credit transactions. This is in fact a *prima facie* requirement for obtaining credit for the borrower.

'SEVEN Ps' OF CREDIT

The role of financial institutions in the light of the technological changes that have been brought in, on the agricultural front, lies in evolving principles of farm finance which are expected to bring not only commercial gains to the bankers but also social benefits. The principles thus evolved by the institutional agencies are supposed to have universal validity. These are popularly known as 'Seven Ps' of credit which are listed and explained hereunder:

1. Principle of productive purpose;
2. Principle of personality;
3. Principle of productivity;
4. Principle of phased disbursement;
5. Principle of proper utilization;
6. Principle of payment; and
7. Principle of protection.

1. Principle of Productive Purpose

When owned capital is a limiting factor on the farms, the credit needs of the farmers are many and varied. The requirements of credit commence right from short-term loans to term loans. This capital limitation is visible on all the farms but more pronounced on small and marginal farms. The farmers of these tiny holdings require another type of credit, which the large farmers do not need, *i.e.*, the consumption loan. In the absence of consumption loans for the small and marginal farmers, the crop loans advanced may not be as productive as they are expected to be, because of their diversion for other purposes. But inspite of this known fact, the consumption credit is relegated to the backseat by the institutional agencies. When the loan is diverted for other purposes, the productivity of the loan receives a setback and the desired results will be a far cry. But the principle of productive purpose says that the loan distributed to any borrower should be capable of generating incremental income. If one wants the principle of productive purpose to hold good, the short-term loans of small and marginal farmers can be made productive, if they are provided with other income augmenting assets through term loans. The income generated from these productive assets will add to the income obtained from farming. In this process the term loans not only turn out to be productive but also help in enhancing the productivity of crop loans taken by these categories of farmers. To cite some of the assets for which term loans required are dairy animals, sheep and goat (grazing or stall-feeding), poultry, installation of pumpsets on group action, *etc.*

2. Principle of Personality

The 'Three Rs.' which were explained earlier are the sound indictors of credit-worthiness of the farmers. Credit-worthiness of the farmer makes him eligible for the loan he desires from the institutional agencies. Over the years of experience in lending, the bankers have identified an important factor in credit transactions, *i.e.*, the trust-worthiness of the borrower. It has relevance to personality of the individual. When the farmer