

A Study on Land Development Banks - Banking & Credit

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Abstract—*This paper deals with land development bank limited time exercises, and additionally unmistakably demonstrate the utilitarian project, limbs advance requisition methodology and generally speaking exercises about the area advancement bank. LDB have many branches in India, the mail functioning of this bank is to develop the agriculture and tried to avoid the land corruption. Because, land corruption is the real issue of Indian Agriculture. A large portion of the area zone in our nation shows confirmation of corruption, influencing accordingly the profitable asset base. Out of 329 million hectares of area in the nation, something like 175 million ha. (53 %) is experiencing corruption in some structure or the other. There are 7.61 M ha of salt influenced soils in India according to the Ministry of Agriculture, Government of India. Still our government provide many facilities to improve the agriculture activities in rural areas.*

Keywords: *Land Development, Agriculture Importance, Land Importance.*

1. INTRODUCTION

The long-term finance required by the agriculturists for the purchase of agricultural machinery and for effecting permanent improvements on land cannot be provided by commercial banks and co-operative banks for the reason that these institutions obtain most of their funds in the shape of short-term deposits. The necessity therefore has arisen for the establishment of the institutions with the object of providing long-term credit to agriculturists at moderate rates of interest and providing for the repayment of loans in easy annual or semiannual installments spread over a number of years. These institutions are the Land Development Banks. Land Development Banks have developed a special technique for conducting their business. They obtain their funds, not in the shape of short-term deposits like commercial banks but by the issue of long dated debentures sometimes carrying State Government guarantee with regard to payment of interest and repayment of principal. Thus, they are able to lend their money for long periods to agriculturists. On account of their importance to the nation they enjoyed special powers for the recovery of defaulted loans, exemption from taxes and in some cases state guarantee for these bonds. Land Development Banks differ from one another in their functions and their constitution. Some Land Development Banks

specialize in providing fund against agricultural properties; some continue their business to advancing loans against urban properties, some advance loans to public bodies and municipalities. Some have combined all these different kinds of functions. Land Development Banks also differ from one another in their constitutions. Some are organized on co-operative basis, some on joint stock basis and some on quasi co-operative basis, incorporating the co-operative and joint stock principles. The special banks providing Long Term Loans are called Land Development Banks (LDB). The history of LDB's is quite old. The first LDB was started at Jhang in Punjab in 1920. But the real impetus to these banks was received after passing the Land Mortgage Banks Act in 1930's (LDB's were originally called Land Mortgage Banks). After passing this Act LDB's were started in different states of India.

The Agriculture Credit Review Committee (ACRC) in 1989 emphasized the bigger role for the LDBs and recommended to incorporate development of agriculture and its allied activities including wastelands and non-farm sector development. The banks in due course diversified their activities and at the instance of the NABARD in the year 1982 they started financing for agriculture and rural development activities including wastelands. However, late eighties and the beginning of nineties were the crucial period in which LDBs adopted financing long term loans for more significant rural development activities like, village and cottage industries, rural artisans etc. Besides financing for rural housing schemes under NHB refinance was introduced by the banks in selected states like Kerala, Karnataka, Uttar Pradesh, Maharashtra, West Bengal etc. In view of broader role of LDBs they are now known as **State Co-operative Agriculture and Rural Development Banks (SCARDBs)**. "Every agricultural holding is characterized by a system that is the way they are joined together, quantitatively and qualitatively, land, labor and capital. The optimal combination of these elements ensures maximum income. When the organizer of exploitation has no capital or earth or workforce that can develop within the optimum exploitation, he builds at lower proportions, adapted to the factor, which is the minimum. As other elements can be combined with that factor in various technical

reports, the organizer is required to find that combination that guarantees maximum revenue.

2. IMPORTANCE OF AGRICULTURE IN INDUSTRIAL DEVELOPMENT

Many industries dependent on agriculture, raw material from agriculture is supplied to many industries e.g. sugar industries, Cotton Industries, Paper Industries, tobacco industries, Chilies, turmeric etc. Many industries supply the inputs to the agricultural industry e.g. fertilizers, insecticides, pesticides, implements and machineries like tractors etc.

3. ROLE OF AGRICULTURE IN THE FIELD OF INTERNATIONAL TRADE

Many agricultural products like tea, sugar, oilseeds, tobacco, spices contribute the major share in export. In addition to this, we are exporting fruits some vegetables and flowers to the other countries. Now days we are exporting basmati rice to foreign countries. The proportion of agri. goods is to the tune of 50%. In addition to this goods manufactured from agriculture products contribute 20 percent. Thus, agriculture contributes 70% in export. In addition to the above the role played by agriculture in Indian is as under.

- I. Many agriculture produce like food grains, fruits are transported by roadways and railways. Thus, it helps in employment of many people in this field.
- II. If the agricultural production is good, cultivators will earn more income. They will be in position to purchase manufactured products and other inputs required in agriculture. In short, we can say that the prosperity of the country will depend upon the prosperity of agriculture.

4. AGRICULTURE AS A SOURCE OF LIVELIHOOD

In India about 65 to 70 per cent population dependent on agriculture, the population remains almost constant for number of years. On the other hand in the developed countries less than 10 per population dependent on agriculture.

5. LAND DEVELOPMENT BANKS IN INDIA

Land Development Banks in India are of quasi-commercial type. Although they are all registered under the Co-operative Societies Act, they are associations of borrowers as well as non-borrowers organized on the principle of limited liability. The borrowing capacity of a member is generally determined according to the number of shares he holds in the bank, though each member has only one vote according to co-operative principle, irrespective of the number of shares he holds

6. CO-OPERATIVE BANKING IN INDIA

Even though the first Land Development Bank was started in Punjab in 1920, the real progress began when the Land Development Bank was established in Chennai in 1929. The

Land Development Banks are Co-operative Institutions established on limited liability principle with borrowers and non-borrowers as members to supply long-term capital against development of land and building.

7. TYPES OF COOPERATIVE GOVERNANCE

- I. Non-monetary cooperative
- II. Retailers' cooperative
- III. Worker cooperative
- IV. Volunteer cooperative
- V. Social cooperative
- VI. Consumers' cooperative
- VII. Business and employment cooperative
- VIII. New generation cooperative

8. TYPES AND NUMBER OF COOPERATIVES

- I. Housing cooperative:
- II. Utility cooperative
- III. Agricultural cooperative:
- IV. Credit unions, cooperative banking and Co-operative insurance
- V. Federal or secondary cooperative
- VI. Cooperative wholesale society
- VII. Women in cooperatives

9. OBJECTIVE

The main objective of the land development bank is to promote the development of agriculture and increase the agricultural production. The CLDBs provide long-term finance to PLDBs affiliated to them or finance directly through their branches.

10. STRUCTURE

These Banks have two-tier structure,

1. **Primary Land Development Bank** at district level with branches at taluk level.
2. **State Land Development Bank.** All primary Land Development Banks are federated into Central Land Development Bank at the State Level. In some States, there is "Unitary structure" wherein, there is only one State Land Development Bank at the state level operating through its branches and sub-branches at district and below levels.

10.1 PRIMARY LAND DEVELOPMENT BANKS (PLDB)

These banks were originally organized to cover one or a few taluks in the district. At present they are eligible to cover one development block. All land owners are eligible to become members and borrow funds by mortgaging their land. The principal borrower is enrolled as „A“ class member and others who have interest in the mortgaged property are admitted as „B“ class members.

10.2 CENTRAL LAND DEVELOPMENT BANK (CLDB)

These members of the CLDBs are the PLDBs and a few individual promoters. It grants long-term loans to agriculturists through the PLDBs and branches of CLDBs. It raises funds through floating debentures, which are guaranteed by the State Government. When PLDB obtains loan from the CLDB, it assigns the mortgage deeds obtained from the borrowers to the CLDB. The CLDB floats debentures and raises funds against the security of these properties. The NABARD and LIC subscribe for the debentures in large amounts and the former also extends refinance assistance to LDBs.

10.3 RAISING FUNDS

The main function of raising funds is carried out by the Central or State Land Development Bank which can really deal with the money market of the country effectively and advance loans to primary LDB's. The sources of funds of State LDB's are:-

- I. Share capital.
- II. Issue of debentures
- III. Loans from NABARD
- IV. Reimbursements of subsidies from the Govt.
- V. Other funds.

Issue of debentures is the main source of funds for the LDB's. Debentures is a 'Bond' conveying and acknowledging the debt and also containing the provision of promise for payment of interest at stipulated rate and return of the principal amount. The period of debentures varies from 7 to 15 years. As LDB's require funds of longer duration to advance LT loans to borrowers, the debenture is a convenient instrument of raising funds. Because it guarantees that funds will remain with the Banks for a specified period. There are three types of debentures,

- i. Regular debentures
- ii. Rural debentures
- iii. Special development debentures.

These debentures are mostly purchased by financial institutions like LIC, Commercial Banks, Co-op. Banks, NABARD, and State Governments, as there is limited

response from the public. The State Govt. give incentive subsidies for many development activities by individual farmer including purchase of tractor. The amounts of subsidies are reimbursed to the LDB's.

10.4 INTEREST RATE

The rates of interest for LT Loans are generally low and within the paying capacity of farmers. They are around 11 to 12%.

10.5 LOAN PROCEDURE

The Branch offices receive applications from the prospective borrower. Then Agricultural Finance Officer or Inspector scrutinizes these applications, they visit places of the application and ascertain the purpose of borrowing, verify the genuineness of the proposal and its economic viability, repaying ability of the farmers, adequacy of security etc. After completing those formalities, the loan is granted by the appropriate authority at appropriate level depending upon the delegation of powers by the Banks.

10.6 CREDIT SERVICES BY SCARDBS

Financing of the long-term credit (5 years and above) for agriculture and its allied activities and also for NFS, Rural Housing, Wastelands development is the main objective of the SCARDBs. Thus, the credit delivery system of SCARDBs may be divided broadly into three sectors. Farm sector, non-farm sector and rural housing sector.

A) Farm sector: Under farm sector the purposes for which the long-term loans are advanced by the SCARDBs are as follows:

□ Minor Irrigation works

- a) Digging/renovation of wells,
- b) Installation of pump sets,
- c) Construction of irrigation channels,
- d) Pipelines,
- e) Sprinkler/drip irrigation system, Community wells,
- f) Lift irrigation system etc.

□ Farm Mechanization

- a) Tractor/power tillers with accessories,
- b) Combined harvester,
- c) Trolleys,
- d) Power threshers etc.

□ Land Development/Land Reclamation including water conservation

- Horticulture development (fruit crops, floriculture, mushrooms, vegetables etc)

- ☐ Plantation crops (coconut, cashew, arecanut, rubber, coffee, cardamom, tea, bamboo etc.)
- ☐ Diversified activities (dairy, poultry, piggyery, rabbit, fishery, sheep & goat rearing, gobar gas/bio-gas, farm house, sericulture, rural godowns, bullocks and bullock carts/camel carts, APMC, cold storages/storages etc.)
- ☐ Wastelands development/afforestation, dry land development.
- ☐ Payment of old debts
- ☐ Purchase of land

B) Non-farm Sector:

- ☐ Village and cottage industries,
- ☐ Rural artisans,
- ☐ Small-scale industries/agro-processing, food processing units,
- ☐ Small Road Transport Vehicles (upto 16 tonnes pay load capacity)

C) Rural Housing:

- ☐ Construction of new houses upto Rs.5 lakhs
- ☐ Renovation/repairs of old houses upto Rs. 1 lakh.

10.7 TERMS & CONDITIONS LOAN

Upto 95% loan may be sanctioned to borrowers depending upon the purposes for which loan is required. **Security** - LT loan is granted on land/agricultural land mortgage as main security. Besides hypothecation of assets, surety etc., will be treated as collateral security. **Land Valuation** - The eligibility criteria of loan will be fixed on land valuation 60 per cent of which will be taken as loan value. **Repayment period**- LT loans are granted for five years and above up to 15 years depending upon the loan purpose. Grace period is granted on specific projects.

10.8 CAPITAL

The Land Development Banks derive their funds from share capital reserves, deposits and debentures. The debentures, which account for most part of the funds on the bank, may be issued by the banks themselves or by the State Co-operative Banks on their behalf. They are subscribed for by the public or the Government in some cases, the principal and interest of these debentures are guaranteed by the Government. In Mumbai and Chennai Central Land Development Banks were established to finance Primary Land Development Banks by centralized debenture issues. These debentures are classified as trustee securities.

10.9 LOANS AND ADVANCES

The loans granted by land development banks are repayable within 20 to 30 years. Normally, loans are granted up to 50%

of the value of the land or up to 30 times the revenue. Loans are granted only after a thorough verification of security title-deeds as well as the necessity for the loan.

11. DEFECTS OF LAND DEVELOPMENT BANKS

Land development banking made little progress in India. Many states are without a single Land Development Bank. The following have been noticed in the working of Land Development Banks,

- (i) Loans given by them are predominantly for discharging of prior debts and not for purpose connected with land improvements.
- (ii) These banks do not have the necessary specialized staff for assessing the technical soundness of scheme and adequate supervising staff for verifying that the schemes are in fact executed. Although State Government possesses such staff, there is coordination between them and Land Development Banks.
- (iii) These banks do not prescribe different periods for different types of loans.
- (iv) They are not able to raise sufficient funds although their debentures are guaranteed by the State Governments.
- (v) There is no co-ordination between the activities of State Co-operative Bank and Land Development Bank.
- (vi) Delay in Granting loans.

12. CONCLUSION

Despite the fact that farming is the primary occupation in India, yet it is retrogressive. Agrarian benefit in India is still low. On the eve of autonomy the agrarian social order was legislated by semi-feudal standards. There was treacherous arrangement of area residency which denies a substantial number of cultivators, the proprietorship right. There was Zamindari System in India. The farmers own small pieces of land.

The issues of fracture and uneconomic possessions additionally cause low profit. The institutional elements like-the feudal structure of social order, the little size of area possessions, the vicinity of Zamindars or delegates, high land rents and frailty of occupancy rights prompted the backwardness of social order. After autonomy India felt the requirement of area changes programme to break the socio-monetary structure of country India and to stop the abuse of the real tilters of the dirt and pass on the responsibility for to them. The primary goal of the area advancement bank is to push the improvement of agribusiness and expansion the rural creation. The CLDBs furnish long haul account to PLDBs associated to them or back specifically through their extensions. The five-year arrangements propose to decrease the sufferings of the landless individuals. With the evacuation of delegates, the cultivators came in immediate contact with

the legislature. A respectable range of cultivable waste area and private timberland land which went under the hand of the legislature was dispersed around the landless and farming labourers. In the ninth-five-year plan, it had been called attention to that provincial neediness is to a great extent around the landless and the minor agriculturists. The arrangement proposed redistribution of surplus land, occupancy changes for recording privileges of occupants, merging of possessions and so forth. The tenth five-year arrange additionally conveys further the changes in the agrarian part which were prior disregarded. It might be said that if area change measures are successfully and entire heartedly actualized it might be great in reducing the issues of country individuals. With the Green Revolution area changes have been additionally helped in expanding rural preparation and sort of enhancing the state of the country individuals.

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