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Observations and Suggestions
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OBSERVATIONS AND SUGGESTIONS

An in-depth study about the role of J&K Co-operative Land Development Bank in Horticulture Development has been made in relation to horticultural and agricultural long term credit. A brief resume of the main findings of the study, and a few suggestions based on the findings are presented in this chapter.

Jammu and Kashmir State economy has been predominately an agricultural economy. Agriculture has the potential of contributing significantly to the State economy by providing employment to a large chunk of its population, by supplying raw material for industries and enriching the State excheque. In fact, the process of development of the economy improves the interdependence between agricultural and industrial sectors. Agriculture provides raw material to agro based industries and agricultural production is materially dependent on the rapid increase in the production of inputs supplying industries.

It is a fact that horticulture occupies a central place in the State income but its performance has been far from satisfactory. The horticultural sector grew at a rate much below the potential, the growth rate hardly kept pace with the population growth and requirements of the economy. The impact of new technology has not been sufficient to transform the horticultural sector. The rapid growth of population on the one hand inadequate growth of horticulture on the other hand threatens to cripple the economy of the State.
Despite the fact that the factors responsible for backwardness of horticulture are legion, but the problem of capital investment in horticulture is of paramount importance. It is with the help of necessary capital investment that production and productivity of agriculture and horticulture can be improved. However, majority of horticulturist are generally poor and are unable to finance their horticultural activities. Therefore, credit assumes great significance. If we are all concerned about increased total horticultural output in the shorter time, we must provide credit first and for most, that will enable them to levy more labour saving equipment, more plants and fertilizers. Moreover, credit should be accessible, cheap, safe as well productive, credit becomes a bottleneck to production if not available at the right time, in quantity needed and in the required constitutional forms, when technology of horticulture is sufficiently advance and other factors are present for transformation of stagnant horticulture. Hence, new institutional forms and additional capital may be needed at this stage for expanding technology and raising the levels of production.

The farmers of the State do not know institutional credit for capital investment in horticultural and agriculture till the organisation of Land Development Bank in 1962. Before this agency, various Government departments were providing loans to these farmers but the quantum of credit available was limited and it resulted in adverse effect on our agricultural development in the State. With the development of new technology in agriculture, the need of having an institutional arrangement the provision of long-term credit was unavoidable. Keeping this in view, the State Government in Oct. 1962 established a State level agency on co-operative basis for providing long-term credit and investment finance for agriculture,
horticulture and allied activities. The agency was formed in the name of "The Jammu and Kashmir Mortgage Land Development Bank Ltd". Initially the role of Land Development Bank was almost negligible because the various Government departments were providing similar credit facilities to the farmers for the purpose identical to those for which LDB was advancing loans. In due course of time, the State Government issued a directive stopping direct lending by Government departments and directed that all long-term credit for agriculture and horticulture development shall be the sole responsibility of Land Development Bank.

For the attainment of main objectives of financing the farmers, the started mobilisation of the resources rigorously through the issue of shares, debentures and utilisation of its own reserves. The Bank succeeded to a greater extent in enhancing its reserves from Rs. 15 lakhs to 23.80 lakhs in 1973-74, to Rs 108.65 lakhs in 1983-84 and ultimately to an attractive figure of Rs. 257.56 lakhs in 1992-93. On account of the heavy rush of farmers for crop and related capital investment loans, the Bank had to resort to debenture issues for generating more and more funds. But still the Bank has been facing the shortage of funds because of the important reason that it could not provide deposit facility to the farmers. Had this been provided it would had resulted in the enhancement of funds, Land Development Bank has, inspite of limited availability of resources worked for promoting the economic interests of its members and more particularly to cater the long-term credit needs of its members for agricultural and horticultural development. The schemes it has framed include purchase of land, purchase of tractors, pumpsets, sinking of wells, levelling of lands etc. The Bank has provided finance to the tune of Rs. 4490.96 lakhs till 1995-96.
Success in the recovery of advance given, depicts the healthy working of a Bank. It is a backbone of the Bank on which the entire financial structure sustains. Till 1989, the recovery position of the Bank used to be not less than 60 to 70 percent but after 1989, the recovery started decline due to various reasons among which present turmoil in the State is the major cause as it hit badly the recovery performance of the Bank.

Thus, the Jammu and Kashmir Co-operative Land Development Bank, which is one of the most suitable agencies for providing rural credit in the State has to play a decisive role in future loaning programmes of the State. However, the unsatisfactory functioning of the Bank during some years have been because of some glaring problems faced by the Bank. It is depressing to note that situation is more alarming from the agriculturists’ points of view. The problems which are faced by lenders and borrowers are as follows:-

**PROBLEMS FROM THE LENDER’S POINT OF VIEW**

Following are the main, problems facing the Bank from lender’s point of view:

1. **Recoveries and Overdues:**

   The performance of Bank as regards to recovery of loans over the years has not been at par with the pace of advances. A deteriorating recovery performance in turn has resulted into several restrictions being imposed by NABARD with regard to fresh advances to be made by them. Although long-term credit being an investment credit, improves the productivity of land and gives enhanced income to the farmers, recovery should not have been a problem for the Bank. But the higher percentage of overdue is due to lack of efforts on the part of
recovery staff including their convenience in non-repayment with the prosperous and influential farmers. In most of the cases, non-payment of dues is not due to capacity to pay, but is due to lack of influential borrowers. This task has aggravated especially after 1989. The Bank has been burdened with an overdue amount of Rs 467.08 lakhs in 1992-93, as compared to Rs 70.29 lakhs in 1982-83, Rs. 13.80 lakhs in 1973-74. Even loans advanced some-times back in sixtees under Special Horticulture Development Scheme are unrecovered. This scheme failed in higher belt’s of the State, therefore, there seems no chance of recovery various study teams of “NABARD” have advised for providing relief to the Bank to the extent of this amount so that Bank is in a position to strengthen its position. While undergoing this study, it has observed that for this purpose various proposals were furnished to the State Government but it is depressing to note that nothing concrete has come out so far. Besides this, that there are some areas of the State like District Budgan, Pulwama, etc., the loan for saffron scheme was given to the agriculturists but the scheme did not work to the satisfaction and ultimately it resulted in no return to the Bank. Further the Bank advanced Rs. 17 lakhs the highest so far the Hatchery scheme in District Anantnag, but there was no recovery for the amount advanced by the Bank, as it too was a failure.

(2) **Drawing and Disbursement:**

At present drawing and disbursement powers of the “NABARD” are vested with the Mumbai Office. The release and remittance of the funds at present is done at Mumbai Office which is thousands of Kilometers from Srinagar. This has created lot of problems for the
Bank and thousands of rupees are lost in transit while remittances are made at Mumbai Office or when funds are released by them to State LDB. At times, delay in the receipt of funds from “NABARD” paralyses this whole institution and brings the working stand still.

(3) **Inadequate State Capital Contribution:**

Participation of the Government in the Share Capital Contribution is not adequate. Bank has raised its own share capital at Rs. 441 lakhs whereas State Government’s participation is at Rs. 29 lakhs. Normally there should have been equal participation of the State Government towards the share capital of this institution. Gap of Rs. 15 lakhs in the share capital participation of the State Government is too big amount for the Bank and indirectly effects of the prosperity and smooth functioning of the Bank.

(4) **Poor Management:**

State Land Development Bank has failed to achieve its objectives in letter and spirit. The executors failed to execute the plans formulated by Management Committee because such plans are not based on appropriate planning premises. It has also observed that most of the executors of these plans are not well versed with the latest controlling devices which are essential for the proper implementation of the plans.

(5) **Lack of Proper Co-ordination:**

The present hierarchy system suffers from proper co-ordination of the organisation leaving most of its programmes ineffective. There is wide gap between Managing Committee at the top and other executors at District and Tehsil levels. It was observed that in some cases decisions taken at the higher level management are communicated to
the District and Tehsil level Officers at the time when they had lost their sanctity. At the same time the officers working at the District and Tehsil level branches of the Bank do not submit their necessary business reports well in time, with the result the problems in the functioning of State LDB multiply year after year; making the system disfunctional.

(6) Lack of Selection and Training:

The personnel working in the Bank in various ranks find themselves in dole drums as they are not clear about their roles. In some cases the persons appointed are in no wayfit to the satisfaction of the job. However, their selection is made on the basis of understanding which they have with members of Managing Committee. This defective method of the selecting persons for the Bank under study have been responsible for the unsatisfactory growth and functioning of the said Bank. The situation is more aggravating because branches working in rural areas are totally unaware of rural development and agricultural finance. Urban people appointed in rural branches find it difficult to cope up with the environment prevailing in the development work and are always looking for an opportunity to get themselves transferred to urban areas having better facility. All this ill-equipped, ill-qualified and ill-experienced staff bares the very spirit of LDB’s philosophy in Jammu and Kashmir State.

(7) Non-Rehabilitation of Weak Branches:

A study was conducted by NABARD in eighties for the identification of the weak branches of Jammu and Kashmir LDB. The study identified five branches of this Bank namely Baramullah.
Handwara, Rajouri, Banihal, and Poonch. These branches have virtually lost their eligibility due to alarming position of their overdues. ‘NABARD’ had issued guidelines consisting of ten-point action programme (Annexure-G) as a comprehensive rehabilitation of weak branches with the assistance of district level review committee constituted by State Government. The central idea of this programme was to improve the recovery position of weak branches and simultaneously improve the organisational, financial and managerial functions. The rehabilitation were considered and approved by district level review committee and were further examined by the rehabilitation cell of Bank but it is astonishing to note that the action plan was not implemented in letter and spirit, with the result the identified weak branches are still lying un-rehabilitated.

(8) **Lack of Review on the Loaning Procedures:**

Even though the State of Jammu and Kashmir has tried to provide quite elaborate and simple procedures for the advancement of loans, yet, there should be a regular system of review on the functioning of such procedures. The changed circumstances require change in the procedures also. And as such, a regular review of loaning procedure is necessary.

(9) **Lack of Deposit Mobilisation:**

The deposit mobilisation by credit co-operative lags behind while other financial management is keeping pace with the overall growth of the co-operative movement. Since the credit co-operatives enjoy Government patronage, special efforts are required to boost up the deposits.
(10) Lack of Planning:

There is no systematic planning to work out the requirements of credit in a year for every district as well as for the State as a whole. It has been noticed that the optimum level of investment recommended for a particular scheme is not properly followed by the farmers.

PROBLEMS FROM BORROWERS POINT OF VIEW

Undoubtedly the loaning business of this Bank has been satisfactory during the past three decades but while conducting the detailed study of this institution at macro as well as at micro level by observations, questionnaire, interviews and discussions, it was observed that the farmers were unhappy with the functioning of the Bank (74%) because of the problems faced by them, in approaching the Bank for farm financing. Some of the problems of para-mount nature are as follows:

(1) The Bank has a very elaborate and comprehensive procedure for sanctioning of loans (51%). This often results in the time lag between the sale of application and actual disbursement of loan. The comprehensive procedure requiring a long time lag in the sanction of loans breeds corruption also.

(2) It is observed in some cases (28%) that the farmer who is supposed to provide full information to the banker is unable to disclose his plans, assets, liabilities etc., because banker speaks more than the borrower. Banker tries to put forth his knowledge before the borrower. This is due to poor listening skill of some bankers.

(3) Either no or hurried technical appraisal of loan cases is done. This may be due to lack of knowledge or lack of time. Both are bad for the Bank since wrong technical standards lead to poor or no recovery.
(4) Before disbursement of loan to the farmer by the Bank, its viability is not carefully judged. Test of returns and risk bearing ability is left to nature, thus putting the Bank into risk.

(5) It is generally observed (56%) that credit reports of the farmers are cooked up in order to oblige them by giving loan. Moreover, such credit reports are never changed every year, hence puts the Bank at disadvantage.

(6) There is common complaint that there is always invoicing. But rarely, it is seen any body rectifying this error by reducing the amount of loan. Sanctioning is done as invoice value knowingly that it is more than the actual.

(7) Fixation of instalments with the borrower’s is done arbitrarily in many cases (59%). It is not based on incremental income with the result farmer find it difficult to repay the instalment and thus tries to find out excuses for not paying in time.

(8) In some cases equitable mortgage is done with duplicate copies of title deeds, which is not desirable.

(9) Loan amount is disbursed to the borrows or transfer to his saving bank account thus having no control over the drawing and the purpose for which the loan is taken.

(10) Period of repayment is fixed in many cases without linking it with the harvesting season or time of cash inflow, thereby facing problems, both by banker and borrower.

(11) Identification of the borrower, his antecedents rarely done, and if done, it is rarely put in black and white, thus keeping everybody in dark about the source of identification.
(12) It is generally observed that after the disbursement of the loan amount, the banker feels that their job is done and it is the duty and sole responsibility of the borrower to repay the loan. The contact is also lost with the borrower. The file is also closed and kept aside and opened only when either Head Office man wants to see it or documents are to be revised. This is a big mistake in point of the bankers.

(13) Whenever, the recovery official visit the borrowers place of living, he waste much of his time in discussing other matters, but this should be avoided as far as possible since basic purpose of visit is forefeit.

Mere identification of problems is not the end in itself so far as the working and functioning of Jammu and Kashmir Land Development Bank is concerned. It, therefore, calls for concerted efforts to minimise and even in certain cases eradicate the bottlenecks so far as to gear-up smooth functioning of the Bank and to ease the borrowers in procuring long term finance for the development of agrarian economy of this depressed State. In view of these problems, the following measures are suggested for putting the Bank under study on sound rails:

SUGGESTIONS

(1) Since the Horticulture Development Scheme launched in sixties has failed in higher belts of the State and there seems no chance of recovery of loans provided under the scheme. It is suggested that NABARD and State Government may provide relief to the Bank to this amount so that the financial position of the Bank strengthens, because it was on the directions of the State Government this scheme was financed. This enable the Bank to make such branches functional and viable which have lost their lending eligibility on account of overdues.
(2) It is suggested that drawing and disbursing powers which are centralised with the NABARD at Mumbai may be decentralised not only to the Central Office of Land Development Bank but even at district level branches.

(3) The participation of Government in the share capital contribution of the Bank is not adequate. It is suggested that there should be an equal participation of the State Government towards the share capital of this institution.

(4) Like all other credit co-operative institutions, the functioning of general body and district level committees should be made effective by giving them freedom in functioning and providing co-operative education especially on the role to be played by them in the proper implementation of plans. The managing director at the central level should encourage the members to actively participate in the meetings of the general body as well as of managing committee.

(5) At present there are no facilities for training the staff of the Bank. The co-operative training school set-up by the State is non-functional institution; therefore, it be equipped with all modern facilities on priority basis and a regular system of training should be devised in consultation with this institution for refresher courses, need based training programme on the subjects of co-operation.

(6) The guidelines issued by the NABARD in its 10-point Action Programme for the rehabilitation of weak branches needs the implementation by Bank at its priority. The central idea of this programme should be to improve the recovery position of weak branches and simultaneously the organisational, financial and managerial
functions. State Government and the Bank should jointly frame the schemes to rehabilitate the sick branches. For ensuring the smooth and efficient functioning of various branches, some norms for minimum loaning business and income should be fixed along with a ceiling on expenditure keeping in view the level of business and income in LDB.

(7) It has been observed that an elaborate and complicated procedure is being followed in sanctioning of loans by the Bank. As far as procedure adopted for lending, the processing of applications starts at the supervisors level. There is however, no arrangement for the branches of the Bank staff operating in various districts, to involve themselves in project identification. Under the present practice, the responsibility for sanctioning loan is vested with the central office. The role of the branch managers of the Bank seems to be only link between Head Office and the farmer. To simplify the procedures, more powers be given to branch office’s for sanctioning loan is vested with the central office. The role of branch managers for sanctioning loans upto fixed limit say upto Rs. 15,000 only. So that the poor farmers may not loose much more time in following his case.

(8) Since the Bank has been suffering very frequently on account of shortage of funds for financing the various farm schemes, it is strongly stressed that the Bank may be empowered to mobilize resources by introducing a special deposit scheme especially for the Farm Community. The rate of interest on the deposit scheme’s should be one percent more as compared to other commercial banks. This will be in conformity with the RBI directives.
(9) The system of follow up of utilisation of loans by the supervisors also called for certain radical improvements. At present, supervisors do visit loanees and record in their visit diaries of such activities. However, the periodicity of such visits and in particular, the contents of their reporting in the diaries left room for improvements. In particular the stage of progress of the implementation of the scheme/investment at the field level do not get reported. In order to improve the system, the following suggestions for proper functioning of the Bank are:

(i) The periodicity of the supervisor’s visits to the concerned farmer should be more frequent as per specific time schedule, immediately following the release of the loans to ensure that the loans released get committed to the works for which they are released. This by itself will help checking tendencies for possible mis-utilisation.

(ii) The reporting by the supervisor in the field dairy shall invariably give the level of progress noticed by them in respect of the individual items of work taken up at the farmers level and not merely a calender of visits of the supervisor as is done now in most cases.

(iii) The officials of the Bank should check the visit diaries of supervisors periodically and also undertake random visits to the loanees which will act as a safeguard against possible wrong reports by supervisors.

(iv) The general manager if not managing director, also should select periodically on random basis some of the loan cases financed by Bank and visit the loanees along with the branch manager and the concerned field supervisor.
In short, for making the system more efficient, there should be effective system of checks and counter checks by different functionaries of the Bank starting right from district co-operative LDB level upto the central co-operative LDB level. This alone can create the needed awareness on the part of all functionaries in the Bank and the loanees at the field levels about the seriousness attached to the implementation of the programmes and recovery of dues.

(10) Banker may try to understand at least the working apart of the purpose for which loan is sought for. If information is needed from outside say for example ground water level, suitability of soil for certain specific crops etc., should be collected before hand.

(11) Before financing, one may look into the fact, that what has been planned by the borrower can be executed and see whether it comes under the schemes framed by the Bank. If yes, how and if no, why? any adjustments in this regard needed can be suggested with reasons by the technical committee of the Bank.

(12) It is usually observed that before disbursement viability of loan is not carefully judged. It is suggested that expenses and income should be based on actuals rather than fictitous figure and profitability should be judged carefully.

(13) Since credit reports provide a good information on financial as well as status of the borrower, it should never be cooked up; facts should be known even if advance is to be given, so that necessary precautions are taken. Secondly it will never remains the same e.g. cash balance
would never be the same in the beginning and in the end, so are the credit reports.

(14) It has been observed that farmers suffer due to shortage of working capital, therefore, giving working capital in all cases when term loans are given assumes significance. Any lapse in this may result into non-repayment of loan instalment due to non-functioning of the assets resulting from lack of working capital funds.

(15) To avoid the over invoicing, the banker should try to know the actual price of an asset i.e., tractor, tube-wells, pumpsets, trucks etc. by personally visiting to the dealers offices for a cross check. Tagging arrangements between the dealer or the borrower credit should be need based.

(16) Equitable Mortgage should be created with original title deeds. Such Mortgage should be created as per the law not by ones whims.

(17) It must be observed carefully that villagers are identified before advancing loans to them at the time of executing the documents, to avoid cases of impersonation and also to keep in recoveries.

(18) The functioning of the Bank has been suffering to a considerable extent on account of its entanglement with polities. This is not a healthy sign for smooth and proper working of the Bank. Therefore, sincere efforts should be made to avoid politics and create true spirit of co-operation in the affairs and functioning of the Bank. The State Government must give some guidelines and norms to be adopted by the Bank for keeping politics away from the affairs of the Bank so that its co-operative character and spirit remain intact.
(19) The Bank, as a rural credit agency, has a distinct and vital role to play in the context of effective implementation of integrated rural development programmes (IRDP). While other financing agencies under this programme cover both agriculturists and non-agriculturists like agriculture labourers, village artisans and other weaker sections, the Land Development Bank which has hitherto provided credit to agriculturists only should also provide loans to non-agriculturists especially the rural poor to better link them with the mainstream of rural development. In addition, the Bank should also provide loans for development of rural industries.

(20) It has been found that the illiteracy has been one of the major problems for the Bank to achieve its objective. The illiterate and ignorant farmers should be made aware of the banking facilities available in their areas. As most of the rural people are illiterate and ignorant about the policies of the Bank, the Bank should frame different programmes and schemes explaining the importance of the land development financing. These programmes should be broadcast. This will play an important role in the development of both the Bank and the beneficiaries.

(21) The study has also revealed that in most all the cases the percentage of bad and doubtful debt reserve is much lower compared to the total reserve. The problem of overdues as we see it today in a given socio-economic and political context is likely to continue for sometime and therefore some built in mechanism should be evolved which could take care of the crises in future. One of the suggestions that may be
made in this regard is making statutory provision say of 15 percent of the profit going to bad and doubtful debt fund. Another suggestion which was made at the field level was to make provisions under bad and doubtful debt under expenditure head and part of profit and loss account. The implications of these needs to be further examined.

(22) The problem of long-term lending is extremely difficult in the hilly and difficult areas of the State. A general approach of rehabilitation and assistance for investment finance for these areas will not be relevant in view of land tenure system, socio-economic conditions and topographical situation. For such areas again probably long-term lending can not be segregated from short-term financing. What is required is a composite type of financing at a low rate of interest. It is therefore suggested that for such difficult areas the Bank should try to promote/introduce and help formation of self help groups.

(23) The opposition political parties misguide the illerate and poor farmers by talking about the remission or defrement of loans by the State Government. 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 previous ones. The recovery position can be improved by properly educating the borrowers about the importance of the repayment of loans and the positive role of the political parties.

The aforesaid suggestions once implemented sincerely and effectively the Bank will flourish. Its role and assistance in the development of the depressed agricultural economy of the State will become much more significant and appreciable. To give boost to the Agriculture, Horticulture.
Sericulture etc. needs the mechanisation and rationalisation of agriculture which demands heavy capital investment. The Jammu and Kashmir Co-operative Land Development Bank has first, to overhaul and rationalize itself in the light of the recommendations given in the preceding lines, then only it can be helpful to farmers and the State positively.