B.B. Tandon, Secretary & Administrator, 20- Point Programme, Government of Uttar Pardesh, Luknow. — Member
9. Shri V.M. Bhide, Chairman & Managing Director, Bank of Maharashtra, Poona. — Member
10. Shri K.P.A. Menon, Joint Secretary, Department of Banking, New Delhi. — Member—Secretary

One or two members may also be coopted, if considered necessary.

2. The terms of reference of this Committee will be as follows :

(i) To study the impact of the moratorium discharge and scaling down of rural indebtedness of the small/marginal farmers, landless labourers and rural artisans so far as their genuine and inescapable consumption credit needs are concerned.

(ii) To inquire into the purpose for which such consumption credits were availed of.

(iii) To assess broadly the credit gap in respect of consumption loans consequent on these measures.

(iv) To review the present position of availability of consumption credit to such people from institutional sources.

(v) To make recommendations as to the purposes for and the agencies from which such consumption loans are to be provided.

(vi) To make recommendations on any matter incidental to the terms of reference, as the Committee may consider necessary.

3. The Committee will start functioning with immediate effect and will submit its report by the 31st March, 1976.

## ORDER

New Delhi, 10th March, 1976

Ordered that a copy of the Resolution be communicated to the Cabinet Secretariat, the Prime Minister's Secretariat, all the Ministries/Departments of the Govt. of India, the Planning Commission, the State Governments and the Governments/Administrations of Union Territories.

Ordered also that the Resolution be published in the Gazette of India, Extraordinary dated the 10th March, 1976 for general information.

No. F. 2-17/76-AC

N.C. SEN GUPTA, Secretary.

MOST IMMEDIATE

No. F. 21-1/76-AC

To

GOVT. OF INDIA

MINISTRY OF FINANCE

**Department of Banking**

New Delhi, the 10th March, 1976.

The Chief Secretaries of all the States,
(By name)

Subject : Expert Committee on Consumption Credit Needs of Small/Marginal Farmers etc.

Sir,

I am directed to state that the Government of India by a Resolution dated 10th March, 1976 have set up a High-Powered Expert Committee to study the impact of the moratorium, discharge and scaling down of rural indebtedness of the small/marginal farmers, landless labourers and rural artisans to non-institutional agencies, in so far as their genuine and inescapable consumption credit needs are concerned and to make suitable recommendations as to the purposes for and the agencies from which such consumption loans are to be provided (copy of Resolution attached for ready reference).

2. Consequent on the measures recently taken by the State Governments for the purposes indicated above, various difficulties being faced by the weaker sections of the community in the rural areas as regards their consumption credit needs were voiced at the Prime Minister's Conference with the Chief Ministers held in New Delhi on the 5th and 6th March, 1976. To enable the Expert Committee to make suitable recommendations to resolve the difficulties of this section of the people in so far as their consumption credit needs are concerned, I would very much appreciate if you would kindly let us have information on the following points:

(i) A brief narrative about the actual difficulties being faced by the small/marginal farmers, landless labourers and rural artisans in meeting their consumption credit needs in so far as the gap has been created from the absence of credit from noninstitutional sources.

(ii) What measures, if any, your Government (including the co-operative structure) has taken to afford relief to the categories of persons referred to above.

(iii) Which institutional agencies/authorities according to you should come forward to bridge the credit gap referred to above. The proportion of credit that should be provided by each institution/authority may also please be indicated.

(iv) The purposes for which and the security against each the consumption credit should be provided may please be specified.

(v) Whether you consider that consumption credit should be linked with production credit.

(vi) Whether any limit of consumption credit purpose-wise should be laid down.

(vii) Whether you consider necessary that consumption credit should be extended to other categores of persons besides small/marginal farmers, landless labourers and rural artisans.

3. The Committee will be glad to know whether your Government has considered this matter from any other aspect and whether any measure is proposed to be undertaken in the matter.

4. Further, it will greatly facilitate the functioning of the Committee if you could provide the Committee with any other relevant information or any suggestion that may help the Committee in framing thier recommendations.

5. *As the Committee is required to submit its report by the 31st March, 1976, it will be appreciated if your reply could reach us by the 18th March, 1976 at the latest.*

Yours faithfully,

K. P. A. MENON,

Member Secretary

MOST IMMEDIATE

No. F.21-2/76-AC

GOVERNMENT OF INDIA

**MINISTRY OF FINANCE**

**Department of Banking**

New Delhi, the 10th March. 1976.

To

The Chairman, State Bank of India,

The Chairman & Managing Directors of all the Nationalised Banks

(By Name)

Subject:— Expert Committee on Consumption Credit Needs of Small/Marginal Farmers etc.

Sir,

I am directed to state that consequent on the measures recently taken by the State Governments regarding moratorium, discharge and scaling down of rural indebtedness of the small/marginal farmers, landless labourers and rural artisans to non-institutional agencies, various difficulties being faced by the weaker section of the community in the rural areas as regards their consumption credit needs were voiced at the Prime Minister's Conference with the Chief Ministers held in New Delhi on the 5th and 6th March, 1976. The Government of India by a Resolution dated 10th March, 1976 have now set up a High-Powered Expert Committee to study the impact of the moratorium, discharge and scaling down of rural indebtedness of the small/marginal farmers, landless labourers and rural artisans to non-institutional agencies, in so far as their genuine and inescapable consumption credit needs are concerned and to make suitable recommendations as to the purposes for and the agencies from which such consumption loans are to be provided (Copy of Resolution has already been forwarded to you).

2. To enable the Expert Committee to make suitable recommendations to resolve the difficulties of this section of the people in so far as their consumption credit needs are concerned, I would very much appreciate if you would kindly let us have information on the following points:

(i) Whether your Bank has formulated any scheme for providing consumption credit to the rural poor and if so, what are the purposes scale, security against which and the categories of persons for whom such credit is extended (copy of instructions, if any, issued so far may please be forwarded).

(ii) Whether you consider that consumption credit should be linked with production credit.

(iii) Whether you consider it necessary that consumption credit should be extended to other categories of persons besides small/marginal farmers, landless labourers and rural artisans.

3. The Committee will be glad to know whether your Bank has considered this matter from any other aspect and whether any measure is proposed to be undertaken in the near future.

4. It will greatly facilitate the functioning of the Committee, if you could provide the Committee with any other relevant information or any suggestion that may help the Committee in framing its recommendations.

5. *As the Committee is required to submit its report by the 31st March, 1976, it will be appreciated if your reply could reach us by the 18th March, 1976 at the latest.*

Yours faithfully,

K. P. A. MENON,
Member Secretary.

ANNEXURE IV

**List of State Governments. Public Sector Banks and the Individuals who have furnished information or have participated in the discussions of the Expert Committee**

*A. State Governments* :

1. Andhra Pradesh
2. Assam
3. Gujarat
4. Haryana
5. Karnataka
6. Maharashtra
7. Punjab
8. Rajasthan
9. Tamil Nadu
10. Uttar Pradesh
11. West Bengal

*B. Public Sector Banks* :

1. State Bank of India
2. Central Bank of India
3. Bank of India
4. Punjab National Bank
5. Bank of Baroda
6. United Commercial Bank
7. Canara Bank
8. United Bank of India.
9. Dena Bank
10. Syndicate Bank
11. Union Bank of India
12. Allahabad Bank
13. Indian Bank
14. Bank of Maharashtra
15. Indian Overseas Bank

*C. Individuals* :

1. Shri R.K. Talwar,
   Chairman,
   State Bank of India,
   Bombay.
2. Shri K. Ramamurthy,
   Agricultural Production Commissioner.
   Govt. of Orissa,
   Bhubaneswar.
3. Dr. B.D. Sharma,
   Joint Secretary,
   Ministry of Home Affairs,
   New Delhi.
4. Shri U.S. Kang,
   Chief (Agriculture)
   Planning Commission,
   New Delhi.
5. Shri Harpal Singh,
   Director (Cooperation),
   Planning Commission,
   New Delhi.
6. Shri P.V. Rao,
   Deputy Secretary,
   Ministry of Home Affairs,
   New Delhi.
7. Shri Das,
   Director,
   Tribal Welfare,
   Govt. of Madhya Pradesh.

**State-wise position indicating legislative action taken for removal of rural indebtedness**

*A : State Governments/Union Territories which have taken complete legislative action for removal of rural indebtedness* i.e., *moratorium, liquidation and scaling down of debts:*

1. *Haryana:*

An act was notified in August, 1975 imposing moratorium on recovery of debts from small and marginal farmers agricultural labourers and rural artisans. A Bill has since been passed by the State Legislature providing for total discharge and scaling down of debts in respect of the above categories of persons.

2. *Tripura :*

An Act has been passed imposing moratorium on recovery of debts and providing for total discharge of debts in respect of marginal farmers, agricultural labourers and rural artisans whose annual income does not exceed Rs. 2,400/-. It also provides for scaling down indebtedness to the extent of twice the principal. Further action for scaling down of debts as per the guidelines of Government of India may have to be taken.

3. *West Bengal :*

An Act has been passed providing for moratorium, scaling down and total discharge of debts.

4. *Andhra Pradesh :*

An Ordinance has been promulgated in August, 1975 imposing moratorium. A Bill has been received repealing the Ordinance which is to be introduced in the Assembly. A comprehensive Bill providing total discharge and scaling down of debts has been received from the State Government.

5. *Goa, Daman & Diu :*

An Ordinance has been promulgated imposing moratorium. (A comprehensive Bill providing for total discharge and scaling down of debts has been received from the State Government).

6. *Chandigarh :*

The earlier Haryana Act which imposes moratorium has been extended to the Union Territory. A proposal is to extend the Haryana Act providing for total discharge and scaling down of debts to Union Territory.

*B : States which have taken action for moratorium and total discharge of debts :*

7. *Assam :*

An Act has been passed imposing moratorium on recovery of debts from marginal farmers, agricultural labourers and rural artisans and providing for total discharge of debts in respect of landless agricultural labourers and artisans belonging to Scheduled Castes and Scheduled Tribes. Further legislative action for scaling down of debts is to be taken.

8. *Gujarat :*

An Ordinance was promulgated in October, 1975 imposing moratorium. The State Government have since sent a Bill to be introduced in the Assembly providing for total discharge of debt. Further legislative measures for scaling down of debts is to be taken.

9. *Himachal Pradesh :*

An Ordinance had been promulgated imposing moratorium on recovery of debts from small farmers and providing for total discharge of debts in respect of marginal farmers, landless agricultural labourers and rural artisans. Further legislative action for scaling down of debts is to be taken.

10. *Madhya Pradesh :*

An Act was notified in November, 1975 providing total discharge of debts in respect of marginal farmers, landless agricultural labourers and rural artisans and imposing moratorium on recovery of debts from small farmers. Further legislative action for scaling down of debts is to be taken.

11. *Maharashtra :*

An Act has been passed in Maharashtra providing for total discharge of debts in respect of marginal farmers, rural labourers and rural artisans and workers. The Act also imposes moratorium on recovery of debts from small farmers. (Maharashtra legislation has been challenged in the High Court). Further legislative action for scaling down of debts is to be taken.

12. *Punjab :*

An Act has been notified imposing moratorium on the recovery of debts of the agricultural labourers rural artisans and small farmers. It also provides for total discharge of debts of small farmers, agricultural labourers and rural artisans.

13. *Karnataka :*

An Act has been passed providing for total discharge of debts due from a small farmer (who does not own more than one unit of land *i.e.* two hectares of unirrigated land or one hectare of rain-fed wet land), a landless agricultural labourer and persons belonging to the weaker sections of the people *i.e.* whose annual income from all sources does not exceed Rs. 2,400/-. (The earlier Ordinance has been challenged in the High Court of Karnataka).

14. *Rajasthan :*

An Ordinance has been notified imposing moratorium on the recovery of debts due from agricultural labourers, marginal farmers, rural artisans and small farmers. Comprehensive Bill providing for total redemption of debt in respect of marginal farmers, agricultural labourers and rural artisans is proposed to be introduced in the Assembly. Further action for scaling down of debts is to be taken.

15. *Uttar Pradesh :*

An Act has been notified which imposes moratorium on the recovery of debts due from landless agricultural labourers, artisans, marginal farmers or small farmers. A Bill has been drafted under which an amendment has been proposed providing for total discharge of debts to be extended to marginal farmers and landless agricultural labourers. An earlier Act, notified, provides for total discharge of debt in the case of agricultural labourers holding land upto one acre only. Further action has to be taken for total discharge of debt in respect of rural artisans and for scaling down of debts in respect of small farmers.

*C: States which have taken action only for total discharge of debts :*

16. *Bihar :*

An Ordinance has been promulgated providing for total discharge of debt from a marginal farmer, rural artisan whose annual income does not exceed Rs. 2,400/- and agricultural labourer who does not hold more than one acre of land.

*D : States & Union Territories which have taken action only for moratorium*

17. *Kerala :*

An Act was notified in October, 1975 imposing moratorium. Further legislative action for total discharge and scaling down of debts is yet to be taken.

18. *Meghalaya :*

An Ordinance has been promulgated imposing moratorium on recovery of debts.

19. *Orissa :*

An Ordinance has been promulgated imposing moratorium on recovery of debts. Further action for total discharge and scaling down of debts is to be taken.

20. *Manipur :*

An Ordinance was promulgated in October, 1975 imposing moratorium. Further legislative action for total discharge and scaling down of debts is yet to be taken.

21. *Tamil Nadu :*

The earlier Debt Relief Acts which were passed by the State Government have been extended for a further period of three months *i.e.* till 15th April, 1976 imposing moratorium on the debts due from both agriculturists and non-agriculturists. These have been repealed by new ordinances extending the period upto 15.1.77. These, however, are not on the basis of the guidelines. The State Government is to take action for scaling down and total discharge of debts in accordance with guidelines issued, as the existing Act is not in conformity with the guidelines.

22. *Pondicherry :*

23. *Andaman & Nicobar Islands :*

24. *Lakshadweep :*

25. *Dadra & Nagar Haveli :*

The Ministry of Home Affairs have notified the Regulations imposing moratorium. Further action for total discharge and scaling down of debts is to be taken in respect of these Union Territories by the Ministry of Home Affairs.

*E : States and Union Territories which have not taken any action or where such action is not necessary.*

26. *Jammu & Kashmir :*

No action has been taken. The matter is under consideration of the State Government.

27. *Sikkim :*

No action has been taken. It has been reported that a committee of officials has been set up to survey the extent of rural indebtedness, availability of credit facilities and related issues.

28. *Delhi :*

It is proposed to extend the Haryana Debt Relief Act to the Union Territory of Delhi and the proposal is to be considered by the Metropolitan Council. The Department of Rural Development is in correspondence with Delhi Administration in this regard.

29. *Nagaland :*

The problem of rural indebtedness does not exist.

30. *Mizoram :*

There are no professional money-lenders in Mizoram. No action is, therefore, called for.

31. *Arunachal Pradesh :*

The problem of rural indebtedness in the agriculture sector is virtually non-existent.

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