

(E) RURAL CREDIT

Institutional credit to the rural sector is provided principally through the Extended Credit Scheme, rural banks, and the new Agricultural Credit Scheme. All three schemes are operated at village level by co-operatives. In addition to credit given under these schemes, the rural sector obtains a certain amount of credit from the branch banking network, specialized credit institutions and credit schemes operated by government departments for specific purposes.

(1) Extended Credit Scheme

Under the scheme inaugurated in July 1963, the People's Bank provides selected co-operative societies with overdraft facilities for re-lending to their members for approved purposes. The overdraft limit given to a co-operative society ranges from Rs. 10,000 to Rs. 50,000.

The purposes for which loan facilities are provided are agricultural production, animal husbandry, cottage industries, housing, debt redemption, electrification, consumption, and emergencies such as funeral or medical expenses. The maximum credit limits for loans by purpose are summarised in Table II (E) 1.

TABLE II (E) 1

**Maximum Credit Limits by Purpose
Extended Credit Scheme and Rural Banks**

Purpose	Maximum Credit Limit in Rupees	
	Extended Credit Scheme	Rural Banks Scheme
Production (e.g. agriculture, livestock, farming, cottage industries)	2,500	5,000
Redemption of Debts	2,500	5,000
Housing	2,500	5,000
Electrification	600	600
Consumption	500	500
Emergencies	200	200

Source: Rural Credit Department, People's Bank.

The progress of the scheme is summarised quarterly since 1967 in Table II (E) 2. The expansion of this scheme is, however, not conveyed adequately by these figures as co-operatives converted into rural banks leave the scheme. At the end of 1969, 72 co-operative societies operated the scheme, as against 69 societies at the end of 1968. When allowance is made for the six co-operatives which operated this scheme becoming rural banks, the number of societies operating this scheme in effect increased by nine. The aggregate overdraft limits increased from Rs. 1.84 million to Rs. 1.86 million and the aggregate amount utilised increased by Rs. 480.

TABLE II (E) 2
Extended Credit Scheme 1967—1969.
Use of People's Bank Credit Facilities

End of Quarter		No. of Co-operative Societies in Scheme	Amount in Rupees	
			Aggregate Overdraft Facilities	
			Approved by People's Bank	Utilised by Societies
1967	March ..	55	1,638,568	1,275,450
	June ..	56	1,651,068	1,279,757
	September ..	58	1,685,268	1,254,471
	December ..	67	1,901,118	1,295,673
1968	March ..	66	1,796,818 ³	1,211,925.
	June ..	67	1,829,818 ⁴	1,231,479.
	September ..	69	1,872,818 ⁵	1,293,536.
	December ..	69	1,837,118 ⁶	1,162,904.
1969	March ..	72	1,892,818	1,166,789
	June ..	72	1,914,818	1,224,288
	September ..	71	1,856,318	1,210,672
	December ..	72	1,861,950	1,163,384

Source: Rural Credit Department, People's Bank

(2) Rural Banks

The quarterly position of rural banks' savings and advances since 1965 is indicated in Table II (E) 3.

The year under review witnessed the most rapid expansion in the scheme of rural banks which was inaugurated in 1964 by the People's Bank. Twenty four new rural banks were opened in the course of the year, bringing their total number to 68 at the end of 1969.

The increase in the number of rural banks was accompanied by a substantial increase in savings mobilised by the banks. Over the year, the total of savings and fixed deposits increased by as much as 88 per cent from Rs. 3.3 million at the end of 1968 to Rs. 6.2 million at the end of 1969.

The number of savings accounts with rural banks increased from 17,359 to 28,626 and the amount of savings from Rs. 3.1 million to Rs. 5.7 million. There was also an increase in the average savings deposit from Rs. 179 at the end 1968 to Rs. 199 at the end of 1969.

The number of fixed deposit accounts with rural banks increased from 287 to 724, and the amount from Rs. 222,614 to Rs. 460,168. The average fixed deposit, however, decreased from Rs. 776 to Rs. 636.

There was also an expansion of lending facilities the number of loans increasing from 5,586 to 7,893, and the amount from Rs. 3.63 million to Rs. 5.57 million, or by 48 per cent.

TABLE II (E) 3

Deposits and Loans of Rural Banks 1965-1969

Amount in Rupees

End of Quarter	No. of Banks	Deposit Accounts									Loans		
		Savings			Fixed			Total			No.	Amount	Average
		No.	Amount	Average	No.	Amount	Average	No.	Amount	Average			
1965: March	.. 6	1556	194,013	125	10	8,100	810	1566	202,113	129	572	489,485	856
June	.. 7	1925	305,250	159	7	3,682	526	1932	308,932	160	771	693,621	900
September	.. 8	2597	504,160	194	7	3,734	533	2604	507,894	195	1038	855,946	825
December	.. 8	2924	491,626	168	9	4,734	526	2933	496,360	169	1153	914,699	793
1966: March	.. 8	3244	499,462	154	9	8,732	970	3253	508,195	156	1316	1,010,628	768
June	.. 8	3519	525,370	149	13	20,586	1583	3532	545,956	155	1433	1,072,293	748
September	.. 11	3923	604,505	154	11	19,868	1806	3924	624,373	159	1611	1,204,125	747
December	.. 13	4636	703,011	152	15	22,737	1516	4651	725,748	156	1783	1,326,457	744
1967: March	.. 14	5150	707,475	137	16	21,587	1349	5166	729,062	141	2037	1,413,639	694
June	.. 16	5971	821,448	138	20	38,952	1948	5991	860,400	144	2173	1,560,560	718
September	.. 20	6968	1,038,201	149	28	40,242	1437	6996	1,078,443	154	2529	1,815,637	718
December	.. 27	8792	1,305,846	118	41	65,381	1595	8833	1,371,227	155	2897	2,029,476	701
1968: March	.. 30	10378	1,650,228	159	85	111,430	1310	10463	1,761,658	168	3336	2,366,359	709
June	.. 34	12137	2,063,947	170	137	161,486	1179	12274	2,225,433	181	4128	2,592,847	628
September	.. 39	14689	2,643,592	180	254	221,270	871	14943	2,864,862	192	4713	3,105,393	659
December	.. 44	17359	3,110,576	179	287	222,614	776	17646	3,333,190	189	5586	3,630,731	650
1969: March	.. 54	19763	3,624,967	183	621	267,109	430	20384	3,892,072	191	6109	4,161,873	681
June	.. 57	22314	4,406,770	197	575	383,550	667	22889	4,790,320	209	6570	4,397,882	669
September	.. 64	25598	4,930,514	193	687	437,884	637	26285	5,368,398	204	7379	4,969,245	673
December	.. 68	28626	5,712,893	199	724	460,168	636	29350	6,173,061	210	7893	5,572,281	706

Source: Rural Credit Department, People's Bank.

The average loan increased from Rs. 650 in 1968 to Rs. 706 in 1969, which perhaps reflects the upward revision of credit limits in the latter part of 1968. The credit limits by purpose of loan are given in Table II (E) 1

In Table II (E) 4 rural banks' loans as at end of 1969 are analysed by purpose of lending with a comparison for 1968.

TABLE II (E) 4
Rural Banks' Loans by Purpose
(As at 31st December each year)

Purpose	Amount in Rupees		Percent of Total	
	1968	1969	1968	1969
Production of which ..	1,010,280	1,355,380	22.5	26.9
Agriculture ..	844,802	1,138,651	22.5	20.4
Animal husbandry ..	75,082	49,473	2.0	0.9
Cottage industry ..	90,396	167,256	2.4	3.0
Housing ..	1,334,229	1,983,579	35.5	35.7
Debt Redemption ..	1,006,675	1,679,704	26.8	30.3
Trade ..	214,449	316,372	5.7	5.7
Consumption ..	71,621	62,138	1.9	1.1
Electrification ..	7,313	12,528	0.2	0.2
Others ..	112,695	152,580	3.0	2.7
Total ..	3,757,262	5,572,281	100.0	100.0

Source: Rural credit Department, People's Bank

This analysis discloses an increase in the amount lent for all items except animal husbandry and consumption. Although the amount lent for consumption decreased, the amount lent under the residual category 'others' increased. The pattern of lending has remained much the same as last year except for the decrease in lending for animal husbandry and an increase in lending for debt redemption.

The trend, noted in the last annual report, of the increase in total deposits of rural banks more than offsetting their increased lending was further accentuated. In fact the sharp increase in deposits of rural banks in 1969 resulted in their deposits exceeding their aggregate lending by Rs. 0.7 million. In other words, rural banks taken as a whole, have ceased to be dependent on the finance of the People's Bank. Deposits were in excess of advances in 43 banks, while advances exceeded deposits in 25 banks.

In addition to the above lending operations, rural banks function as agents of the People's Bank in pawnbroking. Pawnbroking transactions increased from 9,507 to 14,325 and the extent of financing increased from Rs. 958,982 to Rs. 1,523,584.

(3) New Agricultural Credit Scheme**(a) Paddy Loans***Overall Position*

The coverage afforded by the new Agricultural Credit Scheme for paddy cultivation has shown a declining trend over the five seasons of its operation since September 1967.

In Maha 68/69 only Rs. 45.6 million was disbursed, compared with Rs. 61.4 million for the previous Maha. At the end of December 1969, only Rs. 27 million had been disbursed for Maha 1969/70, compared with Rs. 42 million and Rs. 36 million disbursed for the same period in Maha 67/68 and Maha 68/69, respectively. Loans given for the Yala season have also declined similarly. While in Yala 1968 Rs. 11.3 million was disbursed only Rs. 9.6 million was loaned in Yala 1969.

Credit utilised in Maha 1968/69 and Yala 1969 was only 74 per cent and 85 per cent, respectively, of credit utilised in the corresponding previous seasons. This is particularly significant in the light of the increase in credit limits per acre from Rs. 220 to Rs. 262 after Maha 67/68 and Yala 1968. On the assumption that the amount of funds used per acre is in the same proportion to the acreage limit in all seasons and when allowance is made for the higher acreage limits, the area serviced in Maha 68/69 and Yala 1969 is estimated at 61 per cent and 71 per cent, respectively, of that in Maha 67/68 and Yala 1968.

Voluntary recoveries, which were nearly 70 per cent of loans disbursed in Maha 67/68, declined to 51 per cent in Maha 68/69. The position in Yala 1969 is not as yet clear as 42.7 per cent of loans had not completed the period of repayment.

The amounts granted, recovered, extended, due and in default in the first four seasons of the Scheme's operations are indicated in Table 11 (E) 5. At the end of December 1969 a further Rs. 27.0 million had been disbursed for Maha 1969/70.

At the inception of the Scheme voluntary recoveries were expected to rise in subsequent seasons as there would be a better selection of borrowers by the elimination of defaulters. Yet in fact, the decline in credit disbursement has been accompanied by a decrease in funds recovered as well.

However, over time total recoveries would reach a high proportion of lent funds as the value of rice ration coupons hypothecated under the Scheme are credited. Rice ration recoveries for Maha 1967/68 and Yala 1968, were Rs. 9.0 million and Rs. 0.5 million or 14.6 per cent and 4.4 per cent respectively of total funds granted. With rice ration coupon recoveries, the total level of recoveries reached 84.5 per cent and 83.2 per cent of lent funds in these two seasons. Similarly the total level of recoveries for Maha 1968/69 and Yala 1969 can be expected to rise as the value of rice ration coupons is credited.

TABLE II (E) 5
New Agricultural Credit Scheme - Paddy Loans

Operation	Season	Amount in Rupees Million				As Percentage of Amount utilised			
		Maha 1967/68	Yala 1968	Maha 1968/69	Yala 1969	Maha 1967/68	Yala 1968	Maha 1968/69	Yala 1969
Loans Granted	61.4	11.3	45.6	9.6	100.0	100.0	100.0	100.0
Total Repayments of Which:	51.9	9.4	24.3	5.0	84.5	83.2	53.3	52.1
Voluntary	42.9	8.9	23.2	5.0	69.9	78.8	50.9	52.1
Rice Ration	9.0	0.5	1.1	0.0	14.6	4.4	2.4	0.0
Crop Failure Extensions	0.5	0.2	2.3	0.1	0.8	1.8	5.0	1.0
Dues not in Default	0.0	0.0	0.5	4.1	0.0	0.0	1.1	42.7
Defaults	9.0	1.7	18.5	0.4	14.7	15.0	40.6	4.2

Source: Rural Credit Department, People's Bank

The unsatisfactory level of voluntary repayments has been a significant factor in reducing the number of farmers eligible for credit under the Scheme. The number of ineligible borrowers has tended to increase with farmers preferring to repay loans with rice ration coupons. Such repayments with coupons make farmers ineligible to borrow till such time as a farmer has fresh rice ration coupons for hypothecation. Several districts have displayed a high correlation between levels of voluntary recovery and levels of subsequent credit utilization.

The declining trend of credit disbursements, which was also witnessed under schemes operated by the Department of Agrarian Services, if unchecked, could be a serious setback to the peasant agricultural sector's capacity to adopt improved cultivation practices requiring higher financial commitment. The persistent inability to recover a substantial amount of loans suggests strongly the need to establish more responsible co-operatives which can supervise lent funds more effectively.

The Royal Commission on the Co-operative Movement, which addressed itself to this problem, has recommended, *inter alia*, the need to maintain adequate records of agricultural operations, the strengthening of the management of co-operatives and the need to link the marketing and crop insurance schemes for paddy.

District-wise position

The level of voluntary recovery varied significantly between districts. Recoveries in Maha 1968/69 were particularly poor in Anuradhapura, Vavuniya, Amparai, Batticaloa and Trincomalee which had as high as 84, 68, 55, 48 and 38 per cent respectively of defaults (Table II (E) 7). The levels of voluntary recovery of these districts were lower than levels achieved in Maha 1967/68. Kurunegala and Puttalam also have high rates of default of 39.2 and 39.7 per cent respectively.

On the other hand Kandy, Matara, Polonnaruwa, Moneragala, Ratnapura and Kegalle have maintained high levels of recovery. Some districts such as Matale, Nuwara Eliya and Jaffna which had high levels of recovery in Maha 67/68 have shown a significant increase in defaults though maintaining a relatively high level of recoveries among districts.

In areas where a low level of recovery is endemic, defects in agrarian structure and in the management of co-operatives appear to have a significant bearing. In other districts which have displayed a declining trend of recoveries over the seasons, the preference to repay through rice ration coupons may account for this deterioration.

All districts, with the exception of Mannar, utilised a lower amount of credit in Maha 1968/69, compared with Maha 1967/68. Districts with a particularly sharp decrease in credit utilisation were Galle, Matara, Kurunegala and Kegalle. Of these districts Galle and Kurunegala had low levels of voluntary recovery. In Maha 1967/68 and Yala 1968 Galle recorded a recovery level of only 47 and 59 per cent respectively while Kurunegala had only 59 per cent and

District - Wise Analysis of Paddy Loans

District	Amount in Rupees Thousands									
	Amount granted		Repayments						Crop Failure Extensions	
			Total		Voluntary		Rice ration coupons			
	Maha	Yala	Maha	Yala	Maha	Yala	Maha	Yala	Maha	Yala
Colombo—Kalutara ..	485	189	438	146	367	141	71	5	—	—
Kandy ..	2014	852	1981	828	1877	824	104	4	—	—
Matale ..	834	24	792	23	648	22	144	1	—	—
Nuwara Eliya ..	438	128	424	99	418	99	6	—	—	—
Galle ..	1836	459	1398	280	867	271	531	9	—	—
Matara ..	1400	1407	1315	1220	1045	983	270	237	37	18
Hambantota ..	3124	1087	2744	866	2353	833	391	33	99	129
Jaffna ..	3438	62	3158	62	2908	62	250	—	12	—
Mannar ..	2794	—	2431	—	2289	—	142	—	169	—
Vavuniya ..	4279	22	3826	4	3348	4	478	—	—	—
Batticaloa ..	5246	35	4574	28	3948	28	626	—	77	—
Amparai ..	5820	1354	3943	1168	3200	1161	743	7	—	1
Trincomalee ..	4049	508	3324	390	2226	368	1098	22	—	—
Kurunegala ..	6263	442	5384	357	3700	332	1684	25	76	—
Puttalam ..	1529	143	1194	95	780	83	414	12	—	—
Anuradhapura ..	8701	809	6410	299	4939	293	1471	6	—	42
Polonnaruwa ..	4529	3227	4331	2998	4133	2930	198	68	—	—
Badulla ..	1472	225	1370	195	1271	191	99	4	—	—
Moneragala ..	1103	15	943	15	879	15	64	—	8	—
Ratnapura ..	1397	156	1269	146	1120	138	149	8	34	—
Kegalle ..	635	145	596	143	543	139	53	4	—	—
Total ..	61386	11289	51845	9362	42859	8917	8986	445	512	190

Note: A sum of Rupees 7,000/- comprising Rs. 5,000/- lent in Kalutara and Rs. 2,000/- lent in Badulla for Yala 1968 is due but not in default. This sum being small has, however been put in default in this table for easy reckoning.

TABLE II (E) 6

Maha 1967/1968 and Yala 1968

Defaults		As percent of Amount granted									
		Repayments						Crop failure extensions		Defaults	
		Total		Voluntary		Rice ration coupons		Maha	Yala	Maha	Ya'a
Maha	Yala	Maha	Yala	Maha	Yala						
47	38	90.3	77.2	75.7	74.6	14.6	2.6	—	—	9.7	20.1
33	24	98.4	97.2	93.2	96.7	5.2	0.5	—	—	1.6	2.8
42	1	95.0	95.9	77.7	91.7	17.3	4.2	—	—	5.0	4.1
14	29	96.8	77.3	95.4	77.3	1.4	—	—	—	3.2	22.7
438	179	76.1	61.0	47.2	59.0	28.9	2.0	—	—	23.9	39.0
48	169	93.9	86.7	74.6	69.9	19.3	16.8	2.7	1.3	3.4	12.0
281	92	87.8	79.6	75.3	76.6	12.5	3.0	3.2	11.9	9.0	8.5
268	—	91.9	100.0	84.6	100.0	7.3	—	0.3	—	7.8	—
194	—	87.0	—	81.9	—	5.1	—	6.0	—	7.0	—
453	18	89.4	18.2	78.2	18.2	11.2	—	—	—	10.6	81.8
595	7	87.1	80.0	75.2	80.0	11.9	—	1.5	—	11.4	20.0
1877	185	67.8	86.2	55.0	85.7	12.8	0.5	—	0.1	32.2	13.7
725	118	82.1	76.7	55.0	72.4	27.1	4.3	—	—	17.9	23.3
803	85	86.0	80.8	59.1	75.1	26.9	5.7	1.2	—	12.8	19.2
335	48	78.1	66.4	51.0	58.0	27.1	8.4	—	—	21.9	33.6
2291	468	73.7	36.9	56.8	36.2	16.9	0.7	—	5.2	26.3	57.9
198	229	95.6	92.9	91.2	90.8	4.4	2.1	—	—	4.4	7.1
102	28	93.0	86.7	86.3	84.9	6.7	1.8	—	—	7.0	12.4
152	—	85.5	100.0	79.7	100.0	5.8	—	0.7	—	13.8	—
94	10	90.8	93.6	80.1	88.5	10.7	5.1	2.4	—	6.8	6.4
39	2	93.8	98.7	85.5	95.9	8.3	2.8	—	—	6.2	1.3
9029	1730	84.4	82.9	69.8	79.0	14.6	3.9	0.8	1.7	14.8	15.3

Source: Rural Credit Department
People's Bank.

District-Wise Analysis of Paddy Loans

District	Amount in Rupees Thousand											
	Amount granted		Repayments						Crop failure Extensions		Due but not in Default	
			Total		Voluntary		Rice Ration coupons					
	Maha	Yala	Maha	Yala	Maha	Yala	Maha	Yala	Maha	Yala	Maha	Yala
Colombo and Kalutara ..	112	169	82	70	81	70	1	—	—	—	—	68
Kandy ..	1537	811	1381	611	1355	611	26	—	—	—	—	200
Matale ..	803	22	647	22	524	22	123	—	—	—	—	10
Nuwara Eliya ..	374	102	263	23	263	23	—	—	—	—	—	79
Galle ..	295	365	218	180	217	180	1	—	—	—	—	91
Matara ..	646	899	618	680	592	669	26	11	3	58	—	9
Hambantota ..	2442	1255	1862	393	1796	393	66	—	63	8	—	825
Jaffna ..	3034	—	2000	—	1984	—	16	—	436	—	—	—
Mannar ..	3642	—	1539	—	1539	—	—	—	1468	—	—	—
Vavuniya ..	4079	24	1320	16	1320	16	—	—	—	—	—	8
Batticaloa ..	4094	113	2118	23	1896	23	222	—	—	—	—	90
Amparai ..	3888	1269	1731	6	1722	6	9	—	23	—	—	1263
Trincomalee ..	2560	138	1597	40	1291	40	306	—	—	—	—	98
Kurunegala ..	2368	452	1401	159	1294	159	107	—	37	—	—	221
Puttalam ..	991	69	401	32	366	32	35	—	197	—	—	37
Anuradhapura ..	7048	47	994	18	993	18	1	—	—	—	124	29
Polonnaruwa ..	4372	2403	3730	1834	3639	1838	91	—	—	—	—	565
Badulla ..	1202	363	886	284	862	284	24	—	—	—	28	79
Moneragala ..	1096	1	628	1	571	1	57	—	91	—	313	—
Ratnapura ..	860	955	747	521	737	521	10	—	—	—	—	413
Kegalle ..	139	118	131	83	130	83	1	—	1	—	—	26
Total	45582	9578	24294	5000	23132	4989	1122	11	2319	66	465	4111

TABLE II (E) 7

Maha 1968/69 and Yala 1969

Defaults		As percent of Amount granted											
		Repayments						Crop Failure Extensions		Due but not in default		Defaults	
		Total		Voluntary		Rice Ration coupons							
Maha	Yala	Maha	Yala	Maha	Yala	Maha	Yala	Maha	Maha	Maha	Yala	Maha	Yala
30	31	73.2	41.4	72.3	41.4	0.9	—	—	—	—	40.2	26.8	18.4
156	—	89.9	75.3	88.2	75.3	1.7	—	—	—	—	24.7	10.1	—
156	—	80.6	68.7	65.3	68.7	15.3	—	—	—	—	31.3	19.4	—
111	—	70.3	22.6	70.3	22.6	—	—	—	—	—	77.4	29.7	—
77	94	73.9	49.3	73.6	49.3	0.3	—	—	—	—	24.9	26.1	25.8
25	152	95.6	75.6	91.6	74.4	4.0	1.2	0.5	6.5	—	1.0	3.9	16.9
517	32	76.3	31.2	73.6	31.2	2.7	—	2.6	0.6	—	65.6	21.1	2.6
598	—	65.9	—	65.4	—	0.5	—	14.4	—	—	—	19.7	—
635	—	42.3	—	42.3	—	—	—	40.3	—	—	—	17.4	—
2759	—	32.4	66.7	32.4	66.7	—	—	—	—	—	33.3	67.6	—
1976	—	51.7	20.4	46.3	20.4	5.4	—	—	—	—	79.6	48.3	—
2134	—	44.5	0.5	44.3	0.5	0.2	—	0.6	—	—	99.5	54.9	—
963	—	62.4	29.0	50.4	29.0	12.0	—	—	—	—	71.0	37.6	—
930	72	59.2	35.2	54.7	35.2	4.5	—	1.6	—	—	48.9	39.2	15.9
393	—	40.4	46.4	36.9	46.4	3.5	—	19.9	—	—	53.6	39.7	—
5930	—	14.1	38.3	14.1	38.3	—	—	—	—	1.8	61.7	84.1	—
642	—	85.3	76.5	83.2	76.5	2.1	—	—	—	—	23.5	14.7	—
288	—	73.7	78.2	71.7	78.2	2.0	—	—	—	2.3	21.8	24.0	—
64	—	57.3	100.0	52.1	100.0	5.2	—	8.3	—	28.6	—	5.8	—
113	21	86.9	54.6	85.7	54.6	1.2	—	—	—	—	43.2	13.1	2.2
7	9	94.2	70.4	93.5	70.3	0.7	—	0.7	—	—	22.0	5.1	7.6
18504	411	53.3	52.2	50.8	52.1	2.5	0.1	5.1	0.7	1.0	42.8	40.6	4.3

Source: Rural Credit Department
People's Bank

75 per cent respectively. Matara had fairly high levels of voluntary recovery of 75 and 70 per cent and Kegalle had one of the highest levels of 85 and 96 per cent.

In several districts such as Galle, Batticaloa, Amparai, Trincomalee, Kurunegala and Puttalam low levels of voluntary recovery have been matched by low levels of subsequent credit utilization. On the other hand, high levels of voluntary recovery have been matched by relatively high levels of subsequent credit utilisation in Polonnaruwa, Badulla, Moneragala, Matale, Nuwara Eliya and Jaffna. (Tables II (E) 6 and 7.)

(b) Subsidiary Crops

Overall Position

Loans for subsidiary crops have shown a rising trend. Sums loaned have increased from Rs. 5.59 million between October 1967 and end September 1968, to Rs. 6.81 million between October 1968 and September 1969. This trend of increasing credit disbursements for subsidiary crops is also seen in the last quarter of 1969 when Rs. 3.8 million was given compared with Rs. 2.3 million and Rs. 2.9 million given for the last quarter of 1967 and 1968 respectively.

Voluntary recoveries of loans given for subsidiary crops have also been at a high level despite the non-hypothecation of rice ration coupons. In 1967/68 and 1968/69, 81 and 72 per cent respectively of loans disbursed have been recovered. The latter rate of recovery is likely to rise, since 13 per cent of loans was not due for recovery at the end of 1969.

In both 1967/68 and 1968/69 around 93 per cent of loans given for subsidiary crops has been for chillies, red onions and potatoes. Loans for vegetables accounted for only 7.6 per cent and 6.4 per cent of total loans for subsidiary crops in 1967/68 and 1968/69 respectively. The amounts given for all subsidiary crops increased in 1968/69, but the most substantial increase was for potato cultivation where loans increased by Rs. 0.6 million or 52 per cent.

Recoveries have been highest in the case of loans given for red onions, being 96 per cent in 1967/68 and nearly 90 per cent in 1968/69 till end December 1969. The lowest level of recoveries has been recorded in loans for vegetable cultivation.

District-wise Position

The district-wise position of loans for subsidiary crops in 1967/68 and 1968/69 is indicated in Tables II (E) 8 and 9. Recovery levels in 1967/68 are not strictly comparable with those of 1968/69 as the period of repayment had not lapsed by the end of December 1969 in the case of loans given in the latter period. Recovery levels in 1968/69 are likely to increase with time.

TABLE II (E) 8

District - Wise Analysis of Loans for Subsidiary Crops - 1967/68

Amount in Rupees Hundred

District	Chillies		Red Onions		Potatoes		Vegetables		Percentage of Recoveries			
	Granted	Recovered	Granted	Recovered	Granted	Recovered	Granted	Recovered	Chillies	Red Onions	Potatoes	Vegetables
Colombo	—	—	—	—	—	—	50	39	—	—	—	78.0
Kalutara	—	—	—	—	—	—	158	158	—	—	—	100.0
Kandy	46	46	—	—	—	—	992	974	100.0	—	—	98.2
Matale	37	37	—	—	—	—	—	—	100.0	—	—	—
Nuwara Eliya	—	—	—	—	373	373	975	865	—	—	100.0	88.7
Galle	—	—	—	—	—	—	198	46	—	—	—	23.2
Matara	—	—	—	—	—	—	—	—	—	—	—	—
Hambantota	1,885	1,116	241	155	—	—	—	—	59.2	64.3	—	—
Jaffna	6,732	6,328	18,427	18,346	2,260	2,260	—	—	94.0	99.6	100.0	—
Mannar	—	—	—	—	—	—	—	—	—	—	—	—
Vavuniya	437	211	3	3	10	—	—	—	48.3	100.0	—	—
Batticaloa	—	—	—	—	—	—	—	—	—	—	—	—
Amparai	285	106	—	—	—	—	—	—	37.2	—	—	—
Trincomalee	480	298	484	301	—	—	—	—	62.1	62.2	—	—
Kurunegala	924	242	18	18	—	—	20	20	26.2	100.0	—	100.0
Puttalam	3,713	1,308	56	52	—	—	84	—	35.2	92.9	—	—
Anuradhapura	4,156	1,300	—	—	—	—	—	—	31.3	—	—	—
Polonnaruwa	123	123	—	—	—	—	—	—	100.0	—	—	—
Badulla	265	167	50	18	9,402	7,991	1,684	1,529	63.0	36.0	85.0	90.8
Moneragalā	274	274	—	—	—	—	—	—	100.0	—	—	—
Ratnapura	308	159	690	336	—	—	96	96	51.6	48.7	—	100.0
Kegalle	—	—	—	—	—	—	—	—	—	—	—	—
Total	19,665	11,715	19,969	19,229	12,045	10,624	4,257	3,727	59.6	96.3	88.2	87.6

Source: Rural Credit Department
People's Bank.

TABLE II (E) 9

District - Wise Analysis of Loans For Subsidiary Crops - 1968/69

Amount in Rupees Hundred

District	Chillies		Red Onions		Potatoes		Vegetables		Bombay Onions		Percent of Recoveries				Bombay Onions
	Granted	Recovered	Granted	Recovered	Granted	Recovered	Granted	Recovered	Granted	Recovered	Chillies	Red Onions	Potatoes	Vegetables	
Colombo	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kalutara	—	—	—	—	—	—	210	210	—	—	—	—	—	100.0	—
Kandy	—	—	—	—	—	—	962	780	—	—	—	—	—	81.1	—
Matale	153	32	—	—	—	—	—	—	—	—	20.9	—	—	—	—
Nuwara Eliya	—	—	—	—	3,597	1,557	1,113	843	—	—	—	—	43.3	75.7	—
Galle	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Matara	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Hambantota	1,705	391	224	129	—	—	—	—	—	—	22.9	57.6	—	—	—
Jaffna	12,704	8,357	21,815	20,321	3,411	3,361	—	—	50	50	65.8	93.2	98.5	—	100.0
Mannar	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vavuniya	2,279	605	—	—	—	—	—	—	—	—	26.6	—	—	—	—
Batticaloa	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Amparai	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Trincomalee	158	75	1,461	1,015	—	—	—	—	—	—	47.5	69.5	—	—	—
Kurunegala	127	9	148	132	—	—	—	—	—	—	7.1	89.2	—	—	—
Puttalam	659	214	2	—	—	—	—	—	—	—	32.5	—	—	—	—
Anuradhapura	1,682	170	—	—	—	—	—	—	—	—	10.1	—	—	—	—
Polonnaruwa	127	73	140	96	—	—	—	—	—	—	57.5	68.6	—	—	—
Badulla	4	4	7	7	11,304	8,315	1,671	658	—	—	100.0	100.0	73.6	39.4	—
Monaragala	454	434	261	133	—	—	—	—	—	—	95.6	51.0	—	—	—
Ratnapura	575	370	673	444	—	—	427	427	—	—	64.4	66.0	—	100.0	—
Kegalle	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	20,627	10,734	24,731	22,277	18,312	18,233	4,383	2,928	50	50	52.0	90.0	72.3	66.6	100.0

Source: Rural Credit Department
People's Bank

Jaffna has the highest utilisation of loans for subsidiary crops. While in 1967/68 Jaffna alone used 49 per cent of total loans for subsidiary crops, in 1968/69, this proportion rose still further to nearly 56 per cent. Ninety per cent of loans given in Jaffna in 1968/69 was for Red onions and Chillies. Nineteen per cent of loans for subsidiary crops, in 1968/69 was utilised by Badulla, where 87 per cent was for potato cultivation.

Recoveries of loans for subsidiary crops have been particularly good in Jaffna. In 1967/68, 98 per cent of loans was recovered while 84 per cent had been recovered and only ten per cent of loans was in default at end December 1969. Nuwara Eliya which had a very high rate of recovery of 91 per cent in 1967/68 had recovered about 51 per cent of loans in 1968/69 and had 34 per cent of loans in default while 14 per cent of loans was due but not in default.

As in the case of paddy loans, Anuradhapura has a very low level of recovery. Ninety per cent of the loans taken for 1968/69 is in default. These loans were taken entirely for chillie cultivation. Other districts with low levels of recovery are Kurunegala and Puttalam. Though Matale, Hambantota and Vavuniya had low levels of recovery at the end of December 1969, their default position is not clear as substantial amounts of loans are not yet due for repayment.

(4) Survey of Rural Credit and Indebtedness

Despite several policy measures designed to improve credit conditions in the rural economy an island-wide assessment of rural credit conditions had not been undertaken since the Department of Census and Statistics Survey on Rural Credit in 1957. In the latter half of 1969, the Central Bank designed a survey of Rural Credit and Indebtedness, field work on which was completed between mid-October and mid-December 1969.

The main objectives of the survey were to obtain data on the incidence of debt, the sources and conditions of borrowing, the purposes of borrowing and methods of repayment. The survey also attempted to obtain information on incomes by type of occupation and expenditure on agriculture with a breakdown of the extent self-financed and borrowed. More detailed information was sought of crops entitled to credit under the new Agricultural Credit Scheme. This included extent cultivated, tenure conditions and reasons for not borrowing under the scheme and non-repayment of loans. Paddy production figures were obtained with a breakdown of the amount self-consumed and sold under the GPS and in the open market.

Apart from the above data several aspects of demographic, educational and occupational data were obtained. This information would enable relationships to be drawn between these and the economic variables as well as provide information for comparison with similar data obtained in the Surveys of Consumer Finance of 1953 and 1963.

The information obtained in this survey would be valuable in assessing and formulating agricultural policies as well as in expanding credit and banking facilities to the rural sector.

Although it was intended to use 'rural census blocks' as the sampling frame, the non-availability of the list of 'rural census blocks' necessitated the use of the village list. The villages were selected on a random sample stratified by population in geographical regions and sub-stratified by districts and D.R.O. Divisions. All households were surveyed in the selected villages.

The sample consisted of about 30,000 households in 159 villages drawn from 73 D.R.O. divisions and 121 grama sevaka divisions. This sample is estimated to include about two per cent of all rural households and rural population.

The investigation was carried out by 104 graduate investigators trained and employed specifically for the survey. Twenty two group leaders under the direction of ten regional supervisors drawn from the Central Bank staff supervised their work in the villages.

The Ministry of Home Affairs assisted in the survey by providing Kachcheri jeeps when necessary. The grama sevakas of the selected villages assisted the investigators in several ways such as the identification of the village households.