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- Rural Credit

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BHUBANESWAR

ORISSA ECONOMICS ASSOCIATION

BHUBANESWAR

CONTENTS

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SECRETARY'S REPORT

Mr. President, Honourable Chief Minister, Reverred Chairman of the Reception Committee, Fellow Delegates, Ladies and Gentlemen !

I have profound pleasure in welcoming you all to the XIX Annual Conference of the Orissa Economics Association. We are indeed grateful to the Chief Minister for having readily accepted our invitation to grace the occasion. We had the previlege of having him as the Chief-guest in our 13th Annual Conference held in G. M. College, Sambalpur in 1980. He was then the Union Minister for Labour, Tourism and Civil Aviation. Mr. Patnaik has always got some soft corner for our Association. We deem it a special previlege and offer our heartfelt gratitude to him for his unusual kindness. We feel confident that his presence in our midst will pave the way for establishing intimate relationship between social scientists and the Govt. machineries.

The Orissa Economics Association was formed in the year 1968 by the eminent economists of the State. Since then it has been nurished by the blessings, goodwill and tender-care of the teachers, administrators and planners of our State.

Ours is the oldest regional academic Association in the whole of the country. It was revealed by Prof. P.R. Brahmananda of Bombay University in his inauguaral address in the Conference of our Association at Rourkela.

The Association was formed with the following objectives :

1. to meet from time to time and discuss various economic problems,
2. to improve the standard of the teaching of economics in various colleges of the State and
3. to stimulate research in the subject with special reference to the economic problems of Orissa.

It is gratifying to note that since its inception, the Association has been making humble attempts to discuss various economic issues with special reference to Orissa and find out appropriate solutions pertaining to these problems.

It has not been possible to realise all of its objectives on account of paucity of resources. However, the Association in its Annual Conferences has focussed sufficient light on a large number of subjects such as Agriculture, Industry, Transport, Govt. Expenditure, Developmental Planning, Centre-State financial relations and a host of other related issues. The research papers on different aspects of these topics have been recorded in the Journals of the Association. The Orissa Economics Association is the venguard of all the academic Associations at the State level. This is the only Association which is holding its annual conference regularly right from its inception and has been publishing two issues of the Orissa Economic Journal annually. The deliberation in the Conferences has been highly appreciated by eminent persons. It is said to be almost on par with the Indian Economic Conference. The success of the Conference has always been due to the presence and participation of all the eminent economists of the State. I cherish their sympathy and good-will in the years to come for the smooth functioning of the Association.

I am happy to mention that both the Life and Annual membership of the Association has been on the increase. The total membership has exceeded 250 in the current year. A notable feature of the membership is that besides teachers in economics, faculty members of other disciplines, officials and students have shown interest to enroll as members.

Two issues of Orissa Economics Journal for the year 1984-85 has been published and distributed among the members. During the year 1983-84 a seminar on Rural Development was organised with the financial assistance from the Govt. of Orissa. Research papers based on emperical survey on E.R.R.P. and I R.D. projects were presented in it. These papers have been published in the form of a book and distributed among the participants and copies of the same have been supplied to the concerned departments of the Govt. of Orissa.

Credit is an essential input for every enterprise. Flow of credit from the institutional sources has always been inadequate for the agricultural sector. Net-work of co-operative movement and spread of banking facilities in rural areas after nationalisation of Commercial Banks have immensely increased the flow of credit to the rural sector. Side by side problems of diversion of credit for consumption purposes, mounting of over-dues etc. have posed many problems on the supply of credit to the rural sector. We have planned to present and discuss research papers based on emperical survey on different aspects of rural credit.

Pure form of socialism envisaged by the social scientists in the past has undergone significant modifications Policies of socialism pursued by different countries in the present time have demonstrated different traits.

We have chosen the subject "Socialism—Theory and Practice" for discussion in this Conference. The subject assumes great significance in the present context as there is an opinion that the country is drifting away from socialistic principles. A thread bare analysis of theoretical issues relating to socialism in its proper perspective and the practical aspects of the problem will focus new light.

Moreover, a symposium on black income will be held during our present Conference.

One of the long-felt needs of the Association has been the establishment of Social Science Research Institute under the auspices of the Association. A committee has been formed by the Association with the eminent economists of the State as members to negotiate with the Govt. for such Institute. Response of I.C.S.S.R., New Delhi in this respect is encouraging.

As I understand I.C.S.S.R. has made necessary provision of funds for this purpose. The matching grant for the purpose has not been released by the State Government. Since the Chief Minister is here and he has all along been sympathetic in all matters of our Association, I on your behalf would request him to take steps so that the cherished desire of the Association will be realised This will go a long way in helping numerous social scientists of the State to take up necessary projects relating to intricate socio-economic and political issues of the State.

The Association received a sum of Rs. 4,000/- from the State Youth Welfare Board as grant-in-aid for the year 1984-85. I take this opportunity to express my sincere thanks to Dr. Baidyanath Misra, the Secretary, Youth Welfare Board. This grant-in-aid has helped us a lot in holding the Conference and publishing the Journals every year.

We used to receive Rs. 3,000/- as grant-in-aid from Director, Higher Education. We have not received the same for the year 1984-85 although all conditions for the release of this grant has been satisfied by the Association. I take this opportunity to request the Honourable Chief Minister to impress upon the Finance Department for the release of grant for the year 1984-85.

This Conference would not have been possible but for the kind invitation of the Principal of this College. I am thankful to the Chairman, Advisory Committee, Chairman Reception Committee, members of different committees of the Conference, members of the staff and the student volunteers for their untiring efforts to organise the Conference in a befitting manner. I am thankful to Dr. Sadasiv Misra, Dr. Debendra Ch. Misra, Dr. Bidyadhar Misra, Dr. Baidyanath Misra and Dr. K. M. Patnaik to have shown keen interest in all matters of the Association. I am particularly grateful to Dr. Baidyanath Misra to have spared time to edit the Journal.

I am thankful to the President for his able and active guidance in all matters of the Association. I am thankful to all members of the Executive Body of the Association for their active co-operation in all the activities of the Association and to you all, ladies and gentlemen for your patient hearing.

B. Nayak
Secretary

Chairman, Receiption Committee,
Hon'ble Chief Guest,
Esteemed Past Presidents,
Distinguished Delegates to the 19th Annual Conference of
Orissa Economic Association,
Ladies and Gentlemen,

I am highly grateful to the members of the Orissa Economic Association for the honour they have conferred on me by electing me as the President of the Association for the current year 1985. I am perfectly sure that this was an act of generosity on their part which I have accepted with humility. Generosity because it was a reflection of their love and affection for me and humility because I am fully conscious that I may not be really deserving this honour.

We are extremely happy that our conference this year is being held in a historic place as Banki which is the mother place of Co-operative Banking in the state. The first Credit Co-operative Society in Orissa was formed in Banki in the year 1904. By 1912 the first Central Co-operative Bank was established in Banki. When the venue of the conference is such a historic place as Bankiin the history of the Banking development of the state, I thought of sharing some of my views with you on the issues of development banking in the eighties in India with Orissa as the backdrop. I choose development banking because, development banking offers an unique opportunity to a back-ward state like Orissa surging on the threshold of rapid industrialisation to strive ahead in comparision to other sources of finance. Any scheme of development either industry, agriculture or trade requires Finance as the life flood. Finance in a federal state like ours generally consists of State and Central finances. Central devolution of finance comes through three sources such as budgetary transfer, plan transfer and transfer through institutional finances or development bank. So far as budgetary transfers are concerned these are statutory transfers and mandatory in nature and are made under the recommendations of the finance Commissions at an interval of five years. The basis of distribution mostly remains collection and population even though the Eighth Finance Commission has evolved a complicated need based formula. The second transfer of resources from the Centre to the State is the plan transfer. Many people are of the opinion that this transfer is discretionary in its character but ly in its core it is statutory in nature. The Gadgil formula modified nd there remains the basis of transfer of plan resources. But all resources chanallised and utilised in the state do not provide r scope for a backward state like Orissa to march ahead of others y say if the growth rate in case of all India has become 5.2 percent e of Orissa it has become six percent. It is only the institutional es which percolate, through development banks offer greater unity to correct the regional imbalances in the degree of economic pment than the other two channels of central resources. Flow of tional funds is more important for correcting inter state imbalances se the budgetary imbalances go to cover the current consumption diture of the state where as developmental funds finance produc- nd investment expenditure. So from the point of view of correct- ter-state imbalances in the level of development the role of pment banking is all the more important.

OPMENT BANKING—A BROAD VIEW

Development Banking is now a well recognised branch of e. A Development Bank is a financial institution engaged in ling medium and long-term assistance to business units in the form , under-writing, investment and guarantee operations.[1] William nd describes development banks as catalyst for investment in the sector to provide injections of capital, enterprise and manage- nd not merely an administrative device to handle the Govt's own ve. To stimulate investment in the country as a whole in the ping areas and to act as a catalytic agent, to raise investment the level of current saving there is need to set up development ing institutions.[2] These development financing institutions e a link between foreign financial institutions and domestic vers. These banks either specialise in certain fields of activity or e multiple financing agencies will depend on the size of the y and the diversified needs of development.

A development bank is expected do something more than the ion of capital, over the years a wide role has been envisaged fot institution such as acting as catalytic agent in promoting develop- by discovery of investment projects, undertaking preparation of t reports, provision of technical advice and managment service inally establishment and management of Industrial units.[3] They m both financial and promotional roles. In their promotional roles provide long-term finance to public/private sector institutions, e balanced regional development by development of backward regions, promote entrepreneurship, and rehabilitate sick units. Finally these development banks are also expected to play an important role in promoting the saving and investment habits, raising standards of corporate management and acting as the watch dog of the interests of the investors generally. Provision of management training to prospective entrepreneurs of both private and public concerns and changing their out look along with identification of worth while projects sums up the basic functions of a development bank which is a multipurpose institution with a broad development outlook rather than the conservative and short-run outlook[3] of their commercial counterpart. That is why B. K. Madan observed "Development Banks are an instrumentality for and a part of the institutional mechenism for economic development." As such they have witnessed a strindent growth in the 'last quarter century which has coincided with the movement for development planning. [4]

But there is another school of thought who defines developement banking in such a way that they also include the activities of commercial banking. Many a times there is a wrong conception in the minds of people about the meaning and scope of developement banking in economic literature. Developement Banks appeared after second world war to reconstruct the devastated war economy of Western European countries. These financial institutions fostered economic development by supplying mainly medium and long term funds But when we talk of development banks in the context of rural development we have to keep in mind it is not only stortage of funds which limit growth even other factors inhibit developement. Hence banks or any other financial institutions in poor countries to be called as development banks should be able to provide not only medium or long term finance along with short term finance but also management and technical know how to develope entrepreneurship, identify, formulate, evaluate and supervise or oversee projects as this is necessary since entrepreneurship is weak, to which banks are going to finance. Also development banks have to be actively associated in assisting and building infrastructural facilities such as stortage, transport and marketing etc. in the region without which newly started economic activities and entrepreneurship will not sustain (5). In other words the actual role and scope of the development banks is both catalytic and functional (6). Hence meaning and scope of development bank given by Sivaraman committee includes the role of commercial banks with regards to its developmental functions. According to the committee a development banks is one that uses credit as a lever of development which assumes anticipation and adoption of a plan of action for development, which provides tailor made loans according to the needs of the specific areas and specific target groups specially the poorer one and activities which distributes credits as a part of overall integrated programme for backward and fordward linkages development. In other words development banks have to decide what type of sectoral development should take place, which geographical areas need preferential treatment and what size of the economic unit is required etc. These aspects will provide a picture of type of financial assistance and size of financial assistance required to determine the locational theory of growth centres for developement and to determine spatial and sectoral distribution of funds. These are functional role of developement banks. Under promotional roles development banks mean indentification of projects, formulation of economically viable projects to find out technology and entrepreneurship of the project and estimate the credit gap after •assessing the internal funds.[6] Though apparently both the views appear different from each other there is no such internal contradiction. A development bank is a bank which provides long term and medium term finance for a project. They not only supply funds but also see that how the funds are effectively utilised. They formulate .projects, apprise projects, give sound guidance, monitor the projects and finally when the project becomes sick they supply nourishing finance. Provision of finances is the functional role and monitoring of the project is the promotional role. Any financial institution which mobilises saving, channalises saving, utilises saving into productive investment by careful management and supervision does the work of financial intermediation or of a development bank If commercial banks also perform those functions they also act as development banks. Specialised financial agencies otherwise known as development banks perform these functions and the commercial banks perform these function in the limited areas of rural development. While formally or informally commercial banks engaged in some medium and long term lending they rarely provide risk capital

There are also some countries in which we find mixed banking or what they say universal banking system. Presently in a large number of countries both developed and developing, many commercial banks have already started overstepping their traditional areas of operation and have come out to participate in the fields where development banks specialise offering wide range of services to corporate and individual clients.

In many developing countries banks have been permitted or required to engage in term lending as well as required to perform some development banking functions. In many countries commercial banks maintain their own merchant banking division which perform functions same as development banking.[7] Development banks also perform functions of commercial banks such as Industrial Development Bank and finance corporation in India accept fired deposits often with more than one year maturity. In view of the above developments it is very difficult to demarcate which bank is developmental and which banks is not All seem to be universal. However our focuss here will be limited to the specialised Financial Agencies or Development banks including regional development banks like State Financial corporations and Industrial development Corporations and the role of NABARD and State land Development Banks in the Field of agriculture

THE DEVELOPMENT BANKS AROUND THE WORLD :

Though the development bank have proliferated during last quarter century as a multifarious institutions as institutional mobiliser of contractual saving, and supplier of capital they existed in the 19th century. In 1822 Belgium had "Society general pour Favouriser" Industrial National to finance commercial and Industrial enterprise. By 1852 the credit mobiliser, of France caught the imagination of the Industrial community through the world. Germany soon adopted the practice of mixed banking function. These institutions in the 19th century were privately owned and concentrated in large scale enterprises. In 1929 the Bank of England established the Securities Management Trust for refinancing industry through securities market. In 1930 The Banker's Industrial Development Company was formed in England. For direct lending to small and medium size enterprises 'The credit of Industry Ltd.' was created in 1934. By 1945 the Industrial and Commercial Finance Corporation and the Finance Corporation for Industry was set up to fill the gap in the private sector resources for investment. By 1966 British Govt. has established Industrial Reorganisation Corporation to participate in the scheme of concentration, rationalisation and modernisation of industries particularly in regrouping them.

Simultaneously at the global level we have World Bank which gives loans for development with the guarantee of the member banks. The International Development Association (IDA) which gives soft loans i. e. loans free of interest, have a grace period of ten years and repayment period of 40 years. The International Finance Corporation provides loans and financial assistance to private sector units in the member countries without Govt guarantee.

In addition to these global institution there are regional Multinational development banks. In 1960, The Inter-American Development Bank was established. The African Development Bank in 1964, the Asian Development Bank in 1966. The European Investment Bank in 1958 and lastly the Arab Development Bank have been established to help member countries and also to provide loan assistance to less developed countries for their industrial and commercial development.

The industrial development Bank of Israel, the Industrial Development Corporation of South Africa, and the Economic Development Board of Singapore stimulate and expand the base of security market of those countries and as such they sell their shares and debentures supported by Govt guarantee. There are development Banks in Taiwan, Iraq, Iran, Laos, Malayasia, Nepal, Indonesia, Korea, Pakistan, Cyprus and Ghana which provide underwriting facilities These development banks supply finance to small Industries, special mention may be made of Industrial and Credit Corporation of Srilanka. The Economic Development Board of Singapore, the Malyasian Industrial Development Finance and Nepal Industrial Development Corporation which supply finance to small Industries.

Similarly development banks in some countries such as Development bank in the Philippines. The Chilean Development Corporation, the Uganda Development Corporation and the National Bank for Economic Development of Brazil provide financial resources for agriculture, Industry, Housing, Fisheries, Tourism, Irrigation and Transport.

The Development Banks in some countries have taken the responsibility of the whole process of economic development Mexican National Financer. The National Credit Bank of Loas and the Korean Reconstruction Bank have undertaken the onerous responsibility of developing their countries.

ROLE OF DEVELOPMENT BANKS IN INDIA

In our country we have at the apeax of all the development banks—The Industrial Development Bank of India. Started originally as a subsidiary of Reserve Bank of India in 1964 it was delinked from it in the year 1976 as an Independent organisation and it is the custodian guardian of the Industrial development of the country .

Its main function is to see the balanced industrial development of India and help the backward areas and backward regions to have Industrial development. Soon after when the Govt. of India announced its new Industrial policy that the state will play an increasing role in the further industrialisation of the country Govt. of India started Industrial Finance Corparation to help large and medium sized limited companies in private, public and co-operative sectors. In 1955 the Industrial Credit and Investment Corporations was set up as a private sector development Bank. It was sponsored by World Bank to help financially medium and small scale Industries. In 1971 the Industrial Reconstruction Corporation of India was started to revitalise and rehabiletate the sick industries in both public and private sector. Apart from these development banks we have non Bank financial Intermediaries like Life Insurance Corporation, the Unit Trust of India and the General Corporation who raise funds by mobilising the savings of the public through the sale of their deposits, policies and units and channalises them for investment. There is National Small Industries Corporation for the development of small scale Industries.

These are all intended for Industrial development. There is also another National Bank for Agricultural and Rural Development which is now the apex Bank so far as agricultural development is concerned. NABARD has taken up the work of Agricultural Re-finance Development corporation started in the year 1954.

The state level Industrial development banks are the State Financial Corporation (SFCS) and the state Industrial Investment Corporations. For promoting development there are district level banks called Land Development Banks.[8] The development banks in India have started entering into the new fields ICICI has recently started supplying funds for housing and rural development Since 1978 IDBI participates with eligible commercial banks in the provision of preshinment credit to the exporters in deserving cases where the requirements of credit are for more than six months. Under the Overseas Investment Scheme I.D.B I. finances overseas investments in their joint ventures abroad.

FUNCTIONS OF DEVELOPMENT BANK IN INDIA :

The Development Banks for Industries and Agriculture perform mainly two functions. The first function is known as functional or financial and the second function is known as developmental or promotional. Following banking practice some style the first set of functions as the Quantitative Role and other function as the Qualitative Role of development Banks in India.

PERFORMANCE EVALUATION OF DEVELOPMENT BAKING IN INDIA WITH SPECIAL REFERENCE TO ORISSA

While making a performance appraisal of all these development banks in India we have taken the data as available to us by the annual reports of development banking 1983.84 and the annual report of IDBI by '85. Since IDBI operates near about 60% of the funds of the development banking its activities have been taken as a model for analysis of the activity of other development banks.

FINANCIAL FUNCTION OF DEVELOPMENT BANKS

(a) As a source of finance to large and medium industries their contribution over last 30 years has been phenomenal. By 1971 the assistance sanctioned and disbursed by all the financial institutions like All India Development Banks, IDBI, IFCI and ICICI and Investment Institutions like LIC, GIC UTI and IRBI and along with SFCS and SIDOS were 232.9 crores of rupees and by 1984-85 it has reached the record figure of 5606 crores of rupees. Secondly, cumulative sanction of all the Financial Institutions by March 1985 has reached the record figure of Rs. 2600 crores of which the All India Development Banks account for 62.9% (IDBI 41.5%, IFCI 9.2% ICICI 12.2%), investment institutions account for 11 2% (L.I.C. 5%, UTI 4% and GIC 2.2%) state level Development Banks account for 24.6% (SFC 516.3%+SIBCS 8.3%) and IRI 1.3%, IDBIs share including resource support to other institution in the cumulative sanction of all financial institutions stood at 59.6% [11]

So far as disbursement is concerned in the year 1970-71 the total disbursement of finance by development banks accounted for 145 8 crores of rupees which accounted for roughly 40% of the finance sanctioned. In the year 84-85 the total amount of disbursement is 339.6 crores of rupees which is 59.7% of the amount sanctioned. When we compare the cumulative sanction of Rs. 26001 crores with the disbursement of Rs. 18482 crores of rupees it comes to 57.9%. Therefore, during these 15 years the percentage of disbursement to sanction has increased by 20%. Such huge loan assistance to the Corporate Sector have certain implications.

Supporters of the developmental finance are of the opinion that the finances of the Development Banks have emerged as the single most important source of Institutional finance to Industry and has occupied a prominent position in the industrial and financial structure of the country. Not only in the initial years the condition in the capital t was unfavourable but also the operation of this development have improved the allocative efficiency of the financial system. stimulated the capital market because the investing public has been raged to invest their funds in the enterprises which has got ial assistance from development banks.

There are others who also contest this view. They put forward jument that most of these assistances are provided in form of term Corporate sector now prefers loans to debentures. Debentures rketable securities and loans are not. The interest cost of both the are same but the servicing cost of raising term loans is much than the cost of debenture issue. Default on loans can be easily rectly negotiated with the lending agencies and payment resche- without much difficulty. Defaults in case of developmental loans t made public. In case of debentures the defaulting companies se a lot of goodwill and it will be difficult for them to raise the nds in the market. The prices of their equities will also suffer. apital protect companies against this healthy market discipline. h company with low equity base are formed. This helps some pulous promoters to show losses of their companies and ask the g agencies to bear this burden. This is the case with large sized ate borrowers and this has obstructed the development of bond in the country. Now that these development banks such as are raising funds by the issue of bonds and as the annual report I.D.B.I. raised Rs. 753.5 crores by issuing a series of four bonds criticism will lose much ground. But the fact is that the issue of is different from trading of bonds. The prices of the yield rate bond is fixed by the concerned development bank. It is never d by the forces of demand and supply nor the bonds of different f interest are available to companies and as such provision of term as resulted in an atmosphere of inefficiency on the part of the te borrowers to manage their affairs efficiently.

Therefore, the first challenge to the development banking sector ia is to create a climate of confidence and environment of ncy in industrial management otherwise the propensity to make ustry sick for easy gains at the cost of the finances of develop- anks will breed an antithesis of industrial climate.

Secondly, there is a controversy among the economists about the tibility option and its limited enforcement by the development According to this clause the financial institutions are given the view, this is a novel method of creating security. The lending institution can share the profits of the concern with whose finance it has grown. It is beneficial to the borrowers because they can borrow at low cost and also easily from their lending agencies which are part owners. But there is an under lying benefit to the society at large concerning the right of the ownership of the business enterprises which are always controlled by a ruling minority and the majority of the share holders are scattered here and there. But once public financial institutions single or as a group come to acquire large enough a block of share through conversion and open market purchases the controlling minority has to share control with them. This is a sort of nationalisation by the back door. This is the prospect which the private sector hates the most. The public financial institutions have sulked on the issue because of the prevailing political philosophy of mixed economy and partly from their lack of preparedness to share effectively in the management of wide variety of industrial enterprises which have come up with their financial assistance. That is why I. D. B. I. in its annual report of 1984-85 says during the year I. D. B. I. stipulated convertibility option in 69 cases involving assistance of Rs. 533 crores. Cumulatively by June 1985 the total number of such cases was 901 involving aggregate assistance of Rs. 2784 crores. During 1984-85 I. D. B. I. converted loan amount of Rs. 4.3 crores into equity in respect of 8 companies. Cumulatively up to the end of June 85 I. D. B. I. acquired equity shares of Rs. 18.3 crores through conversion of loans aggregating to Rs. 40.00 crores into equity in 89 cases. Cumulatively the conversion option was waved in 214 cases of Rs. 255 crores and this was done in view of the enhancement in the threshold limit subsequent to sanction of asistance or because the share holding institutions exceeded their ceiling or conversion was commercially unattractive. This is a sort of challenge which the development banking has to accept sooner or later.

So far as the other quantitative role of development banks in India are concerned they also develop the capital market by underwriting the shares. Their under writing amount per annum by 83-84 was Rs. 263 crores. The percentage of underwriting has declined from 14 percent of the disbursement amount in the seventies to roughly 6 percent in 83-84.[12] The percentage of underwriting and direct subscriptions in the component of total finance is decreasing because some of the promotional roles of these development banks, have also supported some new issues when other underwriters have withdrawn.

Lastly they also thoroughly appraise the project to determine its financial viability and economics soundness. The I. D. B. I. report

1984.85 says that the number of letter of intent issued in 1984 was 1064 as against 1055 in 1983. The number of Industrial licenses issued in 1984 was 905 was less than 1075 issued in 1983 largely on account of the investment limit for the purpose of licensing having been raised from Rs. 3 crores to Rs. 5 crores with effect from April 1983. Nearly 59 percent of the new letter of intent and 36 percent of the industrial licenses issued during 1984 were accounted by units to be located in the backward areas.

With a view to provide more expeditious services and better services to entrepreneurs in the small and village industries sector and medium sector the banks have upgraded four more of its branch offices at Bhopal, Bhubaneswar, Jaipur and Patna from July '85.

ORISSA'S SHARE

When we look back the case of Orissa so far as total sanction and disbursement of the funds from all the financial institutions are concerned we find that by 1983-84 Orissa has got from all the financial institutions cumulative sanction to the extent of Rs. 518.2 crores and disbursement to the extent of Rs. 327.54 crores as compared to the sanction of the all India Rs. 18207 crores and disbursement of Rs. 13224 crores. With roughly 4 percent population our sanction should have been the order of Rs. 728 crores and our disbursement atleast should have been Rs 530 crores. Orissa has not got its proportionate share so far as cumulative sanction is concerned. In absolute amount the highest cumulative sanction and disbursement has gone to Maharastra Rs. 2605 crores followed by Gujurat and Tamilnadu.

An analysis of institution-wise assistance sanctioned and disbursement to Orissa reveals the same trend. I. D. B. I. is the leading institution which supplies near about 60 percent of the resources of development banking. From the I. D. B. I. report of 1984-85 it is clear that so far as direct assistance state-wise is concerned in 1983-84 Orissa got 43.2 crores of rupees but in 84-85 Orissa has got 159.4 crores of rupees. As a result Orissa has got this year 11 percent of the total direct assistance. But when we take the cumulative picture we find in the statewise direct assistance because of a higher sanction in 84-85, our total sanction is 278.3 crores which constitutes 5 percent of direct assistance. It will be remembered here that what is sanctioned is not disbursed and direct assistance constitutes only 40 percent of the total assistance.[13]

The I.D.B I. Report 1985 says that the number of letters of intent issued in 1984 was 1,064 and the number of industrial licences issued was 905. As per the Report of Seventh Plan Govt. of Orissa applied for 104 new projects out of which 39 has been sanctioned. This appears that Orissa has got just 4% of the licences issued for all India. But this 39 also covers up to the end of Nov. '85 which means Orissa's percentage will be still less.[14]

From a study of letters of intent and licenses granted from 1977-82 by I.D.B.I. it appears that Orissa has got only 1.3% of the Industrial licences issued as against 2.5% letters of intent applied. Even Bihar though had given letters of intent of hardly 2% but has got 2.1% of the licences issued of all India. This also does not conform to the I.D.B.I. Report of 1985, which says, nearly 59% of the letters of intent and 36% of the Industrial licences issued during 1985 were accounted for units located in backward areas. So Orissa has to go a long way in selling its project to the I.D.B I as per the Minister's reply in the Parliament that 49 letters of intent has been cancelled because of technical flaws and shortage of raw materials and economic non-viability.

From the point of view of sanction, disbursement and issue of Industrial licenses Orissa has got proportionately less in comparison to all India average.

This is another disquieting feature of the development banking in India.

PROMOTIONAL ROLE OF DEVELOPMENT BANKING IN INDIA

Development Banks in India are performing their promotional functions for accelerating the tempo of Industrial development in the country. They are offering concessional finance to the units at lower rates of interest to the backward districts and backward regions. They charge 12.5% rate of interest for projects in backward areas in comparison to 14 percent in the developed region Longer amortisation i. e. 5 years as against 2 to 3 years and repayment period 15 to 20 years as against 10-15 years are allowed in respect of loans to projects in backward regions Only half of the normal commitment charges, underwriting commissions is levied in respect of such units. Further I.D.B.I. accepts lower promoter's contribution in respect of such projects and larger amount of risk capital is provided for such projects. 100% refinance to such industries in such areas are given where as in case of

Industries in other regions it can go up to 80%. So far as bills rediscounted are concerned concessions in the rate of discount to State electricity Boards and State Transport Organisations in certain specified areas were given.

The I. D. B. I. Annual Report 1985 says in its highlights (i) Assistance sanctioned to backward areas i e. Rs. 1788 crores recorded increase of 72%. From Rs. 1041 crores in 83-84 and accounted for over 50 per cent of sanctions under Direct Finances, Refinance and Bill Rediscounting schemes.

(ii) Assistance aggregating. Rs. 564 crores was sanctioned to 5158 projects in the No-Industry district of which an amount of Rs. 1.6 crores was for project specific infrastructure. Three backward states of Uttarpradesh (33%) Orissa 11% per cent and Madhya Pradesh 7% together accounted for over 50% of the direct assistance sanctioned.

Interest rate on refinance to Industrial estates was to be 9 per cent irrespective of location. Primary lending institutions had to charge interest not exceeding 12.5 percent.

All these provisions indicate that I. D. B. I. the apex bank for Industrial development in the country is very keen on achieving balanced regional development in the Industrial structure of the country by offering a package of financial and technical incentives.

The following observations are made on the scheme of concessional finance to backward areas ;—(1) In the first place these concessional finance easier terms of payment and sanctioning bridge loans which are granted before the formalities are completed have resulted in pampering private large scale industry with public-financial institution According to some this type of subsidisation of the private sector which consume more than 40% of the term loans of development banking have bred soft industrial enterprises with low overall efficiency.

econdly, low-cost funds have encouraged the adoption of highly capital intensive technology leading to unemployment. If interest is the price of money capital then the rate of interest does not change proportionately with the price level Therefore many capital is avilable at cheaper rate in capital scarce country and there again the availability of subsidised low-cost capital have resulted in capital intensive industries which do not promote more of employment opportunities Therefore the development banks should channelise these low-cost funds in such a manner, so that more of labour intensive industries will be established leading to higher employment opportunities. This is the challenge which the development banks face at all India level.

I.D.B.I.'s financial assistance located in backward areas witnessed phenomenal growth both in absolute and in relative terms from 1970 onwards. Cumulatively assistance sanctioned to projects constituted 36% of the total assistance sanctioned by the I.D B.I. till June 1983. The Report of I D.B.I. 1984-85 says assistance sanctioned to backward areas accounted for over 5.% of the sanction under direct finance, refinance and bills rediscounting scheme In p-53 of the Annual Report of I. D. B. I. 1984-85 where state-wise assistance sanctioned to backward areas has been discussed cumulatively. Orissa has got Rs. 634 6 Crores which is 4.1% of the total sanction. If somebody compares the sanctions of 1983-84 with 1984-85 one will find the backward states received larger amount of assistance in the previous years, it was Rs. 108 7 crores in 1983-84 and Rs. 224 crores in 1984-85.

A recent study of Ansari & Singh shows[15] that though I.D.B.I. has covered 245 out of 247 backward districts in the country there still exists a wide disparity in financial assistance to backward districts of different states. Of the total assistance to the backward area during 1970-83 nearly half had gone to the five industrially advanced states of Maharastra, West Bengal, Gujurat, Tamilnadu and Karnataka having one third of countries population, secondly all other states and union territories which accounted for the two third of the country's population has got the remaning half of the I. D. B. I. assistance to backward districts. In the North Eastern region which has got as states like Meghalaya, Manipur and Nagaland got less than 1% and Orissa has got 2.7%. One of the good feature of this assistance is that the share of the advanced states is progressively declining with a corresponding rise in that of the remaining states.

A closer analysis of concessional assistance to backward areas reveals a further disquieting feature. Out of the 245 backward districts, the top 50 districts received a major share of the bank's assistance to the backward areas. Their share ranging from 64% to 88% during 1974-82. Therefore a wide disparity still exists between them and the backward districts.[16]

In each state also the share of top three backward districts accounted for more than 50% of the total concessional assistance in eleven states and over 70% in the case of Himachala Pradesh, Assam, Jammu and Kashmir, Orissa, Punjab and Rajasthan. Therefore, there has concentration of financial assistance including concessional ance only in few states and among the states in a few backward ts. Therefore development banking has to go a long way in g a frontal attack in reducing regional imbalances in the industrial opment of India. I.D.B.I. has identified 83 districts as no industry, t. A no industry district is one which has no large or medium ry. The I.D.B.I. Annual Report 84-85 says that I.D B.I. sanctioned assistance of Rs. 547.7 crores to 32 projects (in A category back- disticts). The I.D,B.I has granted Rs. 16 crores for project specific ructure. Projects have only started in 33 districts. In this conne- it may be mentioned that only project specific infrastructure is not ient. What is required is area specific infrastructure. Orissa has ree no industry district like Balasore, Phulbani and Bolangire. s the infrastructure for industrial development are developed how dustries be established in these region. More over balanced regi- development can not be maintained in India unless there is some sation in the provision of 'social overheads.' Prof D. T. Lakadewala ey paper on centre-state financial relation, has pleaded for equa- n of basic public services among different states specially the overhead like health, medicine and education and economic eads like transport, irrigation & power. The development banks by ng funds for project specific infrastructure and area specific infra- ure can play their role well for reducing regional imbalance and oping projects. Another thing in this connection deserved mention t of the 83 indentified districts I.D.B.I has started projects only in tricts. Hence we find a vicious circle, unless infrastructural ies are developed poorer states fall behind the richer states for the tion of Institutional finances and Institutional finances will not o develop the infrastructure ' Therefore any future strategy for the opment of these areas/districts should encompass programmes for aneous development of infrastructure and Industries This will r a well co-ordinated effort of the Govt agencies, banks and other tions''.[18]

In case of Orissa our urgent task is to asses the infrastructure and resource requirement for the indentified industries along with already identified but yet to come up and calcutate the amount of tment needed and to devise ways and means how to procure these ces from the developmental financial institutions.

To illustrate district Phulbani lacks the basic infrastructure for be located to avail the railway facilities of the neighbouring districts and immediate requirement of the feeder roads should be provided by the State Government.[19]

PROMOTION OF ENTREPRENEURSHIP

It was realised that mere provision of financial and fiscal incentives did not have the desired impact in correcting the regional imbalances in the level of industrial development in India. There was a dearth of sufficient entrepreneurs coming from the backward regions. The problem was aggravated when there was shortage of economically viable projects. That is why the basic challenge of developed banking is how to activate and develop latent entreprenural talents and generate adequate viable projects in the backward regions. Keeping this in view IDBI initially along with other State level financial institutions initiated industrial potential surveys of backward States and Union Territories in the light of resource endowment and infrastructural facilities for the coming ten years. These study teams comprising of other development banks completed their surveys by 1974. In the second phase I .BI with other developed banks initiated follow-up measures for the assessment of feasibility of projects, identification of entrepreneur, preparation of feasibility report, initial guidance and liason service to prospective entrepreneurs. Later to make this arrangement permanent they have constituted Inter Institutional Groups otherwise known as IIGs. The IIGs which were supposed to be the decision making organ regarding various promotional functions have remained dormant for want of sufficient response from the participant institutions, agencies while some others have played a ceremonial role.[20]

TECHNICAL CONSULTANCY ORGANISATIONS

TCOs have been set up by All India Financial Institutions to provide a variety of consultancy services to the small and medium entrepreneurs especially the new ones, Govt. departments and organisations, Commercial Banks and State level Financial Institutions and also other agencies engaged in industrial promotion and development. The activities of the TCOs consists of preparation of feasibility and project reports, Entrepreneurship Development Programmes, Diagnostic Studies and Rehabilitations Schemes for sick units and design engineering and other services for implementing projects on turn-key basis in the small and medium scale sectors. They are now encouraged to participate in the Rural Industrialisation Programme by adopting atleast one block in their respective jurisdiction for implementation of rural industrial projects So far ten TCOs have adopted one block each by adopting IRDP blocks. Tha TCOs harness available local resources both material and human for rural development. These TCOs also conduct entrepreneurial development programmes.

There are also other entrepreneurship development programmes conducted by the development banks.

The performance of Inter Institutional Groups and Technical Consultancy Organisations have not come up to expectation. No machinery has yet been provided for exchange of ideas, information and experience among these TCOs. Secondly, so far as Entrepreneural Development Programmes are concerned there has been considerable amount of wastage because the number of persons who receive Entrepreneurial Development Training do not apply for establishing an industry of their own and those who apply all of them do not sincerely want to set up their own projects. This creates huge wastage, why does it happen ? If one probes the causes of such wastage, one will find that the identification of the projects have become very superficial without taking into consideration the market of the commodity identified. Moreover, there is no infrastructural arrangement for motivating the entrepreneur after he has received the training. The supportive system expected from the agencies which give EDP training is not self-sustaining. Sometimes the EDP trainees over-estimate their financial support which is not possible in real situation and as such those EDP trainees who come from richer section of the society they are alone eligible to supply the margine money. In case of Orissa, "There is no traditional elite class, from the ranks of which entrepreneurs would be recruited. The only class which is not tradition bound and has rational outlock is educated middle class. But lack of capital has stood in its way and it is unable to compete with more experienced and affluent entrepreneurs from outside Another constraint has been the limited size of the local market " [21]

Therefore the challenge of entrepreneurial development by development banks should be constant evaluation of the EDP Programme to improve upon its contents and orientation to avoid wastage involved in the trained manpower. Secondly to sustain and motivate a trained entrepreneur to set up the project industrially identified for him should take into consideration that the enterprise identified should utilise local resources, people and the commodity maximum. The local market at least would be in a position to give him subsistence for continuance. Thirdly permanent institution for EDP and maximum involvement of large number of institutes and universities in the programme will give it the character of a mass movement. Finally TCOs should interchange ideas, experience and informations not only among themselves but should disseminate it to the prospective entrepreneurs which are not easily available to them. Then only the programme of promotion of entrepreneurship will 'have its impact' in eradicating poverty and backwardness.

REHABILITATION OF SICK UNITS

One of the promotional role of development banking in India is to nurse the sick industries. The Industrial Reconstruction Bank of India was setup in 1971 with the primary objective of providing assistance for revival and rehabilitation of sick and closed industrial units. It extends term loans assistance and hig'er purchase finance facility to sick units to meet the essential capital expenditure for renovation, installation of equipment, diversification, expansion and modernization and also for bridging the liquidity gap and provide margin for working capital. From 1971 the bank also extend financial assistance to small sick units through State Financial Corporations. By 1983-84 the Reconstruction Bank has sanctioned assistance to the extent of Rs. 266 crores out of which Rs. 184 crores have been sanctioned. Most of this assistance has gone far modernization and rehabilitation of sick units. Fifty percent of the assistance has gone to West Bengal. So far as assistance to backwared areas are concerned 25 percent of this assistance has gone to backward areas and whatever assistance Orissa has got, it has got for backwared areas. The number of sick units are increasing day by day both in large and small sectors. The amount of funds at the disposable Industrial Reconstruction Bank of India is very much limited in comparison to the amount of assistance required. Secondly another factor which is a serious constraint for administering nursing finance that units In backward areas have got no preference in the matter of availability of working capital from Commercial Banks. This shows lack of co-ordination between development banking and commercial banking. If one analyses the case of Orissa one will find that by 1982-83 number of applications recommended by D.I C to Commercial Banks was 1080 and the number of cases sanctioned was 277, whereas in the same year the number of application recommended by the DIC to O.S F.C. was 1891 out of which 941 cases were recommended for sanction. Therefore, when OSFC sanctions 75 to 80 percent of the loans Commercial Banks sanction just the half of it. It is therefore, imperative that there should be joint and simultaneous appraisal of both term loan and working capital loan of a prospective entrepreneur as suggested by Bhide committee.

REGIONAL DEVELOPMENT BANKS

State level development banks are State Financial Corporations e Industrial Corporations. The annual report of Development in India 1984-85 says there are 18 SFCs operating in their states on territories of which five have jurisdiction of neighbouring nion territories which do not have separate SFCs. Their growth and sixties and seventies and early eighties has been rapid. 84 cumulatively they sanctioned loan for more than 2 lakhs eir financial sanction aggregate Rs. 3567 crores of which roughly crores have been disbursed. These SFCs are playing important he development of medium and small scale indusries. A major neir credit goes to small scale industries. They give liberal ce to technical entrepreneurs and industrial units in the backward

In the total assistance sanctioned by SFCs in the 1984-85 Uttar, Finance Corporations accounts for the highest share followed rapradesh, Karnatak, Tamilnadu and Gujurat. So far as cumula- stance is concerned the share of Gujurat was the highest by Moharastra, Andhrapradesh, Tamilnadu and Utterpradesh. FCs suffer from several defects i. e. excessive over dues and excessive concentration of loan finance, delays in sanctioning ursing assistance and sanctions, low caliber of their personnel organisational defficiencies which require urgent removal.

Orissa State Financial Corporation is one of the corporation nproved its strength and growth performance in recent years and d its relative rank from 11th in March 1980 to 8th in March 1984 he S F.C.'s in India. During the last twenty eight years it had ed cumulatively Rs. 278 crores and disbursment to the extent of crores. The activities of the corporation were confined to direct loans and advances for the development of industries due attention to reconstruction and modernization of sick units ow up of units during implementation during operational stages. rporations gives assistance to backward areas, no industry , and technical entrepreneurs. The investment made by the ion in the backward areas by 1985 March was in order of the ent of the disbursment made during the year and the investment the no industry districts accounted for the 12.5 percent of the ment made during the year.

Recovery of overdues is one of the main problem of the tion and the corporation made all out effort to achieve the targets of collection by fixing targets branch-wise and month-wise and collecting daily from the hotel, transport, nursinghome and bakeries. They opened recovery cells in different parts of the state with concentration of investment. Dues from trawler owner was collected by keeping link with the port authorities, seizures of trawlers and transport operators and by lot of efforts the percentage of recovery was fifty percent. The corporation has so far taken rehabilitation programme in respect of 63 industrial units in different sectors. To attract entrepreneurs from outside the state, the corporation along with other promotional agencies organised a campaign in Calcutta during September' 1984. The response has been quite encouraging.[22]

From the account of the annual report it appears that overdues has become one of the main problem of the corporation and inspite of concentrated efforts the corporation has been able to collect more than fifty percent of its dues. Some people attribute such outstanding default due to disproportionate investment in transport operators of trawlers and in hotels and motls of late. Transport operators became defaulters due to in increasing price of the fuel, low paid charges and unhealthy competitions among them in the same region. Trawler owners could not pay because of ecological imbalances in Bay of Bengle's lump in the frozen sea food markets abroad and clandestine competition from the unscrupulous trawlers from the neighbouring state. The fact remains that because of the propensity of the borrowers to default deliberately the default has been mounting. This has frustrated the very purpose of providing low cost funds to able and young entrepreneurs to rise in life and accelerate the growth of development banking.

STATE INDUSTRIAL CORPORATION

State indus'rial corporations are institutions setup by state govt. under the Indian Companies Act as full state undertakings of respective state government. They extend financial assistance to medium scale industrial units by way of loans end underwriting and direct subscriptions to debentures and shares and also undertake promotial activities. They administer govt. incentive schemes. By 1983-84 there were 26 SIDC which were eligible for refinance from I.D.B.I by 1984-85. I D B.I. reviewed the working of 23 S.I.D.C.S. The Andhrapradesh S.I D C. accounted for the largest share in sanctions made by all S I.D C followed by Uttarpradesh and Madhyapradesh. Orissa Industrial Development Corporation has got a large size investment. The S I D C of Moharastra sanctions the highest assistance cumulatively. S.I.D.C also provides assistance to backward areas and share of specific backward areas was roughly 60 percent. In S.I.D.C. in Orissa and West Bengal share of private sector was lower in total assistance and that of joint sector was high. The recovery percentage of loans of S.I.D.C. is roughly 50 percent. Orissa recovery as estimated by I.D.B I falls between 40-50 percent. These organizations also suffers from high amount of default, in-experienced and inadequate staffs and organizational defficiencies.

So far as Industrial Development Corporation in Orissa is concerned it has completed a number of large and medium projects and has taken of new projects involving an investment of Rs. 47.57 crores. In the seventh plan they also propose to take new projects subject to the availabity of funds.

The challenge of the S.I.D.C. like S.F.C.s are professionalization of the managerial cadre, reduction in the level of overdues and increasing the promotional role and timely execution of projects.

DEVELOPMENT BANKING IN AGRICULTURAL SECTOR

We have National Bank for Agriculture and Rural Development in the national level and the Land Development Bank in the state level.

NABARD is the appex agricultural development bank in the country. It is expected to provide forceful direction and pointed focus to the credit problems arising from the integrated agricultural and rural development.

PERFORMANCE OF NABARD

Since its establishment in July 1982 its performance has been so designed to achieve balanced regional growth, economic upliftment of the weaker sections of the rural poor, the implementation of 20 Point Economic Programme and the Integrated Rural Development Programme.

So far as short term credits are concerned it was Rs. 1245 crores in 1983. For distribution of fertilizers the credit limit sanction was Rs. 25 crores. Similarly the credit to Handloom weavers also increased. Medium term credit for approved agricultural purposes amounts to Rs. 20 crores. So far as long term credits are concerned assistance to banks are equally impressive. Refinance assistance was sanctioned to 4961 schemes involving commitment of Rs. 1170 crores. During 1983-84 NABARD sanctioned 1923 schemes for minor irrigation.

Region-wise analysis shows while the share of the western region in the total disbursment increased from 11.4 percent in 1982-83 to 14.3

percent in 1983-84 the share of Northern, Central and North Eastern Regions remain unchanged such as 27 percent, 21 percent and 1 percent respectively. In the case of Southern and Eastern Region their percentage share stood at 25.4 and 10.8 respectively which was 26.2 and 12.8 in 1982-83 [2.8] This clearly shows that the Eastern Region comprising of West Bengal, Orissa and Bihar has got less funds from this national bank.

DISBURSEMENT UNDER I. R. D. PROGRAMME

By 1984 June the commitment under NABARD under IRDP amounted to Rs. 799 crores against which dibursement by way of refinance amounted to Rs. 532 crores The highest share during the year went to Commercial Banks that is 48 percent followed by RRB 33 percent, State Co-operative Bank 13 percent and State Land Development Bank 6 percent.

NABARD has accorded top priority for providing loan to small and marginal farmers for increasing agricultural productions. NABARD refinance to minor irrigation has increased like anything. A glance at dibursement by NABARD to less developed or under banked states under schematic lending shows that in 1983-84 NABARD has issued Rs. 892 crores out of which Orissa has got Rs. 30 crores roughly and which is less than the amount granted in 1982-83 that is Rs. 33.9 crores. Being a backward state Orissa has got 4 percent of the total assistance sanctioned as per its population ratio in India. Moreover, this declining amount from Rs. 33.9 crores to Rs. 30 crores is disquieting feature and needs further probe. When all the ten states have improved their position Orissa's share has declined. This goes against the principle of reducing regional balance.

PERFORMANCE EVALUATION OF NABARD

NABARD has accorded top priority to minor irrigation schemes and second priority to Integrated Rural Development. So far as minor irrigation is concerned it is the fundamental precondition for technological progress. Cultivators can convert sand into gold if adequate and assured water supply is made available to them. Therefore investment in irrigation is also urgently needed. Minor irrigation assures water supply in the upland regions. But sometimes it is found that experience with state tubewell organisations to deal with minor irrigation has not been encouraging. Farmers ability to make adequate use of tubewells is limited when the farm size is small and land holdings are fragmented.

In such a situation the reliance on individual initiative alone may not lead to full exploitation of the available ground water supply. Therefore, local community action in the form of small group units may provide a better solution, for dealing with this problems.

Commercial Banks or the financing agency should take a special interest for promoting this type of group action by devising scheme of group lending.[24]

It has been pointed out by the Managing Director Mr. G. D. Bhave that 90 lakhs irrigation pump sets had been installed. Despite these impressive figure, in quality and efficiency of their performances studies by NABARD have revealed that 96 percent of the existing installation are defective and running at a low efficiency. Inefficient Diesel Pumping Units increase the cost of cultivation and reduce profitability of farmers. Incorrect installation, mismatching of components and failure to appreciate that irrigation as a system and not a piece of equipment have resulted in such low level of efficiency of the Pumpsets. This is a sad reflection on the efficiency of our minor irrigation corporations.

INTEGRATED RURAL DEVELOPMENT AND NABARD

IRDP is a Poverty Alleviation Programme & National Bank channelise huge fund for it. The objective of the programme is poverty alleviation by asset and employment creation and that benefits will flow to the weaker section because of the specificity of the target group. This scheme covered fifteen million rural families in the sixth plan and had a frontal attack on poverty. Three important evaluation studies at the national level have been made to assess the viability of the IRDP. These studies were made by NABARD, Programme Evolution Organisation and Institute of Financial Management and Researches[26].

As per their studies the IRD Programme suffered from three major defects. These are :

(i) In the first case an individual was regarded as the unit of assistance instead of a family as originally conceived.

(ii) Adoption of a uniform programme throughout the country without taking into consideration the level of infrastructural development, institutional structure and the incidence of poverty and,

(iii) Inflexibility of the programmes standardisation of operation or schematic budget and uniform procedure for allocations of funds blockwise and scheme size reduced the scope of local level initiative which did not allow any consideration for regional differences. In addition the programme funding violated regional equity and bore no relationship with the incidence of rural poverty.

Apart from these macro level defects certain micro level defects as pointed out was identification of the beneficiary where non-poor enjoyed the benefits of the scheme and on the whole it was only 15.20 percent of the beneficiary. Proper identification depended much on the method of identification. Where there was more of popular participation and participation of the banker it was better and proper (ii) In activity selection no consideration was given to the local infrastructure, capability and compatibility of the scheme with ecology of the region.

(a) Finally the credit delivery system was unsound and the attitude of the local level bank functionaries was far from satisfactory. Emergence of a set of development intermediary came into rural structure because of the absence of direct link between the banker and the beneficiary.

NABARD has computed the percentage of beneficiaries crossing poverty line and have come to the conclusion that all India average is 47 percent where as in case of Orissa it is 52 percent. In Punjab it is 86 percent and in Maharastra 65 percent and in U. P. it is 72. Certain questions have been raised about the methodology of adopting a mechanical crossing the poverty line Index for the whole country and the choice of the beneficiary. Whatever may be the methodological defects Orissa can do better on this score if we adopt a better strategy for the scheme of Integrated Rural Development.

Integrated Rural Development can succeed well if the following suggested strategy is given a trial.

To reduce the regional differences in their impact of the anti-poverty programme—

(a) There should not be any mismatch between the potential of the poor household with the potential of the region where they are located.

(b) At the national level the pattern of agricultural growth should be consistent with and conducive to poverty eradication.

(c) Thirdly as far as wage employment programme are concerned it must be interwoven with general development programme.

(d) There are number of areas where group action is more suitable than the individual action. The Seventh Five year plan also makes a reference to this. The beneficiaries should be organised in clusters or in groups so that the programmes will be properly implemented. Parthasarathi suggests in case of minor irrigation, marketing of agricultural produce like vegetables to ensure that the community assets benefits the rural poor and to link the demand of the state with state supported agencies one can make I R.D P. more successful.

At the individual level also some strategies have been suggested.[28]

(i) The weaker sections of the population are likely to benefit from a programme when its service is designed to meet the changing needs of beneficiary groups through a process of adoptation over time where necessary. The programme should take into consideration the ability and the socio-economic conditions of the beneficiary; such as traditional sheep farmers can excel in sheep farming or the activity of the beneficiaries to adopt a milch cow. The R.B.I. suggests that the Commercial and Co-operative banks were not as bold and favourable to farmers as they should have been.

(ii) The stronger is the vertical and horizontal linkage in a programme service the greater the chance the programme will benefit the weaker sections. Linkage with right type of inputs and with the markets are necessary to make the programme effective. Credit must be linked with marketing as is done by Milk Co-operative Societies.

(iii) The weaker sections are likely to benefit from a programme when its service is so designed that its appropriation by others is rendered difficult or unprofitable. Vegetable growers, leather workers or sheep breeders belong to this category.

(iv) The more participative is the process of identification of the intended beneficiaries the greater the chance that the programme benefits will reach them, such as face to face interaction to the villagers with the programmers. The camp approach may also be tried from village to village as operation Bagra of West-Bengal or Survey method of Kerala.

(v) The lower the technological and institutional barriers to entry in the design of a programme, the higher the liklihood that the weaker sections will benefit from such a programme. Removal of institutional and technological barriers will make it more profitable, such as village camps for identifying beneficiary, Commercial banks and rural banks persuing pilot project policy to help land development, and the removal of the institutional culture for asking additional security will go a long way to make the programme a success.

(vi) The stronger is the participation of the poor beneficiary or their organisations in planning and implementation, the higher the probability that benefit will flow to weaker section. Participation by beneficiaries directly by local action group, voluntary agencies, Panchayats and other representatives in specific development programme will make the programme successful. It appears that Panchayat has not been held a model as an effective local organisation representing the interest of the poor. Parthasarathi says it can become so because of the inadequate involvement of People's bodies and the non-recognitions of the need to alter the structure of the economy so as to favour development of rural resources for the benefit of the poor. Since most of the antipoverty programmes are location specific and need co-ordination of various agencies Panchayats should plan and monitor that antipoverty programmes. The development banker who is a master architect of this programme must remember that, "Projects where dissatisfaction, rather than a conern for charity on the part of the external agency, was the cause of developmental effort participa'ion was more likely. Sustaining any programme requires active participation than achievement of a set of physical targets."

STATE LAND DEVELOPMENT BANKS

In the state level we have Co-operative Land Development Banks. These banks face the same challenge as their co-operative partners like excessive dependence on outside sources for funds, mounting overdues, inadequate and inexperienced staff with less of expertise and incapacity for project appraisal and monitoring. So far as Orissa is concerned poor recovery performance and weak capital base have checked the progress and functions of such banks. "Due to poor recovery performance of the banks about 57% of the total approved amount of normal debentures and about 7% of the corresponding amount of the special debentures were actually floated during 75-76. This shows that although funds are available to provide investment credit banks have failed to do so because of the poor recovery performance and weak Capital base." [30]

GLOBAL PROBLEM

Finally all the development banks lack projects to finance. At the global level world bank does not find projects to finance and is in search of borrowers because lending by World Bank in 1985 declined for the first time in the last 18 years. The causes are that the richer the World bank the poorer are the third world. The income of the bank from investments have risen like anything and the Bank has limited its credit to several countries with low credit worthiness and performance. Economic stagnation in many of the developing countries led to such a situation. At the national level also the development banks do not find projects to finance in backward areas because of low infrastructural base and lack of entrepreneurial ability. In the state level also Development banks do not find demand for more of credit as in the agricultural sector because of technological backwardness, shortage of irrigation facilities, natural calamities and as such mounting overdues. But the problem is the same every where. On one hand there will be accumulation of surplus development investible resources in form of developmental credit and on the other countries, Projects and Units starving from inadequate supply of institutional credit, exist side by side. I think to supply the missing link in these two paradoxical situations is the biggest challenge to development banking.

Let me conclude what is our responsibility in this regard with Myrdal when he says : the responsibility of economic science in his book. The challenge of World Poverty, (P. 247). "We economists represent the main connecting link between rational policy choices and actual ones. And certainly a main responsibility rests on us as analyst and policy advisers". But we are not working in an intellectual vaccum. We are only part of the articulate people in developed and under developed countries. These people form the intellectual milleu in which we live and work. They reason as we do in terms of cause and effect and goals and means. Science is never anything else than highly rationalised common sense. The Economists who want to influence policy choices must in the final choice convince the ordinary people not only his confreres among the economic scientists.

I again thank you for your patient hearing.

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Socialist Movement in Backward Countries

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"Historically socialism arose as a reaction to the reality of capitalism. Socialist theory was first of all an indicament of capitalism and the socialist movement aimed to create a society which would overcome or eliminate the horrors and evils which capitalism had brought with it." Naturally socialism was painted in diverse colours, notwithstanding the diversity in essentials in the varying historical conditions in different countries. The basic tenets of socialism accepted universally centre round social ownership and use of the means of production. "Socialism is a system in which, in contrast to capitalism, there is common ownership of the means of production instead of private planned production for use instead of anarchic production for profit. Its programme in every country of the world is the same—to substitute a barbaric competitive system by a civilized, co-operative common wealth in which the welfare of each is realised in the welfare of all. To Marx socialism is a form of society which will succeed capitalism, the ownership of the means of production must be by public bodies, central Govt., local Govts., special public authorities of cooperative.

The idea of socialism developed with the march of capitalism manifesting its inner contraditions and short-comings like gross inequality in justice, inefficiency, waste and irrationality. In the early part of 19th century, Robert Owen in England, Charles Fourier and Saint-Simon in France pioneered the socialist movement. Each of them had his own vision and strongly advocated abolition of capitalism. But there dreams were utopian. They were humanitarians and their miniature social experiments were only "islands of bliss in the great sea of capitalist misery."[1]

In contrast to the socialism of the Utopians, Marx's was based on a study of historical, economic and social development of man. With the Utopians, socialism was a product of imagination. Marx brought socialism down from the cloud. He showed that it was not merely a vague aspiration but the next step in the historical development

1. Leo Huberman and Paul Msweezy—Introduction to Socialism P. 51

of the human race, the necessary and inevitable outcome of the evolution of capitalist society. Marx transformed socialism from a utopia to a science. Instead of a visionary fantastic blue print of a social order, he substituted a down to earth theory of social progress, instead of appealing to the sympathy, good will and intelligence of the upperclass to change society, he relied on the working class to emancipate itself and become the architect of the new regime"[2]. The Kernel of Marxian view of socialism lies in his materialistic interpretation of history. Marx holds "The mode of production in material life dominates the general character of social, political and spiritual process of life. It is not the consciousness of men that determines their existence but on the contrary their social existence determines their consciousness." It is not simply a change in Mao's ideas that brings about social and political revolution, because ideas depend on mode of production and exchange, it is the change in the latter that would bring about revolution. The working class to abolish private property must destroy the state of the ruling class and replace it with its own. The proletariats have to spearhead the revolution, not any time and everytime, but at the right moment when economic development has been ripe for change. Marxists hold that to transform society revo'ution is necessary. They believe that the transition from capitalism to socialism, can not be acheived at any time, but only when the conditions are ripe for the transformation. They do not favour the siezure of power by a minority, the act of revolution can succeed only when there is relative social choas, leadership is ineffectual and majority of the people support the strong organised conscious working class in its siezure of power [3] Siezure of power is the first step. The second step is to recast the social order and to crash the resistance of the capitalist class to the change. Marxists do not advocate violence as such, they would be happy if change is brought about by democratic and peaceful means but they warn against the possible resistance of the rulling class to the change The strategy may differ from country to country, situation to situation and the class taking the lead though constituting majority may differ from country to country In a speech at Amsterdam in 1872 Marx said "We know that special regard must be paid to the institutions, customs and traditions of variovs lands and we do not deny that there are certain countries such as the United States and England in which the workers may hope to acheive their ends by peaceful means".[4]

2. Ibid PP 53-54
3. Ibid P. 78
4. Quoted by Paul M Sweezy.

Marx erred in expecting that socialism would come first in the most advanced industrial countries because of the growing misery and solidarity of the working class. But because of the late 19th end 20th century development of relations between advanced countries and the colonial and semi colonial backward countries, the revolutionary movement grew more rapidly and had more opportunities in the backward than the advanced regions. When capitalist system was wrecked by two world wars it broke at its weakest points not at its strongest points The compultion of new national and international situation resulted in socialist revolution of various shades in various countries. Strategy followed axpediency of situation and revolutionary theory got modified.

Lenin perceived the peculiarities of the operation of the laws of social revolution in the new historical conditions, new strategy and fact is of the international working class movement and the essence of soc al shifts inherent in the specific development of various regions in human society. He pointed out that the 20th century "marked the rated transformation of the methods of production and enormous concentration of production, the disappearance of all forms of personal dependance and patriarchalism in relationships, the mobility of population, the influence of the big industrial centres etc.[5] This change brings society to the threshold of a new social order. Marx's alienation continues to itensity. It sharply inclines political reaction of the rulling classes and Marx is the revolutionary attitude of the oppressed masses especially in countries economically and politically dependent on the imperialist power. The imperialist bourgeoise uses its super profits received through exploiting the oppressed countries to bribe the upper class of the working class at home thus turning it into all working class aristocracy" opposed to the grass-root proletarians The increasing plunder of the peoples and export of capital generate social awareness of the oppressed nations and fuse the isolated national liberation movements of the oppressed peoples in to a world anti-imperialist movement. Lenin pointed out that the uneven capitalist development at the stage of imperialism weakens the latters domination over the world to such an extent that it becomes possible to break the chain of imperialism first in one isolated link and build socialism in one isolated couutry.

In 1914 in the collapse of the Second International, Lenin formulated the following objective conditions for a revolutionary situation (1) a crisis within ihe "upper classes" (2) a sharp growth in

5. V.I Lenin--Imperialism the Highest Stage of Capitalism, Collected Works. Vol. 21 P. 235

the proverty and privations of the oppressed classes (3) considerable increase in the social activity of the masses. These conditions begin to operate when a subjective condition prevails i.e. the ability of the revolutionary class to take revolutionary mass action is built up [6] Lenin pointed out that the peasantry in countries like Russia were the principal ally and resolve of the proletariat in its drive for socialists revolution to stress that "in Russia the victory of the proletariat can be achieved in the very near future only if from the very first step the workers are supported by the vast majority of the peasants" [7] The revolutionary working class allied with all the working people breaks up the bourgeois state machinery by force and the victorious socialist revolution replaces it with a state which is new in principle—the dictatorship of the proliterat, a form of class of the workers and all the working people and the propertyless classes with the working class in the lead. [8]

Lenin's interpretation of Marxism invited pungent criticism from many a quarter, Kautsky termed Leninism as "the dictatorship of the peasantry rather than dictatorship of the proletariat. "Korsch viewed the main content of Leninism with its development of those aspects of Marxism "immediately bearing on the 20th century working class movement being a specific individual interpretation of the practical issues of the working class movement. [9] Deborin in his book, 'Lenin, the Thinker' emphasized Lenin's role as part of a revolutionary proletariat and characterised Leninism as the politics and tactis of the working class movement not a philosopher". [10]

Maoism a variat of Marxism appropriate to China is considered as the highest expression of national wisdom. Mao realised that "the culture of one country cannot be transplanted in its entirity to another country." [11] "Contemporary world revolution is the encirclement of the cities of the world by the rural areas of the world." In China revolution started in country side and triumphed at the end in the cities. Mao believed that the case of world revolution as a whole depends on the struggle of the peoples of Asia, Africa and Latin America which constitute the rural areas of the world He considers armed struggle as an indispensable aspect of any true revolution Mao in his insatiable desire

6. V I Lenin "The collapse of the Second International" Collected works Vol. 21 P.P. 213—214
7. V. I. Lenin : collected works. Vol. 23, PP. 340-341
8. L. N. Savorov—Marist Philosophy at the Leninist Stage P. 123
9. K. Korsh Marxism and Philosophy, Moscow ; 924 P 36
10. A.I Deborin—Lenin the Thinker Moscow 1979 P. 12
11. Quoted by Stuart Schram—Mao Tse Tung

for revolution wanted people to nurture revolutionary rebel spirit for hundred years, a thousand years to turn the old world upside down and smash it to pieces.

Just like Mao, Hochiminh enlisted the support of the entire toiling mass to free Vietnam and establish an ideal socialist regime He wrote "Heroes are not only to be found among the soldiers at the battle front. They are found among you, fighting on the antifeudal front together with the peasants." In 1952 he declared "Democracy is to rely on the force of masses to correctly follow the mass line."[12] In 1960 he wrote "The construction of socialism in our country and our membership in the great world socialist family mean the implementation of the Leninist proposition that it is possible for a backward country to advance to socialism having bypassed the stage of capitalist development." He proclaimed "unity of theory and practice is a fundamental principle of Marxism-Leninsm" By personal temperament and initiative, understanding of the situation Ho chose the system of representative popular democracy to which France and West had adhered.

Like Mao Ho was convinced that in a predominantly rural country the peasants and land workers were the only mass force who are capable of carrying out successful socialist revolution The peoples power however has to be under the leadership of the working class. The strategies he advocoted are

1) The liberation movement would be a part of general liberation movement through peasant countries of S.E.L.

ii) That in each country the weak native bourgeoisic would cooperate readily with peasants.

iii) That the advanced agrarian economy of victi-world provides sufficient sustenance for the whole population during a prolonged and enforced transition to a socialist society.[13]

Fidel Castro a tireless revolutionary would not want ideas to triumph among the masses, he would rather urge the revolutionary to make revolution. Castro was interested in creating socialist man He wrote "we will never create socialist consciousness with a shopkeeper mentality. Dollar signs from heart have to be removed." Education, moral obligation and abandonment of the goal of consumer society were hall

12 Hochiminh—Selected writings and speeches C.P.P. 1975.

13. William Warbey—Hochi Minh and the Struggle for an Independent Victorian—Rupa & Co.

marks of Fidel's advice for socialist reconstruction. He liked bread and democracy to go together. The accent on moral aspect of a socialist society is a distinct mark of Castro's teaching. Warfare was treated by him as a tool of revolitionaries but the important thing was the revolution: the revolutionary cause, revolutionary ideas sentiments and virtues. Communism could be established "not by creating political awarness with money or wealth, but by creating wealth with political awareness and more and more wealth with more collective political awareness.[14]

Marshall Tito who called himself "a social democrat" considered self management and direct democracy as a bulwork against the bureaucratic omnipotence of the State over people and believed that socialism can be achieved by persevering efforts and creative endeavours of the working people not by war.[15]

Asian Socialists :

The Asian socialists, Gandhi, Jay Prakash, Lohia, and Nehru while cherishing the supreme goal of alleviation of mass poverty and suffering and establishing a society of equality and justice professed completely new approach to its realisation.

Gandhi intermixed ethics with economics and said "True economics never militates against the highest ethical standard...... True economics on the otherhand stands for social justice, it promotes the good of all." To him civilisation consisted in voluntary reduction of wants. Gandhiji Inspired by the verse of the Ishopanishad which says "God, the Ruler pervades all there is in this universe. Therefore renounce and dedicate all to Him and then enjoy or use the portion that may fall to thy lot. Never covet anybody's possession." He equated private property in excess of basic needs of human existence with exploitation. Gandhi offered Satyagraha as the means alternative to class struggle. He believed that it was possible through nonviolence to transform the existing relationship between classes and masses into some thing healthier and purer. Gandhi wishes to study easier institution in the spirit of scinentific enquiry and hoped to evolve a truer socialism that the world has yet dreamt of. "The Theory of socialism through transfership was the altemative to the scientific socialism and communism.[16]

Marx accepted "ethics as closely associated with the economic basis of society." Gandhi did not accept the economic

14. Marrnkenner and James Petras ed Fiedel Castro speaks P. 419.
15. Bogdan Decermic-Joseph Broz Tito.
16 R. V. Rao—The Gandhism Alternalist to Western Socialism.

condition of life to be the determining factors of moral value. Morality for him is something divine. "Gandhi's methods of nonviolence and satyagrah are definitely more effective than Marx's methods of violence and class struggle because the results of the former are lasting and permanent."[17] In Gandhi's principle as U.Thant observed there is "a meaning and significance far beyond the confines of his country or of his time".

Jayaprakash in "Why Socialism" wrote "No party can build up socialism unless it has the machinery of the State in its hands, whether it has to come to acquire it through the will of the electorate or by coupde' that is irrelevant......The coercive powers of socialist state if they exist at all are bound to be derived from popular support". "Revolution is not an event, it is a phase, a social process. And during the evolution of a revolution tides and ebbs are normal . To J. P. village is a unit of social progress. "The ultimate object is to establish Gramraj—A Gramraj is a self governing village republic". J. P. stood in the ultimate phase of his life for total revolution which is a combination of seven revolutions, social, economic, political, cultural, ideological, intellectual, educational and spiritual. For this task youth were to be drafted with advantage to the youth themselves and to the society at large.[18]

Rammonhar Lohia refuted Lenin's theory that imperialism was the last stage of capitalism and held that the two were born as twins and matured as twins. He further observed "They (Marxists) think alone in terms of destroying the relations of capitalistic production, whereas genuine socialism would have to think in terms of destroying both the capitalist relation of production and the capitalist forces of production or at least vastly remodelling them "[19]

(1) Lohia called for seven revolutions such as equality of men and women (2 removal of injustice (3) revolution against caste (4) nationalist revolution (5) social revolution (6) inequality of skin colour (7) protecting privacy against encroachment by the collective. Lohia considered village, district, state and centre as four pillars of State, enunciated the principle of equal irrelevance—keeping equally away from capitalism and communism of political and economic centralisation He endeavoured a new approach by assimilation of "Gandhian

17. K. N Singh—Gandhi and Marx-112.

18 J. P. Narayan—Personal Diary.

19. Lohia—Marx, Gandhi and Socialism P 110.

principle of immediacy into the triple task of industrialisation, peoples revolution and decentralisation of power".[20]

From the preceding discussions the following facts emerge :

1) It was Marx who saw socialism as an inevitable next step to capitalism.

2) His prophecy that it would first appear in advanced countries proved false.

3) Lenin perceived the need and compulsion of socialism in backward countries.

4) Strategies might differ with historical situations—Even Marx spoke of socialist change in UK and USA through legislative measures.

5) Lenin Mao and other Socialist leaders enlisted the support of the peasantry and other poor classes, but the working class is to take the lead.

6) Gandhian method consisted of nonviolence and satyagrah but J. P could use any method to realise the goal.

7) Lohia's explanation of capitalistic dynamics is unique interaction of internal and external movements. Socialist reconstruction required fusing in Gandhian principle of immediacy with Industrialisation, people's revolution and decentralisation.

The lesson is socialist movement and programme have to be adopted to the socio-cultural setting of each country. Socialism is not a rigid concept. Its strength lies in its revolutionary appeal, resilience and strive for a higher and nobler state of living.

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20. M. Arunugam—Socialist Thought in India. The contribution of Rammonohar Lal Lohia.

New Socialism in China

(China's Second Revolution)

K. K. Sen

Introduction :

To any analyst of economic systems, the recent post-Mao developments in China are simply baffling. Undoubtedly the scope, intensity and coverage of this transformation are stupendous. These developments have attracted the attention of people the world over, because once China was considered to be the custodian of Marxian orthodoxy and the Mecca of all true revolutionaries.

As such economic reforms are not new to a socialist country. The process started with the establishment of "Market Socialism" in Yugoslovia. Thereafter many other socialist countries adopted various "Capitalistic practices", in the process diluting their socialist contents. Economic reforms of a sweeping nature have taken place in Poland, Hungary, Czechoslovakia. Even the U.S S R. adopted various liberalization measures in the recent years. In fact as per the "Convergence Hypothesis" the Socialist economies have been coming closer to the free market economies.

Changes in the Marxist Philosophy itself are not new. Thus what the communists usually term as "revisionism" is common. Lenin himself revised certain tenets of Marxism and also revised his own views on certain occasions Stalin revised certain ideas of Lenin. Later on Khrushchev repudiated Stalinist concepts. Even Khrushchev's ideas have been subsequently revised. Thus "revision in opposing senses has been undertaken by the most outstanding Marxists". Mao also tried to interpret Marxism in his own way. Even today's "Euro-communism" may be called as revised Marxism.

China itself has been a victim of dramatic fluctuations in ideology and policy, from a period of socialist rehabilitation and transformation to Great Leap Forward to Hundred Flowers Rectification to Cultural Revolution. Thus radical reforms of a sweeping nature are not new to China. But the recent reforms have been so dynamic and over powering that these have been held as a "second revolution".

The back ground :

Before discussing the recent reforms in China, it would be enlightening to briefly delve into the back ground.

Under Mao, China made spectacular progress. Quality of life improved There was a boost in the agricultural and industrial production. Science and technology developed. Foundation of a modern, strong, self-reliant economy was laid.

But this period also saw the cropping up of several serious problems. Emphasis on heavy industry resulted in a serious disproportion in the economy. Pre-occupation with self-reliance led to technological backwardness. Over-dependence on moral impetus failed to generate sufficient initiative, enterprise and efficiency, which seriously affected productivity. People were asked to lead an ascetic life, as a result, living standards did not rise appreciably Mao sought "to impose his will on the people unmindful of the cost and unconcerned with the wishes of the people. It put the process of China's economic development back by at least two decades." It is estimated that the Great Leap Forward and the Cultural Revolution cost China 120 billion yuan and 500 billion yuan (1 yuan=Rs 4.60 approx) respectively.

So the choice in 1976, after the death of Mao was either to pursue the Maoist Line, with some corrections and modifications or else introduce an entirely new economic system. The latter course was preferred. Some of Mao's policies were repudiated The "Gang-of-four" was described as "counter revolutionaries" having pursued an ultra left line. There was a power struggle as well as ideological struggle Mr. Deng Xiaoping consolidated his position and initiated a "pragmatic-approach", which culminated in the new economic reforms.

New Economic Strategy :

In December 1978, the Eleventh Central Committee of the Chinese Communist party held its third plenary session It started the process of unfolding a new economic and political era. In the first half of 1979, China adopted the policy of "readjustment, restructuring, consolidation and improvement". Not only it led to a change in the strategy of economic development but also a gradual transformation of the socialist system itself. The approach involved "a redefinition of basic ideas and priorities relating to socialism experiments and errors, readjustments and shifts even within fairly short phases and much that is bold, sound, innovative, assured and promising." In the beginning the reforms suggested were mostly rural and agrarian But the new economic strategy which started in 1979 got another push in 1984 Emboldened by the success of the new strategy in agricultute, on October 20, 1984, China's Central Committee called for "reform of every aspect of the entire economic structure, during the next five years". Mr. Deng even declared these reforms not only to be a part of a five-year plan but a "70 year blue print".

The basic objective of these reforms is "modernisation". Productivity and efficiency must increase so that China will be a great nation by the end of the century.

Aspects of China's Economic Reform :

The recent sweeping economic reforms in China include the following elements.

i) Rejection of Marxism, Leninism, Maoism :

The unprecedented reforms introduced in China clearly violate the teaching of Marx and Mao. There is de-Maoization. China's leading ideological journal advised the Chinese to stop seeking a magic remedy in the works of Marx and Mao. They were the beacons of socialism. But none of them had the full answers to the Chinese problem. The paper said "We must integrate theory with practice. In recent years we have sometimes stressed theory, sometimes practice, we must not make the same mistake again". The new approach is "pragmatic" and not blindly ideological. It advised to "seek truth from facts". Marx and Mao both provided the basis of theory which people must apply in the light of modern conditions.

Mao's model of development was based on self-reliance, egalitarianism and moral impetus. These have been discarded. Marxism was value based and not commodity based According to Marx, socialist character has to be built first rather than the socialist structure. Mao's ideas were "politics first and expertise next, destruction first and construction later". There were not practical and did not conform with Chinese realities

While justifying the recent reforms it is said "Marxism is a science and a science always keeps developing." A leading Chinese ideologist Yu Guangyuan said "Marx was good at revolution but not so good at socialist reconstruction". Thus Marxism or Maoism is held as an obsolete ideology.

(ii) Reform of the Planning System :

The Soviet Union relied heavily on the highly centralised planning. In Yugoslovia the interplay of market forces created certain problems of its own. But China was trying to combine as well as coordinate the regulatory functions of planning and the market forces, with an emphasis on the latter. "Mandatory planning which was till now in vogue would be limited to major products and critical economic activities. Other types of production and economic activities would be either subjected to "guidance planning" or would be left to the operation of the market forces. The state dropped direct control of the economy and restricted itself to fine tuning by indirect monetary and fiscal levers. Unified national planning which has hitherto been the hall-work of the Chinese system has given way to decentralized planning, with provinces, cities and even countries given a role and authority.

Thus the present tendency is to gradually phase out central planning in favour of more market-oriented economy. While praising the market mechanism Mr Xue, China's foremost economic theoretician observed that it was founded and perfected by the Capitalist world over the past three centuries and is suited to the needs of the large scale socialised production. Making full use of market mechanism, under the guidance of planning represents a new development of Marxist theory on socialist construction."

(iii) Stress on Improvement in the Standard of Living :

Under Mao for three decades people were forced to lead a life of austerity, discipline and moral values. According to the new strategy, improvement in the standard of living is the final objective. Per capita income of the people is rapidly rising Household income of 1,00,000 yuan are quite common today. Rapid increase in rural incomes has brought about a change in taste, habit and fashion of the people. The per capita calorie intake in 1980-82 reached 2548 kilo calories approaching the world's average of 2571. T. V. sets, washing machines, refrigerators, etc. unthinkable even a few years ago are being increasingly purchased by the common people There is liberal imports of consumer goods from abroad In fact the priority has shifted to the production of consumer goods. In 1978, the share of light industries in the Gross Industrial output was 42.7% which rose to 51.4% in 1984. Today compulsory ascetism has given way to voluntary savings. The old emphasis on forced savings and restricted consumption is being abandoned. As a result during the last decade the ratio of investment to national income has come down from 36% to 27%. Thus to all indications there is going to be a changeover from 'Socialism of austerity' to 'Socialism of affluence'.

(iv) Reform in the Pricing Process :

The Central Committee realized that "the prices of many commodities reflect neither their value nor the relation of supply to demand". The irrational price system created a number of problems. Chinese agriculture suffered due to low state prices. Low prices were detrimental to farmers and acted as a disincentive. Besides, the irrational price system failed to bring about a smooth circulation of goods between rural and urban areas, promote technological advances and rationalize the production mix and consumption pattern. So to do away with these it has been decided to reduce the scope of price control

(v) Rejection of Egalitarianism :

Maoist egalitarianism has been publicly abandoned. The Central Committee told that egalitarianism in distribution was "utterly incompatible with scientific Marxist views of socialism". It declared "the policy of encouraging some people to get better off earlier accords with the law of socialist development and is the only road to prosperity for the whole people". A widening of economic disparities is now considered to be a desirable and necessary spur to larger and more efficient production. Hence the official slogan is "get rich first".

(vi) Reform in Agriculture :

Since 1963 Chinese agriculture was in a state of either stagnation or slow growth. Hence in 1978 first of all rural agricultural reforms were initiated which proved highly successful.

Mao told that "people's communes were good". So more than 74,000 rural farm communes had been established in China. But agriculture suffered from certain problems like lack of motivation and peasant initiative. Thus reforms to rejuvenate agriculture were suggested long ago in 1961 by Deng Xiaoping and Lin Shooqi, called "the 60-Articles", which could not be implemented then.

Under the new reforms, state farms or large communes formed in late fifties have been dismantled. "Responsibility" or "contract" systems have been introduced in the rural areas giving small groups and households more autonomy in decisions regarding production and investment These reforms have encouraged private enterprise and profit-seeking avenues. These again had twin effects in increasing the volume of production and the rural incomes of the people.

(vii) Growth of Private Enterprise :

An important aspect of the recent reforms is the remarkable growth of private enterprise. In fact China is actively developing the private sector. The number of people engaged in the private sector went up 80 times in the past six years, to reach 11 million in trade and industry by 1984. Between 1982-84, the number of people engaged in rural private sector increased five-fold. Farmers were allowed to rear animals and sell them in the free-market. They may adopt other side-line activities as well.

Individual economy used to be considered as "a tail of capitalism" required to be cut off. But this is being "restored and developed as a supplement to socialist economy". In every city one could now see thousands of small shops dealing in wine, candy, tobacco, watches and other merchandise. The share of the private sector in China's retail trade stands at 11%. The area under private plot has gone up to 15% of the total cultivated land.

Chinese doctors are now allowed to see patients in private offices. Doctors can open medical businesses and enjoy the profits. Today about 1,20,000 trucks or 50% of the whole fleet are privately owned. Individuals operate them for hire. Thus much of the truck transportation and some of the passenger bus service are now being rendered by private contractors. There are 2.8 million privately owned tractors in the country.

Thus the size of the private sector is on the rise rapidly.

(viii) Reforms in Industry and Enterprise Management :

During the earlier period, Chinese industry suffered from the maladies such as "organizational overlapping, overstaffing, vague delimitation of functions and endless wrangling". The emphasis on centralized control and a defective price system led to inefficiency and waste. In 1984, about 15% of the state owned enterprises were losing money. At a certain time, this figure was as high as 30%. In June 1983, machines worth 14.2 billion yuan were lying idle in ware-houses, some of which became unusable.

Under the new reforms the stress is to modernise industry and to increase efficiency. So the present policy is to separate ownership from management. Enterprises, particularly large and medium sized ones might be owned "by the whole people", but the units would be given maximum operational autonomy. They would be allowed to plan their own production, supply and marketing to recruit labour, fix wages and set prices within limits set by the state. They would have a greater choice of inputs, instead of the earlier planned allocation.

To improve efficiency "competition between socialist enterprises would be introduced. Enterprises would be exposed to the market forces of demand and supply so that only the best would survive. An enterprise would have a separate independent existence and would be responsible for its own profit and losses. The enterprises have to respond to real market forces rather than just fulfil state fixed production quotas. Both at the managerial level and that of sales, the new system calls for almost the same degree of efficiency as in the case of executives of a Capitalist firm".

To promote initiative and efficiency, state-owned enterprises were introducing "the responsibility system" under which production quotas are assigned to workshops. These again give contract to teams and individual workers. Wages are linked with output, value and profits. There is no limitation on the amount of bonus, although if it exceeds a certain percentage "a bonus tax" is to be paid, that too by the enterprise concerned and not the recipient worker. There should be no regulation on the way of increasing productivity. The present thought is "regulations are, for regulating and stepping up production. If these regulations come in the way of administration they should be scrapped."

(ix) Open-dooı Policy :

China's earlier "closed-door" approach to the outside world resulted in technological backwardness, low efficiency and productivity. With a thrust on "four modernisations", it was realized that such modernisations cannot take place in isolation from external technical assistance. So, since the late 1970s, there has been an increasing trend of the import of foreign technology.

A number of economic legislations have been initiated in China in recent years to facilitate the import of foreign technology. In fact there is a list of more than 40 laws and decrees to provide liberal and preferential treatment with regard to taxes, prices, domestic sales, wages, credit, employment, recruitment and repatriation of profit etc. Administrative formalities have been simplified and today even provinces or city municipalities can seek foreign economic collaboration directly.

China is showing preference to acquire foreign technology mainly from the developed capitalist countries. During 1978-83 around 190 equity joint ventures have been established. There have been more than 1000 contractual projects. In 1983, the largest number of technical contract was signed with the U. S. (46), followed by Japan (44), West Germany (43), Italy (40) and U. K. (18).

Special economic zones have been created for the purpose of foreign investment. Very recently 14 coastal cities have been opened for foreign investment.

A close scrutiny of the above aspects of the new economic reforms of China would indicate to what extent China has moved closer to the Capitalist system.

An Appraisal of the New Economic Reforms :

The recent economic reforms have led to magical transformation and magnificent economic results, if Chinese statistics are fully reliable.

The reforms are reported to have led to a significant increase in per capita incomes of the people The average per capita income rose from 134 Yuan in 1978 to 330 Yuan in 1983. The immediate objective is to quadruple China's gross national product by the end of the century, so as to ensure an annual income of about $800 for China's one billion people.

The present Chinese objective is to quadruple the agricultural output by the end of the century. The Chinese hope to achieve this target through a growth rate of 8.5 to 9% per annum, which they feel to be within their reach In fact in 1983 the total grain output was 387 million tons which represents a 9.5% increase over the previous year. In 1984 there was a record harvest of 400 million tons The radical liberalisation reforms made China a major force in international commodity market.

In the industrial field, the industrial output has increased from 423.08 billion Yuan in 1978 to 700 billion Yuan in 1984. The industrial growth rate was 10.5% in 1983 and 13.6% in 1984. From 1981-84, industrial output increased by 9 percent per annum on the average. During the first seven months of 1985 industrial output rose by an incredible 22.8 percent. The Chinese intend to quadruple the industrial output by the turn of the century.

Thanks to the "open-door policy" pursued by China, her foreign trade has grown from $3 5 in 1978 to $8.6 in 1983. It's exports exceeded it's imports in 1983 by $1.65 billion. More than 50% of her exports consisted of manufactured goods, which testifies to the diversified character of her foreign trade. The ratio of exports and imports to China's GNP was just 3.5% in 1970 and rose to 16% in 1983. China's share in world export has increased from 0.75 percent in 1978 to 1.25 percent in 1983.

Greater efficiency has been achieved in the field of industrial management as well. One third of China's industries lost money annually amounting to 4 billion Yuan. Due to economic reforms over the several years, the number of unprofitable factories has dropped to 11.6% of the total, though annual losses remain about 2.1 billion Yuan. But energy consumption dropped resulting in savings of 80 million tons of coal during 1981-82 Adoption of modern management practices is expected to boost up enterprise efficiency still further.

China Faces New Conflicts :

The present economic reforms on the capitalistic line are not free from blemishes The new road is not one way affair. The modernization programme with all it's virtues has led to certain serious problems.

The problem of poverty has not been wiped out yet. About a third of China's rural population of 800 million lives below the subsistence level. In the desolate areas in the north due to barrenness of land, people survive through "sideline occupations, frugality and Government relief." Even in areas of above average prosperity, as much as 80 per cent of the peasant families hover around subsistence level.

Income disparities has widened. This has been mainly due to the system of individual cultivation and growing importance of "private sidelines". Some peasants have "hit it rich" due to the introduction of the "responsibility system". Thus there are increased income disparities within teams. Inter-team disparities also have widened. The urban people also have been adversely affected by the higher prices of farm produce

Unemployment in China has skyrocketted touching an all time high figure of about 27 million in 1980, which is about 25% of the salaried work-force of 100 million. In 1979 because of the adoption of the economic readjustment policy 7 million lost their jobs. According to an estimate there are about 60 million underemployed in China.

On the price front one may notice an inflationary trend in China. Since 1979 prices have been constantly rising. This inflationary tendency started with big financial deficit and the issue of considerably larger sums of money. In 1980 there was a staggering financial deficit of 17 billion Yuan, coupled with two digit inflation. Even in 1984, the Chinese economy was plagued by rising money supply. To halt inflation the Government introduced a unified credit and monetary policy and strengthened the regulatory role of the Bank of China.

China's "open-door policy" also has led to certain undesirable consequences. In case of technology contracts, very few cases included basic design transfers and were related to mainly detailed designs. Very often the technology was not up-to-date. Often the secrecy clause in the contracts led to multiplicity of contracts for the same technology. Hence it is doubtful if the best use is being made of the imported technology. Liberal import of necessary technology, know-how, raw-materials as well as consumer goods is likely to intensify the trade deficits.

Difficulties have cropped up in the planning process as well. The changeover from the centralized planning to guidance planning has led to enormous confusion. The choice of economic levers, the practical operation of the state enterprises within the framework of overall planning etc. are all proving very irksome.

In the management of enterprises, managerial problems have surfaced as well. The trend towards greater autonomy and independence for industrial enterprises have led the managers to commit excesses.

In the agricultural field, the new reforms have led to several problems, with quite disturbing implications for social stability. First, there is a growing inequality in the country side. Secondly, there is a shift in production away from grain which is the staple diet. Thirdly, there is widespread difficulty in storing surplus grain. In fact, China is said to be "rich in grain but poor in granaries". In many cases peasant households are being paid to store grain.

With an emphasis on material side of life social vices such as corruption, vulgarity, crime etc. are increasingly affecting the society.

Thus recent economic reforms have led to many evils which are common to any capitalist system.

Conclusion :

The ruling triumvirate, Vice-Chairman Deng Xiaoping, Premier Zhao Ziyang and'the party General Secretary Hu Yabong seem to be taking China along paths that may be making Marx and Lenin turn in their graves. The present liberalization drive is unthinkable in a socialist state. From this can one conclude that China is returning back to capitalism ? It is too early to answer this question.

The Chinese leaders themselves are not very clear about what they are going to do in the future. One common assertion of course is "building socialism with Chinese characteristics". But even Mao had announced it long ago.

Deng has recently announced that "all the policies we have adopted...are designed to develop a socialist economy. We definitely should not let our youngsters fall captive to capitalist ideology". Again he assured "our ultimate goal is communism". China has retained the basic socialist structure. Major industrial sectors like energy, steel, oil and other strategic sectors would remain under state control.

However Xue Muquiao, China's leading economic theoretician declared 'We cannot demand the complete disappearance of capitalism" (in China)...adding that "there has never been a pure society such as feudalism, capitalism or socialism". This line of thought indicates the growth of a mixed type of economic system. The debate goes on.

Officially speaking, a "**Chinese type socialist econmy**" is to emerge during the period of the Seventh Plan (1986-90). Thus China seems to be traversing through the capitalist road to reach the goal of "communism". In the meantime a new branch of communism is rapidly emerging in China tempered by American technology and management system and other free market features. At present a strong West wind is prevailing over the East wind.

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Gandhian Socialism : In the Context of Modern Technology

Dr. R. Padhi Sarma

Anybody who is sincerely thinking about the upliftment of the economically backward people cannot be other than a socialist and Mahatma Gandhi eventhough never himself enrolled as a member of a socialist party or actively participated in their movement, is considered as a true socialist His socialism, known as a Gandhian socialism by many, can be termed as Spiritual Socialism. Karl Marx in the nineteenth century reinterpreted Hegelian idealism in the form of materialism and tried to segragate spiritual concepts from the material world and advocated for a new society of communism Gandhiji a humanist basically accepting the Marxian analysis tried to blend it with spiritualism for the ultimate emancipation of the soul.

Gandhiji has not produced any specific principle of socialism in the form of a book, but his writings in Harijan, and speeches clearly enunciate his ideas on socialism. Gandhian socialism has specific characteristics of its own and he categorically stated that he does not believe in 'armchair' or 'armed' socialism.[1] Eventhough communism and Sarvodaya in their moral idealism are almost similar[2], Gandhian socialism is conceptually different and inclined more towards humanism than Marxian socialism.

With the three fundamental characteristics of socialism viz. (1) abolition of private property (2) reducing state authority and (3) the dominance of working class in the society, Gandhi was one with Marx but the former went further to make it more humane and spiritual by his own contribution.

Private Property :

Gandhi firmly believed that the elementary necessity of life must be in the control of the masses [3] Wealth belongs to the community and it must be spent for the community. He also advocated for the abolition

1. Harijan, 1st October, 1946; p. 285
2. V. P. Verma, The Political Philosophy of Mahatma Gandhi, (Lakshminarayan, Agra, 1959) p 266
3. Young India, 27th October, 1921; p. 335

of inheritance of wealth.[4] He stressed for economic equality which must be the basis of socialism and believed that the wealth produced in the society has to be enjoyed by all.[5] His 'trusteeship' thesis is a new concept in socialism. An entrepreneur has to manage the enterprise as the trustee of the people but not as a owner. Trusteeship is a 'grand ideology of a new economic order' dedicated and committed to social purpose.[6]

Authority of the State :

Marx in his final analysis states that there would be no necessity of a state in the final phase of socialism or communism-state will wither away : since he believed that the state as machinery with absolute power would have also the absolute power to exploit the people. Gandhi in this regard is more pragmatic for he says that the machinery of state will remain there—there would be no question of anarchy—the 'State will be there to carry out the will of the people but not to dictate them or force them to do its will.'[7] Gandhiji stated that in his ideal society everything including land will belong to the state, but in case of management of the land, he advocated for the organisation of co-operative farming.[8]

Importance of Working Class :

Apart from their importance in production system of the economy, the Mahatma concieved work as a sacred duty of all human beings; and he made sincere efforts to raise the dignity of physical labour in India through his own personal activities. Marx branded the idle people who are not directly involved in the productive process as social parasites but Gandhi goes further to say that those who eat without work are thieves.[9] Help and work for the poor in the economy he regarded as worship of God. Gandhi says "I cannot imagine better worship of God than that in his name I should labour for the poor."[10]

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4. M. K. Gandhi, Constructive Programme : Its meaning and Place, (Navjeevan Publishing House, Ahmedabad, 1948) p. 20 f.
5. Harijan, (1st June, 1947), p. 172
6. V. L. Mehta, Equality Through Trusteeship; (Vora & Co, Bombay, 1977) p. 4.
7. Harijan, 16th February, 1947; p 25.
8. Harijan, 15th February, 1942; p. 39
9. M. K Gandhi, From Yaravada Mandir : Ashram Observations, Translated by V G. Desai, (NPH, 1957) p. 35
10. Young India, 20th October, 1921, p. 239.

Truth and Non-Violence :

The most important feature of Gandhian socialism is that he blended the eternal values of truth and non-violence with economics which is the basis of a socialist system. Gandhi regards economics as a moral science and thinks that one 'cannot get equality without a normative economic approach all along the line.'[11] He said that economics that disregards moral and sentimental consideration are like wax works that being life like but still lack the like of the living flesh.[12] He believed that true economics stands for social justice, it promotes good of all equally including the weakest and is indispensible for decent life[13] With the introduction of the ideal values of truth and non-violence Gandhi elevated economics to a higher plane which is instrumental for human welfare.

Non-violence : For Gandhi non-violence has a broader meaning. Every type of exploitation, mental, physical or economic, he terms as violence. He says that 'exploitation is the essence of violence'.[14] Unlike the Marxians he has 'no faith in violence being able to usher in non-violence'.[15] because he believed "what is attained by love is retained for all time while what is obtained by violence has within, the seeds of its own distruction."[16] Gandhi explains that non-violence is not simply refraining from doing offence, injury and harm to others but it represents the ancient law of 'positive self-sacrifice' and constructive suffering.[17] Gandhian philosophy rejects both capitalism and state bureaucracy or socialism as an economic organisation because both embodies a high degree of exploitation or viloence.[18]

Truth : Truth is an adorned characteristic of the human beings. It may not be associated with any religion eventhough every religion accepts it as an ideal. Truth and non-violence are the common characteristics of a well managed social life; but Gandhi believes that a society cannot be based on truth and non-violence without a 'living

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11. J D. Sethi, Gandhi To-day, (Vikash Publishing House, New Delhi, 1978) p. 95
12. Young India, 27th October, 1921, p. 335.
13. Harijan, 9th October. 1937, p. 292.
14. Harijan, 30th December, 1939, p 79.
15. Hindustan Times, (Calcutta) 5th January, 1946,
16 Gene Sharp, Gandhi Weilds the Weapon of Moral Power : (NPH, 1960) p. 5.
17. V. P. Verma, op. cit. p. 91.
18. J. D. Sethi, op. cit p 95 ff.

belief in God.'[19] Hence Gandhiji went so far as to say that the scriptures of the world are far safer and sounder tretises on laws of economics than many modern text books.[20] Gandhi's 'truth' has a broader meaning. Truth cannot be attainable easily but men by trying to go nearer to it become more nearer to perfection. In a letter to Jamanlal Bajaj, Gandhi clarifies that "the utter extinction of body of agoism is Moksha. He who has achieved this will be the image of truth, or one may call it Brhamn."[21]

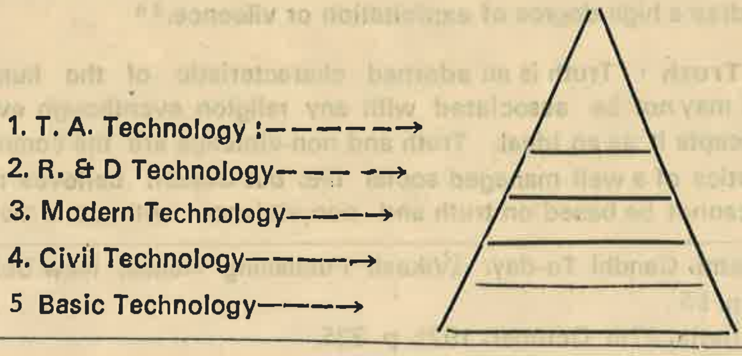
If socialism has to be thought of beyond the equitable distribution of material wealth in the society, human happiness and peaceful living—Gandhian philosophy of thruth and non-violence has to be accepted as a vital aspect of socialism.

Modern Technology :

Technology is defined as a body of "skilled knowledge and procedure for making, using and doing useful things."[22] From the beginning of the human civilisation, development of technologies has been changing the social system. The technologies from the ancient times to the present age have been classified into five categories[23] as shown in the pyramidal figure below.

Figure No. 1

Pyramidal model of Technologies



19 Harijan, 28th July, 1946, p. 234.

20. Mahatma Gandhi Vol. I (NPH, 1951) p. 238

21. Selected Letters of Mahatma Gandhi, (NPH) P. 144

22. International Encyclopaedia of the Social Sciences, Vol. 15, p. 576.

23. Fred W. Riggs, 'Technology and Development' in Dynamics of Development, (Concept Publishing Co. Delhi, 1978) Ed. S. K. Shrama Vol. II, P. 6.

Basic technology and civil technology prevailed during the ancient and agricultural development period before industrial revolution respectively known as traditional technology, while inventions made and used after the industrial revolution is termed as modern technology. Gandhi was not against modern technology, but against introduction of that technology in which man becomes a slave to the machine and loses his identity. In all the natural things the natural system is self-balancing and self-adjusting and self-cleansing but it is being felt that tochnology recognises no self limiting principles in size, speed and violence.[24] Gandhi wanted to introduce modern technology for a Social purpose : (1) to uphold humanism (2) to provide employment and (3) to alleviate poverty.

Humanism : Gandhi believed that instead of man dominating the nature through the technology, man becomes a slave to the technology and loses his humanism What is needed to-day is an appropriate technology with a human face. He says that this "machine age aims at converting man into machines, I am aiming at reinstating man-turned-machine into his original estate."[25] Marx also believed that machinery not only displaces labour but also increases the degree of exploitation for the labour as a class and for that for the human society.[26]

Employment : Providing employment opportunity for people was the main concern of Gandhi. Large sections of people in India and for that matter in all the under-developed world remain under-employed in the rural sector. Gandhi stressed for the best utilisation of man-power in India[27] and advised the Government of India that it is the duty of the government to ensure bread labour for all unemployed men no matter how many they are.[28] He believed that modern technology cannot provide full employment to the people of India. Marx also believed and proved that advancement of modern technology for large scale production is responsible for creation of an army of unemployed people.

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24. E F. Schumacher, Small is Beautiful, (New Delhi, Radha-Krishna, 7th ed. 1977) p. 136
25. Young India, 20th November 1924, p. 386
26. Robert Freedman, Ed. Marx on Economics, Capital Vol. I (Penguin Books) p 85
27. Harijan, 23rd March 1947, p. 79
28. Harijan, 11th January 1948, p. 507

Poverty : Third and most important consideration of Gandhi in using technology is removal of poverty. Poverty is at a greater magnitude in the rural areas than in the cities and towns. He always spoke that India lives in the villages and if the villages perish India will perish too.[29] He introduced Charkha as a symbol of his idealism, dignity of labour, family employment and alleviation of poverty; apart from his message to arouse national consciousness for the independent movement in the country He was not dogmatic about his spiritual ideas, he was pragmatic to solve secular problems with the support of the spiritualism, hence he says that "for the poor the economic is spiritual."[30]

In recent years more importance is given to Research and Development, and Technology Assessment (TA) technology in which technology is developed according to the need of the people. In technology assessment technology is an important aspect in present day hi-tech system, its function is to study the reactions, repercussions and side effects that involve the environment as a whole before adopting any technology in the economy. Gandhi only said that this is an appropriate technology according to the ''needs and capacities of social institutions.[31] To-day this is being recognised by the economists, sociologists and ecologists.

Conclusion :

Gandhian socialism based on spiritual values of truth and non-violence is relevant to-day Even though not successful, efforts are being made all over the world to maintain peace and to take into consideration the humane values in implementing projects that involve high technology. Gross poverty, absence of development, external threats and frustration among the third world countries mostly contributed for the revival of interest in Gandhian socialism.[32] Hence in a world of computor-robot technology, India needs Gandhian socialism,[33] and for the entire third world perhaps this is the only solution to maintain a human society

29. Harijan, 29th August 1936, p. 226.
30. Young India, 5th May 1927, p. 142.
31 Sethi, op. cit. p. 95
32. Ibid. 29
33. Sriman Narayan, India Needs Gandhi, (S. Chand, New Delhi, 1976) p. 3.

A Socialistic Transformation of the Indian Economy

Surendra Nath Behera

Need :

Socialism is a transitional stage during which some elements of capitalism are retained. In Marxian terminology it is the lower phase of Communism. Socialists indict capitalist system as inefficient, wasteful, irrational and unjust and it is ripe for change. Hence Socialism will succeed caitalism, as capitalism succeeded feudalism. The Socialist system is marked by the public ownership of the means of production and centralized planning. The believers of socialism do not argue that socialism will make angels out of devils, nor will it bring heaven on earth. The claim is made, however that socialism will remedy the major ills of capitalism, abolish exploitation, poverty, insecurity and war, and make for greater welfare. Socialism does not mean piecemeal patchwork reform of capitalism. It means reconstruction of society along entirely different lines. The country will be owned by the people and managed by the people for the benefit of the people. A planned economy is not yet socialism A planned economy may be accompanied by the complete enslavement of the individual. The achievement of Socialism requires the solution of some extremely difficult socio-political problems. It is directed towards a Socio-ethical end Socialism Promises economic justice and secularism which gives social equality as the frame of our planning.

Problems :—The burning issues of the Socialist system are—"can the economic system function without capitalists ? Will people work without the incentive of profit ? Does everybody get the same pay in socialist society ? Does Socialism mean taking away people's private property ? Are socialists preachers of class war ? All these questions call for an unambiguous answer. The capitalist system is parasitic and the economic system could aperate better than even before without parasites. As in capitalist system, people would work in a Socialist economy to earn a living but service to mankind is long enough to prove that scientific genious will work without the incentive of profit. Everybody do not get the same pay in a Socialist Society. The skilled worker gets more than the unskilled and the manager more than the workman. The person with largest income in a socialist society can not ever convert it in to unearned income by buying the means of production. Inherited and property income are wiped out. The higher pay one receives by dint of harder or better work enables him to live better than others who earn less, but not to enable him to exploit anyone else. Though there is inequality of pay there is equality of opportunity Socialist Society. Though in skilled workers get higher pay unskilled workers have ready access to the training and experience necessary to become skilled. Socialism does not create any new class differences, on the contrary it abolishes those inherited from the past. The building of the first phase of communism is an important stage on the road to classless society. Socialism abolishes class antagonisms and exploitation of man by man. The basic differences disappear and some non-basic distinctions remain Socialism grows directly out of capitalism; it is the first form of the new Society. Communism is a further development or higher stage of Socialism While the basic principle of Socialism is from each according to his ability and to each according to his deeds, in communism it. From each according to his ability and to each according to his needs'.

Socialists do not 'preach' class war, they describe the class war that already exists, what they preach is the gospel of Christianity, of human fellowship. Instead of wanting to take away people's private property, Socialists want more people to have more property than even before Socialism does not mean taking away the kind of private property that is personal in nature such as consumer goods your clothes, but taking away the kind of private property in the means of production i.e factory for making clothes. It means taking away private property in the means of production from the few, so that there will be much more private property in the means of consumption for many. More private property for use and enjoyment, and no private property for oppression and exploitation. That's Socialism.

The fundamental question crops up. Are not people in the United States better off than those in the Soviet Union and doesn't that prove that capitalism is better than Socialism ? The answer is very straight forward and definite. Capitalism in the United States is over 150 years old and Socialism in the Soviet Union is only 50 years old. To compare them is therefore as unfair as comparing the strength of a grown up man with that of a baby just beginning to walk. The only thing that most Americans know about Socialism is that they don't like it. They have been led to believe that socialism is something to be either ridiculed as impractical or feared as an instrument of the devil.

India's experience :

The Second five year plan in India was framed against the broad objective of the country's economic policy of building a 'Socialistic pattern of Society'. Essentially, this means that the lines of advance must not be private profit but social gain. The expansion of the public sector, land reforms, benefiting landless and marginal farmers, social justice, redistributive measures, nationalisation of vital sectors etc. have been adopted under the plans for the realization of lofty socialistic ideals. But these ideals have remained practically more or less decorative pieces in the Government's pronouncements as most of the socialistic measures have practically failed to fully realize their respective objectives.

Non-implementation of professed socialistic pattern of economy in India is widening, among others, inequality of income of the rural and urban people and more explicitly between the industrial and agricultural sector. There is intra-sectoral bias in favour of the rich in both the sectors. While the income in the rural sector has been restricted to a great extent by land ceiling laws and there is much talk of inequality of income in the rural sector, the same has not been so effectively implemented in the urban and industrial sector as well, although an urban ceiling law has been enacted. It restricts users of vacant land but does not apply to big houses, business and industrial establishments The Industrial Policy Resolution of 1956 followed by further legislative enactments simply restircts the establishment of industrial units in private hands in specific sectors. As a result the industrialists divide their share in the name of different members of the family. The family owns the guise of a firm or industrial unit. There is no corresponding limit on income of the industrialists. The non-industrial urban population owing property such as big buildings, business establishment earn a lot in terms of house-rent, profit, etc No such facility is available to a farmer Urban organised labour is much more better off than their unorganised rural counterpart. The urban poor and unorganised urban labour are deprived of such privileges which is due to intra-sectoral bias Limited success of land ceilings has resulted in skewed distribution of operational holdings

'The Committee on the Distribution of Income and Levels of Living' headed by Prof. P. C. Mahalanobis did reveal the existence of inequality of income and wealth in India but it did not examine the structure of the Indian bourgeoisie. Despite MRTP and FERA, concentration of industrial assets continues in private hands. RBI, All India

Debt and Investment Survey reveals in 1971, that top 10% and 30% have 51.0% and 81.9% and lower 10% and 30% have 0.1% and 2.0% of the rural assets respectively.

There has been a growth of monopoly capital in India, and there are poliferation of industrial units leading to the creation of industrial empires. As the Dutt Committee pointed out, the Government never specified clearly the licencing authority, the objective of preventing concentration of economic power or monopoly. A few industrial houses were able to take multiple licences for the same product. The Committee on Industrial Licensing further pointed out that about 56 pecent of the total assistance provided by the special financial institutions like the I.F C. and I D B I. had gone to the large industrial houses. The Biralas obtained 25 percent of the total assistance granted to 20 large houses, 70% of the LIC term loans and 62 percent of SBI loans went to the large industrial houses. There has been growth of regional imbalances in the Indian economy, since the urban rich is allowed more income. The fiscal history reveals a regressive transfer of resources from the poor to the non-poor. The ratio of direct to indirect taxes now stands at 17 83, which was 52.48 in the eve of independence.

Suggestive measures : The Sixth plan document says, 'The objective of social justice as articuled in the plans has dual dimensions of improving the standard of living of the poorest groups and reduction of inequality in asset-distribution ' Therefore, we need a drastic change in the policy to have control over the widening gap between the rich and the poor, between the rural and the urban population; between the agriculturists and the industrialists and organised and unorganised labour and so on. Imposition of ceilings on industrial income will never counteract productivity if efficient big industrial units are established in the public and co-operative sectors only. There is a call for uniform notional policy for ceiling on income, putting an end to inter-sectoral and intra-sectoral biases with respect to property and income and time-bound programme for speedy removal of unempoyment. In view of the above facts, following suggestions can be made for the socialistic transformation and establishment of the socialistic pattern of society in India in the real sense of the term in a frame work of mixed economy, since our task is yet unfinished.

(1) Big industrial units be establishsd in public and co-operative sector only.

(2) Small scale industrial units be established in large number in private hands.

(3) Uniform national policy for ceiling on income should be vigorously adopted and political prejudice should be removed.

(4) Since sectors like agriculture are unorganised inter-sectoral and intra-sectoral biases with respect to property and income should be removed. No sector should be discriminated.

(5) There should be progressive redistribution of urban property in favour of the poor.

(6) Continuous evaluation of the performance of public sector undertakings be carried out.

(7) Licencing system and company administration should be tightened.

(8) Simplification and rationalisation of the tax structure.

(9) Nationalised banks should be instructed to encourage small and medium entrepreneure.

(10) Reducing incomes at the top and widening assets ownership.

(11) The small and marginal farmers and rural artisans in the priority sector must receive a prior attention and both the urban and rural poor should be provided with the minimum requirements to bridge the incomes gap.

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ocialism Adrift : The Indian Experiment

By Lalit Mohan Sahu

The Constitution of India, in its preamble, aims at securing s citizens economic justice and equality of opportunity In the tive Principles of State Policy it is indicated that the State shall, rticular, direct its policy towards ensuring that the citizens equally the right to an adequate means of livelihood; that the ownership control of material resources of the community are so distributed est to subserve the common good; that the operation of the omic system does not result in the concentration of wealth and s of production to the common detriment; that there is equal pay qual work, and the citizens are not forced by economic necessity ter avocations unsuited to their age and strength.

The Industrial Policy Resolution of 1948 had emphasized the rtance of securing a continuous increase in production and its able distribution. In December 1954, the Indian Parliament also oted Socialistic pattern of Society as the Central objective of l and economic policy which implied reduction in disparity in ne and wealth and prevention in concentration of economic power. sixth plan document says, "The objective of social justice as ulated in the plans has two major dimensions The first dimension improvement in the living standards of the poorest groups in ety and the second is a reduction in the inequality in asset distribu-" Thus progressive reduction in the inequality of income is a equisite for the establishment of a Socialistic pattern of Society. Socialistic pattern of Society means that the basic criterion for rmining the lines of advance must not be private profit, but social

For nearly the three and half decades, the Govt. at the Centre been constantly impressing upon the people that development ning in India aims to build up a Socialist pattern of Society. The relevant thing is the changing pattern of the Indian Economy h can move towards socialism. But unfortunately this has not ened.

Economic inequality is one of the most striking features of pattern of living—unequal distribution of wealth and income being its two broad facets. The inequality once generated tends to perpetuate and widen itself. Consequently, a vast majority of people just manage to survive in conditions of abject poverty, a few privileged ones wallow in the lap of extravagance.

The pace of economic growth in India has been slow and rather misdirected The comprehensive land reforms have not been rigorously implemented. This has worsened the situation for the rapidly growing poor. Those who do not have natural access to work on land or other productive assets are either forced to migrate to urban areas in search of jobs to reconcile themselves as landless workers. The gap between the owner farmers and the share croppers has suddenly started widening with the introduction of technological innovations. The bulk of the urban population constitute extremely poor people—mostly migrated from rural areas. Extreme poverty accompanied by high incidence of unemployment and lack of any social security provision whatsoever, often converts their poverty into a state of complete destitution.

The privileged category includes big entrepreneurs and senior administrative higher technical and professional employees. They generally possess superior education, training and experience. Because of their superior training, they either engage themselves in or get selected for the top jobs. These jobs are not only highly rewarding at the initial entry points but also possess bright promotional avenues, better working conditions and more of security often being reinforced by strong professional association. By virtue of their status, wealth and political power, they dominate in every sphere of life.

In this category the case of businessmen engaged in trade, commerce and manufacturing need special mention Their continuous prosperity dates back to the shortages in consumers' goods during second world war. Price controls were introduced during the war to combat these acute shortages. The shortages gave birth to new shortages which led to new price controls. The controls provided scope for large scale black marketing which resulted in transfer of income from the rich to the poor. Again the development programme initiated during the five year plans aggravated economic inequality. Because a lot of incentives were provided to businessmen to increse production. And the demand for goods and services created by the flow of striking unequal incomes diverted resources away from the production of essential consumer goods to the prestigious luxury items The production of these items obviously required higher degree of mechanisation leading to higher ratio of profits, and lower level of employment.

Most of the studies show that thus is considerable amount of uality in the country. The Report of the Committee on Distribution icome and Levels of Living remarks, "The wide range of variation one finds between the top and bottom tenths of population clearly als the existence of concentration of economic power in the country most generalised form". The Fourth Five year Draft outline also its. "Another area where our effort has so far been feeble and ng, is in narrowing the disparities in income and property ership." A study conducted by the NCEAR observes that the m 50 percent of the households in India accounted for a mere ercent of income in 1975-76. In the same year the top 10 percent e households received as much as 34 percent of the income. A d Bank Study based on the data collected from 63 centuries ng the period 1950-71 compares the shares of income accruing to ottom 50 percent and the top 5 percent of the households. In India s 10 percent and 25 percent respectively. From the Reserve Bank dia figures, we find that in rural areas, the bottom 20 percent of the lation had only 9 percent of aggregate income while the top cent has 17 percent of the income. The top half has 69 percent come while the bottom half only 31 percent. In urban areas the ion is almost the same except that the few rich are richer and many are poorer, as compared to the rural people. Both the Mahalonolies mittee and the NCAER Survey bring about that Planning process dia has led to greater appropriation of the gains of economic ess by the top rich in the Society. Secondly, there is no evidence decline in under employment or unemployment.

Another group of lessons from planning centre around the rate system of controls—licenses, letters of intent, industrial ces, import control, REP licenses, credit controls – that we have loped that defeat the purposes of the plans. The maze of controls have been developed over the three and a half decades of planning s agricultural and industrial production halting and difficult, breeds ption at every stage of the control system, and leads to diversion e production flows to channels not intended in the Plan. And now ly hastily, the controls are being removed in a wholesale manner, roviding for these essential controls on that part of investment that ensure the production of essential goods for the poor majority.

The private sector has held an ambiguous position in the Plan On ne hand, the Plan except for setting forth the global outlay covering ublic and private sectors, and indicating certain outputs targets sector, which (together with agriculture) is responsible for 80 per cent of the economy. However, under the Industrial Policy Resolution and its schedules A. B. & C, the Industries (Developmant and Regulation) Act 1951, as amended in 1975, 1979 and 1981, the MRTP act and the FERA, and other Acts, that manufacturers in the private sector are subject to, a series of controls as earlier noted, which have been self-defeating in terms of productivity, industrial develepment, growth and equitable sharing of the benefits of industrial development.

The plan has yet to come to terms with the private sector, and for this the technique of indicative planning needs to be developed. and tried. And then there is the 'Black sector, which operates illegally outside the plan, and which involves the equivalence of about 50 per cent of the national income of the country. The 'Black sector' can be controlled to a more normal 10-15 per cent of the national economy, if (i) there is public opinion against that form of living, (ii) the political processes are divorced from it, (iii) the tax legislation is stremlined, tightened and well administered, (iv) the offenders are speedily and severely punished with no possibility of resorting to delaying court action, and (v) the one time periodical remedy, like a periodical purge, in the form of demonetization is adopted.

The economy presents a disturbing picture. The system of top down planning aimed at establishing a socialist pattern of society has favoured big business and rural elrtes who exercise great influence in Govt. Policies This widening gap between the rural rich and the rural poor is causing bitternses and accentuating tensions.

The western oriented planning, adoption of high cost technology and the wrong emphasis and priorities laid down in different plans are some of the characteristic features of our development efforts made so far which have resulted in most of the benefits going to 'haves' rather than to the 'have nots' in the rural areas. We need a simple and low cost technology which our limited resources can afford. Thus Gandhian mode of rural reconstruction has not given a fair trial. Many half baked theories have been advanced, many new pojects and schemes conceived and launched, but the problem continues to elude solutions Numerous agencies have sprung up in the rural areas, but they have failed to produce any lasting impact. There is a long list of schemes put to the trial in rural sector for amellorating the lot of the rural poor which shows that Indians are better planners than executors.

In view of the above facts, our suggestions for the establishment of a Socialistic-pattern of Society in India are following :

(1) Big industrial units be established in the Public and Co-operative Sectors only.

(2) Continuous evaluation of the performances of Public Sector undertaking be carried out.

(3) People to be actively associated in formulation and implementation of planning.

(4) Small Scale Industrial Units be established in large number of private hands.

(5) Uniform National Policy for ceiling on income be adopted.

(6) The time bound programme for speedy removal of unemployment be established by creating employment opportunities for all.

(7) Inter-Sectoral and Intra-Sectoral biases with respect to property and income should be removed.

(8) There should be progressive re-distribution of urban property in favour of the poor.

(9) The poor sections in urban and rural sectors should be provided with minimum requirement, viz. source of livelihood and shelter.

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Rural Credit in a Tribal Environment—
A Study in the Schedule Areas of Keonjhar District of Orissa

Shri M. K. Mohanty

Introduction :

Tribals constitute 23.11 percent of the population of Orissa and almost the entire tribal community is in the lowest economic bracket. Therefore the economic development of the State is very much dependent on the wellbeing of the tribals to a considerable extent. As the tribals are concentrated in rural areas of certain regions of the State, the problem of rural development in such regions is very much connected with the problem of their economic upliftment. Again, since a major segment of the tribal population belong to the families of landless, marginal and small farmers, who either do not operate a piece of land or operate quite a small piece of it, the key to their prosperity lies in the development of suitable socio-economic activities outside agriculture. Agricultural operations in such areas are also characterised by low production and productivity owing to the application of primitive farm technology and non-availability of cheap institutional credit. Since the lack of productive asset base and cheap institutional credit appear to to be the main bottlenecks for expanding the production horizons of these people, attempts have been made through various plans to remove them and bridge the gulf between the tribals and the rest of the society. As a part of this policy, institutional credit delivery system in the tribal areas has been strengthened with emphasis on diversification and differentiation of credit programme. This policy aims at the extension of credit facilities for the development of various activities and avocations in addition, to that for the development of agriculture and facilitating the access of the target groups belonging to the rural poor to the institutional credit market. In such a context, this paper makes an attempt to assess the effectiveness of the institutional credit delivery system in attaining these goals in a predominantly tribal region of Keonjhar district of Orissa, which happens to be one of the least developed districts of the State [1]

Methodology :

The study is the result of a sample survey conducted in 155 households spread over sixteen villages in three tribal blocks of Keonjhar district in the year 1982. The blocks were selected from among the ten blocks which constitute the 'schedule area'[2] of the district on the basis of simple random sampling procedure. The sample villages and households were however selected on the basis of simple random and systematic sampling procedures respectively. The informations were collected from the respondents by serving a comprehensive questionnaire. The data regarding the sample households pertain to the year 1981-82.

Background of the Study area :

The study area constituting the sample blocks cover 31.72 percent of the total geographical area of the district accommodating 23.48 per cent of its population. Because of their high tribal concentration (57.08 percent), the three blocks have been included in the 'Scheduled area' of the district where the tribal Sub-plan is in operation. Forests occupy 31.56 per cent of their total geographical area leaving only 31.26 percent for agricultural operations. Agriculture in this region is visibly backward with a tribal dominated working population coupled with physiographic and environmental constraints. But inspite of a backward agriculture, 57.74 percent of the working population are engaged in it making it the most important productive activity of the region. The sample survey indicates that 10.97 percent of the families of the study area are landless while 58.7 percent belong to the category of marginal farmers, 23.23 percent to the category of small farmers and the rest 7.1 percent to the category of medium and large farmers. The study also indicates that 88.24 percent of the households of the landless category, 83.52 percent of the marginal farmer category, 83.33 percent of the small farmer category and 72.73 percent of the medium and large farmer category belong to the various tribal communities. For the economic development of the weaker sections, the majority of whom are tribals, various programmes have been implemented in the region in different periods of time. Such programmes include the T. D. A. programme, the I. T. D. A. programme, the S. F. D. A. programme, the I. R. D. programme and the E. R. R. P. programme. Financial institutions have enlarged their activities in the study area for the successful implementation of these programmes. Now eight branches of Scheduled Commercial Banks, six branches of Regional Rural Banks, one Land Development Bank and seven Large sized Multipurpose Cooperative Society (LAMP) branches are operating in the region to meet the institutional credit needs of the people and protect the interests of the rural poor in developmental operations.

Results and discussions :

Sources of credit :—Table I gives a picture of the sourcewise allocation of credit for different purposes in the study area. It indicates that the traditional dominance of the rural credit market by the village money lenders and traders has substantially been reduced because of the expansion of activity of the institutional financing agencies. It is heartening to note that now the moneylenders, friends and relatives meet only 4.08 percent of the total credit requirement of the household of the study area. The sample survey also indicates that the cooperatives are the major financing institutions in the region supplying 59.19 percent of the total credit advanced by both institutional and non-institutional sources. The commercial banks and regional rural banks are behind the cooperatives with 21.51 percent and 15 22 percent of credit supplied by them.

Character of credit :—The Character of credit advanced by various sources differs significantly from one to another. Table I indicates that of the institutional sources, the cooperatives allocate 78.62 percent of their credit for agricultural development whereas the Regional Rural Banks and Commercial banks allocate 68.3 percent and 44.79 percent of their total credit respectively for the same purpose. It is interesting to see that the Commercial banks are the pioneers in meeting the credit requirements of the rural people for the development of suitable activities and occupations outside agriculture. The picture of total institutional credit supply for different purposes indicates that agriculture still claims the largest share (69 39%) leaving 28.95 percent for the development of subsidiary occupations and only 1.66 percent for consumption Another interesting finding which emerges from the study is that barring the co-operatives, other institutional agencies have not yet stopped into the arena of consumption credit in the study area. This suggests that the institutional financing agencies have not yet realised the importance of consumption credit in the tribal economy. 89 percent of the tribals of Orissa being dependent on subsistence agriculture, consumption credit is imperative for their survival during periods of stress and strain. This reality of the tribal situation not only forces the tribals to fall a prey to the dragnet of the private moneylenders who are eager to advance consumption loans, but also compels them to divert their production loans to consumption purposes. It is probably the failure of the institutional agencies to meet the consumption credit requirements of the people which has faciliated the continued existence of the non-institutional agencies such as moneylenders inspite of the preventive government legislations.

Beneficiaries of Institutional Credit :

Table-2 depicts the distribution of institutional credit among different categories of rural households according to the purpose of borrowing It indicates that the landless and marginal farmer households, who constitute 10.97 and 58.71 percent of the sample households, respectively get only 3.3 and 42.98 percent of the total institutional credit. But the small, medium and large farmer households, who represent only 23.22 and 7.1 percent of the sample households respectively get 32.56 and 21.16 percent of the total institutional credit. Thus, institutional credit not only appears to be discriminatory in character, but also tends to rise with asset positions The table also indicates that the small, medium and large farmers get disproportionately large share in total credit disbursement to the relative neglect of rural households with negligible means.

The pattern of distribution of institutional credit for different purposes indicates that the marginal farmers have the greatest proneness for consumption credit probably on account of their marginal existence. Though the landless households have a still greater need for consumption credit, it is probably their inability to pledge bankable collaterals which forbids them to avail the facilities of consumption credit from institutional sources. It is also seen that a significant proportion of credit for agricultural and non-agricultural purposes goes to the medium and large farmers, who represent a small section of the rural households.

Quantity of credit :

Table-3 gives an account of the average quantity of institutional credit available to different types of borrowing households It indicates that borrowers from landless and marginal farmer households get a less than proportionate share of cooperative credit whereas the small, medium and large farmers get a higher proportionate share. The average amount of cooperative credit per beneficiary household also tends to rise progressively with the rise in the asset base. In case of commercial bank credit, the landless, marginal and small farming households appear to be in an unfavourable position, whereas the medium and large farmers have access to a larger share. The average amount of commercial bank credit also tends to rise with the rise in the asset base of the borrowers. The credit deployment pattern of the Regional Rural Banks however show a completely different trend. While the landless households get a more than proportionate share of the RRB credit, the medium and large farmers are kept out of their credit programme. The average amount of RRB credit being the highest for the landless households, the rural poor appear to be the most favoured group with the Regional Rural Banks.

Conclusion :

The following broad conclusions emerge from the above study :

1. The institutional credit programme in the study area has substantially reduced the dominance of non-institutional agencies in the rural credit market.

2. The cooperatives are ahead of the commercial banks and regional rural banks in the supply of rural credit.

3. While the cooperatives have allocated a higher percentage of their credit for agricultural development, the commercial banks have utilised more of credit for the development of suitable subsidiary occupation outside agriculture. However, agriculture still claims the largest share of institutional credit (nearly 75 percent) and diversification of institutional credit still remains a far fetched objective

4. Cooperatives are the only institutional agencies to supply credit for consumption purposes mostly needed by marginal farmers.

5. The medium and large farmers, who represent a small section of the rural households manage to appropriate a large share of institutional credit. Thus differentiation of credit programme continues to remain a theoretical objective.

6. While cooperative credit discriminates against landless and marginal farmers, commercial bank credit discriminates against landless, marginal and small farmers. Only RRB credit is favourable to landless households.

7. The average amount of cooperative, commercial bank and total institutional cradit per borrower households tends to rise with the rise in their asset base.

The above conclusions tend to indicate that there still remains a big gap between the objectives of credit planning and its implementation in the tribal dominated rural areas of the state. Though institutional credit expansion has been able to reduce the dominance of non-institutional agencies in the rural credit market, it has not been able to considerably diversify rural credit outside, agriculture Which is so essential for safeguarding the interests of the bulk of the rural poor. Institutional credit continues to be the domain of the rural rich including the neo-elite tribals who exert considerable influence in the rural power structure. Thus, the best intentions of the Government to coordinate the package of investments and services for raising the productivity of the rural poor seem to be sabotaged by the rigidity of the institutional framework associated with the institutional credit delivery system. Therefore, there seems to be enough truth in Myrdals' statement that 'there is radicalism in principle and conservatism in practice in implementation of development programmes for the poor.' [3] This also confirms the findings of Subbarao that institutional credit and input delivery system in the eastern States are strongly biased against small and tenanted farms.[4]

Therefore, while formulating the future strategy of rural development adequate care should be taken to remove these implementation pitfalls by gearing the institutional credit delivery apparatus to faithfully execute the policy prescriptions Unless these 'Social engineering' aspects of rural development are adequately taken care of, mere 'theoretical elucidation' cannot trigger of growth and development for the rural poor.[5]

TABLE—I

Sourcewise allocation of credit for different purposes 1981-82

Source of credit	Amount of credit—purposewise			Total
	Agriculture (Rs.)	Avocations other than Agriculture (Rs)	Consumption (Rs)	(Rs.)
1	2	3	4	5
Commercial banks	11253 (44.79)	13870 (55:21)	—	25123 (100)
Regional Rural Banks	12148 (68.30)	5638 (31,70)	—	17786 (100)
Coopera-tives	54371 (78 62)	12935 (18.70)	1850 (2.68)	69156 (100)
Total	77772 (69.39)	32443 (28.95)	1850 (1.66)	112065 (100)
Money lenders	160 (15.53	—	870 (84.47)	1030 (100)
Friends & relatives	3000 (80.11)	—	745 (19 89)	3745 (100)
GRAND TOTAL	80932 (69 26)	32443 27.76)	3465 (2.98)	116840 (100)

(Figures in the brackets indicate percentages to the row totals),

Source :—Sample Survey.

TABLE-2

Distribution of Institutional credit among different categories of households according to the purpose of borrowing (1981-82)

Category of House-hold.	No. of house-holds.	Amount of institutional credit			Total
		Agricul-ture. (Rs.)	Non-agri-culture occupa-tions. (Rs.)	Consump-tion. (Rs)	(Rs.)
1	2	3	4	5	6
Landless	17 (10 97)	—	3700 (11.40)	—	3700 (3.30)
Marginal farmers	91 (58.7)	31577 (40.60)	14745 (45.45)	1850 (100)	48172 (42 98)
Small farmers	36 (23.23)	27792 (35.74)	8699 (26.82)	—	36491 (32.56)
Medium and large farmers.	11 (7.10)	18403 (23.66)	5299 (16.33)	—	23702 (21.16)
All groups	155 (100)	77772 (100)	32443 (,00)	1850 (100)	112065 (100)

(Figures in the brackets indicate percentages to the column totals).

Source :—Sample Survey.

TABLE-3

Institutional financing according to the sources of finance (1981)

Type of households	COOPERATIVES			COMMERCIAL BANKS			REGIONAL RURAL BANKS		
	No. of borrow-ers.	Total amount (Rs.)	Average loan per borrowers (Rs.)	No. of borrowers	Total amount (Rs.)	Average loan per borrower (Rs)	No. of borrow-ers.	Total amount (Rs)	Average loan per borrower (Rs.)
1	2	3	4	5	6	7	8	9	10
Landless	1 (1.33)	150 (0.22)	150.00	3 (11.11)	1175 (4.68)	391 66	4 (10 81)	2375 (13.35)	593 75
Marginal farmers	47 (62 67)	28850 (41.72)	613.83	12 (44.45)	9545 (37.99)	795.42	21 (56.76)	9777 (54 97)	465.57
Small farmers	19 (25.33)	22985 (33.24)	1209.74	9 (33.33)	7872 (31.33)	874.66	12 (32.43)	5634 (31 68)	469.5
Medium and large farmers.	8 (10.67)	17171 (24.82)	2146.37	3 (11.11)	6531 (26.00)	2177	—	—	—
All Groups.	75 (100)	69156 (100)	922.08	27 (100)	25123 (100)	930.48	37 (100)	17786 (100)	480.70

(Figures in the brackets indicate percentage to the column totals).

Source :—Sample Survey.

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1. Keonjhar occupies the tenth position in the development rankings of the thirteen districts of the State according to the calculations of the State Planning Machinery for the year 1979-80. For details, see, Government of Orissa, State Planning Machinery ; Indicators of Economic Development of Orissa 1977-78 to 1979-80, Orissa Government Press, 1982.

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3. Myrdal, Gunnar; Asian Drama, Vol. I, Chapter 7.

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Impact of credit on the Rural Farmers in Sundergarh District (1982-83)

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INTRODUCTION :

Use of capital in agriculture has been an important factor contributing to improvement in farm income and the standard of living. Farming has been considered as a way of business and therefore the farm credit needs to be handled on a business basis, both by farmers and by lenders. Farming operation should be recognised as an integrated business in credit analysis. Credit needs to be handled carefully to ensure maximum contribution to the development in agriculture. The farmer in the rural areas is characterised with small size of his farm and low productivity of land because of traditional methods of cultivation for which he has hardly any savings of his own. He has therefore to depend in the main, on borrowings from private money lenders and from credit institutions. His dependence on the private money lenders traders, merchants and commission agents and others continues to be large. The institutional agencies which cater to the credit needs of the farmers are Government, co-operatives and commercial banks. The contribution by the institutional agencies used to be very small but since the beginning of 6th plan the farmers are given substantial amount of credit under the provision of Integrated Rural Development Agencies. This credit flows through co-operative societies and commercial banks. Thus the huge amount of credit released to the rural sector is envisaged to bring about a significant change in the economic situation of the small

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and marginal farmers. It is now pertinent to know the impact of such credit on the rural economy. This paper attempts to throw same light on the usefulness of credit in the rural areas of Sundergarh district, which is an interior district of Orissa.

Objectives :

In view of the above the objectives of this paper are outlined below,

i) To find out the quantum of credit flows to the rural sector through various institutional agencies,

ii) To find out the extent of payment of loan by the farmers and the amount of outstanding and to probe the reasons for such outstanding and over dues,

iii) To find out the extent of income generated due to utilisation of credit, and

iv) To find out extent of employment generated due to utilisation of credit.

Methodology :

The study has covered all the 17 C. D. blocks of Sundergarh District. A two stage random sampling procedure has been adopted to select the farmer beneficiaries who have taken the credit. On the basis of probability proportional to the size of beneficiaries, 10 blocks have been selected and from each of the selected blocks 45 beneficiaries have been selected on the basis of simple random sampling. These selected sample beneficiaries include both the types of farmers, i. e. small and marginal farmers. Data have been collected on personal interview from the beneficiaries, in prepared schedules.

Statistical Analysis :

Statistical Analysis has been done to find out the effect of credit on income and employment of the beneficiaries. Through the help of Regression Analysis the effect of credit on increase in income and employment has been ascertained, and interpretation has been done through the help of T. test.

Results and discussions :

(*a*) Quantum of credit released :—Data have been analysed to find out the amount of credit released to the beneficiaries. This credit has been given by different financial agencies, such as commercial bank, co-operative bank, and Land Development Bank. The detailed analysis is presented below.

TABLE—I

Amount of credit released to the beneficiaries of different sample blocks by different financial agencies.
(1981—82)

Sl. No.	Name of Blocks	No of benefi-ciaries	Nationalised Bank		Co-operative Bank & lamp		LandDevelopment Banks		Total
			No.	Credit in Rs.	No.	Credit in Rs.	No.	Credit in Rs.	Credit in Rs
1	2	3	4	5	6	7	8	9	10
1	Sundargarh (Sadar)	45	28	7290 00 (39.59)	17	11123.00 (60 41)	—	—	18,413
2.	Balisankara	45	19	4825 00 [13.98]	25	27950.00 (80.95)	4	1750 [5.07]	34,525
3.	Rajgangapur	45	35	25325.00 [56.81]	10	19250.00 [43.19]	—	—	44,575
4.	Lephripara	45	23	10750.00 (24.01)	20	34022.00 (75 99)	—	—	44772
5.	Hemagiri	45	35	11263.00 (83 36)	10	2250.00 (16.64)	—	—	13513
6.	Kuarmunda	47	24	16326 00 (29.37)	20	32260.00 (58.04)	3	7000 (12 59)	55586
7.	Bisra	49	16	12100.00 (10.01)	14	48141.00 [39.83]	19	60625 [50 16]	120866
8.	Nuagaon	49	15	24475 00 [20.97]	5	17243.00 [14.77]	29	75003 [64.24]	116721
9.	Lahunipara	45	19	10063.00 [21.28]	26	37223.00 [78.72]	—	—	47286
10.	Gurundia	45	20	8325.00 (15.56)	25	45194.00 [84.44]	—	—	53519
	Total	458	234	140742 [25.60]	172	274656 (50.00]	52	134378 [24.40]	549776

It is observed from the above tabular analysis that out of 458 beneficiaries, 234 have received credit from the commercial banks, 173 from Co-operative banks and 52 from Land development banks. The analysis reveals further that though commercial banks have accommodated comparatively a large number of farmers, the co-operative banks on the other hand are found to have advanced a larger amount credit to the farmers. The performance of the Land Development Banks in the district is far from satisfactory in terms of size of beneficiaries covered and quantum of credit given. From all the above sources credit released during the year stands at Rs. 5,49,776/-. Block-wise analysis shows that the farmers of Hemagiri block have received 83 percent credit from the commercial banks, recording the highest figure in the district, lowest being 10 percent in the case of the farmers of Bisra block. On an average a farmer has received credit of Rs. 604.45 from commercial banks, Rs. 1173.74 from Co-operative banks and Rs. 574.26 from Land Development Banks. Co-operative Banks have advanced 84 percent credit to the farmers of Gurundia block which records the highest in the district as against the 16.64 percent [the lowest figure] to the farmers of Hemagiri block. The analysis indicates that many blocks have not received credit from the Land Development Banks.

b) Repayment and outstanding :

Data bave been analysed on the aspect of payment of loan and outstanding on the farmers in different blocks of the district. The detailed analysis is shown in table below.

TABLE-II

Total credit taken, extent of repayment and amount of outstanding, in different sample blocks of the district. Percentages are shown in brackets, in rupees. (1981-82)

S. L. No.	Name of the Blocks	No. of beneficiaries	Total amount of loan	Payment of loan	outstanding of loan
1.	Sundargarh (Sadar)	45	18,413 00	12,437.86 (67 54)	5976 00 (32.46)
2.	Balisankara	45	34,525.00	7'010.00 (20.30)	27515 00 (79.70)
3.	Rajagangpur	45	44,575.00	26,265.00 (58 292)	18310.00 (41 08)
4.	Lephripada	43	44.772.00	15,844.00 (35.39)	28928.00 (64.61)
5.	Hemagiri	45	13,513.00	6,659.00 (49.28)	6854.00 (50.72)
6	Kuarmunda	47	55,586 00	25,460 00 (45 80)	30126.00 (54.20)
7.	Bisra	49	1,20,866.00	19,177.00 (15.87)	101689 00 (84.13)
8.	Nuagaon	49	1,16,721.00	27,757.00 (23.78)	88964.00 (76.22)
9.	Lahunipada	45	47,286.00	12,425.00 (26.28)	34861.00 (73.72)
10.	Gurundia	45	53,519.00	19,907.00 (37.20)	33612.00 (62.80)
	Total :	458	5,49,776.00	1,72,941.00 (31.46)	3,76,835.00 (68.54)

The tabular analysis shows clearly the loan taken and outstanding on farmers of different blocks of the district It is observed that out of Rs. 5,49,776.00, the farmers have paid back loan to the extent of Rs. 1,72 941 constituting 31 46 percent of the total leaving an outstanding of Rs. 3,76.835-00 constituting 68 54 percent of the total credit. Blockwise analysis shows that the highest amount of outstanding i. e. 84.13 percent is lying on the farmers of Bisra block, being closely followed with 80 percent in Balisankara block, 76 percent in Nuagoan block, 74 percent in Lephripara block and 63 percent in Gurundia block.

The reasons for non repayment of credit is well known. The credits are found to be misutilised to some extent. A part of credit is safely used for consumption whereas the rest are used for purposes other than the purpose for which credit has been received. Credit taken for goatery scheme, dairy scheme and agricultural purposes is found to be lost. These activities have not been successful due to various reasons. Lack of proper selection of beneficiaries, supply of low quality goats and sheep, absence of co-ordination among the concerned officials are some of the reasons for failure of programmes. Hence the farmers are deprived of repaying capacity to pay back the loan.

c) Effect on Income and Employment :

Main purpose of credit is to increase income and employment of the beneficiaries. Data have been analysed to find out if the beneficiaries have been benefited in terms of increase in income and employment due to use of credit. The analysis is presented in the table below.

TABLE-III

Effect of credit on income and employment

((1981-83) (In Rupees)

Sl. No.	Name of the Blocks	Total income to the use of credit	Additional income generated due to use of credit	%of increase in income	Total man-days previous to the scheme	Additional man-days generated.	%of increase
1	2	3	4	5	6	7	8
1.	Sundargarh (Sadar)	73,540.00	28,375.00	38 58	18070	5705	31.57
2.	Balisankara	61,350.00	23,795.00	38.79	9135	2890	31.64
3.	Rajgangpur	85,000 00	31,240.00	36 75	17325	5330	30.76
4.	Lephripada	77,050.00	39,700.00	51.52	10850	6314	58.19
5.	Hemagiri	44,400.00	14,090.00	31.73	8823	4729	53.60
6.	Kuarmunda	86,015.00	94,166.00	109.48	10480	7600	72.52
7.	Bisra	95,700.00	99,800 00	104.28	10942	6423	58.70
8.	Nuagaon	1,34,500,00	56,820.00	42.25	16645	8611	51.73
9.	Lahunipada	1,07,700.00	54,650.00	50.74	13950	4772	34.21
10.	Gurundia	92,700.00	35,090.03	37.85	15855	5980	37.72
	Total	8,57,955.00	4,77,726	55,68	1,32,075	58,354	44.18

The tabular analysis above shows that on an average each beneficiary has been benefited with an increase in income to the extent of 56 percent due to use of credit. Blockwise analysis reveals that the beneficiaries of Kuarmunda block have been benefited with the maximum increase in income with 110 percent, being followed with 104 percent in Bisra block and 51 percent in Lahunipada block. The lowest figure is 42 percent in Nuagoan block.

Similarly in field of employment it is observed that on an average beneficiaries have been benefited with 44 percent increase in employment, the highest being 73 percent with the farmer beneficiaries of Kuarmunda block. The lowest percentage increase in employment is 30.76 percent in Rajagangpur block. The effect of credit as on income has been verified through the help of the Regression analysis as follows.

i) $Y=a+b\,X$

Where, Y=Income of the beneficiary.

X=Income increased due to credit.

b=Regression co-efficient of Y on X.

a=Constant

The Resulting function becomes

$$Y=9\,02+1.94X$$

With the help of T test it is found that b is significant at 5% level. Hence the credit has significant effect on increase in income.

ii) Similarly the effect of credit on employment has been verified through the help of the Regression analysis as follows.

$$Y=a+b\,X$$

Where, Y=Employment of the beneficiary.

X=Effect of credit on creation of mandays.

b=Regression co-efficient of Y on X.

a=Constant.

The resulting function is,

$$Y=3\,61+0.47\,X$$

With the help of T test it is found that b is significant at 5% level. Hence the credit has significant effect on increase in employment.

Conclusions :

The study has revealed that the credit in rural areas has become productive. It has significant effect on increase in income as well as employment. Still there is some lapses in use of credit. It would still create more benefit if the misutilisation of credit could have been stopped. It is observed that the farmers are utilising a part of the credit on consumption. Hence the co-operatives and other institutions should make a provision to advance credit for consumption. Advance of credit is not as important as its proper utilisation. Proper supervision is necessary. When credit is released in form of inputs or animals like goats and sheep, the farmers are to be supplied with quality animals. Time of credit is another important aspect to ensure its proper utilisation. Rural economy can be monetized only with help of credit and its proper utilisation. Credit can be productive and can enhance the repaying capacity of the farmers only with proper use of it.

Institutional Credit Constraints of Village Artisans—A Case Study

Dr. R. K. Panda

India lives in villages. These villages consist of conglomeration of different castes of people according to occupation Among these different castes of people there are the so called village artisans-men who practise different crafts and thereby meet the daily requirement of the farmers in various ways. These village artisans by engaging themselves in such tiny enterprises try to teke out their living. But in recent years because of the growing influence of industrialisation and urbanisation their traditional crafts stand obsolete and non-remunerative. In many cases, these village artisans have left their traditional crafts and have joined the rank of agricultural labour. They have sunk deep into misery and debt. The various rural development programmes now operating in the country have done very little in reviving their traditional crafts and making them (their crafts) viable and profitable. The institutional credit agencies operating in rural areas have also been lukewarm to the cause of these households. As these artisan households donot possess sizeable landed property or other assets, they are deprived of getting any financial assistance from institutional credit agencies. Therefore these artisan households depend heavily on village money-lenders and thus remain impoverished and indebted always. In this context, the present study is undertaken to assess the income and debt position of village artisans at a micro-level with following objectives :—

1. To study the sources of income of village artisans.
2. To study the debt outstanding against these households.
S. To analyse the share of different financial agencies in their total debt.
4. To identify factors responsible for their increasing burden of debt.

Methodology :

Five villages, namely Tolagopinathpur, Jallarpur, Sahanajpur, Madhab and Tampada under Niali Block in Cuttack District, Orissa are taken as the area of the present study. In these villages, mostly three categories of artisans—carpenters, blacksmiths and potters are residing.

So three separate lists of these artisans covering five villages are prepared. All the households from each category are taken for study. Thus altogether 35 households, comprising 12 carpenters, 8 blacksmiths and 15 potters are taken for the purpose of study. A detailed questionnaire is prepared to elicit various informations from them. The period of survey covers two years—1984 and 1985 *

Results and Discussion :

Table-I shows the income earned by the artisan households from different sources during two years—1984 and 1985. As is observed from the table, taking into account all the three categories of artisan households there is a clear indication of declining income from their traditional crafts during these two years. While in the year 1983-84, 28.62 percent of their total income was derived from their traditional crafts, in the year 1984-85 this percentage was further declined to 23.09 percent. On the otherhand their income derived from non-craft sources has seen to be increasing during these two years. During the course of investigation it was revealed that their non-craft income consisted mostly of wages obtained from working as labourers in various agricultural operations.

The source-wise earning of each category of artisans household reveals a similar trend as is obtained on an aggregate level. With regard to carpenters, it is observed that while they were getting 30.07 percent of their annual income from their crafts during the year 1983-84, it was reduced to 25.18 percent during the year 1984-85. In case of blacksmiths while the proportion of income derived from their crafts was 26.57 percent in the year 1983-84, it was declined to 19.37 percent in the year 1984-85. In case of potters the percentage of income derived from their crafts was also seen declining from 28.20 percent in the year 1983-84 to 22.99 percent in the year 1984-85. Thus it is observed that though there has been a declining trend in the percentage of income obtained from respective crafts of all these three types of artisans during these two years yet the percentage of decline is more in case of blacksmiths than that of carpenters and potters A comparison of income derived from respective crafts between three categories of artisans reveals that the carpenters are getting larger percentage of their total income from their crafts than is the case with either blacksmiths or potters, during two years under study.

* Annual income pertains to two years from 1st July 1983 to 30th June 1984 and from 1st July 1984 to 30th June 1985. Outstanding debt as on 30-6.85 is taken into account in the study.

The outstanding debt of these three different categories of artisan households during two years under study is presented in Table-2.

The amount of outstanding debt per holding of the artisan households as a whole was Rs. 397.37 as on 30.6.84 and Rs. 742.65 as on 30.6.85. This shows that the average amount of outstanding debt of all these three types of artisans is on the increase during these two years.

The calculation of outstanding debt according to each category of artisan households reveals that while the amount of outstanding debt per household of carpenters was Rs 396 05 as on 30.6.84 and Rs. 651 32 as on 30.6.85, it was Rs. 452.18 and Rs. 1029.07 for blacksmiths and Rs. 369.21 and Rs. 662.95 for potters as on these two dates respectively. Thus, for each category of artisan households the study reveals a phenomenal increase in the outstanding debt between these two dates—from 30 6.84 to 30.6.85. A comparison of the percentage increase in debt among the three types of artisans within this time period shows that the percentage increase in debt of the blacksmiths is higher than that of either carpenters or potters.

Debt According to Sources :

Analysis of outstanding debt according to sources from which the loan amount was borrowed would indicate the degree of dependence of artisan households on institutional vis-a-vis non-institutional agencies. Table-3 shows the outstanding debt of the artisan households owed to institutional and non-institutional agencies as on 30th June, 1984 and 1985.

From the table it is observed that non-institutional agencies occupy a dominant position in the supply of credit to the artisan households in the study area. More so, the share of non-institutional agencies in the supply of credit to the artisans is seen to be increasing during these two years. While in the year 1983-84 the non-institutional credit agencies supplied 65.26 percent of the credit needs of the artisans, in the year 1984-85 these agenc ies supplied 71.48 percent credit. This shows that inspite of so much effort in recent years to institutionalise credit in rural areas, the village artisans still suffer from want of adequate institutional credit This in its turn brings the artisans under the control of village money-lenders and traders who keep them impoverished and indebted always.

A comparison of outstanding debt according to agencies between three different categories of artisans shows that blacksmiths owed higher percentage of their total outstandings to non-institutional agencies than the other two categories in both the years under study. In the year 1983-84 while the blacksmiths owed 70.78 percent of their total outstandings to non-instituational agencies, the carpenters and potters owed 65.52 percent and 61.43 percent respectively. In the year 1984-85 while the blacksmiths owed 75.80 percent of their totai outstandings to non-institutional agencies, for carpenters and potters it was 69.10 percent and 72.79 percent respectively.

During the course of investigation the artisan households were asked for the reasons of non-repayment of their loans. The replies of the sample households are grouped under three heads (Table-4).

Out of the total households 48.57 percent complained of inadequate income for repayment of the loan. 20 percent households didnot repay their loan because of recurring ceremonies. The rest of the households (31.43 percent.) voiced their concern over the exorbitant rate of interest charged by the village money-lenders and traders for which they were not able to repay their outstanding loan. While questioning it was revealed that the artisans were used to pay more than 50 percent rate of interest for the loan borrowed from village money-lenders and traders.

Conclusion and Suggestions :

The above findings bring out following conclusion.

1. The income derived from the traditional crafts of the village artisans is declining year after year.

2. The non-institutional credit agencies are still playing an important role in supplying credit to the village artisans.

3. The growing indebtedness among village artisans is due to their inadequate earnings from their traditional crafts and increasing dependence on village money-lenders and traders.

Keeping above findings in view following suggestions are made to improve the economic conditions of the artisans and keep them free from the burden of debt.

1. Adequate institutional credit (particularly long-term credit) should be provided to these artisans so as to help them to acquire better tools and implements for modernisation of their crafts. This will enhance their productivity and income.

2. Special training programmes should be launched in order to train these artisans for adopting advanced technology in their respective crafts and thus to successfully compete with urban products.

3 The amount of non-institutional debt now lying upon them should be cleared up through special government assistance.

4. Necessary marketing arrangements may be made for maintaining steady demand for their products through out the year. Special co-operative institutions should be established which will facilitate in selling raw materials to artisans and purchasing finished goods from them. This will make the artisans assured of getting steady income round the year and help them in modernising their crafts to meet the changing requirements of rural folk through time.

TABLE—1

Income of the artisans household from different sources during two years—1983-84 and 1984-85

Category	No. of House hold	1983-84 Craft	1983-84 Non-craft	1983-84 Total	1984-85 Craft	1984-85 Non-craft	1984-85 Total
I Carpenters	12	15678.24 (30.07)	36456.42 (69 93)	52134.66 (100.00	13198.35 (25.18)	39216.92 (74.82)	52415.27 (106.00)
II Blacksmiths	8	7219.16 (26.57)	19949 23 (73.43)	27168.39 (100 00)	5435.28 (19.37)	22622.17 (80.63)	28057.45 (100.00)
III Potters	15	13721.95 (28.20)	34925.17 (71.80)	48647.12 (100 00)	11249.22 (22.99)	37663.41 (77.01)	48912 63 (100 00)
Total	35	36619.35 (28.62)	91330 82 (71.38)	127950.17 (100.00)	29882 85 (23.09)	99502 50 (76 91)	129385.35 (100 C0)

TABLE—2

Outstanding debt of the artisan households during two years 1983-84 and 1984-85.

Categories	No of Households	As on 30.6.84	As on 30.6.85	Percentage increase
I Carpenters	12	4752.62 396.05*	7815.93 651.32*	64.45
II Blacksmiths	8	3617.45 452.18*	8232.59 1029.07*	127.57
III Potters	15	5538.16 369.21*	9944.27 662.95*	79.55
Total	35	13908.23 397.37*	25992.79 742.65*	86.88

* Per household outstanding debt.

TABLE—3

Outstanding debt of the artisan Households according to sources of Borrowing.

Category	As on 30 6 84		As on 30.6.85	
	Institu-tional	Non-Institu-tional	Institu-tional	Non-Institu-tional
I Carpenters	1639.15 (34.48)	3113.47 (65.52)	2415.60 (30.90)	5400.33 (69.10)
II Blacksmiths	1057.36 (29.22)	2560.09 (70.78)	1992.34 (24.20)	6240.25 (75.80)
III Potters	2136.52 (38 57)	3401.64 (61.43)	2706.18 (27.21)	7238 09 (72.79)
Total	4833.03 (34.74)	9075.20 (65.26)	7114.12 (28.52)	18878 67 (71.48)

TABLE—4

Reasons for the Non-Repayment of Loan of Artisan Households

	Carpenters	Blacksmiths	Potters	Total
1 Income is not adequate	4 (33.33)	5 (62.50)	8 (53.33)	17 (48.57)
2. Recurring Ceremonies	3 (25.00)	1 (12.50)	3 (20.00)	7 (20.00)
3. Exorbitant rate of interest of village money-lenders and traders	5 (41.67)	2 (25.00)	4 (26.67)	11 (31.43)
4. Total	12 (100)	8 (100)	15 (100)	35 (100)

Impact of Credit and Resource Optimisation on Employment and Income of Small Farms in Jamankir Block of Sambalpur I.A.D.P. District. *

Dr. M. L. Chakraverty

The major emphasis in the IADP district is on the intensive use of such non-conventional technological inputs as improved seeds, fertilizers, irrigation and plant protection measures to augment agricultural production in the country. Due to progressive and enterprising outlook, farmers have followed the newest technology recommended by the Research and Extension wing of Government and the Agricultural Universities. The spread of quick maturing High Yielding Varieties has resulted in the introduction of multiple cropping on majority of the farms providing more employment and income.

Further, it has been pointed out that under the existing farming practices in India, holdings less than 5 acres are uneconomic since they do not provide adequate employment to the available family labour nor generate surpluses over and above farm family requirements. This situation is aggravated due to scarcity of capital with the small farmers and lack of awareness for optimal allocation of resources amongst the competing enterprises. Hence, efficient resource allocation and use of credit facilities on small farms have become inevitable to convert these uneconomic holdings into economic ones.

An attempt has, therefore, been made in this paper to examine the extent of credit needs of small farmers in this low irrigated zone and its impact on labour employment and farm income at two levels of multiple cropping when resources are optimally allocated under existing and recommended technology.

Methodology :

This study was conducted in the low irrigated region of Sambalpur IADP district having less than 20 percent of the cultivated area under irrigation from different sources. In this region list of blocks having at least one tractor was prepared and one block (Jamankira) was selected at random. All the villages of the block were arranged

* Extension of Ph. D. Dissertation work of the author.

according to their tractor position and one nucleus village having at least one tractor was randomly selected. Three more adjacent villages were logically selected with the view of getting adequate size of population for the study. For the selection of respondents a list of purely bullock operated small farms were prepared and 26 samples were drawn at random in proportion to the population.

In this paper, only one aspect i.e. economics of credit use on bullock operated small farms has been considered ignoring the bullock plus hired tractor operated and owned tractor operated farms of different size classes. Though double cropping is regarded as multiple cropping, in view of the changing cropping pattern of the district after being declared as IADP district in 1960-61, more than two crops grown by the sample farmers have been considered as multiple cropping for the present study. Profit maximisation Linear Programming model has been used as the analytical tool for the study.

Model :

$$\text{Maximize, } Z=\sum_{j=1}^{n} C_j X_j - \sum_{t=1}^{12} Wt\ Gt - \sum_{t=1}^{12} W'tU_t - rk - P_f F - Pq$$

Subject to,

$$\sum_{j=1}^{n} a_{uj} X_{uj} \leqslant A_u \quad \text{.........} \quad \text{(Land constraint)}$$

$$\sum_{j=1}^{n} d_{tj} X_{tj} - L_t \leqslant N_t \quad \text{.........} \quad \text{(Labour constraints)}$$

$$\sum_{j=1}^{n} d_{tj} X_{tj} - U_t \leqslant N_t \quad \text{.........} \quad \text{(Bullock labour constraint)}$$

$$\sum_{j=1}^{n} b_j X_j - K \angle H \quad \text{.........} \quad \text{(Capital constraint)}$$

$$\sum_{j=1}^{n} f_{ij} X_{ij} - F_i \leqslant B_i \quad \text{.........} \quad \text{(Fertilizer constraint)}$$

$$\sum_{j=1}^{n} S_j X_j \geq Q \quad \text{.........} \quad \text{(Minimum cereal constraint)}$$

$$\sum_{j=1}^{n} X_j \leqslant T_Y \quad \text{.........} \quad \text{(Maximum crop area constraint)}$$

$$\sum_{j=1}^{n} g_{ej} X_j - G_e \geq D_e \quad \ldots \quad \ldots \quad \text{[Maximum fodder constraint]}$$

$$\sum_{j=1}^{n} V_j x_j \leq M \quad \ldots \quad \ldots \quad \text{[Farm yard manure constraints]}$$

$X_j \geq 0$, $G_t \geq 0$, $F \geq 0$ and $G \geq 0$

Where :

Z = total net returns of the farm in rupees.

X_j = units of i^{th} crop process and

C_j = net returns per unit of crop process (Rs)

L_t = units of labour (man-days) in t^{th} period and

W_t = wage rate per man-day (Rs), W't = Line charge of bullock (Pair days) in rupees and Ut = Units of Bullock labour (Pair days) In $t^{th.}$ period.

K = capital borrowed in rupees and

r = annual rate of interest

F = quantity of fertilizers in quintals and

P_f = price of fertilizer in rupees per quintal.

G_e = quantity of e^{th} fodder in quintals and

a_{uj} = Input coefficient of u^{th} land for j^{th} crop process and

A_u = available quantity of u^{th} type of land in hectare,

d_{tj} = input coefficient of t^{th} period labour for j^{th} crop process (man-days) and

N_t = number of available man-days of family labour in t^{th} period.

N'_t = Number of available bullock labour (Pair-days) in t^{th} period,

b_j = input coefficient of capital in rupees for j^{th} crop process and

H = available working capital in rupees,

f_{ij} = input coefficient of i^{th} fertilizer in quintals for j^{th} crop process and

B_i = available quantity of i^{th} fertilizer in quintals.

P^1 = Price per unit (hectare cm.) of irrigation water used and

I = total quantity of irrigation water (hect. cm.) used in a production period.

G_{ej} = yield of e^{th} fodders in quintals from j^{th} crop process and

D_e = minimum required quantity in quintals of e^{th} yield of fodders.

S_j = yield of cereals from j^{th} crop process and

Q = minimum quantity of cereals required in quintals.

T_y = maximum permissible area of y^{th} crop process.

V_j = coefficient of farm yard manures for j^{th} crop process.

M = quantity of available farm yard manures in quintals.

P = Price of Farm Yard manure in rupees per quintal

q = quantity of farm yard manure purchased.

Resource Constraints Used :

Land, the most limiting factor classified as Kharif land irrigated and unirrigated, rabi land irrigated and unirrigated and zaid irrigated according to the suitability of different crops. Enterprises maxima and minima were considered in the profit maximisation model to avoid allocation of larger acreage to most profitable crops in the normative plans ignoring less profitable crops which in fact, are grown by the farmers as an indication of self sufficiency. To avoid this situation, considering physical, economic and social constraints, minimum and maximum area limits were imposed for pulses, oilseeds, vegetables and other cash crops on the assumption of family requirements taking into account the average farm situation.

Twelve labour periods for both human and bullock were developed according to maximum labour requirements in these periods. Average capital availability was calculated for all the synthetic farm situations. Restriction and relaxation on capital use was put in the normative plan in case of existing and recommended technology to study the impact of credit on cropping pattern and subsequently on labour employment and farm income.

Existing irrigation facilities available under different synthetic farm situations were taken into consideration for the development of normative plans. Human and bullock labour hiring activities were introduced in all the twelve months to meet the excess labour need of the optimal plans over availability in the concerned period. Assuming availability, capital hiring activity was incorporated in two synthetic situations with existing and recommended technology to study the shifts in the cropping pattern.

Results and Discussion :

It is observed that, cropping intensity which is the indicator of multiple cropping increased in the optimal plan as compared to the existing plan when the use of credit was liberalised to the small farms of this low irrigated zone. This was not true in case of less capital intensive triple cropping pattern included in the optimal plan under existing technology. It was also interesting to note that, the intensity of cropping which was of the order of 129.78 percent in the optimal plan under unrestricted use of capital, declined to 76.40 percent when restriction was imposed on use of credit at recommended technology. On the contrary, very little difference in the intensity of cropping was noticed in case of existing technology under restricted and unrestricted use of credit. Simultaneously, it was also noticed that the cropping intensity in case of double cropping was same (107.87 percent) for existing and recommended technology with restriction on use credit and with relaxation on credit use, it increased to 114 04 percent which again was found to be same for existing and recommended technology. The reason which can be attributed to it is the limitation on irrigation resource which discouraged change in the cropping pattern under two different situations. From the foregoing discussion it was evident that under low irrigated situation, credit plays the main role when triple cropping pattern is adopted by the small farmers using recommended technology.

As regards the employment pattern of human labour on bullock operated small farms under existing and recommended technology, it was noticed that, provision of liberalised credit in the optimal plans increased the labour employment by 95.31 percent in case of double cropping and 110.94 percent in case of triple cropping over the existing crop plan adopted by the farmers. The percentage increase in employment in the optimal plans with restriction on use of credit was less for both double and triple cropping as compared to liberalised credit use situation. The findings further revealed that under recommended technology, the percentage increase in employment over the existing farm plan was 105.86 percent for double cropping and 120.31 percent for triple cropping when no restriction was put on use of credit but the moment restriction was imposed on credit use, the percentage increase in employment over existing farm plan came down to 89 06 percent in case of double cropping and 63.28 percent in case of triple cropping. This observation further strengthened the earlier findings that use of credit can bring about a change in the intensity of labour use which is the outcome of changed cropping pattern. The use of hired labour under two levels of technology increased considerably with liberalisation of credit facilities and the scope of hired labour use got restricted with the restriction in credit use.

In order to examine the effect of credit use on farm returns at existing and recommended technology, optimal plans with restricted and unrestricted availability of capital were .compared for double and triple cropping It was evident from Table 3 that the farm returns (returns to fixed factors of production) which were Rs 7389.16 under double cropping increased to Rs 7864.76 in case of triple cropping when additional funds were made available to the farmers of this category even under existing technology. The corresponding figures in case of recommended technology were Rs. 7819.14 and Rs 10658.52 for double and triple cropping respectively. With regard to the net return in the absence of credit facilities, the optimal plans showed that it remained unchanged (Rs 6587.50) for double cropping with existing and recommended technology but changed considerably for triple cropping. The net return which was to the tune of Rs 7279.30 in case of existing technology increased to Rs 7816.04 in case of recommended technology. The net returns per hectare increased substantially in the optimal plans over the existing farm plan at two levels of technology and two levels (restricted and unrestricted) of capital availability. The net return per hectare in case of existing technology was Rs 4418.48 this was increased to Rs 5987.93 in case of recommended technology when triple cropping was followed under unrestricted capital use situation. The corresponding figures in case of restricted capital use were of the order of Rs 4089.49 and Rs 4391.03 for existing and recommended technology respectively. Another interesting feature noticed was that the net returns per hectare at two levels of technology were almost same for triple cropping with restricted capital and double cropping with unrestricted capital.

A comparison of total capital available with the farmers, capital borrowed and the corresponding increase in farm returns due to use of borrowed capital at different levels of technology and multiple cropping (double and triple cropping) revealed some interesting phenomena. It was seen that, with the inclusion of less remunerative and less capital intensive local varieties of crops in the cropping pattern the credit needs of the small farmers under existing technology have, gone down to Rs. 575 01 for triple cropping as against Rs. 628 65 for double cropping. Such inclusion of less remunerative triple crops in the optimal plan has squeezed the scope of augmenting the increase in net returns from the use of borrowed capital in comparison with the two crop rotations included under existing technology. But the credit requirements of the small farmers under recommended technology presented a separate picture where it increased considerably for triple cropping (Rs. 1626.74) as compared to double cropping (Rs. 987.08). The increase in returns owing to the use of credit increased more than two times in triple cropping over double cropping.

The conclusions that emerge from the foregoing discussions are, irrigation being the limiting factor

(i) Significant change in the cropping pattern is not noticed in the optimal plans except in one situation where capital restriction reduced the cropping pattern and cropping intensity drastically.

(ii) The change in cropping pattern however negligible it may be, resulted in increased income and employment substantially in case of triple cropping as compared to double cropping under unrestricted use of capital. From this it was evident that, with the provision of irrigation and credit, potentiality of small farmers in generating more income and employment can be exploited.

REGIONAL RURAL BANKS AND THE DEVELOPMENT OF WEAKER SECTIONS IN ORISSA

S. N. Mishra

Orissa is an acknowledged backward state of the Country. In terms of various parameters of development such as growth of per capita income, human resource development, Capital accumulation, removal of poverty, industrial and agricultural productivity etc., the state is considered to be one of the laggard states of the Country. The state has already completed Six Five Year Plans till now. The Seventh Five Year Plan (1985-90) is about to start shortly. During the plan periods, the state has made notable progress in many fields. However, the overall impact of the development has failed to percolate downwards to benefit the weaker sections of the community. The weaker sections constitute a hetrogenous group comprising of small and marginal farmers, small artisans, retail traders, small business and professionally self-employed workers. In terms of income, this group has an income not exceeding Rs. 3500 per annum.

Of the many inputs required by the weaker sections for development, financial input is considered to be one of the crucial inputs. The credit institutions are the main vehicles through which this crucial input is made available to the weaker sections. The past performance of the institutional lending agencies in this regard was however not very much encouraging The co-operative banks, representing a three tier federal structure are the oldest credit institutions in the state, established in the year 1904 In course of their development, the co-operative banks manifested certain organisational, operational and structural weaknesses They helped very little to solve the problems of the weaker sections. The performance of the Commercial banks, too was not encouraging in the past. The Commercial banks adopted the policy of demand following approach' towards lending. As per this policy objective, they encouraged those borrowers who have voluntarily approached for credit for undertaking productive activities. As a result, only a few weaker section borrowers received the benefit of institutional lending. The nationalisation of banks in the year 1969 aimed at solving this riddle. The banks after nationalisation adhered a new philosophy of lending, wellknown in the economic literature as the 'supply leading approach to lending'. Under the new philosophy of lending, the lending institutions are required to supply credit deliberately with a view to persuading and assisting the hitherto unwilling customers to accept credit for undertaking productive activities. The lessons of the initial years of nationalisation was, however, not encouraging. The experience revealed that the nationalised banks came across with the same problems, which they once faced as private sector banks. In other words, their approach towards lending once again titled in favour of the well-to-do amongst the weaker sections.

The Regional Rural Banks were, therefore inducted into the existing institutional frame work as an alternative agency with a view to promoting the development of weaker sections in the Country Side. These institutions are expected to supplement, not to supplant, the existing institutional agencies in their task for uplifting the rural poor. These 'new' institutions combine the local feel of the co-operatives and the organisational expertise of the Commercial banks. Consequently, they are considered as the most suitable agency to operate in the Country Side.

This paper makes an humble attempt to study the role of Regional Rural Banks in promoting the economic well being of the weaker sections in the state. The study is based on the following objectives: (i) To study to what extent the RRBs have succeeded in meeting the credit requirement of the weaker sections in the rural areas. (ii) To study to what extent RRBs have contributed towards the growth of net incremental incomes by the weaker sections; (iii) To study the problems encounted by RRBs in financing the weaker sections, (iv) To study the co-ordination between RRBs and other institutional credit agencies, engaged in the upliftment of weaker sections.

The Regional Rural Banks are the outcome of the recommendations of M. Narasimham Committee, appointed by the Government of India in July, 1, 1975 The committee's recommendations were accepted by the Central Government in July, 20, 1975. In pursuance of the recommendations of the committee five RRBs were established on the Mahatma Gandhi Centenary day, the 2nd October 1975. These five RRBs include Prathama Bank and Gorakhpur Grammya Bank in Uttar Pradesh, Gour Grammya Bank in West Bengal, Jaipur-Nagpur Anchalik Grammya Bank in Rajasthan, Hariyana Khetriya Grammya Bank in Hariyana.

A year after, the first Regional Rural Bank to be established by Indian Overseas Bank in the state on 25th January 1976 was Puri Grammya Bank. In the same year three other Grammya Banks were established in the state, of which two banks were sponsored by the State Bank of India and one bank was sponsored by the united commercial bank. Since the year 1976, Nine RRBs covering 13 districts of the state have come into existence. In view of their long standing in the state, it is considered essential to make an assessment of the performance of RRBs with specific reference to their role in promoting the weaker sections.

During the period 1977 to 1984, the number of Regional Rural Banks increased from 4 to 9. The number of branches established by these banks stood at 689 in the year 1984 as against 112 branches in the year 1977. Over the period, the number of branches established by RRBs increased by 515 percent The average annual growth rate of branch expansion was 28 0 period during the period 1977 to 1984. As a result, average population served per office of a RRB branch declined from 68 thousands of population in the year 1977 to 4 thousands of population in the year 1984.

The number of deposit accounts and amount of deposits increased by 1162 percent and 2281 percent respectively between 1977 and 1984. Consequently, average amount of dposits per account which stood at Rs. 329 in the year 1977, increased to Rs. 618 in the year 1984. Likewise per capita deposit which stood at Rs. 2.54 in the year 1977, increased to Rs 19·94 in the year 1984. It may be observed that the higher percentage increase in the number of deposit accounts and amount of deposits is due to the fact that the banks started their career of deposit mobilisation with a low deposit base at the start-off period Similarly, the number of borrowal accounts and the amount of advance increased by 657 percent and 3345 percent respectively between 1977 and 1984. The higher percentage increase in the amount of advances, compared to the percentage increase in the number of borrowal accounts between the aforesaid years is due to the fact that RRBs dispensed a larger amount of finances out of the borrowings from NABARD and sponsoring banks. As a result, per capita amount of advance increased from Rs 3.7 in the year 1977 to Rs. 43.0 in the year 1984. During this period, average amount of advance per account increased from Rs. 325 in the year 1977 to Rs. 1481 in the year 1984.

The performance of RRBs can be further visualised by analysing the sectorwise and scheme-wise distribution of credit to weaker sections.

In the Draft Seventh Five Year Plan of Orissa (1985-90) the estimated total credit requirement for the rural sector was fixed at

Rs. 1777 crores. The following table shows the distribution of credit requirement among different sectors of the rural economy.

TABLE—I

ESTIMATED CREDIT REQUIREMENT IN THE RURAL SECTOR

(1985-1990)

SECTORS	Estimated credit requirement (in Crores of Rs.)	Percentage
1. Agriculture : Crop loan	319	(18-1)
2. Agriculture ; Term loan	822	(46.3)
3. Small artisans and village cottage industries	393	(22.1)
4. Small business and services (including professionally self employed)	243	(13.6)
TOTAL :	1777	(100 0)

Source : Government of Orissa, Seventh Five Year Plan 1985-1990 (Draft) Vol. I, P, 36.

It is evident from the table that out of the total credit requirement of the different sectors in the rural economy, the credit requirement of the agricultural sector alone accounts for 64.3 percent. followed by small artisans and village and cottage industries accounting for 22.1 percent of total estimated credit requirement. The small business and services account for 13 6 percent of the total estimated credit requirement in the rural economy as a whole. It is further to be noted that the estimated credit requirement for the rural economy is based as per 1980-81 prices. In terms of the current prices, the estimated credit requirement for the rural economy will be considerably higher.

As against the estimated credit requirement for the rural economy, the dispensing of credit by Regional Rural banks to the weaker sections shows that the percentage distribution of borrowal accounts and amount of advances in the agricultural sector is 51·6 percent and 59.1 percent in the year 1984, as against 59.8 percent and 64.9 percent respectively in the year 1980 Compared to the agricultural sector, other activities in the rural sector accounted for 40.0 percent and 35.1 percent borrowal accounts and amount of advances respectively in the year 1980. In the year 1984 the same accounted for 44.3 percent and 40.8 percent respectively. This shows that the percentage variation in the number of borrowal accounts and amount of advances over the period was 8.2 percent and 5.8 percent between 1980 and 1984. In otherwards, both the number of borrowal accounts and amount of advances to agricultural sector declined between 1980 and 1984. During this period, the percentage variation in the number of borrowal account and amount of advances for other sectors of the rural economy showed signs of positive change. The percentage variation of borrowal accounts and amount of advances was 4.3 percent and 5.7 percent respectively between 1980 and 1984. It is significant to note that the percentage share of consumption loan to the total credit remained at a very low level during the period from 1980 to 1984.

As mentioned earlier, the state Government has launched various special development programmes like IRDP, ERRP, DRAP, SFDA and MFAL etc. for the benefit of the identified beneficiaries in the rural economy. In order to assist the target groups to under take various productive activities, the state government has provided subsidies at the rates varying between 25 percent and 75 percent for different categories of borrowers. The Regional Rural banks provide credit at a differential rate of interest varying between 4 percent and 11.85 percent.

TABLE—II

SCHEME-WISE DISTRIBUTION OF CREDIT BY REGIONAL RURAL BANKS IN ORISSA : 1982 AND 1984

(As on December last)

(Amount in lakh of Rs.)

YEAR	IRDP		DRI		OTHERS		TOTAL	
	No. of A/C	Amount	No. of A/C	Amount	No. of A/C	Amount	No. of A/C	Amount
1982	16866	377	5487	135	5400	91	27783	602
	(60.8)	(62.6)	(19.7)	(22.4)	(19.4)	(15.1)	(100.0)	(100.0
1984	86495	1516	31545	446	170300	2399	288340	4361
	(30.6)	84.7)	(10.9)	(10.2)	(59.0)	(55.0)	(100.0)	(100.0)
Increase between 1982 and 1984	69599	1139	26058	311	164900	2308	260557	3759
	(26.7)	(30.3)	(10.0)	(8.3)	(63.3)	(61.4)	(100.0)	(100.0)

Sources : NABARD Central Office, Bombay, Data Mimeo.

It is evident from the table that the percentage distribution of borrowal accounts and amount of advances under IRD Programme was 26.7 percent and 30.3 percent of the total respectively between 1982 and 1984. Compared to this the percentage distribution of borrowal account and amount of advances under DRI account was only 10.0 percent and 8 3 percent respectively between 1982 and 1984. It is to be noted that over the period between 1982 and 1984 the percentage distribution of borrowal accounts and amount of advances in the case of IRD Programme and DRI Programme has declined. Compared to this the percentage distribution of borrowal accounts and amount of advances relating to other programmes has increased considerably. It is to be seen that the percentage distribution of borrowal accounts and amount of advances under special development programmes out of the total number of accounts and amount of advances in the state as a whole accounts for 43.0 percent and 43 8 percent respectively in the year 1984. In the year 1982 this stood at 5.5 percent and 10.7 percent respectively of the total number of accounts and amounts in the state.

Findings :

1. Compared to the total credit requirement in the rural sector the amount of credit deployed by Regional Rural banks is insignificant. As mentioned earlier, the estimated total credit requirement for the rural economy during the 7th plan is 1777 crores (Rs 177700 lakhs). Of this credit requirement, the RRBs have dispensed an amount of Rs. 9957 lakhs in the rural sector as on December 1984 This accounts for 5 6 percentage of the total credit requirement in the rural sector. As against the RRBs, the commercial banks and co-operative banks have provided Rs. 36200 and Rs 16500 respectively in the year 1984 In terms of percentage they account for 20.4 percent and 9.3 percent respectively in the year under consideration Precisely, the lending institutions together (Commercial banks co-operative banks and RRBs) account for only 35.3 percent of the total credit requirement. This shows that nearly 64.7 percent of the total requirement in the rural sector is meant from sources other than the organised lending institutions in the rural money market

2. One of the objectives of financing the special development programmes sponsored by the state government is to enable the identified beneficiaries to have a net incremental income of Rs. 3500 or more. The NABARD study reveals that the average pre development income per beneficiary in Orissa under IRD Programme in the year 1980-81 was Rs. 2263. On account of the institutional financing to the IRDP beneficiaries, the average post development income per beneficiary was

6 in the year 1982-83. This shows that the average incredental per beneficiary due to IRDP assets was Rs. 1233 between pre-
oment and post development income. As a percentage of pre-
oment income this accounts for 54.5 percent.

TABLE—III

Average income per beneficiary in the pre-development and post-development situation 1982-83.

(Amount in Rs.)

No. of benefi-ciaries	Pre-development income (1980-81)	Post-development income (1982-83)	Incremental income due to IRDP Assets.	%of predevelop-ment income
63	2263	3496	1233	54 5
1195	1967	3583	1616	82.2

: NABARD, Study of implementation of Integrated Rural Development Programme.

The table clearly indicates that the incremental income due to
ssets as a percentage of pre development income is only 54.5
in Orissa as against 82.2 percent at the all India level. It
ts that the incremental income as a percentage of pre-development
in other states of the country is much higher than Orissa The
RD data reveal that the incremental incoma as a parcantage of
velopment income is much higher in states like Haryana (117.7%),
(12‹.4%), Maharastra (109 0%), U.P. (104.6%). It is interesting
erve that the state which accounted for low pre-development
, they improved their position substantially to earn higher post
pment income through IRDP assets In contrast, in states like
where the pre-development income was relatively higher, their
evelopment income is not very much significant This suggests
e average incremental income due to IRDP assets is lower compa-
the all India level and other states of the country. The NABARD
reveals that, "It is clear from the foregoing analysis that in many
financial assistance to the sample beneficiaries under IRDP
t have the desired impact on a large proportion of beneficiaries."*
s due to factors like, poor quality of assets, failure of the
ciaries to acquire assets of right type and size of unit, improper
ing, and inadequate service facilities etc.

3. The Credit-deposit ratio of Regional Rural banks shows that whereas in the year 1977 it was 149.0 percent, the same was 215 5 percent. This reveals that the banks are dispensing much more credit than what they mobilise as deposits. This shows that RRBs are depending upon sponsoring banks and NABARD for their loans and borrowings. It is known that the RRBs are borrowing from the sponsoring banks at the rate of 8½% upto 35 percent of their loan requirement. Besides, they borrow 50 percent of their loan requirement from NABARD at the rate of 6 percent per annum for dispensing credit in the rural areas. All along the RRBs have been considered as dispensing agencies by the government. In the field of deposit mobilisation they have not been attached more emphasis. In the long run this has the possibility of weakening the structure of the RRBS. The PACs, too, met the similar situations in the past.

4. It follows from the above findings that RRBs have earned less profit but incurred more losses from banking business in the rural areas. Total income earned by all the Regional Rural Banks in Orissa as on December 1984 was Rs. 1148 lakhs. As against this, total expenses incurred by them in the said year was Rs. 1256 lakhs Consequently the Regional Rural banks suffered the loss of an amount of Rs. 108 lakhs. More significantly, the accumulated loss over the years beginning from 1977 was Rs. 271 lakhs.

One of the factors responsible for the losses incurred by the Rural banks is the low productivity of their employees. As on December 1984, the total number of employees, working in the RRBs in Orissa is 2802 (2763 RRBs Staff and 39 sponsoring bank staff). In the said year the total number of RRBs branches in Orissa is 689. There are, thus, on an average four employees in each Regional Rural bank The number of deposit accounts and borrowal accounts handled per employee was 266 and 240 accounts respectively in the year 1984 As per the official stipulation, each employee is require to handle not less than 700 accounts each of the diposit and loan accouts. As against this stipulation the number of diposit accounts and borrowal account handled per employee was very low Percentage wise this accounts for 38 percent and 34 percent respectively of the stipulated level.

Further more, average amount of income earned per bank employee was Rs. 41 thousand in the year 1984. As against this, average amount of expenses incurred by the bank per employee was Rs 44 thousand in the said year. The RRBs, thus, spend an additional amount of

✻ NABARD, Statistics on Regional Rural Banks, PP, 24-37

Rs 3 thousand per employee. The Regional Rural Banks are expected to function as low cost profile banks. But in actual practice their cost of operation seems to be very much higher. Further more, at the formative stage it was envisaged that the sponsoring bank will provide most of the staff required by the Rural banks. Since the sponsored bank staff will receive their emoluments from the parent organisations, the RRBs will not bear the heavy burden of maining the staff. But the percentage share of sponsored bank staff to the total staff in the RRBs is only 13 percent in the year 1984. As a result, RRBs were forced upon to maintain quite a large number of staff by incurring expenses in the form of wages, salaries and other expenses.

5. The Regional Rural Banks also face the poor recovery of loans. Available data reveal that the total amount demanded for recovery by RRBs was Rs. 964 lakhs in the year 1984. Of this demand amount, the actual collection towards recovery of loans was Rs. 370 lakhs In terms of percentage, the ratio of collection to demand is only 38 percent. This shows that nearly 62 percent of the balance amount remain unrecovered by the banks. This is much higher compared to the percentage of balance to demand at the all India level which stood at 49.8 percent.* The NABARD study also confirms this. As per the study, the overdues in bank branches financing under IRDP scheme stood at 51.2 percent in Orissa in the year 1982-83, as against 30.8 percent at the all India level. In other wards out of 64 beneficiaries only 3 beneficiaries repaid the entire loan out of net incremental income. Other 61 beneficiaries defaulted. Factors like inadequate income generation from assets financed, financing of poor quality of assets, small unit size, poor supporting service, high incidence of leakages of funds due to low amount of consumption loan, settlement of prior debts etc. are responsible for poor recovery of loans from the beneficiaries. **

Problems :

The RRBs in Orissa do not have sufficient understanding of the socio-economic status of the weaker sections. In the absence of adequate data pertaining to the socio-economic conditions of the weaker sections the RRBs find it extremely difficult to qualitatively improve the economic well-being of the weaker sections. In this case, there is the need for collecting systematic data about the beneficiary's asset position, income level, education and training and ability to increase his

* NABARD, Statistics on Regional Rural Banks, 1985, P, 31

** NABARD, Report on Study of implementation of Integrated Rural Development Programme, 1985, P, 54 productivity etc. Even there is the need for collecting complete data on the socio-economic status of the village financed by RRBs. At present, the collection of such data, either by the institutions or by the academic circles rarely exist

There is, further, the problem of supervision and follow up action by RRBs. As mentioned earlier there are on an average four employees in a branch of RRB —One Officer, two clerks and one sub-ordinate staff in the rank of a sweeper or a waterman. As is known the last functionary is completely immobile and rarely undertakes administrative responsibility. There are, therefore, virtually three staff members in a branch of RRB. The nature of financing the weaker section is so cumbersome that these functionaries, inaddition to their normal routine work find it extremely difficult to undertake supervision work for ensuring effective and use of credit. This is one of the reasons for which the RRBs have a poor recovery of loans.

There is also inadequate links between RRBs and other promotional agencies working in the Rural areas. For instance, the RRBs fail to receive the list of identified beneficiaries in time. It so happens that the list of identified beneficiaries reach to the RRBs at a time when they are almost cornered in a tight financial position. Likewise, they very often receive the subsidies from the block offices after the disbursement of loan to the beneficiaries. It is suggested that the commercial banks should transfer their rural branches by phases to RRBs with a view to improving the latter's performance in the rural areas. This has been suggested by expert bodies on a number of occasions. But till now steps in this direction has not made much headway. The commercial banks hesitate to transfer their rural branches for fear of losing the business in the rural areas. RRBs do not show keen interest to adopt rural branches of commercial banks on account of managerial difficiencies. Finally, co-operative banks involvement in financing the weaker sections has remained nominal only. There is therefore the need for making a combined effort by all the agencies in the field of rural reconstruction

The solution to improve the efficiency of RRBs rests with the removal of problems mentioned above. However, there is the immediate need for undertaking various developmental and promotional activities in rural areas like, marketing, supply of inputs, guidance, infrastructural net works, active and effective co-ordination between developmental agencies and, supportive services etc.

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Pattern of Credit Allocation Among Different Categories of Farms

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The institutional credit agencies try to distribute their loanable funds in such a way as to minimise risk. Before making an advance, a banker satisfies himself whether the borrower has the security to be pledged to ensure the repayment of credit; whether he has the capacity to benefit from the use of funds and whether he is willing to repay. Since adequate information about the borrower's personal credibility is not easily available, the lending institutions insist more on tangible assets as security against loans. Under these circumstances credit tends to be rationed not according to needs but according to the existing economic status of the borrower. For this reason, it is sometimes believed that, the small and marginal farmers depend upon non-institutional sources of credit. It is therefore argued that for providing an easy access to the small farmers to institutional credit, the institutional agencies, must address themselves to this problem and organise themselves in such a way as to provide an increasing flow of credit to the small and marginal farmers.

The present study highlights the pattern of credit allocation among different farm size groups. The study is based on the data collected from 99 farmers (i. e, 44 small, 34 medium and 21 large farmers) in Cuttack Sadar Block of Cuttack district.

The distribution of credit has been studied in respect of some of the farm characteristics. The main objective is to analyse the extent to which the credit distribution is associated with certain farm characteristics, like size of land holding,[1] farm assets, farm expenses, gross farm output etc It is hypothesised that farm characteristics

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1. We have used the owned land holding in place of operational holding in this analysis, because for deciding credit-worthiness of a borrower, the owned holding is relevant

influence credit allocation among different categories of farms and it is discriminatory against small farms. Gini indices of concentration (GIC)[1] have been used as the analytical tcol to analyse the data.

A comparative picture of credit distribution acccrding to farm characteristics and GIC for the above mentioned characteristics may be seen from tables—1 and 2 respectively.

Table—1 shows that the small size farms constituted about 44 percent of the total samples and owned only 23.31, 23.74 and 23.89 percent of land in 1978-79, 1979-80 and 1980-81 respectively. The medium and large size farms constituted nearly 34 and 21 percent of the total sample farms and owned 36.63 and 40.06 percent in 1978-79, 36.69 and 39.57 percent in 1979-80 and 36 92 and 39.19 percent in 1980-81 of the total land held by the sample farms respectively. This indicates that there was concentration of land ownership in favour of large size of farms.

Perusal of the table further reveals that the distribution of credit followed an identical pattern as compared to distribution of land among the three categories of farms. The small size farms got only 19 14 percent in 1978-79, 17.33 percent in 1979-80 and 19.26 percent in 1980-81 while the medium and large size farms got 39.93 and 40.93 percent in 1978-79, 40.64 and 41.63 percent in 1979-80 and 38.51 and 42.23 percent in 1980-81, of the total credit advanced to the sample farms respectively. On the other hand, comparison of the allocation of credit in respect of other farm characteristics like farm assets, farm expenses, gross farm output etc. revealed that credit allocation was almost in proportion to the resources held by each size group of farms, every year.

GIC (Gini Indices of Concentration) also supported the above results (table-2). GIC for the number of farmers and land owned were ·57 in 1978-79, .60 in 1979-80 and .58 in 1980-81, which indicate that there was a high degree of concentration of land ownership among the large size farms When the number of farmers was used to measure the credit allocation, the GIC worked out at .64 in 1978-79, ·62 in 1979-80

1. $GIC = 1 - \left[\sum_{i=1}^{K} (f_{i+1} - f_i)(y_i + y_{i+1}) \right]$ where,

f_i and y_i are the cumulative percentages of the respective variables and K is the number of class intervals.

and .66 in 1980-81, indicating once again that the allocation of credit was skewed and the large size farms were getting proportionately larger share in all the three years. The position, however, changed when the proportion of land owned and the proportion of credit used by each size group of farms were studied simultaneously. In this case, the GIC worked out to only .13 in 1978-79, .12 in 1979-80 and .16 in 1980-81 which indicated that the distribution of credit was almost equitable in respect of the economic characteristics of the farms. In other words, if land distribution was taken for granted, the other resource variables might be considered as evenly distributed among different categories of farms. Therefore, the distribution of credit and other economic variables gravitated towards the large size farms in accordance with the distribution of land. Viewed from this angle, the distribution of credit might appear to be economically desirable. However, if farm population was taken as the basis, for credit allocation, there appeared to be concentration of credit allocation in favour of large size farms.

Conclusions :

Thus on the basis of above analysis, it may be inferred that (a) there was high degree of concentration of land ownership in favour of large farmers (b) the small farmers had less credit in proportion to their total number, (c) the large farmers had a comparatively stronger resource base than the smaller ones and (d) the distribution of credit in general was in proportion to the resources held by the farmers.

Thus the above study provides supporting evidence to the hypothesis that farm characteristics influence the distribution of credit and it is discriminatory against the small farms.

Policy Implications :

The study supports the general belief that there is a concentration of credit allocation in favour of large farms, when farm population is used as a measure of credit allocation. But when other measures of credit allocation such as land owned, farm assets, farm expenses, gross farm output etc. were used, it was found that credit is almost evenly distributed amongst different categories of farms. This raises the basic policy question i e. whether the progress and success of credit programme be judged through its impact on overall economic growth or through its impact on economic development. The answers to this question will depend upon the basic national objective relating to economic, politicaland social policy matters.

If the policy is to improve the economic condition of small farmers through equitable distribution of credit, then the present basis of credit allocation needs to be changed. Some questions will however, need to be answered before any policy decision to readjust the credit system to help the rural poor is made. Is it economically feasible to leave the problem of unequal distribution of land untouched and seek solutions for equitable distribution of other economic resources such as credit ? Is it socially and politically feasible to redistribute land in order to eliminate inequalities in the distribution of credit ? The answer to these questions are not within the scope of the present study. The answer must however form an important factor, while taking relevant policy decisions.

If on the other hand, the national policy objective is to achieve economic growth then the present allocation of credit may be construed to be in line with the objective. The argument is that the credit is being allocated in proportion to the resources held by the farmers. But since the co-operative and commercial banks which are the main sources of institutional credit to the agricultural sector are profit oriented organizations, they always try to maximise their profits and minimise the risk while allocating credit. Under the present system of credit allocation therefore, the equity question is not likely to be resolved. Under such circumstances, it is suggested for the credit agencies to adopt a non-discriminatory approach in loaning programmes by selecting those farmers who do not have adequate owned resources, but have the potentialities of increasing farm income with the help of additional credit supply.

Table : 1—Distribution of credit according to various economic characteristics in different size-groups of CR farms, during 1978-81.

Particulars	Size groups (in ha.)			
	I	II	III	Pooled
1978-79				
1. No. of borrowers	44	34	21	99
2. Percentage of holdings	44 44	34.34	21.22	100.00
3. Land held (owned)	23.31	36.63	40.06	100.00
4. Assets	22.79	41.23	35.98	100.00
5 Credit used	19.14	39.93	40.93	100.00
6. Farm Expenditure	20.70	39.20	40.10	100.00
7. Gross Farm output	24.87	37.31	37.82	100.00
1979-80				
1. No. of borrowers	44	34	21	99
2. Percentage of holdings	44.44	34.34	21.22	100.00
3. Land held (owned)	23.74	36.69	39.57	100.00
4. Assets	22.48	41.17	36.35	100.00
5. Credit used	17.73	40 64	41.63	100.00
6. Farm Expenditure	21.28	38.97	39.75	100.00
7. Gross Farm output	25.07	38.97	39.75	100.00
1980-81				
1. No. of borrowers	44	34	21	99
2. Percentage of holdings	44.44	34.34	21.22	100 00
3. Land held (owned)	23.89	36.92	39.19	100.00
4 Assets	22.21	40.92	36.87	100.00
5. Credit used	19.26	38.51	42.23	100.00
6. Farm Expenditure	17.82	40.56	41.62	100.00
7. Gross Farm output	26.33	36.77	36.90	100.00
1978-81				
1. No of borrowers	132	102	63	297
2 Percentage of holdings	44 44	34.34	21.22	100.00
3. Land held (owned)	23.65	36.75	39.60	100.00
4. Assets	22.48	41.10	36.42	100.00
5. Credit used	18.68	39.66	41.66	100 00
6. Farm Expenditure	19.92	39.59	40.49	100.00
7. Gross Farm output	25.44	37 11	3745	100.00

TABLE : 2—Gini Indices of Concentration of land owned, credit used and various other economic characteristics of CR farms, during 1978-81

Items	Farmers and land owned	Farmers and credit use	Land owned and credit use	Farm Exp. and credit use	Farm assets and credit use	Gross output and credit use
Gini Indices (1978-79)	.57	.64	.13	.11	.21	.24
Gini Indices (1979-80)	.60	.62	.12	.12	.18	.22
Gini Indices (1980-81)	.58	.66	.16	.11	.19	.22
Gini Indices (1978-81)	.61	.65	.15	.12	.18	.21

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Agricultural Credit in Ganjam District : An evaluation based on Credit Plan.

Sri S. K. Panda
Dr. Manoranjan Das

Need for Credit :

Ganjam district is one of the Southern districts of Orissa. The district is bounded by Boudh-Kandhmals and Puri districts in the North, Srikakulam district of Andhra Pradesh in the South, Boudh-Kandhmal and Koraput districts in the West and Bay of Bengal and Puri district in the East. The climate is equitable. The South-West monsoon commences in the district by the second week of June and ends by October. The average rainfall in the districs is 1374 50 mm. Ganjam is the third most populous district in Orissa with a population of 26,52,699 (1981 census). The density of population per square kilomate is 211 which is third in the state. The percentage of urban population to total population is 15. Thus, 85 percent of total population lives in the rural areas. About 75 percent of workers namely cultivators and agricultural labourers depend on agriculture for their livelihood. Paddy is the main crop grown in the district.[1] Therefore, the productivity of this crop determines the level of living of the farmers. When we analyse the yield rate of paddy grown in the three different seasons of year, it is seen that the yield rate of Ganjam in case of Autumn and Winter Paddy (i.e. 10.38 quintals and 10.25 quintals of cleaned rice without husk per hectare respectively in 1982-83) is relatively much higher than the yield rate of other districts. But in case of Summer, Paddy the yield rate of Ganjam (i. e. 6.17 quintals in case of HYV and o.29 quintals in case of local variety in 1982-83) is almost the minimum in the State. The same trend is also noticed in the year 1983-84.[2]. The low productivity of the Summer paddy is primarily due to the lack of irrigational facilities in the district. Probably due to this reason the area put to cultivation falls drastically during Summer. The net area put to cultivation of Winter paddy is 316 thousand hectares; it is 11 thousand hectares in case of Autumn-paddy and only 0.92 thousand hectares in case of Summer-paddy[3] (This figure is of 1983-84). The yield rate of rice in the prosperous states like Punjab and Haryana is much higher than that of Ganjam, the yield rate of Haryana being 26.02 and that of Punjab being 27.36 quintals per hectare.[4] The productivity of other crops like pulses, oil-seeds and cash-crops like Sugar-cane is also not satisfactory in the district. The allied activities like dairy, goatery, pisciculture etc. have not been adequately developed. Thus, agriculture on which 85% of the people depend for their livelihood is backward. If it is intended to improve the lot of the rural poor in Ganjam, it can be achieved mainly through agricultural development (Development of farming and other allied activities). To bring about this, provision of credit is of utmost importance.

Credit Outlay and Achievement :

Andhra Bank, which is the Lead-Bank in Ganjam has been assessing the credit requirement of the agricultural sector (that is, rural sector) under the Lead Bank scheme and has also been indicating the degree of achievement in regard to disbursement of credit by various institutions, and has also pointed out the difficulties faced to reach the target. It has also made some useful suggestions. A review of all these has been attempted in this paper.

Three credit plans have been prepared by the Lead Bank; first, for the period 1977-79, second, for the period 1980-82, and third, for the period 1983-85. The outlay on crop and Term loan and the achievement during different credit plan periods have been presented in **Table-1.** The figures in the table indicate that both in the case of crop and Term loan the targets were not achieved. In case of crop loan the achievement was 79 percent in 1977-79, 80.86 percent in 1980-82, 72.18 percent in 1983, and 70.50 percent in 1984 In case of Term loan the achievement was 88 percent in 1977-79, 53.38 percent in 1980-82, 83.07 percent in 1983, and 70.23 percent in 1984

Difficulties.

The achievement of credit targets depends not only on the financial institutions but also on the efforts of the Govt. and involvement of people. The credit plan of a district is an assessment of credit requirements for development of agriculture, industry and service sectors. The targets mentioned in the credit plans can be achieved when there is proper co-ordination among the various governmental agencies and financial institutions. Setbacks in developmental efforts also contribute to nonrealisation of targets fixed in the credit plans. Agriculture which is the mainstay of the people of the district receives primary attention in allocation of credit. It has been observed that such credit has not been availed in full measure by the rural people because of following reasons.

TABLE—I

Credit Plan Outlay and Achievement in Agricultural Sector in Ganjam District

Agricultural Sector	Credit Plan outlay	Achievement *	Percent
	(Rupees in lakhs)		
Credit Plan 77-79			
Crop Loan	1146.57	900.55	79
Term Loan	989.63	865.02	88
Credit Plan 80-82			
Crop Loan	1007.00	872 88	86 88
Term Loan	2906.40	1558.05	53.38
Credit Action Plan 83			
Crop Loan	1600.00	1155.00	72.18
Term Loan	951.00	790.00	83.07
Credit Action Plan 84.			
Crop Loan	1800.00	1395.00	77.50
Term Loan	1065.00	748.00	70.23

* The figure of achievement shown under Credit Plan 77-79 is upto 30-6-79 and under Credit Plan 80-82 is up to 30.9.82.

Source :

Credit Plan, Ganjam district, 1980-82, P. 173

Credit Plan, Ganjam district, 1983-85 P-79 &

Annual Action Plan 85 Ganjam district, P-44.

Crop Loan :

In the granting of agricultural credit land records are required. But in most of the cases the records are not upto-date and it hinders the sanction of credit.

Crop loans are primarily meant for the purpose of inputs like high yielding variety of seeds, fertilizer and pesticides. Nonavailability of these inputs in time discourages the farmers to avail crop loans.

Ganjam unlike other coastal districts of Orissa does not have many rivers. The farmers mainly depend on tanks, nallahs and wells for irrigation. Since these sources of water are not adequate no major crop can be raised in Summer. This restricts the use of crop loans.

Agricultural development depends on the adoption of modern techniques of cultivation. The farmers of the district being illiterate and ignorant have not accepted these methods. Local seeds continue to be used. Utilization of chemical fertilizers and pesticides is not widespread. This results in less use of Crop loans.

Term Loan :

Term loans are mainly used for purchase of equipments. The size of most of the land holdings being small mechanised cultivation cannot be introduced on a large scale.

The underground water has potential in the district and a large number of dugwells can be the major source of water for agric. ltural development. The Ground Water Dept. has not yet prepared village wise fesibility reports and obtaining such reports from the dept. is sometimes time-consuming.

In case of lift irrigation the discouraging factor is getting electricity connection. The electrical dept. of the Government harasses the farmers in this connection.

Limited application of mechanisation in agrirulture is also due to absence of sufficient number of agroservice centres in the rural areas. The farmers have to go to a city for the repair of tractors, pumsets and other equipments.

Since the farmers do not have their own source of water they lift water from rivers, tanks and streams. The revenue authorities grant license for this purpose usually for a year. The farmers who want to buy pumpsets are discouraged as they apprehend that such licenses maynot be granted to them in the coming years. These factors contribute to the non realisation of Credit Plan targets.

The farmers are reluctant to avail loans for allied activities such as dairy, poultry, goatery and piggery as there is shortage of good quality animals and animal feeds. Marketing of their produce is also another difficulty faced by the farmers.

Though in case of term loans nearly 75% of the target has been achieved, a larger part of it has been for allied activities. The farmers have not obtained much for proper agricultural development. So, agricultural development has not been satisfactory in this district.

While granting loan the banks insist on no-due certificate from the cooperatives. Sometimes the co-operatives have not co-operated with the farmers in this regard.

Human factor is also responsible for nonrealisation of targets in case of both kinds of agricultural loans. There is lack of motivation. The various agencies of the Government have failed to educate the farmers to avail loans for agricultural development.

Suggestion :

The difficulties mentioned above show why the farmers have not fully availed of the funds available to them from various institutions. But these difficulties can be overcome with suitable changes in the procedures and attitude of various agencies involved in this process.

The land records should be updated and land cards should be issued to the farmers to facilitate sanction of loans. The Ground Water Dept. should undertake village wise ground water potential survey and the reports be made available to the financial institutions in the district. The electrical dept on its part should provide power to the farmers for energisation of pumpsets without delay. HYV seeds, fertilizer and pesticides should be provided to the farmers in time. Greater use of better seeds also depends on irrigational facilities. So, the Government should develop canal system in the district. The revenue authorities should grant license for the use of public sources of water for the full period of the loan. To make the allied activities like diary, piggery etc. popular among the farmers in the district good quality animals should be provided. Supply of animal feeds should be the responsibility of Cooperatives. Marketing centres should be developed in rural areas.

Voluntary organisation and various Govt. agencies should motivate the farmers to switch over to modern and scientific methods of cultivation, greater awareness among the farmers will definitely result in faster agricultural development and an improvement in their standard of living.

References

1. Credit Plan 1983-85, Ganjam District, Orissa, Vol. I (Andhra Bank, Regional Office, Berhampur), Chapter I.
2. Economic Survey of Orissa 1983-84 (Bureau of Statistics and Economics .Orissa) pp 128-131.
3. Ibid—pp 128-131.
4. Economic Survey of Orissa—1983-84, Op. cit. p-28.

RURAL CREDIT AND CO-OPERATIVE IN MAYURBHANJ DISTRICT

Sri M. M. Das
Sri M. K. Sarangi

This paper deals with the rulal credit, different institutional financing agencies with special reference to the role of co-operative sector in the sphere of rural credit in the district of Mayurbhanja. It also deals with the trend of loans advanced by the co-operatives, the recovery of loans and the quantum of benefit received by the weaker sections of the district.

Institutional Financing Agencies :

The farmers of the district who are mainly small farmers and marginal farmers do not get sufficient finance to meet the need of traditional method of farming. However in recent years the number of institutional financing agencies has increased in the district. Their performance is not satisfactory. The different institutional financing agencies in the district at present are given below :

	Name of the Institutional Agency	No. of branches in the Dist.
1.	Mayurbhanj Central Co-op. Bank (MCC)	13 Branches of M.C.C. & 53 LAMPCS.
2.	Baitarani Gramya Bank	53
3.	Bank of India	21
4.	State Bank of India	15
5	United Bank of India	10
6.	Canara Bank	03
7.	Syndicate Bank	01
8.	Primary Co-op. Land Dev. Bank	04
9.	Bank of Baroda	01

From 1980 onwards Credit Plans for Mayurbhanj district are being prepared by the Lead Bank of the district under the Lead Bank scheme. The Credit Plan is made up of two parts, one, an Annual Action plan and the other, a three year District Credit plan. Annual Action Plan provides targets of credit to different institutional agencies on the basis of credit needs prepared by the Deputy Director of Agriculture, considering the predominantly agrarian economy of the district, agriculture accounting for a big chunk of the total allocations of credit in the Credit Plan with 73.74 percent. Among the different institutional financing agencies the Co-operatives, the Commercial Banks and Gramya Bank play major role. Among the three, co-operative sector is the major partner and it provides 44.73 percent of the credit needs of the farmers of the district. According to the estimate of the Deputy Director of Agriculture, Mayurbhanj range, the credit needs of the farmers of the district are six crores for the year 1985. According to the Credit Plan prepared by the Lead Bank, the Mayurbhanj Central Co-operative Bank meets 80 percent of the targets allotted to it. The predominance of M.C C. Bank in the sphere of rural credit in the district can be known from the allotment in the Credit Plan for 1984.

TABLE—I

Sl. No.	Name of the Institutional financing agencies.	Agricultural credit (Rs. in lakhs.)
1.	Bank of India	80.46
2.	Baitarani Gramya Bank	134.81
3.	State Bank of India	65.54
4.	United Bank of India	33.56
5.	Canara Bank	5.90
6.	Syndicate Bank	5.70
7.	M. C. C. Bank	580.11
8	Land Development Bank	121 59

Since the District Credit Plan is a means to help the financing institutions to deploy their resources according to national priorities, the credit plan is prepared in consonnance with the objective of the national plan which seeks to (i) remove unemployment and underemployment, (ii) raise the standard of living of the poor & (iii) providing basic needs of the weaker sections

Review upto September, 1984 indicates the poor performance of commercial banks in the agricultural finance and the satisfactory performance of co-operatives particularly M.C.C. Banks in the sphere of rural credit. Thus co-operative sector plays a predominant role in the sphere of rural credit in Mayurbhanj.

In the subsequent paragraphs efforts have been made to give the trend of loans advanced, the beneficiaries in priority sector, the recovery position during the period 1979-80 to 1984-85.

Trend of Loans Advanced :

Table-II (A), II (B), & II (C) below give a picture of the trend of loans advanced by the co-operative sector for various agricultural and allied purposes.

TABLE-II (A)

Year of operation.	Total amount of loans advanced (Rs. in lakhs)		
	Short-term	Medium-term	Long-term
1979-80	192.24	133.59	114 87
1980-81	251 73	48.17	57.66
1981-82	279.39	94.2	58.84
1982-83	239.39	278.72	67.68
1983-84	293.20	80.78	41.90
1984-85 (Provisional)	287.43	41.67	49 81

TABLE—II (B)

Year	Total amount of Khariff loan advanced.
1979-80	174.99
1980-81	219.42
1981-82	235.54
1982-83	160.89
1983-84	253.50
1984-85	258.76.

TABLE—II (C)

Year	Amount of loan for Rabi Crop.	Amount of loan for irrigation purpose.	Loans for other purpose.
1979-80	17.25	48.92	84.67
1980-81	32.31	25.01	23.17
1981-82	43.85	46.69	47.33
1982-83	78.98	63.26	215.46
1983-84	39.70	20.77	60.01
1984-85	28.67	N.A.	N.A.

From table II (A), it is evident that there has been a variation i. e. rise & fall in the amount of loans advanced in cases of all types of loans such as short term, medium term & long-term. In case of short-term loan excepting the year 1982-83 and the provisional statistics of 1984-85, there has all along been an increasing trend in the amount of loans advanced.

In case of medium term loans the fluctuations in the amount of loans are more glaring. From table-II (A), it is evident that excepting the year 1979-80 & 1982-83, in other years the amount of loans advanced in case of medium term loan are unsatisfactory.

When both short-term & medium-term loans are taken together excepting the year 1980-81 and the year 1984-85 (Provisional statistics), there has been an upward trend in the amount of loans advanced by the Co-operatives. If a comparasion is made with the amount of loan advanced by the co-operative banks in the year 1970-71, it is evident that loans advanced by the co.operative banks have registered an increase of about 20 times (2000 percent) in the year 1982-83 over the amount advanced in the year 1970-71 (25,06 lakhs of Rupees).

In case of long-term loans advanced by L. D. Banks, it is evident from the table that there was about 100 percent fall in the amount of long-term loan advanced in the year 1980-81, over the amount advanced in 1979-80. There was a rise in the amount of long-term loans advanced during the years 1981-82 & 1982-83 Again there was a fall in the amount of loan advanced by about 25 78 lakhs in the year 1983-84. However there was an increase in the amount of loans advanced in the year 1984-85.

Table-II (B), reveals that excepting the year 1982-83 there has all along been increasing trend in the amount of loans advanced for Khariff.

it is evident from table-II (C) that the amount of loan advanced for Rabi crops has an increasing trend till 1982-83 and afterwards it has a declining trend. Rabi loans advanced by the Co-operatives for the first time in 1972-73 registered an increase of about 2633 percent in the year 1982-83 over the amount advanced in 1972-73 (i. e. 2.70 lakhs).

TABLE—III

Number of beneficiaries :

Year	No. of beneficiaries (Figure in Nos.)					
	Landless Labourer	Marginal farmers	Small farmers	Large farmers	Others	Total
1979-80	110	16697	25379	23105	571	65,862
1980-81	333	18951	13157	12535	—	44,976
1981-82	—	7146	10916	13270	—	31,332
1982-83	—	15044	17513	14324	—	46,881
1983-84	9	14704	15612	9449	—	39,774
1984-85 (P)	N. A.	10240	18074	N. A.	—	41,444

The table indicates that the landless labourers received negligible benefit from the co-operative credit. Number of marginal farmers receiving credit fluctuated. In 1980-81, the number increased by 2254 but suddenly in 1981-82 the number came down to 7146 i.e. the number decreased by 11805. The next year i. e. in 1982-83 the number increased to 15044 but in the next two years i. e. in 1983-84 1984-85 there was a declining trend. The number of small farmers receiving credit also fluctuated from year to year. In 1979-80, the number of beneficiaries was 25379 but it came down to 13157 & 10916 in 1910-81 & 1981-82 respectively. The number increased to 17513 in 1982-83 and decreased to 15612 in 1983-84. In 1984-85, the number of beneficiaries again increased to 18074. The number of large farmers receiving credit from Co-operative also varied from year to year. It was 23105 in 1979-80 and then came down to 12535 in 1980-81. There was an increasing trend in the next two years i. e. 1981-82 and 1982-83 but there was again decrease in the number of beneficiaries in 1983-84. In these years, the percentage of large farmers to total number of beneficiaries varied from 42 percent in 1979-80 to 23 percent in 1983-84.

TABLE—IV

Year	Number of S. T. & S. C, receiving benefits			
	S. T.	S C.	OTHERS	TOTAL
1979-80	23446	3454	38962	65,862
1980-81	25617	5405	13954	44,976
1981-82	21206	8048	2078	31,332
1982-83	25781	5518	15582	46,881
1983-84	21424	3891	14459	39,774
1284-85 (P)	22963	3756	14725	41,444

From table-IV, it is evident that the number of S. T. beneficiaries varied between 21206 to 25781 during the period 1979-80 to 1984-85. The number was highest i. e. 25781 in 1982-83 and was lowest i. e. 21206 in 1981-82.

Recovery of Loans.

The recovery position of financing Banks assumes great importance since the effective implementation of any credit plan pre-supposes regular re-cycling of funds lent by the financing institutions.

Table V & VI reveal the recovery position of the co-operatives.

TABLE—V (Figure in lakhs of Rupees)

Year	Demand	Collection	% of collection.	Overdues	Bad debt.
1979-80	252.35	139.50	55.28	112.86	40 72
1980-81	368.75	232.51	63.05	136.08	39.91
1981-82	397.30	200 21	50.39	196.96	48 73
1982-83	621.23	357.14	57.49	264.09	60.28
1983-84	624.46	304.62	48.78	323.34	65.22
1984-85	656.77	336.71	51.27	320 02	64.61

TABLE—VI (Figures in lakhs Rs.)

(Recovery of loan by L. D. Banks)

Year	Demand	Collection	Percentage of collection
1979-80	31.66	18 82	59.44
1980-81	55.28	48.49	87·72
1981-82	73 64	50 60	68.71
1982-83	97.58	41.94	42.98
1983-84	81 73	74.31	90.92
1984-85	N. A.	N. A	N. A.

Table—V reveals that the amount & percentage of recovery of loans fluctuated from year to year. The amount of recovery of loans was maximum in 1982-83 and minimum in 1979-80. In respect of percentage of recovery of loans, the percentage was highest i. e. 63 05 percent in 1980-81 and lowest i. e 48.78 percent in 1983-84 Excepting the year 1983-84, when the percentage of recovery was below 50 percent, in all other years the percentage of collection was above 50 percent As regards overdues, the amount of overdues continuously increased from 112.86 lakhs rupees in 1979-80 to 320.02 lakhs rupees in 84-85. Bad debt also increased from 40.72 lakhs (approximately) in 1979-80 to 64.61 lakhs rupees in 1984-85.

In case of L D. Banks also the amount and percentage of recovery of loans fluctuated from year to year. Amount of recovery of loan was maximum i.e.74.31 lakhs rupees in 1983-84 and minimum i. e. 18.82 lakh of rupees in 1979-80. Excepting the year 1982-83, in other years there has been an increasing trend in the recovery of loans. As regards the percentage of recovery of loans, the performance was satisfactory in the years 1980-81, 1981-82 & 1983.84. In the year 1982-83, the performance was very unsatisfactory i.e the percentage of recovery of loan was only 42.98 percent. The percentage of recovery was maximum i e. 90.92 in the year 1983-84. This was a record performance.

Findings :

(1) The study reveals that in the matters of agricultural finance, the co-operative sector (Particularly MCC) enjoys a comparative advantage over the other institutional financing agencies. This has been admitted by the credit plan of Lead Bank scheme of the district. The co-operative banking agencies in Mayurbhanj district in spite of their

weakness enjoy a comparative advantage over the commercial ing institutions in the district due to the following reasons.

(a) People like to borrow from the co-operatives as they urse cash components.

(b) Special assistance is rendered by Govt. machinery for the very of the co-operative loans.

(c) The co-operatives are older institutions than commercial s and they have more intimacy with the Panchayat Samity Staff and gers.

(d) Co-operatives work more as agencies of development than ing agencies whereas the commercial banks function mere as ing agencies.

(2) Area of operation of the rural branches of commercial banks e district coincides with that of the LAMPS. The LAMPS are rally preferred to commercial banks.

(3) Large farmers are still getting a sizeable share of the cake -operative credit.

(4) Percentage of S. T. & S. C. beneficiaries receiving credit e total number of beneficiaries is above 60 percent in all the years pting the year 1979-80, when the percentage was only 41 percent. though as regards percentage of S. T. & S. C. people receiving it is heartening the total number of S.T. & S.C. households receiving t is not at all satisfactory.

nclusion :

The first credit plan for the district was launched in ember-1977 but had to be terminated on 31st December, 1979. The credit plan was launched in 1980. Inspite of the credit plan the rdination between various institutional financing agencies of the rict has not been satisfactory. There should be better co-ordination veen the different agencies and this can be looked after by the Lead k Officer of the dis.rict and he should be given sufficient power in respect. Commercial Banks should provide more agricultural nce to farmers. Commercial Banks have an edge over Co-operative ks in the matter of receiving & mobilising resources The commercial ks have their own deposits whereas the deposits of co-operative

The area of operation of different institutional financing cies should not coincide. For example at present, area of operation ıral branches of commercial banks in the district coincides with that ,MPS. In order to avoid difficulty at least one LAMP is to be d to every commercial Bank in the district. The specific areas of tion should be earmarked for different institutional agencies in to avoid duplication. The commercial Banks should also be ed to route funds through unceded LAMPS to a large number of borrowers when the societies can not themselves finance under .R I. scheme.

It is observed that the defective implementation of credit plan in istrict is due to considerable apathy towards this at the grass root of the Govt. machinery. The proper implementation of credit plan res much greater co-operation from the Govt. agencies starting the Block level upwards.

The most important fact for the success of co-operative move- is the personnel involved in the movement. The Co-operative nnel behave as money lenders and theretore there is lack of proper rt with the borrowers. Personnel selected as field staff should sufficient motivation and involvement in the movement.

Inspite of special assistance rendered by the Govt. machinery e recovery of the Co-operative loans, the amount of overdues ases continuously. This is due to mis-utilisation of loans. The armers utilise the loans for consumption purposes. The institutional cing agencies including Co-operative Banks do not usually provide mption credit. Eventhough recently some amount of consumption for the expenses of social functions like marriages and funerals been given to the weaker sections, the amount is negligible in rision to the need. Moreover, consumption loans are also required demption of old loans. But the security of Gold as demanded by nancing agencies deprives the weaker sections from availing the y So sufficient amount of consumption loans should be provided the institutional financing agencies to the weaker sections and loans may be linked with production.

For economic upliftment of S T. & S. C. people who form the er sections; there should be provision for all types of credit such as mption, production, long, medium and short-term.

Requirement of credit in the agricultural sector should not be ered in compartmentalised manner. Needs of development should sidered in a comprehensive manner. There should be perfect ination between different institutional financing agencies There also be co-ordination between the institutional financing agencies e Govt. agencies from the Block upwards and special agencies like F. F. D. A., Dry land farming Project etc. The effort for re-orga- n of rural credit needs the strengthening of the organisational set he financing institutions and the State Govt. at the district level. ould include additional trained staff, vehicles and necessary ructure.

We are grateful to M. C. C., Deputy Registrar, Co-operatives e Lead Bank for their ungrudging help in providing necessary ations.

RURAL CREDIT IN THE BACKWARD REGION OF ORISSA—A CASE STUDY.

R. N. Kar
R. C. Dey

ntroduction :

During three decades of planning, people of India have improved eir economic position substantially. But this development has not ached the core of the life of majority people who live below poverty ne. Illiterate, poor and down trodden people of backward regions of e state are far away from the economic development. These unfortunate eople live in isolation and abject poverty. One of the ways suggested r improving their material welfare is to provide them with some credit earn their livelihood from agriculture, family trade, small business and ervice. Towards this end, a number of schemes have been implemented rough commercial Banks and other financial institutions. During 6th ve Year Plan Credit availability in different sectors was at Rs. 394.05 ores as envisaged in Credit Plans. This has been enhanced to Rs. 1770 ores during 7th Five Year Plan.

The rural poor in Orissa include the Small and marginal farmers, ricultural workers and rural artisans. Since their nationalisation in 969, Indian banks have established their lending programmes for rural evelopment and economic upliftment of weaker section of the society.

This study is intended to survey the beneficiaries of a remote llage namely Chikal Bahal in Bolangir district who have availed rural edit from the Agricultural Development Branch of State Bank of India, olangir, the purpose of the study is to find out the adequacy of bank an and its utilisation in generating cash surplus for the beneficiaries.

illage and Beneficiaries :

Village Chikal Bahal is situated 25 kms interior to Bolangir town Bolangir Sadar block. It is a draught prone area and people are ainly marginal or small farmers and agricultural labourers. Social frastructure such as education, health services, communication and ectrification facilities are not available in the village. People are mostly collection of fire wood, Kendu leaf and Mahua flowers. For the first time in 1974, State Bank of India extended its Credit Programme to this village. During 1974 to 1982, the bank provided finance to 66 beneficiaries in this village towards crop loan, dug-well scheme, goat rearing and crop loan to the Govt. leased land. Bank financed to 28, 27, 7 and 4 households towards crop loan, dugwel scheme, goat rearing and crop loan to Govt. leased land respectively. During the above period State Bank of India invested Rs. 1,57,463 in the Chikal Bahal village for the upliftment of weaker section of the villagers.

In the present study, 13 beneficiaries out of 66 financed by bank are taken as samples which constitute 20 percent of the total beneficiaries. The 13 samples cover all the four groups viz. Crop loan, dugwel scheme, goat rearing and crop loan for Government leased land. Out of 13 sample beneficiaries, 3 beneficiaries have land less than 1 acre, 7 have land between 2 to 4 acres and 3 beneficiaries have land more than 4 acres. 11 beneficiaries are just literate and 2 are illiterate. 10 borrowers have large family sizes consisting of 5 and above members where as 3 beneficiaries have small families consisting 1 to 4 members.

Methodology :

A specific questionaire designed to collect information was canvassed with the 13 sample beneficiaries. The collected data were processed and analysed to assess the impact of rural credit on the beneficiaries in generating surplus income. Detailed information on various credit schemes extend to the beneficiaries of this village were collected from the Agricultural Development Branch of State Bank of India, Bolangir.

Crop Loan :

The Bank sanctioned crop loan to 28 beneficiaries during the period from 1976 to 1982 amounting Rs. 44466/- in this village. In October, 1984, when the cases were reviewed, it was observed that the recovery of the loan amount was only 5.89 percent of the sanctioned amount and the interest had gone up to 89.96 percent of the principal. If the figures are computed per beneficiary-wise, it is further observed that the loan sanctioned per head of beneficiary is Rs 1588.07 to which interest accrued Rs. 1428.67. Amount repaid per beneficiary is Rs. 177.78 and outstanding remains Rs. 2828.96 per head. This is a bleak picture of the utilisation of loan to the purpose for which it was sanctioned.

From the sample study it is observed that the two sample beneficiaries have generated surplus income of Rs. 1000/- and Rs. 1800/- per annum respectively after availing of the loan. One beneficiary had purchased two bullocks worth Rs. 1800/-. One had repaid only Rs. 200/- during last 8 years to the bank whereas the other one had not repaid any loan.

Dugwell Scheme :

Under this scheme, 27 households in this village have been financed amounting Rs. 1,06,000/- to which interest was cumulated to 52.20 percent increasing the total amount due to Rs. 1,61,341/- Repayment position was very poor—only 3.14 percent of the total amount due.

After availing the loan, income of the beneficiaries have increased ranging from Rs 1500/- to Rs. 3200/- per annum. Only 3 sample beneficiaries have made assets worth Rs. 46000/- during this period.

Goat Rearing :

In 1980, seven beneficiaries were sanctioned Rs. 800/- each for 6 goats. The goats were purchased by bank & were handed over to the beneficiaries Here, the total investment from bank's side was Rs 5600/- against which only 3.05 percent was recovered.

On enquiry to the sample beneficiaries it is revealed that the beneficiaries have not raised any surplus income out of the scheme as it is reported that the goats died after suffering from dysentry within one month of their purchase. The beneficiaries did not get their insurance claim because the goats could not be postmortemed. This information do not seem to be reliable and further information is required to get correct evidence.

Crop Loan for Govt. Leased Land :

Govt of Orissa have leased out 1/2 acre of land each to 4 households who were landless labourers. To cultivate the land State Bank of India sanctioned Rs. 50/- each towards purchase of seeds, fertilizer and payment to labourers. Here also, recovery of the loan is 8.44 percent of the total amount due. Utilisation of the loan amount by the beneficiaries has not been done for agricultural purpose. As the amount was inadequate and the return meagre, the beneficiaries spent that amount on consumption and did not take interest to cultivate the land.

Conclusions and Suggestions :

1. The beneficiaries of the village were selected by block officials and State Bank of India. The relationship between the bank and weaker section of the borrowers was indirect, arranged by intermediaries. In this process, the borrowers were exploited and were made to run to the bank a number of times.

2. After the loan amount was disbursed neither the bank officials nor the promotional agencies like block officials and officials of agriculture department guided the illiterate borrowers to utilise the loan properly. The beneficiaries were not motivated nor demonstrated to cultivate the optimum available land holdings at their disposal for multicrop cultivation.

3. Due to haphazard cultivation sufficient surplus income could not be generated out of the investment. Further, the full amount of the loan was not utilised for the purpose. A major part of the money was consumed by them.

4. On demand for recovery by bank, borrowers repaid small amount, at times by selling their household articles. Hence the loan has become a burden to the beneficiaries rather than developing their economic conditions.

5. Availing of rural credit enhanced the employment potential as well as the marginal productivity of labour. Seven more people were included in agriculture work after availing of the loan and the average production per worker increased to Rs. 2068/- instead of Rs. 1563/- before availing of the loan As the people were very poor, with the increase in income, propensity to consume increased to a greater degree and all the surplus income generated was consumed.

6. Therefore, before sanctioning the loan to the beneficiaries the concerned financial institution should see the feasibility of the scheme and the amount of sanction should be adequate to generate moderate surplus

7. Financial institutions should create different expertised cell or work in collaboration with concerned technical institutions to guide the rural people in utilising the loan in proper way.

8. Government Promotional Agencies in block level should come close to the village people to educate and impart practical demonstration in different fields for successful implementation of the scheme.

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Institutional Finance For Agricultural Modernisation : A Case Study

Dr. S. K. Das

Problem :

Modernised agriculture refers to the use of a profitable new nology based on continuous and sustained research, leading to er level of production and higher returns to scale. In Orissa context ernised farming can be defined as adoption of capital saving and ur intensive technology that is to make provision for direct inputs as H. Y. V. seeds, chemical fertilizer, pesticides and insecticides, red irrigation and better cultural practices. As technology is a tion of capital, a huge amount of money is required for modernisa- purpose. But unfortunately the poor economic conditions of far- s in Orissa does not permit huge financial requirement. Hence there cessity of institutional financing which has been rightly provided by nstitutional agencies.

pe and Method :

The present study is based on field survey of 56 households in Buri block of Cuttack district. The main objective of the study is to ss the impact of institutional finance on the use of modern imputs, n from modernised farming and employment position of various os of farmers. She choice of Bari Block is due to its typical feature pressed economic condition, small and fragmented holding, ominance of poor and landless population and poor impleme- on of land-reform and rural development programmes. Two ent of total villages in the block and ten percent households of the ted villages have been selected for sample. The households, thus ted are classified into four groups (Marginal, Small, Medium and farmers) on the basis of landholding. The year of reference is -85. Cross sectional approach has been used to evaluate the impact stitutional finance on agricultural medernisation. The difference een borrowing and non-borrowing farmers in the consumption of rn inputs, returns from agriculture and man-days employment per has been made to show the effectiveness of institutional finance on ultural modernisation.

ysis of the findings :

Table 1 shows the expenditure of borrowing and non-borrow- armers on modern inputs (HYV seeds, fertilizer, pesticides and

cides) The difference in the expenditure of borrowing and non-
ving farmers stands at Rs. 269.90 on an average and Rs. 184.50 for
al, Rs. 220.00 for small, Rs. 310/- for medium and Rs. 365.10 for
mers. Thus the institutional agencies have significantly increased
nsumption of modern inputs. Further this excess expenditure on
n inputs of borrowing farmers increases with the increase in size
ding.

Table 2 shows that total return of borrowing farmers is signi-
y higher than the total return of non-borrowing farmers. Further
s a direct relationship between size of holding and total returns
nodernised farming. On an average the excess of total rerurn
; at Rs. 563 and Rs. 520 for the marginal, Rs. 541 for small, Rs. 600
nedium and Rs. 5[illegible]1 for large size-group.

Table 3 shows the net return from modernised agriculture of
ent groups of farmers. The net return of the borrowing farmers
nificantly higher than that of the non-borrowing farmers and this
ence increases with the size of holding. While on an average the
turn from the modernised farming stands at Rs 393.39, it stands
339 81 for marginal, Rs. 362.37 for small, Rs. 424.47 for medium
s. 443.70 for large farmers. Thus the instutional finance through
nised farming has taken more care of the relatively affulent
s.

Table 4 shows the mandays employment per acre of borrowing
on-borrowing farmers. Even though the institutional finance has a
icant impact on the consumption of modern inputs and net return
nodernised farming, it has no such impact on employment position.
the employment per acre is 1 and 1 62 mandays more for non-
wing marginal and small farmers respectively, it is about one day
or this group in case of medium and large farmers. On an average
on-borrowing farmers employ one more labourer than the borrowers
eir land. The excess supply of labour in the studied area is the
of ineffectiveness of institutional finance on employment position.

Table 5 shows the contribution of different institutional
ies in financing various groups of farmers. While 76.7 percent
total finance has come from the co-operatives, only 26 3 percent
ome from commercial banks (including RRBs). In case of marginal
rs co-operative financing stands at 85.35 percent and the figure
es to 80 73 percent for small, 75'4 percent for medium and 73.1
nt for large farmers. Thus the Commercial Banks have taken more
of the relatively large size-group. The efficient functioning of

long period of time. Table 6 shows the recovery position of co-ves and Commercial Banks. While the over due is 43 2% in case operatives, it is 44.6 percent for commercial banks.

xisting Position : Lacuna and Loopholes :

In spite of the fact that institutional financing has contributed a modernising agriculture, still some difficulties are found with the g system at the time of survey. The institutional credit for agri-l modernisation has two distinct components the cash and kind nent. Most of the respondents pointed out that the inputs d in the kind component are inadequate and not provided at the riate time. Further the scarce inputs which were provided by titutional agencies were first absorbed by the rich and influen-mers of the area, thus neglecting the small and marginal farmers necessity was comparatively more important. In case of medium g-term financing the marginal and small farmers were deprived share due to lack of assets near them to stand as security. the farmers being illiterate were unable to follow the compli-procedure of the institutional agencies particularly of the rcial banks. The recovery position of different institutional s is also not satisfactory. Diversification of loan for consump-rpose is the main factor for this excess over-due position.

Policy Horizon :

To successfully deal with these problems of rural credit, an ational innovation of an integrated institutional credit system better management and distribution of credit is the need of the One single agency at the base of the rural credit structure is to usted for the distribution of credit, providing technical guidance, supervision of credit and supply of scarce modern inputs Thus d every village should be assigned to a particular institutional for fulfilment of credit requirement. These agencies instead of g demand following approach should adopt supply generating h, as the World Bank does in the context of financing any In order to avoid misutilisation of loan, more loan should be d in kind and less cash provided and that in two to three instal. To solve the problem of growing over dues, the opinion of the g Group an Agricultural Credit scheme should strictly be followed, f the institutional agencies should be made recoverable as arrears revenue and special Recovery Officers should be appointed by e to help the institutional agencies.

Table-1 Expenditure on Modern Inputs of Borrowing and Non-borrowing Farmers per acre (in Rs.)

Catagories of farmers	Borrowers	Non-borrowers	Difference
Marginal	538 00	353.50	184.50
Small	610.50	390.50	220.00
Medium	756.00	446.00	310.00
Large	872.75	507.65	365.10
Average	694 37	424.47	269.90

Source : Survey data

Table-2 Value of Total Returns of Borrowing and Non-borrowing Farmers per acre (in Rs.)

Catagories of farmers	Borrowers	Non-borrowers	Difference
Marginal	1990	1470	520
Small	2066	1525	541
Medium	2210	1610	600
Large	2278	1687	591
Average	2136	1573	563

Source : Survey data

Table-3 Value of Net Returns of Borrowing and Non-borrowing farmers per acre (in Rs.)

Catagories of farmers	Borrowers	Non-borrowers	Difference
Marginal	551.67	211.86	339.81
Small	604.90	242.53	362.37
Medium	718.42	293.95	424.47
Large	768.60	324.90	443.70
Average	660 90	267.51	393.39

Source : Survey data

TABLE—4 Employment of Borrowing and Non-borrowing farmers per acre (in mandays)

Catagories	Borrower	Non-borrower	Difference
Marginal	76	77	—1
Small	75	76.62	—1.62
Medium	73	72	1
Large	73	71.8	1.2
Average	74	74 5	—0.5

Source—Survey data ;

TABLE—5 Contribution of different Institutional Agencies in modernised farming (in percentage)

Catagories	Co-operatives	Com. Banks	Total
Marginal	85.35	14.65	100
Small	80.73	19.27	100
Medium	75.45	24.55	100
Large	73.10	26.90	100
Total	76.70	23.30	100

Source—Survey data

TABLE—6 Recovery Position of different Institutional Agencies (in Rs.)

Particulars	Co-operatives	Com. Banks *
Amount advanced	74.300	34008
Amount recovered	42.200	17717
Percentage of overdues to total advance	43.2	44.6

Source—Survey data

* Commercial Bank includes Regional Rural Banks.

PROBLEMS OF RURAL CREDIT AN EMPIRICAL ASSESSMENT

Miss Pragati Mohanty

The Indian economy is pre-dominantly a rural one with over three-quarters of its population, living in rural areas. Further the bulk of this population comprises the landless labourers and small and marginal farmers living in abject poverty. Poverty in this group is not only a human problem but also a serious economic challenge. And this challenge cannot easily be solved without a radical change in the pattern of income accural or the ownership and use in the pattern of income generating assets, material as well as human for improving the economic base of the large population living in abject poverty, aw-some inequalities and massive unemployment, essentially in rural areas, the Government have launched a number of programmes for rural development since the beginning of planning in India.

Financing these groups by the prevailing money-lending class has been a method of gaining control over them and the Commodity they produce. To relieve the poverty striken groups from the clutches of this class, many government sponsered credit agencies have come into operation in rural areas, Besides voluntary agencies like Rotary and Clubs are also contributing to this end to some extent. Financing by these institutions would have to be studied to find out to what extent the financial institutions have helped the poor and deserving.

This paper intends to examine this aspect on the basis of evidences collected from rural respondents. For the purpose of investigation a case study of Bhedabahal village in Sundargarh District of Orissa was undertaken.

Objectives :

The main objectives of this study are—

(a) To assess the awareness of the respondent about the existence of the rural Credit institutions in that village.

(b) To analyse the problems faced by the villagers while ling loans/Credit facility from these institutions and

(c) To examine the attitudes of the villagers towards the ormance of these institutions.

An attempt is also made to highlight the major short comings in ementation of the programme and to suggest some possible method better efficacy of banking institutions in improving the lot of poor.

nodology :

This paper is based on an empirical study of forty families of illage Bhedabahal of Sundargarh district, Orissa comprising the ation of 2210 Since Sundargarh is a tribal district. Bhedabahal rue representative of the tribal village as more than 50% of its ation belong to this class

The pattern of distribution of Credit has been analysed with elp of the secondary data collected from the Sadar block and ultural Development Bank, the lead bank situated at the headquarter, ost of the beneficiaries are loanees of this bank. On the other Credit utilization aspect of the study is analysed with the help of rsonal interview with the beneficiary participants of the said ed village.

Some of the socio-economic traits of the respondents sample are as follows; more than half of the respondents are e-aged * while the remaining are young. While 70% of the dents are illitrate, 20% are literate who have studied upto upper y level, 7% are matriculates and 3% are graduates. As per the e distribution of the respondents 10% of the respondents are g below Rs. 500/-, 15% in the range of Rs. 501-1000, 30% in the of Rs. 1501-3000, 25% in the range of Rs. 3,000-6,·00, 7% in the of Rs. 6 000-10,000 and finally -% over the range of Rs. 10,000. ne sample consists of respondents drawn from all the catagories ome groups. Of all the respondents, 70% revealed agriculture as ain occupation while those in the government services, teaching ss, rural artisans and other occupations, formed the remaining 30%. he investigation, it is found that 60% are aware of the existence credit institutions while the remaining are not.

Findings :

TABLE—1

Purpose-wise distribution of loans to the sample beneficiaries.

Purpose	Big farmer	Small farmer	Marginal farmer	Agri. labour	Total
Crop loan	1	—	—	—	1
Bullock	—	2	1	1	4
Fertilizer	3	4	1	2	10
Dugwell	2	2	1	—	5
Electric motor	1	1	—	—	2
Sewing machine	—	—	1	1	2
Bi-cycle	—	—	4	6	10
Motor Cycle	2	—	—	—	2
Rice business	—	—	1	1	2
Cloth shop	—	1	—	—	1
Grocery shop	—	1	—	—	1
	9	8	9	10	40

From the above table it is seen that loans for bi-cycle and fertilizer are important. Other loans are negligible. Marginal farmers of agricultural labourer have preferred bicycles of big and small farmers have prefered fertilisers of dug wells.

From among those who have borrowed from these credit institutions, 3.9% belong to the forward castes, 48.5% to the back ward castes (including scheduled caste and other backward castes and 48.5% to the scheduled tribe.

TABLE—2

Amount Borrowed in Relation to Caste

Amount in Rs.	Forward Caste		Backward caste		Scheduled Tribe		Total	
	Actual	%	Actual	%	Actual	%	Ac-tual	%
Below 500	—	—	—	—	4	28.6	4	10
501-1000	—	—	6	27	4	28.6	10	25
1001-2000	—	—	5	23	3	21.4	8	20
2001-4000	2	50	6	27	2	14.3	10	25
4001-6000	1	25	—	—	—	—	1	2.5
6001-10000	—	—	3	13.5	1	7.1	4	10
10000 & above	1	25	2	9.5	—	—	3	7.5
Total	4	100	22	100	14	100	40	100

Table-2 shows the amount of loan borrowed by different caste
s from the rural credit institutions. It is evident from the table
l caste groups have availed of loan and of different amount from
dit institutions. Even back-ward of scheduled tribes have also
d substantial amount of loan.

TABLE—3

Mode of Borrowing

ode	Actual	%
rectly from ciety	31	77.5
rough middle en	9	22.5
Total	40	100.0

Table-3 indicates the mode of borrowing by the respondents.
rity of respondents 77.5% has borrowed directly from the credit
, while the remaining 22.5 has secured through middlemen.

When a further probe was made about the problems faced by the
dents, it was found that 52.5% did not face any problem in getting
rough middlemen, while 20% of respondents remained silent,
said that they faced a few problems like delay in sanction of
the exhorbitant rate of commission charged by middlemen,
men appropriating 50% of the loan, using them for 6 to 12 months
ly then giving to the actual borrower and that too on instalments.
able 4)

TABLE-4

Problems through Middlemen

sponse	Actual	%
ced problems	11	27.5
not face problems	21	52.5
response	8	20
Total	40	100

Apart from these problems, generally the respondents had to come, accross many hindrances in procuring loans from the credit institutions like repeated visit to government officials, currupt practices, non-availability of loans in time and harassment by the bank officials while sanctioning the loans.

TABLE-5

Perfomance of the Credit Institutions

Response	Forward Caste		Backward caste		Scheduled Tribe		Total	
	Actual	%	Actual	%	Actual	%	Actual	%
Satisfactory	3	75%	15	68.1	5	35.7	23	57.5
Not satisfactory	1	25%	7	31.9	9	64.3	17	42.5
Total	4	100	22	100	14	100	40	100

Table-5 denotes the performance of rural credit institutions in general. It reveals that according to a significant majority of respondents, i.e. 57.5% the performance of rural credit institution was satisfactory. Further it reveals that 25% of the forward caste, 31.9% of the backward caste and 64.3% of the Scheduled Tribe rated the performance of the institutions as "not satisfactory". On the other hand, 68.1% of the backward class 75% of the forward class & 35.7% of the Scheduled Tribe found it "Satisfactory".

Reasons for poor Performances :

The respondents who were not satisfied with the performances of rural credit institutions when asked to give reasons pointed out the following :

a) Procedural delay while sanctioning the loan.

b) Non-sanctioning of loan at appropriate time.

c) Improper distribution of loans among various castes.

d) Intervention of politicians and vested interests at the time of loan sanctioning.

e) Fraud and misuse of funds by officials of rural credit institutions.

f) Heavy administrative over-heads.

g) Lack of proper education and social consciousness among most of the backward and tribal mass. and

h) Indifference attitude of the block as well as bank officials.

Suggessions :

The respondents also offered certain suggessions to improve the performance of the rural credit institutions. They are,

1. Adoption of simplified procedure of lending to avoid red-tapism.
2. Ensuring proper distribution of loans to the needy and deserving members so as to reach them at the appropriate time.
3. Advancing loans in the form of Cash and kind especially for the purchase of agricultural tools, seeds and house plots. Also loans should be provided for fruits garden.
4. Extension of the credit operations of these institution in the village.
5. Reduction in the rate of interest.
6 Ensuring that the loans reach the poorest section of the society especially tribal mass.
7. Raising the number of instalments for the repayment of loans in case of unforseen contingencies like drought, natural calamities etc.
8. Supervising the functioning of the institutions effectively in handling cases of fraud embezzlement of funds, misappropiation of funds etc.
9. Minimisation of expenses on administrative overheads.
10. The bank employees at the lower level should be trained in the philosophy and methodology of different government programmes. As a matter of fact, instead of harassing they can give proper guidance to the actual beneficaries. Besides there should also be proper co-ordination between bank employees.
11. The indifference attitude of block level officials should be changed. They should properly motivate the unwilling, beneficiaries and make them aware of the implementation of different programmes like IRDP SEUY etc.
12. Encouraging participation of local people in the management of credit for their smoth functioning.
13. Government officials should be honest and the beneficiaries should be aware of the help provided by the government and should think for the proper implementation of different schemes.

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A Pilot Study of the Impact of Banking Finance on Rural Economy of Bolangir District

Mahesh Patnaik
Dr. Jyoti Prakash Patnaik

Introductory :

Bolangir district is the result of merger of two erstwhile princely States, namely Patna and Sonepur, located in the western part of Orissa. The district came to lime light after the construction of Raipur-Vizayanagaram Railway in 1933.

From the Settlement Report of Ex-state Patna, 1937 it is clear that Bhulia Mehers of Patnagarh and Titilagarh, Aghrias of Bolangir and some rich land owing Brahmins practised money lending business. The interest rate of short term loan was very high. Under the Money Lender Act it was evident that 226 persons in the Bolangir Sub Division, 80 in Sonepur, 91 in Titlagarh and 144 in Patnagarh were registered money lenders.

People were exploited by the money lenders ruthlessly as they required money for social function during the time of financial stringency and had to pay exhorbitant rates of interest. In 1934 a co-operative Bank was started in Bolangir town for the first time. Gradually people settled in business centres and felt the absence of banking practice, and in 1943 Calcutta City Bank opened its branches in Bolangir and Kantabanji and functioned until 1946. Then on August 5th, 1956 District Central Co-operative Bank was established in Bolangir. The Imperial Bank was renamed as State Bank of India and nationalised in the year 1955. It had opened a branch in Bolangir on July 3rd, 1957 and on May 15th, 1959, another branch was opened in Titlagarh. After the bank nationalisation in 1969 there were more number of commercial banks operating in the district. United Commercial Bank, Indian Overseas Bank, Central Bank of India, Andhra Bank and Allhabad Bank started opening their branches. The impact of bank finance on rural economy was prominent after establishment of Regional Rural Bank in the district in 1976. Now there are 72 branches of financial institutions including commercial banks, Central Co-operative Bank, Co-operative Land Development Bank and Orissa State Financial Corporation.

The objectives of study :

The study is addressed to the following objectives.

1. To find out the level and pattern of bank finance for rural development.
2. To examine the productivity aspect of lending operation.
3. To explore the nexus between land size and the level of bank finance.
4. To find out the deposit mobilisation.

Methodology :

In our study we have focussed on role of commercial banks operating in the district for transformation of its rural economy. Regional Rural Bank is included in our defination of banking institutions. Though co-operative organisations are a major channel of rural finance, we exclude these credit houses from the scope of a pilot study except for purpose of limited comparison.

As per 1981 Census population of the district is 14.53 lakhs probably reaching 15 lakh now Rural population is 1319687. The figure indicates that 90% of the total population are residents of rural and semi urban area The District Credit plan of Bolangir (1983) reveals that round about 70% of the rural population is loanee population.

Sampling framework :

A pilot study is different from an indepth analysis as it makes available a broad picture of the economy at a relatively short period of time. We therefore choose three sample villages of the district by eschewing pure randomness in favour of a deliberate choice. We pick up sample villages close to Bolangir town as we have tried to find out if any banking thrust has occurred in villages close to the district headquarters of Bolangir. We have selected three villages namely Hardadal, Boirasar and Khujanpali. We have however adopted random method in choosing the respondants.

Sources of Data :

Our primary source of data collection is from sample villages, secondary sources are official records of banks operating in Bolangir district, the District Credit Plan and data collected by Bureau of Statistics and Economics.

Analysis of Survey Findings :

The sample villages are from two Blocks viz. Bolangir Block and Puintala Block. Hardadal and Khujanpali are from Bolangir Block and Boirasar is from Puintala Block. The villages are small ones having population of less than 1000. The study takes into account the loanee population of three villages from 1980 to 1985. In 1980 onwards the schematic loan is much popular in rural economy as the rural poor are the target of antipoverty programmes. Almost all the loans are meant for productive purpose and very few are personal loans which can be incurred from service Co-operative Credit Society.

Two important programmes; Integrated Rural Development Programme and Economic Rehabilitation of the Rural Poor are operating in the district. District Rural Development Agency, the successor of Small Farmers Development Agency looks after the implementation of the programme. The area of operation is distributed among various Government agencies and banks. Hardadal is under the finance of United Commercial Bank, Regional Rural Bank, Agricultural Development Bank and Service Co-operative Society. Khujanpali is under the finance of Regional Rural Bank, Agricultural Development Bank and Service Co-operative Society Boirasar is financed by Regional Rural Bank, State Bank of India and Service Co-operative Society.

In between 1980 to 1985 the amount of loan flows to the three villages viz. Hardadal, Khujanpali and Boirasar amounted to Rs. 3 lakhs, 2 75 lakhs and 3 5 lakhs respectively. These amounts include both Schematic ond direct loans which are usually crop loans. The Scheme loans are economically viable loans which mean that the schemes generate sufficient income to repay the loan with interest and a surplus money is available to meet consumption or saving needs of borrowers. Direct loans are insignificant now a days. Most of the rural finance are under the scheme loans. The finance is done mostly by service Co-operative Society which is also known as Primary Agricultural Credit Society and also by Regional Rural Banks. Under the Scheme loan the pattern of finance of all the financial institutions is same. In the Co-operatives the number of direct loans are decreasing day by day due to increasing number of defaulters The Co-operatives finance short and medium term loan. Finance is extended for agricultural purpose, to rural artisans and all other allied activities like animal husbandry, goatery and piggery. In the district other commercial banks also take part it financing the rural poor under the special progra.. mes of District Rural Development Agency. There is distribution of area of operation. Different Banks operate in different areas.

TABLE—1

COMMERCIAL VIABILITY OF BANK LOAN

1980-85

village	Loan Flow in lakh	Recovery in percentage
Hardadal	3	25
Khujanpali	2.5	30
Boirasar	3.5	35

If recovery is taken as a measure of productivity, productivity seems to be dismal For rural development during 1980-85, 9 lakhs of rupees were invested in the three villages through different financial institutions The recovery position is from 25 to 35 percent.

The worst situation is represented in Hardadal. Under scheme loan the beneficiaries were financed for cow, bullock cart and sewing machines. Few units are existing now. Most of the cows are dead, a few of them have been sold away due to incapability of the poor borrowers to maintain them.

TABLE—II

SOCIO ECONOMIC PROFILE OF BORROWERS

(figures in percentage)

village	Scheduled caste	Other backward classes	Non agricultural labourer	Literacy
Hardadal	30	60	70	15
Khujanpali	25	55 5	60	20
Boirasar	20	70	65 5	18

Table II shows the social condition of the people. Most of the rural population are from backward class and are landless agricultural labourer. More than 80% of them are illiterate.

After the operation of special schemes in the district from 1980 onwards direct loans have decreased. From Service Co-operative Society the direct loans specially crop loans are a minimum It is due to the defaulters of the villages. Almost all debators are defaulters of ce Co-operative Society. More than 90% of the village is loanee lation. From other commercial banks and Regional Rural Bank the nts of direct loans are decreasing day by day. The institutional ce for Rickshaw, pump set, dug well etc. is increasing gradually. ue to the slackness of the loanee and misutilisation of funds there s chance of any recovery. Hence the banks are not interested for t loan. Although there is low recovery in case of scheme loans s get 20% to 30% from the Government as subsidy. The banks are d by Reserve Bank of India directive to advance loans to poor t group under differential Interest Rate Scheme.

In the first stage there is household survey in the villages by e Agricultural Worker and School teachers. They select houses v poverty line whose income per annum is less than Rs 3500/-. r Economic Rehabilitation of Rural Poor the poverty line is 200/-. There is screening and confirmation in Block Level Consul- Committee Our study indicates manipulation in selection of iciary by the local leaders. Hence the real beneficiary is often out get group Then the list goes to District Rural Development Agency rutiny.

Under scheme finance few of the units are successful like haw, Goatery and Piggery. Ninety percent of bank financing for haw is successful as there is significant recovery. Although goatery piggery are viable economic schemes the beneficiaries in this ct are yet to come above poverty line. Finance for cows are of no most cases The villagers frequently complain about the sick and old animals. Of course, there is some mismanagement in the asing committee who by such old and sick animals under the anti- ty programme. The beneficiaries are also responsible for the as they are in the purchasing committee.

In Hardadal, United Commercial Bank financed a loan of ,000/- for cow and bullock cart. But all are cases of complete . The schemes are no doubt good but the implementation is not up to the mark The village has a population size of 900 ns Most of them are agricultural labourers and illiterate. The iciaries of cows are unable to maintain the units as they are poor. ery difficult to maintain a Jercy cow Hence in a village where is no marketing facility or the co-operative is working badly it is sy to keep a cow. About 80% of the cows are being sold away or ave died due to illness and inadequate maintenance viz. lack of ny scope of hiring out these carts. Most of the sewing machines utilized in a village round the year. So they are sold.

Another cause of failure of the scheme loan is that follow-up marginal. The Government officials like Veterinary Sergeon, al Promotion Officer, Agricultural Extension Officer are not the area of operation. Hence the economic viable schemes are essful as these should. So loans for rural development have commercially unproductive. Very few cases are successful like ge Bileisurda of Puintala block. Credit society finance for ne and the recovery show encouraging results.

The illiterate mass very often misutilise the loan. For example an from Khujenpali received Rs. 2000/- for running a small . But in practise he spent the amount in his daughter's marriage. an 60% of the loanee population are of the view that loan is a help from the Government. As no drastic step has been taken he defaulters, they are slack in repaying the loan. Except Co-e department no other financial institutions apply force for . In scheme loans the asset is hypothecated to the financial on. Hence the Co-operative Banks seize the asset in case of overy of fund. Due to the poor recovery the commercial banks to finance the rural poor.

We have taken recovery as an index for measuring produc-pect of the rural finance. It may be a necesasry condition but not ent one There are cases where productivity aspect has been nt yet the beneficiary has been a defaulter. We have a case in . He took a pumpset in 1982 and repaid only Rs. 1200/-. But pset gave a lot of benefit to him. In Co-operatives, clearance te is not insisted upon. There is some mismanagement in the paper transaction. A defaulter is issued a fresh loan which is s a recovered amount.

lties of finance :

The Commercial Banks as well as Co-operative institutions perienced the following difficulties.

(a) Branches are not provided with adequate field/technical

(b) There is lack of co-ordination and co-operation among the ng institutions.

(c) Some of the villages have fair weather road and there are villages without any road.

(d) Recovery of loans is gradually becoming a problem and overdue are increasing.

(e) There is multifinancing and overlapping of financing by different institutions in the same area.

(f) The non availability of sufficient number of exotic breed animals, lack of marketing facilities, high cost of feeding cause problems for dairy scheme. Veterinary facilities are also inadequate.

(g) Selection of beneficiary is not proper.

(h) Lack of timely assistance from Banks has caused delay in procuring raw materials and inputs.

(i) Financing and development agencies are not working hand in hand and are unable to sort out problems mutually. As various financial institutions don't submit the progress report in the District Consultative Committee meeting it is difficult to monitor the implementation of the schemes. Representatives of the commercial banks and government officials do not attend important crucial meetings.

(j) Political intervention by top leaders in favour of grant of fresh loan to defaulters has sapped the moral of banking staff in a few cases and encouraged mis-utilisation of credit.

Inspite of these difficulties, financial institutions have attempted to raise the level of prosperity of the rural economy of Bolangir district by extending Rs. 3852.50 lakhs worth of loan. An interesting point to mention here is that the impact of bank finance for development of rural economy of Kharlikani and Sagarpali is significant not due to proper utilisation of loans by the beneficiaries but due to the impact of Chief Minister's visit to those areas on 13th Oct, 1985. Subsidies from 1982 were released within two hours and loans were expedited. So the visit of top political authority has great impact on the rural economy.

There is no specific rule to finance small farmers and marginal farmers. But usually the target groups under the special schemes are small farmers, marginal farmers and landless laboures. A major part of them constitute weaker sections of the community. As such they come under Differential Interest Rate Scheme and Economic Rehabilitation of Rulal Poor, the Anti Poverty Programme sponsored by the Government of Orissa. Our study does not establish any specific corelation between small farmer and marginal farmer and the amount of loan size.

Previously rural region and the adjoining urban centers were unbanked areas, but after the flow of funds from financial institutions into rural economy, the banking habits of the people are developing albeit slowly. Most of the depositors in rural region are school teachers, rich farmers and institutions like Panchayat and the Government agency like District Rural Development Agency. The three sample villages indicate that the deposit potential of the population is very low as most of them belong to labour class.

Impact of bank finance on rural economy would have been satisfactory had the banks, devolopment agencies, and people cooperated with each other. By removing difficulties faced by financial institutions and building the physical and psychological infrastructure, the Central and State Government can generate growth in rural region.

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Impact of Credit on Marketing Costs and Margins of Potato of Marketing in Cuttack District (Orissa)

Dibakar Naik

Potato is one of the important staple vegetables in Orissa. It was cultivated in 94.61 hundred hectares out of a total cultivated area of 6130 thousand hectares in 1981. Though its production has increased in recent years then has been a decrease in productivity.

Cuttank district ranks first in area and production of potato among all the districts of Orissa. More than two-fifths (44 00 per cent) of the total potato acrage of the State is in the district. Moreover 48% of the total production of potato in the State comes from Cuttack district alone. Further Cuttack City Market is the business capital of State. There is also large number of potato whole-salers at Cuttack. Therefore the study of potato marketing in Cuttack is important. Marketing efficiency implies lowering of marketing costs and margins and passing the advantages to both producers and consumers. But availability of credit is very crucial. In the process of marketing some of the intermediaries avail credit from the money lenders at higher rate of interest. The availability of bank credit for potato marketing is not significant at present. Even in general the average per capita bank advance in Orissa was only Rs. 72.00 as against all India average of Rs. 330.00 in the year 1979.[1] In this paper an attempt is made to examine the impact of credit on marketing costs and margins of potato trade in Cuttack district.

Methodology ·

Cuttack city market is purposefully selected as the wholesale market as per its highest volume of turnover in the district. But the Primary Market (Bailishi Mauza) is selected as the highest quantity of potatoes come to the wholesale market.

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1. Economic Survey of Orissa 1980-81, Bureau of Statistics and Economics, Orissa, Bhubaneswar.

The marketing costs and margins are studied under Model 1 and Model 2 in each year without any change in Models.[2] For each model 4 respondents are contacted at each stage for collecting data. As the study has a time horizon of 3 years (i. e. 1979 to 1981), altogether 12 producer-sellers, 12 village traders, 12 traders, 12 wholesalers, 24 retailers and 24 consumers are contacted in the entire study period for the purpose of data collection for finding out actual marketing costs and margins in potato marketing of Cuttack district.

During the investigation, it is revealed that most of the agencies involved, invest their own capital in potato marketing. Some of them have borrowed capital from the money lenders and a few have availed credit from the commercial banks. The rate of interest on borrowed capital (short term bank advance) is 11 percent in Commercial Banks during the study period. But the private money lenders are found to have been charging even 20 to 30 percent rate of interest on borrowed capital. In the present study the actual rate of interest charged is taken for analysis.

Results and Discussion :

26.5 percent of the wholesalers in Model—I and 27.4 percent of the retailers in model—2 involved in potato marketing are financed both by the institutional and money lenders. The institurional credit alone covers 6.5 percent of the wholesalers and 8.6 percent of the retailers respectively in the marketing channel having three middlemen and marketing channel having two middlemen. 3.1 percent of both wholesalers and retailers have availed institutional credit for potato marketing in Model I. During the period of investigation, none of the producers, traders and village traders are financed for potato marketing Further, it is reported that there is a substantial difference in the rate of interest between the finance by the institutional and money lenders.

Model—I

Table—1 indicates that on an average the total marketing costs are Rs. 24.75 (16.14 percent) during 1979 to 1981 in the district per quintal of potato. The total marketing cost is highest i. e. Rs. 27.50 (17.94 percent) per quintal of potato, when the wholesalers receive credit from the money lenders. It is reduced to Rs. 23 60 (15.39 percent)

2. Model I—Producer—Village trader—Wholesaler-Retailer.
(Marketing Channel having 3 middlemen)
Model 2—Producer-Trader—Retailer-Consumer.
(Marketing channel having 2 middlemen)

per quintal with credit facilities from the bank to the wholesalers. The marketing cost is lowest i. e. 22.33 (14.56 percent) per quintal of potato, when both the wholesalers and retailers receive credit from the commercial banks.

The marketing margin per quintal of potato is highest i. e. Rs. 45.51 (29.68 percent), when the wholesalers receive credit from the money lenders This may be due to the fact that the wholesalers pay more money to the money lenders towards higher rate of interest and hence they receive more profit. Marketing margin per quintal of potato is Rs 43.21 (28.18 percent) and Rs. 42.50 (27.72 percent) respectively when only the wholesalers and both wholesalers and retailers in the marketing channel having three middlemen receive credit from the bank. The total marketing cost and margins are highest i e. Rs 73.01 (47.62 percent) per quintal of potato, when wholesalers receive credit from the money lenders, while these are lowest when both wholesalers and retailers in the marketing channel having three middlemen receive credit from the bank. The total marketing costs and margins are also less than the average, when only the wholesalers receive credit from the bank for potato marketing during 1979 to 1981.

On an average, the producer's share is of Rs. 84.42 (55.06 percent) per quintal of potato during 1979 to 1981. It is highest i. e. Rs 88.50 (57.72 percent) per quintal of potato when both wholesaler and retailers receive credit from the commercial bank. The lowest producer's share i. e. Rs. 80.72 (52.38 percent) per quintal is observed when credit is available to the wholesalers from the money lenders. But the producer's share is Rs. 86.52 (56.43 percent) which is more than the average (i. e. Rs. 84.42) when credit is available from the commercial bank even to the wholesalers only.

Model – 2

On an average during 1979 to 1981, in the marketing channel having two middlemen (Table–2), the total marketing costs amount to Rs. 28.42 (18.53 percent), whereas, it is highest i. e. Rs 29.12 (18.99 percent) per quintal of potato in the same period when the retailers in the marketing channel receive credit from money lenders. With availability of Bank credit to retaliers, the total marketing costs are reduced by Rs. 2.62 per quintal of potato.

The marketing margin is highest i. e. Rs. 35.46 (23.13 percent) per quintal of potato, when money lenders provide finance to the retailers for the marketing of potato. But it is lowest i. e Rs. 33.88 (22.10 percent) per quintal of potato, when the retailers avail of credit from the money lenders, It is reduced to Rs. 60.38 (39.38 percent) per quintal of potato with availability of bank credit to retailers.

Tho producer's price is highest i. e. Rs. 92 95 (60.62 percent) per quintal of potato when the retailers in the marketing channel receive credit from the bank over the period. It is Rs. 88.75 (57.88 percent), which is less than the average i. e. Rs. 89.92 (58.64 percent) per quintal of potato, when the retailers in the marketing channel are provided with credit from money lenders for potato marketing.

The analysis in Model—I and Model—2 reveal that the bank credit has significant impact in reducing marketing costs and margins in potato marketing. It also tends the farmers to increase the price for their output.

Conclusion :

Availability of credit to the intermediaries involved in the process of marketing play a significant role in reducing marketing costs and margins in potato marketing.

The study clearly shows how the bankers are indifferent in extending credit in the field of marketing. With the availability of bank credit both to the wholesalers and retailers in the marketing channel having three middlemen, the total marketing costs and margins can be reduced to the extent of Rs. 8.18 per quintal of potato over the period. Similarly the producer's price can be increased by 4.20 per guintal. In Model - 2 (Marketing channel with two middlemen), the marketing costs and margins are reduced by Rs. 2.62 and Rs. 1.58 respectively per quintal due to the availability of Bank credit over the period. The producer's price is also influenced by Rs. 4.20 per quintal. In the present context, none of the traders and producers have access to bank credit. If the bank credit is extended to potato producers and other intermediaries involved in the process of its marketing, the marketing costs and margins can be reduced to some extent. This will also tend to encourage the producers in getting remunerative price for their output by selling at appropriate time by reducing the post-harvest rush for sale. This would facilitate in spreading the selling period bringing about greater synchronisation between demand and supply forces.

Therefore, it is necessary that the bankers should step in by extending a suitable credit to potato dealers in facilitating marketing in the interest of giving incentives to producers and other intermediaries. This would produce a great improvement in the scenario of potato marketing.

TABLE—I

AVERAGE MARKETING COSTS AND MARGINS OF POTATO DURING 1979 to 1981 IN CUTTACK DISTRICT UNDER THREE DIFFERENT CREDIT SITUATION (MODEL—I)

Sl. No.	Item	With credit from Money lenders to the whole-salers only	With credit from Commercial bank to the wholesalers	With credit from Commercial bank to the wkolesaler and retailer	Average (Marketing with own capital+ Col. 1+ Col. 2+Col. 3)
		1	2	3	
1.	Producer's share	80 32 (52.38)	86 52 (56.43)	88.50 (57.72)	84.42 (55.06)
2.	Total Marketing costs	27.50 (17.94)	23.60 (15 39)	22.23 (14.56)	24.75 (16.14)
3.	Total Marketing Margins	45.51 (29.68)	43.21 (28.18)	42.50 (27.72)	44.16 (28.80)
4.	Total Marketing costs	73.01 (47.62)	66 81 (43.57)	64.83 (42.28)	68.91 (44.94)
5.	Consumer's Price	153.33 (100 00)	153.33 (100.00)	153.33 (100 00)	153.33 (100.00)

Figures in parentheses indicate percentage of consumer's price.

TABLE—2

AVERAGE MARKETING COSTS AND MARGINS OF POTATO DURING 1979 to 1981 IN CUTTACK DISTRICT UNDER TWO DIFFERENT CREDIT SITUATIONS (MODEL—2)

Sl.	Items	With credit from Money lenders to Retailers	With credit from Banks to retailers	Average (Marketing with own capital+ Col. 1+Col. 2)
		1.	2.	3.
1.	Producer's share	88.75 (57 88)	92.95 (60.62)	89 92 (58 64)
2.	Total Marketing costs	29.12 (18.99)	26.50 (17 28)	28 42 (18 53)
3.	Total Marketing Margins	35.46 (23.13)	33.88 (22.10)	35 00 (22.83)
4.	Total Marketing costs and margins (2+3)	64.58 (42.12)	60.38 (39 38)	63.42 (41 36)
5.	Consumer's Price	153.33 (100.00)	153.33 (100 00)	153.33 (100.00)

Figures in parentheses indicate percentage of Consumer's Price.

ROLE OF LAND DEVELOPMENT BANK : A CASE STUDY

Dr. K. Nana Buchi
Sri Binayak Dash

The Co-operative movement was started in the country by passing the first Co-operative Credit Societies Act, 1904. Primarily it was a credit movement and subsequently the activities were diversified in different spheres of the country's economy.

Prior to the Act of 1904, there were few co-operative institutions functioning in the districts of Cuttack & Puri. The first Central Co-operative Bank registered in the State of Orissa was Banki Central Co-operative Bank. It was registered in 1910. The Khurda C. C. B. and Jajpur C. C. Bank were registered in 1912 and 1914 respectively. The number of C. C. Banks rose to 15 by 1947 in Orissa. The number of all types of Co-op-Societies were also increased from 82 in 1912 to 3317 in 1947. After independence, various types of societies viz. credit, marketing, processings, housing, consumer were organised to meet the needs of the people. The total number of different types of societies in the State as on co-operative. Year ending 1982-83 was 6876.

The primary Agricultural Credit Co-operatives continues to be the main source to provide agricultural Credit to the rural farmers despite induntion of Commercial Banks and Regional Banks. They issue production cum-investment credit to the farmers for agriculture and other subsidiary occupation.

Broadly the Co-operative credit institutions are classified in to two categories, viz. short term/medium term credit and long-term credit. Under S. T/M. T Credit there is a 3-tier structure with Orissa State Co-operative Banks at the Apex level, 17 Central Co-operative Banks at the district level and 2795* PACS/LAMPS/FSS at the village level. At the village level the PACS/LAMPS/FSS issue both S. T & M. T loans mostly for agricultural operations to under take non-credit functions like supply of chemical fertilisers, improved seeds, agricultural implements, consumer goods and other essential commodities.

* 2566 PACS, 222 LAMPS and 7 F. S. S. functioning in the state.

Under the long term credit, there is a two tier structure in the State with Orissa State Co-operaivte Land Development Bank at the Apex level and 54 Primary Land Development Banks (Table I) at the sub-divisional/Tahasil level. They issue loans for long-term investments and land improvement and other allied purposes.

TABLE—I

Distribution of Primary Land Development Banks, 1982-83

Sl. No.	Name of the District	No of P.L.D. Banks	Membership (1000)	Loans advanced (in lakhs)
1.	Balasore	3	45	81
2.	Bolangir	4	60	76
3.	Cuttack	6	81	87
4.	Dhenkanal	7	51	44
5.	Ganjam	5	59	165
6.	Kalahandi	3	28	30
7.	Keonjhar	3	20	20
8.	Koraput	5	31	29
9.	Mayurbhanj	4	37	68
10.	Puri	4	69	125
11.	Sambalpur	7	45	136
12.	Sundargarh.	3	12	39
		Total : 54	538	900

Source : Co-operative movement in Orissa : A profile, 1982-83 PP. 28-29 (conpiled)

The districts of Dhenkanal and Sambalpur have more number of P. L. D. Banks in comparison to other districts. In other districts the number of PLDBs varies from 3 to 6. The district of Phulabani has no PLDBs. As regards advancement of loans, Ganjam, Sambalpur and Puri had the Ist, IInd, IIIrd position respectively.

There are 5 PLDBs in the district of Ganjam. Of the 5.4 PLDBs are in the sub-divisional headquarters, viz, Berhampur, Chatrapur, Bhanjanagar, Parlakhemundi and the other at Aska. The Berhampur Co-operative Land Development Bank was considered as the best LDB in the district during 1980-81 to 1984-85 and in the whole of the state in 1982-83 in over-all performance. This induced us to study the performance, and role of this LDB in financing the rural credit in its area of operation.

The Berhampur Co-operative Land Development Bank was registered on 30th July, 1960 and started its function on 11th Sept. 1960 Then its area of operation covered the whole of Berhampur sub-division excluding Sanakhemundi estate and Old Athagarh estate, Chatrapur sub-division, Parlakhemundi sub-divison, Gunupur sub-division and Rayagada area of Koraput district. As Rayagada, Parlakhemundi and Chatrapur were separated from its area of operation in 1964, and Gunupur in 1965, the area of operation of the bank presently is confined to Berhampur sub-division excluding the Old Sanakhemundi estate. The following 5 Blocks and muncipality area are under its jurisdiction.

1. Rangailunda
2. Kukudakhandi
3. Digapahandi
4. Chikiti
5. Patrapur
6. Berhampur municipality area.

Table II-reveals some basic informations of the above 5 blocks.

TABLE—II

Basic Informations of the Blocks under Berhampur Co-operative Land Development Bank.

Sl. No.	Name of the Block	No of pancha-yats	No of villages	Total popu-lation ('000)	S.C ('000)	S T.	No of Agrl. families ('000)	No of members enrolled ('000)	No of Borrowing members ('000)
1	2	3	4	5	6	7	8	9	10
1.	Rangailunda	16	83	80.7	17.9	—	13.9	2.4	2.1
2.	Chikiti	14	141	73.0	12 6	0.7	11.0	2.1	1 9
3.	Patrapur	18	326	100.4	12.2	9.7	12.3	1.9	1.7
4	Digapahandi	19	243	113.1	15 6	6.4	13.4	2 2	1.77
5.	Kukudakhandi	15	98	89.7	17.	3.8	11.9	2.1	1.8
6.	B.pr. Municipality area	—	—	299.3	13.1	0.3	34.5	1.4	0.9
	Total :	82	891	756.2	89.0	20.9	97 0	12.1	10.1

Of the total villages of 891 of the 5 blocks, the L.D.B. already covered 648 villages (80 villages of Rangailunda Block, 132 of Chikiti, 170 of Patrapur, 92 of Kukudakhandi, 168 of Digapahandi and 6 villages surrounding Berhampur municipality. It comes to 72 5% of the total villages under the operational area of the Bank. It is reported that as the land-records/settlement work is not yet completed the rest of the villages are not covered.

The total membership and the number of borrowing members of the bank increased from 1980-81 to 1984-85 (Table III). It was 9.7 in 1980-81 and rose to 11 2 in 1984-85 in case of total members. Similarly in case of number of borrowing members, it was 9.1 in 1980-81 and 10.7 in 1984-85.

TABLE—III

Analysis of Membership from 1980-81 to 1984-85. (Figures in '000)

Sl. No.	Year	Total membership	S. C members	S. T members	Small Farmers	Marginal Farmers	No. of Borrowing members
1	2	3	4	5	6	7	8
1.	1980-81	9.7	1.2	0.1	4.4	0.4	9.1
2.	1982-82	10.1	1.2	0.3	4.6	0.5	9.5
3.	1982-83	11.0	1.4	0.5	5.5	1.2	10.1
4.	1983-84	14.2	1.9	0.7	5.7	1.8	10.1
5.	1984-85	11.2	2.0	0.7	6.1	2.4	10.7

The bank is advancing loan-term finance to its member cultivators for the purpose of (1) dug-well (2) rain water reserve tank, (iii) pisciculture tank, (iv) land improvement, (v) purchase of agricultural machinery like diesel engine, electric motor, tractors etc. (vi) betelvine cultivation, (vii) cocoanut plantation, (viii) cashew nut plantation, (ix) casurina plantation, and (x) purchase of bullock and bullock cart or both, goatery, diary and gober gas plants etc It advances loans to its members to a maximum of rupees of one lakh. The rate of interest varies from scheme to scheme. It is 10% under NABARD scheme, 10 25% under normal scheme and 12% under tractor scheme.

The trend of investment of funds by the bank to its borrowing members shows that it is a decreasing one. The investment was Rs. 76.1 lakhs in 1980-81, Rs. 25.8 lakhs in 1982-83; Rs. 58 3 lakhs in 1983-84 and Rs. 49.1 lakhs in 1984-85. The purpose-wise total loans invested by the bank to the members since its inception to the co-operative year ending is Rs. 550 6 lakhs. The purpose wise loans invested by the bank is shown in table IV.

TABLE—IV

Purpose wise investment of loans by the bank since inception to 1984-85.

Sl. No.	Purpose of loans	No of Beneficiaries	Amount (Rs. in lakhs)
1.	Dug-well	8252	275.8
2.	Diesel pump	164	7.9
3.	Dugwell with pump set	230	11.4
4.	Irrigation tank	207	18.6
5.	Land Improvement	3041	52.5
6.	Prior debt	279	4.6
7.	Tractor	17	8.1
8.	Grainery House	41	0.6
9.	Tube well	2	0.1
10.	Electric Motor	129	5.2
11.	Pump house	83	1.0
12.	Water channel	793	7.4
13.	Cocoanut plantation	193	5.7
14.	Cashew nut plantation	84	1.6
15.	Casurina	12	0.2
16.	Bettlevina	423	16.9
17.	Fishery tank	66	6.0
18.	Bullock/Bullock cart	1170	37.6
19.	Dairy	598	28.0
20.	Goatery	22	0.6
21.	Rain water reserve tank	17	0.5
22.	Cattle shed.	93	1.0
	Total—	15916	491.3

Dug-well scheme occupies the first place under the bank finance. The block wise/year wise achievements of some of the schemes are briefly highlighted. Table V reveals the distribution of Dug-wells in the different blocks of the Bank.

TABLE—V

Position of Dug-wells in the blocks since inception till 1984-85 (Rs. in '000)

Sl.	Name of the Blocks	Loans sanctioned		Loans disbursed		Dug-wells complete			Dug-wells energised	Area irrigate (in AC)
		No	Amount	No	Amount	No	Amount	No	Amount	
1	2	3	4	5	6	7	8	9	10	11
1.	Rangailunda	1633	66.56	1468	43.22	1129	44.85	33	2.49	1126
2.	Chikiti	1338	51.80	1280	41.06	846	33,64	3	0.29	846
8.	Patrapur	1474	61.75	1361	42.76	937	36.44	9	0.51	937
4.	Kukudahandi	1851	81.40	1790	65.34	1416	56.14	13	1.09	1416
5.	Digapahandi	1519	64.12	1460	47.32	1102	44.08	20	1.42	1103
6.	Berhampur Municipality	965	57.21	893	36,10	691	28.51	4	0.18	691
	Total :	8783	382,84	8252	275.80	6121	243.66	82	5.98	6419

(2) Bullock and Bullock cart Scheme—

Next to dug-well, the bank advanced finance to many beneficiaries to purchase bullocks and carts since its inception. The beneficiaries under this scheme are shown in Table—VI

TABLE—VI

Investment of the Bank under Bullock/Bullock cart Scheme (Rs. in lakhs)

Sl.	Name of the Blocks.	Only cart No.	Only cart Amount	Only Bullock No.	Only Bullock Amount	Bullock with cart No.	Bullock with cart Amount	Total No.	Total Amount.
1.	Rangailunda	4	0.06	4	0.08	223	6.70	231	6.84
2.	Chikiti	5	0.08	10	0.20	176	6.03	191	6.31
3.	Patrapur	9	0.18	15	0.30	236	8.15	260	8.63
4.	Kukudakhandi	5	0.08	9	0.15	221	7.31	235	7.54
5.	Digapahandi	3	0.06	10	0.19	175	5.87	188	6.12
6.	Berhampur Municipality	2	0.04	2	0.04	61	2.08	65	2.16
	Total :	28	0.50	50	0.96	1092	36.14	1170	37.60

(3) Diary Scheme :

Under the diary scheme the following are the achievements of the bank (Table VII)

TABLE—VII

Beneficiaries under diary scheme

Sl. No.	Name of the Blocks	No of beneficiaries	Loans advanced (in 'lakhs)
1.	Rangailunda	51	2.93
2.	Chikiti	109	4.27
3.	Patrapur	78	4.00
4.	Kukudakhandi	164	8.18
5.	Digapahandi	95	4.84
6.	Berhampur Municipality	70	3.53
	Total :	567	27.75

(4) Cocoanut Plantation :

The total achievement in different blocks upto the year 1984-85 under this scheme is as in Table—VIII.

TABLE—VIII

Achievement under cocoanut plantation scheme

Sl. No.	Name of the Block	No of benificiaries	Acrease covered	Amount financed (in lakhs)
1.	Rangailunda	141	291.11	3.38
2.	Chikiti	9	30.41	0.31
3.	Patrapur	8	18.69	0.18
4.	Kukudakhandi	12	55.02	0.62
5.	Berhampur Muncipality	21	70.96	1.00
	Total :	191	466.19	5.49

This scheme is not in operation in the Digapahandi Block.

(5) Cashew Plantation Scheme :

Table—IX reveals the target and achievement of the scheme from 1980-81 to 1984-85.

TABLE—IX

Target and Achievement of Cashew plantation scheme from 1980-81 to 1984-85.

(Area in Ac Rupees in lakhs)

Sl No.	Year	Target Area to	Amount	Achievement No of Beneficiaries	Area covered	Amount disbursed
1.	1980-81	25	0.09	30	66.32	0.35
2.	1981-82	25	0.16	9	59.06	0.46
3.	1982-83	25	0.24	—	—	0.27
4.	1983-84	25	0.24	1	5.00	0.05
5.	1984-85	25	0.08	1	2.54	0 01
	Total :	125	0.81	41	132.87	1,14

The bank has not realised the target fixed. Out of the target of 125 Ac under this scheme, it has covered only 132 87 Ac. till 1984-85.

In addition to the above scheme, the bank has financed Rs 42.4 thousand to 41 benefiaries (Rangailunda-17, Chikiti-5, Kukuda-khandi-17 and Berhampur-2) under old casher plantation scheme. The coverage under this scheme is 142.5 Ac. till 1984-85.

(6) **Pisciculture :**

Table X reveals the achievement under this scheme from 1978-79 to 1984-85. The scheme covered 59.27 Ac. till 1984-85.

Table-X

Achievement of Pisciculture scheme from 1978-79 to 1984-85

Sl. No.	Year.	No of Beneficiars	Amount financed (in 000)	Area (Ac)
1.	1978-79	1	5.0	0.60
2.	1979-80	9	34.5	6.24
3.	1980-81	2	20.3	2.60
4.	1981-82	5	39.2	5.84
5.	1982-83	13	104.4	15.74
6.	1983-84	13	135.8	18.75
7.	1984.85	18	210.6	19.50
	Total :	61	549.8	59.27

To provide finance to the borrowed members, the bank obtained loans from the Agriculture Refinance Development corporation (A.R.D.C), through its Apex bank (O S C.L D.S). It borrowed Rs. 39.10 lakhs during 3rd plan. The borrowing during the 3 Annual plans was Rs. 25.87 lakhs. It rose to Rs. 83.29 and Rs. 269.90 lakhs during 4th plan and 6th plan period respectively. The amount outstanding on the bank till 1984-85 is Rs 324.45 lakhs. It was Rs. 221.57 lakhs during 1980-81. The outstanding showed a rising trend from 1980-81.

From 1982-83, the NABARD is financing advances to the primary land development banks. The NABARD is financing to the banks through the Apex bank. In addition to the NABARD, the bank is also getting finances for the implementation of I. R. D and Normal schemes. Table XI depicts the loans advanced under NABAR/IRD/ Normal Schems from 1982-83 to 1984-85.

Table-XI

No of beneficiaries and loans advanced under NABARD/IRD/ Normal schemes by the bank. from 1982-83 to 1984-85.

(Rupees in lakhs)

Sl. No.	Year	Under NABARD		Under IRD		Under Normal scheme	
		No of Benefici-aries	Loans advan-ced	No of benefici-aries	Loans adva-ced	No of benefici-aries	Loans advanced
1.	1982-83	642	33.22	368	17.80	239	4.40
2.	1983-84	213	52.28	797	22.46	1200	6.48
3.	1984-85	676	23.84	180	21.93	14	3.31
	Total :	2531	109.34	1345	62.19	1453	14.19

The Co-operative Land Developement Bank, Berhampur has played an important role in providing long term credit to the farmers of 648 villages of Berhampur sub-division It provides advances not only seasonal loans for agricultural operation, but also for the development of fishery, animal husbandry etc. These provide an extra income to the farmers Membership of the bank has increased from 9.7 thousand to

112.0 thousand from 1980-81 to 1984-85. The working capital has also increased from Rs. 2.64 crores to Rs. 3.89 crores between 1980-81 and 1984-85. The percentage collection of loans from the members though satisfactory in 1984-85 while comparing this figure with that of the figures of the last ten years, yet it is not encouraging as the outstanding to Orissa State Co-operative Land Development Bank has increased from Rs. 2.22 crores in 1980-81 to Rs. 3.25 crores in 1984-85.

Problems of the Bank :

The bank is facing many difficulties in advancing the long term credit to borrowing members. They are :

(1) The lending capacity of the bank depends on the collection of out-standing loans from the borrowers. As the loanees are not paying the instalments regularly, the Apex bank finances the primary banks on the following basis.

Percentage of recovery of loans by the Bank.	Eligibility for getting finance from the Apex bank.
Above 75%	No financial restrictions/limitations.
Between 60% to 75%	The highest lending level reached in any of preceding 5 co-operative years or the average amount of recoveries during the preceding 3 co-operative years which-ever is higher.
iii) Less than 60%	The amount of recovery of the preceding co-operative year or the average amount of recovery during the preceding 3 co-operative years which ever is higher.

The collection of loans from 1980-81 to 1984-85 shows that only in the year 1984-85, the Bank has reccovered 78% of the total demand. It was only 55.5% in 1980-81, 65.3% in 1981-82 71.5% in 1982-83 and 72.5% in 1983-84. This shows that even if the bank wants to invest more credit in its area of operation, the extent of credit is limited to its percentage of recovery of outstanding loans. Some years the recovery is even less than 50% (it was 40% in 1969-70 and 33% in 1973-74). This state of affairs is due to non-payment of loans by the members The loanees have not only failed to repay the loans due to the income or due to natural calamities, there are some willful defaulters/habitual defaulters among the borrowing members, knowingly they are delaying the repayments of instalments. Further also some borrowed members due to political influences, are not repaying the loans. This hinders the capacity of the bank to invest money.

(2) The bank also faces at times difficulties in processing the loan applications due to lack of co-operation and co-ordination between the different departments.

(3) The bank some-times for collection of its out-standings from the members, seek the help of the court of law, which leads to much expenditure and waste of time of the bank.

(4) Disbursement of loans is delayed due to lack of technical personnel relating to agriculture and allied programmes. Presently, for technical services the bank has to depend on other departments.

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