CHAPTER-I

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India predominantly depends on agriculture. Seventy three per cent of the Indian population lives in villages. Whereas, fifty nine per cent of the total population depends on agriculture and its allied fields, like dairy, poultry, piggery etc. Agriculture and its allied activities account for one fourth of the national income. Thus, over all economic development of the country depends on agriculture. Agriculture also provides raw material for most of the industries. Income from agriculture can be increased by increasing crop production through modern technology. Farmers have become aware of the modern agricultural technologies and wish to adopt them, but their economic condition does not permit them. In order to adopt the improved technology the increasing use of credit becomes necessary for purchasing different inputs and new agriculture technology is now the necessity of modern agriculture sector (Beohar and Khare, 1998). Farm credit has assumed importance in modernizing present day agriculture. The availability of credit facilities and their proper utilization emerge as issue due to poor economic conditions of farmers in the agricultural production system.
The financial institutions are playing the positive and active role to meet out the needs of rapidly changing agricultural system. The credit has become an indispensable input to the practitioners of modern agriculture. Inspite of better productivity and income, compared to traditional agriculture, the high cash out-lay have substantially increased the demand for credit. Good credit, if well utilized, could play a vital role in enhancing the productivity of farm and its role as a power instrument for softening the rigid production inhibiting stratification of class structure in the agricultural economy depends on its fruitful utilization. On the supply side, the complementary role of Cooperative Bank was instrumental in building up a comprehensive institutional support to agriculture through various priority sector-lending programmes. A major share of priority sector lending is disbursed as short-term production oriented credit, the crop loans. The viability of intended programmes rather than the credit-worthiness of the persons is the basic criterion of finance and its disbursement should coincide with the beginning of crop season and recovery immediately after harvest. The credit supplied is capable of raising the production and productivity only if it satisfies the credit requirement of the farmers.

The availability and utilization of credit in time and adequate amount tend to become a prerequisite for sustained
agricultural growth. At the same time, the prompt granting of the credit at the beginning of crop season and recovery immediately after the harvest of crop should be done on due date (Sharma et al., 1995). However, the loan amount not repaid in due date is called defaulter’s overdues (Kahlon and Singh, 1984). The overdues has adverse effect on both the institutions and the farmers, which oftenly lead to the collapse of institutions. The recovery performances, as measure of operational efficiency and marginal competence of financial institution have a creative influence on public. From the institution point of view, it is essential to understand the factors responsible for default in repayment of loan so that necessary measures can be taken to reduce the extent. The loan plays an important role in strengthening the financial condition of farmers. Many efforts are being made by the Chhattisgarh government for transfer of new technologies such as HYVs, chemical fertilizers, plant protections, irrigation facility, labour- employment etc, which require high expenditures. Due to increased demand, the price of inputs has increased in agricultural crops, hence, the farmers have to depend on financial institutions for the loan. Although, the income of farmers has increased, at the same time, the standard of living of farmers have also changed considerably inspite of availability of loan, generally farmers utilize the
loans in other social customs instead of utilizing for predefine objectives.

The conception of proper function of credit requires reorientation and from the institution's point of view, it is essential to understand the factors responsible for default in repayment of loan, so that, necessary measures can be taken to reduce to some extent, if not avoiding it (Singh et al., 2004). The various institutions provide credit to farmers, and Cooperative Society is one of them. The Cooperative Societies play an important role in providing the credit to the cultivators. The increasing demand for credit creates many problems including supply of credit, procedure problem faced by the borrowers in order to obtain the loan and reason for outstanding etc.

1.1 Contribution of cooperative credit in agricultural production

A multi-agency system consisting of Commercial Banks (CBs), Regional Rural Banks (RRBs) and cooperative has vast network for providing agricultural credit to the farming community. Cooperative credit institution both in the short and long term, have remained the primary institutional agencies for dispensation of agricultural and rural credit. In the terms of network, coverage and outreach, the cooperative accounts for 44 per cent share in rural credit flow for
agriculture, 31 per cent in rural deposits and the small farmers constitute 42 per cent of their total membership. There are 29 State Cooperative Banks (SCBs), 367 District Central Cooperative Bank (DCCBs), 9200 Primary Agricultural Cooperative Societies (PACs) in the short term structure and 19 State Cooperative Agriculture and Rural Development Banks (SCARDBs) functioning through 1158 branches and 745 Primary Cooperative Agricultural Rural Bank (PCARBs) with 689 branches in the long term structure (Chidambaran and Ganesan, 2002 and Anonymous, 2003). The coverage of village in the country by PACs is in the ratio of 7:1 with a membership of over 9.82 crore and almost 100 per cent of villages in the country are covered by PACs. The contribution of cooperative credit for agricultural production has increased from Rs. 8331 crore, and Rs. 2148 crore in 1995-96 to Rs. 17598 crore and Rs. 5108 crore in 2000-01 for short term, medium and long term, respectively. The overall contribution of cooperative credit societies for agricultural production has increased from Rs. 10479 crore in 1995-96 to Rs. 22706 crore in 2000-01. It shows about two fold increased during the same period (Anonymous, 2001).

District Central Cooperative Bank (DCCB), Raipur has undertaken many fold activities for the upliftment of the different sectors of economy in the district since, its establishment year of 1913. DCCB, Raipur has achieved the
working capital of Rs. 61,75,670 lakh in the year 2003. It has disbursed the maximum amount of agricultural loan of Rs. 15,638.55 lakh under the different programmes of agriculture during the year 2001-02. Nearly, 1746 villages were affected by excessive rains and loss of 63 per cent of crop yield, however, the bank has taken a step to change short-term loan of thousand Rs.4208.63 to medium term loan and thousand Rs.183.86 to long term. Thus, the District Central Cooperative Bank is playing complementary role in building up a comprehensive support to the agriculture and to their allied sector through various programmes.

1.2 Kinds of loans

The agricultural loans are classified into three types, depending upon the period and purpose for which they are required.

(i) Short-term loan

The farmers need funds for short period of 12 to 15 months as a crop loan for purchasing of seeds, fertilizers, payment of wages, and storage of harvested crops.

(ii) Medium term loan

The farmers need loans for purchase of agricultural implements, cattle, digging of wells, making improvement of land and other capital items where the returns accruing from an increase in firm assets in spread over more than one
production period. The usual repayment period for this type of loan is from fifteen month to five year.

(iii) **Long term loan**

The farmers need funds for long period of 5 to 20 years to purchase additional land, to make permanent improvement on land, to pay off old debt and to purchase costly agricultural machinery and equipments such as tractor, harvester, combine or a pump set.

1.3 **Problems of overdues in agricultural cooperative credit**

The cultivators feel difficulty to carry out their farming operations without borrowing. If they borrow loans from the banks, they find it very difficult to repay the loan. It is the peculiar problem of Indian farmers. In India, the credit provided by the cooperatives is not only inadequate but also untimely. On the other hand, the Primary Agricultural Cooperative Society (PACSs) are confronted with the problem of overdues. The continuous increasing of overdues affected the PACSs ability to borrow from the higher financial agencies and recycling of fund. This in turn, affects the supply of credit to the members of PACSs concerned. The causes of overdues can be attributed to various factors such as ineffective supervision, crop failure, defective loan policy, government policy, indifferent attitude of the borrowers, disloyalty of the
borrowers, natural calamities, lack of forward and backward linkages and infrastructural facilities and the like. The problem of overdues is common in almost all the states of India. The seriousness of the problem could be understood from the fact that almost of the entire cooperative credit structure has come to a standstill in certain part of country because of mounting of overdues. A fairly large percentage of the owned funds of PACSs are at present blocked up in different areas. As a result, many PACSs have run into a state of stagnation. The PACSs in Raipur district are also facing the same problem. The present study is undertaken to examine the following specific objectives. The PACSs has a key role in disbursement of loans to the majority of tribal and non-tribal farming community of Chhattisgarh state. However, very meagre study has been carried out in the state to examine the problem of overdues of funds of Primary Agricultural Cooperative Societies. Keeping in the view the importance of PACSs in Chhattisgarh, the present study entitled "**Problem of Overdues in District Central Cooperative Bank, Raipur of Chhattisgarh State: An Economic Analysis (Period: 1991-92 to 2001-02)**" has been carried out with the following objectives:
1.4 Objectives

(1) To find out the extent of agricultural cooperative credit granted and distributed in Raipur district during the period 1991-92 to 2001-02,

(2) To find out the repayment of agricultural cooperative credit in Raipur districts during the period 1991-92 to 2001-02,

(3) To find out the extent of overdues in cooperative credit in Raipur district during the period 1991-92 to 2001-02, and

(4) To find out the causes of overdues in Raipur district and also to suggest the measures to solve the problem.

1.5 Justification of the study

The cooperative credit is supplied to the farmers for raising the their production and farm income. The government is giving more emphasis on disbursement of farm credit through cooperative, which brings banking facilities at the door of farmers and enable them to carry on their production activities. However, the loans advanced by the cooperatives are not being repaid in time by the borrowers. Therefore, it becomes important to ensure prompt recovery of loans to liberalize cooperative credit. Recovery and overdues of loans
granted are supposed to be significantly important in the cooperative credit business because, timely recovery of loans not only keeps the business running but also benefits the farmers by reducing the load of debt and making them eligible for getting loans in future. On the contrary, mounting overdues compel the cooperatives into a sluggish business, which is harmful to both the parties.

The grave problem of overdues affects not only the interests of the defaulters themselves but also the rest of the members, creditors and the very cooperative movement itself. From the point of view of interest of other members, accumulation of overdues will result in a shortage of credit, with the result that the needy members may go without credit. Mounting overdues may even bring the society on the verge of liquidation. It is clear that the cooperative credit structure cannot be successful, if what it lends out is not repaid promptly. This has prompted to study the causes for overdues in PACSs.

1.6 Hypothesis to be tested

The following hypothesis needs to be tested in the present study:

- The problem of overdues of cooperative credit is higher among large farmers as compared to small farmers.
The problem of overdues of cooperative credit is more in long-term credit as compared to short-term credit.

1.7 Limitations

The present study will have following limitations:

- Performance parameters of DCCB, Raipur and its sampled branches have been considered on the basis of information record.
- Borrowers who did not pay the loan in due date of time was delineated defaulters.
- The prevailing market rates for different inputs have been charged for computation of cost of cultivation of crops.
- The assets were valued on current market price for assessment of creditworthiness.
- The total agricultural income includes crop production income, income from sale of livestock produce and income through employment as agricultural labour.
- Total incomes of farmers are included remittance received from the family members living outside the village, non-farm income, income from business,
salary received from the service to private enterprises and government.

1.8 Set up

The present study has been divided into six chapters including the present one, which deals with Introduction (Chapter-I). A Review of Literature comprising of similar study carried out by various researchers has been given in Chapter-II. Chapter-III is Profile of the study area which includes Socio-economic characteristics of the study area i.e. Raipur district and sampled blocks. Chapter-IV is Research Methodology, which covers the methodology adopted in this study and also deals with the statistical procedures followed in the collection and analysis of the data. Chapter-V deals with the Results and Discussion. It includes agricultural cooperative credit sanctioned in Raipur district during the period 1991-92 to 2001-02; repayment of agricultural cooperative credit in Raipur district during the period 1991-92 to 2001-02 and problem of overdues in agricultural cooperative credit in Raipur district during period 1991-92 to 2001-02. The Chapter-VI includes Summary, Conclusions and Suggested Measures to Solve the Problem.
References


