The All-India Rural Credit Survey

Viewed as a Scientific Enquiry

Daniel Thorner

In the nine years since the Rural Credit Survey was launched, the practical recommendations of the Committee of Direction have been first enthusiastically adopted and then suddenly shunted aside by the Government of India.

Policy apart, the Report of the Survey may be considered in its own right as a scientific document. An assessment at this date may be of timely interest as the Reserve Bank is planning another survey of equally vast dimensions. For its part, the Government of India in New Delhi is considering the appointment of an All-India Commission on Agriculture. Rural credit may well be included in the Commission's terms of reference.

During the past eight years, the author of this critique has been studying land reforms, agricultural labour, agrarian regions and rural credit. In 1958-59, he made a 10,000 mile tour by road of India, visiting more than 100 co-operatives of various types.

Together with Mrs Alice Thorner, Dr Thomer has published in this and other journals a number of articles on Indian economic and statistical subjects which are to be issued in collected form by the Asia Publishing House of Bombay under the title, Land and Labour in India: Selected Studies.

Dr Thorner is taking up an appointment in Paris for 1960-61 as Associate Professor in the Ecole Pratique des Hautes Etudes, at the Sorbonne.

The Reserve Bank of India announced in August 1951 its decision to sponsor a country-wide Survey in order to obtain a factual basis for the formation of long-term policy in the sphere of rural credit. Not surprisingly, problems of agricultural finance and village debt had provided the topics for a long series of earlier governmental enquiries. One important feature distinguished the proposed Rural Credit Survey from its predecessors. These had relied primarily on the time-honoured method of inviting "evidence" from persons deemed to be particularly knowledgeable. The Reserve Bank, by contrast, called for the direct collection of fresh field data.

To design and conduct this Survey, to interpret its results and to make recommendations, the Bank appointed an expert Committee of Direction. Although small — its membership consisted of three high-ranking Reserve Bank officers and two non-officials — the Committee included men of wide experience, in village surveys, agricultural credit operations, and general administration. The Reserve Bank instructed the Committee to carry out a Survey which would "adequately cover different strata of the agricultural population in representative parts of the country with reference to their credit needs and to the agencies, existing or needed, for fulfilling those requirements." The Committee were also asked to look into other aspects of rural life, "such as the pattern of savings and deficits in the agricultural economy, the trends, if any, toward shifts in income, and the problem of capital formation in rural areas." (Survey Report, Vol I, Part 2, p 704.)

Acting promptly, the Committee of Direction organized an elaborate programme of field investigations which were carried out over the year 1951-52 in 600 villages located in 75 of India's 302 administrative districts. In April 1952, when well more than half of their field survey was over, the Committee reported optimistically to the Reserve Bank that the quality of the data collected was on the whole, satisfactory. They anticipated that their report would be completed in October of the same year.

The All-India Rural Credit Survey, as finally issued in Bombay by the Reserve Bank over the signatures of the Committee of Direction, consists of three volumes.

Volume I is called the Survey Report and is in two parts:

Part I (Rural Families) and Part 2 (Credit Agencies), dated respectively 1956 and 1957.

Volume II is called the General Report and contains the Committee's recommendations; it is dated Bombay, 1954.

Volume HI is called the Technical Report and is dated Bombay, 1956. Practically all of this third volume consists of tables of data (900-odd pages), blank schedules, and summaries of the instructions originally issued to the staff for filling up the schedules. Hence the volume might better have been called Data or "Tables." Properly speaking, we are still without a technical report on the Rural Credit Survey.


year. This was, of course, much too sanguine. In the middle of December, 1952, the Committee of Direction had to advise the Reserve Bank that the work had turned out to be much more than anticipated. Efforts were being made to expedite matters, and it was hoped to have the All-India report ready in a few months' time. Progress was reported in the preparation of regional and All India tables.

By August, 1954, three years after the Survey was launched, the Committee was ready with its recommendations. The 580-page General Report embodying these policy proposals referred only cursorily to the results of the field work. A brief resume of the Survey's findings, however, appeared a few months later in a separate 150-page Summary with an 8-page statistical appendix. Another two years elapsed before the publication—in the Survey Report and the Technical Report, together containing 1000 pages of tables and 1800 of text—of the authoritative version of the Survey data and the Committee's analysis thereof.

By the time that the field results were made available in this form, their significance had come to be a matter of academic interest. The Government of India and the Reserve Bank had already accepted and taken major steps to implement the 1954 recommendations of the Committee of Direction. Since only a highly condensed discussion of the findings had been printed, neither the actual figures nor the methods by which they had been obtained could be evaluated objectively. Nonetheless, the great quantity of materials known to have been amassed and presumed to have been taken into account lent unusual weight to the Committee's conclusions. Further, the Rural Credit Survey (RCS) enjoyed the prestige of having been conducted under the auspices of India's premier financial institution. With this impressive backing, the Committee's proposals neatly carried the day. Before the heavy tome of the Report could be printed, let alone read, studied, or discussed, the programme of action was under way. Bills were speedily introduced and passed, the highest bank in India was nationalized, a governmental warehousing corporation was created at the Centre, and a phased plan to cover the rural areas with a network of new-style large-sized co-operative societies was undertaken by the States.

Although the data collected by the Rural Credit Survey (RCS) could not readily be drawn upon at the time when action was being taken on the Committee's recommendations, these materials have subsequently come to be cited in a wide variety of contexts. International agencies have evinced interest in using the RCS as a model for investigations of agricultural credit problems in other countries. A proposal to repeat the survey on a grand scale in India is currently receiving consideration. Accordingly, it will not be out of place to attempt an assessment of the RCS as a scientific enquiry leaving aside the question of its influence on policy.

Dimensions of the Enquiry

The decision to undertake such an enquiry, it will be recalled, was made in August, 1951. By the end of October, 1951, the investigators had started on their way to the 600 villages selected for survey. These field workers carried with them seven schedules and five questionnaires. The most important of these schedules was entitled, 'Demand Schedule No. 1: General.' It was the basic document of the Survey, and is usually referred to briefly as the general schedule. It contains roughly 100 questions to be put to all families in the 600 villages, that is a grand total of 127,000 families. Topics for which data were to be collected on this general schedule included: specified types of capital expenditure in agricultural and non-farm business, family expenditures and other miscellaneous expenditure, sales of assets, borrowings, repayments of loans, outstanding indebtedness, and outstanding dues.

The other six schedules and the five questionnaires contained five hundred questions which were to be filled up at least once each for 15 sample families in each of the 600 villages, that is, for a much smaller sample of 9000 families. As against the data on 127,000 families obtained by the general schedule, the data secured from the 9000 families are termed in the survey, the "Intensive Enquiry data." In part, these "intensive" schedules traversed in greater detail the same ground as the general schedule; in part, however, they asked a wide variety of new questions.

It is worth pausing a moment to consider the implications of the pace at which the RCS was conducted. In less than three months (i.e., from August to October 1951) the nature of the enquiry was decided upon; a multi-stage sampling design prepared; 600-odd questions framed, translated into a half a dozen languages and printed; and a staff of investigators and inspectors recruited, trained, and sent into the field. No pilot enquiry was conducted to see how the new schedules would work out. No trial tabulations were made to see whether the schedules would yield the requisite data in suitable form.

Work-Load of Field Staff

The schedules and questionnaires to which we have referred above constitute only the "demand" forms. In addition, there was an equal number of "supply" forms, that is, seven "supply" schedules and five "supply" questionnaires. These were got ready after the finalising of the "demand" forms and sent out to the 225 investigators and inspectors. All the "supply" and "demand" forms were to be completed by the middle of 1952.

The field staff were also instructed to collect comprehensive background data on the districts in which they were working. Topics on which district information was to be gathered included: rainfall, climate, water supply and irrigation; crop pattern, particularly for commercial and garden crops; processing plants, industry in general and migration; transport arrangements, costs and network; marketing centres and value of total transactions. A detailed listing of all types of banks was to be made and a district map prepared on which the above data were to be indicated. Above and beyond all this, the field staff were to sketch the structure of supply of rural credit by all agencies and analyse their interrelations; characterize the liquidity of credit, the working of co-operatives, the financing of marketing, the relations of landlords, tenants, and cropsharers, the working of the debt relief laws, and the extent of evasion of legislation for the control of moneylenders.

Supervision, like training, appears to have been skimpy. To ensure uniform understanding and implement-
tion of instructions there has to be frequent contact between the higher officers and the men in the field. In the RCS, the arrangements for the guidance and control of the field staff were less than adequate.

**MERCILESS SCHEDULE**

A rigorous time schedule was set by the Committee of Direction in Bombay for the completion of the various phases of the field work. Inspectors were required to send in fortnightly progress reports to prove that they were keeping up to schedule. In India it is an old story that if "progress" has to be reported, it will be reported. After all, what is progress but inkmarks on paper? With heavy workloads, a merciless time schedule, and unrelenting pressure for adherence to it, what could the men in the field do but frantically fill up forms and send them in without paying attention to the quality or consistency of the data?

The course followed in 1951-52 by the Committee of Direction might perhaps have been partially understandable if their Survey were the fifth or sixth of a series of such surveys which had already explored and re-explored all the major facets of the rural credit scene. But the 1951 Survey was the first of its kind in India. The least that the Committee of Direction could have done was to define their task as a whole; and to indicate the phases in which they would cope with it. There is nothing in the instructions from the Reserve Bank to indicate that all the field work had to be completed in twelve months or less.

From the point of view of the Reserve Bank's announced needs for data to formulate long-term rural credit policy, there would seem to have been no basis whatsoever for so frenzied a pace. 17 there was some other ground for the urgency, its nature is nowhere set forth.

**Farm Business Approach**

Let us now consider whether the sum total of the items included in the RCS schedules and questionnaires — even if filled up with great care — would have been adequate to provide an understanding of the conditions and working of agricultural credit in India. On the "supply" side the Committee's targets for the collection of quantitative data were extraordinarily modest. Moneylenders, traders, and agriculturists with liquid resources were well known to be the chief suppliers of credit in the countryside. So far as concerns the last group, the peasants who lent money, the Committee, in drawing up their schedule for rural families refrained from asking them how much they had lent or were lending. In explaining this, the Committee declared that they could not hope to get reliable replies. They expected that these agriculturists would refuse to disclose what they lent. When we turn to the only questionnaire drawn up for professional moneylenders, we find that here as well the Committee did not include questions asking the moneylenders how many loans they had outstanding or what was the total amount of credit they had extended. Nor were these questions put in the questionnaire for traders in agricultural commodities. Even at the outset the Committee seem to have abandoned hope that they could obtain quantitative data on the "supply" side from the persons in the best position to know, i.e., the principal suppliers, themselves.

On the "demand" side the Committee set out direct questions for families as to whether they had borrowed any money during the previous twelve months; if so, how much, for what purpose, and from what type of supplier. They were also asked if they had made any repayments of old debts during the year and how much they still owed. For the analysis of these data on borrowings the schedules included certain additional questions on family assets and expenditures.

**OCCASIONS FOR BORROWING**

However, nothing like a complete survey of the family economic position was attempted in the general schedule or in the more detailed intensive schedules. The Committee of Direction have explained that because of the large scale of the enquiry, the RCS was not designed to record enough data on any single family so that a proper balance could be struck on either capital account or current account. Instead of an overall approach the RCS concentrated on "activities directly affecting the debt position. . . ." 18 Questions

Survey Report, Vol I, Part 1, (Rural Families), p 228. Henceforth, unless otherwise indicated, all citations of the Survey Report will refer to this first part, Rural Families.

were designed in order to bring out transactions presumed "speciality" to lead to borrowings or repayments.

The need to borrow was envisaged as springing from three sources: from cultivation, from economic activities other than cultivation, and from the maintenance of the household. Expenditures on these accounts were to be recorded in the RCS demand schedules under the respective rubrics: "farm business," "non-farm business," and "family living." This three-fold division provided a framework within which the attempt was made to identify unusual or large outlays which may have been financed by loans. 19 It was expected, the Committee have written, "that the bulk of the borrowings would take place in most districts and for most strata of cultivators for expenditure on capital account and for expenditure on durable consumption goods or special occasions of family expenditure such as death, marriage and other ceremonies, sickness and litigation." (Survey Report, p 402) The approach of the Committee, therefore, was one calculated to call to mind the individual occasions for borrowing: the more eventful moments of the year, one might say. As contrasted with an effort to obtain an integrated picture of the total credit needs of the families under study, this might be termed a discrete, almost atomistic, approach.

**CULTIVATORS AS ENTERPRENEURS**

The one subject on which the RCS schedules tried to get a fairly full report was what the Committee called "farm business." Within the purview of "farm business" the RCS included all the agricultural activities of every one of the sample families which was found to be cultivating land. Each cultivating family was considered to be engaged in the business of farming, to be operating an agricultural enterprise. We read that the RCS was concerned with "private household enterprises engaged chiefly in the business of agriculture" or with "the private enterprise sector in rural India." The amount of land cultivated and the number of plough cattle owned are referred to as the main constituents of a family's "business resources." (Survey Report, pp 115 and 698).

The type of questions which the RCS asked about cultivation follow-
ed the lines of the farm business survey techniques as used in England and America. Thus the Intensive Enquiry schedules were planned to specify and record cash expenses of crop production and cash receipts from disposal of agricultural produce during the year under study. The Committee of Direction seem to have taken it for granted that the most important credit needs of rural families were those connected with their "farm business" operations, and that farm business could be isolated from other aspects of family life for purposes of study. As a corollary they assumed that a survey centered on "farm business" transactions during a single year would yield the data required for comprehending the underlying problems of credit in the Indian countryside. It cannot be emphasized too strongly that the key to the character and results of the RCS lies in the focus of the Committee of Direction on the credit requirements of cultivation conceived as a business enterprise.

Without exception, everyone in possession of a bit of land which he cultivated qualified for treatment by the RCS as a cultivator, a man with a cultivated holding. Everyone of these cultivators was taken to be a farm business operator, no matter whether he also engaged in any other economic activity, no matter how much of his working time was actually devoted to cultivation, and no matter how much of his income or livelihood was derived from it. Thus if a man worked in agriculture one percent of his time or 100 percent, he was recorded as the operator of a cultivated holding; if crop production gave a family of merchants an insignificant part of family income, that family was nonetheless recorded as a cultivating family. The Committee of Direction note the fact that the "cultivating families" constituted an extremely mixed bag. At the top were well-off folk, engaged in a number of activities; along with cultivating some land they might have been acting as merchants, money-lenders, millowners. At the other end there were masses of cultivators who could not depend on their cultivated holdings; they had to earn their living in part, "for the large majority an important part," from other activities, principally working for wages for others. Regarding the millions and millions of small cultivators with tiny cultivated holdings, the RCS tells us that these "are largely part-time cultivators... whose economy approximates more to that of non-cultivators...." (Survey Report, pp 887 and 949).

"FARM BUSINESS"—POOR GUIDE TO CREDIT NEEDS

In the case of the smaller holders, the RCS discovered that, on the average, the receipts from sale of produce did not even cover the cash expenses of the so-called "farm business." Large proportions of those classified as "cultivators," the Survey Report states, "follow this occupation chiefly for the retained receipts in kind from farm business...." (P 826). This is another way of saying that these families produce primarily for their own consumption. Persons or families eating up their own output are not engaged in agriculture as a "business" Rather than being "businessmen" or "agricultural entrepreneurs," they are simply growing food so that they can have their daily meals. Insofar as these people are concerned, the RCS has had to admit that details of "farm business" constitute no guide or at best a poor guide to their needs for credit.

The approach of the Committee of Direction to the peasantry resembled that of a banker toward his business clients. (Cf Dr Harold H Mann on the Rural Credit Survey in the Indian Economic Review, Vol 111, No 4 (Delhi, August 1957), p 80.) The Committee wanted to concentrate on the creditworthiness of the peasants' agricultural operations and tried to put on the side the innumerable details of family living and of non-farm business. In the event they found that "the business of the large bulk of the small producers in India, especially cultivators, cannot be easily separated from their expenditure on family consumption account." Borrowings for short-term and long-term "family expenditure," the Committee discovered, many times overshadowed borrowing for investment or current production purposes. To arrive at an understanding of the operations of the credit system, according to the Survey Report, it would have been necessary "to take account of the total operations of the cultivator in relation both to farm business and family living...." (Survey Report, p 402).

Similarly, the chapter on "Investment and Disinvestment" states that the business and the domestic economy of the cultivators are "so mixed that it would be impossible to obtain any clear idea of deficits or surpluses unless full details of family living were collected at the same time as details of farm business." In particular, the Committee conceded that they did not "go far enough, or almost not at all into stocks on hand, consumption during the year in the family or stocks retained for consumption at the end of the year". (Survey Report, p 765).

Since very many of the "cultivators" do not depend on cultivation alone, the Survey Report tells us, the approach to credit needs primarily through farm business is inadequate:

"Income obtained from farming forms a minor part of the total annual income of a substantial percentage of cultivators, and other sources of income have to be resorted to for meeting the minimum consumption needs of the family by the majority of cultivators. (Italics added). From the point of view of the Rural Credit Survey, the measurement of deficits of farm business by itself would not be, therefore, sufficient. Thus while it may be important to observe at what size of holding or production level deficits in agricultural business as such occurred, it is more important to know the surpluses and deficits totaling from the total economic activity of the family". (Italics added). (Survey Report, p 765)

This is tantamount to saying that the attempt to isolate farm business from total family economic activity proved unrewarding.

BORROWING AS A BALANCING FACTOR

It was further realized that neither debt nor borrowing nor consumption were necessarily related to the economic position of a family in a particular year. The Survey Report advises us that the operation of the credit system can best be understood in relation to levels of average expectation of income as a whole. The standard of living — or, as the Survey Report puts it, "the total outlay on consumption goods and services during a year" — turned out to be a function, "not only of
the income of the particular year but is also significantly related to the levels of income during past years". (p 525.) Peasant families — all families, in fact — get accustomed to a certain level of living. They go on trying to live at that level, whether or not in any given year their total resources are sufficient. When they fall short, they borrow.

For peasant families, the Survey suggests, borrowing may play the role of an overall balancing factor:

"It is the total requirements whether on production or consumption account, whether in kind or in cash, of the business and family needs of the cultivator or non-cultivator that have to be matched with the total receipts in cash or in kind, from whatever sources, obtained by the family. In this picture of the integrated economy of the business and consumption unit, borrowing may well be looked upon as a balancing factor, so that the gap between receipts and requirements of expenditure could be matched to the extent possible and for the periods required, by acts of borrowing". (Survey Report, p 262).

In this case, the Survey Report continues, the announced occasion or purpose of borrowing may be "irrelevant" or without special significance. Since, however, the schedules were designed to emphasize particular occasions for borrowing, they did not yield the information needed to understand which borrowing actually fulfilled. We read in the Survey Report that:

"It is not, of course, possible from the data collected by us during the Survey to measure directly the extent to which, or point precisely to the districts in which, borrowing during the year may be said to have played the role of a balancing factor" (Survey Report, p 528).

In 1945 the Agricultural Finance Sub-Committee had already pointed out in their Report that an "occasional" approach to borrowing would be inadequate: "It is obvious that the purposes or occasions of borrowing which are capable of being ascertained in a fact finding investigation point merely to the particular circumstances in which particular debts were contracted. They give indications of the ordinary needs or the extraordinary circumstances on account of which the cultivator

In order to assess the role of borrowing as a balancing factor, the Committee of Direction would have had to take an approach exactly opposite to the one they chose. They would have had to look for total economic activity and total economic position of the families studied rather than for particular instances in which farm business operations might give rise to credit needs.

"CULTIVATED HOLDING" AS UNIT OF FARM BUSINESS

The focus on farm business led the Committee to take as the basic unit for data-gathering and analysis not the rural family itself but the parcel or parcels of land which each family cultivated. As the local counterpart of the "farm", the unit of agricultural enterprise on which the foreign "farm business" surveys centre, the RCS took the "cultivated holding". This was defined to include the land operated by a family, whether owned or rented in, but to exclude any other family land which the family did not themselves cultivate.

Any plot of land larger than a mere garden patch (no specific criterion appears to have been set) qualified as a "cultivated holding". These "cultivated holdings" were crudely ranked by size in physical acres regardless of quality of soil or adequacy of water supply. Since the ranking left out of account land owned but not cultivated, a family of large holders who worked only a small part of their land and rented out the rest might well be found in the list below some of their larger tenants. Nonetheless this ranking served as the basis upon which the cultivating families were divided into ten equal groups ("deciles" or "strata") in terms of which the data were compiled and analysed.

had to seek financial help. By themselves they do not constitute the causes of either the particular debt or the general fact of indebtedness. An enquiry into the causes of indebtedness would have to travel much beyond the investigation of each occasion of borrowing. It would necessitate a thorough study of all aspects of the agriculturist's life". Report of the Agricultural Finance Subcommittee appointed by the Government of India on the recommendation of the Policy Committee on Agriculture, Forestry and Fisheries (New Delhi, 1945), p 13.

It was apparently believed that differences in scale of farm business operations, in credit needs, in total debt etc would by and large reflect differences in size of the "cultivated holdings".

SIGNIFICANCE OF OWNERSHIP HOLDING

When they came to interpret the data, however, the Committee of Direction were forced to the chastening conclusion that the "cultivated holding" was of severely limited use for the understanding of borrowing. In the words of the Survey Report:

"...the cultivated holding is significant chiefly for short-term production credit. In relation to medium-term and especially long-term production credit, only in a limited number of cases would borrowing operations depend on the size of the cultivated holding. They might depend much more closely on the size of the ownership holding!"

"Ownership holding", as distinguished from cultivated holding, refers to land held by family in full ownership rights. People are much more likely, the Survey Report states, to make lasting investments in agricultural land which they own, rather than in land which they rent from others. (P. 657).

The Survey Report contains a discussion of debts in relation to cultivated holdings. But for many purposes, the Committee go on to state, "the more important relation would be that of debt with the assets of the cultivator". Almost everywhere, they note, owned land constitutes the most important single item of assets, it is also, they indicate, the most stable asset. Owned land is the basis for creditworthiness. In the language of the RCS: "the value of owned land would also probably represent the measure in relation to which the credit worthiness of most cultivating families was judged by credit agencies". (Survey Report, pp 115 and 137. See also p 132 and p 564.)

This has long been an outstanding feature of the rural credit position...
NOT AS CAUSTIC AS IT SOUNDS

Although one of the strongest alkalis used in industry, Sodium Hydroxide or Caustic Soda when converted to a raw material or process chemical, helps to make mild and gentle products like toilet soap, Milady's hair oil, and her rayon saris—as well as fine mercerised textiles, and the dyes used for giving them just the right delicacy of colour.

Tata Chemicals manufacture Caustic Soda both by the electrolytic process from salt, and by the chemical process from Soda Ash and lime. The Company's expansion programme includes greater production of this important alkali within a year.

As India's Five Year Plans raise our standard of living, Tata Chemicals make their contribution through comprehensive expansion. Yesterday's planning results in today's progress and in tomorrow's chemicals.

TATA CHEMICALS LIMITED
Bombay House, Fort, Bombay
in India. As they say in the North, "a man's haisiyat is his land." After all, it is not a "cultivated holding" which walks over to the moneylender's verandah and seeks to obtain a loan. Rather it is a peasant who comes from a family which may have been dealing with the moneylender and the moneylender's forefathers for one or more generations. The moneylender is likely to know a good deal about the peasant's family, to have a fair idea about the various family members and what they are doing. Although the loan may be extended to one member, the moneylender, in effect, is giving credit to the family. In doing so, the moneylender gives heavy weight to the solid assets of the family, among which there is nothing so good as fully owned land that the family, if need be, can pledge and alienate. The heart of the rural credit structure in India is the relationship between the creditor and the family-cum-family assets. As against these realities, the Committee of Direction chose to concentrate on an abstraction called the "cultivated holding". In their preoccupation with this alleged "unit of farm business", the Committee never even bothered to ask on any of their schedules the size or type of the family, the number of family members, the number of adults, or the number of working members—surely matters of significance for borrowing and lending.

**OWNERSHIP DATA NOT TABULATED**

The Survey Report states that, despite the fundamental importance of the "ownership holdings" in terms of investment and as a basis for borrowing, these cannot be ascertained from the general schedule data pertaining to 127,000 families. "For the families investigated using the General Schedule", we read, "there is no indicator of relative economic position other than the size of cultivated holding." Regarding the relation of debt with the assets of the cultivator, it is asserted: "Information on this point is available only through the intensive enquiry." *(Survey Report, pp 08 and 115)*

Since the point is of paramount significance, let us turn to the general schedule. It begins with an introductory group of questions which locate and identify the household, its head, caste and occupation. Then follows a block of 14 questions pertaining to land which are reproduced unchanged as follows:

1. Do you own any land?
2. If so, what is its area?
3. What is the land revenue you pay to Government?
4. Have you leased out any part of land owned by you?
5. If so, what is its area?
6. Have you taken any land on lease?
7. If so, what is its area?
8. Have you given possession to a creditor under usurious mortgage any part of land owned by you?
9. If so, what is its area?
10. Have you in your possession as creditor under usurious mortgage any land?
11. If so, what is its area?
12. Total area under your cultivation (including current fallow) during the current agricultural year?
13. Number of plough cattle owned
14. Stratified serial number


Clearly, the RCS collected data on "ownership holdings" against Questions 2.1 and 2.2 of the general schedule. Detailed information on the leasing and mortgaging of land must have been obtained from the subsequent Hems. What, then, is the meaning of the assertion, quoted above, that the general schedule yields "no indicator of relative economic position other than the size of cultivated holding"? Incredible as it may sound, the fact is that data on ownership holdings (along with the leasing and mortgaging data) were collected but not tabulated. Kef erring to the general schedule questions on land, the Survey Report states that "the main objective of the questions regarding holdings was to obtain estimates of the size of cultivated holdings, so that its relation to size of recorded transactions such as borrowings and repayments might be examined." The intention, it is explained, was "not to enquire into the assets, i.e., the capital worth of the cultivating family, but into the size of its business resources, the main constituents of which are the cultivated holding and livestock." *(Survey Report, P 115)*

Thus the Committee of Direction obtained and held in their hands data on the most important assets of their original sample of 127,000 families. In their preoccupation with "cultivated holdings", they put these data aside and never made use of them. Later, when they found that for many purposes data on assets were more important than data on "farm business", they had to make do with materials from the intensive enquiry pertaining only to 9,000 families.

**PRICE OF POLICY ORIENTATION**

It may be that the Committee's preoccupation in 1951-52 with "cultivated holdings" bore some relation to an important change in policy then occurring in agricultural credit in Bombay. At that time the Bombay State Cooperative Bank, and the Bombay cooperative movement in general, were experimenting with a shift away from credit linked with assets (ownership holdings) to credit linked with production (cultivated holdings). In this they had the blessings of the Reserve Bank. The Rural Credit Survey of the Reserve Bank was laid out in such a way as to facilitate the collection of data pertaining to cultivation, cultivated holdings, and crop loans. One of the chief recommendations that emerged from the Rural Credit Survey was precisely a shift of this nature on an All-India basis: a shift from the "asset-nexus" to the "production-nexus". In planning their Survey perhaps the Committee of Direction allowed themselves to be carried away by their vision of what rural credit ought to be or become, at the expense of getting a balanced account of the structure of rural credit as it actually was.

After all the field work was over, the Committee found that the sum total of quantitative data collected did not add up to a sufficient basis for the analysis of the credit needs of peasant families. Their materials were inadequate for describing either total economic activity or overall assets position of the peasant cultivators. For the peasant sector the Committee could assess neither stocks nor flows. The Committee were, therefore, in no position to deal with such complex topics as investment and disinvestment, capital formation.
savings and deficits, shifts in income and flow of funds. This is in fact conceded in the chapters of the Survey Report devoted to these topics. The hundreds of pages in which these subjects are discussed lead nowhere.

UNsuitable Conceptual Framework

The RCS failed to get the data needed for an understanding of rural credit because its conceptual framework was unsuited to the Indian countryside. The farm business approach which the Committee of Direction adopted had been developed in the U.K and the USA where the economic organization of agriculture is quite different. In those countries farming is carried on mainly as a business. Regular accounts are maintained, and profit or loss calculated. The farmers produce chiefly for the market. Even in the case of food crops the amounts which farm families keep for home consumption are usually trivial as compared with total production. The usual practice in American farm business studies has been to ignore these retentions for home use.

In India, by contrast, food crops are grown primarily to feed the growers themselves. It has been estimated that only about one-quarter to one-third of India's rice and wheat enters the market. The amounts which are kept by the peasants for their own food represent amounts which are kept by the peasants for their own food. Even among agriculturists who normally sell part of their output, only a minority may be characterized as entrepreneurs or businessmen.

For the great majority of Indian peasants, farming is not a business entered into for profit but a hereditary occupation carried on chiefly with family labour for family sustenance. They keep no books and reckon no costs. An agricultural year is good if something is left over at the end. Peasant farming in India is inextricably woven into the fabric of peasant family life. To rip cultivation out of its family context and to pretend that it is business enterprise is to distort rural reality in India.

Quality of the Data

The method of field work upon which the RCS relied almost exclusively was that of oral interview. For this purpose, as we have seen, a series of schedules were prepared and taken around in the sample villages. All data obtained by interviewing are subject in one degree or another to what has been called the "error of response. This is the possibility that the entry made by the investigator may not represent the true answer to the questionnaire item in respect of the person being interviewed.

There are fields in which the errors of response may be expected to be very large as, say, in connection with sensitive subjects on which questions may be resented, e.g., bootlegging, selling opium, sex relations, gambling, tax evasion, etc. Other enquiries that may be expected to give rise to substantial errors of observation are those involving complicated calculations, e.g. asking automobile owners to recall and apportion their annual costs for maintenance, repair, depreciation, and replacement. Further, there are enquiries which put questions for which the experience of the respondent has not prepared him. It is not that these are necessarily complex; it is simply that the respondent may not know what to make of them. In communities without clocks respondents should not be asked to state in exact numerical terms how many hours a day they work. Finally, any battery of questions that is very long runs the risk of so wearying the respondent that he may end up by giving any sort of answers whatsoever, so long as he can get the interviewer to go away and bother somebody else.

Errors of Response

The RCS invited large errors of response on each of the counts just listed. In the first place, debt is a painful subject, not likely to be discussed easily or candidly with anyone, let alone casual strangers carrying formidable questionnaires. Quite a significant proportion of creditor-debtor relations in village India are on the fringe of the law, or pay no heed to the law. Such relations are often furtive and surreptitious. Even when they are open and flagrant, the peasant may not be prepared to talk about them with outsiders. To the peasant, the moneylender is likely to be "at once a necessity and a terror. The peasant might like to curse him, but may find it wiser to keep mum.

Some of the most important questions were so couched that accurate answers could hardly have been expected. An example of a complicated item requiring the respondent to make a series of mental computations is found in the general schedule. Under the broad topic of "capital expenditure" the heads of 127,000 families were asked how many rupees they had spent during the preceding twelve months on capital expenditure in non-farm business. The recall period was long. The point where farming gives way to "non-farm business" may be obscure, as in the case of converting sugarcane juice into gur (unrefined sugar). The distinction between capital expenditures and other expenditures—say in renovating a wooden loom—is delicate. It is not surprising, therefore, that only 5 per cent of all those interviewed reported any capital expenditure whatsoever on non-farm business.

Under the rubric of capital investment in agriculture, the head of each household was asked how many rupees he had spent during the preceding twelve months on "construction of farm houses, cattle sheds, etc." Further along in the same schedule, under the rubric, "family expenditure", he was asked how many rupees he had spent during the preceding twelve months on "construction and repair of residential houses and other buildings". But how was he to distinguish expenditure under this head from the previous question ("construction of farm houses etc.") when, as is so
often the case, his farm house, cattle shed, and residential house were one and the same structure?"

Again, the heads of households were asked in the Intensive Enquiry schedules to state their cash receipts from sale of various types of crops and livestock products. This sort of question would have presented little difficulty to the peasants if, as in large urban shops, they made out sales slips for each transaction and kept regular business accounts. India's peasants, needless to say, followed no such practise. Those who do sell crops, sell them at different times of the year, in different amounts. There may be relatively large sales after the harvest of the principal crop, smaller sales after the harvests of the lesser crops, irregular sales of milk, eggs, poultry, fruit, vegetables, etc. The peasant's style of life does not put him in a position to answer quantitative questions about cash sales. The best he can do is to respond, under persistent prodding from an investigator, to indulge in plausible guesswork.

BOOK-SIZE QUESTIONNAIRE

The most manifest of the sins of the RCS was in regard to the number and to the length of their schedules and questionnaires. If the blank schedules, etc., were all to be bound together between one set of rovers, they would fill 100 pages of an ordinary octavo-size volume. Not all the questions were put to any one family; about half of them were put to each of the 9,000 families covered by the intensive enquiry and a number of schedules were filled up a second time on a return visit. Hence, about 66 pages of octavo size were used up for each of these 9,000 families.

With regard to capital expenditure in agriculture the Survey Report takes most of the respondents in particular districts were reported as having inquired expenditure on many of the items; at the other extreme, reports of only exceptionally large expenditures were evidently entered in the general schedule owing to a somewhat narrow interpretation of the scope of the items."

"Value of produce" data were obtained only from the 9,000 intensive enquiry families. The RCS attached considerable importance to the calculation of a figure in rupees for the total value of crop outturn during the year for each of these families. For purposes of analysis, the intensive enquiry families were grouped by "value of gross produce" as well as by number of acres cultivated. The value of produce figure was taken by the RCS as a more refined measure of the size of "farm business" than the cultivated acreage figure.

Weighting, averaging, and inflating the sample data to national proportions, the Committee emerged with a 1951-52 All-India figure for gross value of crop produce of Rs 2,921 crores (or, in terms of thousands of millions, of Rs 29.2). (Survey Report, pp 1064-66.) As against their own figure, the Committee cite the figure subsequently obtained by the National Income Committee of the Government of India. This official figure, they had expected, would be quite close to their own. The National Income Committee figure for gross value of output of crops in 1951-52, however, turned out to be Rs 4,887 crores (or, in terms of thousands of millions, Rs 48.8). Thus the National Income Committee figure is 67 per cent higher than the RCS estimate. The RCS Committee of Direction take the higher figure as more authoritative than their own. Thus we read in the Survey Report that the RCS underestimation was large, say "of the order of 50 per cent of the reported value of gross produce..." (p 824)

REASONS FOR DISCREPANCY

In discussing the reasons for the discrepancy the Committee of Direction note that crop production was a sensitive subject in 1951-52. In most of the States of India there was at the time one or another type of governmental control of sugar and foodgrains: procurement, price control, rationing, or a combination of these The effectiveness of these controls varied; so did the degree of blackmarketing. In this context, the Committee observe, the peasantry may have understated the physical quantities of foodstuffs produced. Furthermore, the prices which the peasants reported to the investigators may have been lower than the ones at which they really sold. There was
GIVE YOUR WARE
PLM CARE

PACK
your goods securely in strong cases, bags or containers, following special packing conditions when prescribed.

LABEL
your packages clearly by affixing fresh labels, containing full address of the Consignee—remove all old labels and their traces.

DON'T FORGET
A little 'PLM' care will go a long way to save you unnecessary worry and expense.

MARK
your packages correctly and clearly in bold letters with consignee's full address and destination station and with your private identification marks. Obliterate all old marks to avoid mis-despatch of your goods to a wrong destination.

WESTERN RAILWAY
no attempt at objective verification, whether of acreage, or yields, or of ruling prices.

In the second place it is difficult to secure information on all crops at one time. The Committee report that the RCS investigators concentrated on the main crop, whether food grains or industrial crops like cotton and sugarcane. The minor crops in each area were under-emphasised or even altogether neglected. Taken as a group, however, these minor crops account for 25 per cent or more of the value of total crop production.

Furthermore, as we have noted above, the Indian peasantry do not keep production records. It was too much to expect them to rattle off details after detail of crop acreage, yield, and sale price. Lastly, the huge sets of "books" to be filled up, could not help but be endlessly wearing both to the peasant and to the investigators. What else could the field men do but gloss over details and move on?

Reflection in advance on these matters surely should have stayed the hands of the Committee of Direction. While some matters can be probed fruitfully by oral interview, there are others which require direct, physical observation. Data for many of the items included in the RCS questionnaires could have been obtained only by stationing investigators with small groups of households throughout the period of enquiry. Furthermore, to secure reliable information, those investigators would have needed thorough training as well as familiarity with the subject matter in its local setting. This type of work, of course, could scarcely have been carried out on an all-India scale in a single survey limited to a single year.

Design of the Survey

We may recall that, according to the instructions from the Reserve Bank, the Committee of Direction were to plan an All-India Survey which would cover all agricultural strata in representative parts of the country. The selection of units to be studied was made in three stages. The first stage was the selection of 75 out of India's 302 administrative districts. In the second stage, 600 villages were selected, 8 in each of the 75 sample districts. Every family in these 600 villages, 127,000 families in all, was canvassed with the general schedule. At the third stage, 15 families were selected from the total number of cultivating families in each of the 600 sample villages. In this way, 9,000 families were chosen for detailed study by means of the intensive schedules.

The purpose of conducting a sample survey on an All-India scale is obviously to obtain All-India data. It is only reasonable to assume that what the Reserve Bank expected from the RCS as a basis for formulating national rural credit policy were, firstly, All-India results and, secondly, breakdowns for the major regions. As we have noted, the Committee of Direction reported in December, 1952, that they were preparing All-India and regional tables.

As tabulation and analysis proceeded, however, the Committee of Direction seem to have lost confidence in the representative nature of the data which had been collected. They came to the conclusion that their materials could not be used to make valid estimates either for India as a whole or for any major region of the country. The data, we read in the Summary printed in 1955, "are representative of only the selected units of the sample". (Summary of Survey Report, 1955, p. 4.)

"PECULIAR NATURE OF SAMPLE

Instead of All-India averages or proportions, the text tables in the Survey Report give figures for "the 75 districts taken together". Cf. the tables given at pp. 293, 533, 550 and 571. Alternatively, we find innumerable frequency distributions of the 600 sample villages or of the 75 districts. The Committee, however, notify us at the outset that "in presenting a frequency distribution of the 75 districts in respect of any character measured, such as outstanding debt, no claim is made that the distribution of the 302 districts from which the sample was drawn would show the same pattern. This is due to the peculiar nature of our sample... Notwithstanding the largeness of the sampling proportion, namely, one in four, and the fact that the sample covered all tracts of the country, it would be wrong to assume that the pattern of distribution for the country as a whole is accurately depicted in the distribution of the sample." (Survey Report, p. 11.)

Similar disclaimers are issued against taking the findings from the eight villages in any district as representative of all villages in that district. We are told that "the district data mean, for all purposes for which the data were collected, the data for the villages in the sample." (Survey Report, p. 34.)

The Committee of Direction, in fact, would have us believe that to get representative data was not one of their primary aims. "[O]ur main objective", they have written, "was a study of conditions, not necessarily of areas identified with certain names or with full areas but with samples of varying conditions throughout the country..." (Survey Report, p. 10.) The Survey was planned, they tell us, "not with a view to obtaining estimates for the country as a whole, of size of average outstanding debt, borrowings or repayments, but was directed chiefly towards obtaining an idea of the working of the agricultural credit system in regions representative of all types of conditions existing in the country". (Survey Report, p. 162.) The sample of districts, we are told, was drawn "not particularly with a view to making valid estimates for the 102 districts as a whole" (Survey Report, p. 11.)

DRAWING OF SAMPLE DISTRICTS

The method by which the sample of districts was drawn is rather obscure. In a progress report made in April, 1952, the Committee of Direction informed the Reserve Bank that a stratified random sampling procedure had been followed.

"For the purposes of the survey, the whole country was divided into a number of 'homogeneous' geographical regions, on the basis, firstly, of the preponderance or otherwise of cash crops and, secondly, of the percentage of area under irrigation. A certain number of districts was then selected from each region on the random sampling method"

Subsequently, however, in the authoritative Summary Report (published in 1955) no statement was made on how the districts were selected. This is puzzling, all
the more so since the mode of selection of the sample villages is described in precise statistical language as "on the random sampling basis with probability of selection proportional to the population of the village." The phrase "at random" is also used to characterize the selection of intensive enquiry families within the sample villages. (Summary of The Survey Report, Bombay, 1955, pp 4 and 1).

Nor do we find any explanation of the way the 75 districts were chosen in the full version of the Survey Report which appeared in 1956. As against this reticence in regard to the districts, we read in Chapter 1 that the villages "were selected with probability proportional to population", and that the families for the Intensive Survey were chosen "at random" after stratification. (Survey Report, pp 12 and 5.)

By contrast, in the Technical Report (published at the end of 1956) we come again upon the claim that the selection of the districts was "at random", this time, however, in two versions which are not quite consistent. From the introductory discussion of "Selection of Sample Units," it would appear that the procedure had included stratification with regard to three factors:

"In making the selection it was considered desirable that the sample should be representative of the geographical and agricultural regions of the country. Two factors representative of agricultural conditions which were taken into consideration for this purpose were the percentage area under cash crops and the percentage area under irrigation. Subject to considerations regarding these two factors and geographical representativeness, the selection of the 75 districts was made at random from among the 302 districts." (Technical Report, pp 3-4.)

According to the Appendix on sampling errors, however, the method would seem to have been unstratified simple random sampling:

"The first stage in the sampling process was the selection of districts at random and with equal probability from among the totality of districts in the country." (Technical Report, p 1037. Italics added—DT).

This contradiction is reflected in the description of the overall sampling scheme in the Technical Report as "multi-stage with stratification at some of the stages." (Technical Report, p 1037. Italics added—DT). We know that within each sample' district the villages were stratified into those with working credit societies and those without. We also know that the families within each sample village were stratified into ten groups according to size of cultivated holdings. The only stage in respect of which it is not quite clear whether there was stratification or not is the first, theselection of the sample districts. The phrase, "stratification at some of the stages," evades the question with regard to the first stage.

WAS THE SAMPLE RANDOM?

Returning to the problem of whether the 75 districts were in fact drawn at random, we note that the discussion of sampling errors of estimates in the Technical Report refers only to the district estimates, that is, the estimates based on the data from the 8 sample villages in each district. No attempt is made to discuss or calculate the sampling error of estimates at the All-India level, that is, the estimates based on the data from the full sample of 75 districts. (Technical Report, pp 1035-45.) This omission would be justifiable only if the districts had not been selected at random. The ambiguity of the RCS in respect of the randomness of the first-stage sample may provide a clue to the unusual humility displayed in respect of the validity and representativeness of the data.

At the outset, the Committee of Direction failed to define the primary aim of the survey. Given the available resources, they were not in a position to obtain estimates of good reliability both for India as a whole and also individually for 75 districts. Had the Committee been clear from the start that they intended to aggregate their data at the All-India level, they would force have had to conform strictly to the principles of random selection of sample units. They would also have done better to scatter the 600 sample villages more widely throughout India, that is, in more than 75 of the 302 districts.

If, however, the Committee felt that the sound course lay in focusing their efforts on individual districts, the particular districts to be studied might well have been selected purposively in the light of the Committee's prior knowledge and particular interests. In this case, the 600 sample villages might more fruitfully have been concentrated in a much smaller number of districts than 75, in order to ensure greater accuracy of representation at the district level.

The design which was adopted appears to represent an unhappy compromise between conflicting objectives. It was efficient neither for obtaining All-India estimates nor for obtaining district-wise estimates.

DISTRICT AS BASIC UNIT

The Survey Report states that the administrative district was taken as the "basic unit" of study for the reason that: "this was the smallest unit for which it was possible to present a comparatively full picture of the credit system on its 'demand' side and also on the 'supply' side at various levels." The study was directed, we are told, towards obtaining "integrated district samples of the working of rural credit machinery." (Survey Report, pp 9 and 11).

To aim at an integrated district picture of the demand and supply of rural credit is to seek the nonexistent. Credit operations in the Indian countryside are, above all, local and unorganized. Loans are advanced chiefly by village money-lenders or traders who function as little monopolists. There may be thousands of separate "cellular" credit markets of this type in a single district. The heart of the rural credit problem in India has been precisely the discreteness of money-lender-borrower relationships. It was premature, to say the least, to speak of the "working of rural credit machinery" at the district level. In most of rural India machinery had not yet developed for bringing supply and demand together at any level higher than the village.

There was, however, one special sense in which the administrative districts served as units in respect of rural credit. In the officially sponsored co-operative movement each district, no matter how large or how varied, was considered the sphere of jurisdiction of a District Central Co-operative Bank. A programme of working through one, and only one, of these Central Banks in every district already had the support of
the Reserve Bank. This policy was strongly re-affirmed in the recommendations of the Committee of Direction. It is possible that in, focussing on the RCS on the districts the Committee were influenced by their interest in strengthening the network of District Central Co-operative Banks.

SECOND-STAGE SAMPLE

The second stage of the sampling process was the selection of 8 villages in each of the 75 districts. This meant that 75 different sampling fractions were employed. Eight out of 334 villages were taken in Sirohi district of Rajasthan, and eight out of 10,517 villages in Midnapur district of West Bengal. In Sirohi, then, the second-stage sampling fraction was roughly 1 village out of 40, whereas in Midnapur it was 1 out of 1,300.

In point of fact, two random samples of four villages each were drawn in each district, each sample being drawn separately. The first sample of 4 villages in each district was drawn from a list of villages reported to contain working primary cooperative credit societies. The second sample of 4 villages in each district was drawn from a list of the remaining villages in that district—that is, villages without working primary cooperative credit societies.

The reason for drawing this twofold sample, we read in the Technical Report, was that "one of the main objects of the Survey was to study the working of cooperative credit in rural areas...". We may recall, however, that this "main object" was not set out in the terms of reference given by the Reserve Bank. As of 1951, the Reserve Bank knew only too well that the cooperative movement in India was weak and played a very minor role in rural credit. Many bodies of enquiry had attested this fact in the decade before 1951. Most recent of these was the Rural Banking Enquiry Committee, the headquarters of which had been in Bombay, at the Reserve Bank. The Report of the Rural Banking Enquiry Committee, signed in May, 1950, commented as follows on the place of cooperatives in rural credit: "As yet they cover a very small proportion of the rural people and meet only a fraction of their credit requirements, and, except in a few regions, their working has not been very satisfactory." In this judgment, the Rural Banking Enquiry Committee followed closely the views expressed in the 1945 Report of the Agricultural Finance Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries, appointed by the Government of India.

By selecting half of the sample villages from the relatively small number of villages in which cooperatives were functioning, the Committee of Direction placed yet another serious limitation on the representativeness of the RCS data. Once again, the impression is created that the Committee were concerned more with their prospective policy recommendation for a vast expansion of cooperatives than with the actual functioning of credit in the rural areas at the time of the Survey.

The Findings

It would be gratuitous, in view of the foregoing, to warn that the RCS "findings" have to be approached with circumspection. The fact that the RCS data appear in books bearing the Reserve Bank's monogram does not raise them, ipso facto, to the level of statistical currency of the republic.

The RCS "finding" which received the greatest attention in the newspapers and public discussion pertains to the place of cooperatives in the total agricultural credit supply "picture". Out of all credit advanced to cultivators, the Survey Report states, cooperatives supply only 3.1 percent. By contrast, moneylenders (both professionals and agriculturists who also do some lending) supply about 70 percent. The rest is said to come from "relatives", from "traders", from "landlords" (to their tenants), from Government and from commercial banks." The utter insignificance of the volume of credit supplied to the cultivator by the cooperative movement" the Committee of Enquiry write, was perhaps "the most startling revelation of the Survey ...". (The General Report, Recommendations, p 8.)

SPURIOUS STATISTICAL PRECISION

Before retracing the steps by which the figure of 3.1 percent was produced, let us be clear in what respect this "finding" could be considered a surprise. Innumerable reports, books, and speeches in the years before the RCS had noted that the part of the cooperative movement in rural credit had been very small, very minor, insignificant, etc. The new element contributed by the RCS consisted in the apparent statistical precision with which the share of the cooperatives as credit suppliers was expressed.

We have previously noted that no questions about amounts loaned out were put either to professional moneylenders, to traders, or to rural families which might have advanced credit to their neighbours. Thus, on the supply side, no quantitative information whatsoever was collected from the most important source of rural credit.

Instead, the credit supply picture has been built up from replies to questions about borrowings on the demand schedules. This procedure might be expected to yield precise results if, and only if:

(1) borrowings were actually reported by all the sample families which had taken loans;
(2) the amounts borrowed were correctly stated;
(3) the agencies from which the loans had been taken were properly identified; and
(4) the answers were accurately written down by the RCS field workers.

Because of the sensitive nature of debt as a subject and the relentless pressure on the investigators for speed, we know that these conditions were not in fact fulfilled. Since no system of cross-checking was built into the design of the demand schedules, and no objective verification was attempted, no confidence can be placed in numerical values derived from these data.

Even if the data on total borrowings and the sources of these borrowings were of unexceptionable quality, the fact remains that because of the peculiar nature of the RCS sample, the 127,000 families...
from which this information was gathered may not constitute a probability sample of rural families in India. If the 75 districts were not selected at random, we have no way of knowing how the facts about borrowings by these particular 127,000 families would compare with data on the borrowings of the universe of Indian rural families. In sum, the range of uncertainties is such that the RCS does not provide a basis for saying whether the actual contribution of the cooperatives to the supply of rural credit was 1 percent, 3 percent, 6 percent, or even 9 percent.

It is therefore remarkable that the Committee of Direction permitted themselves to carry the calculation beyond the decimal point. Of all fresh borrowings by cultivating families, during the year 1951-52, we are informed, 3.1 percent were from cooperatives. With regard to their total outstanding debt (as distinguished from loans taken during the Survey year) we learn that exactly 3.7 percent of the total was owed to "cooperatives and commercial banks together". Statement of the proportions owed by cultivating families to different agencies in tenths of percent would appear unwarranted on the basis of materials in which, we are told, "Separate data on debt owed to cooperatives and commercial banks are not available." (Survey Report, Volume I. Part 2, pp 2-3)

We may also note that, according to the RCS, after the professional moneylenders to whom 46.8 percent was owed, and agriculturist moneylenders to whom 25.2 percent was owed, the third most important group, to whom 11.4 percent of all outstanding debts was due, was "relatives". (Survey Report, Volume I. Part 2, pp 2-3) Nowhere in the RCS materials do we find a definition of this category. The extent to which "relatives" overlapped with moneylenders, traders or money-lending agriculturists is unknown. Even apart from "relatives", confusion in the identification of lenders was inevitable, in view of the prevalence in many areas of persons whose activities encompassed both trading and money lending. Since the RCS supply categories were not mutually exclusive, the significance of the figures given for the share of total debt to any one becomes dubious.

CAPITAL FORMATION ESTIMATE

The Committee of Direction have also put forward an All-India estimate of gross capital formation by rural families in 1951-52. In view of the "great general interest" in capital formation, the Committee write they have made an exception to their "general rule" against presenting overall total estimates for the whole country. For purposes of this estimate the Committee utilize All-India averages (i.e., averages of the data from all 75 districts) of the amounts paid out per family during the year on account of building construction, on account of "capital expenditure in non-farm business" and on account of "capital expenditure in agriculture excluding land and livestock purchase". Expenditures falling in these three categories were added up separately for cultivating families and non-cultivating families, then multiplied respectively by the estimated numbers of one and the other type of family in rural India. The total amount arrived at in this fashion is Rs 650 crores. In the Survey Report the Committee make much of this figure which, they term "very high", and take as indicating that capital formation was much higher than usually estimated. (Survey Report, Rural Families, pp 710, 720, and 728)

Mo scientific standing attaches, to this estimate of Rs 650 crores. It is put together in large part from data recorded in response to unanswerable questions. We have mentioned above the difficulties inherent in the item on "non-farm business". There were also, we have noted, wide variations in the way the investigators understood the instructions on what to record under the head of "other capital expenditure in agriculture".

More important, in a country like India no set of data limited to expenditures can suffice to build up a sound estimate of capital formation. Because of its partial and discrete character, the RCS material on rural families cannot be aggregated to furnish overall measures of this type. Despite the considerable growth of interest in capital formation, the RCS figure has been virtually ignored in serious discussion of the subject. Even subsequent Reserve Bank publications which refer to capital formation have left this RCS "finding" out of consideration.

NATURE OF TABULATIONS

Aside from the handful of unreliable All-India estimates, the RCS "findings" are brought together in the frequency distributions to which we have referred. From these we can discover such facts as that in 114 of the 600 sample villages the average expenditure of cultivating families on purchase of livestock fell between Rs 100 and Rs 200. Since we have been warned not to infer from this circumstance that the average annual expenditure of cultivators for livestock would be from Rs 100 to Rs 200 in about one out of every six villages in India, the information is of decidedly limited interest.

Within the villages, the districts, the States and the Regions, many items of information are given separately for various classes of cultivators. The average amount borrowed per family, for example, is reported not only for all families and for all cultivating families but also for the "big cultivators", the "large cultivators", the "middle cultivators" and the "small cultivators". These four labels signify respectively (he first decile, the first three decimals, the four centre decimals and the lowest three decimals of the whole list of cultivating families ranked by size of cultivated holding.

As we know, "the division into ... strata (deciles) was made separately for each village", (Survey Report, p 823. Italics added—D.T.) Since there were 600 villages, this means that there were 600 sets of strata. In giving averages for each of the four classes of cultivators—the big, the large, the middle and the small—these RCS is presenting figures for 000 disparate groupings.

DISPARATE GROUPINGS

Because the RCS has defined its "classes" in terms of fixed percentages, of families in each village, the terms have a different meaning in respect of each village as data for big cultivators from one village are taken together with those for big cultivators in another village, a heterogenous mass of families is gathered up into a single class. Conditions vary so widely that even in adjoining 'districts the smallest cultivated holdings in one village may, in absolute physical terms, equal or even exceed the largest cultivated holdings in another village. To collate data referring, for example, to the upper three decimals in a village of dwarf holders

962
with data collected from the upper three deciles; in a village where large holdings predominate, is to cumulate information about two altogether dissimilar groups of cultivators. Yet this is exactly what has been done in numerous district, State and regional tables.

A similar disparity characterizes the grouping of intensive enquiry families into classes according to value of gross produce. The Survey Report concedes that data so presented do not lend themselves to use for analytic purposes:

"It is obvious that the composition of classes of cultivators by value of gross produce is extremely mixed: each class contains various types of farmers holding relatively very different positions in their respective farming economies. A farmer from among the top strata in a low monetized economy and a lower strata farmer from a highly monetized economy may both fall in the same class of value of gross produce. In the various classes grouped according to average value of gross produce, different proportions from different regions and thus with different degrees of commercialization or intensity of farming, etc. would have been included.

"It would not be possible, in the circumstances, to make any observations on expenses, receipts, debt or repayments, or any relations between these factors, based on these data". (Survey Report, p 826)

Assessment

At every stage of the RCS we find a disproportionate emphasis on those elements in the rural scene which fitted in with the Committee's preconceptions as to the way in which the credit system should be reconstructed. Hence the focus on "farm business"; the preoccupation with cultivated holdings at the expense of ownership holdings; the adoption of the administrative district as the basic unit of the Survey; and the undue weighting given, in the choice of sample villages, to villages in which cooperative societies were functioning. The programme which the Committee of Direction subsequently recommended to the Reserve Bank envisaged a vast hierarchy of State and district banks dispensing credit through village cooperatives in accordance with the production needs of business-like, market-oriented farmers. This was not, of course, the way credit was actually functioning in rural India at the time of the Survey. The design of the enquiry followed the lines of a vision of the future rather than those of the existing structure of credit in the countryside.

Insofar as the aim was to provide a sound factual basis for the formulation of long-term rural credit policy, the RCS was a failure. The Committee of Direction sacrificed completeness of family coverage in order to carry through a nationwide survey in a single year. But they did not succeed in producing either valid or reliable estimates for India as a whole. Improper use of the survey method ensured unreliability, while weakness of design led to poor representativeness.

There can be no question that an investigation of rural credit in India has to grapple with profound difficulties. What is unfortunate is that the Committee of Direction clutched at quick and shoddy solutions. From the scientific point of view the greatest need was, and still is, for conceptual clarity: for an unified framework of categories and relationships in terms of which data may be collected, evaluated and interpreted. On this score the Committee, in extenuation of their use of inadequate indicators, plead the "want ... of any other easily available and quickly applicable criteria of classification ... " (Survey Report, p 824 see also p 65.) Haste and convenience, in effect, became the watchwords of the RCS. No wonder, that, viewed as a scientific enquiry, the Rural Credit Survey must be deemed deficient in every major respect.

Tasks Set by Reserve Bank for Rural Credit Survey


The Reserve Bank of India has decided to appoint a small "Committee of Direction" to plan and organize a rural credit survey on an all-India basis. Shri A D Gorwala has accepted the Chairmanship of the Committee and Professor D R Gadgil has agreed to be one of the members. The Bank's Executive Director and its Economic Adviser are the other members of the Committee.

Besides guiding the conduct of the survey and arranging for the compilation of results, the Committee will give its findings on the data collected and make any recommendations it may consider necessary. The need for such an enquiry was emphasized by a conference of economists and co-operators convened in February last for the purpose of examining the role of the Reserve Bank in the sphere of rural finance.

The inadequacy of the existing data had also been stressed by the Rural Banking Enquiry Committee. There have been some useful enquiries in the past, but most of them are out-of-date, and meanwhile the field of survey has itself become greatly widened on account of the merger of States.

The present enquiry is to be of a size which will adequately cover different strata of the agricultural population in representative parts of the country with reference to their credit requirements and to the agencies, existing or needed, for fulfilling those requirements. It will also deal with aspects such as the pattern of savings and deficits in agricultural economy, the trends, if any, towards shifts in income, and the problem of capital formation in rural areas.

Note: In September 1951, the Director of Statistics, Department of Research and Statistics, Reserve Bank of India, was appointed as the Member-Secretary of the Committee of Direction.
Quick Transit Service

Delivers the Goods in Guaranteed Time

Some of the important services now operated by the Central Railway are shown below:

<table>
<thead>
<tr>
<th>Wadi Bander</th>
<th>to</th>
<th>Shalimar</th>
<th>8 days</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>to Tata Nagar</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Nagpur</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Salt Cotaurs</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Adoni</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Yerraguntla</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Bangalore City</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Kolhapur</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Kanpur</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Bezwada</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Secunderabad</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Hyderabad</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Sholapur</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Akola</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Amraoti</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Jabalpur</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Satna</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Bhopal</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Gwalior</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Lucknow</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Allahabad</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Varanasi</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Patna</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to Howrah</td>
<td>12</td>
<td></td>
</tr>
</tbody>
</table>

Poona

| to New Delhi | 6 |
| to Shalimar  | 7 |

Sholapur

| to Bezwada | 4 |
| to Salt Cotaurs | 5 |
| to New Delhi | 5 |
| to Shalimar | 7 |

Its Quicker and Safer by Rail

For further particulars please contact
The Goods Superintendent,
Wadi Bander.

CENTRAL RAILWAY

964