Chapter 3

Review of literature on Crop Loan

3.1 Introduction

This chapter deals with the survey of literature relating to Agriculture and Rural Development in general and crop loan in particular. The survey of literature can be broadly divided into four categories namely

1. The survey of literature relating to Agricultural policy in India Finance and Rural Development.
2. The survey of literature relating to Crop Loan.
3. The survey of literature relating to Diversification of crops.
4. Procedure of deciding the Crop Loan in Pune District.

1. The survey of literature Relating to Agricultural policy in India, Finance and Rural Development highlights, agricultural development policies, and the shifts in them. The most important literature which highlights this is the Five Year Plans. The stress on making the agricultural sector self sufficient was laid not for others, but for the farmers who subsist on it. This has been done with a view to enhancing income especially of the small and marginal farmers.

The agricultural policy in India can be grouped under following heads:

The First Plan (1951-56)xxx The policy, during this period emphasized on

a) Increasing agricultural production and productivity

b) Reducing excess pressure on land and creation of off farm employment

c) Reducing inequalities both between regions and between farmers

Thus the urgency was emphasizing of food self-sufficiency. This objective was fulfilled, because the food grain production increased to 67 million tones as against the target of 60 million tones, in the First Five Year Plan.
The Second Plan (1956-61). The agriculture sector received 20% of the total outlay during this plan. The plan emphasized on

  a) Intensifying cultivation on lands through spread of irrigation, better seeds, manure, and improved farm practices.
  b) Extending cultivation through use of fallow cultivable wasteland.

The Third Plan (1961-66). During the third plan there was shortage of food production, which led the government to take major policy decision to concentration on crops and areas which have potential to increase food production. The main thrust was to develop areas quick to respond to incentives. This led to the introduction of “Intensive Agricultural District Program” (IADP) in 1960’s since mid sixties efforts to modernize agriculture began (1967-68). Popularly called as “Green Revolution”

The Fourth Plan (1969-74) was to intensify efforts by extending HYV seeds, multiple cropping programs for commercial crops and increasing yield per unit of land.

The Fifth Plan (1974-79) continued to emphasize on the extensive use of HYV seeds, the new technology and irrigation. This was done by raising the allocation on agricultural development.

The sixth Plan (1980-85) increased allocation to the agricultural sector to 25 percent and further emphasized on the water-seed, fertilizer technology. Due to this the Food grains production increased to 152 million tones. The Integrated Rural Development Program (IRDP) was launched on 2nd October 1980, with emphasis on growth, poverty reduction and employment generation in rural areas. The target groups were small and marginal farmers, agricultural laborer and rural artisans.

The Seventh Plan (1985-90) took up development of irrigation as crucial inputs in agriculture, with emphasis on National Watershed Program for rain-fed agriculture, and dry land. During this plan special thrust was given on increasing rice production in the East, National Oilseeds Development Program, Country-wide Social forestry Program, Country-wide Social Forestry
Program, the National Pulse Development Program was launched in 1986-87 to increase area, and production of Pulses.

**The Eighth Plan (1992-97)**. The agriculture sector received 20% of the total outlay during this plan. The plan emphasized on a faster growth of agriculture, employment generation, and poverty alleviation and has focused on agriculture diversification as a means to achieve the above.

**The Ninth Plan (1997-2002)**. The plan emphasized on the Agro-regional Planning Approach. To formulate an integrated development plan for agriculture and the allied sectors a macro level strategy for 15 broad agro climatic zones was proposed by Homogeneous agro-climatic regions. This in fact formed the basis of the desegregated approach towards agricultural development. It fixed the target of food grain production of 234 million tons.

**The Tenth Plan (2002-07)**. The plan emphasized on for the development of fruits and vegetables, the two areas, which have been emphasized are, increase in productivity and post harvest management technology. Which includes storing, processing, packaging, marketing (because, 30 to 40 Percent of losses in fruits and vegetables are due to them). Due to this the production and exports of them are expected to increase.

**The Eleventh Plan (2007-12)**. This plan is based on the approach entitled, towards faster and more inclusive growth. According to this plan rapid growth was to be an essential part of the strategy since it is only in a rapidly growing economy that we can expect to raise the incomes of the mass of the population sufficiently to bring about a general improvement in living conditions. This plan targeted a growth rate of 3.9% for agriculture sector to achieve overall GDP growth rate of 8.5%.

**Evaluation of the above strategies, during different plans**

The First and Second Plans placed great emphasis on expanding irrigation facilities by developing major and medium irrigation projects. Programmes for reorganization of agrarian relations and rural development like land reforms programme and community development programme were also taken up on a nation-wide basis touching all aspects of rural life.
In 1965-66 and 1966-67 the country faced serious drought conditions and some 19 million tons of food grains had to be imported to avert starvation. This called for a re-examination of the agricultural strategy pursued thus far and initiation of steps to increase agricultural production and productivity. Thus, from institutional reforms, the focus of agricultural policy shifted to technology. The New Agricultural Strategy (NAS) was introduced in selected (better endowed and high-productivity) regions of the country in a bid to push up agricultural production. The focus now shifted to minor irrigation from major and medium irrigation; provision of credit and other agricultural inputs to farmer at subsidized rates to encourage their widespread usage.

Due to the efforts undertaken by the government, under different plans, the total Food grains production in the country has increased from 50.8 million tons in 1950-51 to 204.6 million tons in 2004-05, the policy of HYV seeds, technology, subsidized credit and extension of irrigation facilities, resulted in a rapid growth of cash crops production. However since the population has approximately doubled, during the same period there is a need to increase the production further, hence emphasis on “Second Green Revolution”.

In order to increase the income and standard of living of the small and marginal farmers, there is a need, to diversify from low yield crops to a variety of new crops (Alagh, 1994). Similarly view has been expressed by Nayyar and Sen (1994) “The real potential for income and employment growth lies in fruits and vegetables instead of only in specialized crops production”. Due to this the program of agriculture diversification was slowly becoming an integral part of the policy for agriculture and rural development.

According to Eight Plan, “The earlier efforts to increase food production through strengthening infrastructure, expansion of agro based and processing units, maximizing output of traditional crops as well as nontraditional crops for exports would also continue, but given the wide diversity of climate and soil conditions, Indian agriculture provides great scope for growing a variety of horticulture crops because of its employment generation potential”. Thus the Eight Plan with caution to food security has emphasized on a faster growth of agriculture, employment generation, and poverty alleviation and has focused
on agriculture diversification as a means to achieve the above in 1998; the Agro-regional Planning Approach was adopted to formulate an integrated development plan for agriculture and the allied sectors by Homogeneous agro-climatic regions. A macro level strategy for 15 broad agro climatic zones was proposed. This in fact formed the basis of the desegregated approach towards agricultural development adopted in the Eight Five Year Plan and continued in the Ninth Plan”. For the development of fruits and vegetables, the two areas, which have been emphasized are, increase in productivity and post harvest management technology. Which includes storing, processing, packaging, marketing (because, 30 to 40 Percent of losses in fruits and vegetables are due to them). Due to this the production and exports of them are expected to increase.

The literature relating to Crop Loan

3.2 Evolution of crop loan system:

Crop Loan system is undertaken by the Cooperative Bank, and Commercial Banks in order to reduce the importance of moneylenders, and there by the exploitation of farmers by moneylenders. Following have been the steps in the evolution of crop loan system

- The Land Improvement Act, of 1883.
- The Agriculturists Loan Act, of 1884.

Were earlier attempts in this direction?
The First Act empowered the government to provide long term loan and the second Act credit for short term purpose. However, because of paucity of funds with the government; these Acts did not meet the needs of the farmers to any appreciable extent. As a result large number of farmers borrowed from moneylenders. The moneylenders took advantage of the situation and exploited the farmers by charging very high rate of interest. Due to this reason the Indian Farmer was said “to be born in debt, lived in debt, and died in debt”.

To overcome this situation the “Cooperative Societies Act” was passed in 1904. This Act was known as the “Cooperative Credit Societies Act”. It initiated
the Cooperative Credit movement in India. In 1912, a comprehensive Cooperative Societies Act was passed after which there was a rapid growth not only of the Cooperative Credit Societies but also of various other types of societies.

The report of the “Mclagen Committee” xlv in 1915 constitutes another landmark in the history of this movement. As per the recommendation of this committee the Central Cooperative Banks were set up at district level. “Co operation”, became a transferred subject as a result of the “Montague-Chelmsford” constitutional reforms of 1919. Therefore the provincial Governments undertook various measures to activate the movement.

In 1926, the Department of Co operation was established and joined to the Department of Agriculture, with Assistant Registrar of Co-operative Societies in charge of the department. In 1928, a separate Department of cooperation was set up with the Registrar of Co-operative Societies as its head and the cooperative movement began to receive greater attention from the government. The government announced and implemented the policy of giving financial assistance to cooperative societies, in the form of loans xlvi. The movement recorded considerable progress during the period 1930-45 especially due to the efforts of the cooperative Department and the favorable circumstances created by the Second World War. The “Central Banking Enquiry Committee” Was appointed by the Government of India, to report on the existing state of affairs in the cooperative movement and to suggest ways and means to improve the situation. On the recommendations of this committee, R.B.I. was setup in 1935. It had an “Agricultural Credit Department” to look after the orderly development of the cooperative movement in general and agriculture in particular.

The next phase of the movement can be said to have began when popularly elected governments came into power in various provinces. During this period, legislations were passed restricting the activities of the money lenders. A change in emphasis was effected in granting loans. Till 1939 ownership of holding was taken to be the sole criterion for granting credit. However, since
1939, productivity has come to be regarded as the important basis for the extension of credit. This scheme introduced a new line of thinking in the movement and was responsible for popularizing cooperative credit.

However, the cooperative credit societies extended short term credit against the securities of land with very little or no consideration for the actual requirement of the cultivator for the crop. In other words, in the loaning operations the emphasis was given on “securities” and not the “purpose” for which loan was sought.

The Agricultural Finance Sub-Committee, under the chairmanship of Prof. D.R.Gadgil: in 1945, studied the above aspects of the working of the cooperatives, and made the following recommendations

1. “The primary cooperative credit societies should try to finance all the short term needs of its members.
2. The Credit worthiness of the cultivators should be judged on the basis of his repayment capacity which in turn should be based on the capacity to generate income.
3. Amount should be directly linked with the requirements of the crop.
4. The loans should be advanced as and when they are required.
5. Regular repayment should be insisted upon.
6. The delay in clearing the loan application should be minimized.”

As a result of the above recommendations loans by the cooperatives were made “Production oriented” and the loans amount was related directly to the requirement of crop. Hereafter the term “short term loan” was replaced by the term; “crop loan”. This was the background which laid down the procedure for providing crop loan to farmers. It indicated that person owning lands of their own or those who cultivated agricultural lands, either as owner or tenants were eligible for crop loan. The credit worthiness of the member was linked directly with his production needs and not based on his assets.
Thus the four characteristics of the crop loan system were:

1. It was on the basis of a crop and not on the basis of a title.
2. It had to be proportionate to the estimated outlay on raising the crop
3. It was production oriented finance.
4. The recovery should be effected as and when the crop was sold from the Proceeds of the sale.

The All India Rural Credit Survey Committee reviewed the recommendations of the Gadgil committee and added two more recommendations.

1. “The crop loan should provide for as large a portion of the total credit as possible in kind that is in the form of Seeds, fertilizers etc.
2. Rationing of available funds, when they fall short of legitimate credit requirements. Small farmers should get 100 percent of their requirement, and large farmers should get 70 percent of their requirement.

The new system was thus more elastic and liberal. The Quantum of loan for each crop was based on the production requirement of each crop and not on the basis of Quantity of land. The repayment was made from the sales made after harvest.” The crop loan system was put into operation in 1950. In 1955, the Committee under Chairmanship of Prof D.G.Karve was appointed to evaluate the working of the system. It submitted its report in 1958 with following recommendations.

To provide consumption loan along with Crop Loan, because the benefits accruing to farmers from crop loan would be nullified by his dependence on moneylender for his consumption needs. Therefore “A Stabilization Fund” was created in R.B.I. in order to strengthen the financial position of the Cooperative Societies.

“The cash loans, must be reduced to the minimum, and should be issued in two or three appropriate installments, one for preparatory operations, and
another for mid-term cultivation expenses if necessary and the last at the time of harvesting.

“The crop loan must be linked with marketing. The farmers should sell their produce through marketing cooperatives, from the sale proceeds the loan of the cooperative credit societies can be debited, this will reduce or remove the problem of over dues” The loan should as far as possible, be repaid out of the sale proceeds of the same crop for which the loan was given.

The R.B.I. published the Manual on Production oriented system of lending for Agricultural in August 1972. The manual is the official document on the crop loan policy, laying down procedural and policy rules for implementation of the system, as stated below:

The scales of finance must be fixed in three clear cut components, because the extent to which the improved practices were adopted differed from cultivator to cultivator.

**Component A:** To be advanced in cash. It would help to meet the miscellaneous cash outlays during the production period. This was not to exceed about one third of the average value of production per acre.

**Component B:** Should be the loan in kind. i.e. Fertilizers, Chemicals etc. It would depend upon the type of Technique used in production. It will increase with change in technique of production.

**Component C:** Should be the loan in Cash. It will meet the additional cash expenses.

Component A would be common to all farmers, Component B and C differs from farmer to farmer. However in case of certain cash crops like Potato, Sugarcane, Banana, Vegetables, where high technology may be used, in such cases, there is no need to fix component A because component B and component C can take care of the credit need of the farmer. It must be noted that component B and Component C are more important from the point of increase in Agriculture production.
The Manual expressly stated that, since the crop loan is for the production of crops, and the recovery is expected out of the sale proceeds of such crops, the advances should be confined to the period shortly before sowing and ending shortly before the harvest. So far as component A is concerned the borrower may be given an option of taking the entire amount at the beginning of the sowing season or even a fortnight or so after he has cleared the earlier loan. Secondly, it is preferable to provide the cash component A, separately for Kharif and Rabi crops.

According to the manual seasonality is also necessary in the recovery of loans. For this the due date for repayment, might be so fixed that it was not too distant from the harvesting season, and at the same time a reasonable period was allowed for enabling the farmers to dispose of the produce. Since the crop loan was to be recovered from sale proceeds of that crop, for which loan was given the farmer was to give in writing that his output will be sold through the agriculture marketing society.

Crop Loan Scheme as a form of institutional credit for agriculture has been in vogue in Maharashtra for more than five decades. “The scheme is primarily aimed at meeting the short-term financial needs of the agriculturists in raising different crops with an emphasis on production rather than on the assets of the borrowers for the purpose of granting the loans. The loans under this scheme are thus production oriented.

Since Agriculture advance in general and Crop Loan in particular, has grown in size, it was felt that an assessment of the benefits realized by the borrower farmer should be made. Question, that is generally asked is, what is the impact of Crop Loan on the production and income of the borrower farmer? An attempt has been made in this thesis, with the help of both, secondary data, and field survey, to ascertain the nature and extent of benefits realized by the borrower farmer. Such a study would provide a clearer picture of the progress in the implementation of the Crop Loan scheme, and deficiencies if any in its implementation. Such a study may also help the policy makers, to
make necessary changes in the policy of Crop Loan, in order to improve its
efficacy.

The Crop Loan Scheme became operational from 1950. It has undoubtedly
contributed to the development of the rural areas as well as improvement in
the linkage between production and productivity in the agriculture sector. This
in turn has helped to change the cropping pattern, increase the yield,
production, export, income of the farmers and standard of living of the farmer.

**Following are some of the important studies that were undertaken with
reference to Crop loan.**

**Dr.C.S.Gajarajan (1992)** undertook the study on Short Term Agriculture
Credit in Maharashtra, for the Kolhapur District Central Cooperative Bank.
The main objectives of this study were, to study the procedure of Crop Loan,
to study the coverage of weaker sections, to assess adequacy, timeliness, and
utilization of short term production loan for different crops grown under
different conditions like high yielding or local variety, irrigated or unirrigated,
to study the repayment performance of borrowers. The study was undertaken
for Kolhapur District, the sample was chosen from two societies from Hasur in
Shirol Taluka, and Chimane in Gadingalj Taluka. The conclusion derived from
the study was, more percentage of crop loan was allotted for non food grain
crops compared to food grain crops, among the non food grain crops highest
percentage was allotted for Sugarcane and among the food grain crops
highest percentage was allotted for Rice, the study also highlights that out of
total number of farmers, the number of them who become members of PACS,
depends on whether that village is irrigated or non irrigated, and which crop
they are growing, for example Hasur is a, irrigated village growing Sugarcane
has high percent (97%) of the farmers as members of PACS, while Chimane is
a non irrigated village growing Rice has low percent (74%) of the farmers as
members of PACS. The study also highlights the situation of recovery,
according to the study, in Hasur small proportion of loan amount is not
recovered, but in Chimane the amount is large, because in Hasur the amount
is mainly borrowed for Sugarcane and the amount is recovered from the
Sugar factory, while in Chimane the amount is mainly borrowed for Rice and
the amount is recovered after the farmer sells his output in the market, the quantity may also be low, and the market prices are fluctuating.

V.D. Deshpande and M.B. Padki (1997) undertook a case study on Crop Loan System for the Aurangabad District Central Cooperative Bank. The main objectives of this study were, to study the growth of Crop Loan, in the State of Maharashtra and in Aurangabad District. The study also highlights the repayment performance of borrowers, and fictitious transactions. The study emphasis on the role of cooperative marketing societies. According to the study there was progressive increase in crop loan. According to the study the success of the crop loan system lies in proper disbursement and proper repayment of loans. By proper disbursement we mean timely and adequate financing of agricultural operations, by proper repayment we mean repayment out of sale proceeds of the produce and without unnecessary delay. If these two conditions are satisfied the crop loan system would contribute substantially to the progress of agriculture, reduce the farmers dependence on the private money lender and ensure him a better return for his produce. According to the study the reasons for increase of crop loan are Increase in acreage for which crop loan was sought, change in cropping pattern, and revision of per acre scale of finance.

The study on impact of Agriculture Finance:

A case study of Bank Finances for the Malsiras Taluka of Sholapur District, for the period, 2003-06 was conducted by Central Bank of India. The main objective of this study is to assess the impact of the bank’s agricultural advances on the borrower’s business operations and income. Bank finance affects farm output and income indirectly, through changes in cropped area and yield rates. In order to assess the impact of bank finance, it has been necessary to estimate the extent of benefits derived by borrower farmers and compare it with that of non borrowers of similar category. Thus non borrower farmers have been used as a proxy to compare the benefits realized by the borrower farmers. The Survey covered 125 farmers, 81 borrower farmers and 44 non borrower farmers, from four villages, namely, Kacharewadi, Malsiras, Medad and Tirwandi in Malsiras Taluka. For the
purpose of this study, farmers who have not borrowed from the bank have been classed as non borrower farmers. Some of the important findings of the survey were

- Increase in irrigated area increased the intensity of cropping from 61.6 percent to 110.3 percent.
- The borrower farmer was gainfully employed on his own farm for more days in a year than before.
- There was appreciable rise of Rs 378 in the per acre net income of the borrower farmer compared to rise of Rs 161 in case of non borrower farmer. sizeable proportion of rise in the per acre income of the borrower farmer was due to increase in productivity
- There was marked shift in cropping pattern towards commercial crops, the area under which increased from 23 percent in 2002-03 to 37 percent in 2004-05.
- The area under cash crops Sugarcane, cotton and groundnut was achieved at the cost of inferior food grains, particularly Jowar
- In other words, most of these changes in outlook of the borrower farmers towards agriculture would not have taken place but for the active role played by the bank in providing agriculture finance.

B.N.KULKARNI (1977) carried out the study on the effectiveness of policies and producer of crop loan by commercial bank and cooperative bank. The study was related to potato crop, from Pune district.

The study was confined to Poona district, because out of the total area under potato in Maharashtra (in 1969-70) 45 per cent was in Pune district. In Pune district, the study was restricted to Ambegaon, Khed and Junnar taluka, because, about 90 per cent of the acreage under potato in the district was concentrated in these three talukas.

The final analysis was based on the data collected with questionnaires from 82 cultivators from Peth branch of Central Bank of India, and 18 cultivators of the Cooperative Credit Societies, from Peth. Peth branch, and Central Bank was selected for the sample, because, it accounted for 85 per cent of the crop
loan given for potato crop. Information, relating to land utilisation, cropping pattern, irrigational facilities, inputs, farm output, its disposal, returns and repayment, was obtained from the survey. Apart from this, socio-economic data like age family size, education level cultural practices of the farmer were obtained “this was done in the belief that these aspects have a bearing on the cultivator’s understanding of the implications of credit and his ability to make its proper use”. The study has highlighted to what extent the Criteria of a sound crop loan system was implemented while giving Crop Loan for Potato by the Commercial Bank and Cooperative Bank. The conclusion derived was that all the criteria’s were followed, however according to the study the procedure of granting the Crop Loan was comparatively easier in case of the Cooperative Bank, than the Commercial Bank.

T.P.S. Chawdhari and N. Sharma (1970) undertook a study entitled, Crop loan system, A study in Andhra Pradesh and Punjab. The study was a pilot attempt to analyze the nature and working of crop loan system and its contribution to agricultural development in the states of Andhra Pradesh and Punjab, which are predominantly rice and wheat growing areas, respectively. Certain aspects of supply of and demand for crop loans, procedure followed by co-operative societies for determining the demands of cultivators, adequacy of crop loans and nature and extent of extension advice in selected intensive and non-intensive agriculture districts in the two states have been studied. The districts covered in the states are (non IADP (F), non IAD© and IADP. The districts covered in the state of Andhra Pradesh are, Krishna, Guntur and west Godavari, The districts covered in the state of Punjab are Jullundur, Ferozepur and Ludhiana. The study relates to the agricultural year 1968-69. The important goal set for the study was to explore the extent to which if any , the crop loan system as an innovation was helping those classes of farmers who, under the traditional system of short –term co-operative lending for agricultural production were apt to be less benefited or not benefited at all. The final conclusion that emerged from the analysis was that, although crop loan has been designed as an innovation to do away with the lacunae in the traditional system of co-operative production credit in farming, the expected benefits were not very much yet in evidence, due to
obvious faults in the operational aspects of the system as now in vogue, including, among others, denial of loan to owner-cultivators, faulty setting of credit limits, inadequacy in terms of timeliness, quantity of loan and accompanying extension guidance farmers all over and particularly in Andhra Pradesh, seem to place greater reliance on other sources from which they are able to secure working capital. It is this other portion of the working capital which is much more efficient in terms of raising productivity on the farm. The removal of the shortcomings noticed and the need to forge much more effective links between credit and the production process and management of inputs on farms is very strongly indicated if the crop loan system has really to serve the beneficial purposes for which it was designed. According to them, “Cultivators requirement for agricultural credit depends not only on area cultivated by them, but also on other factors like nature and extent of ownership of land, the type of irrigation facilities available, the type of cropping pattern, the structure and composition of fixed assets etc”

The importance of irrigation in agricultural production hardly needs any emphasis. The extent to which a farm enjoys assured irrigation facilities largely determines the nature and pattern of crops grown and this in turn determines the demand for crop loans in general and the kind component of it in particular. Generally speaking, better irrigation facilities and the use of fertilizers go together.

The crop loan system aims at providing need based production credit to the farmers. The credit requirements will thus vary according to the crops and the acreage planted under different crops.

It will be seen that, as compared with the share of cultivated area, the demand in terms of shares of crop loan tends to increase with decrease in the size of holding.

Secondly the demand for crop loan is higher where commercial and cash crops are predominant, and less where food grains are grown.
Farmer’s knowledge and views on the crop loan system:-

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>i. Know meaning of crop loan</td>
<td>35</td>
</tr>
<tr>
<td>ii. Favor crop loan scheme</td>
<td>55</td>
</tr>
<tr>
<td>iii. Favor reduction in share capital</td>
<td>100</td>
</tr>
<tr>
<td>iv. Favor convert crop loan into medium term loan</td>
<td>60</td>
</tr>
<tr>
<td>v. Favor borrowing from commercial banks</td>
<td>30</td>
</tr>
</tbody>
</table>

Table 7: Farmer’s knowledge and views on the crop loan system

Observation on above table:-

1. The percentage of farmers who know the real meaning and significance of the crop loan scheme is not very large.
2. Their perception of the scheme is a highly simplified one. They generally understand by the term “crop loan” that they can take a part of it in cash and the other part in kind through cooperative societies in their area. They have hardly any understanding of the significance attached to the various components of the loan.
3. All farmers want reduction in share capital, some of them prefer to borrow/take crop loan from commercial bank, because they do not deduct any amount from the loan as share capital, and hence more funds are available for investment.

Crop loan recoveries, this is an important aspect in crop loan, and becomes an important aspect in crop loan, and becomes an important hurdle in flow of funds, and success of crop loan scheme.
The following books and articles were reviewed for Crop loan.

Swarup.R.Sikka, B.K.Vaidya, C.S.Sharma, M.L.Nadda & C.S.Vijay Kumar, (1986-87)\textsuperscript{viii}, has examined not only the actual cost of credit and the pattern of loan advances in Himachal Pradesh but also examined the lending procedure of various institutions and identified the constraints in utilization of credit. Responds of the study are drawn from Kangra, Mandi and Simla districts of Himachal Pradesh.

Satya Bhama. (1985)\textsuperscript{ix}, - has highlighted that there was increase in loans taken from Institutional sources, & it has helped to increase their crop production & income, this was because the small farmers use their land more intensively compared to large farmers.

Baviskar, BabuRao, Attwood Donal. (1985-1987)\textsuperscript{ix}, have examined the factors for the success or failure of the cooperatives and assed the impact of various cooperatives on the rural poor, with the help of Case studies from Maharashtra, West Bengal, Uttar Pradesh, Haryana, Tamil Nadu, Gujarat, Karnataka and Kerala. According to this study, the cooperatives had a positive effect in improving the standard of living of rural masses.

Gupta, Ganesh P.Jani.B.C, (1984-1985)\textsuperscript{ix}, have evaluated the working of the District Central Cooperative Bank, Kutch, (Gujarat). They have concluded that, the bank should Strengthen its recovery process and train the staff, impart effective members’ education program, increase its business of loaning, deposit mobilization and branch banking, if the District Central Cooperative Bank have to play the role of catalyst of rural transformation.

George.P.T, Mohanan.N, (1985)\textsuperscript{xii} - They have done case studies of the two cooperatives one successful (Mulkanoor cooperatives bank) and the other unsuccessful (Ela Karthurthi large scale cooperative society) within the same Agro-Climatic and Socio-economic environment. According to their study, committed and continued leadership, effective participation of members, sound business practices, etc are the factors which facilitates a successful venture. On the contrary selfish leadership at the top, indifference of the
members towards the cooperative activities, absence of vertical integration of activities etc. characterize on unsuccessful cooperative venture. In other words the Case studies pin point that the cooperatives can be effective Institutions for the development of the rural poor.

George.P.T. Mohanan.N, Raja Gopal Report (1986-1987)\textsuperscript{lxiii} presents an overall picture of the current status of the cooperatives across the country. It is felt that though cooperative constitute the bedrock of rural development strategy in terms of flow of farm credit, input supply, output marketing and processing of agricultural produce, their development is not uniform in all parts of the country.

Dr V.M.Dandekar (1985)\textsuperscript{lxiv}, has emphasized how Crop Insurance is important to reduce the risk of Indian farmers. It is necessary to encourage Indian farmers, to take Crop Insurance, if they have to undertake production of different agriculture goods. This is particularly necessary because Indian Agriculture is called “Gamble in the monsoon”.

In the light of above review of literature, in this Thesis I, have tried to, study the Implementation of the Crop Loan, and Crop Insurance, by Pune District Central Cooperative Bank, for the period, 2003-04 to 2007-08.

The literature relating to Diversification of Crops

The literature relating to diversification of crops highlights, Changes in Cropping Pattern, and the shifts in them. The steps towards encouraging agricultural diversification were taken for better utilization of agricultural resources. The impact of the policy initiative can be seen in the changes in the cropping pattern towards non-traditional/ non-food crops. The rate of return from food grains viz-a-viz non-Food grains is considered to be a key factor determining cropping pattern. It is seen that the area under Food grains, particularly, Jowar, Bajra, has decreased, while the area under Tomato, Grapes, Potato, Onion has increased, similarly, there is decrease in area under Sugarcane and Groundnuts has decreased(compared to what it was in 2003-2004).
Wherever irrigation facilities are available, crops, like Sugarcane, Fruits (grapes), Vegetables find favor with farmers”.

Two studies examining the costs and returns from, grape farms were conducted in early 1990. The first was Prof. Gadam’s study (1992)\textsuperscript{lxv} to evaluate the Grape cultivation scheme in Nasik District, of Maharashtra. The study covered a sample of 67 farmers from 18 villages. The study found that, due to grape farming there was increase in income and employment.

Similarly in, 1993, NABARD, carried out the study for a representative grape garden in Nasik District of Maharashtra, and concluded that grape farming would benefit the farmers.

Maji and Rahim (1996)\textsuperscript{lxvi} have made an investigation into small farm diversification in the state of West Bengal. The study has investigated how the income of the farmers can be raised by switching the emphasis from low value subsistence cereal crops to high value subsistence cereal like Fruits (Grapes) and vegetables (like Tomato, Onion & Potato)

Ramesh Chand’s study (1996)\textsuperscript{lxvii} deals with the possibility of increasing employment and income with high value horticultural crops in this region. The study was based on 75 farm households from eight districts of Uttar Pradesh hills. Since the region has favorable climatic conditions for production of vegetables, it increased the income by 2 to 23 times as compared to other crops in irrigated areas, and 3 to 40 times in un-irrigated areas. The study states that, infrastructure, access to road, marketing and irrigation determines, the success and profitability of diversification.

Varadrajan and Elangovan (1996)\textsuperscript{lxviii} examine the scope of commercialization of small farm agriculture, based on primary data from Madurai district of Tamil Nadu. According to the study, the share of food crops in gross cropped area was as high as 90 percent in case of small farmers, compared to 59.75 percent in case of large farmers, indicating that small farmers still prefer to produce food crops mainly to meet consumption requirement. While the large farmers produce more of cash crops (40.25 percent) compared to (10 percent) by small farmers. However the study found
that the size of the farm was not a constraint, to diversification, in fact, capital scarcity was the real constraint. Thus, if this constraint is overcome with the help of crop loan, it will help to increase the income of small farmers.

The study of Samar K. Datta (1996)\textsuperscript{lxix} is based on 8 case studies of cooperatives in various districts of West Bengal, Gujarat, Andhra Pradesh and Maharashtra. These cooperatives relate to vegetables, fruits, sugar. In a specific case of the Grape Growers Cooperative Society of Sholapur, Maharashtra (1992) the study found that the net return from Grape ranges from Rs 17600 per hectare (in case of small farms) to Rs 62000 per hectare (in case of large farms). In case of Tomato, the net return ranges from Rs 11000 to Rs 46000 per hectare. The study infers that diversification into horticultural crops, with the help of cooperatives, will help of increase of small farmers in particulars and farmers in general. The study in based on 218 households covering 866 acres from Sholapur District in Maharashtra, representing four villages, small and marginal farmers, with less than 2 acres of land, medium farmers with 2 to 5 acres of land and the rest are large with more than 5 acres of land. The study conducted a detailed analysis of the cropping patterns.

The major conclusions of the study was ,Farmers with less than 2 acres devote over 50 percent of the cropped area to Food grains (cereals), whereas those with land holdings of 4-8 acres to non-Food grains, which includes Sugarcane, Grapes, Tomatoes, Potatoes and Onion. The study has emphasized on the importance of irrigation in shaping cropping pattern.

Subramanyam and M.Sudha's study (1996)\textsuperscript{lxx} based on 62 farmers from Chickbalapur and Malur Taluka in Kolar district of Karnataka, have examined the current status of cultivation of horticultural crops by small cultivators, in the light of liberalization. The study found that, small farmers use their land more intensively compared to large farmers, however they denote a high percentage of their land to food crops, to meet the consumption needs, among the horticulture crops they preferred to grow vegetables and flowers, unlike large farmers, who emphasized on fruits (like grapes) this was because of greater flexibility as well as for enhancing their incomes. The major
conclusion which emerged from the study was that small farmers are aware of the potential of horticultural crops in enhancing their incomes, therefore it is necessary not only to protect these farmers from any price risk involved in adopting horticultural crops. For this the study suggested linking processing with production and marketing and also providing price support, providing adequate credit arrangement facilities would also be required.

**Concluding observations:**

A review of the literature on the crop loan in particular and agricultural credit and rural developments in general, reveal the following.

A significant observation by number of studies is that cheap, adequate and timely, agricultural credit can go a long way to bring about development. Crop loan, will help the farmers to increase their yield, production, income and standard of living. It will help to reduce the problem of unemployment and poverty. However in case of vegetables and fruits, there is a strong need to develop the infrastructure facilities, storage, and processing, to minimize the loss.

3.3 Procedure of deciding the target of crop loan for the District

**Introduction**

The present section briefly describes the broad policies and procedures adopted by Pune District Central Cooperative Bank for distribution of Crop Loan. The fixation of “Scale of Finance” sanction of loan and its actual disbursement are some of the aspects to which special attention has been given. The Crop Loan scheme for each district is a part of the “Annual Credit Plan” The process of preparing the “Annual Credit Plan” is commenced as per the guidelines received from Reserve Bank of India.

The steps involved in preparing the Annual Credit Plan are:

- First “The Potential Link Plan “(PLP) is prepared by NABARD, and is sent to the “Lead Bank” of each District.
- The Lead Bank of the district (Bank of Maharashtra is the lead bank of Pune district) sends a copy of the PLP to the District Coordinator of
the respective commercial bank, and to District Central Cooperative Bank, asking them to prepare the Credit Plan and submit it to the Lead Bank by December.

- The District Coordinator of all commercial Bank and District Central Cooperative Bank sends the copy to their branches and ask them to prepare the Credit Plan, by taking into account the amount of credit provided last year, the business potential in their area. They are asked to increase the amount by about 10 percent of last year (based on the performance-amount distributed).

- This plan will be discussed in the meeting of “Block Level Bankers Committee” (BLBC). It will then go to “District Level Bankers Committee” (DLBC).

- The “Annual Credit Plan” is finalized after discussion & suggestions.

The District Collector is the Chairman of the DLBC, and the Lead District Manager is the Secretary of DLBC. The other members are Chief Executive Officer of zilla Parishad, Assistant General Manager of NABARD Regional office Pune, Assistant General Manager of RBI, General Manager DIC, The District Coordinator of all commercial Bank and District Central Cooperative Bank, Managers of different Government Development Corporations.

The meeting is generally held in the month of February –March every year.

The “Technical Committee” appointed by District Central Cooperative Bank decides “The Scale of Finance” for each crop.

3.4 Composition of the Technical committee

The Technical committee consists of following members:

- Representatives of Government, from department of Agriculture and Cooperation.
- Representatives of selected Primary Agriculture Credit Societies.
- Progressive Farmers.
- Agriculture officer from Zilla Parishad.
• Representative from District Central Cooperative Bank.
• Representative from Nationalized Bank.

The scale of finance for each crop is decided by them according to cost of production. The scale of finance is fixed for Kharif season as well as Rabi season. The minimum period of crop loan is six months and maximum is fifteen months. Vegetables, Flowers get crop loan for six months while sugarcane gets crop loan for fifteen months. “Even though the schedule of scale of finance is prepared for 26 different crops by Pune District Central Cooperative Bank, in practice it is giving crop loan only for 8 crops, namely, Sugarcane, Tomato, Potato, Onion, Rice, Groundnut, Bajari and, Grapes”. The policy states the month in which the loan will be distributed and the maximum period for which the loan will be given. It also states the last date of repayment of loan.

The following table indicates the scale of finance or the maximum amount that may be given as loan for different crops, as published in the “Agriculture Loan Policy” from 2003-04 to 2007-08 (Amount in Rupees)

<table>
<thead>
<tr>
<th>Crops</th>
<th>2003-2004</th>
<th>2004-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In cash</td>
<td>In kind</td>
</tr>
<tr>
<td>Kharif Crops</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sugarcane</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Adsali</td>
<td>24000</td>
<td>6000</td>
</tr>
<tr>
<td>b) Suru</td>
<td>20000</td>
<td>5000</td>
</tr>
<tr>
<td>c) Khodva</td>
<td>16800</td>
<td>4200</td>
</tr>
<tr>
<td>Grapes</td>
<td>88000</td>
<td>22000</td>
</tr>
<tr>
<td></td>
<td>Quantity 1</td>
<td>Quantity 2</td>
</tr>
<tr>
<td>------------------------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td><strong>Kharif crops</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Potato</td>
<td>16000</td>
<td>80</td>
</tr>
<tr>
<td><strong>HYV seeds</strong></td>
<td>20000</td>
<td>80</td>
</tr>
<tr>
<td>Tomato</td>
<td>6000</td>
<td>80</td>
</tr>
<tr>
<td><strong>HYV seeds</strong></td>
<td>20000</td>
<td>80</td>
</tr>
<tr>
<td>Jowar</td>
<td>4000</td>
<td>80</td>
</tr>
<tr>
<td>Bajari</td>
<td>3600</td>
<td>80</td>
</tr>
<tr>
<td>Paddy</td>
<td>2400</td>
<td>80</td>
</tr>
<tr>
<td>Local V</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Improved variety</strong></td>
<td>6000</td>
<td>80</td>
</tr>
<tr>
<td>Basmati</td>
<td>10400</td>
<td>80</td>
</tr>
<tr>
<td><strong>HYV variety</strong></td>
<td>10800</td>
<td>80</td>
</tr>
<tr>
<td>Groundnut</td>
<td>6400</td>
<td>80</td>
</tr>
<tr>
<td>Onion</td>
<td>16800</td>
<td>80</td>
</tr>
<tr>
<td><strong>Rabi Crops</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jowar L V</td>
<td>4000</td>
<td>80</td>
</tr>
<tr>
<td><strong>Improved variety</strong></td>
<td>3600</td>
<td>80</td>
</tr>
<tr>
<td>Paddy HYV</td>
<td>10400</td>
<td>80</td>
</tr>
<tr>
<td><strong>Summer</strong></td>
<td>8800</td>
<td>80</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
<td>-----------</td>
</tr>
<tr>
<td>Kharif Crops</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sugarcane</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Adsali</td>
<td>30000</td>
<td>7500</td>
</tr>
<tr>
<td>b) Suru</td>
<td>26000</td>
<td>6500</td>
</tr>
<tr>
<td>c) Khodva</td>
<td>20000</td>
<td>5000</td>
</tr>
<tr>
<td>Grapes</td>
<td>104000</td>
<td>26000</td>
</tr>
<tr>
<td>a) kharif potato</td>
<td>19200</td>
<td>4800</td>
</tr>
<tr>
<td>b) HYV seeds</td>
<td>24000</td>
<td>6000</td>
</tr>
<tr>
<td>Tomato</td>
<td>7200</td>
<td>1800</td>
</tr>
<tr>
<td>a) HYV seeds</td>
<td>26000</td>
<td>6500</td>
</tr>
<tr>
<td>Crop Type</td>
<td>Local Price</td>
<td>Improved Price</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Jowar HYV</td>
<td>4800</td>
<td>1200</td>
</tr>
<tr>
<td>Bajari HYV</td>
<td>4300</td>
<td>1100</td>
</tr>
<tr>
<td>Paddy L v</td>
<td>2900</td>
<td>700</td>
</tr>
<tr>
<td>b) Improved variety</td>
<td>9600</td>
<td>2400</td>
</tr>
<tr>
<td>c) Basmati</td>
<td>12800</td>
<td>3200</td>
</tr>
<tr>
<td>d) HYV variety</td>
<td>12800</td>
<td>3200</td>
</tr>
<tr>
<td>Groundnut</td>
<td>9600</td>
<td>2400</td>
</tr>
<tr>
<td>Onion</td>
<td>2000</td>
<td>5000</td>
</tr>
<tr>
<td>Rabi Crops</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jowar Local</td>
<td>5800</td>
<td>1400</td>
</tr>
<tr>
<td>b) Improved variety</td>
<td>4400</td>
<td>1000</td>
</tr>
<tr>
<td>Paddy HYV</td>
<td>12800</td>
<td>3200</td>
</tr>
<tr>
<td>b) Summer Paddy</td>
<td>10400</td>
<td>2600</td>
</tr>
<tr>
<td>Groundnut</td>
<td>11200</td>
<td>2800</td>
</tr>
<tr>
<td>Onion</td>
<td>20000</td>
<td>5000</td>
</tr>
<tr>
<td>Potato</td>
<td>24000</td>
<td>6000</td>
</tr>
<tr>
<td>Tomato</td>
<td>7200</td>
<td>1800</td>
</tr>
<tr>
<td>a) HYV seeds</td>
<td>26000</td>
<td>6500</td>
</tr>
</tbody>
</table>

Table 8: Rate of Crop Loan per hectare for different crops from 2003 to 08
<table>
<thead>
<tr>
<th>Kharif Crops</th>
<th>period of distribution</th>
<th>period of repayment</th>
<th>last date of repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugarcane</td>
<td>1 July to 31st Mar</td>
<td>According to cash credit scheme of sugarcane</td>
<td>29th June</td>
</tr>
<tr>
<td>a) Adsali</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Suru</td>
<td>1st Oct to April</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Khodva</td>
<td>From harvesting to 15 June</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grapes</td>
<td>1 April to 30th Nov</td>
<td>12 months</td>
<td>28th Mar</td>
</tr>
<tr>
<td>Potato</td>
<td>1 April to 31st Aug</td>
<td>9 months</td>
<td>27th Dec</td>
</tr>
<tr>
<td>Tomato</td>
<td>1 April to 31st Aug</td>
<td>9 months</td>
<td>27th Dec</td>
</tr>
<tr>
<td>Jowar</td>
<td>1 April to 30th Sep</td>
<td>12 months</td>
<td>30th Mar</td>
</tr>
<tr>
<td>Baja</td>
<td>1 April to 30th Sep</td>
<td>12 months</td>
<td>30th Mar</td>
</tr>
<tr>
<td>Paddy</td>
<td>1 April to 30th Sep</td>
<td>12 months</td>
<td>30th Mar</td>
</tr>
<tr>
<td>Groundnut</td>
<td>1 April to 30th Sep</td>
<td>12 months</td>
<td>30th Mar</td>
</tr>
<tr>
<td>Onion</td>
<td>1 April to 30th Sep</td>
<td>12 months</td>
<td>30th Mar</td>
</tr>
<tr>
<td>Rabi Crops</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jowar</td>
<td>1 Aug to 30th Nov</td>
<td>10 months</td>
<td>25th May</td>
</tr>
<tr>
<td>Paddy</td>
<td>1 Jan to 30th Jun</td>
<td>12 months</td>
<td>27th Dec</td>
</tr>
<tr>
<td>Groundnut</td>
<td>1 Jan to 31st Mar</td>
<td>10 months</td>
<td>25th May</td>
</tr>
<tr>
<td>Onion</td>
<td>1 Aug to 31st Jan</td>
<td>12 months</td>
<td>28th Sept</td>
</tr>
<tr>
<td>Potato</td>
<td>1 Aug to 31st Jan</td>
<td>12 months</td>
<td>28th Sept</td>
</tr>
<tr>
<td>Tomato</td>
<td>1 Sept to 31st Dec</td>
<td>7 months</td>
<td>30th Mar</td>
</tr>
</tbody>
</table>

Table 9 Period of distribution & last date of repayment of crop loan for different crops.
3.5 Procedural aspect of Crop loaning Policy

Organization in a District

The cooperative credit structure is a three tier system, at the village level, there is, Primary Agriculture Credit Society, at district level, there is the District Central Cooperative Bank and at the state level, there is State Cooperative Bank. The District Central Cooperative Bank has many branches in each taluka, these branches acts as liaison between the village societies and the District Central Cooperative Bank.

Primary Agriculture Credit Society

Mainly depends on the District Central Cooperative Bank for the funds. It is obligatory for Primary Agriculture Credit Society to be a shareholder of the District Central Cooperative Bank by holding its shares worth at least of Rs 1000. This enables the Primary Agriculture Credit Society to borrow from the District Central Cooperative Bank and undertake lending operations. The executive authority of the Primary Agriculture Credit Society vests in a Managing Committee composed of 7 to 9 members elected by the shareholders. These members elect their Chairman

District Central Cooperative Bank

Though the loans are actually disbursed by the Primary Agriculture Credit Society the authority for laying down the policies and procedures such as fixing the scale of finance, mode of disbursement as well as actual sanction of the crop loans vests with the District Central Cooperative Bank. The decision making power in respect of policies and procedure of the district bank vests in the Board of Directors. The Board of Directors of Pune District Central Cooperative Bank consists of 28 members elected/nominated.

In practice the Board of Directors appoint a subcommittee of three to four members from among themselves for a detailed scrutiny of the large number of applications but the ultimate decision is taken by the board as a whole on the recommendations of the subcommittee.
3.6 Normal Credit Limit Statement (N.C.L.)

To ensure the Credit worthiness and bona-fides of the applicant, one vital form, known as “Normal Credit Limit Statement” (N.C.L) plays a significant role. It is to be filled in by the secretary of the PACS for each of the member intending to borrow from the society. Loans are granted by the bank to the societies on the basis of the “Normal Credit Limit” (NCL) statement. The NCL consists of information as regards the kinds of crops being raised by each member in his farm and the credit required. The same NCL is effective for three years. The borrower is supposed to executive an agreement that the crop raised will be sold only through the cooperative marketing societies.

The following main items are covered by the NCL statement to enable the processing of the loan proposal at PACS and PDCC Bank levels.

- Information on Personal identity number of loaning card.
- Particulars regarding land owned, leased in and leased out, cultivated land, position of mortgage of land, revenue assessment.
- Position of shares held in the various cooperative institutions
- Particulars of cropping pattern and expected cropping pattern in the ensuring years (crop loan period).
- Information regarding crop wise total production of the farm in the previous years.
- Details about the type of loans taken from the cooperatives and other agencies.
- Information on previous year’s loan amounts of Principal and interest outstanding at the end of the year.
- Loan amount recovered through the processing and marketing agencies, as well as, directly from member in terms of cash.
- Members demand for Credit for the ensuring year, the crop wise area and for which loan is sought and such other details.
- Recommendations of the managing committee of the PACS, Inspector, Divisional officer of the concerned branch office of DCC Bank.
- Amount sanctioned in kind and cash by DCC Bank and date and loan components disbursed.
It must be noted that NCL statements is done only once in a year and not anytime the farmer approached for fund. The NCL remains effective for three years. The defaulters are not allowed to borrow fund from the cooperatives.

The farmers requiring loans have to convey their intentions before the end of September every year. The process of preparing N.C.L. statements is to be completed by November 30th. The scrutiny of the form is done by three people; namely:

**Inspector of the branch office of the DCCB. Pune District Central Cooperative Bank**

He does this from the month of December to June, by visiting the office of PACS. He is required to examine the asset position of the individual members from the, share certificate register, for the up-to-date information, cash-balance position of the society, financial regularity, NCL register of the previous year, position of the linking recovery, loan register, about the position of advances and recoveries of the existing loan, and such other details of the members seeking loans. The inspector then looks into loan demanded by the farmer, the recommendation made by the committee of PACS and makes his own remarks about the viability or repayment capacity of the individual and the amount of loan recommended by him.

**The Divisional Officer (D.O.) of the taluka branch of the Pune District Central Cooperative Bank.**

He examines the NCL proposals and makes his own recommendations and sends all the forms to the Head Quarter of the Pune District Central Cooperative Bank, at Pune. He also works out the loan demanded by the society, the amounts outstanding and over dues that should go to Pune District Central Cooperative Bank
The final scrutiny takes place at the head quarters Pune District Central Cooperative Bank, at Pune.

This scrutiny report is placed before the executive committee of the Board of, Pune District Central Cooperative Bank, at Pune.

3.7 Scale of finance

The loans are usually granted one month before the sowing seasons. The amount of loan for each kind of crop is decided by the “Technical Committee” appointed by District Central Cooperative Bank. The committee is presided by the Managing Director of the District Central Cooperative Bank. The Technical committee holds its meeting annually in the month of November of December, preceding the ensuing crop year. The committee is expected to decide the scale of finance for each crop, according to cost of production per acre for different crops, and recommend the maximum amount that may be given as loan for different crops. For arriving at the scale of finance, the committee is supposed to take into consideration the amount paid in the previous year for the same purpose together with the report of its adequacy or otherwise from the village cooperatives and the latest suggestions from the Agriculture Department about the quantum of inputs and their anticipated prices for the next crop year.

These recommendations are considered by the Board of Directors for finally fixing the scale for the ensuring agriculture year. The scale of finance is fixed for Kharif season as well as Rabi season. The minimum period of crop loan is six months and maximum is fifteen months. Vegetable, Flowers get crop loan for six months while sugarcane gets crop loan for fifteen months. Even though the schedule of scale of finance is prepared for 26 different crops by Pune District Central Cooperative Bank, in practice it is giving crop loan only for 8 crops, namely, Sugarcane, Tomato, Potato, Onion, Rice, Groundnut, Bajari and, Grapes. The policy states the month in which the loan will be distributed and the maximum period for which the loan will be given. It also states the last date of repayment of loan. As a broad general rule, the RBI Manual prescribes that the limit should be fixed at one –third of the average value of
the gross produce at the traditional level of cultivation. Every year the scale has been increased upward, due to rising costs of production.

3.8 Disbursement and repayment of crop loans

The success of the crop loan system lies in proper disbursement and proper repayment of loans. By proper disbursement we mean timely and adequate financing of agricultural operations, by proper repayment we mean repayment out of sale proceeds of the produce and without unnecessary delay. If these two conditions are satisfied the crop loan system would contribute substantially to the progress of agricultural, reduce the farmer’s dependence on the private money lender and ensure him a better return for his produce.

3.9 General conditions for sanctioning loans to Societies

The following are general conditions laid down by the District Central Cooperative Bank for the sanction of crop loans to the societies.

- The cooperative credit society should repay a minimum of 25 percent of the loans outstanding with the District Central Cooperative Bank.
- None of the members of the Managing committee of the cooperative credit society should be a defaulter.
- The society should be ready to purchase a fresh share so that the total share holding of the society will be equal to 10 percent of its outstanding plus the loan applied for.
- The cooperative credit society should maintain an up to date record of the holdings and other relevant information contained in 7/12 and 8A Extracts in respect of each member.
- The cooperative credit society should maintain up to date records of inspection of the crops and the total production.
- The cooperative credit society should adopt the scale of finance laid down by the District Central Cooperative Bank for various crops.