

(B) DOMESTIC AGRICULTURE**I. Land Reform**

Under the Land Reform Law of 1972 privately owned agricultural land above a ceiling of 50 acres (except in the case of paddy where the ceiling was 25 acres) was deemed vested in the Land Reform Commission. Such statutorily vested lands had to be alienated within a maximum period of two years, (i. e. by August 26, 1974), unless special approval was obtained from the Minister of Agriculture and Lands. By August 26, 1974 all expropriated land was divested from the previous owners and alienated to various organizations and individuals.

The total extent of land acquired by the Land Reform Commission under the Land Reform Law of 1972 was 559,377 acres. The breakdown of the area vested in the Commission by type of land use is given in Table II (B) I.

TABLE II (B) I
Land Vested in Land Reform Commission by Type of Land Use

Type of Land Use	Area in Acres	per cent of Total Vested Land
Jungle, Patna and uncultivated ³	182,257	32.6
Tea	135,760	24.3
Coconut	115,350	20.6
Rubber	82,944	14.8
Paddy	16,270	2.9
Mixed Crops	14,513	2.6
Cardamom	7,699	1.4
Chena	1,861	0.3
Abandoned Tea and Rubber Lands	1,701	0.3
Cinnamon	777	0.1
Cocoa	245	0.1
Total	559,377	100.0

Source: Land Reform Commission

As can be seen from this table nearly one third of lands vested in the Land Reform Commission is uncultivated land. Tea lands constitute nearly one fourth the total lands vested and over a fifth of the land area under tea. A fifth of the area vested was coconut land but this constitutes only 10 per cent of the area under coconut. The extent of rubber land vested constitutes about 15 per cent of both the total area vested and the total area under rubber. Although the cardamom area vested is small it constitutes probably as much as 70 per cent of the country's cardamom cultivation.

The institution or management-wise redistribution of these lands is given in Table II (B) 2. However, lands that have been alienated could be re-vested in the Land Reform Commission when such lands have not been utilised in accordance with the terms and conditions under which such lands were alienated [Land Reform Law,

Section 24 (2)]. Further, lands given to particular organisations may be given to other organisations subsequently. Therefore, figures in Table II (B) 2 are not necessarily the final position and are not indicative of the ultimate form of management of these lands.

TABLE II (B) 2
Distribution of Land Reform Lands by Method of Alienation

Institution or Management Method	Area in Acres	Per cent of Total area alienated
Divisional Land Reform Authorities	177,719	31.77
Land Commissioner	111,375	19.91
Udarata Samupakara Watu Sanwardhana Mandalaya (USAWASAMA) (Upcountry Cooperative Estate Development Board)	87,235	15.60
Multi-purpose Cooperative Societies	48,143	8.61
Cooperative Settlements	38,704	6.92
State Plantations Corporation	31,791	5.68
Special Cooperative Organizations	19,750	3.53
Individual Villagers	13,833	2.47
Government Agents	6,450	1.15
Livestock Development Board	4,891	0.87
Coconut, Rubber and Tea Research Institutes	2,184	0.39
Coconut Cultivation Board	1,235	0.22
Conservation of Forests	785	0.14
District Development Project	754	0.14
Others	14,528	2.60
Total	559,377	100.00

Source: Land Reform Commission

2. Agricultural Production

(a) Paddy Production in 1974

Statistics released by the Department of Census and Statistics indicate a sharp rise in paddy production in 1974 compared to the preceding year. Paddy output increased by about 22 per cent from 62.90 million bushels in 1973 to 76.80 million bushels in 1974.

This increase was achieved mainly owing to an increase in the area cultivated. The area under paddy cultivation in 1974 (net extent harvested) increased by as much as 19 per cent over the 1973 extent. The increment in the net extent harvested was partly due to a lower incidence of crop failure during the year; only 3.85 per cent of the sown area was not harvested during the year. The increment in yield per acre in 1974 was relatively small—only 1.08 bushels per acre or 2.42 per cent over that of 1973. The extents under improved varieties have increased in all districts for which data are available.

There were significant increases in both fertilizer issues and credit during 1974. Fertilizer issues increased from 96,816 tons in 1972/73 to 115,702 tons in 1973/74. Credit given for paddy production Under the New Agricultural Credit Scheme increased from Rs. 28.3 million in 1972/73 to Rs. 109.0 million in 1973/74. This constitutes a 285 per cent increase in credit disbursed which reflects an increase in the cost of production and also the removal of the provision denying credit to defaulters. The total amount of credit given in 1973/74 was the highest amount disbursed for paddy cultivation so far.

While the total paddy output for 1974 is the highest since 1970, it was slightly less than that of 1970. The yield per acre in 1974 was significantly less than in the cultivation seasons in 1970. While the yields per acre in Maha 1973/74 and Yala 1974 were 47.72 bushels and 41.74 bushels respectively, the yields per acre in Maha 1969/70 and Yala 1970 were 52.21 and 44.59 bushels per acre respectively. In other words, the paddy output in 1974 nearly reached the level attained in 1970 owing to a significant expansion in the area cultivated.

The performance of the paddy sector is analysed by the two seasons Maha 1973/74 and Yala 1974 in the following sections. The data for these two seasons are given in Table II (B) 3.

Maha 1973/74: According to statistics released by the Department of Census and Statistics, the total paddy production in Maha 1973/74 was 52.6 million bushels. This is an increase of 25 percent over the 1972/73 Maha crop and the highest total production for a Maha crop. This increase was achieved by both an expansion in the area under cultivation and an increase in yield per acre.

The gross extent sown increased from 1.18 million acres in Maha 1972/73 to 1.32 million acres in Maha 1973/74, while the gross extent harvested increased from 1.09 to 1.29 million acres in the respective seasons. The sown extent not harvested was 29,476 acres or 2.24 per cent of the sown extent indicating a low level of crop failure.

The average yield per net acre harvested also increased from 45.54 bushels in Maha 1972/73 to 47.7 bushels in Maha 1973/74. There was a substantial increase in inputs for the Maha crop. Credit given for paddy cultivation Under the New Agricultural Credit Scheme increased more than three-fold from Rs 20.3 million in Maha 1972/73 to Rs. 84.2 million in Maha 1973/74. Fertilizer issued increased by 22,995 tons or 41 per cent over the previous Maha. The fertilizer issued per acre of harvested paddy land in Maha 1973/74 was 137.5 lbs. compared to 115.8 lbs. in the previous Maha. Incomplete data indicate that the extent under improved varieties increased.

Yala 1974: According to the Department of Census and Statistics total paddy production in Yala 1974 was 24.2 million bushels. This constitutes an increase of 15.6 per cent over paddy production in Yala 1973, but does not surpass Yala production in 1970 and 1971 (28.0 and 25.3 million bushels respectively).

The factors responsible for the increase in output in Yala 1974 include a 17.5 per cent increase in the gross extent sown and an 18.5 per cent increase in the gross extent harvested from that of Yala 1973. The difference in percentages of the sown

TABLE II (B) 3

District-wise Performance in the 1973/74 Cultivation year(a)—Paddy sector(b)

Zone and District	Extent Sown (Acres)		Net Extent Harvested (Acres)		Production ('000 Bushels)		Yield per Acre (Bushels)		Area under improved varieties (Acres)		Fertilizer Issues (Tons)		G.P.S. Purchases ('000 Bushels)	
	Maha 1973/74	Yala 1974	Maha 1973/74	Yala 1974	Maha 1973/74	Yala 1974	Maha 1973/74	Yala 1974	Maha 1973/74	Yala 1974	Maha 1973/74	Yala 1974	Maha 1973/74	Yala 1974
Wet Zone														
Colombo	384,014	336,959	325,167	274,523	15,306	10,689	47.07	38.94	253,671	190,231	23,800	16,417	1,993.8	1,108.7
Kalutara	60,604	54,430	51,256	43,426	2,058	1,527	40.15	35.17	46,254	39,416	4,955	3,049	21.5	7.9
Galle	50,932	47,226	43,556	37,155	1,445	1,088	33.17	29.28	19,008	12,295	2,477	2,715	34.9	8.6
Matara	57,424	54,610	49,386	44,000	1,626	1,263	32.93	28.70	18,969	15,409	3,706	1,802	93.7	49.0
Kegalle	48,106	47,287	40,808	37,825	1,669	1,312	40.90	34.68	31,000	33,241	3,511	2,322	170.1	61.8
Ratnapura	27,466	26,825	23,019	22,182	1,250	871	54.31	39.25	23,246	26,605	2,190	1,193	52.1	39.5
Kandy	37,061	35,227	31,261	29,623	1,251	1,160	40.02	39.15	22,485	14,969	1,805	2,188	623.0*	366.6*
Nuwara-Eya	48,424	44,352	40,639	37,586	2,527	2,279	62.19	60.65	41,791	30,717	3,306	2,353	546.0	387.4
Badulla	18,107	12,512	15,318	10,494	1,484	674	96.85	64.24	17,521	8,956	684	459	49.3	9.4
	35,890	14,490	29,924	12,232	1,996	515	66.69	42.08	33,397	8,623	1,166	336	493.2	178.5
Dry Zone														
Puttalam	933,824	383,280	777,703	304,428	37,326	13,477	48.00	44.27	n.a.	n.a.	55,275	20,210	13,198.6	4,563.8
Kurunegala	34,007	11,015	26,299	8,330	847	265	32.21	31.77	24,440	10,493	1,420	346	132.3	68.2
Matale	143,582	112,973	120,215	90,535	4,672	3,636	38.86	40.16	92,903	104,123	9,409	5,485	585.5	532.8
Moneragala	28,163	16,116	23,432	13,457	1,145	573	48.88	42.60	25,141	11,094	1,662	392	351.5	103.7
Jaffna	21,656	4,568	18,119	3,798	1,072	160	59.15	42.02	18,982	n.a.	999	236	379.4*	84.1*
Vavuniya	86,735	11,425	69,803	9,684	2,634	427	37.74	44.12	62,932	n.a.	6,834	1,432	312.5	19.5
Mannar	55,860	4,187	45,350	3,547	1,839	184	40.55	51.89	53,174	4,032	3,566	161	669.0	40.7
Anuradhapura	47,222	4,334	40,707	1,210	2,278	40	55.95	32.79	44,645	3,184	3,214	181	765.2	20.8
Polonnaruwa	134,805	30,811	113,470	24,566	5,713	1,016	50.35	41.38	n.a.	n.a.	4,906	974	1,618.3	691.4
Trincomalee	70,264	43,572	58,776	36,694	4,836	1,805	82.28	49.19	58,783	37,368	5,511	3,035	3,084.4	989.0
Batticaloa	57,126	10,933	48,286	9,095	2,080	493	43.08	54.25	n.a.	n.a.	3,005	399	1,037.7	266.1
Amparai	91,141	25,648	76,801	17,852	3,065	724	39.91	40.55	85,808	15,416	5,614	1,122	861.7	78.9
Hambantota	101,021	60,598	84,788	46,254	3,748	1,724	44.20	37.27	94,485	n.a.	5,103	4,657	1,916.6	866.6
Uda Walawe	46,079	30,990	37,918	25,712	2,375	1,542	62.64	59.98	44,303	28,370	3,765	1,624	1,484.5*	802.0*
	16,163	16,110	13,739	13,694	1,022	888	74.42	64.83	13,607	13,508	267	166	—	—
Sri Lanka	1,317,838	720,239	1,102,870	578,951	52,632	24,166	47.72	41.74	n. a.	n. a.	79,075	36,627	15,192.4	5,672.5

Sources: Department of Census & Statistics; Ministry of Agriculture & Land; Paddy Marketing Board.

n. a.—not available.

(a) The cultivation year comprises Maha 1973/74 (September/October—March/April) and Yala 1974 (April/May—August/September)

(b) Provisional Estimates.

* Includes paddy purchases from Uda Walawe.

and harvested extents is indicative of less crop failure in Yala 1974 compared to Yala 1973. The sown extent not harvested was 5.43 per cent of the total area sown. Incomplete data indicate an increase in the area under improved seed varieties. Credit disbursed Under the New Agricultural Credit Scheme increased by 210 per cent from Rs. 8.0 million in Yala 1973 to Rs 24.8 million in Yala 1974. Fertilizer issued in Yala 1974 was 36,627 tons compared to 40,736 tons in Yala 1973. The fertilizer issued per acre of harvested paddy land in Yala 1974 was 119.9 lbs compared to 158.8 lbs in the previous Yala.

Paddy Purchases Under the Guaranteed Price Scheme

Despite the good paddy production performance indicated in the statistics of the Department of Census and Statistics, paddy purchases by the Paddy Marketing Board (PMB) under the Guaranteed Price Scheme (GPS) were below expectations. Although the PMB has monopoly purchasing rights for paddy and considerable restrictions apply to the transportation of paddy, only 27 per cent of the 1974 production was purchased by the PMB. This is even smaller than last year's purchases which accounted for 36 per cent of total paddy production. The PMB took over the functions of purchasing paddy from the Department of Agrarian Services in January 1972, but both organisations purchased paddy till April 1972, when the PMB alone took over the responsibility. Paddy purchases, have declined since 1970/71 both in the total quantity purchased and as a proportion, of total production. This can be seen in Table II (B) 4.

TABLE II (B) 4
GPS Purchases and Paddy Production 1969/70—1973/74

Year	Total Paddy Production ('000 bushels)	GPS Purchases ('000 bushels)	% of Total Production
1969/70	.. 77,447.0	26,218.4	33.9
1970/71	.. 66,895.0	32,376.5	48.4
1971/72	.. 62,720.0	25,213.7	40.2
1972/73	.. 62,900.0	22,892.1	36.4
1973/74	.. 76,798.0	20,864.9	27.2

Sources: Ministry of Agriculture and Lands, Paddy Marketing Board.

Paddy purchases in 1973 and 1974 by Dry and Wet zones and seasons as percentages of total production are given in Table II (B) 5. As in past years a substantial proportion of paddy purchases was from Dry Zone districts.

TABLE II (B) 5

Paddy Marketing Board Paddy Purchases by Zones and Seasons and as Proportion of Production, 1973 & 1974

(In bushels)

ZONE	1973				1974				1973		1974	
	MAHA 1972/73		YALA 1973		MAHA 1973/74		YALA 1974		Purchases	% of Total Production	Purchases	% of Total Production
	Purchases	% of Total Production	Purchases	% of Total Production	Purchases	% of Total Production	Purchases	% of Total Production				
Wet Zone ..	2,341,000	19.2	830,000	8.4	1,993,800	13.1	1,108,700	10.4	3,171,000	14.3	3,102,500	11.9
Dry Zone ..	16,354,000	54.9	3,118,000	28.3	13,198,600	35.4	4,563,800	33.9	19,472,000	47.7	17,762,400	35.0
Total ..	18,695,000	44.5	3,948,000	18.8	15,192,400	28.9	5,672,500	23.5	22,643,000	36.0	20,864,900	27.2

Sources: Department of Census and Statistics and Paddy Marketing Board.

(b) Subsidiary Food Crops

The performance of the subsidiary food crop sector for the cultivation years 1972/73 and 1973/74 is given in table II (B) 6.

TABLE II (B) 6

Performance of the Subsidiary Food Crop Sector ^(a) in the 1972—73 and 1973—74 Cultivation Years ^(b)

Crop	Extent Cultivated (Acres)		Production (Cwts.)		Yield Per Acre (Cwts.)	
	1972-73	1973-74	1972-73	1973-74	1972-73	1973-74
Manioc (Cassava) ..	127,137	225,642	13,022,600	16,723,912	102.43	74.12
Maize ..	59,928	95,128	268,381	469,394	4.48	4.93
Chillies ..	90,903	102,672	382,427	312,580	4.21	5.10
Red Onions ..	17,288	15,956	1,342,945	1,396,793 ⁽¹⁾	77.68	87.54
Ground Nuts ..	15,378	19,078	181,814	144,774	11.82	7.59
GreenGram ..	13,193	26,417	62,852	115,991	4.76	4.39
Sorghum ..	2,982	3,048*	22,160	30,249*	7.43	9.92*
Soya Bean ..	387	3,232	4,463	24,816	11.53	6.08
Potatoes ..	7,011	2,545**	1,063,040	180,480**	151.62	70.92**
Bombay Onions ..	434	447	14,498	21,594	33.41	60.94
Kurakkan (Finger Millet) ..	53,944**	67,872*	382,011	282,369	5.36**	4.16
Gingelly (Sesame) ..	17,117	32,108	56,739	96,857	3.31	3.02
Meneri (Fox-tail Millet) ..	1,101**	n. a.	3,932**	n. a.	3.57**	—
Cowpea ..	563**	2,574**	12,479	15,728	3.47**	6.11
Thanahal (Proso Cheene) ..	178**	n. a.	636**	n. a.	3.57**	—
Black Gram ..	112**	3,439	6,817	12,877	8.91**	3.74
Dhal ..	71**	3,274**	987**	32,727	13.90**	10.00

Source: Ministry of Agriculture & Lands

(a) Provisional Estimates.

(b) The Cultivation Year is defined in footnote (a) in table II (B) 3.

(1) Includes 88,290 Cwts. of Leafy Onions.

* Maha Only.

** Yala Only.

In the cultivation year 1973/74 the acreage under fifteen subsidiary food crops (excluding meneri and thanahal for which complete data are not available) listed in the table was 603,432 compared to 406,448 in the cultivation year 1972/73. The extent under manioc, chillies, maize, kurakkan, gingelly and green gram was 549,839 acres representing 91.1 per cent of the total acreage under the listed fifteen crops in 1973/74. The production of manioc, maize, red onions and green gram has increased in 1973/74 compared to 1972/73.

Changes in 1974

During the course of the year, 390 Agricultural Productivity Committees were established bringing the total number of such committees to 473. It is envisaged that 480 committees would be ultimately established. During 1974, 125 Agricultural Service Centres were opened bringing the total number of such centres to 208.

The guaranteed price per bushel of paddy was increased from Rs. 25 to Rs. 30 in March and to Rs. 33 in July 1974.

There were two changes in the fertilizer subsidy for paddy during the year. In July there was a fourfold increase in the average cost of the recommended dosage of fertilizer from about Rs. 50 to Rs. 250. This was subsequently reduced to about Rs. 160 per recommended dosage. The final cost was 220 per cent more than the cost before July 1974. However, these price increases did not affect the cultivation seasons in 1974 reviewed in the report. The price increase is likely to affect fertilizer use in Maha 1974/75. But it will be difficult to determine the impact of the fertilizer price increase alone, as drought conditions have been an important factor in the Dry zone.

The Agricultural Insurance Scheme which was expected to be implemented throughout the country in Maha 1974/75 was postponed owing to the drought. This scheme is expected to be implemented from Yala 1975.

3. Rural Banking and Credit

In 1974, institutional credit to the rural sector was channelled primarily through the New Agricultural Credit Scheme, the cooperative rural banks and the Bank of Ceylon sub-offices at Agricultural Service Centres. The cooperative rural banks and the Bank of Ceylon sub-offices operated the Comprehensive Rural Credit Scheme introduced in 1973. In areas where these institutions have not been established or have not begun implementing the Comprehensive Rural Credit Scheme, the People's Bank continued to channel cultivation loans through the multipurpose cooperative societies as in the past. The loans disbursed under all these schemes during the year amounted to Rs. 136.5 million. In addition, credit to the rural sector was provided by schemes operated by government departments for specific purposes, by commercial banks and by specialized credit institutions.

The Central Bank operates a government guarantee scheme for cultivation loans for specified crops granted under the New Agricultural Credit Scheme and Comprehensive Rural Credit Scheme to the extent of 75 per cent of the amount in default.

(i) New Agricultural Credit Scheme

The People's Bank operated the New Agricultural Credit Scheme of 1967 in areas where cooperative rural banks have not yet been established or where these banks have not commenced implementing the Comprehensive Rural Credit Scheme of 1973. These loans were channelled through the multipurpose cooperative societies. Due to rising costs of production the credit limits that were in operation under this scheme until the end of Yala 1974, were increased with effect from 23rd September 1974.¹

As in the past the New Agricultural Credit Scheme was the main source of institutional credit for domestic agriculture. Out of a total sum of Rs. 116.1 million given for paddy and subsidiary crops during the year Rs. 109.3 million were given under this Scheme.

(a) Paddy loans:

The amount of loans granted, total repayments and the extent of defaults under the New Agricultural Credit Scheme are given in table II (B) 7.

1. For details please see Central Bank Bulletin, September, 1974

New Agricultural Credit

Item	Amount in Rupees Million														
	Maha 67/68	Yala 1968	Maha 68/69	Yala 1969	Maha 69/70	Yala 1970	Maha 70/71	Yala 1971	Maha 71/72	Yala 1972	Maha 72/73	Yala 1973	Maha 73/74	Yala 1974	Maha*
Loans granted	61.4	11.3	45.8	9.9	39.3	12.4	23.5	5.8	24.0	6.7	20.3	8.0	84.2	24.8	42.4
Total Repayments of which	52.7	9.7	28.2	8.1	20.3	8.6	12.5	4.9	14.4	5.1	12.6	4.6	36.1	10.4*	0.1
(a) Voluntary	43.7	9.2	26.1	7.8	20.3	8.0	12.5	4.9	14.4	5.1	12.6	4.6	36.1	10.4	0.1
(b) Rice Ration	9.0	0.5	2.1	0.3	—	0.6	—	—	—	—	—	—	—	—	—
Crop failure	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Extensions	0.1	—	0.8	—	0.1	—	—	—	—	—	—	—	—	—	—
Dues not in	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Default	—	—	—	—	—	—	—	—	—	—	—	—	0.8	13.2	42.3
Defaults	8.6	1.6	16.8	1.8	18.9	3.8	11.0	0.9	9.6	1.6	7.7	3.4	47.3	1.2	—

* Incomplete data.

TABLE II (B) 7

—Scheme—Paddy Loans

As percent of Amount Granted

Maha 67/68	Yala 1968	Maha 68/69	Yala 1969	Maha 69/70	Yala 1970	Maha 70/71	Yala 1971	Maha 71/72	Maha 1972	Maha 72/73	Yala 1973	Maha 73/74	Yala* 1974	Maha* 74/75
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
85.9	85.8	61.6	81.8	51.6	69.4	53.2	84.5	60.0	76.1	62.1	57.5	42.9	41.9	0.2
71.2	81.4	57.0	78.8	51.6	64.5	53.7	84.5	60.0	76.1	62.1	57.5	42.9	41.9	0.2
14.7	4.4	4.6	3.0	—	4.9	—	—	—	—	—	—	—	—	—
0.1	—	1.7	—	0.3	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	0.9	53.2	99.8
14.0	14.2	36.7	18.2	48.1	30.6	46.8	15.5	40.0	23.9	37.9	42.5	56.2	4.9	—

Source: Peoples' Bank

The loan disbursements in Maha 1973/74 show a sharp reversal of the declining trend of loan utilization under the New Agricultural Credit Scheme. The total amount granted during that season was Rs. 84.2 million which represents a substantial increase (314.8 per cent) over the amount granted in Maha 72/73. This high level of credit disbursement is primarily attributable to the upward revision of credit limits in 1973, the defaulting borrowers becoming eligible to receive credit and the increase in the number of borrowers due to the emphasis on food production. Loans granted for paddy cultivation in Yala 1974 increased by 210.0 per cent over the amount granted in the previous Yala season. The total credit utilization in the 1973/74 cultivation year was Rs. 109.0 million, the highest level of credit utilization in any cultivation year since the inception of the scheme in 1967.

The incomplete data for Maha 1974/75 show that Rs. 42.4 million have been granted for paddy cultivation which is about half the total credit disbursed in the previous Maha season.

With regard to loan repayments 42.9 per cent of the Maha 1973/74 loans were repaid compared to 62.1 per cent in Maha 1972/73. This is the lowest recovery figure recorded for any Maha season since the inception of the New Agricultural Credit Scheme and represents a very poor performance considering the recorded level of paddy production in Maha 73/74 as reported by the Department of Census and Statistics and also the low incidence of crop failure during that season. The low level of paddy purchases by the PMB in Maha 1973/74 may perhaps explain this poor recovery rate. The loan recovery rate of 41.9 per cent in Yala 1974 does not indicate the final position as the figures are incomplete.

The district-wise breakdown of details regarding paddy loans in Maha 1973/74 and Yala 1974 are given in table in appendix 63.

The highest loan disbursement in the cultivation year 1973/74 was recorded in the Amparai district where disbursements amounted to Rs. 17.1 million and constituted 15.7 per cent of total loans. Ratnapura district recorded the highest recovery rate (88.3 per cent) in Maha 1973/74.

(b) Loans for subsidiary Food Crops, Sugar Cane and Cotton

Details of loans disbursed for subsidiary food crops, sugar cane and cotton are presented in table II (B) 8. Of the loans granted for these crops the largest amount (Rs. 10.8 million) was granted for chillies which constituted 43.1 per cent of total loans granted for all crops. In 1973/74 the New Agricultural Credit Scheme was expanded to cover sugar cane and cotton and cultivation loans were granted for these two crops for the first time in 1973/74. The loan disbursements for subsidiary food crops, sugar cane and cotton increased by 138.2 per cent over the amount disbursed in the previous year. The incomplete data on disbursements for 1974/75 cultivation year indicate a decline in disbursements for these crops compared to the end year position in the previous cultivation year. This decrease may be due to the delay in commencement of the cultivation year as a result of the drought conditions that prevailed in the dry zone.

TABLE II (B) 8

New Agricultural Credit Scheme—Loans for Subsidiary Food Crops, Sugar Cane and Cotton.

Cultivation Year	Amount Granted (Rupees Thousands)								Repayment Position in All Crops							
	Chillies	Red Onions	Potatoes	Vegetables	Other Subsidiary Food Crops	Sugar Cane	Cotton	Total	Total Re-payments (Rs. 000)	Crop Failure Extension (Rs. 000)	Dues Not in Defaults (Rs. 000)	Defaults (Rs. 000)	As Percentage of Amount Granted			
													Total Re-payments	Crop Failure Extensions	Dues not in Defaults	Defaults
1967/68	1,947	1,979	1,145	412	—	—	—	5,483	4,531	—	—	952	82.6	—	—	17.4
1968/69	2,058	2,468	1,507	435	—	—	—	6,468	5,251	—	—	1,217	81.2	—	—	18.8
1969/70	2,359	3,011	1,836	342	6+	—	—	7,554	5,626	—	—	1,928	74.5	—	—	25.5
1970/71	1,202	1,606	2,243	137	7+	—	—	5,195	4,116	—	—	1,079	79.2	—	—	20.8
1971/72	2,039	2,950	4,230	255	—	—	—	9,474	6,848	—	—	2,626	72.3	—	—	27.7
1972/73	3,690	1,886	4,407	141	26+ 1++	—	—	10,151	6,151	—	820	3,180	60.6	—	8.1	31.3
1973/74	10,767	6,471	6,526	167	247+ 6++	612	159	24,955	10,546*	—	4,319	10,090	42.3*	—	17.3	40.4
1974/75*	2,236	2,848	1,940	95	108+	35	—	7,262	1	—	—	—	—	—	—	—

Source: People's Bank.

+ Ground nuts, maize and others.

++ Bombay Onions.

* Incomplete data.

Of the loans disbursed in the 1972/73 cultivation year 60.6 per cent were recovered which is 11.7 per cent below the rate of recovery in the previous year. The percentage of loans recovered in 1973/74 does not indicate the actual rate of recovery due to the incomplete nature of the data.

The districtwise breakdown of loans for subsidiary food crops, sugar cane and cotton is presented in table 64 in appendix. As in the previous year a larger portion of the total loans for chillies (41.5 per cent) and onions (66.6 per cent) went to the Jaffna district. Badulla district has utilized the highest share of the total loans for potatoes (70.5 per cent) and sugar cane (91.5 per cent) while the cultivation loans for cotton under the credit scheme have been granted only in the Hambantota district.

(ii) Rural Banks

The deposits and advances of the rural banks are presented in table II (B) 9. The number of rural banks at the end of 1974 was 332, which is fewer than the number at the end of 1973. This difference is due to the amalgamation of some rural banks as a result of the reorganization of multipurpose cooperative societies. There are also 71 offices affiliated to 50 rural banks and functioning as special rural banks.

As shown in table II (B) 9 the total savings deposits of the rural banks amounted to Rs. 62.7 million at the end of 1974 representing an increase of 38.7 per cent over the savings deposits in the previous year. The total of loans outstanding at the end of 1974 was Rs. 29.0 million thus showing a net deposit position of Rs. 33.5 million which is a slight improvement over the net deposit position in the previous year. The average net deposit for all rural banks amounts to Rs. 100,985 per bank. Credit granted under pawn broking increased continuously during 1974 and the end of year outstanding increased by 69.2 per cent over the previous year. As a result of the increased levels of lending under short term loans and pawning, the positive net deposit position (difference between total deposits and total advances) of rural banks observed in 1973 has transformed into a negative position in 1974.

The purpose wise breakdown of the loans disbursed by rural banks is given in table II (B) 10. Loans for production have increased by 36.6 per cent and for consumption¹ by 94.4 per cent over the amount disbursed in the previous year.

1. Includes housing, debt redemption, consumption and electrification

TABLE II (B) 9

Deposits and Advances of Rural Banks, 1965—1974

Amount in Rupees

End of Month	No. of Banks	Deposit Accounts									Advances									Differences between Total Deposits & Total Advances	
		Savings			Fixed			Total			Average	Short-term Loans			Pawning			Total			
		No.	Amount	Average	No.	Amount	Average	No.	Amount	Average		No.	Amount	Average	No.	Amount	Average	No.	Amount		Average
1965 Dec.	8	2924	491,626	168	9	4,734	526	2933	496,360	169	1153	914,699	793	n. a.	252,596	—	—	1,167,295	—	—	670,935
1966 Dec.	13	4636	703,011	152	15	22,737	1516	4651	725,748	156	1783	1,326,457	744	4222	427,129	101	6005	1,753,586	292	—	1,027,838
1967 Dec.	27	8792	1,305,846	118	41	65,381	1595	8833	1,371,227	155	2897	2,029,476	701	6598	633,213	96	9495	2,662,689	280	—	1,291,462
1968 Dec.	44	17359	3,110,576	179	287	222,614	776	17646	3,333,190	189	5586	3,630,731	650	9507	1,085,613	114	15093	4,716,344	312	—	1,383,154
1969 Dec.	68	28626	5,712,893	199	724	460,168	636	29350	6,173,061	210	7893	5,572,281	706	14325	1,523,646	106	22218	7,095,927	319	—	922,866
1970 Dec.	90	49939	16,109,287	322	892	799,117	896	50831	16,908,405	333	10017	7,122,213	711	18092	1,980,066	109	28109	9,102,279	324	+	7,806,126
1971 Dec.	111	60371	17,188,297	285	838	676,106	807	61209	17,864,403	292	10725	7,144,913	666	21044	2,171,734	103	31769	9,316,647	293	+	8,547,756
1972 Dec.	242	702822	22,703,136	221	812	617,150	760	103634	23,320,586	225	11515	8,226,663	714	60735	6,958,250	115	72250	15,184,913	210	+	8,135,673
1973 March	287	118277	25,599,969	216	724	610,340	843	119001	26,170,309	219	12619	9,150,305	725	75344	8,663,631	115	87963	17,813,936	203	+	8,356,373
June	309	135695	30,082,027	222	704	658,499	935	136399	30,740,526	225	13622	10,415,296	765	88359	10,751,708	122	101981	21,173,004	208	+	9,567,522
September	332	164195	33,716,197	205	1353	1,419,189	1049	165548	35,135,386	212	15721	12,640,518	804	121337	17,034,204	140	137058	29,674,722	217	+	5,460,664
December	341	206970	44,281,601	214	748	872,935	1167	207718	45,154,536	217	20548	16,177,708	787	150118	22,734,438	151	170666	38,912,146	228	+	6,242,390
1974 March	355	249339	44,613,320	179	838	1,070,270	1277	250177	45,683,590	183	26438	21,086,710	798	187594	29,045,830	155	214032	50,132,540	234	—	4,448,950
June	360	291284	53,056,840	182	953	1,165,816	1223	292237	54,222,656	186	31837	25,730,820	808	194546	30,691,836	158	226383	56,422,656	249	—	2,200,000
September	338	326116	57,653,479	177	787	1,189,787	1512	376903	58,843,266	180	24442	24,514,511	1003	217289	34,814,543	160	241731	59,329,054	245	—	485,788
December	332	366203	61,549,118	167	1271	1,186,243	933	367474	62,735,361	171	26819	29,008,262	1081	235115	38,398,508	163	261934	67,406,770	257	—	4,871,409

Source: People's Bank

TABLE II (B) 10

Rural Banks Loans by Purpose—As at End of Year

Purpose	Amount in Rupees		Percentage Increase	Percent of Total	
	1973	1974	1974	1973	1974
Production ..	4,972,425	6,792,835	36.6	29.6	23.4
of which: ..					
1. Agriculture	4,258,530	5,417,264	27.2	25.4	18.7
2. Animal Husbandry	338,963	705,627	108.2	2.0	2.4
3. Cottage Industry	374,932	669,944	78.7	2.2	2.3
Housing	5,878,952	11,822,468	101.1	35.0	40.7
Debt					
Redemption	3,635,801	6,947,658	91.1	21.6	24.0
Trade	731,718	1,102,465	50.7	4.4	3.8
Consumption	719,674	1,086,127	50.9	4.3	3.7
Electrification	49,177	139,334	183.3	0.3	0.5
Others	806,987	1,117,375	38.5	4.8	3.9
Total	16,794,734	29,008,262	72.7	100.0	100.0

Source: People's Bank.

The data on the district-wise classification of deposits and advances of rural banks are presented in table 65 in appendix. A positive net deposit position is observed in only 6 districts in 1974 compared to 20 districts in the previous year. As in 1973 rural banks in the Ratnapura district have the largest net deposits; rural banks in the Jaffna district the largest negative net deposit position. The recorded net deposit position of rural banks in a majority of the districts has been negative in 1974. In relation to the previous year this is a set back in the performance of rural banks.

(iii) Bank of Ceylon Rural Credit Scheme

At the end of 1974 number of Bank of Ceylon Sub-offices operating at agricultural service centres was 202 compared to 79 at the end of the previous year.

Data on deposits and advances of the Bank of Ceylon sub-offices at the end of 1974 is given in table II (B) 11. The net deposit position (excluding current account balances) of these sub-offices at the end of 1974 was Rs. 2.7 million or Rs. 13,587 per sub-office. This is an increase over the net deposit position of Rs. 1.2 million observed at the end of 1973. When the current account balances are included the net deposit at the end of 1974 amounts to Rs. 13.5 million or Rs. 66,797 per sub-office constituting a substantial increase from Rs. 3.5 million at the end of the previous year.

TABLE II (B) II
Bank of Ceylon Sub-offices at Agricultural Service Centres
Deposits and Advances as at 31st Dec. 1974

Nature of Accounts	No. of Accounts	Amount in Rs.
Deposit Accounts		
Current Accounts	5,718	11,078,066
Savings Accounts	35,593	10,363,444
Special Savings Accounts	98	30,100
Fixed-Accounts	22	92,760
Total ..	41,431	21,564,370
<i>Less</i> Current Accounts ..	35,713	10,486,304
Advances		
Loans	6,321	7,741,758
Overdrafts	77	329,678
Total ..	6,398	8,071,436

Source: Bank of Ceylon

The total amount of loans granted by Bank of Ceylon sub-offices in 1974 was Rs. 7.6 million. As shown in table II (B) 12 the largest proportion of loans (44.8 per cent) was given for the purchase of machinery and equipment. These loans have increased substantially from Rs 39, 720 at the end of 1973 to Rs 3.4 million at the end of 1974. Loans for production constituted 42.9 per cent of total loans granted in 1974, of which the bulk has been for paddy cultivation. A slight change in the total loan structure for 1974 is observed compared to that of 1973. In 1974 the proportion of loans granted for agricultural production and purchase of machinery and equipment alone accounted for 87.7 per cent of the total loans.

The district-wise position of the sub-offices is given in table 66 in appendix. The sub-offices in the Anuradhapura district have recorded the largest amount of deposits (Rs 3.0 million) while the Badulla district has the highest balance (Rs 1,463) per deposit account. The largest amount of loans has been disbursed in the Anuradhapura district and the highest balance per loan account (Rs 51,463) is recorded in the Mannar district.

(iv) Overall Assessment of Rural Credit

The overall position of rural credit under the three schemes analysed earlier is presented in tables II (B) 13 and II (B) 14.

TABLE II (B) 12
Bank of Ceylon Sub-offices at Agricultural Service Centres
Loans by Purpose 1974

Purpose	Amount in Rupees	Percentage of Total
Production	3238,008	42.86
of which:		
(a) Paddy	2,370,809	31.38
(b) Subsidiary Crops.	867,199	11.48
Purchase of Machinery & Equipment. ..	3,384,683	44.80
Digging wells.	—	—
Developing New Lands.	—	—
Crop Diversification	68,594	0.91
Dairy Farming.	58,500	0.78
Poultry Farming.	25,020	0.33
Small Industry.	11,500	0.15
Debt Redemption	50,850	0.67
Housing	372,628	4.93
Trade	79,500	1.05
Electrification	—	—
Consumption	122,910	1.63
Others.	143,004	1.89
Total	7,555,197	100.00

Source: Bank of Ceylon.

Loans disbursed under the New Agricultural Credit Scheme accounted for 80.1 per cent of total loans channelled to the rural sector in 1974. The purpose-wise classification of loans show that the largest proportion (85.1 per cent) has been disbursed for crop cultivation.

As shown in table II (B) 14 the net deposit position is negative in all districts. The largest negative net deposit figure is recorded in the Jaffna district.

TABLE II (B) 13

Purpose-wise Breakdown of Loans* to the Rural Sector in 1974

(Amount in Rupees)

Purpose	New Agricultural Credit Scheme—People's Bank	Rural Banks	Bank of Ceylon Credit Scheme	Total
Crop Cultivation	109,276,000	3,583,712	3,238,008	116,097,720
of which:				
i. Paddy	89,375,000		2,370,809	
ii. Subsidiary Food Crops	19,095,000		867,199	
iii. Sugar Cane & Cotton	806,000			
Animal Husbandry		561,606	83,520	645,126
Small Industry		537,520	11,500	549,020
Crop Diversification		—	68,594	68,594
Purchase of Machinery & Equipment		—	3,384,683	3,384,683
Debt Redemption		4,469,660	50,850	4,520,510
Consumption		353,975	122,910	476,885
Housing		8,107,079	372,628	8,479,707
Electrification		109,435	—	109,435
Digging Wells		—	—	—
Trade		740,170	79,500	819,670
Others		1,246,420	143,004	1,389,424
Total	109,276,000	19,709,577	7,555,197	136,540,774

Sources: Bank of Ceylon, People's Bank.

* Excluding an overdraft balance of Rs 329,678 and an unredeemed pawning balance of Rs 38,398,508 as at 31st December 1974.

TABLE II (B) 14
Districtwise Breakdown of Deposits and Loans,
Rural Sector end 1974

In Rupees

District	Total Deposits*	Total Loans**	Difference between Deposits and Loans
Colombo	14,211,257	15,230,247	— 1,018,990
Kalutara	3,377,711	5,187,561	— 1,809,850
Kandy	5,123,892	7,762,650	— 2,638,758
Matale	1,658,680	5,654,841	— 3,996,161
Nuwara Eliya	788,457	3,779,109	— 2,990,652
Galle	4,661,839	8,232,870	— 3,571,031
Matara	1,922,510	5,870,397	— 3,947,887
Hambantota	2,290,547	16,233,793	— 13,942,746
Jaffna	2,934,035	30,675,264	— 27,741,229
Mannar	213,581	12,579,347	— 12,365,766
Vavuniya	551,545	18,413,760	— 17,862,215
Batticaloa	137,684	13,984,087	— 13,846,403
Amparai	813,276	27,005,316	— 26,192,040
Trincomalee	377,545	23,443,546	— 23,066,001
Kurunegala	10,370,956	16,710,207	— 6,339,251
Puttalam	2,784,807	9,138,547	— 6,353,740
Anuradhapura	3,396,466	30,792,748	— 27,396,282
Polonnaruwa	4,194,393	20,735,048	— 16,540,655
Badulla	4,245,141	11,004,023	— 6,758,882
Monaragala	466,558	4,592,303	— 4,125,745
Ratnapura	5,717,380	8,596,423	— 2,879,043
Kegalle	2,983,405	4,425,941	— 1,442,536
Total	73,221,665	300,047,528	— 226,825,863
Less—Pawning	38,398,508
Net Position	73,221,665	261,649,020	— 188,427,355

Sources: Bank of Ceylon,
 People's Bank.

* Excludes Rs 11,078,066 current account deposits

** Excludes Rs 329,678 overdrafts.