

# **CHAPTER - IV**

# **CHAPTER - IV**

## **REVIEW OF LITERATURE**

## **REVIEW OF LITERATURE (OVERVIEW)**

This chapter is devoted to the review of various literatures of the past studies on Agricultural Cooperatives in general and the rural credit in particular. Both the conceptual and empirical literature are reviewed. Distinguished scholars mentioned the relevance of rural credit in the sphere of economic development of the rural areas (Cooperatives).

## **REVIEW OF LITERATURE**

In order to spell out the rationale and methodology of the present research study, a brief overview of the works already done in this field may be necessary. Empirical investigations on the rural credit with special reference to the role of the Primary Agricultural Credit Cooperatives are of comparatively recent origin in India. Nevertheless, much refinement in approach and techniques during such a short period is witnessed. Specific studies relating to the rural credit and roles of PACS are scattered. An attempt is made in this section to present a spectrum of research done in India on various aspects of rural credit and roles of PACS, keeping in view their possible relevance to the objectives of the present investigation.

## **ALL INDIA RURAL CREDIT SURVEY REPORT (1954)**

The All India Rural Credit Survey Report, 1954, Reserve Bank of India, Bombay observed that, repayment performance was related to the terms and purposes of the debt and the ability of the borrower. It has been observed that families in the upper class, were found to repay in greater member. Regarding the misuse of credit the committee observed that the most significant possible misdirection of use was in the direction of consumption and expenditure instead of productive use.

## **S.N.PATIL (1967)**

S.N.Patil, in his article "A case study of repayment of crop loans and overdues of their non-repayment in Maharashtra State" (1967), Indian Journal of Agricultural Economics, pp.87-91, collected information about the causes of non-repayment of crop loans from the Chairmen and Secretaries of the Cooperative Societies in Maharashtra State and reported, that holding size was related to the repaying capacity for crop loans. The relatively low - income earned from agriculture, high domestic expenditure and big family size were found to be some of the important causes for the non-repayment of crop loans.

**V.M.DESAI AND  
D.K. DESAI(1970)**

V.M.Desai and D.K.Desai in their article "Is in adequacy of institutional credit a problem in changing agriculture,"Economic and Political Weekly (Review of agriculture), VOL.No.39, Sept.26th 1970, studied the farm production credit in changing agriculture and showed that, there is a vast scope for expanding institutional credit with the spread of modern technology in agriculture and that traditional cultivation does not require expansion credit. They recommended the optimal credit needs of farmers particularly when used modern technology in farming should be estimated by linear programming technique.

**SYNDICATE BANK,  
MANIPAL (1971)**

Syndicate Bank, Manipal studied the role of cooperative and commercial banks in rural areas and pointed out the limitations of cooperative credit agencies since cooperatives have not been able to discharge the responsibilities assigned to them to the extent expected of them. However, till recently, cooperatives have been considered as the most suitable and ideal agencies for the provision of rural credit. Also it mentioned the limitations of commercial banks. He pointed out the growth direction of commercial and cooperative banks in rural credit operation will be much more effective if coordination is effected between the two sectors in the fields of i.e. Deposit mobilisation and recovery of loans. And it recommended that a structural change in the credit system alone will bring about the type of organisation which can set right many of these difficulties.



**H.K.Das Gupta and  
Amulaya Ratan Dutta (1971)**

H.K.Das Gupta and Amulaya Ratan Dutta in their article "Repaying Capacity of small farmers in changing Agricultural in Dhenkanal District", Indian journal of Agricultural Economics, vol.xxvi, no.4 Oct-Dec. 1971 reported that small farmers were generally accepted as no-credit worthy by all lending agencies. Three types of village viz: partially, irrigated and village with relatively greater emphasis on mixed farming where small farmers development agency had started functioning are selected. With the present level of consumption and development expenditure, no balance was found to be left out of their present total income in all the sample holdings of three categories of villages. The situation completely changed when higher farm business was generated by the adoption of new technology, greater diversification and inclusion of commercial crops and animal husbandry programmes in the production plans.

## **SBI-BOMBAY (1974)**

SBI, Bombay studied the financing of primary agricultural credit societies by Commercial Banks as a new experiment. They emphasised the weakness of PACS due to "not wellmanaged resource use" and recommended that the commercial banks should help revitalise the societies by strengthening their management and using them as channels for financing the rural sector.

## **SINGH AND HAHLON (1976)**

Singh and Hahlon in their article "Determination of repaying capacity of farmers of Sangur District", Journal of research (punjab), vol. 31, March, 1976, showed that the Bank recoveries were more effective in the village adopted under the pilot project programme of the bank as compared to other non-adopted villages. They advised the Banks to follow village adoption approach or area planning approach as a starting point, before they get too far in reaching out to the farmers scattered all over the area. This will reduce the cost of loaning operations and also facilities for easy recovery of loans.

**CHATTERJEE AND  
BANERJEE (1978)**

Chatterjee and Banerjee in their book "Indian Agricultural Economy: Financing small farmers, Chetra publication, New Delhi (1978) suggested that the instrument of farm planning and budgeting should be used to assess farm level credit need, to ensure proper utilization of credit and to evolve appropriate modes and schedules of repayments. They further recommended that for each region there should be a centralised planning agency and a centralized credit agency and they should work together to make available adequate credit for effective utilization.

**M.K. JOSHI (1979)**

M.k.Joshi in his article "Agricultural loans,-An appraisal of repayment performance", Financing Agriculture, Vol.xi, No.1, April-July, 1979 reported that repayment performance depended on so many variables, such as, farm size cropping pattern and the crop raised etc.

**AMRIT BHADURI (1979)**

Amrit Bhaduri in her analysis on "Role of Credit in Agrarian Reforms with Special Referance to India", Economic bulletin for Asia and Far East (ECAFE), June, 1979, Vol.xxx, No.1, page-108, argues forcefully the dificiencies in the rural credit structure of India where the poor are exposed to the painful disadvantages of the 'forced commerce'.

**V.K.R.V.RAO (1982)**

V.K.R.V.Rao in his book namely "Food Nutrition and Poverty in India", 1982, page-45, says that "credit is the life blood of any programme."

## **MR. VARSHNEY (1983)**

Mr. Varshney in his paper "Regional Rural Banks", State Bank of India, Monthly Review, No. 6, (1983) disclosed that the initial enthusiasm of commercial banks to operate in agricultural sector exceeded their ability and thus led to variety of difficulties. According to him the organisational machinery necessary to scrutinise proposal is very important, and that much of initial difficulties experienced were due to improper and inadequate scrutiny of proposal. He suggests that the abilities of a commercial banks to meet rural agricultural needs would be greatly enhanced if appropriate changes in rules and procedures of property and exchange are thought of. In this context, it is argued that a very big role should be given to the Agricultural Refinance Corporation.

## **C . H . HANUMANTHA RAO ( 1983 )**

C.H.Hanumantha Rao in his article "Farm sized and credit policy, "published in the book captioned, "Rural Banking in India" edited by Tokhi, M.R. and Sharma,1983, collected information about the farm size and credit policy and explained the rising significance of capital for the periods from 1960-61 to 1967-68 under the Intensive Agricultural District Programme ( IADP ). The distribution of credit with the relative importance of cooperative in th total borrowings of cultivators among different asset groups is also shown and recommended credit structure that different rates cannot be a substitute for a credit rationing. He concluded that the initiative from the central Government and the nationalised banks would, therefore, be most rewarding.

## **S . R . MEHROTRA (1987)**

S.R.Mehrotra in his book "Institutional credit and agricultural growth" 1987, Printwell publishers, Jaipur (India) suggested that the institutional credit and Agricultural growth which can claim to be pioneering in the field of agricultural credit in that it has tried to seek a co-relation between the flow of institutional credit and agricultural growth both at the State as well as the Dist. level. He made another notable feature of the work is the empirical study of the production credit requirements and the supply thereof of different physiographic regions of the State. He concluded that if the returns to fixed farm resources are to be maximized with the adoption of new technology in agriculture, it is imperative that much more institutional credit flows to the agricultural sector than hitherto.



### **C . R . REDDY ( 1 9 8 8 )**

C.R.Reedy in his book "Cooperative Agricultural Finance", 1988, re-affirms the role of credit in development processes. He, further, states that the adoption of modern technology in agriculture leads to intensivel demand for credit. He suggest that institutionalisation of rural credit should get priority to channelise the credit flow to the high priority areas of immediate concern and relevance.

### **M . V . GADGIL ( 1 9 8 8 )**

The imperative of institutionalisation of rural credit is also reflected in the article written by M.V.Gadgil entitled "Agricultural Credit in India; A Review of Performance and Policies", in the book namely "Agricultural Development in India: The Next Stage", published by the Indian Socceity of Agricultural Economics, Bombay, 1988. He asserts the importance for "credit widening as also credit deepening" for more production and, subsequently, rural prosperity

## **INDDRA YESHWANTH (1989)**

Indra Yeshwant in his paper "Primary Agricultural Credit Societies in Kerala, "The Journal of Rural Development, Vol.8/No.3, studied the performance of primary agricultural credit societies in Kerala for institutionalising rural credit since independence from the traditional fold of unorganised credit agencies. He confined the study of the working and organisation of primary agricultural credit societies (PACS). He pointed out that the PACS should undertake non-credit services to achieve integrated rural development such as, input supply, processing facilities, marketing arrangement and distribution of essential commodities along with the supply of credit. The overdues should be kept at a reasonable level to avoid checking of credit for execution various development programmes. The various development departments of the Government should render all the necessary assistance in providing adequate inter-sectoral linkage for the credit support extended by the primaries to achieve, socio-economic growth on the country side.

**DR. P. D. OJHA (1989)**

Dr. P.D.Ojha in his article "credit support and rural development", The cooperator, Vol.xxvi/No.17 showed that the credit support and rural deveopment which has still been recognised as an effective instrument for bringing about the desired socio-economic changes in the context of the conditions prevailing in rural India. He suggested cooperative institutions would be useful only when they draw up block-wise and village-wise details of their lending programmes for different activities schemes and furnish details to the branches of rural banks. It needs the continued support of all concerned in the task of resource mobilisation and development of the same consistent with national policy.

**S . S . KHANNA AND  
S . K . SINGH ( 1989 )**

S.S.Khana and S.K.Singh in their article "Improving the cooperative credit delivery system", The cooperator, Vol.xxvi/no.16, studied the improving of cooperative credit delivery system regarding three main institutional sources of agricultural credit viz: the cooperatives, the commercial banks and the regional rural banks. They suggested the cooperatives are considered to be most ideally suited institutions for disbursing agricultural credit since these are mostly located in the field and have been doing this job since long and also the large net-work is there throughout the length and breath of the country. Recovery of loans should be made after reasonable period allowed for repayment of loans taking into account the time required for marketing of crops and realisation of the sales proceeds from the institutional and non-institutional marketing agencies. They also recommended all the employees should be professionalised in management.

## **RBI (1989)**

The Reserve Bank of India undertaken a review of the Agricultural credit system in India in 1990 under the Chairmanship of Prof.A.M.Khusro. This report indicated not only the importance of the organised credit systems but also indicated "action points" on the development of sophisticated credit structure as essential part of general development plan at all levels.

## **G. GANESHWARA RAO (1990)**

G. Ganeshwara Rao in his article "Strengthening of PACS for effective service", The cooperators, Vol. xxviii/No. 2 showed the strengthening of PACS for effective service and emphasised the multipurpose activities for PACs also explained the need to gear up operational efficiency and monitoring of credit to arrest overdues. He concluded that multi-agency approach should be considered to be accepted policy and CRAFTICARD also recommended the pattern, the cooperatives should make effort to prove themselves the fittest institutions for improving the image of the rural folk. Dedicated leadership, competent management and enlightened membership are needed to make the movement stronger, serving the riots as well as undertaking business simultaneously for economic amelioration.

## **DR. PRADEEP SHARMA (1990)**

Dr. Pradeep Sharma in his paper "Rural cooperative credit societies", The cooperator, Vol.xxvii/No.13, showed that rural cooperative credit societies in Rajasthan which occupies a unique role among all the states of India. It has been common practice that only a few families succeed in getting loans while large number of needy farmers is left without any help. This practice should be given up and the affairs should be managed properly so that the poor and needy may also receive loans. The loan recovery personnel should be made responsible towards their duties so that loans may be recovered in time and societies may become self-reliant. He concluded accounts should be audited regularly, and the defaulters should be brought to book also more and more people should be informed about the movement for higher involvement.

## **DR. NISAR AHMED (1990)**

Dr. Nisar Ahmed in his article "Lending policy of cooperative credit Institution and development of Agriculture", The cooperator, Vol.xxvii/No.16, reported the lending policy of cooperative credit institutions and development of agriculture by the use of adequate investment in agricultural inputs. He emphasised these issues related to farm financing through sufficient light of lending practices being followed by the cooperative credit institutions. Scale of finance should be strictly sanctioned according to the prescribed scales. The rate of interest charged should be checked by regular Audit of the Societies.

Non-recovery of loans causes strain not only on the resources of the lending agencies but it also creates problems for the borrowers who are denied further loans without repaying the precious ones. The recovery position can be improved by properly educating the borrowers about the importance of repayment of loans and the positive role of the political parties.



## **K.C. BOSE (1990)**

K.C. Bose in his article "Re-organisation of Primary Agricultural Credit Societies," The Maharashtra Cooperative Quarterly, Vol. LXXIII/No.3. page-177-183. showed the reorganisation of PACS to find out a strategy to uplift the rural people in West Bengal. He emphasised the provision of adequate credit support to agriproduction with focus on the concept of total credit as per recommended of CRAFTICARD. And he concluded that these objectives can only be achieved if adequate measures are taken to strengthen the operational efficiency in terms of manpower, financial resources and procedural formalities of cooperative credit societies. He also recommended that re-organisation scheme of PACS which aimed at uplifting the economic condition of the rural people through diversification of their activities should be implemented in right earnest and utmost sincerity.

## **DR.V.B.JUGALE (1991)**

Dr.V.B.Jugale in his article "Socio-economic and Technology impact of cooperative credit on Agriculture", Sahakaria Samshodhan, Vol.iv/No.1, page. 4-9 Reported a case study of PACS in Shirol Taluka (Maharashtra) regarding the cooperative credit and distributive Justice in the transactional and Financial position. He concluded his study with the recommendation that about 50 per cent of Khatedars are members of PACS and another 50 per cent are not the membership of PACS. Among the borrowers, large landholders get the benefit of S.T.loans not more than 10 per cent while the number of such farmers are not more than 4 to 5 per cent in all S.T.loans borrowers. PACS are the only agents of District Cooperative Bank.

## **S.GURUSWAMY (1991)**

S.Guruswamy in his article "Development through credit - A study," The cooperator, Vol.xxviii/No.20, investigated a study on development through credit to study the psycho-social and economic impact. The programme has been designed to assess the extent of awareness generated and repayment ethics built-up among the members and beneficiaries. He suggested that one of the important considerations in selecting the village for launching any development programme should be a village where poorest of the poor people is overwhelming number. Development through credit should be for the development of people of small means and not for the development of the already developed.

## **A.K.DEY (1992)**

A.K.Dey in his paper "The management of overdues in agricultural credit cooperatives in West Bengal" made an attempt to find out the step taken to accelerate the process of recovery. He pointed out some limitation confronted in the recovery and overview for better management of overdues. He concluded that the lending agency should realise the basic concept of dimensional problems then only it may emerge.

## **DR. MOHSEN SHOJAKHANI (1993)**

Dr. Mohsen Shojakhani in his article "Role of cooperatives in economic development", The cooperators, Vol. xxvii/No. 23, studied cooperatives and rural development with an attempt to highlight the various aspects of cooperatives that facilitate the growth and development of the rural economy. He emphasised that cooperatives are the best instruments and the most suitable institutional framework for implementation of the programmes for the rural development. Attempts should be made both at the government and voluntary levels to encourage artisans to pool their resources and continue the practice of their traditional traders without getting lost in the process of industrialisation. Then only it may overcome the adverse effects of extraneous influences and internal weakness by rectifying the past errors.

## **SARAT CHANDRA (1993)**

Sarat Chandra in his paper "Multi-Agency Approach in Rural Lending", UCO Bank Review, Sept.1988, studied the Multi-Agency approach in rural lending and pointed out the present set-up of Rural credit institutions and other important developments in rural credit structure with reformer to the Working Group-Multi Agency approach in agricultural finance (RBI). The analysis showed viable model of rural credit delivery system wherein besides viability and cost of operations, aspects such as efficiency, time bound credit delivery as per the need of rural sector. And also concluded that multi-agency approach has come to stay in the over all lending operations of the rural sector of the economy particularly with the growing credit requirements needed for financing hitherto neglected areas of priority and adoption of new technologies in agriculture and other areas of rural development.

## INSTITUTIONAL SET - UP FOR RURAL CO-OPERATIVE FINANCE

