CHAPTER - VII

RECOVERIES AND OVERDUES OF UTTAR PRADESH STATE COOPERATIVE VILLAGE DEVELOPMENT BANK LTD.

The previous chapter discussed the loaning policy and operation of the Uttar Pradesh State Cooperative Village Development Bank Ltd. As loans entail the need for recoveries which are very often not upto the mark, the problem of overdues is created. The present chapter reviews the recovery position of the loans and advances by the Bank and analyses the quantity and extent of overdues with its impact on the affective functioning of the Bank.

Recoveries and Overdues of the Bank:

Recovery performance reflects the efficiency of any system of credit. The recovery of loans should be on due dates. However, almost all the lending institutions are facing the problem of overdues and ARDBs are no exception to it. It is a matter of concern that the overdues of ARDBs have been rising steadily in recent years, in the wake of the expansion of their loan operation. This trend has already assumed such proportions in certain areas that it threatens to affect the further flow of long-term credit. In this Chapter it is proposed to analyse the problem of overdues in its various aspects and suggest measures for minimising the same.

Recovery are essential for a financial institutions, to be financially viable. Also timely pay back help the lending
institution to plough back the resources out of profit. A prompt recovery is thus an important precondition for the success of any lending policy. The increasing overdues not only mar the attainment of future financial target but also adversely affect the generation of internal resources. Thus, the Land Development Bank can move forward only if they record a better repayment performance. This is also necessary under discipline imposed by the Reserve Bank of India and Agricultural Refinance and Development Corporation (now merged in NABARD), under which loan can be disbursed each year, by primary land development banks/branches of State Land Development Banks only on the basis of their recovery performance.

By a system of equated instalment payments, mortgage loan are generally repaid, thereby, the loans are amortised at the end of the period. The most important advantage of this system is that the amount of the instalment payable would not exceed the amounts ordinarily paid by most of the borrowers in the shape of interest alone. According to Prof. Earl L. Butz, four major rules should govern the scheduling of repayment so that:¹

(i) The principal sum of the loan is ordinarily completely amortised during the term loan;

(ii) the repayment is scheduled over a sufficiently long period of time in order to enable the borrower to meet ordinarily the scheduled without sacrificing normal living standard;

(iii) the term of the loan is not long enough to make the interest costs excessive in relation to the annual principal amortisation payment; and

(iv) the dates of principal and interest payments coincide with the term at which sales of farm products are likely to occur.

Since the repayment of instalments of loan comes out of the sale of the crops, the land Development Bank should fix the due date for repayment with reference to the period of the crops generally marketed by the farmers. Accordingly, the U.P. State Cooperative Village Development Bank Ltd. has fixed due dates of instalments on First of October and First of April every year, as the case may be. The first instalment of repayment becomes due on expiry of 12 months after the advancement of first instalment of loan for the purchase of pump-set and tractors. In case of all other purpose, this period is 18 months. First instalment due for repayment is only for interest on the total loan outstanding but subsequent instalments include both interest and principal. The Bank recovers the loan in annual instalments except advance for the purchase of pump-set and tractors which are recovered in half yearly instalments. The loan for Dairy Development Schemes are recovered in monthly instalments which commences after expiry of noe month period of disbursement of loan.

The bank provides a grace period of three months for the payment of instalments conveniently to the cultivators and also allows one percent of rebate to the borrowers, who pay their instalments due on 1st October/1st April before 31st December/1st May, respectively, but an amount of interest for the period from
the due date of payment is charges in instalments at the rate of loan advanced. If the instalments due on 1st April is paid after 31st May, but before 30th June, no rebate is allowed and interest up to date payment is added in the instalment at the rate of loan advanced. If the farmers pays the instalment before due date, he is allowed a counter interest at the rate of loan advance for the period from the date of payment and upto 30th September/31st March, i.e. due date of instalment. If the due instalments are not paid up to the stipulated period as above, a penal rate of interest i.e., 2 percent excess on the rate of loan advanced is charged.²

If the instalments are not paid within stipulated period after due date, coercive action under U.P. State Cooperative Village Development Bank Act 1964 are taken for the cent percent recovery of loan.

**Impact of Overdues**

The repayment of loans given by co-operative institutions to their members on due dates is of considerable importance for the success of the credit movement. The Maclagon Committee very rightly stated that “unless loans are repaid punctually co-operation is both financially and educationally an illusion”.³ The overdues caused serious problems to the U.P. Land Development Bank, both financial and administrative. The impact of overdues was also felt on the loan business and viability of the structure. The following

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2. By the courtesy of General Manager, U.P Sahkari Gram Vikas Bank Ltd., Lucknow
impacts and problems were identified as a result of unsatisfactory recoveries and increasing overdues in the Bank:

(i) Unsatisfactory recovery position and increasing overdues were mainly responsible for depleted profitability of Bank from year to year. As a result of this the Bank could not build up reserves and other funds and also could not pay dividend to shareholders.

(ii) As the loans are given for productive purposes to the farmers to generate enhanced income, the restricted eligibility of advances in relation to recovery performance imposed by the RBI/ARDC (now NABARD) resulted in lower loan advances and shortfalls in targeted programme for the next year. It also amounted to denial of credit to needy farmers and slow pace of agricultural development. Thus, overdue defeats the very purpose of production oriented long-term lending.

(iii) High level of overdues affect the position of the U.P. State Cooperative Village Development Bank Ltd. in raising resources by way of floating debentures. Since due to high level of overdues the bank will be in a position to fulfill the commitment of repayment of debentures resulting into non-confidence among the investors. Confidence is an important factor in raising resources and high level of overdues may also not enhance the financial reputation of the Bank.

(iv) The overdues have caused various financial problems to the Bank, as the principal loan instalments recovered were found inadequate to meet the financial liabilities
towards sinking fund and repayment to NABARD. It may be noted that the sinking fund is created out of the recoveries made through instalments of the primary banks and when instalments are not regularly coming, it subsequently leads to overdues. This shortfall in the sinking fund has to be adjusted from owned fund of the banks. Thus a sizeable portion of owned funds had been locked up in overdues to honour financial commitment on account of borrowed funds. This ultimately affects their ability to issue long-term finances regularly.

(v) Viability of the credit structure as such has been seriously affected due to poor recoveries and depleted profitability. The long range affect had been that due to low level of advance because of lower loan eligibility, the loan outstanding of several branches of the Bank had progressively declined threatening the future viability of the structure. The impact will be felt for a long time to come as the viability depends on loan outstanding which in turn is directly related to quantum of the loan advanced.

(vi) Due to lower loan eligibility on account of overdues and application of discipline for lending, the staff at Branch level maintained in relation to work, had become idle and surplus establishment cost of the Bank due to idle staff was a financial burden which the banks find increasingly difficult to bear.

(vii) A paradoxical situation has arisen under which the banks can not lend because of overdues discipline and
recoveries cannot be affected without providing fresh loans to needy farmers. In such a situation, neither recovery position improves nor the loan advances take place.

**Progress of Recovery**

Since the impact of overdues have an adverse affect on the progress of the Bank, we may now examine the recovery progress of U.P. State Cooperative Village Development Bank Ltd. The data pertaining to demand, recovery and overdues has been presented in Table 7.1

Recoveries and overdues position gives an indication for the healthy working of the Bank. Recoveries are the backbone of the Bank on which entire financial structure sustains. Till 1985-86 the recovery position of the Bank used to be not less than 70% to 80% on an average but after this period the recovery position had been downward trend till 1990-91. And the position of recovery further strengthen after this period in succeeding years.

**TABLE 7.1**

PROGRESS OF LOAN RECOVERY OF THE UTTAR PRADESH STATE COOPERATIVE VILLAGE DEVELOPMENT BANK LTD.

(During 1960-61 to 2001-2002)

(Rs. In Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand (Dues for Recovery)</th>
<th>Recovery</th>
<th>Overdues</th>
<th>Percentage of Recovery of Overdues to Demand</th>
<th>Percentage of Overdues to Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>60-61</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>65-66</td>
<td>0.45</td>
<td>0.41</td>
<td>0.04</td>
<td>91.20</td>
<td>8.89</td>
</tr>
</tbody>
</table>
The above table demonstrates that the total demand in the year 1965-66 was Rs. 0.45 Crores against which an amount of Rs. 0.41 Crores has been recovered during this period which constitutes 91.20% of the demand. The demand in the year 1975-76 reached to Rs 40.78 Crores, while the recovery position in the same year was Rs, 33.88 Crores which comprises 83.07% of the demand of the said year. The percentage recovery was declined from 91.20% to 83.07%. This declining process was continued till 1990-91 in which there was a demand of Rs. 304.13 Crores against which only Rs. 197.71 Crores recovered which was only 65.02% of the total demand of that year.

Source Data collected from Progress Report provided by General Manager (Statistics) U P Sahkari Gramin Vikas Bank Ltd, Lucknow
The overall recovery position of the bank have been comfortable after 1990-91. In the year 1991-92, the total demand was Rs. 282.85 Crores against which Rs. 197.20 Crores have been recovered which is 70% of the demand. Further the recovery position of the Bank strengthen in succeeding year. Its recovery position was 72% to 79% between 1992-93 to 1996-97. Keeping its progressive trend of recovery it further reached to 86% in the year 2001-2002 from 81.13% in the year 1997-98.

It can be conclude that the overall recovery position of the Bank is satisfactory because of its progressive trend of recovery.

Coercive Actions for Recovery and Overdues

When persuasive effort fails, coercive action should and must be taken. The Uttar Pradesh Co-operative Land Development Banks Act 1964 which interalia provides that:

(A) Distraint when to be made:

(1) If any instalment under a mortgage executed in favour of the Bank or any part of such instalment remains unpaid for more than one month from the date on which it falls due, the banking committee may, in addition to any other remedy available to said bank, apply to the Registrar for the recovery of such instalment or part thereof by distraint and sale of the produce of the mortgaged land including standing crops thereon.

4. Information provided by the Publicity Offices, U.P. Sahkari Gramin Vikas Bank Ltd., Lucknow.
(2) On receipt of such application, the Registrar or any person authorised by him in this behalf in writing may, notwithstanding any thing contained in the transfer of Property Act, take action in the manner prescribed for the purpose distraining and selling such produce: provides that no distraint shall be made after the expiry of twelve months from the date on which the instalment fell due.

(3) The Value of the property distrained shall, as nearly as possible, be equal to the total of the amount due, the expenses of the distraint and the cost of the sale and also the amount due on a prior charge, if any, on the property distrained.

(B) Power of Sale When to be Exercised: 5
(a) a notice in writing requiring payment of such mortgage money or part has been served upon
   (i) the mortgagor or each of the mortgagors;
   (ii) any person who has the knowledge of the Bank any interest in or charge upon the property mortgaged or right to redeem the same;
   (iii) any surety for the payment of the mortgage debt or any part thereof: and
   (iv) any creditor of the mortgagor who has in a suit for the administration of his estate obtained a degree for sale of the mortgaged property;
(b) default in payment of such mortgage money or part thereof contained beyond three months after such service; and

5. U/S 95(a) / 92(b) of U.P. Cooperative Societies Act 1964.
(c) the Board has, after hearing the objections, if any, of the mortgagor or any other person mentioned in clause (a), authorised the exercise of such power;

(4) A sale under this section shall be conducted in such manner as may be prescribed.

(5) Where any property sold under this act, is in the occupancy of any person creating mortgage or charge or of some person on his behalf, or some person claiming title subsequent to the creation of such mortgage or charge in favour of Uttar Pradesh Co-operative Land Development Bank Ltd., the collector shall on the application of the purchase order delivery to be made by him in his behalf, in possession of the property.

(C) Special Provision for Recovery of certain dues of Agricultural Societies:

(1) The Registrar may, on an application made by society referred to an agricultural credit society for the recovery of arrears of any loan advanced by it or any instalment thereof to any member and on its furnishing a statement of accounts in respect of such loan and after making such enquiries, if any, as he think fit, issue a certificate for recovery on the amounts due.

(2) A certificate issued by the Registrar shall be final and conclusive proof of the dues which shall be recoverable as arrears of land revenue.

6. Uttar Pradesh Co-operative Land Development Banks Act, 1964
Generally, the Bank used the coercive action provided under sections of the Uttar Pradesh Co-operative Land Development Banka Act and sections of Uttar Pradesh Cooperative Societies Act to recover the overdues.

Thus, the Bank has power to recover all overdues by taking action against the defaulters by distraint and sale of the produce of mortgage land. Sale of mortgage land itself and also as arrears of land revenue. The U.P. SLDB used later two coercive actions to recover the overdues.

The procedure of sale of mortgage land is time consuming and requires a proclamation of sale which shall be notified by the sale office by advertisement with full details in news paper having circulation in the area. During April to June each year, such notices are published and cover huge portion of news papers which strike the mind in general and of prospective beneficiaries in particular that the most of land belongs to the borrowers of the Bank have been put on auction. Further, the arrest are made under section 95A of the U.P. Cooperative Societies Act, 1964 during the same period and borrowers are kept in lock-up for fourteen days. It is also reported that the borrowers are kept hungry in lock-ups.

Although the above coercive action are provided to the Bank for cent percent recovery but these actions could prove fruitful to the Banks as the overdues where still unrealized. It is because of the influential defaulters who succeeds in stopping the coercive action undertaken against them. Thus, these actions are only effective on poor borrowers. These actions render, the small/marginal farmers as landless labourers and also discourage
the prospective borrowers to undertake any development programmes out of loan specially from the Bank loans.

The researcher feels that the poor people prefer to die hungry instead of having outstanding loans against them. Often, we find that they pay loans, which were drawn by others but shown falsely and fraudulently in their names.

Hence, it is suggested that the Bank should identify the defaulters individually. If the defaulter is genuine i.e., crops failure due to drought, flood, etc. and incomplete investment, they should be provided with a instalment, and also supplementary finances to such defaulters to make them recoup their future repaying capacity.

In cases of misutilisation of loans of wilful defaulter, if the persuasive efforts fail, the only suitable remedy left is coercive action. However, such action should be taken when it is found that such default is intentional. This action should be take promptly and firmly. It should be tried that loan instalments are recovered out of the sale of the standing crops, sale of land should be made in the rest of the rare cases.

Causes Of Overdues

The following adverse factors have been responsible in effecting recoveries by the Uttar Pradesh Co-operative Land Development Bank Ltd.

(i) **Frequent natural Calamities:** The most important reason for overdues of long-term credits has been frequent occurrence of natural calamities viz. Drought, flood, etc.,
which result in the damage of crops. In such condition, the farmers find it difficult to maintain themselves and generally require the help of Government and other to meet their necessities. LDB too often provide relief to the member-borrowers which is either in the form of rescheduling the instalments or postponing the recovery of loans. In the former relief, overdue instalments and interest during the year(s) natural calamities are combined together with the outstanding loans against the member-borrower and this total amount is divided into new instalments in such a way as not to exceed 125 percent of original annual instalment. In the later relief, the borrowers are given the facilities of postponing the recovery of loans instalments for one year and also the opportunity to extend the period of loan, but the interest for the year of natural calamities has to be added in the next instalment. The new instalment proved burdensome to the member-borrower and resulted into defaults in subsequent year, as there were frequent natural calamities which result into rising overdues gradually. However, such reliefs faild to solve the problems of overdues.

(ii) Political and Government Interference: In normal years also the political and Governmental interference are responsible for mounting overdues. Frequent elections of State Legislatures, Panchayats and Parliament also make recovery atmosphere adverse and effect the recovery of the Bank. Generally, the elections are held during the period from January to June of the year when the land development banks starts their recovery operation because of better
liquidity position of farmers during harvest season of Rabi crops. When the recovery operation is at its peak, the Government requisitions jeep belonging to Government for mobilisation of resources for election purposes and the rest vehicles are hired by political parties for election propaganda. As a result, the Banks do not have any vehicle which virtually makes the staff of the Bank immobile. With a view to appease the voters also, it was found that on many occasions, the State Government issue written instructions/order to prevent the staff of the Bank from taking coercive action against the defaulting members and also did not extent required support and assistance in recovery work.

(iii) **No Provision for Advance Payment of Loans:** In case of LDB there is no provision for making repayment of loan in advance. Whenever a borrower is able to save some money out of his income from any other source he is not allowed to deposit it towards repayment of loan instalment. This money is spent by him or his family members many times for unproductive purposes.

(iv) **Misunderstanding Among the Farmers:** there is a misunderstanding among the cultivators that the Bank loans are Government loans and they are given as an aid to the farmers. The reason for this misunderstanding is that the Bank loans are mostly channelised through Government machinery. This has vitiated the atmosphere of repayment and in certain cases, cultivators resist the payment.
(v) **Misutilisation of Loans:** The farmer is not only a farmer; he is also a member of the community and head of the family when he has got certain obligations to fulfill. He has no saving to meet such social obligations. Neither the credit society nor LDB advance loans to him to meet them. Here arises a problem before farmers to choose either to use the loan to meet this social obligation or to use the loan for that purpose for which it was advanced. Many of them forget their moral obligations to use the purpose for which it was advanced and make use of it to meet his immediate social obligations. This leads to non-repayment of the loan. First, if the loan is not adequate to meet his immediate social obligations. This leads to non-repayment of the loan. Secondly, if the loan is not adequate to meet the purpose for which it was demanded, the borrowers use it for some other purpose and this results in the failure of repayment of loan. Thirdly untimely credit also results in misuse. It is said that credit delayed is credit denied. Thus these reasons result in non-repayment of loans.

(vi) **The Wilful Defaults:**

The main factors responsible for wilful defaults are:

(a) Where the loan has been managed by offering inferior landing mortgage or non-genuine mortgage, the borrower deliberately defaults and does not care about the repayment.

(b) Often big landholding borrowers shirk the repayment knowing that they have patronage of political leaders /Government officers and will be able to manage to escape
from it. They pressurise the recovery staff directly or indirectly to the recovery.

(c) The loanees not in general neglect payment as they know that none will turn up to purchase their land even though the proceeding of sale of land has been started by the Bank.

(vii) Complicated and Time Taking Procedure for Recovery:

To recover the loan from defaulters, the coercive action is taken by the Bank under the procedure laid down for recovery. This is a complicated and time consuming procedure. For example, powers (i) to issue citation letter to defaulters (ii) attachment of their property, and (iii) land auction etc. are vested in the Assistant Registrar, Cooperative societies, while the power of confirmation of land auction is vested in the Head Office of the Bank. In some cases, it was noted that this confirmation from Head Office was not received and the property acquired by the recovery officers for non-payment of instalment had to be returned to the concerned borrowers. This removes all fear of loosing land or prestige from the minds of borrowers and they develop indifferent attitude towards repayment of loans which has given a momentum to rising overdues in the U.P. state cooperative Village Development Bank Ltd.

(viii) Lack of Supervision of Loans:

The State Government are only been for pumping more and more of institutional credit to the farmers on an easy terms. The Government staff is only interested in the completion of distribution of loan-targets but they never bother in supervision, follow-up and recovery of loans. As
against, the machinery to verify utilisation of loan and to take up follow-up measures was found to be inadequate in the Bank leading to misutilisation and diversion of loans.

Due to non-identification of such cases in due time, the Bank could neither take corrective action against misutilization of loans nor initiate coercive action against such defaulters. Consequently, this deficiency of the Bank motivated the loanees for non-payment of loans which helped in mounting up the overdues.

(ix) **Lack of Co-ordination among Lending Institutions:** There are a number of agencies providing agriculture finance in a variety of forms. Short-term loan are provided by primary credit societies, rural banks and commercial banks; fertilizers and seeds are distributed by the agricultural department. Taccavi loans are advanced by revenue department; co-operative marketing societies provide production and pledge loans; block authorities and social welfare board too distribute loans in one or the other. The terms of loans, rate of interest and period of repayment differ from agency, but the recovery is dependent on the farmer’s crop yield which is made at the time of harvest. The agency which approaches earlier realises its loans and the repayment to remaining agencies is deferred. Thus, there is competition among the financial institutions instead of an effective co-ordination which is essential for sound credit system. Consequently the overdues have started mounting up.
(x) **Target Oriental Loan Distribution:** The agencies providing the agriculture finance have to distribute the loan during the year as the target is already fixed. Generally, the loan distribution is slow during the early months of the year, but as the year is about to close, the activities of loan distribution are geared up. It is tried to complete the target of loan distribution to the farmers in hurry and hence, lapses are bound to occur. Moreover, it is very difficult to supervise the advance, test-checking etc., in such a short period of time. These conditions encourage malpractice, which results in the distribution of loans to non-genuine persons leads to misutilisation of loans. Sometimes the same person are chosen for distribution of loans by the different agencies which may over burden them marking repayment beyond their capacity. Ultimately, they became defaulters and overdues start mounting up.

(xi) **Indifferent Attitude of Bank Employees:** The factor responsible for indifferent attitudes of Bank employee are, as under: Firstly, the recovery tour has become hazardous to the life of touring staff members of Banks, as the Bank has no vehicle for this purpose. Secondly, the interference by the local leaders to defend the defaulters from coercive action taken by the Bank staff. Thirdly, sometimes, the Banks staff had to face the assault and attack because of the lack of security measures. These actions demoralize the employee making them indifferent. This attitude when continues to prevail among the staff for a long time, effect the recovery and result in the mounting up of the overdues.
(xii) **Lack of Remunerative Support Price and Marketing Facilities:** While inflationary trend continues in the economy pushing up the costs of investment and production in the farm sectors, there is no remunerative support price to farm produce. This position has added to increase the cost of living standard as well. This adversely affects the farmers economy and their repaying capacity. Marketing facilities are also found to be inadequate for realising remunerative returns to the marketable surplus of farm produce. The adverse terms of trade in the farm sector have been identified as one of the major causes of overdues.

(xiii) **Due Date of Instalment not suited to the Borrower:** The U.P. state co-operative village Development Bank Ltd. has fixed the due date of instalment for repayment of loans either on Ist Dec. after expiry of 12 or 18 months period for disbursement of last instalment as case may be. Finally, the repayment of loans come out of the sale of crops. If the due date of instalment has been fixed which does not coincide with the sale of crops this makes the farmer defaulter and penal interest is charged. The repeated defaults make it burdensome to the farmers and results into overdues.

In fine overdues in the Uttar Pradesh state Co-operative village development Bank Ltd. are caused due to a variety of factors as many of them are outside the control and purview of the Bank. While the Bank should take action and corrective measures for ensuring prompt recoveries and to avoid overdues in future, there should also be favourable conditions created by the State
Government. To be specific, the following measures are necessary to ensure satisfactory and prompt recoveries and avoid future overdues.

(1) The due date (either 1st April or 1st October) of the instalment for repayment of loan should be so fixed by the Bank, with the consent of the borrower member, that it coincides with the harvesting of major crops, instead of fixing due date of instalment after expiry of 12 or 18 months from the advancement of the last instalment.

(2) The Bank postpones the realisation of overdues on account of natural calamities extend the loan period for one year more, as a measure of relief to and rehabilitation of defaulters. But the interest for the period of natural calamities to the next instalment puts an extra financial burden on the borrowers. It is desirable that interest for the period of natural calamities should be exempted and loss incurred by the Bank should be met out from the stabilisation fund or other funds created for this purpose.

(3) The Bank should encourage cultivators in making advance repayment or large re-payment towards loans when ever they have spare amount out of their annual income. The Bank in such cases should provide rebate on the interest of the loans.

(4) The schedule of repayment as well as tenure of loan should be based on the repayment capacity of the borrower. The repaying capacity calculated by the Bank should reflect the impact of development loan on the borrowers economy over a period of time. This can be done with the help of Cost-
Benefit Analysis. Where the annual instalment fixed is found to be high relatively to the borrower’s economic standing, he may be given the benefit of spreading the repayment over a longer period. Where the annual instalment is low in relation to the repayment capacity calculated on proper scientific basis, the period of repayment should be reduced.

(5) Due care in the scrutiny of title over the land and its valuation should be exercised, mortgage of barren or inferior lands or of public utility should be strictly guarded off.

(6) With a view to check the misutilisation of loans, any officer like branch manager/district managers should verify, say 5 percent of loan cases. In such cases, Head Office should also have enough machinery to take surprise check of district offices/branches of the Bank.

(7) In order to have some amount of genuineness to loan-documents and to make the certifying authorities careful, the bey-laws of the Bank may be amended so as to enable the Banks to recover the entire amount of loan from certifying authority, in case misutilisation of loan is proved at any stage. This provision should apply equally to Bankpersonnel, as well as, to those outside its administrative control.

(8) To initiate coercive action against the defaulters in Uttar Pradesh the Bank has to seek the approval of Assistant Registrar of Co-operative Societies who has power to (i) issue citation letter to the defaulters, (ii) attachment of their property, (iii) land auction etc. Under the U.P. Co-operative Societies Act. this approval sometimes is no much delayed that borrowers get the impressions that the Bank officers
have no power to recover the loan. The power of confirmation of land auction is vested in the Head Office.

In the State of Maharashtra, the Bank officers have been delegated the powers to recover the dues through coercive measures which helped to get speedy recovery. In Uttar Pradesh too hasten the recovery, the Regional Office/District office may be more effective to hasten the recover if the power of Assistant Registrar / Dy. Registrar of Co-operative Societies is vested in the Regional Manager/District Managers.

(9) The system of recovery should be made free from the pulls and pressures of big borrowers, and their well wishers. Liberal treatment and postponement of recovery should be done away with, as it has multiplier effect.

(10) As the Banks are considerably handicapped for want of bidders in auction of land mortgage by the borrowers, the State Government should purchase the land in auction for the settlement of the Bank’s claims. The Government after taking effective possession either dispose of the land by sale or distribute them to identified target-groups like small/marginal farmers, as already recommended by CRAFTICARD. Or the Government should set up a State farming corporation vested with authority to purchase lands in auction and take possession of lands and immovable properties as recommended by the RBI stude team overdues of short-term credit institution.

(11) As a matter of policy the responsibility of enforcing the proper distribution, utilisation of credit and follow-up measures, including continues touch with the borrowers until
full repayment of the loan should be entrusted to a single agency instead of a heterogeneous groups of State officials as is being done at present in the Bank. Since the Bank have no administrative control over the activities of State official, they can not expect as much seriousness from them as from its own staff.

The Bank should make alternative arrangement for the distribution and the utilisation certificate issued by Bank's own staff. For this purpose a supervisory cell is to be constituted in each branch under the supervision of field officer, Involvement of its staff will also remove the misunderstanding among the borrowers, that the land development bank loan is a Government loan. The RBI has also requested that CLDBs should strengthen their supervision machinery for the proposed of verification of utilisation of loans.7

(12) The experience shows that recovery tour has become hazardous to the life of touring staff members of the Bank in absence of their own vehicles, as well as of protection from assaults and attacks. For the purpose of speedy recovery of loans, the recovery should be treated as a full time specialised work, attended by the staff exclusively meant for it under the supervision of district manager, and a jeep should also be provided at district level.

For practical reasons, it was not always possible to for recovery with police party and such protection was also not always readily available. The State Government may, therefore, consider

to declare Bank staff as public servants for the purpose of protection against attack and assaults in the discharge of duty and also provide protection of police force in recovery work, whenever, such demands are made by the Banks.

(13) The State Government should adopt a policy of positive assistance to the recovery work and involve the machinery of co-operative and revenue department fully in this task. The State Government should desist and on the contrary help to create favourable conditions for recovery. The Government should also give due recognition to these officers for good recovery rather than harassing the Bank staff for coercive action initiated against wilful defaulters or big borrowers who have direct approach with the Government Officers/Ministers.

(14) There should be a provision for case by case study of defaulters and provisions to write-off irrecoverable amount in genuine cases when they are no longer in a position to repay loans due to adverse economic conditions or because of infrastructure investment. In case of wilful and influential defaulters, the coercive legal measures should be adopted without delay so that the coercive action would have salutary impact of creating the fear on the other defaulters about losing their land in the event of non-payment of dues and overdues.

(15) The influencing effect, appeal and persuasive efforts of non-officials will have greater impact on the member-defaulters than officials and this positive factor should be fully exploited by involving them in the task of recoveries.
(16) There should be an effective co-ordination among the agencies, which are meeting the short-term, medium-term and long-term credit requirements of the farmers by the co-operative agencies on the one hand and Rural and Commercial Banks on the other, which is essential for a sound credit. This problem can be tackled by streamlining the policies and procedures of financing and exchanging of information among the various lending agencies in the area. This may also help to avoid the multiplication of loan which ultimately enhances the problem in recovery of loans.

(17) The borrower should be properly exhorted and educated at the time of advance and afterwards to repay the loan on time, failing which he may be subjected to severe consequences.

(18) A strong credit market linkage would be the best solution for guaranteed recoveries. It will also solve the problem of establishing contacts with growing number of defaulters and taking coercive measures.

In the State of Maharashtra, under a specific provision in the Co-operative Societies Act, the Bank's dues were recoverable from sale proceeds of agriculture commodities at the level of market yards and processing units like sugar factories. There is no such provision or arrangement of credit marketing linkage in

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Uttar Pradesh. The provision of the Maharashtra Act should be suitably incorporated in the U.P. Co-operative Act and arrangement be made to recover dues of the Bank at the level of market-yards and processing units of agricultural commodities from sale proceeds of borrowers.