"Role of Uttar Pradesh State Co-operative Village Development Bank Ltd. in the Agricultural Development of U.P. with Special Reference to Aligarh District"

The present study entitled "Role of Uttar Pradesh State Co-operative Village Development Bank Ltd. in the Agricultural Development of U.P. with Special Reference to Aligarh District" is a modest attempt to examine the lending policies and performance of State Co-operative Village Development Bank in the agricultural development of Uttar Pradesh. The cooperative movement has been in operation in Uttar Pradesh for over nine decades. It is an instrument for social change and means for ensuring people's participation in the development of Uttar Pradesh State programmes. Initially its field was limited to credit only now it is spread to all most all the activities of economic development of the state.

Uttar Pradesh is one of the big states in population as well as in area in the Union of India. Uttar Pradesh occupies an area of 2.94.411 square kilometers of the Union of India. Geographically the State divided into five regions, viz., Hilly area, western, central, Eastern and
Bundelkhand. The total population as per census of 1991 is 13,911.2 lakh out of which 1,115.06 lakh (80.15 percent) lives in Village. There are 215,293 land holding in the state covering an area of 185,698 hectares out of which 89.98 percent holdings are below 2 hectares and their share in total area is 57.59 percent only.

The State is gifted with potentially fertile soils and has different tropical monsoon climate. The 297,94 lack hectares have been sown in the year 1998-99. The important crops of the state are rice, wheat, maize, sugarcane, pulses etc. The contribution of agriculture and allied occupation to the total state income was about 42 percent. At present about 70 per cent of the population is directly or indirectly linked with agriculture sector.

Agriculture has thus been the main occupation for the vast majority of the people in the State. It is natural that all efforts should be made to improve agriculture, which is the backbone of the State's economy. The methods will, therefore, have to be devised not only to increase production and productivity but also to ensure that their benefits accrue to a vast multitude of small farmers who, for various socio-economic disabilities, are not by themselves in a position to attain a viable status. The primary remedy is to provide adequate funds for development of agriculture. Among the various types of funds needed, long-term credit forms the most important basis for the same. The purposes for which long-term finance is needed are for minor irrigation (construction of wells, tube-wells and purchase of
pumpsets), land reclamation, purchase of heavy machinery and tractors, construction of godowns, dairy development, poultry farming, horticulture, sericulture, etc.

The various sources through which the long-term credit is made available to the farmers are LDBs, commercial banks, the state government and the private money-lenders. For instance, the ideal system for providing long-term credit in agriculture would be to institutionalise the entire credit disbursed by different agencies. It may be noted that the funds provided by the money-lenders are very costly to the cultivators and funds provided by the government are too meager and suffer with the various stigmas like red-tapism, favourism, etc. The entire long-term credit is, therefore, to be provided by the Land Development Bank or by the Commercial Banks. Again, for long-term investments commercial banks are considered as an unsuitable credit agencies due to composition of their funds accruing through deposits mostly payable on demand or at a short notice. The Commercial Banks, therefore, direct the borrowers requiring longer period loan to approach the Land Development Bank. The LDBs are expected to work as an agency for fulfilling the long-term credit needs of the cultivators.

In India, the land development banking was initiated in 1920 when the first Co-operative Land Mortgage Bank was organised at Jhang in Punjab (Now in Pakistan). A real beginning in this direction was made with the recommendations of the Registrar’s Conference 1926, the
Royal Commission on Agriculture, 1928 and the Central Banking Enquiry Committee 1931. A Central Land Mortgage Bank was founded in Madras in 1929 followed by Mysore, Bombay, Orissa and Cochin. But the progress achieved prior to the All India Rural Credit Survey Committee was negligible. When the survey for rural credit was conducted in 1951-52, there were only six States where land mortgage banks were working with 289 primaries and loans outstanding were of about Rs. 8 crores.

The real growth of co-operative land development banks with State support started only after the publication of the report of the All India Rural Credit Survey Committee. The committee recommended the organisation of Central Land Mortgage Banks in all the States and stress was laid for reorienting their policies from financing old debts to provide finance for improvement of land development of agriculture. As a result thereof, the land mortgage banks switched over the function from mortgage banking to 'Development Banking' and Land Mortgage Banks were renamed as 'Land Development Banks or Agricultural Development Banks'. At the end of Second plan (1960-61), there were Land Development Banks in 18 States. At present, there are 25 States and 9 Union Territories in the country out of which land development banks are now functioning in 18 States and 1 Union Territory (Pondicherry). In one State (Meghalaya and two territories Goa and Delhi), there are separate sections in the state co-operative banks to look after long-term loans.
The All India Rural Credit Survey Committee, interalia, recommended the establishment of Central Land Bank in each State which was incorporated in the Second Five Year Plan. The Second plan provided among other things for the organisation of a Central Land Mortgage Bank in each State where it did not exist and fixed an overall target of Rs. 20 crores for the long-term credit. Accordingly, an apex bank Uttar Pradesh State Co-operative Mortgage Bank Ltd., was organised in the State and registered on 12 March, 1959 on unitary pattern under U.P. Co-operative Societies Act: to make long-term finance available to farmers of the State on mortgage of land. The Bank was renamed as Uttar Pradesh State Co-operative Land Development Bank Ltd., in the year 1967 to make its name consistence with its function. It is a pioneer Bank which introduced Agriculture Development Scheme in the State for the first time in the year 1968-69 and latter brought Farm Mechanisation to the State at large scale. The Bank is working on unitary pattern and is operating through 334 branches covering all Tehsil/Block levels of the State. Besides there are 18 Regional Offices and 72 District Offices for the supervision of primaries by the end of 31st March 2002.

The name of the Bank was changed again on June 16, 1989 and renamed as "Uttar Pradesh State Cooperative Agriculture and Rural Development Bank Ltd." to provide the finance to rural artisans and craftsmen and to promote the Rural Development Programmes. And again on June 9,
1994 the name of the Bank was changed according to the requirement, and named as "Uttar Pradesh Co-operative Village Development Bank Ltd.

Since its inception, the Bank has provided monetary support to the tune of more than Rs. 5702.85 crore to its 4205528 member farmers to enable them to modernise their agriculture and allied activities.

The management of Uttar Pradesh State Cooperative Village Development Bank Ltd. Has been discussed in chapter-IV.

The Bank has unitary pattern having its Head Office at Lucknow. At present, the Bank is operative through 334 branches at tehsil and block levels. In order to have effective supervision, the Bank has opened 72 district offices and 18 regional offices. District Offices formulate the bankable schemes in the district and also control and supervise branches in their respective jurisdiction.

The branches are administrative units at the base level. The main function of the branches are the disbursement of loans and its recovery. The main purpose of establishing banking offices is to help the area to develop it economically. The speedy development of these would imply provision of adequate credit to all persons of the area at the nearest point. Unfortunately what is being generally emphasized is the viability of branch in expansion policy only. As a result, the branch expansion could not take
place evenly among the State, i.e., the prosperous district have more branches.
The Bank heavily depends upon long-term resources for its working capital. It derives its working capital from both internal and external resources. Main internal and external resources are share capital and debentures respectively.

The Bank issues two types of share, viz., Type A-share of state Government and Type B-share of borrowing members.

As a matter of policy, members are allowed the adjustment of their share money in the repayment of last instalment which result in the decrease of the share capital of the Bank. We feel that the system may be replaced by making the share transferable and listing in the stock exchange. In our opinion, this action will help the Bank to win over the confidence of the public and of their members and thus, attract an increasing volume of deposits.

Borrowed capital is raised through flotation of debentures. The LDB can issue the three types of debenture; Ordinary, Special and Rural Debentures. The contributors of ordinary debentures are LIC, SBI, Central and State Government, Commercial Banks, Co-operative Institutions and sister LDBs while special debentures are subscribed by only the State Government and NABARD. This indicates that Bank has no problem in raising the resources from flotation of debentures.
Although the financial resources of the Uttar Pradesh State Village Cooperative Village Development Bank Ltd. are found adequate to provide adequate funds to the Bank for financing its lending operation, the sound lending policy requires the recycling of funds. In other words, saving of the borrowers should also be mobilised. The rural debentures which were proposed for tapping rural saving did not prove an effective instrument.

As regards the management of funds of the Bank, it is seen that there is huge amount in cash and bank account on one side and cash credit and overdraft accounts on other side at both Head Office and Branches. This is because of the attitude of the Bank is not using the money recovered for further lending which is based on their conservative thinking of keeping money very secure for redemption of debentures and contribution towards the sinking funds only. Similarly, the branches are maintaining three different accounts for different purposes and they are not empowered to transfer money from each other. In other words, the branches are bound to avail the cash credit and bank overdraft for loaning operations, although there is sufficient amount in the General and Recovery Account. Such practice is ultimately bound to block the liquid resources as well as resulting in loss of interest, as the Uttar Pradesh State Village Cooperative Village Development Bank Ltd. should not receive any return on cash and bank balance, while it has to pay the interest at higher rate on cash credit and overdraft accounts. The practice of maintaining
separate accounts for different purposes is an old technique of controlling diversion of money for other purposes which has been adopted by the Government Departments and Social Institutions, where the cost of funds has no consideration as they have to receive the funds on account of aids, grants, etc. In the case of Village Development Bank, dealing with borrowed funds, the maintenance of separate accounts is not justified as diversion of money can be controlled through modern financial techniques viz., funds flow statement, cash budgeting, etc.

Further, there is a huge amount of cash in transit every year, which indicates that present system is time consuming and also there are chances of loss in transit. The District Management have powers to distribute the funds to the branches as per their requirements, but they have no power to transfer the funds of one branch to another branch of the district even through the branches has the sufficient idle funds in its account and other is in acute need of funds.

Today, the Uttar Pradesh State Cooperative Village Development Bank Ltd. not only provides loans for traditional items like new wells, deepening of existing wells, lining of field channels, pumpsets, etc., under the NABARD and Government sanctioned schemes, but is also providing loans to other diversified purposes like horticulture and fruit plantation, dairy, poultry, sheep and goat etc., to make the State self reliant in terms of foodgrain production and to raise the living standards of the farmers.
of the State. Since its inception, to 31st March 2002, the Uttar Pradesh State Cooperative Village Development Bank Ltd. has disbursed loans amounting to Rs. 5702.85 crore out of which Rs. 2901.96 crore have been for Minor Irrigation and Rs. 806.39 crore for farm Mechanisation and Rs. 1728.94 crore for diversified purposes.

The Uttar Pradesh State Cooperative Village Development Bank Ltd. has laid a great emphasis on simplifying its loaning policies and procedures so as to provide investment credit to a large number of agriculturists.

The intending borrower has to submit his loan application in the prescribed form initially to the Branch Office along with some necessary documents which are specified in the form. The Branch Manager sends these documents to the Central Office. The case is studied and the land valuation officer of the Bank verify the same from the revenue records and land on the spot, the extent and correctness of the demand of the loanee. After necessary verification, the land valuation office sends his recommendation along with the valuation of land. The case is legally examined and then placed before the committee of the Bank for sanction of loan.

Recovery of Bank dues is the most important factor for sustaining the growth of an institution. Though the Uttar Pradesh State Cooperative Village Development Bank Ltd. has maintained a good recovery performance which is
between 70 to 80 per cent during period under study. The recovery position shows the upward trend.

It may be mentioned that since all the activities of long-term financing is confined to the Head Office only the regular contacts between the Bank officials and the farmers is missing to a large extent. To improve the recovery position more, the Bank may take an early decision to amend its Act and Byelaws and incorporate enabling clauses in which the branches of the Bank are made responsible to recover the overdues of the Bank. Besides, other remedial measures like giving special recovery powers to the bank staff should be taken. Such delegation of powers to bank staff was found to be fruitful in other Banks like Maharashtra, Punjab etc., for improving recovery. State Government therefore, should consider to delegate the recovery powers to bank staff to speed up the recovery process in the State. It is also well recognised fact that to maintain regular contacts with the beneficiary borrowers of the Bank for overall supervision and recovery of the loan two wheelers play a very useful role. In this context NABARD has created a cooperative development fund to help/assist banks in their efforts to improve recovery etc. the Bank may approach NABARD for assistance in this regard.

There are many problems being faced by the Uttar Pradesh State Cooperative Village Development Bank Ltd. in the flow of credit, which are stated below:
In the entire area of Bank, the majority of borrowers have small land holdings and therefore, the Bank can not afford to invest more due to the linkage of shares with the loaning. The co-operative credit is not much popular with the borrowers. The borrowers do not give first preference to it since the other financing institutions have no such practices and thus, have upper hand in the field of credit. The researcher has observed that one of the main problem is the lack of knowledge of the borrowers about the co-operative credit. Most of the borrowers do not have proper knowledge about the co-operative credit. So they do not avail of the same. These include mostly illiterate and backwardness is one of the main problems in the flow of credit. Most of the illiterate people have not been utilising this loan to strengthen their economic position. They take it as sort of relief granted to them. It has also been observed that most of the cultivators do not have requisite and modern technical knowledge regarding proper utilisation of the agricultural inputs and fail to utilise full credit limits sanctioned for them. Frequent occurrence of natural calamities also affects the repaying capacity of the borrowers besides hindering the credit flow.

It has also been observed during survey that much time is consumed by the Bank in processing the application for the loan. In such cases farmers face difficulties in purchasing inputs and to meet their expenses like sowing and ploughing expenses. Inadequacy of amount of loan for the agriculture is yet another problem being faced by the
poor farmers. It has also been observed that banks have failed in satisfying the borrowers and borrowers are facing the problem of the non-availability of credit according to their requirements. Loans are not granted in sufficient amount when they require. It is also seen that due to their inefficiency of loan, some borrowers have used the money for their domestic purposes and, therefore, become unable to repay the loan.

The Bank should make efforts to impart modern technical knowledge to the farmers regarding proper utilisation of agricultural inputs, so they can utilise full credit limit sanctioned in their favour. The problem of proper use of the funds can also be removed by guiding the cultivators. The Bank should provide necessary guidance to the farmers in using the funds properly. It has been found that illiteracy has been one of the main problems for the Bank to achieve its objectives. The illiterate and ignorant farmers should be made aware of the banking facility 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 LDB finance. These programmes should be broadcast. This will play an important role in the development of both Bank and beneficiaries. Another equally important suggestion is the need for effective credit evaluation. The unit/project for which loan is demanded should be evaluated adequately and if found genuine, should be sanctioned. Another vital
step towards effective functioning of the Bank may be that there should be a committee of officials both at the field and head office, to visit the field and inquire about the correct position of loan requirement and money disbursement in the light of aims and objectives of the Bank. Therefore, the study concludes that Development Banks has played a vital role in improving and maintaining the economic condition of the farmers and other rural people.