CHAPTER - 4

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INTRODUCTION

Among the agricultural financing of the DCCBs, apart from the ST agri. loans medium-term credit financing
constitute another important segment of the lending operations of these banks. The DCCBs provide medium-term agricultural loans to the farmers through their PACS—the crop-loan system for such purposes as (i) deepening and sinking of wells, (ii) installation of pumping sets, (iii) purchase of agricultural machinery, (iv) purchase of bullocks and milch cattle, (v) construction of farm houses and allied purposes. The DCCBs fix the period of the medium-term loan largely with reference to the repaying capacity of the individual borrower. The medium-term loans have a maturity varying between twelve months and five years, but it is the practice of the DCCBs to extend the facility of such loans for a period of three years. It is believed that it would be more convenient if the facility of five year loan is given to the small cultivators with lower annual repaying capacity, so that, their needs can be met to the maximum extent.

**TYPES OF CREDIT**

The medium-term agricultural loans include the loans provided by the DCCBs (i) for medium-term (normal) agricultural purposes, (ii) for conversion, (iii) for rephasing, (iv) for rescheduling, and (v) for rehabilitation purposes, which are briefly discussed below.
Medium-term Agricultural Loans (Normal): The medium-term agricultural loan is provided by the DCCBs in Gujarat for such purposes as (i) deepening of wells, (ii) installation of pumping sets, (iii) purchase of farm machinery, agricultural and transport equipments, (iv) improvement of land, (v) purchase of milch cattle, poultry etc., (vi) purchase of bullocks, (vii) construction of farm house and for such allied purposes.

Conversion Loans: The short-term agricultural loan is converted into medium-term loan in times of crop failure, which is decided by a DCCB with reference to the crop conditions as reflected by the annewari of the crops. The annewari is basically related to the ability of a cultivator to pay land revenue and other government dues. For giving the facility of conversion loan, it is necessary that the annewari declared by the Revenue Authorities should be at least six annas or below. Hence, the system of annewari serves as an index of eligibility for conversion loans. The financing of conversion loans is done by creating special funds known as Agricultural credit stabilisation funds at district, state and national levels. Thus Agricultural Credit Stabilisation Funds are created and maintained at the district level by the DCCBs, at state level by the SCBs, and at the national level by the NABARD. The conversion loans obtained by the members of the PACS are to be repaid within three years through equal instalments.
Replacement and Rescheduling Loans: On account of the drought conditions and/or the failure of crops, the farmers' ST agri. loans are converted into medium-term loans and they were made eligible to get fresh loans for the second year. But after availing of the facility of the conversion during the 2nd and 3rd years, if the farmers were in need of co-operative credit, due to successive drought conditions (or famine conditions as a result of the failure of crops at certain intervals within two successive years), the farmers were given loans and their outstanding dues are rephaged and rescheduled by the DCCBs. Such loans are approved by the NABARD and are known as replacement and rescheduling loans. Hence, the loan given for successive 2nd year drought condition is known as replacement and for the 3rd year successive drought condition is known as rescheduling loan. While granting the replacement loan the DCCB has to (a) credit the outstandings of the conversion loan in the replacement loan account and the replacement debt is to be divided into 4 equal instalments; (b) ST agri. loan outstanding is to be credited to the ST agri. loan a/c and it is to be converted in 3 years duration conversion account; (c) new short term loan is to be granted for the coming season. If the conditions of the crops are comparatively good during the season then the DCCB should take steps to recover the amounts of the three loans (ST agri. loan; conversion loan and replacement loan) as under:
(i) ST agri. loan (full amount);
(ii) \( \frac{1}{3} \) conversion loan instalment, and;
(iii) \( \frac{1}{4} \) repayment loan instalment.

Similar arrangement is to be made while granting the reschedulement loans by the DCCBs.

Rehabilitation Loans: A comprehensive scheme of rehabilitation is worked out by the State Government and declared for rehabilitating the farmers having heavy debt burden on account of successive scarcity and semi-scarcity conditions prevailing in Gujarat during the period 1972-73 to 1980-81. The scheme broadly aimed at two things, firstly, to give sufficiently long time to the farmers in repaying accumulated agricultural loans and interest in easy yearly instalments with relief in accruing interest on rehabilitation loans, and secondly, to create an atmosphere for the co-operative societies, which can recover their accumulated dues together with interest on instalment basis in course of time and at the same time extend facilities of fresh finance to the beneficiaries of the rehabilitation scheme. This scheme is now being implemented by the DCCBs and PACS in the state.

The main features of the scheme inter alia included the following:

(i) (a) Villages having continuous or alternative scarcity conditions during three years, (b) villages

\[ \text{Govt. of Gujarat : Agriculture, Forests and Co-operation Department Resolution No. CSB-1181-239-S-5 dated 16-2-1982.} \]
having scarcity conditions for two years and semi-scarcity conditions for one year, and (c) villages having scarcity conditions for one year and semi-scarcity conditions for two years were covered under the scheme.

(ii) The loans due from the agriculturists and outstandings against them till end of 1980-81 have been considered eligible for transfer to new account viz. Rehabilitation Loan Account, which included: (a) ST agri. loan — overdue loans only, (b) MT agri. loan, (c) MT conversion loan, (d) MT replacement loan, (e) MT rescheduling loan and (f) rehabilitation loan (earlier granted under old scheme during 1977-78).

(iii) Taking into account the repaying capacity of the borrower, maximum 10 yearly instalments will be allowed for repayment of loan. In exception cases, the maximum instalments may go up to 12.

(iv) Borrower should have repaid or should repay before 30th June, 1982 minimum 25% against the demand of the loan proposed to be transferred to the rehabilitation account.

(v) The penal and compound interest on loan is to be waived, and interest at simple rate of 11.00 per cent to be calculated on old loan accounts referred above.
(vi) Some special groups of beneficiaries are covered under the scheme, they include: (a) all farmers in tribal areas of the state, all the tribals cultivating land in non-tribal areas, (b) small farmers as indentified by RBI in the villages having minimum 1 year as scarcity year or any 2 years as semi-scarcity years have been considered eligible for the benefits of the scheme.

FINANCING MECHANISM

Sanctioning Loans: The process of sanctioning loans includes (a) deciding seasonal loaning policy, (b) receiving loan proposals, (c) scrutinising loan proposals, and (d) granting loan proposals, which are discussed in the paragraphs to follow:

Deciding Seasonal Loaning Policy: Before the commencement of the season the concerned DCGB fixes such norms on a per unit or per acre basis for the various purposes of MT agri. finance. In case of items like draught cattle, oil engines/electrical motors and pump sets, the ceilings on possible outlays should be on a per unit basis, whereas for items like levelling and bunding, construction of channels and the like, the ceiling should be fixed on a per acre basis. These norms are fixed by the technical group on the basis of the maximum expenditure for various purposes and the amount of loans sanctioned for them as prescribed by the NABARD.
Receiving Loan Proposals: Medium-term loans are advanced by the DCCBs to individuals through PACS and hence it is the societies which have to apply to the banks for medium term loans giving particulars of individuals for whom they are intended. The purposes for which term lending is resorted to have been grouped into those relating to periodical maintenance or replacement of wasting assets and those relating to increasing the income earning capacity of the farmers. The PACS have to send their application forms alongwith the particulars of the two groups stated above in two different proformas as prescribed by the NABARD/RBI. The application for the MT agri. loan should be made by the societies after it has sent its application for ST credit limit. Normally, one application during a year may be entertained for a society by the DCCB. However, a supplementary application may not be ruled out for meeting any unforeseen demand, e.g., arising from the death of bullocks belonging to one or more members of the society. Such applications of the societies together with the resolution of the concerned Loan/Executive Committee should be forwarded to the DCCB for scrutiny.

Scrutinizing Loan Proposals: Once the applications are received by the DCCBs the concerned supervisors of the banks would verify the particulars and give their recommendations. After this, the application is placed
before the Loan Committee or Executive Committee for its consideration.

Granting Loans: The applications of the PACS for MT agri. loans are then approved by the Loan Committee/Executive Committee of the concerned DCCB, with whatever modifications are considered necessary by the respective loan committee/Executive Committee.

It is the practice of the NABARD to indicate at the beginning of each co-operative year, the amounts that it may make available for the grant of medium-term loans for approved agricultural purposes. The SCB, in its turn, reallocate the amount among the different DCCBs. When this is done, the DCCBs were in a position to know the extent of external assistance which they would receive for MT agri. financing. But, it has been observed by the author that DCCBs are not making full use of the credit facilities available from the national institutional agencies like NABARD for providing MT agri. loans to the farmers through the PACS.

Disbursing Loans

Procedure: The procedure for the disbursement of MT agri. loans by the DCCB is the same as it has been followed for the ST agri. loans when the funds are to be disbursed to the PACS, the society should send a drawal application along with the list of members for whom the funds are sought. On checking the demands with the sanctions, as communicated
through the application, the DCCB permits the drawals. Afterwards the PACS has to send a disbursement statement to the DCCB, so that the bank can verify whether the loans have been disbursed as per the sanction or not. The total disbursement of all the individual members of the PACS is collected by the president or the secretary of the PACS, from the branches of the DCCB and then the individual amount is disbursed to the individual borrowing farmer-members.

Trend Analysis:

(a) Loans issued: The medium term agricultural loans issued by the DCCBs in Gujarat during the period from 1960-61 to 1979-80 is exhibited in Table 4.1. The analysis of the data presented in the table would reveal the following:

(i) The MT agri. loans which stood at Rs. 9 lakh in 1960-61 showed an erratic trend during the period from 1960-61 to 1979-80 and rose to the tune of Rs. 1211 lakh in 1979-80 and thus exhibited 134.55 times growth during the period.

(ii) While the MT agri. loans which constituted below zero percentage of the total agricultural loans issued by the DCCBs in Gujarat in 1960-61 increased to 6.77% in 1979-80, the MT agri. loans which constituted below zero percentage of the total loans issued by the DCCBs in Gujarat rose to 4.33% of the
Table 4.1
The medium-term agricultural loans issued by the DCCBs in Gujarat During
the period from 1960-61 to 1979-80

<table>
<thead>
<tr>
<th>At the end of the year</th>
<th>No.of DCCBs</th>
<th>MT Agri. Loans Issued</th>
<th>Total Agri. Loans Issued</th>
<th>Total Loans Issued</th>
<th>Col.2 as % of MT Agri. Loans Issued</th>
<th>Col.4 as % of MT Agri. Loans Issued</th>
<th>Average loans per DCCB</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>24</td>
<td>9</td>
<td>3966</td>
<td>6103</td>
<td>B</td>
<td>B</td>
<td>0.37</td>
</tr>
<tr>
<td>1961-62</td>
<td>24</td>
<td>79</td>
<td>4293</td>
<td>7143</td>
<td>1.84</td>
<td>1.10</td>
<td>3.29</td>
</tr>
<tr>
<td>1962-63</td>
<td>24</td>
<td>73</td>
<td>4567</td>
<td>7608</td>
<td>1.67</td>
<td>B</td>
<td>3.04</td>
</tr>
<tr>
<td>1963-64</td>
<td>24</td>
<td>52</td>
<td>4499</td>
<td>9436</td>
<td>1.13</td>
<td>B</td>
<td>2.47</td>
</tr>
<tr>
<td>1964-65</td>
<td>21</td>
<td>78</td>
<td>4574</td>
<td>7296</td>
<td>1.70</td>
<td>1.06</td>
<td>3.71</td>
</tr>
<tr>
<td>1965-66</td>
<td>19</td>
<td>145</td>
<td>4862</td>
<td>7846</td>
<td>2.98</td>
<td>1.84</td>
<td>7.65</td>
</tr>
<tr>
<td>1966-67</td>
<td>19</td>
<td>101</td>
<td>5733</td>
<td>8812</td>
<td>1.76</td>
<td>1.14</td>
<td>5.31</td>
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<tr>
<td>1967-68</td>
<td>19</td>
<td>125</td>
<td>7117</td>
<td>10674</td>
<td>1.72</td>
<td>1.15</td>
<td>6.47</td>
</tr>
<tr>
<td>1968-69</td>
<td>18</td>
<td>203</td>
<td>7230</td>
<td>10699</td>
<td>2.80</td>
<td>1.89</td>
<td>11.27</td>
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<td>1969-70</td>
<td>18</td>
<td>875</td>
<td>9555</td>
<td>13647</td>
<td>9.57</td>
<td>6.41</td>
<td>48.61</td>
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<td>1970-71</td>
<td>18</td>
<td>491</td>
<td>10207</td>
<td>14422</td>
<td>4.81</td>
<td>3.40</td>
<td>27.27</td>
</tr>
<tr>
<td>1971-72</td>
<td>18</td>
<td>394</td>
<td>11305</td>
<td>16097</td>
<td>3.48</td>
<td>2.44</td>
<td>21.88</td>
</tr>
<tr>
<td>1972-73</td>
<td>18</td>
<td>3144</td>
<td>15927</td>
<td>22137</td>
<td>19.74</td>
<td>14.20</td>
<td>174.11</td>
</tr>
<tr>
<td>1973-74</td>
<td>18</td>
<td>1773</td>
<td>16271</td>
<td>22762</td>
<td>10.89</td>
<td>7.78</td>
<td>98.5</td>
</tr>
<tr>
<td>1974-75</td>
<td>18</td>
<td>6417</td>
<td>22075</td>
<td>29793</td>
<td>29.06</td>
<td>21.53</td>
<td>356.5</td>
</tr>
<tr>
<td>1975-76</td>
<td>18</td>
<td>1375</td>
<td>14858</td>
<td>22706</td>
<td>9.25</td>
<td>6.05</td>
<td>76.38</td>
</tr>
<tr>
<td>1977-78</td>
<td>18</td>
<td>3639</td>
<td>17396</td>
<td>29269</td>
<td>20.91</td>
<td>12.43</td>
<td>202.16</td>
</tr>
<tr>
<td>1978-79</td>
<td>18</td>
<td>2970</td>
<td>20884</td>
<td>31618</td>
<td>14.22</td>
<td>9.39</td>
<td>165.00</td>
</tr>
<tr>
<td>1979-80</td>
<td>18</td>
<td>1211</td>
<td>17884</td>
<td>27964</td>
<td>6.77</td>
<td>4.33</td>
<td>67.27</td>
</tr>
</tbody>
</table>

B = below zero percentage

2. Based on (i) SSRTG0MII, RBI, Bombay for the years 1966-61 to 1978-79, and (ii) SSRTG0MII, NABARD, Bombay, for the year 1979-80.
total loans in 1979-80. The maximum amount of MT agri. loans issued during the period was Rs. 64.17 crore during 1974-75, which worked out to 21.53% of the total loans issued by the banks during the year.

(iii) The average amount of MT agri. loans issued per DCCB increased from Rs. 0.37 lakh in 1960-61 to Rs. 67.27 lakh in 1979-80. It was maximum at Rs. 365.5 lakh per bank during the year 1974-75.

Thus, substantial increase has been seen in the total MT agri. loans issued by the DCCBs in Gujarat during the period from 1960-61 to 1979-80. However, the absolute amounts of the MT agri. loans and the average MT agri. loan amounts per DCCB have exhibited an erratic trend, which could not regarded as a good sign of the progress.

(b) Loans Outstanding: The position of the medium-term agricultural loan outstandings of the DCCBs in Gujarat during the period 1970-71 to 1979-80 is presented in Table 4.2. The analysis of the data shown in the table would give the following results:

(i) While the absolute amount of MT agri. loans outstandings of the DCCBs in Gujarat, which was Rs. 1086 lakh in 1960-61 increased to Rs. 7653 lakh in 1979-80; the percentage share of the MT agri. loans outstanding to the total agricultural
Based on (i) SSRTCOMII, RBI, Bombay for the years 1970-71 to 78-79, and (ii) SSRTCOMII, NABARD, Bombay for the year 1979-80.

<table>
<thead>
<tr>
<th>At the end of the year</th>
<th>No. of DCCBs</th>
<th>MT Agri. loans outstanding</th>
<th>Total Agri. loans outstanding</th>
<th>Total loan outstanding</th>
<th>Col.4 as % of col.3</th>
<th>Col.5 as % of col.4</th>
<th>Average MT agri. loan outst. per DCCB</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>18</td>
<td>1086</td>
<td>8141</td>
<td>10612</td>
<td>13.35</td>
<td>10.23</td>
<td>60</td>
</tr>
<tr>
<td>1971-72</td>
<td>18</td>
<td>1002</td>
<td>8785</td>
<td>11643</td>
<td>11.40</td>
<td>8.60</td>
<td>56</td>
</tr>
<tr>
<td>1972-73</td>
<td>18</td>
<td>3957</td>
<td>13097</td>
<td>16026</td>
<td>30.21</td>
<td>24.69</td>
<td>220</td>
</tr>
<tr>
<td>1973-74</td>
<td>18</td>
<td>4002</td>
<td>15079</td>
<td>20192</td>
<td>26.54</td>
<td>19.81</td>
<td>222</td>
</tr>
<tr>
<td>1974-75</td>
<td>18</td>
<td>7821</td>
<td>19149</td>
<td>24769</td>
<td>40.84</td>
<td>31.57</td>
<td>434</td>
</tr>
<tr>
<td>1975-76</td>
<td>18</td>
<td>6282</td>
<td>19210</td>
<td>24620</td>
<td>32.70</td>
<td>25.51</td>
<td>349</td>
</tr>
<tr>
<td>1976-77</td>
<td>18</td>
<td>6950</td>
<td>20418</td>
<td>27654</td>
<td>34.03</td>
<td>25.13</td>
<td>386</td>
</tr>
<tr>
<td>1977-78</td>
<td>18</td>
<td>6980</td>
<td>21117</td>
<td>30541</td>
<td>33.05</td>
<td>22.85</td>
<td>388</td>
</tr>
<tr>
<td>1978-79</td>
<td>18</td>
<td>7269</td>
<td>24053</td>
<td>32635</td>
<td>30.22</td>
<td>22.27</td>
<td>404</td>
</tr>
<tr>
<td>1979-80</td>
<td>18</td>
<td>7653</td>
<td>25354</td>
<td>35464</td>
<td>30.20</td>
<td>21.57</td>
<td>425</td>
</tr>
</tbody>
</table>

3. Based on (i) SSRTCOMII, RBI, Bombay for the years 1970-71 to 78-79, and (ii) SSRTCOMII, NABARD, Bombay for the year 1979-80.
loans outstandings of the DCCBs increased from 13.33% in 1970-71 to 30.20% in 1979-80. Thus, while the absolute amount of MT agri. loans indicated 7.04 fold growth during the period from 1970-71 to 1979-80; the proportion of MT agri. loans to the total agricultural loans outstandings of the DCCBs in Gujarat increased by nearly 17% (30.20 - 13.33) during the period from 1970-71 to 1979-80.

(ii) The Share of MT agri. loans which constituted 10.23% of the total loans issued by the DCCBs in Gujarat rose to 21.57% of the total loans outstandings in 1979-80.

(iii) The average amount of MT agri. loans outstanding per DCCB increased from Rs. 60 lakh in 1970-71 to Rs. 425 lakh in 1979-80.

(iv) However, the absolute figures of MT agri. loan outstanding and the average amount of MT agri. loans outstanding per DCCB indicated an erratic trend during the period under review.

Thus, the above analysis indicated that substantial increment has been taken in the amount of MT agri. loan outstanding during the period from 1970-71 to 1979-80.

The position of the medium-term agricultural loans outstandings of the selected DCCBs and the DCCBs in Gujarat during the period from 1977-78 to 1981-82 is given in
Table 4.3 the analysis of which would give the following deductions:

(i) While the MT agri. loans outstandings of the DCCBs, which stood at Rs. 5057 lakh in 1977-78 increased to Rs. 10301 lakh in 1981-82 and exhibited 2.03 fold growth during the period, the MT agri. loans of Ahmedabad, Kaira, Kutch, and Rajkot banks, which stood at Rs. 362 lakh, Rs. 280 lakh, Rs. 11 lakh, and Rs. 304 lakh in 1977-78 increased to Rs. 517 lakh, Rs. 680 lakh, Rs. 77 lakh, and Rs. 942 lakh respectively in 1981-82 and indicated a 1.42 fold, 2.42 fold, 7 fold, and 3.16 fold growth respectively during the period under review. However, the MT agri. loan outstandings of Mehsana and Surat banks, which stood at Rs. 116 lakh and Rs. 81 lakh in 1977-78 decreased to Rs. 103 lakh and Rs. 71 lakh during the period from 1977-78 to 1981-82 and shown a negative growth during the period.

(ii) While the share of MT agri. loan outstanding to the total agri. loan outstandings of the DCCBs in Gujarat increased from 27.33 % in 1977-78 to 38.45 % in 1981-82, the percentage share of Ahmedabad, Kaira, Kutch and Rajkot bank in this regard, which stood at 15.23 %, 14.02 %, 15.71 % and 16.77 % in 1977-78 respectively increased to 16.78 %, 26.54 %, 54.22 % and 37.31 % respectively in 1981-82. However, the proportion of MT agri. loan outstanding to the total
(i) While the absolute figures of the ST agri. loans demanded by the big farmers of Ahmedabad, Kaira, Kutch, Rajkot and Surat increased in 1981-82 as compared with 1980-81, the ST agri. loans demanded from the big farmers in case of Mehsana bank declined from Rs. 653 lakh in 1980-81 to Rs. 638 lakh in 1981-82.

(ii) Similarly, while the absolute figures of ST agri. loans demanded by the banks from the small farmers increased in 1981-82 over the year 1980-81 in case of Ahmedabad, Kaira, Mehsana, Rajkot and Surat bank, the ST agri. loans demanded by the banks from the small farmers of Kutch bank remained unaffected at Rs. 14 lakh during both the years i.e. 1980-81 and 1981-82.

(iii) While the percentage of recovery to demand of the big farmers for the Kaira, Kutch, Mehsana, Rajkot and Surat banks which stood at 41.11 %, 51.04 %, 48.70 %, 42 % and 57.59 % respectively in 1980-81 increased to 50.54 %, 55.34 %, 52.04 %, 76.70 % and 67.25 % respectively in 1981-82.

(iv) While the percentage of recovery to demand in case of the small farmers of all the six selected banks in Gujarat increased in 1981-82 in comparison with what it was in 1980-81 except the Ahmedabad bank. (The above percentage of Kaira, Kutch, Mehsana, Rajkot and Surat which stood at 31.04 %, 50 %,
73.55 %, 56.48 % and 59.37 % respectively in 1980-81 rose to 37.71 %, 64.29 %, 77.68 %, 73.13 % and 75 % respectively in 1981-82.

(v) The aggregate demand of ST agri. loans from the big farmers of all the selected banks which stood at Rs. 6830 lakh in 1980-81, constituting 43.41 % of the aggregate demand of the DCCBs in Gujarat in this regard, increased to Rs. 7237 lakh in 1981-82 and constituted 41.97 % of the total amount demanded by the banks from the big farmers in this regard.

(vi) The total amount of demand of ST agri. loans from the small farmers of all the six selected banks stood at 1237 lakh in 1980-81 constituting 45.87 % of the total amount of ST agri. loans' demand from the small farmers by the DCCBs in Gujarat further increased to Rs. 1341 lakh in 1981-82 and constituted 43.26 % of the total demand in this regard at the Gujarat level.

(vii) The amount of recovery from the big farmers of all the six selected banks which stood at Rs. 3185 lakh in 1980-81 rose to Rs. 4315 lakh in 1981-82 and thus formed 38.29 % and 37.16 % in 1980-81 and 1981-82 respectively to the total amount of recovery made from the big farmers by the DCCBs at Gujarat level.

(viii) Similarly, the amount recovered from the small farmers by all the selected banks, which stood at Rs. 641 lakh in 1980-81 rose to Rs. 776 lakh. Thus,
It meant that the percentage share of amount recovered by selected banks to the total amount recovered by the DCCBs at Gujarat level declined from 40.96 \% in 1980-81 to 36.91 \% in 1981-82.

(ix) While the average percentage share of recovery to demand of all the six selected banks stood at 46.69 \% against the 56.69 \% of the DCCBs at Gujarat level in case of the big farmers in 1980-81, the average percentage share of the selected banks stood at 59.61 \% in 1981-82 against 67.33 \% at the DCCBs at Gujarat level in 1981-82 in this regard.

(x) The average percentage share of the recovery to demand position of the selected banks increased from 51.82 \% in 1980-81 to 57.87 \% in 1981-82. However, the average percentage share of the recovery to demand position of the DCCBs at Gujarat increased from 58.02 \% in 1980-81 to 67.81 \% in 1981-82.

Thus, (i) the average percentage share of the recovery to demand position of the selected banks both for the big and the small farmers were comparatively found lower in 1981-82 than that of what they were in 1980-81, and (ii) the percentage share of selected banks as a group to the total ST agri. loans demanded or recovered either from the big or the small farmers at the DCCBs at Gujarat level were found comparatively low in 1981-82 than those of in 1980-81.
Overdues: The overdue position of the ST agri. loans of the selected banks from 1977-78 to 1981-82 is presented in Table 3.27. The analysis of the data would reveal as follows:

(i) The absolute figures of the overdue amount of ST agri. loans at the Gujarat level increased from Rs. 5514 lakh in 1977-78 to Rs. 7651 lakh in 1981-82 indicating a 1.38 fold rise during the period from 1977-78 to 1981-82, and showing a progressive rise during the period.

(ii) While the absolute figures of the overdue amounts of ST agri. loans of Ahmedabad and Kutch banks indicated progressive rises during the period from 1977-78 to 1981-82, no specific trend was found in regard to this in case of the other selected banks, viz., Kaira, Mehsana, Rajkot and Surat during the period under review.

(iii) The total amount of overdues of the ST agri. loans of Ahmedabad, Kaira, Kutch, Mehsana, Rajkot and Surat banks, which stood at Rs. 553 lakh, Rs. 1008 lakh, Rs. 32 lakh, Rs. 521 lakh, Rs. 169 lakh and Rs. 13 lakh respectively in 1977-78 rose to Rs. 1133 lakh, Rs. 1338 lakh, Rs. 45 lakh, Rs. 341 lakh, Rs. 671 lakh and Rs. 216 lakh respectively in 1981-82.
Table 3.27

DCCBS : Position of ST agricultural loans Overdue

<table>
<thead>
<tr>
<th>At the end of the year (April-March)</th>
<th>Ahmedabad</th>
<th>Kaira</th>
<th>Kutch</th>
<th>Mehsana</th>
<th>Rajkot</th>
<th>Surat</th>
<th>Gujarat</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>552.71</td>
<td>1008.36</td>
<td>32.33</td>
<td>520.61</td>
<td>168.60</td>
<td>12.81</td>
<td>5513.72</td>
</tr>
<tr>
<td>1978-79</td>
<td>744.05</td>
<td>1010.67</td>
<td>39.89</td>
<td>343.39</td>
<td>228.60</td>
<td>5.40</td>
<td>4656.90</td>
</tr>
<tr>
<td>1979-80</td>
<td>839.44</td>
<td>925.88</td>
<td>40.03</td>
<td>325.25</td>
<td>220.13</td>
<td>215.50</td>
<td>5394.68</td>
</tr>
<tr>
<td>1980-81</td>
<td>1007.17</td>
<td>1007.44</td>
<td>43.41</td>
<td>365.71</td>
<td>637.96</td>
<td>224.64</td>
<td>6941.87</td>
</tr>
<tr>
<td>1981-82</td>
<td>1133.50</td>
<td>1337.90</td>
<td>45.39</td>
<td>341.38</td>
<td>670.69</td>
<td>216.25</td>
<td>7650.52</td>
</tr>
</tbody>
</table>

44. Based on SIOWDCCBG, GSCB, Ahmedabad for the years 1977-78 to 1981-82.
(iv) While the total amount of overdue in case of Mehsana bank decreased indicating 0.65 times fall during the period from 1977-78 to 1981-82, among other selected banks Surat ranked first with 16.6 times rise in its overdues; Rajkot ranked second with 3.98 fold rise, Ahmedabad stood third with 2.04 fold rise and 4th and 5th position is secured by Kutch and Kaira bank with 1.40 fold and 1.32 fold rise in their amounts of overdues in this regard during the period from 1977-78 to 1981-82.

Thus, the performance of Mehsana bank was comparatively better among the selected banks as it could exhibited a negative growth in the amount of overdue during the period of review, and the performance of Surat bank was very poor as it had registered 16.6 fold rise in its overdue amounts in this regard during the period from 1977-78 to 1981-82.

Measures to boost the recovery efforts undertaken by the DCCBs: The measures to boost the recovery performance of the DCCBs mainly include (i) the implementation of various incentive schemes, and (ii) the legal/coercive steps taken under section 96 and section 106 of the Gujarat Co-operative Societies Act, 1961, which are discussed hereafter in detail.

(A) Incentive Schemes: It has been observed in the field work of the author that the DCCBs in Gujarat had undertaken various incentive schemes to boost their efforts in the
recovery performance. These schemes differ from bank to bank according to their local conditions. But, these schemes generally possessed the following common element/provisions:

(1) Interest Rebate Provision: Under this head the DCBs give concessions in the amounts of interest charged by them while repaying the loan amount. The benefit of rebate in the rate of interest charged is given either to the individual farmers or to the PACS.

The Surat bank had provided following concessions in the rates of interest to the farmers/borrowers, under its Recovery Incentive Scheme for 1981-82:

(a) For defaulters with overdue upto 30.6.76 would get the rebate in the interest charged by the bank as under

(1) 50% rebate in interest for the payment of principal and interest amount of the overdue amount due on 30-6-76.

(2) 35% rebate in interest, for the payment of 25% or more of the principal amount and repayment of interest due on 31-5-82.

(3) 25% rebate in interest for the repayment of less than 25% of the principal amount and the full payment of interest due on 31-5-82.

(4) Whatever amount of interest repaid by the defaulter, being the sum of interest due for the dues before 30-6-76, 20% rebate in interest would be given to him on the amount he would repay by way of repayment of interest for the overdue amount upto 30-6-76.
(b) The defaulters with overdue after 1.7.76 would be given the following concessions in the interest amount:

1. 30% rebate for full payment of principal and interest amount.
2. 25% rebate in interest for 30% or more than 30% of the repayment of the principal amount and the full payment of interest due on 31-5-82.
3. 20% rebate in interest for 10% to 30% repayment of the principal amount and full payment of interest due on 31-5-82.
4. If only interest due is paid 15% rebate would be given on the actual payment of interest.

(c) Moreover, for the non defaulter borrowers, 15% rebate in the interest would be provided to those borrower-members who have repaid the full amount of principal and interest on their loans.

(2) Interest Rebate Scheme for PACS:

1. Surat bank had declared that 12% concession to all the PACS which have recovered (a) 50% or more of the overdue amount due in 1981-82 and (i) which have repaid the interest due on 30-6-82.
2. The PACS which could repay 25% to 49% of the total overdue due in 1981-82 and which had paid up the interest due on 30-6-82, were eligible for 10% concession in their interest amount.
(3) Incentive Schemes for Secretaries: Over and above the concessions given either to the borrowing members or to the PACS the DCBs in Gujarat have also undertaken special incentive schemes for the societies of the PACS. As an illustrative the details of the incentive scheme for secretaries implemented by the Mehsana DCB is presented here, whose main features are summarised as follows:

(i) The total demand for the scheme would include the demand for short-term/medium-term/conversion and rephasing instalment of loan and also the overdue amount.

(ii) The secretaries effecting the recovery of less than 75% would not be eligible for the scheme.

(iii) The repayment of amount recovered from the members should have been fully deposited in the bank.

(iv) After the recovery of interest on demand is made, the secretary of the society would be eligible for prize under the scheme.

In Table 3.28 are presented the data regarding the cash prizes awardable to the secretaries of the Mehsana DCB during the year 1982-83.

(4) Special Scheme of Incentive for the specific areas/ Talukas undertaken by the DCBs: Over and above the interest rebate scheme and the incentive schemes for the secretaries, some of the DCBs had undertaken special incentive scheme for specific area or for the specific PACS in its jurisdiction, where the conditions of either
**Table 3.2**

Prize - Incentive Scheme for the Secretaries, 1982-83
(Mehsana bank)

<table>
<thead>
<tr>
<th>Percentage of Recovery to Demand</th>
<th>Amount of Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Upto Rs. 1 lakh</td>
</tr>
<tr>
<td>100</td>
<td>Rs. 75</td>
</tr>
<tr>
<td>85 – 99</td>
<td>Rs. 50</td>
</tr>
<tr>
<td>75 – 84</td>
<td>Rs. 25</td>
</tr>
</tbody>
</table>

45. Based on the field work of the author.
the agricultural farmers were found peculiar or where the percentage of recovery to demand was found too low. As an illustration, the scheme in operation with the DCCB of Surat is worth quoting in this regard.

The tribal sub-plan is in operation in Nizar, Uchhal, Songadh, Vyara, Valod, Mahuva, Mangrol, Mandvi and Bardoli Talukas of the Surat district. Hence, the bank has declared, in 1981-82, a special incentive scheme for the secretaries of the PACS belonging to the above Talukas. Accordingly, the secretary of these Talukas was eligible for an incentive cash prize of Rs. 200 for the 20% of its recovery of agricultural loan comprised ST agri. conversion and MT agri. loans during 1981-82. He would also be eligible to get 10 times more, on the excess amount of the percentage of recovery of such loans over 20%, subject to the maximum amount of cash prize of Rs. 1000 in this regard.

The bank (Surat bank) had also declared another special incentive scheme for the PACS of Mangrol and Mandvi Talukas. Under the scheme the PACS which could repay the principal and interest amounts of loans during 1981-82 were made eligible. Accordingly any secretary belonging to these societies, who could repay Rs. 1 lakh was eligible for getting cash prize of Rs. 100. Over and above this, he would get a prize of Rs. 10 for the repayment of every thousand rupees (above Rs. one lakh) subject to the maximum of Rs. 1500.
The operation of the above schemes, however, did not make material change in the recovery of the overdues from the PACS. They therefore, require modification suitable to the local conditions.

(B) Legal/Coercive Measures: Where the outstandings are not paid by the PACS within the stipulated due date/s, the amount becomes overdue. In such a case, the bank has to take timely action to recover the overdue amounts. However, if the normal efforts of the Bank to recover the overdue amount fail, it is necessary to take coercive action to prevent the overdues from becoming bad debts. Under the provisions of the Gujarat Co-operative Societies Act, 1961 the bank has to settle such disputes between itself and the member society. The sections 96 to 106 of the said Act and Rules 41 to 45 lay down the procedure in this behalf. When the district bank decides to take legal action against the defaulter society, it has to lodge the arbitration proceedings, with the co-operative court.

The PACS have to undertake the formalities under the above Sections/Rules of the Act for the settlement of disputes, which include:

(i) disputes regarding the receipt and the payment of money by the society,
(ii) disputes pertaining to the membership of the individuals,
(iii) disputes related to the legal heir of a deceased member,
(iv) trade disputes in case of the trading activity
undertaken by the society (provided both the parties are members);

(v) dispute regarding the sureties, 

(vi) disputes related to the Annual general meeting — meeting of the managing committee and the election of other committees

(vii) disputes related to the employees, executives/officials of the societies regarding their service conditions, providend fund etc.

Except in case of (i) above, the societies can settle the disputes mentioned in (ii) to (vi) and for that purpose they can make use of the section 96 to 105 of the Gujarat co-operative societies Act, 1961. As many societies are providing agri. loans under the crop loan system and as they are not found active to make use of the (section 96) for this purpose; special provision for the repayment of agricultural dues by the agricultural credit societies is made in section 106 of the Gujarat Co-operative societies Act, 1961. The main provisions and procedures laid down under the section 106 of the Gujarat Co-operative Societies Act, are summarised hereunder:

Any society undertaking financing of crop and seasonal finance or medium term finance could undertake the recovery procedure under this section. Prior to August 1982 the societies undertaking financing of crop and seasonal finance were only eligible under this section. But as this section has been amended in August 1982 (Vide Gujarat Act No. 23 of 1982, "Gujarat Government Gazettee", on the 2nd August
1982) the medium term finance could also be covered under this section for the recovery of agricultural dues. Thus, advancing of loans (i) for ST agri. crop loan finances, (ii) loans for seasonal finances, and (iii) medium term finance — are eligible for the aforesaid procedure for the repayment of dues under this section.

As stated above in the case of crop, seasonal or medium term finance by the PACS, special procedure for recovery of overdue amounts has been provided in this section. Under the said cause a 'Certificate of Recovery' is granted by the Registrar or his authorised officer. For obtaining such a certificate the PACS is required to make an application along with the extract of the account of the defaulter member to the Registrar as provided in sub section (i) of section 106 of the Act. On receiving the application the Registrar issues a recovery certificate. Where the society, fails to obtain such a 'certificate of Recovery', in time, sub section (2) of section 106 authorises the Registrar to issue such certificate of recovery even in the absence of necessary application, etc., from the society. The inspector of the DOOB should see at the time of his visit to the society that the concerned society obtains the recovery certificates. The 'Certificate of Recovery' is final and a conclusive proof of the arrears stated to be due therein and the same is recoverable according to the law for the time being in force, for recovery of land revenue. "Hence certificate of recovery is treated final
and the amount of arrears stated in the certificate is also treated as the final amount of due to be recovered, and no complaint could be entertained against this certificate. Moreover, disputes regarding the certificate of recovery can not also be refered to the tribunal. No appeal can also be made saying that the certificate is false.\(^{46}\)

Generally, after hearing the defaulter - member the Registrar may issue the certificate of Recovery under section 106 of the Act. Once the recovery certificate is issued it becomes a decree of court and the dues to be recoverable in it becomes the land revenue dues. The recovery of land revenue dues is made under the Land Revenue Code. The collector and the Registrars are empowered to take precautionary measures under section 140 to 144 of the Land Revenue Code, until the arrears due to the society together with interest and any incidental charges incurred in the recovery of such arrears, are paid or security for payment of such arrears is furnished to the satisfaction of the Registrar.

Government appoints special recovery officers who are of the rank of Mamlatdar or deputy mamlatdar for this purpose. Even though the special recovery officer (SRO) belongs to the revenue department, the administration of the recovery procedure is in the hands of the co-operative department. The tour dairy and TA bill of the SROs are

\(^{46}\) GSCB : District Co-operative Bank Manual (G), Vol. 4, p. 319.
sanctioned by the Registrar of the Co-operative Societies. For the convenience of the recovery work and its administration the office of the SRO is generally kept at the head office of the district bank (Generally SRO for one district is appointed by the Govt.). The expenditure regarding his stationary expenditure etc. is made by the DCCB and he has been provided bank’s vehicle (or the vehicle on higher basis) for undertaking the recovery work. 2 Clerks and one Peon is provided to the SRO belonging to the Mamlatdar’s rank and one clerk and a peon is given to the SRO of rank of the Deputy Mamaldar’s.

It has been observed during the field visits of the author to the selected banks that the procedures (as it has been laid down above) for the coercive steps under the Gujarat Co-operative Societies Act are very cumbersome. The position of SRO is very pitty; he is a man with authority without any help & co-operation either from the co-operative department (as he belongs to the revenue department) or from the Head Office/management of the bank. Again as he is working on deputation in the DCCBs, he lacks initiative and zeal (which is quite natural.) and he has been given a small staff of 2 or 3 persons to do the gigantic work of the recovery of agricultural dues of the whole district. Since the provisions of section 106 have been amended recently and the medium term finances comprising the advances relating to the production of agriculture, fishery, animal husbandry and industry have
also been incorporated in this section; it becomes necessary in this context to think seriously regarding the purview of recovery work of the SROs in Gujarat. More SROs should be appointed per district and they should be assisted by more clerks. Linking of the supervisory work of the DCGBs with the work of the SRO -- (How far it is possible) should also be thought of, to solve the burning problem of increasing trend of co-operative overdues.

The particulars of the action taken by the DCGBs in Gujarat in 1977-78 and 1981-82 under section 96 of the Gujarat Co-operative Societies Act, 1961 in regard to the recovery of agricultural dues is furnished below in Table 3.29.

Table 3.29

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>1977-78</th>
<th>1981-82</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Overdues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No. of defaulting members</td>
<td>18738</td>
<td>31386</td>
</tr>
<tr>
<td></td>
<td>Amount of overdue (Rs. lakh)</td>
<td>468</td>
<td>1022</td>
</tr>
<tr>
<td>2</td>
<td>Of which</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Action taken under Section 96</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No. of members</td>
<td>1507</td>
<td>10577</td>
</tr>
<tr>
<td></td>
<td>Amount (Rs. lakh)</td>
<td>25</td>
<td>224</td>
</tr>
<tr>
<td>3</td>
<td>Percentage of 2 to 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No. of members</td>
<td>8.04</td>
<td>33.69</td>
</tr>
<tr>
<td></td>
<td>Amount</td>
<td>5.34</td>
<td>21.91</td>
</tr>
</tbody>
</table>

47. Based on SIOWDCGB, GSCB, Ahmedabad for the years 1977-78 & 1981-82.
The analysis of the data given in the Table would reveal the following:

(i) While the number of defaulting members of the DCCBs which stood at 18738 in 1977-78 increased to 31386 and shown 1.67 fold rise; the amount of overdue amount which stood at Rs. 468 lakh in 1977-78, rose to Rs. 1022 lakh in 1981-82 and showed 2.18 fold rise during the period.

(ii) Of the 18738 defaulting members, the DCCBs in Gujarat could take action against 1507 members under section 96 of the said Act in 1977-78, which constituted 8.04% of the total members in that year. Against this, the DCCBs in Gujarat could take action against the 10577 defaulters out of the total no. of 31386 defaulters in Gujarat in 1981-82, forming 33.69% of the total defaulters in Gujarat during the year.

(iii) While the DCCBs could recover Rs. 25 lakh out of the total overdue of Rs. 468 lakh, through the coercive action in 1977-78 constituting 5.34% of the total overdue amount in 1977-78, they could recover Rs. 224 lakh out of the total overdue of Rs. 1022 lakh in 1981-82, which constituted 21.91% of the total overdue amount of the banks in 1981-82. While the percentage share of the members on whom the action was taken under section 96 of the act to the total defaulting members increased from 8.04% in 1977-78 to
33.69% in 1981-82; the percentage share of the amount collected by the coercive method increased from 5.34% in 1977-78 to 21.91% in 1981-82. Thus, the DCCBs have started relying more on legal action for recovery of overdue, which could be regarded as a bold step in the right direction. This means that the position of the DCCBs has seemed to be improved in this regard during the period from 1977-78 to 1981-82.

The data regarding the action taken by the selected DCCBs in Gujarat under section 106 of the Gujarat Co-operative Societies Act, 1961, during 1977-78 and 1981-82 are given in Table 3.30, whose analysis would yield the following main results:

(i) While the total number of defaulting members at the Gujarat level declined from 221277 in 1977-78 to 217242 in 1981-82; the overdue amount increased from Rs. 3855 lakh in 1977-78 to Rs. 5451 lakh in 1981-82 exhibiting 1.41 fold rise during the period.

(ii) While coercive action was taken against 43942 members in 1977-78, such action was taken against 22949 members in 1981-82. Thus, the percentage share of members against whom action was taken under sections 106 of the Act declined from 19.86% in 1977-78 to 10.56% in 1981-82.
agri. loan outstandings in case of Mansana and Surat banks decreased from 14.32% and 14.64% in 1977-78 to 12.10% and 9.19% respectively in 1981-82.

(iii) Similarly, the proportion of MT agri. loans to the total loan outstandings of the DCCBs was concerned, while the percentage share of DCCBs in Gujarat increased from 16.65% in 1977-78 to 22.25% in 1981-82 in this regard, the percentage share of Kaira, Kutch and Rajkot banks increased from 8.81%, 11.70% and 12.83% to 18.68%, 41.39% and 24.81% respectively in 1981-82. However, the percentage share of Ahmedabad, Mehsana and Surat banks in this respect declined during the period from 1977-78 to 1981-82.

(iv) Another important point with regard to the absolute figures of the MT agri. loan outstandings of the selected banks and the DCCBs in Gujarat was that none of them could show progressive rising trend during the period from 1977-78 to 1981-82.

Thus it could be seen from the above analysis that while the DCCBs in Gujarat could show positive increase in their MT agri. loan outstanding during the period from 1977-78 to 1981-82, the selected banks indicated a mixed trend with regard to the MT agri. loan outstandings during the period under review. As regards the share of MT agri. loans to (a) the total agricultural loans and (b) the total
loan outstandings was concerned; While the performances of Kutch and Rajkot bank were above the Gujarat's level; the performances of Ahmedabad and Kaira bank were below the Gujarat's level. However, the performance of Mehsana and Surat bank were not only lagging behind than those of the Gujarat level, but it indicated negative performance in this regard during the period from 1977-78 to 1981-82 as the percentage share of these banks had fallen during this period.

The composition of the medium-term agricultural loans outstandings of the DCCBs in Gujarat during the period from 1977-78 to 1981-82 is shown in Table 4.4. The analysis of which would reveal the following picture:

1. The total MT agricultural loan consisted of MT agri. (normal) loan, conversion loans, rephaselement loans, and reschedulemment loans loans which constituted 12.32 %, 49.93 %, 19.05 % and 18.70 percentages respectively in 1977-78 decreased to 11.88 %, 16.09 %, 2.60 % and 0.68 % respectively in 1981-82. However the rehabilitation loans which were introduced in 1980-81 stood at 68.75 % of the total MT agri. loans in 1981-82. Thus, while the conversion loans constituted the major portion of the MT agri. total loans in 1977-78, the rehabilitation loans formed the major portion of the total MT agri. loans in 1981-82.
Table 4.5

Composition of medium-term agricultural loans outstandings of the DCCBs in Gujarat during the period from 1977-78 to 1981-82

<table>
<thead>
<tr>
<th>At the end of the year</th>
<th>MT Agri. Advances (Normal)</th>
<th>MT Conversion Advances</th>
<th>MT Rephase Advances</th>
<th>MT Rescheduling Advances</th>
<th>MT Rehabilitation Advances</th>
<th>Total MT Agri. Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>623</td>
<td>2525</td>
<td>963</td>
<td>946</td>
<td>-</td>
<td>5057</td>
</tr>
<tr>
<td>1978-79</td>
<td>645</td>
<td>1817</td>
<td>367</td>
<td>2128</td>
<td>-</td>
<td>5257</td>
</tr>
<tr>
<td>1979-80</td>
<td>939</td>
<td>2034</td>
<td>326</td>
<td>608</td>
<td>-</td>
<td>3907</td>
</tr>
<tr>
<td>1980-81</td>
<td>1093</td>
<td>1952</td>
<td>362</td>
<td>136</td>
<td>4116</td>
<td>7659</td>
</tr>
<tr>
<td>1981-82</td>
<td>1224</td>
<td>1657</td>
<td>268</td>
<td>71</td>
<td>7081</td>
<td>10301</td>
</tr>
</tbody>
</table>

(Amount in rupees lakh)

5. Based on SIOWDCCG, GSCB, Ahmedabad for the years 1977-78 to 1981-82.
(ii) While the MT agri. (normal) loans increased from Rs. 623 lakh in 1977-78 to Rs. 1224 lakh in 1981-82 and indicated 1.96 fold growth during the period from 1977-78 to 1981-82, the conversion, rephasement and reschedulement loans which stood at Rs. 2525 lakh, Rs. 963 lakh and Rs. 946 lakh respectively decreased to Rs. 1657 lakh, Rs. 268 lakh and Rs. 71 lakh respectively and exhibited a negative growth of 0.65 fold, 0.27 fold and 0.07 fold growth during the period under review. However, the rehabilitation loans increased from Rs. 4116 lakh in 1980-81 to Rs. 7081 lakh respectively in 1981-82 and exhibited 1.72 fold growth during one year.

Thus, while conversion loans constituted the major portion of the MT agri. loans outstandings during the years 1977-78 and 1979-80; the reschedulement loans constituted the major portion in 1978-79 and the rehabilitation loans constituted the major portion of the total MT agri. loans during the years 1980-81 and 1981-82. (This was obvious because the previous outstanding dues of all the above -- conversion, rephasement, and reschedulement loans were merged into the rehabilitation loans).

The composition of MT agrii loans outstandings of the selected banks during the period from 1977-78 to 1981-82 is exhibited in Table 4.5. The analysis of the data presented in the table would show following results:
(i) While the MT agri. (normal) loans of Ahmedabad, Kutch, Mehsana and Rajkot banks which stood at Rs. 114 lakh, Rs. 1 lakh, Rs. 3 lakh and Rs. 25 lakhs respectively in 1977-78 increased to Rs. 381 lakh, Rs. 41 lakh, Rs. 28 lakh and Rs. 33 lakh respectively in 1981-82; the MT agri. loans (normal) of Kaira and Surat banks decreased from Rs. 25 lakh and Rs. 10 lakhs respectively in 1977-78 to Rs. 14 lakh and Rs. 7 lakh respectively in 1981-82.

(ii) While the Ahmedabad, Mehsana and Surat banks' total MT agri. loan consisted of the MT agri. (normal) loans, conversion loans and rephacement loans only during the period from 1977-78 to 1981-82; the other three selected banks' viz., Kaira, Kutch and Rajkot total MT agri. loans outstandings included all the types of loans — MT agri. (normal), conversion, rephacement, reschedulement and rehabilitation loans during the period under review.

(iii) As regards the absolute figures of the MT agri. (normal) loans of the Ahmedabad, Mehsana and Surat banks were concerned while it show increments during the period from 1977-78 to 1981-82 in case of Ahmedabad and Mehsana banks, it declined in case of the Surat bank during the same period. However, the MT conversion loan outstanding (the
absolute figures) of the three above banks showed a declining trend during the period from 1977-78 to 1981-82.

(iv) Insofar as the composition of the total MT agri. loans of Kaira, Kutch and Rajkot banks during the year 1981-82 was concerned, while rehabilitation loans formed the major portion of the total MT agri. loans in case of Kaira and Rajkot banks it was next to MT agri. (normal) and conversion loans in case of Kutch bank during the year 1981-82.

Thus, the above analysis indicated that as regards the composition of MT agri. loans outstanding of the selected banks was concerned while the performances of the Ahmedabad and Mehsana bank were found to be better (as they have not availed of the reschedulement and rehabilitation loans and their MT agri. (normal) loans showed rising trend and conversion loans indicated decreasing trend during the period under review.), followed by Surat bank (though it had not availed of the reschedulement and rehabilitation loans; its MT agri. loans decreased in 1981-82 as against in 1977-78 and its conversion loans declined in 1981-82 as compared to that in 1977-78), followed by the Kutch, Kaira and Rajkot banks. (As they availed of all the types of MT agri. loans and their portion of rehabilitation loan was substantial in 1981-82).

Composition of the MT agri. (normal) loan outstandings of the DCCBs in Gujarat during the period from 1977-78 to 1981-82 is elicited in Table 4.6. The analysis of the table would reveal the following:
Table 4.6

Composition of the medium-term agricultural (normal) loans outstanding of the DCCBs in Gujarat during the period from 1977-78 to 1981-82

<table>
<thead>
<tr>
<th>At the end of the year</th>
<th>Wells and Pumping Sets</th>
<th>Farm Machinery, Agri. implements &amp; transport equipments</th>
<th>Land Improvement</th>
<th>Milch cattle</th>
<th>Bullocks</th>
<th>Farm Others</th>
<th>Total Houses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>105</td>
<td>118</td>
<td>23</td>
<td>58</td>
<td>31</td>
<td>14</td>
<td>234</td>
</tr>
<tr>
<td>1978-79</td>
<td>98</td>
<td>69</td>
<td>5</td>
<td>40</td>
<td>12</td>
<td>9</td>
<td>357</td>
</tr>
<tr>
<td>1979-80</td>
<td>244</td>
<td>73</td>
<td>64</td>
<td>97</td>
<td>43</td>
<td>21</td>
<td>325</td>
</tr>
<tr>
<td>1980-81</td>
<td>811</td>
<td>36</td>
<td>61</td>
<td>75</td>
<td>55</td>
<td>7</td>
<td>48</td>
</tr>
<tr>
<td>1981-82</td>
<td>931</td>
<td>81</td>
<td>46</td>
<td>61</td>
<td>44</td>
<td>10</td>
<td>42</td>
</tr>
</tbody>
</table>

(Amount in rupees lakh)

N.B. : Classification of Rs. 132 lakhs for 1977-78, Rs. 170 lakhs for 1978-79 and 252 lakhs for 1979-80 is not available.

7. Based on SIOWDCCBG, GSB, Ahmedabad for the years 1977-78 to 1981-82.
(i) While the percentage share of agri. loans for wells and pumsets and land improvements, which was 14.68 % and 3.21 % in 1977-78 increased to 76.62 % and 3.78 % in 1981-82; the percentage share of agri. loans for farm machinery, milch cattle, bullocks and farm houses, which stood at 16.50 %, 8.11 %, 4.33 % and 1.95 % respectively decreased to 6.66 %, 5.02 %, 3.62 % and 0.82 % respectively in 1981-82.

(ii) The absolute figures of MT agri. loans for wells and pumsets, land improvement, milch cattle and bullocks, indicated 8.86 fold, 2 fold, 1.05 fold and 1.41 fold growth during the period from 1977-78 to 1981-82. As against this the MT agri. loans for the farm machinery and farm houses exhibited a negative growth (0.68 and 0.71 fold) during the period from 1977-78 to 1981-82.

Thus, the total MT agri. (normal) loans of DCBs in Gujarat indicated 1.69 fold growth during the period from 1977-78 to 1981-82. Among the various purposes of the MT agri. loans, agri. loans for wells and pumsets contributed substantially as it exhibited 8.86 fold growth during the period from 1977-78 to 1981-82 and it formed 76.62 % of the total MT agri. loans in 1981-82. However, the share of agri. loans for the other purposes like land improvement, milch cattle, bullock was not substantial (\(\therefore\) they indicated 2 fold, 1.05 fold and 1.41 fold growth respectively during
the period 1977-76 to 1981-82) and the agri. loans for
the purposes of farm machinery and farm houses showed a
negative growth during the period under review.

The composition of MT agri. (normal) loans outstandings
of the selected banks during the years 1977-78 and 1981-82
is presented in Table 4.7, the analysis of which would
indicate the following:

(i) While the total MT agri. (normal) loans of Ahmedabad,
Kutch, Mehsana, which stood at Rs. 110.38 lakh, Rs. 
1.42 lakh and Rs. 2.94 lakh respectively in 1977-78
increased to Rs. 372.43 lakh, Rs. 41.11 lakh and
Rs. 26.41 lakh respectively in 1981-82 and indicated
3.38 fold, 28.95 fold, and 9.66 fold growth
respectively during the period from 1977-78 to
1981-82; the total MT agri. (normal) loans of Kaira,
Mehsana and Surat banks, which stood at Rs. 24.73
lakh, Rs. 36.22 lakh and Rs. 231.64 lakh respectively
in 1977-78 decreased to Rs. 14.14 lakh, Rs. 32.54
lakh and Rs. 6.83 lakh respectively and exhibited
a negative growth during the period from 1977-78
to 1981-82.

(ii) Among the various purposes of the MT agri. (normal)
loans of the selected banks (though the separate
data for Ahmedabad and Kaira banks were not available)
the MT agri. loans for wells and pumps, for farm
machinery and agri. implements etc. and the milch
cattle together contributed substantially during
the years 1977-78 and 1981-82 and the share for other purposes like land improvement, bullocks and farm houses was meagre during the years 1977-78 and 1981-82.

Following-Up Loan Utilisation:

The follow-up machinery for the utilisation of the medium-term agricultural loans was the same as it has been for the ST agricultural loans (which has been presented in Charts 3.3, Chart 3.4, Chart 3.5 and Chart 3.6 in the Chapter-3). The loan department is organised either on the functional type or on the line type of organisation with 3 or 4 cadres of manager, sr. inspector(s), Assistant Sr. inspectors, and inspectors are working in between the Board of Directors of the DCCBs and the PACS.

Inspectors of the DCCBs and the secretaries of the PACS act as the important link between the management of the DCCBs on the one hand and the scattered farmer-borrowers on the other. Hence, the efficiency of the follow-up machinery for monitoring the lending operations of the DCCBs primarily depended upon the competence and efficiency of the inspectors of the banks and the secretaries of the PACS. The detailed discussion relating to the role of the inspectors, their duties and functions as well as the role of secretaries, their duties, which have been presented in chapter 3 is equally applicable here for the MT agri. loans too.
Recovering Loans

Machinery set-up: The medium-term agricultural loans are disbursed by the DCCBs to the farmers through the PACS under the crop loan system. The accommodation for the medium-term agricultural loans is available to the DCCBs from the NABARD only for the approved purposes. The DCCBs in turn give financial assistance to the farmers through the PACS. The inspectors of the DCCBs and the secretaries of the PACS act as the important link in all the stages of sanction, scrutiny, disbursement and recovery of loans. The active participation of the inspectors of the bank and the secretaries of the PACS enabled the smooth and speedy recovery of MT agri. loans.

Factors Affecting Recovery: A variety of factors as cited in chapter 3, affect the recoveries of the MT agri. loans, which are grouped into two main categories, viz., external factors and internal factors, by the Datey Committee on the overdue of co-operative credit institutions.

The external factors included those which were beyond the control of the lending institutions. e.g. Climatic conditions, irrigation facilities, cropping pattern etc. The internal factors related to the organisational and supervisory arrangements, obtaining within the institutions which should, normally help recoveries of dues and lower the levels of overdues.
Trend Analysis: The overall medium-term agricultural demand and recovery position of the DCCBs in Gujarat during the period from 1977-78 to 1981-82 is shown in Table 4.8, the analysis of which would reveal following deductions:

(i) While the absolute figures of the total demand of MT agri. loans decreased from Rs. 5606 lakh in 1977-78 to Rs. 5423 lakh in 1981-82, the amount of recovery of the overall MT agri. loans declined from Rs. 2756 lakh in 1977-78 to Rs. 2672 lakh in 1981-82.

(ii) As against this, the overdue of the MT agri. loans which stood at Rs. 2850 lakh in 1977-78 fell to Rs. 751 lakh in 1981-82.

(iii) The absolute figures of overall demand, recovery and overdues of the MT agri. loans indicated erratic trend during the period from 1977-78 to 1981-82.

(iv) The percentage of recovery to demand of the MT agri. loans, which stood at 49.16% in 1977-78 showed an erratic trend during the period 1977-78 to 1981-82 and increased to 49.27% in 1981-82.

(v) The percentages of recovery to demand of total agricultural loans (consisted of ST + MT agri. loans), which stood at 57.26% in 1977-78 increased to 74.35% in 1981-82.
Table 4.89

Overall medium-term agricultural demand and recovery position of the
DCCBs in Gujarat during the period from 1977-78 to 1981-82

<table>
<thead>
<tr>
<th>At the end of the year</th>
<th>Demand 0</th>
<th>Recovery 1</th>
<th>Overdue 2</th>
<th>Percentage of Recovery to Demand 3</th>
<th>Percentage of Total Recovery to Demand 4</th>
<th>(Amount in rupees lakh) 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>5606</td>
<td>2756</td>
<td>2850</td>
<td>49.16</td>
<td>57.26</td>
<td></td>
</tr>
<tr>
<td>1978-79</td>
<td>4644</td>
<td>2225</td>
<td>2419</td>
<td>47.91</td>
<td>61.14</td>
<td></td>
</tr>
<tr>
<td>1979-80</td>
<td>3631</td>
<td>728</td>
<td>2903</td>
<td>20.04</td>
<td>49.22</td>
<td></td>
</tr>
<tr>
<td>1980-81</td>
<td>4425</td>
<td>839</td>
<td>3586</td>
<td>18.96</td>
<td>46.91</td>
<td></td>
</tr>
<tr>
<td>1981-82</td>
<td>5423</td>
<td>2672</td>
<td>751</td>
<td>49.27</td>
<td>71.35</td>
<td></td>
</tr>
</tbody>
</table>

N.B.: Overall MT agri. loans includes MT Agri. (Normal) conversion, rephasing, rescheduling & rehabilitation loans.

* Total recovery to demand indicates the overall recovery of agricultural loans comprised of ST + MT agri. loans.

Thus, it could be seen that though the percentage of recovery to demand of the MT agri. loans increased during the period from 1977-78 to 1981-82 the degree of increment in the percentages of the recovery to demand of the total agricultural (ST + MT) loans was found comparatively much higher in the period from 1977-78 to 1981-82.

The recovery performance of DCCBs in Gujarat during the period from 1977-78 to 1981-82 is exhibited in Table 4.9, the analysis of which would indicate the following:

(i) While, out of the total recovery of Rs. 2756 lakh in 1977-78, Rs. 1440 lakh were recovered through the transfer entries, which constituted 52.24% of the total recovery in that year; out of the total recovery of Rs. 2672 in 1981-82, Rs. 1270 lakh or 47.52% of the total recovery were made by transfer.

(ii) Though the percentage share of recovery by transfer to the total recovery (vide Col.5) indicated an erratic trend during the period from 1977-78 to 1981-82, it was as high as 52.24% in 1977-78 and was the lowest at 8.10% in 1979-80.

Thus, out of the total recovery a substantial portion was shown by the transfer entries by the DCCBs during the period under review, which was really a serious matter in view of the recovery performance of these banks.
### Table 4.9

**Recovery Performance of MT Agricultural loans of the DCCBs in Gujarat during the period from 1977-78 to 1981-82**

<table>
<thead>
<tr>
<th>At the end of the year</th>
<th>Recovery Against Previous overdues</th>
<th>Recovery Against current dues</th>
<th>Recovery By Transfer</th>
<th>Total as % of col. 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>1316 *</td>
<td>1440</td>
<td>2756</td>
<td>52.24</td>
</tr>
<tr>
<td>1978-79</td>
<td>1165 *</td>
<td>1060</td>
<td>2225</td>
<td>47.64</td>
</tr>
<tr>
<td>1979-80</td>
<td>290</td>
<td>379</td>
<td>59</td>
<td>728</td>
</tr>
<tr>
<td>1980-81</td>
<td>299</td>
<td>408</td>
<td>132</td>
<td>839</td>
</tr>
<tr>
<td>1981-82</td>
<td>660</td>
<td>742</td>
<td>1270</td>
<td>2672</td>
</tr>
</tbody>
</table>

* Indicates the actual amount of recovery

Overall medium-term demand and recovery position of the selected banks for the years 1977-78 and 1981-82 is shown in Table 4.10, the analysis of which would reveal the following results:

(i) While the amount of total demand of the Kaira and Kutch increased from Rs. 152 lakh and Rs. 17 lakh to Rs. 363 lakh and Rs. 33 lakh respectively; the absolute figures of the demand of the Ahmedabad, Mehsana, Rajkot and Surat banks, which stood at Rs. 333 lakh, Rs. 157 lakh, Rs. 591 lakh and Rs. 102 lakh respectively in 1977-78 declined to Rs. 286 lakh, Rs. 89 lakh, Rs. 457 lakh and Rs. 73 lakh respectively in 1981-82.

(ii) While, the absolute figures of Ahmedabad, Kaira and Kutch banks increased from Rs. 55 lakh, Rs. 51 lakh and Rs. 10 lakh respectively in 1977-78 to Rs. 87 lakh, Rs. 136 lakh, Rs. 26 lakh respectively in 1981-82; the total amount of recovery of the Mehsana, Rajkot and Surat banks, which stood at Rs. 43 lakh, Rs. 403 lakh and Rs. 28 lakh respectively in 1977-78 decreased to Rs. 12 lakh, Rs. 339 lakh, and Rs. 7 lakh respectively in 1981-82.

(iii) Similarly, while the absolute figures of the amount of overdues of the Ahmedabad, Mehsana, Rajkot and Surat, which stood at Rs. 278 lakh, Rs. 114 lakh, Rs. 188 lakh and Rs. 74 lakh respectively in 1977-78 fell to Rs. 199 lakh, Rs. 77 lakh, Rs. 115 lakh
### Table 4.10

**Overall medium-term agricultural demand and recovery position of the selected DCGBs during the years 1977-78 and 1981-82**

(Amount in rupees lakh)

<table>
<thead>
<tr>
<th>Selected DCGB</th>
<th>At the end of the year</th>
<th>Demand</th>
<th>Recovery</th>
<th>Overdue</th>
<th>Percentage of Recovery to Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahmedabad</td>
<td>1977-78</td>
<td>333</td>
<td>55</td>
<td>278</td>
<td>16.51</td>
</tr>
<tr>
<td></td>
<td>1981-82</td>
<td>286</td>
<td>87</td>
<td>199</td>
<td>30.41</td>
</tr>
<tr>
<td>Kaira</td>
<td>1977-78</td>
<td>152</td>
<td>51</td>
<td>101</td>
<td>33.55</td>
</tr>
<tr>
<td></td>
<td>1981-82</td>
<td>363</td>
<td>136</td>
<td>227</td>
<td>37.46</td>
</tr>
<tr>
<td>Kutch</td>
<td>1977-78</td>
<td>17</td>
<td>10</td>
<td>7</td>
<td>58.82</td>
</tr>
<tr>
<td></td>
<td>1981-82</td>
<td>33</td>
<td>26</td>
<td>7</td>
<td>78.78</td>
</tr>
<tr>
<td>Mehsana</td>
<td>1977-78</td>
<td>157</td>
<td>43</td>
<td>114</td>
<td>27.38</td>
</tr>
<tr>
<td></td>
<td>1981-82</td>
<td>89</td>
<td>12</td>
<td>77</td>
<td>13.48</td>
</tr>
<tr>
<td>Rajkot</td>
<td>1977-78</td>
<td>591</td>
<td>403</td>
<td>188</td>
<td>68.18</td>
</tr>
<tr>
<td></td>
<td>1981-82</td>
<td>457</td>
<td>339</td>
<td>118</td>
<td>71.41</td>
</tr>
<tr>
<td>Surat</td>
<td>1977-78</td>
<td>102</td>
<td>28</td>
<td>74</td>
<td>27.45</td>
</tr>
<tr>
<td></td>
<td>1981-82</td>
<td>73</td>
<td>7</td>
<td>66</td>
<td>9.58</td>
</tr>
</tbody>
</table>

*Note:* Overall medium-term agricultural loans includes MT agri. loans (normal), conversion, rescheduling and rehabilitation loans.

11. Based on SHYSDC, GSB, Ahmedabad for the years 1977-78 and 1981-82.
and Rs. 66 lakh respectively in 1981-82; the total overdue amount of Kaira bank increased from Rs. 101 lakh in 1977-78 to Rs. 227 lakh in 1981-82. However, the overdue amount of the Kutch bank remain stationary at Rs. 7 lakh during the years 1977-78 and 1981-82.

(iv) As regards the percentage of recovery to demand while Ahmedabad, Kaira, Mehsana and Rajkot banks could improve their position in 1981-82 than that of what it was in 1977-78; the percentage of recovery to demand of the Kutch and Surat banks in 1981-82 were lower than those in the year 1977-78.

Thus, out of six banks while four banks could improve their recovery performance two banks' performance in regard to their recovery had fallen during the period from 1977-78 to 1981-82.

Measures to Boost Recovery: Likewise the ST agri. loans, the measures to boost recovery efforts of the DCBs in relation to their MT agri. loans include (i) the implementation of various incentive schemes, and (ii) the legal and coercive steps taken under the Gujarat Co-operative Societies Act, 1961, which are discussed hereafter in detail.

(A) Incentive Schemes: It has been observed during the field work of the author that the DCBs in Gujarat had undertaken various incentive schemes to speed up the recovery efforts and improve their recovery performance. These schemes differ from bank to bank according to their local conditions. Besides, these schemes have been prepared for the agricultural loans comprising the ST agri., MT agri.
and conversion loans. (The detailed discussion of which has been done in Chapter 3). These schemes generally possessed the following common provisions:

(i) interest rebate provisions for borrowers,
(ii) interest rebate provisions for the PACS,
(iii) incentive schemes for the secretaries,
(iv) special incentive schemes for the specific areas/talukas.

The operations of the above schemes, however, did not make material change in the recovery of MT agri. overdues from the borrowing farmers. It is, therefore, the need for the suitable modifications in the incentive schemes of the DCCBs, suiting the local conditions, so as to enable them to boost the recovery more speedy especially in relation to the MT agri. loans.

(B) Legal and Coercive Measures: The DCCBs take legal and coercive steps under section 96 and section 106 of the Gujarat Co-operative Societies Act, 1961 to recover the agricultural dues from the defaulting farmer-members. Which have been discussed in great detail in Chapter-3.

An important amendment to the section 106 of the Gujarat co-operative Societies Act, 1961, in August 1982 (vide Gujarat Act No. 23 of 1982, Gujarat Government Gazettee Vol. XXIII, 2nd August 1982) has really widened the jurisdiction of this section as it has incorporated medium-term finance (means advancing of loans for any
purposes of production relating to agriculture, fishery, animal husbandry and industry) over and above the ST agri. crop finances and the loans for seasonal finances. This latest amendment in 1982 would certainly enable the DCCBs hereonwards to take concrete steps to boost up their efforts for the recovery of MT agri. loans for which there had been no provision under the section 106 of the Gujarat Co-operative Societies Act upto August 1982. The DCCBs should take advantage of this amendment and should make every effort to persuade the PACS to take coercive measure to speed up their recovery performance.

/ CONCLUDING OBSERVATIONS

The medium-term credit financing of the DCCBs constituted another important segment of the agricultural financing in Gujarat. The medium-term loans included loans for such purposes like (i) MT agri. (normal) loans, (ii) conversion loans, (iii) rephasement loans, (iv) reschedulement loans, and (v) rehabilitation loans.

Likewise the ST agri. loans the procedure for sanctioning these loans included (a) deciding upon the seasonal loaning policy, (b) receiving loan proposals, (c) scrutinizing the loan proposal and (d) granting loan sanction.

The disbursement of the MT agri. loans revealed that (i) while substantial increase has taken place in the MT agri. loans by the DCCBs in Gujarat during the period from
1960-61 to 1979-80, the absolute figures of MT agri. loans and the average MT agri. per DCCBs showed erratic trend, (ii) substantial increment has been seen in the MT agri. loan outstandings during the period from 1970-71 to 1979-80 in Gujarat, (iii) while the DCCBs in Gujarat could exhibit positive rise in their MT agri. loan outstandings during the period from 1977-78 to 1981-82; the selected banks indicated a mixed trend in this regard during the same period, (iv) among the various components/types of MT agri. loans, while the conversion loans constituted the major portion in 1977-78 and 1979-80, the share of reschedulement loans was larger in 1978-79 and the rehabilitation loans were having lion's share among the MT agri. loans during 1980-81 and 1981-82; (v) as regards the composition of MT agri. loans of selected banks was concerned, while Ahmedabad, Mehsana and Surat banks total MT agri. loans consisted of only MT agri.(normal) loans, conversion loans and rephasement loans; the Kaira, Kutch and Rajkot banks total MT agri. loans consisted of all types of MT agri. loans; (vi) among the various purposes of MT agri.(normal) loans, while the agri. loans for wells and pumpsets contributed substantially to the total MT agri. loans of DCCBs in Gujarat; agri. loans for (i) wells and pumpsets; (ii) farm machinery and agri. implement, and (iii) milch animals together contributed substantially to the total MT agri. loans.

The follow-up machinery for the utilisation of these loans was either based on functional or line type of
organisational pattern, with 3 to 4 cadres of Manager, Sr. inspector, Assist Sr. inspector(s) and inspectors acting between the board of management of the DCCBs and the PACS. Inspectors of the DCCBs and the Secretaries of the PACS served as the important link for the disbursement and speedy recovery of the agricultural dues. A variety of internal and external factors affected the recovery performance of the DCCBs in relation to the MT agri. loans.

In relation to the recovery performance of the DCCBs it was observed that (i) though the percentages of recovery to demand of MT agri. loans increased during the period from 1977-78 to 1981-82; the percentages of recovery to demand of the total agricultural loans (consisted of ST + MT loans) were much higher during the same period; (ii) out of the total recovery, a substantial portion has been shown recovered through the transfer entries; (iii) while the demand recovery performance of 4 selected banks indicated improvement during the period from 1977-78 to 1981-82, the position of two other selected banks deteriorated during the same period.

The steps to boost up the recovery performance of the DCCBs included (i) various incentive schemes — (a) for interest rebate scheme for the borrowers and PACS, (b) incentives for the secretaries of PACS, and (c) special incentive schemes for specific areas, were prepared and (ii) coercive measures under the Gujarat Co-operative
Societies Act, 1961 were taken. The latest amendments made in section 106 of the Gujarat Co-operative Societies Act 1961, in August 1982 incorporating 'medium-term finance' has really provided an opportunity for the DCCBs in Gujarat to speed up their recovery efforts and improve their recovery performance in the years to come.