Chapter -3

CO-OPERATIVE AGRICULTURAL CREDIT: AN OVERVIEW

Contents

The previous chapter has described the literary works related to Co-operative Banks and Agricultural credit. Theory is the spine of any research work and all the findings based on the existing theory will contribute modification to it or create a new theory. A bird's eye view on the existing theoretical aspects, are inevitable when revising a topic. The present chapter is discussing the theoretical back up based on the major points in the title study. It covers the details regarding the institutional financing to agricultural sector in India as well as Kerala, the classification of agricultural credit and the theoretical overview on Co-operation and banking.

3.1. Indian Financial System – The strong components

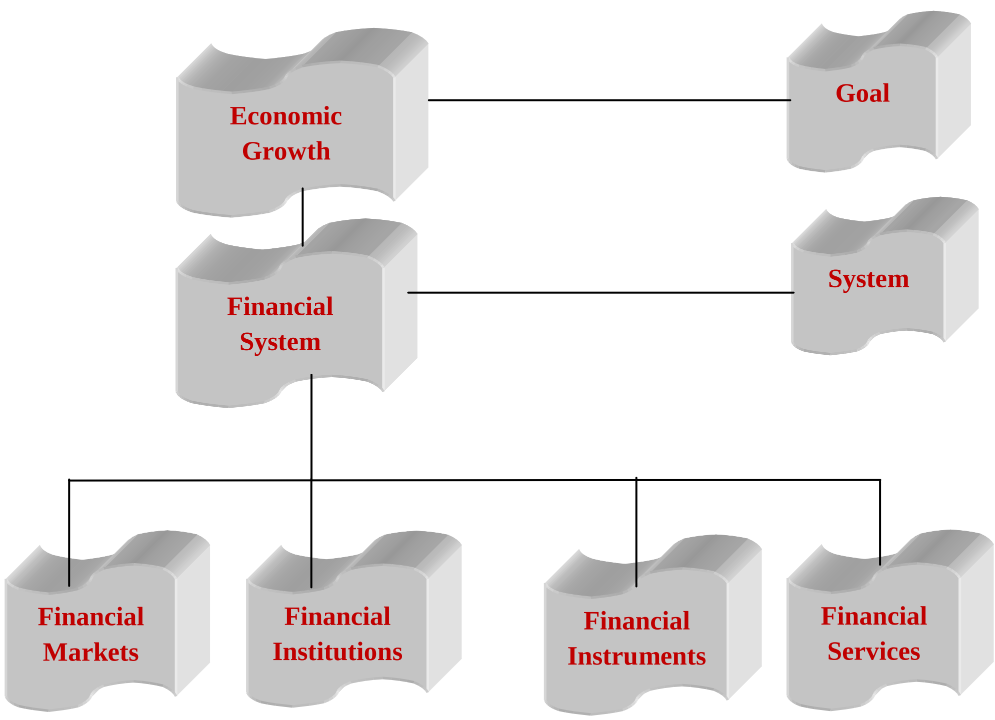
The Financial System is a most sensitive and volatile type of organization within financial institutions, markets, assets and service are the active partners. It has a clear cut goal for the economic development of the Nation. The growth of a developing country like India depends on its good financial system. The term finance can be referred to as, a bridge which focus and connect the future with present.

Financial system is a key for the overall development of the nation. It is a well-integrated system for transferring and allocating funds from the area where plenty financial background to the area where the financial deficiency. Indian financial system is well organized and regulated system. It consists of four components of Financial Assets (money or near money with high liquidity), Financial Institutions (act as an intermediary between the savers and borrowers), Financial Service (Money and Investment) and Financial Markets (for trading financial products). Through the Financial System, the country is focusing on its economic growth and this economic growth is possible through the better and efficient working of the four components of financial System.

The Financial Institutions includes banking institutions like Commercial Banks (Public Sector, Private Sector, Regional Rural Banks and Foreign Banks) and Co-operative Banks. The Non-Banking Institutions mainly focuses on the investment activities in the economy.

The Financial Markets consists of both Money market (short duration instruments like Call Money, Treasury Bills, Commercial Bills, Commercial Papers and Commercial Deposits are the players) and Capital Market (Primary Market, Secondary Market and Derivative Market). The Financial Instruments includes Term (Short, Medium and Long-Term) and Type wise (Primary, Secondary and Innovative Instruments). The Financial Services includes Asset based (leasing, hire purchase, consumer credit, bill discounting, venture capital, housing finance, insurance and factoring) and Fee based (merchant banking, credit rating, stock broking and mergers) services. The following Figure 3.1: has given the details on inter-relationship in the Financial System.

Fig. 3.1: Inter-relationship in the Financial System



(Desai, January, 1996)

The Financial Intermediary or Institutions comprised of financial and non-financial institutions working to create blood for the nation's development. Both Government and Private institutions are working in the country for fulfilling the credit requirements of India. Among the financial institutions, bank is vital element and it is derived from the Greek word 'Banque' which inculcate the meaning of 'bench'. The Babylonians had implemented banking system in the early 2000 BC.

In India, the banking activity started in the early Vedic period. The people had used the native bill like Hundis in the early fifth century and treated it as the credit instrument in the twelfth century AD. The reference of banking community (Vaisyas) in India had given in the book Arthasasthra by Kautaliya. At the period of the Muslim rule in India, the institutions like Mullahs and Sheriffs and Jagathsethi (world banker) had prevailed (seventeenth century).The major institutions working for the betterment of the agricultural sector of India and also in Kerala includes Commercial Banks, Co-operative Banks and Regional Rural Banks.

3.2. Agriculture and its Credit Requirements

India has a strong agricultural background starts from the ancient civilization like Indus Valley. The people had been used the activities like raring of cattle's and using the agricultural production for their livelihood. Agriculture means mainly the cultivation of plants or food items for sustaining the human beings in the world. In the study agriculture includes the cultivation of food and cash crops and the credit given to these activities. The people in India are concentrating in agriculture and allied activities. The agriculture and allied activities includes seasonal agricultural operations like cultivation of food items, animal husbandry, poultry, piggery etc. In other terms, the production and investment activities like seasonal agricultural operations and plantation activities like rubber, pepper, coffee, tea, cocoa, etc. In India, the largest producer of employment is by the agricultural sector. Even then, the development of agricultural sector in India is very essential today.

India is basically an agricultural country and Kerala has its heritage hub. Agriculture is one of the main sectors contributing to the major percentage in the growth of Indian as well as Kerala's economy. But it is in the decreasing annually. So Government of India included several schemes along with the priority sector right to Indian Agriculture in issuing loans.

Even though, agriculture is also contributing almost 18 percentages to Indian economy and 10 percentages to Kerala's economy as a static figure. Table 7 has given details regarding the percentage wise share of agriculture and allied sectors in Gross Domestic Product (GDP) and Gross State Domestic Product (GSDP) for a period of seven years from 2007-08 to 2013-14.

Table 3.1. Proportion of Agriculture and Allied Sectors in GDP and GSDP 2007-08 to 2013-14 (In Percentage)

YEAR	GDP (INDIA)	GSDP (KERALA)
2007-08	22.6	13.15
2008-09	15.9	12.58
2009-10	15.7	10.54
2010-11	21.5	10.10
2011-12	18.4	14.38
2012-13	18.0	13.76
2013-14	18.0	12.90

Source: NBARD Annual Report 2014-15, http://www.nabard.org.; Economic Review 2013,2015

The proportion of Agriculture and allied sectors in GDP in India and GSDP in Kerala for a period of seven years is given in Table 7. percentage share of Agriculture and allied sectors in GDP and GSDP is decreasing from 2007-08 to 2013-14 at percentage of 22.6 per cent to 18 per cent for GDP and 13.5 per cent to 12.9 per cent in GSDP. Variation is more in percentage share of agriculture and allied sectors in GDP than GSDP.

Almost in all developing countries agriculture plays a very big role in the economic sector. It provides good employment opportunities as well as food to the whole population in the country. It is more labour oriented, time consuming and at the same time capital oriented. Money is the leading element to get good harvest along with its quality seeds and climatic condition. The term money is very indefinable item, because almost all needs of human beings can be solved through money. It is the wheel of economic development of any nation. Agriculture is one of the national heritage and all Indians have that standards. The agricultural sector in Kerala is also contributing stable percentage for the economic development of the State. The main theme behind the growth of agriculture is the credit or the money needs of the borrowers for fulfilling their needs. Without credit they are unable to do their agricultural operations in the smooth way.

The word credit is derived from the Latin word ‘Credo’ with a meaning of ‘I Believe’. So the credit is given by a person called creditor to the debtor with a belief of repayment. Credit means the borrowing power of an individual to borrow the money from any sources, utilize it for his varied financial requirements and repay the amount with or without interest at a stipulated period of time. But the credit must come from the dependable, reliable and secure source. Then only the farmer can get the sigh of relief in his life time. Here the financial institutions came as a rescue.

Agricultural credit is one of the priority sector advances in India (40 per cent of total advances to priority sector, out of this 18 per cent to agricultural sector, Micro enterprises at 7.5 per cent and 10 per cent to weaker sections as per RBI notification on 23rd April 2015). Agricultural credit means the amount should be given to the borrowers at a stipulated time, affordable rate of interest and easy installments. The credit at proper time is inevitable to agriculture because the return is depends upon the seasons and the type of harvesting. The indirect agricultural credit like issuing of loans to buying farm equipments and land rejuvenation etc. is essential along with direct agricultural loans. The credit is essential to famers to get good agricultural facilities along with good harvest. This will leads them to fulfill a gentle life like the people doing white collar jobs. So the need of timely credit at correct sources has come into importance

For the development of agricultural sector and proper satisfaction of credit needs of borrowers in India, year wise target needs to be fixed and its achievements to be measured. These targets are applicable to Public Sector and Private Sector Commercial Banks, Regional Rural Banks and also Co-operative Banks in India. The following Table has given details regarding the total amount targeted for farm credit in India from 2004-05 to 2015-16.

Table 3.2: Total amount targeted for yearly agricultural credit and its achievement in India (Amount in Crores)

Year	Target	Achievement
2004-05	1,05,000	1,25,309
2005-06	1,41,000	1,80,486
2006-07	1,75,000	2,29,400
2007-08	2,25,000	2,54,657
2008-09	2,80,000	3,01,908
2009-10	3,25,000	3,84,514
2010-11	3,75,000	4,68,291
2011-12	4,75,000	5,11,029
2012-13	5,75,000	6,07,376
2013-14	7,00,000	7,30,122.62
2014-15	8,00,000	8,45,328.23*
2015-16	8,50,000	5,03,898#

Figures *-provisional and # - as on 30th September 2015 (provisional)
Source: Annual Report 2015-16, Ministry of Finance Budget Division-Government of India, p-323, http://finmin.nic.in

3.3. Agricultural Credit-Major Groupings

Money is the vein that leads a farmer to make his harvest beautiful. This will fill out the colorful dreams of the borrowers. Borrowers need credit for purchasing of seeds, fertilizers, equipment, and construction of farm house; digging of wells, land rejuvenation etc. The agricultural credit is classified into three categories on the basis of the period for which it is offered, on the basis of end use and on the basis of the source which help them to get credit. The major classifications include:

1. On the basis of period

On the basis of duration for which the loan issued, the agricultural credit includes

- **Short-Term Credit (ST):** These credits are given to the borrowers for a period of less than eighteen months for the purpose of seasonal agricultural operations and also for marketing of crops. The utilization of Short-Term agricultural credit includes; mainly paddy, tapioca, vegetables and banana and other fruit items under cultivation.
- **Medium-Term Credit (MT)**: The amount offered for animal husbandry and making for the purpose of dairy, poultry and minor irrigation etc. The period of credit issued under Medium-Term category is for two to five years.
- **Long-Term Credit (LT):** The credit issued for a period of five years to fifteen years for the purpose of capturing the land,

rejuvenation, digging wells, purchase of farm equipment and other activities for making the land as cultivable.

The first two Short-Term and Medium-Term agricultural creditis given by the Co-operative Banks under Short-Term Co-operative Credit Structure. The last one is given banks under Long-Term Co-operative Credit Structure.

2. Nature wise classification of agricultural credit

As per the nature of credit and its utilisation, agricultural credit is classified into two:

- **Production credit:** it includes loans issued to borrowers for their seasonal agricultural operations. The crop loans are the main element of this category. The loans are issued only for producing the items. It does not make any huge capital outlay.
- **Investment Credit:** loan sanctioned to pig farming, dairy, poultry, capturing of land and its arrangement for agriculture and allied activities. Both Medium and Long-Term agricultural credits are covered over here. It is based on the credit given to various agricultural and allied projects with high financial outlay.

3. On the basis of agencies which are issuing of agricultural credit, it is classified as:

- **Institutional Financing:** it includes the agencies which are issuing agricultural credit to borrowers. This includes Government, Commercial Banks, Co-operative Banks and Regional Rural Banks. They have a prescribed rate of interest and a governing body.

- **Non-institutional Financing:** the money lenders, indigenous bankers, landlords, chit funds, relatives, friends etc are giving agricultural credit at a higher rate. They are the unscrupulous persons/agency of issuing credit to borrowers and have no prescribed rate of interest and rules.

3.4. Institutional Financing to Agricultural Sector of Kerala

There are number of agencies issuing agricultural credit in India and also in Kerala. These agencies include Government, Co-operative Banks, Commercial Banks and Regional Rural Banks. They are issuing agricultural credit on the basis of rules and regulations framed by its apex bodies and they are controlled by their apex institution. The same situation is happening in Kerala that, the borrowers fulfilled their credit needs mainly from Commercial Banks, Co-operative Banks, Regional Rural Banks and Government (Kerala State Finance Corporation-KSFC) The institutional credit is essential to help the borrowers from the clutches of unscrupulous money lenders. This helps them to get the credit at legal terms, affordable interest rate and installments, reduce risk, interest subvention, protection, crop insurance, loan waiver or debt relief, helps to get a bank account and saving mentality.

The multi-agency in issuing credit to agricultural sector of Kerala includes:

1. Government

The Government is not issuing the credit directly but it is done through the Kerala State Finance Corporation. The Government is accepting this responsibility only at the time of emergency situation of borrowers in the concerned State. It includes, flood, famine, droughts etc. The loans are issued for both Short and Long period of time at very low rate of interest and affordable instalments. The agricultural credit issued by Government is called 'Taccavi loans'.

2. Co-operative Banks

Both Short-Term and Long-Term Co-operative credit structures are focusing the varied credit needs of borrowers. It includes catering of short and medium term credit needs by Co-operative under STCCS and Long-term is given by Co-operative Banks LTCCS. The Co-operative Banks are working more service oriented than the other institutions. These have dual control by Reserve Bank of India and the Registrar of Societies.

3. Commercial Banks

The banks are issuing both direct and indirect agricultural credit to borrowers like crop loans and distributing fertilizers and equipment. The banks are under the control of Reserve Bank of India. These are scheduled commercial banks included in the second schedule of Reserve Bank of India Act of 1934. They are playing vital role in the field of agricultural credit in Kerala along with the other institutions working in same purpose. The first Commercial Bank in India is Bank of Hindustan (joint stock) in the year 1770, but the Commercial Bank with real in nature is Bank of Bengal in 1806. Commercial Banks consisted of both public and private sector banks. There are 27 Public sector banks and it includes State Bank of India and its 5 associate banks (now merged), and other national banks. The era of Nationalization includes, 14 major banks were nationalized in the year 19th July 1969, 6 were nationalized in the year 15th April 1980, New Bank of India was taken over by Punjab National Bank in the year 1993, and the IDBI were nationalized in the year 2011 and last Bharathiya Mahila Bank in the year 2014.

4. Regional Rural Banks

It is popularly known as RRBs. The Regional Rural Banks come into force as per the RRB ordinance 1975 and later it is RRB Act of 1975. The implementation of RRBs is out of the common efforts from Central and State Government and Commercial Banks. The establishment motto of RRBs is to focus on rural development and especially the agricultural credit needs of borrowers.

3.5. The Co-operative Banking – an outline

The word cooperation is derived from the Latin word "cooprare" which means working together. The Co-operation is a voluntary association by people for the fulfilment of their common goal. With the help of the term Co-operation, the society can escape from the clutches of unscrupulous capitalists. It leads to create openness and loyalty among the society.

V.L.Mehta, Doyen of Indian cooperative movement, described cooperation as follows:"Cooperation is only one aspect of a vast movement which promotes voluntary association of individual having common needs who combine towards the achievement of common economic needs" (K A Abdul Kuddus, 2010)

The Section 5 (b) of Banking Regulation Act 1949, defines Banking as "accepting for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise" (Maheswari, 2003)

Devine defined a Co-operative Bank as "a mutual society formed, composed and governed by working peoples themselves for encouraging regular savings and granting small loans on easy terms of interest and repayment"(K A Abdul Kuddus, 2010)

The Banking Regulation Act for controlling the banking business in India is came into force on 16th March 1949 and it was amended as The Banking Regulation (Amendment) Act 1994. The Banking Regulation Act was previously known as the Banking Companies Act 1983. This Act is applicable to Co-operative Banks only if it has share capital and reserves which is Rs. 1,00,000 and above. Then only it will become a Co-operative Bank as per this Act. But it is applicable to all State and Central Co-operative Banks working in the country. It does not apply to Primary Co-operative Credit Societies and Land Mortgage Banks in India.

The banks working with service is the prime motto is called Co-operative bank. Indian Co-operative Banks have hundred years of heritage from the enactment of Agricultural Credit Co-operative Societies Act of 1904. The Co-operative Banks are playing a pivotal role in the agricultural credit of India. These banks are self-help organizations and now it is a public minded institution. The Co-operative Banks helps the borrowers to get out from the differentiated interest on agricultural credit from the money lenders to a great extent. These banks have given importance for focusing the needs of all sections of the society. The Indian Co-operative Banking structure consisted of Urban and Rural Credit Co-operative Banks. The Rural Co-operative Banks consisting of the two parallel classifications for agricultural credit and these are called the structure of credit Co-operative Banks in India on the basis of agricultural credit. The Co-operative Banks working in the country is faced with a duality of control by the Reserve Bank of India and the Registrar of Co-operative Societies in the state in which they are working. The success of Co-operative banking depends on the timely and adequate credit and its collection from borrowers.

3.6. Co-operation in India and Kerala- A historical perspective

Indian Co-operative Movement had started with Co-operative Societies Act 1904. It gave importance for rural unlimited liability cooperatives for issuing only production credit and urban limited liability cooperatives for both credit and non-credit activities. In order to overcome the limitation of this Act, the Co-operative Societies Act 1912 came into force and has converted the rural societies in to limited liability and gave importance to both credit and non-credit activities. The Mac Lagan Committee (1914) was appointed by the Government to review the cooperative movement and the committee gave report in the year 1915 and insisted to continue three –tier short –term credit structure in agriculture and more importance to Primary Agricultural Credit Societies in the rural areas. As per the Act of Montague-Chelmsford (1919), the cooperation became an important subject and all the states gave reference to its development. As per this Co-operative Land Mortgage Bank Punjab, Madras (1925) and Bombay (1926) has developed. The Central Banking Enquiry Committee (1931) has reviewed the progress and found limitation in adequacy of credit. Then Madras Co-operative Societies Act (1932) and Madras Co-operative Land Mortgage Bank Act (1934) for long-term credit were set up. All India Co-operative Planning Commission (1945) has also constituted for reviewing the Co-operative Banks.

The National Co-operative Union of India (1961) for supervising the Co-operative Movement in India and National Co-operative Development Corporation (1963) (NCDC) under Ministry of Agriculture for assisting and financial help for Co-operative Banks were set up. The NCDC was promoted for giving support for the programs undertaken by Co-operative Banks for the betterment of the society as a whole. It also includes the helping of Co-operative Banks for the betterment not only in the agricultural activities but also the allied activities in agriculture. It includes they issue credit, production to sale of goods help etc to the Co-operative Banks in India along with poultry, fishery, forest produce, diary, sericulture, coir and handlooms etc.

The National Bank for Agriculture and Rural Development (1982) (NABARD) in the year 1982 was set up for the growth of rural development in India. The NABARD was set up by merging Agricultural Refinance and Development Corporation (1st July 1963) and Agricultural Finance Corporation Limited (10th April 1968). The main aim was to concentrate on Agricultural and Rural Development. The NABARD is issuing agricultural credit for different durations to State Co-operative Banks, Regional Rural Banks and other financial Institutions have an approval from Reserve Bank of India. the period of these loans includes; 18 months loans as Short-Term credit, 18 months to maximum of 7 years as Medium-Term and Long-Term for a period of 25 years. The purpose of loan includes; agriculture and allied activities, small and village industries, handicrafts and other activities which is beneficial for the rural development. It also provides the refinancing assistance to State Co-operative Banks, Regional Rural Banks, Scheduled Commercial Banks and other approved financial institutions under RBI. The refinancing assistance is given for the activities under agriculture and allied sectors.

Before the emergence of Kerala as a united state, Kerala State, the Co-operative Banks were under the control of Travancore, Cochin and Madras Co-operative Societies Act 1932 and this Travancore and Cochin Co-operative Societies Act (1951) became into effect. After the existence of Kerala State (1^{st} November 1956) the Kerala State Co-operative Societies Act (1969), the Kerala State Co-operative (Agricultural and Rural Development) Act 1984 have come into effect. In the year 1999 The Kerala Co-operative Amendment Act (1^{st} January 2000) has come to give importance for the extending membership, lending, depositing and development of Co-operative Examination Board etc. in Kerala.

3.7. The Cardinal Principles behind the term Co-operation

The latest seven core principles of Co-operation are resulted out of the International Co-operative Alliance Congress constituted in Manchester in the year 1995. All the banks under the head Co-operation have to follow these seven principles in their working and they are also celebrating the Co-operative Day (first Saturday of July). The symbol or flag of Co-operation or its movement is based on the rainbow colour flag. The National Co-operative Union of India is decided to celebrate the Co-operative week from November fourteenth of every year. The seven core principles of Co-operation include:

1. Voluntary and open membership

The membership among Co-operative Banks is open to any person in the society without any discrimination of their belongings. They are allowed to act as a member after providing a small amount to the membership subscription.

2. Democratic member control

It means members are the main authority to decide the policies and the working of the bank in the society. Both men and women are capable to take membership and to control the bank/society equally.

3. Member economic participation

In order to create a capital, the members have to deposit certain amount based on their number of share holdings. It is treated as the capital of the bank or society and should distribute a per cent of interest to the members as the dividend annually.

4. Autonomy and independence

Even there is some acts to follow in the State which they are working, they have the special powers to act with freely and controlled by their members. Because, the existence of the Co-operative Banks are backed by the self help and mutual help mindset.

5. Education, training and information

As per this principle, Co-operative Banks are offering education based on the Co-operative ideas and concept among its members and employees.

6. Cooperation among cooperatives

The organizations works under the roof of Co-operative Banks, must do the meaning of co-operation in all things and do not compete individually.

7. Concern for community

Co-operative Banks are developed by the people and for the people. So they have to do good for the society in which it exists.

3.8. Structure of Co-operative Banks – in view of agricultural credit

On the basis of borrowers or their credit needs, the Co-operative banks are classified into two like Co-operative banks under Short-Term Co-operative Credit Structure and Long-Term Co-operative Credit Structure. The National Bank for Agriculture and Rural Development Bank (1982) is issuing agricultural credit to the apex institutions under two structures and do the refinancing activities in the case of Debt Waiver and Debt Relief schemes adopted by banks under these two structures.

1. Short-Term Co-operative Credit Structure (STCCS)

In the year of 1915, Maclagan Committee had submitted the report of Co-operative movement and it recommended for the three tier structure of Co-operative in Short-Term agricultural credit. It includes:

- **State Co-operative Banks (SCBs)**

Previously, the SCBs acting as an intermediary at the state level between Reserve Bank of India and the District Central Co-operative Bank for issuing the agricultural credit to the rural India. But it has changed now; SCBs are the intermediary between NABARD and District Central Co-operative Bank in the field of agricultural credit of rural India. It is the apex bank to control DCBs and also the Primary Agricultural Credit Societies through DCBs working in each State.

As per the Act of Reserve Bank of India, State Co-operative Banks means “the principal co-operative society in a State, the primary object of which is the financing of other co-operative societies in the State” (Choubey, Agricultural Banking in India, 1983)

- **Central Co-operative Banks (CCBs)**

The CCBs are acting as an intermediary at the district level between SCBs and Primary Agricultural Societies and transferring the agricultural credit which is received from the SCBs. These banks are also accepting deposits and loans like SCBs and PACs in the STCCS. The Central Co-operative Banks are also called District Co-operative Banks (DCBs).The original central banks were in Kerala, Bombay, Orissa and the mixed are in Andhra Pradesh, Assam, Tamil Nadu.

- **Primary Agricultural Credit Societies (PACS)**

Societies working in the lower level/village level are called PACS. Only the PACS have a good per cent of direct touch with borrowers while issuing agricultural credit. The loan amount sanctioned from the SCBs through CCBs for the agricultural credit in the rural areas of the state is controlled by the PACS. The performance of PACS in agricultural credit is essential for the good functioning of banks under STCCS. The PACS are issuing agricultural credit from own fund along with amount distributed by DCBs.

As per Mac Lagan Committee report (1915), "there should be one co-operative for every village and every village should be covered by a co-operative". (Ravichandran, 2009)

As per the A Vidyanadhan Committee (Task Force), report on helping of Short-Term Co-operative Credit Structures, twenty five states have given signed for this along with NABARD and Government of India. In March 2008, the PACS (59,294) have conducted special audit and in August 2008, the eight states were made changes in their Co-operative Societies Acts. Other programs includes, Human Resource Development, Management Information System and Common Accounting System (CAs) etc. were developed.

2. Long-Term Co-operative Credit Structure (LTCCS)

There are only two institutions working under the LTCCS in India and also in Kerala for focusing the long-term credit needs of borrowers. The Co-operative Banks under LTCCS are not covered by the Interest

Subvention Scheme of National Bank for Agriculture and Rural Development for their agricultural credit. Both institutions are working for issuing loans and accepting deposits from the members. The banks under Long-Term Co-operative Credit Structure are also called as Land Development Banks (LDBs).The Long-Term Co-operative Credit Structure is only two tiered one. It includes:

- **State Co-operative Agricultural and Rural Development Banks (SCARDBs)**

These banks are acting as an intermediary in the state level between National Bank for Agriculture and Rural Development and the Primary Co-operative Agricultural and Rural Development Bank. The amount earmarked for agricultural credit from National Bank for Agriculture and Rural Development is transferred to the Primary Co-operative Agricultural and Rural Development Banks and also looks after the supervision of its lower level institution.

- **Primary Co-operative Agricultural and Rural Development Banks (PCARDBs)**

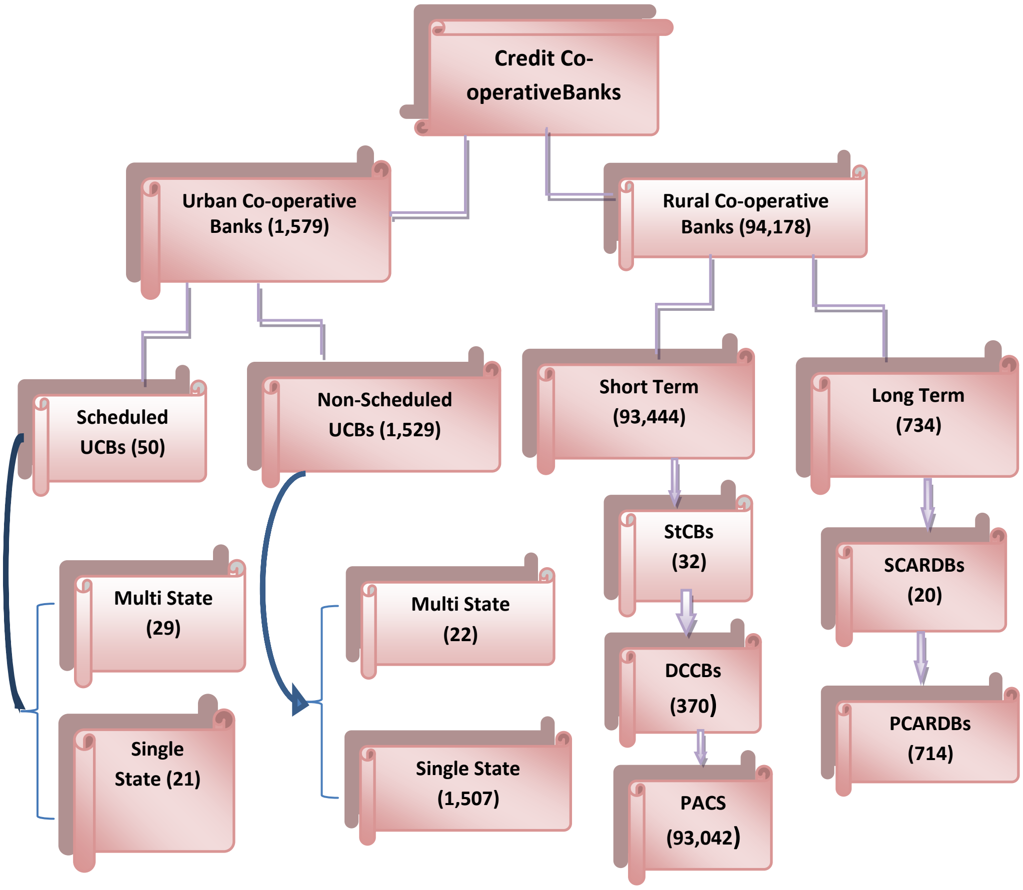
These banks are working in the Taluk level under the control of State Co-operative Agricultural and Rural Development Banks in the state. The Primary Co-operative Agricultural and Rural Development Banks are the institution has direct contact with borrowers in rural areas for their long-term credit requirements. The banks are issuing long-term agricultural credit not only from the amount issued by its apex bank but, also from its own fund.

The Co-operative Banks are the institutions working for helping all sections of society especially the poor by accepting deposits and lending credit at an affordable interest rate and terms. The Land Development Banks are previously known as the Land Mortgage Banks; because they are issuing the agricultural credit on the basis of security as the agricultural land from its borrowers.

The first Land Development Bank was established in Punjab at Jhang and which was started in the year 1920 and its successor is Central Land Mortgage Bank in Madras of 1929. The Land Development Banks are offering credit for purchase of farm land, livestock, agricultural equipments etc.

The position of Credit Co-operative Banks in India as on 31st March 2015 and also the number of banks working under each head as per Reserve Bank of India statistics is given in chart mentioned in next page.

Fig. 3.2: Structure of Co-operative Credit Institutions in India – position as on 31st March 2015



Source:Report of Trend and Progress of Banking in India 2014-15, Page no. 14, Chart 3.1 https://rbidocs.rbi.org.in

StCBs: State Co-operative Banks; DCCBs: District Central Co-operative Banks; PACS: Primary Agricultural Credit Societies; SCARDBs: State Co-operative Agriculture and Rural Development Banks; PCARDBs: Primary Co-operative Agriculture and Rural Development Banks.
Notes:

1. Figures in parentheses indicate the number of institutions at end-March 2015 for UCBs and at end-March 2014 for rural Co-operative Banks.
2. For rural Co-operative Banks, the number of Co-operative Banks refers to reporting Co-operative Banks.

In Kerala, there is Kerala State Co-operative Agricultural and Rural Development Bank and Kerala State Co-operative Bank working as an apex institution. There are fourteen district Co-operative banks working along with 61 Primary Co-operative Agricultural and Rural Development Banks and 1532 Primary Co-operative Banks.

3.9. The Kerala State Co-operative Societies Act, 1969

An Act with effect from 15th May 1969 to make unification of laws on Co-operative societies working all over in Kerala and also look after the proper development of these Co-operative Banks in the state of Kerala(http://www.rbidocs.rbi.org.in, 2014-15). Now it is known as The Kerala Co-operative Banks (Amendment) Act 22/2013. This amendment has given specification for the number of members in Primary Co-operative Banks (not exceed 15) and the other Co-operative societies (not exceed 25). As per this, both State Government and Registrar of Co-operative Societies have power to control over the societies. The Act has given clear definition to the apex bank, intermediary and the lower level Co-operative Societies in the State

3.10. The Kerala State Co-operative (Agricultural and Rural Development Banks) Act 1984

This Act is applicable to the Land Development Banks working all over Kerala for the better working of agricultural and rural development. As per this, Long-Term agricultural credit for agriculture and allied activities is offered on the security of title deed and tax receipt of the concerned land on getting application. The applicant must declare that, in case of any default in repayment of agricultural credit, the ownership of land is automatically goes to the primary bank in which they have availed credit. If this declaration is wrong, the applicant will be punishable for imprisonment for a period of six months or with fine of rupees two thousand or both. The term is extendable.

3.11. The description of Terms used in the data analysis

This heading gives highlight on the important terms covered in the data analysis in the chapter of the present study. The points which get in to a detailed discussion under this section includes agricultural debt waiver and debt relief schemes 2008, Kerala co-operative risk fund scheme 2008, Kisan Credit Card, interest subvention on crop loans, agricultural gold loan, agricultural credit, good paymaster scheme, social commitment of Co-operative Banks and the ordinary and scheme loans under land banks in Kerala. The detailed view of each points are given here

3.11.1. Agricultural Debt Waiver (DW) and Debt Relief (DR) Scheme 2008

These two schemes were announced by the Finance Minister in the budget speech of 2008-09. The main beneficiaries under these schemes are the small and marginal borrowers those who availed production and investment credit from Scheduled Commercial Banks, Regional Rural Banks and Co-operative credit institutions. Debt Waiver is for that agriculture is lost due to natural calamities and Debt Relief is for those borrowers who have no means to repay the loan. Both are applicable to the loan is up to the verge of closure in the year 31st December 2007. In the case of Debt Waiver scheme, the whole amount of loan will be waived where as in Debt Relief or One Time Settlement Scheme, it will be 25 per cent and the farmer should repay the balance.

3.11.2. Kerala State Co-operative Risk Fund Scheme 2008

It is developed to meet the risk of loan waived under Debt Relief scheme. It is for giving relief (giving up to one lakh from this fund for closing loan amount and interest) to borrowers who availed agricultural and non-agricultural credit and died at the time of due date or after due date of loan. All Co-operative Banks (both Short-Term and Long-Term Co-operative Credit-Structure are also covered) working in Kerala are covered under these scheme. If the borrower failed to repay the principal amount, he is not qualified for these schemes (except those have suffered the severe diseases). For this purpose, bank has to collect 0.35 per cent from each loan (minimum and maximum of rupees hundred and five hundred) and remit to the Board formed as per section 57 of Kerala Co-operative Societies Act. For this purpose, the legal heirs should give the application with prescribed details to the concerned banks and the bank will forward it to the board.

3.11.3. Kisan Credit Cards (KCC)

It was introduced in the year 1998-99 among all the Co-operative Banks, Commercial Banks and Regional Rural Banks all over India. This covered the seasonal credit requirement of borrowers with a credit card and pass book. The card holder can withdraw the each installment amount of loan through this card. Inorder to include the investment credit under its limit, the NABARD has revised the scheme in the year 2005. As per this, the short-term credit sanctioned through KCC should be repayable with in twelve months and the term loans within five years. With the help of Rashtriya Krishi Beema Yojana Insurance Scheme under General Insurance Corporation, the KCC holders get the insurance cover of rupees 50,000 for the accidental death of card holder and rupees 25,000 in the case of permanent disability.

3.11.4. Interest Subvention Scheme on Crop Loan

As per the order of Government of India (Finance Minister-Union Budget Speech 2014-15), directed to issue interest subvention to Commercial Bank and Co-operative Banks of 2 per cent on the crop loans up to rupees 3,00,000 issued to borrowers by banks from their own fund. The interest subvention to famers are also available at 3 per cent on the crop loans availed at 7 per cent interest on prompt repayment of loan with in the stipulated loan period and it will be extended to six months to avoid the sale of agricultural produce at low price and kept it in the warehouse on ware house receipt. So the borrowers will get the crop loan at four per cent interest rate.

3.11.5. Agricultural Gold Loan (AGL)

Co-operative Banks in Kerala is only a successor in the field of issuing of AGL in Commercial Banks. These loans are issued for a period of one year with an interest rate of seven per cent to a person has agricultural land holdings, tax receipt and gold. It is issued at maximum of seventy per cent of market value of Gold. If the borrower is failed to repay the amount with interest, this loan will be treated as the Ordinary Gold loan.

3.11.6. Agricultural Credit – issued by Co-operative banks in Kerala

Agricultural gold loan includes loans issued to production credit (crop loan) for a period of maximum of eighteen months at seven per cent interest rate. Medium term loans issued for a period of up to three years and long-term loans issued for a period of three to five years under banks in Shot Term Co-operative Credit Structure (STCCS). The interest rate of agricultural credit issued by banks under Long Term Co-operative Credit Structure (LTCCS) is at higher rate of interest banks under STCCS. The duration of Long-term loan in Banks under LTCCS is for a period of five to twenty years. The rate of interest charged by apex bank under STCCS in Kerala on agricultural credit is 4.45 per cent to DCBs and DCBs are transferring this amount at 6 per cent to PACS. The PACS are issuing these loans are 7 per cent interest rate to the borrowers. The rate of interest charged by apex bank under LTCCS in Kerala for agricultural credit at 10 per cent to the PCARDBs and they are giving it to borrowers are 11.5 percent. The agricultural credit among each district is issuing on the basis of scale of finance determined by the Technical Committee on Agriculture working in each districts of Kerala.

3.11.7. Good Pay Master Scheme – in perception of Land Banks in Kerala

This scheme is introduced by KCARDB in the year 2006 for creating the good repayment habit among the borrowers under PCARDB in Kerala. If the borrowers is remitting the whole installment (principal amount plus interest) amount monthly, they are eligible to get maximum of 8 per cent on interest of loan per annum (Rs. 1,000 if one loan and Rs.

5,000 for those who have more than one loan). The scheme includes the eligible amount of Rs. 500 half yearly, Rs.250 quarterly and Rs.80 monthly. It is not applicable to banks under STCCS, but they are doing the scheme like issuing of gifts, reduction in interest rate and giving higher amount of loan for the second loan etc.

3.11.8. Social Commitment of Credit Co-operative Banks in Kerala

The Co-operative Banks are the institutions developed to cater the needs of rural people, so it gives importance to the society in which it exists. When comparing the banks, Co-operative Banks are giving more importance to the social commitment activities like conducting Neethi Medical Store, Consumer Store, students welfare schemes, charitable activities etc. These are more helpful to the needy people in the society.

3.11.9. Modern Banking Facilities-Co-operative Banks in Kerala

The Co-operative Banks are new born in the field of modern technological advancements. They have a limited knowledge in this field. Now a day, Co-operative Banks are giving importance to the modern banking facilities like National Electronic Fund Transfer System and Cheque Truncation System, Real Time Gross Settlement System (RTGS) through the Commercial Banks. The other activities like Automatic Teller Machine (ATM), Online and mobile banking, core banking etc. is only in the door step of Co-operative Banks.

3.11.10. Ordinary and Scheme loan – Land Mortgage Banks in Kerala

These two loans are issued by the banks under Long-Term Co-operative Credit Structure of Kerala for fulfilling the term loan requirement of borrowers in their agriculture and allied activities. Ordinary Loans are issued for the purpose of arranging the land for cultivation like, levelling, bunding, reclamation, construction of farm house, cattle shed, compound wall and fencing. It is provided with an intention of repayment with in the period of ten years with a maximum loan amount of rupees three lakhs. Scheme loans are provided for the projects based on agriculture and allied activities like, plantation sector, animal husbandry etc. The Scheme loans are issued for a period of fifteen years with a projects costing initial requirement of maximum up to rupees fifty lakh.

The concluding remarks of the chapter includes, the theory based on the study area. The theory can be written either in elaborated or in capsule form. But the difficult and good way to get the results of the study is through the path of a river is much better than struggling in the sea. It will provide the base points on each topic. Here the study covers only the important point's leads as theory which became the foundation and it is enough for the completion of the study. The next chapter is giving the analytics to solve the first arrow thrown by the researcher to get the result on the perception of bank of co-operative agricultural credit in Kerala.

The present chapter dealt with the theory overview of Co-operative agricultural credit and the next chapter is going through the data analysis of secondary data which is related to the first two objectives.

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