Offer Curves

It was first propounded by Edgeworth and then by A. Marshall.

= An offer curve is also called as the reciprocal demand curve or international demand curve.

= An offer curve shows how the volumes traded change when the terms of trade change.

= Thus offer curve is the locus of the pair of export and import quantities desired to each possible price-ratio

= In other words, the offer curve shows the different quantities of a particular commodity demanded by one country from the other at different relative prices of their product. This because of this reason that the offer curve is known also as reciprocal demand curve.

~~Derivation of the offer curves~~

= The offer curve of a nation shows how much of its import commodity the nations demands for it to be willing to supply various amounts of its export commodity.

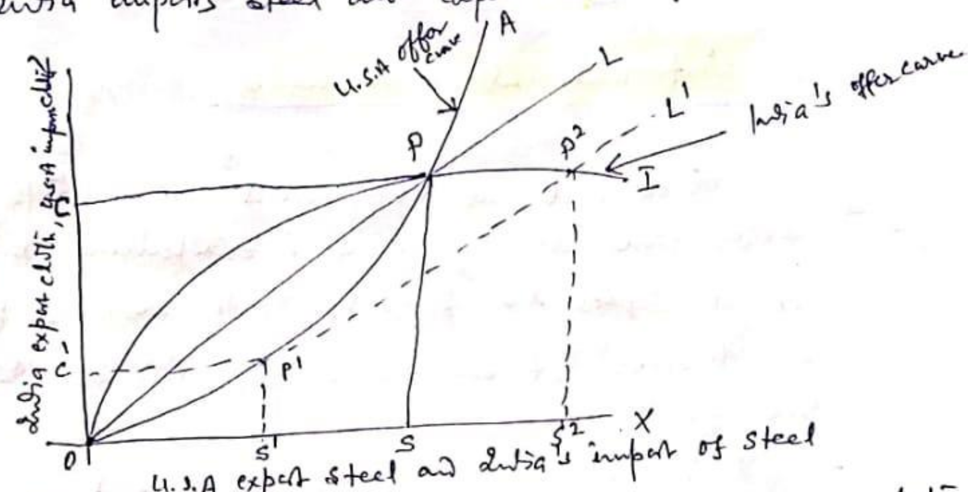
= The offer curve is also called the demand and supply curve.

= For simple explanation we take the help of two/two/two model.

Suppose, we take the example of two countries i.e, U.S.A and India with two goods steel and cloth.

Marshall Lerner

U.S.A. exports steel and imports cloth whereas India imports steel and export cloth.



In this diagram OY axis = India's export of cloth and U.S.A's import of cloth whereas OX-axis = U.S.A's export of steel and India's import of steel.

OI and OA is the offer curves of the two countries. OI is the ~~offer~~ demand/supply curve of India whereas OA is the demand and supply of U.S.A.

Both the offer curves intersect each other at point P when OC and OS is the demand and supply of steel and cloth.

Suppose P'

X

REASONS FOR EXISTENCE OF NON INSTITUTIONAL CREDIT SOURCES IN RURAL AREAS

There are following factors in rural areas which help non institutional credit to exist in rural areas.

1. Lack of education - Most of farmers and agricultural labourers are not well educated, so they find it easy to borrow from moneylender because he doesn't demands securities or any other document like commercial bank. An illiterate farmer don't want to face bank documents and find it suitable to borrow from a mahajan or moneylender
2. Lack of awareness in rural areas - There is huge lack of awareness in rural India people in villages are not aware of the fact that banks ,RRBs, and micro-finance are easily providing loans at much lower rate of interest
3. Complicated procedures in banks - Banks create credit and advance loans. After nationalization of banks in 1969 bank share in agro credit has increased and they are advancing loans to agriculture on priority basis. The biggest demerit of commercial banks is difficult process. A person has to first apply for loan, fill the forms, then bank will assess his income or plot of land and then bank will give loan to him against some securities .As we know poor farmer has nothing to give as securities, so they find it easy to borrow non institutional sources.
4. Traditional ties with the moneylenders - Many farmers are attached with a particular moneylender due to traditional reasons and they can't detach ties with him. So younger generation consider it there moral responsibility to continue ties with him .

DEMERITS OF NON INSTITUTIONAL CREDIT

There are following demerit of non institutional credit which are as below -

1. High rate of interest - The biggest demerit of non institutional credit is that they has very high rate of interest .They are known for charging very high rate of interest, because loans from them are taken by poor or needy person, who is in urgent need of money and due this a person have to accept any demand of the person.
2. Unhealthy means of loan recovery - Moneylender sometimes use bad practices to recover loan for e.g. changing high rate of interest, wrong book entry and demanding undue favors from debtors
3. Loans cannot be waived - Loans issued under non institutional sources can't be waived as in the case of bank loans of farmer because non institutional credit is more of personal nature so they can't be waived. Government sometimes, due to political motive or any other genuine reasons waives farmer loans. But non institutional credit can not be waived easily.

TYPES OF AGRICULTURAL CREDITS IN RURAL INDIA

There are two types of agricultural credit based on fact of advancement of credit

1. Institutional credit
2. Non-institutional credit

Institutional credit are those forms of credit which are provided by government institution such as R.R.Bs, Land Development banks, Co-operative Banks and commercial Banks

Non-institutional credit is form of credit which are given by traders, moneylenders, relatives and friends on personal basis with a rate of interest.

This paper concentrates more on non institutional sources of credit, reasons drawbacks and ends with useful suggestion.

BACKGROUND OF NON INSTITUTIONAL CREDIT

Agricultural credit is very essential for small and marginal farmers. Farmers use credit for cultivation and other purposes .Before independence almost all farmers use to borrow from non institutional source. Most farmers suffer from the problem of inadequate credit. This situation leads them to borrow ~~farmers~~ from easy and comfortable sources such as moneylenders and traders. Money lenders and traders were the only source of credit in agriculture ~~till 1930~~.Money lenders use to charge very high rate of interest. Moreover they use unethical practices to, recover loans. Once trapped in debts poor farmers can't get rid of it. The farmer lives with debt, dies ~~with~~ in debt, living debt behind for future generations .So not only present but the future generation also carries the debts. This led to huge discontentment in farmers and even ~~riots.~~ Ryots.

SHIFT FROM NON INSTITUTIONAL TO INSTITUTIONAL CREDIT

With the passing of time institutional sources also developed . With the passage of Reserve Bank of India Act, 1935, establishment of Land Development Bank and Credit Co-operative Bank agricultural credit received impetus which was much needed. The credit societies started advancing loans to farmers and small and cottage industry. The biggest turnaround in agricultural credit came with nationalization of banks in 1969. 14 commercial banks were nationalized. It became mandatory for them to advance credit to agriculture and cottage industry. These banks took special task of branch expansion and created a wide network banks and started financing agriculture on large scale. Thus agro credit acquired multi-dimensional form. In happening of Green Revolution, White Revolution and Yellow Revolution agricultural finance played a important role. The paper looks at the reasons why after so many years of independence and wide network of banks can not mitigate the non institutional credit from rural India