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Unit - II

Objectives Of Land Ceiling Policy —

Q. What are the main objectives of land ceiling policy of the govt. of India? Discuss the progress of land reform measures associated with ceiling of land holdings.

Ans: A ceiling on agricultural holdings means statutory absolute limit on the amount of land which an individual may hold. The imposition of a ceiling has two aspects —

a. Ceiling on future acquisition
b. Ceiling on existing holdings

The main objectives of land ceiling policy of the government of India are —

i. Reducing inequalities in ownership and use of land.
ii. Reducing inequalities in agricultural incomes.
iii. Enlarging the sphere of self employment
iv. Redistribution of surplus land.
v. Meeting the widespread desire to land
vi To improve the standard of living of the poor

These are the main objectives that the govt. of India of ceiling on land wants to acquire.

Progress Of Land Reform Measures — The govt. of India has taken various measures associated with ceiling on land holdings. In this case how far those measure attained success can be discussed as follows:

As a result of effective implementation of various land reform measures 50.08 Lakh acre of land has been distributed out of the 72.94 Lakh acre declared surplus to ~~48~~ 47.88 Lakh beneficiaries. In respect of consolidation of holdings, about 1510 lakh acre of land were consolidated. Moreover, 23.2 lakh acre of Bhoodan land and 124.61 lakh acre of waterland were also distributed among the landless people.

In order to maintain records of rights on land, computerisation of land records have been undertaken on pilot basis in 21 districts.

During the period between October 1991 to January 1993, about 2·10 Lakh acre of surplus land has been distributed among the landless cultivators. So, it is found that progress of land reform in India is very slow.

Considering this poor progress of land reforms the central govt. has recently in July 1995, decided to bring all land reform laws under the Ninth schedule of the constitution, in order to free land from illegal disputes. The centre has suggested the state govt. for setting up tribunals under article 323 B of the constitution of expeditions disposal of powering connected with ceiling laws.

Considering the encouraging result of "Operation Barga" drive launced by the West Bengal govt. to bring the share croppers on record, the centre has asked the other state govts. to launch similar drives in their states for adequately protecting interests of the tenant share croppers.

Implementation of land reforms laid in the effective enforcement of ceiling law distribution of ceiling surplus land and modernisation and updating of land records government, 22 states govt. and union territories had enacted laws for imposition of ceiling on agricultural holdings. As a result of this, 74·10 lakh acre of land had been declared surplus, of which 51·46 lakh acre had been distributed to 49·92 Lakh families of 50% belonged to schedule caste and schedule tribes. Thus about 70% of declared surplus land had already been distributed benefitting around 2·50 crore people of the country directly.

Thus, what is urgently required is the combination of both political will and effective administrative and an organised from the people so as to ensure fundamental changes in agricultural land ownership in India.

Q. Discuss the main features of India's land tenurial system. Examine the various policies adopted by the govt. to remove the harmful consequences of land tenurial systems.

Ans: Land tenure system should maintain certain features which are important for preventing the interest of the farmer. In general the main features of India's land tenure system are:

i. The tiller or cultivator of the land should possess a definite and permanent right over land. The tenants in India possess a definite land owned and he has permanent right over his land. He can ground any crop over his land, nobody can interfere on his right over his land.

ii. Rent should be collected from the cultivators at reasonable rate. Every farmer have to pay rent for the use of land to the govt. This rent are determined by the govt. but this rent should be reasonable to that tenant.

iii. The limits of cultivation process specified clearly.

iv. Farmers right to transfer the ownership of the land. In India farmers have the right to transfer his ownership of his land. He can sell or give his land on to others.

v. Fixation of rents on land are flexible. in India the fixation of land ~~are~~ vary from place to place. It is seen that the rent fixed by the govt. are not similar to all the states.

vi. Inequalities in the distribution of land – In India there is inequality in the distribution of land. Some people possess a huge amount of land but on the other hand some are landless people.

vii. Direct contact between govt. and farmers – There is a direct contact between the govt. and the farmer. There is no intermediaries between the tenant and the govt. Govt. in this case plays an important role.

viii. Faults in legislation – In India the legislation enacted for land reforms is having certain built-in faults. These include unsatisfactory definition of personal cultivation, unlimited retention of land for personal cultivation etc.

ix. Incomplete land records – It is one of the characteristic of land tenure system in India. Land records collected by the state govts. are incomplete.

* Examination of tenancy reform policies adopted by the govt. of India: Tenancy problem in India is quite acute. The 4th plan documents has observed that about 12.7% of the total agricultural population are tenants and tenants households constitute about 23.6% of total cultivating household of our country. Only a small proportion of the tenants of the country have acquired permanent rights and a great majority of those tenants (nearly 82%) mostly in the states of Andhra Pradesh, Bihar, Haryana, Punjab, Tamil Nadu and West Bengal have insecular tenure. In India tenants are broadly divided into 3 category.

a. Permanent Tenants.
b. Tenants at will or temporary tenants.
c. Sub tenants.

* Measures Of Tenancy Reform Include :

i. Regulation of rent : Before 1951 tenants in India had to pay 50% of their total produce as rent. Thus, the first and the second plan recommended that the volume of rent be reduced to the extent of 20 to 25% of the total production. Accordingly various states have enacted necessary legislation to regulate rents, even than large variations in the rates of rent fixed by different states still prevails. But due to the weakness of tenants and prevalance of widespread land hunger those legislation failed to regulate the rent perfectly, leading to a much of its breach (breaking) than in its compliance.

ii. Security Of Tenure : Tenancy regulation in India has also made enough provision for security of tenure. The legislation made a provision that the tenants cannot be ejected from their land so long as they continue to pay rent.

Due to the enactment (performance) of tenancy legislation Indian tenants have acquired complete security in only 9% and have acquired no security at all in 12% of total cultivated area of the country.

iii. Ownership Right : Tenancy legislation enacted by various state govts have offered these tenants their right to purchase their holdings. States like Gujarat, Kerala, M.P, U.P, West Bengal and Union Territories have already enacted necessary legislation in this regard. But in the states like Assam, Bihar, Jammu and Kashmir and Tamil Nadu no such legislation has yet been enacted for conferring ownership rights by purchase. Nearly 3 million tenants and share croppers have already been able to acquire ownership rights even the land area if more than 7 million acres. Besides, provision has also been made to offer compensation for permanent improvements and also for remission of rent to tenants during natural calamities.

* System Of Land Tenure In Pre - Independent India :
* Objective of Lan Tenure System :

a. Rent should not exceed 1/4th ; 1/5th of the produce
b. Tenant should be given permanent right.
c. There should be security against evictions.
d. Except in some cases the tenants should be confessed with ownership rights.

Importance Of Land Tenure System : Land tenure system has got its specific importance for the developmt of agriculture. The following are some of the importance of land tenure system :-

i. Locating Actual Owner : Land tenure system prevailing in the country helps to locate the actual owner of the land by the govt. Locating owner of land is important for removing land revenue and implement agricultural develop.mt programmes.

ii. Development Of Agriculture : Land tenure system help a cultivator to establish right of ownership of land by farmers. This would help the farmers to establish a line between the cultivators and the govt. Land tenure system makes the ownership of land more secure and permanent which is very much important for the development of agriculture. In this connection Arthur Young has rightly observed, "the magic of private ownership turns dust into gold : Give a person a secured right to a large mountain and he will turn it into a garden. However, if the same garden is leased to him for nine years, he will turn it into a desertion.

iii. Importance of Society : Social structure of a country is influenced by the land tenure system. If the land distribution pattern in a country is skewed or uneven, then it paves the way for exploitation of farmers. But when the farmers right over the land is already established, it may lead to equitable distribution of income and thereby the society will become comparatively peaceful.

* Features Of An Ideal Land Tenure System : Ideal land tenure system should maintain certain basic features which are important for preserving the interest of the farmers, in general. The 2nd five year plan document has identified the following features for an ideal land tenure system :

i. The tiller or cultivator of the land should possess a definite and permanent right over his land.

ii. Rent should be collected from the cultivators at reasonable rate.

iii. The limits of cultivation process must be specified clearly.

iv. Farmers should be given the full rights to transfer the ownership of the land.

v. Fixation of rent on land should be flexible.

vi. Irregulation in the distribution of land should be reduced to the minimum.

vii. The land tenure system should establish a direct contact between the govt. and the farmers.

Thus in order to ensure an ideal tenure system the above mentioned features should prevail in the system and also be maintained in the long-run.

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* Growing Subsidies To Agricultural Produces: Gross subsidisation of agriculture in the developed countries have been well known function. Despite the promises made by the developed countries in round they are giving heavy export subsidies to agricultural exporter and domestic support to farmers. In 2001, the OECD countries subsidise their agricultural sector to the of $ 311 billion. This subsidies added upto as much as 31% of their gross value of agricultural output of these countries. In Japan, the subsidies accounted to as high as 59% of the gross value of agricultural output. In EU this subsidied account for 35% of total agricultural earnings in 2001.

The developed countries have been persisting estimation of agri subsidies. Still after the negotiation in WTO. At the Doha ministrial conference the EU and other developed countries agreed to only a substantial reduction but not estimation of their domestic support.

The US has announced the most generous form of subsidy package in its history under the Firm Security And Rural Investment Act, 2002 promising additional federal spending of near about US $ 82.6 billion in the next career of farming. Developed countries in arguing about the multifunctionality of agri and decoupling support from prices to justify high level of subsidies. The EU and US have been resistance even to share out export subsidies even after 7 years negotiation in WTO. These subsidies like those imposed on industries and agricultural product are clearly trade distorting, and need to be prove out immediately, so that developing country can take advantage in international trade.

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Q. Discuss in detail the different sources of agricultural credit. Evaluate the role of co-operative credit societies in the provision of rural credit.

Ans: Agricultural credit is considered as one of the most basic input for conducting all agricultural development programmes. In India there is an immense need for proper agricultural credit as Indian farmers are very poor.

In India agricultural credit are being advanced by different sources. These sources are divided into two categories, viz. institutional credit and non-institutional credit. Let us now discuss briefly all these sources of agricultural credit in India.

i. Non-Institutional Sources:

a. Money lenders: From the very beginning, money lenders have been advancing a major share of farm credit. Money lenders are of two different types:

1. Professional Money Lenders
2. Agricultural Money Lenders

These two money lenders were supplying a major portion of agricultural credit and indulged into malpractices like manipulation of accounts and changed exorbitant rate of interest on their loan.

b. Traders And Commission Agent: Traders and commission agents are also advancing loan to the agriculturist for productive purposes before the maturity of crops. This type of loan are mostly advanced for cash crops.

C. Relatives: Cultivators are also normally borrowing fund from their own relatives in times of their crisis both in terms of cash or kind. These loans are a kind of informed loans and carry no interest are normally returned after harvest

The importance of this source of favour credit is declined in recent years.

d. Land Lords: In India, Small as well as marginal farmers and tenants are also taking loan from the landlords for meeting their financial requirements. This source has been following all the ill-practices followed by money lenders, traders or sometimes landless workers are even forced to work as a bonded labour.

ii. Institutional Credit Source: The main motive of institutional credit is to assist the farmers in raising their agricultural productivity and maximising their income. Institutional credit is also not exploitative in character. The following are some of the important institutional sources of agricultural credit in India —

a. Co-operative Credit Societies: The ~~cp~~ cheaper and the best source of rural credit in India is definitely the co-operative finance. In India, the active primary agricultural credit societies overy nearly 86% of the Indian villages and account for nearly 36% of the total rural population of the country.

b. Land Development Bank: LDBs are advancing long-term co-operative credit for 15-20 years to the farmers against the mortgage of their lands for debt.

c. Commercial Banks: In the initial period, the commercial banks of our country have played a marginal role in advancing rural credit. After the nationalisation of commercial banks in 1969, the commercial banks started to extend financial support both directly and indirectly and also for both short and medium periods. With help of "Village adoption Scheme" and services area approvals the commercial banks started to meet the credit and other requirements of the farmers. They also sponsored

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various marginal rural banks for extending credit to small and marginal farmers and rural ~~assistance~~ & artisans just to save them from the clutches of village money lenders.

d. Regional Rural Banks : As per the recommendations of working groups on rural banks the RRBs were established in 1975 for supplementing the commercial banks and co-operatives in supplying rural credit. Since 1975 these RRBs are offering direct loans to small and marginal farmers, agricultural labourers, rural artisans etc for productive purposes.

e. The Government : Another important source of agricultural credit is the government of our country. Their loans are known as - loans and are lend by the govt. during emergency as distress like famines, floods etc.

From the above discussion it has been revealed that the extent of agricultural credit in India is very much inadequate and the private non-institutional source still remained very important in supplying credit to the farmers.

* Role Of Co-operative Credit Societies : Co-operative credit is the best and most important method of making available institutional credit. Untill now it has not made satisfactory progress. But keeping in view the fact that it is most useful for the country, efforts have to be made to make it success. In 1972, an export group constituted and another such group formed later on to examine this problem have made various suggestions. The major ones are —

a. Increase in the resources of credit societies.

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b. Non-insistance of land on security for credit.
c. Provision of facilities for small farmers to become member of these societies.
d. Associating grants of loans in product, on marketing and other activities, transaction in overdues etc.

Co-operative credit societies have been assigned an important place in the plants and progress has been made. These societies provides the short-term as well as long term credit to the farmers. Again from the point of view of working of these institution, some changes in the right direction have taken place, eg - the grant of credit is no longer limited to production alone but its supply is now related to the development of agriculture as a whole. The farmer is now given credit for variety of purposes like production, marketing, investment, and also to some extent consumption. It has also been provided that in certain circumstances loans should be given without security of land.

Steps have also been taken to channel an increasing part of co-operative credit to small and marginal farmers and to weaker section of the population such as tenants and share croppers. For example - relaxations have been allowed with regard to the share capital required to be held by them for borrowing. Again in Small Farmers Development Agency (SFDA) areas, the primary co-operative & land development banks have been allowed to finance fully their loans from the state co-operative land development banks irrespective of the percentage of their overdues. Further Special Service Societies in SFDA, as per the recommendation of the National Commission of Agriculture have been set up to provide integrated credit supplies and service. An additional feature of such societies is that while membership of these societies are open to all cultivators, management control is vested in the weaker sections who have two third of the seats on the board of management reserved for them.

Types Of Agricultural Credit : Considering the period and purpose of credit requirement of the farmers of the country, agricultural credit in India can be classified into 3 major types :

a. Short - term credit - The Indian farmers requires credit to meet their short - term need, viz, purchasing seeds, fertilisers, paying wages to hired workers etc for a period of less than 15 months. Such loans are generally repaid after harvest.

b. Medium-term credit - This type of credit includes credit requirements of farmers for medium period ranging between 15 months and 5 years and it is required for purchasing cattle, pumping ~~st~~ sets, other agricultural implements etc. Medium term credit are normally larger in size than short - term credit.

c. Long-term credit - Farmers also require finance for a long period of more than 5 years for the purpose of buying additional land or for making any permanent improvement on land like sinking of wells, reclamation of land, work culture etc. Thus the long term credit requires sufficient time for the repayment of such loans.

* Types or pattern of co-operative societies : There are many co-operative societies and institutions to deal with credit supply, marketing, supply of inputs and consumption. The most ~~of~~ ~~the~~ important

of those are the following -

i. State Co-operative Apex Bank : The premier co-operative institution in the state, the Assam Co-operative Apex Bank Limited was established in 1948. The bank is to look after the financial requirements of all co-operative institutions and promote their growth in the state. It obtains its working funds from its own share capitals and reserves, its deposits from public and loans and advances from the Reserve Bank Of India.

ii. Central Co-operative Bank : These banks are intermediaries bank. Huge accumulations of loan overdue was one of the major problems of the bank. The paid up capital due to member is reduced. The deposits are too small.

iii Primary Agricultural Credit Societies : These co-operative societies are at the base of co-operative credit structure. It may be started with ten or more person with nominal share value for each member. The loans received are for short-period, generally for a year and carry an interest charge of 6%. Profits are not distributed but used for welfare of the village. Primary credit societies have been organised in almost all villages and sometimes for a group of villages. The primary credit societies are of the following types -

a. Ordinary type primary agricultural societies.
b. Gaon panchayat level co-operative societies and
c. Large sized multipurpose co-operative societies

iv. Land Development Bank : A central LDB and 21 primary LDBs with membership of 37 and 18479 were functioning respectively in the states during 1980-81. Their objective is to provide long-term loans against the ~~loan~~ land mortgaged. These banks have not only been of much help to farmers.

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Only a few loans of rupees which they have advanced is like a small drop in the ocean of need.

v. Primary Non-Agricultural Credit Societies : During the year 1980-81, there were 403 such societies with a membership of 36000. However, one third of the societies are not functioning due to want of funds and other organisational problems.

vi. Non-Credit Societies (Statefed, Housefed, Artfed, Fishfed etc) : These societies include various categories of societies with activities in many diverse fields such as marketing, processing, farming, weaving, housing, fishery, milk supply, transport etc. To deal with these diverse tasks, a number of state level co-operative federations have lately emerged in the co-operative sector of the state mainly as promotional, technical and guiding agencies for organising and nursing the grass root level organisations.

* Problems Of Rural Credit : In the post independence period various attempts were made by the govt. for enriching the institutional agricultural credit structure of the country leading to continuous growth in the base and sources of agricultural credit. Both the co-operative sector, commercial banks and regional rural banks are trying simultaneously for meeting credit requirements of the farmers. Even then, there are number of problems faced by the agricultural credit structure of the country. The following are some of these problems.

i. Insufficiency : Inspite of expansion of rural credit structure, the volume of rural credit in the country is still insufficient as compared to its growing requirements arising out of increase in prices of agricultural inputs.

ii. Inadequate Amount Of Sanction: The amount of loan sanctioned to the farmers by the agencies is very much inadequate for meeting their different aspects of agricultural operations, considering the amount of loan sanctioned as inadequate and insignificant. The farmers often divert such loan for unproductive purposes and thereby dilute the very purpose of such loan.

iii. Lesser Attention Of Poor Farmers: Rural credit agencies and its schemes have failed to meet the needs of the small and marginal farmers. Thus lesser attention has been given on the credit needs of the needy farmers whereas, the comparatively well-to-do farmers are getting more attention from the credit agencies for their better credit worthyness.

iv. Growing Overdues – The problems of overdues in agricultural credit continues to be an area of concern. The recovery of agricultural advances to various institutions is also not at all satisfactory. Such growing overdues has also been resulted poor repaying capacity of farmers. As a result of that the credit agencies are becoming worried of granting loans to farmers.

v. Inadequate Institutional Coverage: In India, the institutional credit arrangement continues to be inadequate as compared to its growing needs. The development of co-operative credit institutions like primary agricultural societies, land development banks, commercial banks and regional rural banks have failed to cover the entire rural farmers of the country.

vi. Red Tapism: Institutional Agricultural Credit is subjected to red-tapism. Credit institutions are still adopting cumbersome rules and formalities for advancing loans to farmers which ultimately force the farmers to depend more on costly non-institutional source of credit.

Suggestions for removing limitations and problems of agricultural credit :- In order to remove limitations and problems of agricultural credit in India, the following measures may be suggested -

i. To monitor the loan offered by the govt. in a serious manner.

ii. Co-operative credit societies should be organised to make it efficient and purposeful for delivering the best in terms of rural credit. Moreover, these societies may be transformed into a multipurpose society with sufficient funding capacity.

iii. Middleman existing between credit agencies and borrowers should be eliminated.

iv. Reserve Bank of India should arrange sufficient funds so that long term loans can be advanced to farmers.

v. Powers and activities of the mahajans and money lenders should be checked so as to declare an end to the exploitation of farmers.

vi. The govt. should introduce the credit guarantee scheme so as to provide guarantee on behalf of the farmers for getting loans.

vii. The banks should adopt procedural simplifications for credit delivery through rationalisation of its working pattern.

viii. The govt. should issue kisan credit to the farmers to draw cash for their prod^n needs on the basis of the model scheme prepared by NABARD.

ix. In order to check the fraud practices adopted by the farmers for getting loans from different agencies by showing some tangible security, a credit card should be issued

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against each farmers which will show the details about the loans taken by them from different agencies.

Unit-II

Meaning of Microfinance

Microfinance is an Economic development tool whose objective is to assist the poor to work their way out of poverty. It covers a rate of services which include, in addition to the provision of credit, many other services such as savings, insurance, money transfers counselling etc - RBI.

In other words microfinance serves as a tool for providing financial services to the low income population which do not have access to the main stream financial services.

Microfinance in India evolve to fill the gaps created by formal banking institutions. It started in 1970 with Shri Mahila Sewa (Self employed women associations) Sahakari Bank in Ahmedabad & working women's forum in Tamilnadu were the pioneers.

Microfinance is the provision of financial services (Loan, savings, insurance) to people of on a small scales such as business with loan or moderate incomes microfinance or microcredit is banking the unbankable bringing credit, savings & other essential financial services within the reach of millions of people who are too poor to be serve by regular banks, due to lack of sufficient collateral.

Sources of Microfinance.

Microfinance providers come in various form which can broadly be classified as follows:

i. Formal Microfinance Institutions: Rural microfinance, village banks, commercial banks, Telecom funds and co-operations offerings loans to lower income group/individuals.

ii. Semi formal Microfinance Institutions: Non govt. organizations providing micro sized loans.

iii. Informal Microfinance Sources: Money lenders & shop keepers who often loan money on a daily basis & charged exhorbitant interest rate.

Problems/ faced by microfinance

Despite of good intention, microfinance still has several hurdles to face. Some of them are briefly mentioned below—

i. Perceived high risk of lending to the poor (as the loan may be misused ~~high~~ easily).

ii. Technology related hurdles, such as high cost involve in small loan transection for microfinance providers.

iii. Lack of awareness about the sources of funds for micro-finance providers to pass on to the poor.

iv. The poors inability to offer marketable collateral for loans to microfinance institutions. (MFIs).

v. Difficulty in measuring the social performance of MFIs.

vi. Mixing of charity with business by microfinance providers.

vii. Inappropriate targeting of poor households by microfinance programmes.

viii. Lack of info. about microfinance investment opportunities.

ix. Dual mission, MFIs to be financially sustainable as well as development oriented.

Teacher's Signature

Role of Microfinance in the Economic Development.

In a world where almost half the population lives on less than $2.50 a day, microfinance is one of the better tool for poverty alleviation, economic growth & development in emerging economies.

Microfinance lenders provide small loans to current and aspiring small business owners. These loans help give people who may not have the credit or the access to traditional financing the opportunity to earn a higher income & provide jobs to their local communities. The amount of microfinance loans vary by lender & can range from $25 up to $2000.

Financial Instability

One of the largest roles that microfinance has in local economics is helping to provide low income & poor families with the means to becoming financially stable. Small microfinance loans give people the opportunity to generate enough income to pay for necessities such as food, shelter & basic medical needs. Giving these families the opportunities for long-term financial stability can help reduce the number of people on public assistance programmes which benefits local & national economies.

Job Creation: A business that opens & operates as a rescue of a microfinance loan does not create jobs in as large numbers as bigger multi-national corporation. Many micro finance lenders focus on giving loans to people who live in some of the poorest areas of the world. These small buisness create are significant to these local communities where jobs are scarce. When people in these small communities are earning more income, the more likely it is that they will spend their earnings within their community. This helps stimulate local economic growth.

Global Poverty: Microfinance supporters believe that giving low income & poor families the opportunity for long term financially stability through these small loans helps break the cycle of poverty in the current generation & work toward ending global poverty for future generations. As more of these communities began to grow & the local economies begin to prosper, the world's GDP begins to increase & the income gap between the wealthiest & poorest people in the world will begin to decrease.

The enterprising spirit of the poor is valuable for the Economy. Poor people do not want to stay poor. Like everyone else, they wish to put an end to their economic hardship & exploitation by either working or exploring self employment. In the latter case, money can be raised through friends & family, gathered over time through savings, or obtained through loans from MFIs.

Self Help Groups (SHG). The concept of SHGs mainly demonstrate the significance of togetherness. SHG represents an association of people formed to attain certain common goods. National Bank for Agricultural & Rural Development (NABARD) has defined SHG as "A homogeneous group of rural poor voluntary formed to save whatever amount they can conveniently save out of their earnings & mutually agree to contribute to a common fund of the group to be lend to the members for meeting their productive & emergent credit needs".