Chapter 1
INTRODUCTION

1.1 Introduction

The World Bank, in its “World Development Report” (2008), has classified the countries broadly into two categories, Developed countries and Developing countries, on the basis of Gross National Income and other indicators. Countries whose per capita income was less than $11,115 were called as Developing countries and countries whose per capita income was more than $11,115 were called as Developed countries. India with per capita of $820 (according to exchange rate basis) (or $3800 according to purchasing power parity basis) is a Developing country (this is 55 times lesser, according to exchange rate basis, or 12 times lesser, according to purchasing power parity basis of U.S.A’s, per capita income of $44970 and $44260 respectively). The other indicators are predominance of agriculture (with 17% share of national income and employing 58% of labour, in contrast to U.S.A’s 1% share of national income and employing 4% of labour), heavy population pressure, prevalence of chronic unemployment and under employment, prevalence of low level of technology etc.

“Agriculture is described as the backbone of Indian economy, mainly because of three reasons. One, agriculture constitutes a large share of country’s national income though the share has declined from 55 percent in 1950s to 17 percent in 2010. Two, more than half of India’s workforce is employed in agriculture sector. Three, growth of other sectors and overall economy depends on performance of agriculture to a considerable extent. Besides, agriculture is a source of livelihood and food security for large majority of vast population of India.

Because of these reasons agriculture is at the core of socio economic development and progress of Indian society, and proper policy for agriculture sector is crucial to improve living standards and to improve welfare of masses.”
The challenges facing Indian agriculture can be grouped into four categories—
1) Growth,
2) Sustainability,
3) Efficiency, and
4) Equity.

Addressing these challenges requires efforts on several fronts; one of them is the Crop loan scheme.

1.2 Background
According to, “The National Agriculture Policy, 2000” Indian agriculture faces both opportunities and challenges with Liberalization of domestic and global markets. There is a need to develop a new strategy for agriculture sector. Appropriate measures are required to build a productive and internationally competitive agriculture structure, promoting more rapid agriculture growth is important not only to achieve higher economic growth, but also to lift large number of households in rural areas out of the poverty and unemployment circle.”

“Past performance of agriculture credit reveals that though the overall flow of institutional credit has increased over the years, there are several gaps in the system, like inadequate provision of credit to small and marginal farmers, large number of non borrowers, large indebtedness. These have major implications for agriculture developments as also the well being of the farming community. Efforts are, therefore required to address and rectify these issues”

1.3 Meaning of Crop loan
“Crop loan is a short term credit and is generally obtained from primary credit co-operative Society of a village or also from commercial bank. The period of loan is about one year except for sugarcane for which the period is 18 months. The criteria for granting crop loan, is Cost of cultivation. In cost of cultivation, direct paid-out costs are only considered they include items, like
seeds, manures, fertilizers, pesticides, diesel/electricity, hired labour, etc. It is expected that all direct costs to be incurred by the farmer should be covered and accordingly he should get adequate credit. Since crop loan is for one season, its recovery is made in one installment after the harvest of the crop. Crop loan is an annual requirement and farmer has to borrow fresh loan for new crop season every time. Therefore, he has to repay the earlier loan with interest within stipulated time. Since this loan is required every season/every year, the procedure of getting this loan is simple and convenient and it is made available by the District Central Co-operative Banks through the village Co-operative Credit Society. So the farmer gets his loan in the village itself.

There is a three tier structure providing crop-loans through co-operative institutions.

**Apex Bank- State Co-op. Bank.**

**District Central Co-op. Bank.**

**Village Co-operative Credit Society**

Crop-loan is the most important need of the farmer to increase and maintain his productive ability. With the help of this loan amount, he can purchase modern costly inputs and adopt new technologies on his farms. So through these loans co-operative banks play important role in the development and prosperity of agriculture. Among the various types of bank loans to agriculture, the share of crop loan is the highest.”

The area chosen for the study is Pune District, and the financial institution is the, Pune District Central Cooperative Bank, because of following reasons

- Pune District is a developed district in Western Maharashtra, both, industrially as well as in agriculture.
- Secondly, the Pune District Central Cooperative Bank is one of the leading Central Cooperative Bank in Maharashtra, and out of the total crop loan disbursed in the “Annual Credit Plan” of Pune District, “the
crop loan disbursed by Pune District Central Cooperative Bank, accounts for more than seventy percent.\textsuperscript{vii}

- Finally, Pune District Central Cooperative Bank is a well managed and efficient bank in Maharashtra State in general and Western Maharashtra in particular. Its study can be a source of inspiration to other Central Cooperative Banks in Maharashtra in particular, and in India in general.
- The Pune District Central Cooperative Bank has the potential to improve the economic life of the farmers in Pune District. If the cooperative sector has to play its important role in the process of development, there is a need to evaluate the performance of the cooperative societies so as to minimize or remove the defects found in the cooperative societies.

“The cooperatives have been playing an important role in shaping our agricultural and rural Economy. They are engaged in several economic activities such as disbursement of credit, distribution of agricultural inputs like seeds, fertilizers, agrochemicals, and in arranging storage, processing and marketing of farm produce. The co-operative agro processing units add value to their precious farm produce such as milk, sugarcane, cotton, fruits and vegetables and thus facilitate better returns.\textsuperscript{viii}

The cooperative sector in India has emerged as one of the largest in the world. “Almost 80% villages have been covered under the cooperative fold and about 75% of the rural households are the members of the cooperative institutions.”
1.4 Reason for choice of topic


The following three factors influenced my decision to select the above topic:
2) The speeches given by the (then) Honorable President of India, Smt Pratibha Patil, the Prime minister of India, Dr. Manmohan Singh and the Agriculture Minister of India, Shri. Sharad Pawar, relating to Second Green Revolution.
3) The National Agriculture Policy, 2000, as well as the Tenth Five Year Plan (2002-2007)

Two statements of India, which are often quoted, are:
- India is “Rich” but Indians are “Poor”, and
- India is a “Caged Tiger”.

It means India is Rich in “Natural and Human resources” but it is poor in terms of “per capita income”, which is a reflector of “Standard of living”. But the second sentence tells us that India has the “Potential” to become a “Developed Country,” if the resources are “Explored” and “Exploited” efficiently. As, Dr. A.P.J. Abdul Kalam in his book, “Vision of India-2020” has stated, “Vision of India-2020” is based on an assessment of the Indian people and India’s resources. India’s core strengths are derived from our resources-Natural and Human. This has been proved by the “First Green Revolution” which took place in the sixties, and gave a “U” turn to the Indian economy from an Importing country, India became self sufficient and self reliant and was able to export some quantity of some food grains. But the situation has been changing because of increase in demand for food grains due to increase in population, and increased Income (due to high economic growth rate),
particularly after the New Economic Policy that was introduced in India in, 1991.

It is in this context the (then) Honorable President of India, (Smt. Pratibhatai Patil), The Prime minister of India, (Dr. Manmohan Singh) and the Agriculture Minister of India, (Shri. Sharad Pawar) have been talking of “Second Green Revolution” In this context, Adequate, Timely and Cheap Credit from institutional sources like, Co-operative Bank play an Important role.

Why, is there a need for Second Green Revolution?
The three main reasons which justify the need for Second Green Revolution are

1) A growing population: India’s population is projected at 1.3 billion by the year 2020, which will increase the demand for food grains.

2) Economic Growth: As the economy grows, people earn more and consumption rises.

3) Change in life style: With increase in income and urbanization the life style of the people will change, increasing demand for fruits, vegetables, milk and other non food crops.

“Thus the growing demand for food grains, vegetables, fruits, milk, poultry as well as cash crops is going to present newer challenges to agriculture” The objective of increasing the production, as expected by Second Green Revolution is possible, if we are dedicated in our work, and work hard. To put in the words of Dr A.P.J. Abdul Kalam “Along with many others who have studied these issues in depth and thought about possible solutions must remember, India has tremendous potential for increasing production. India either already has the necessary technologies or can develop them easily. Our people and our farmers are exceptionally entrepreneurial, and have proved it again and again. But we can belie the gloomy predictions only when we resolve to work hard with a long term vision” xiii
1.5 Why the period from 2003-04 to 2007-08 was Selected?

Following are the reasons why this period was chosen

1) **The National Agriculture Policy, 2000**, as well as the Tenth Five Year Plan (2002-2007) envisaged “a growth rate exceeding 4 percent per annum in the agriculture and allied sector, 8.9 percent in industry, and 9.4 percent in the service sector, so as to achieve 8 percent growth rate in GDP.” Growth in agriculture has a maximum cascading impact on other sectors, leading to the spread of benefits over the entire economy and the largest segment of population. “The rapid growth of agriculture is essential not only for self reliance but also for meeting the food and Nutritional security of the peoples, to bring about equitable distribution of income and wealth in rural areas and to reduce poverty and improve the quality of life.”

The easy and timely availability of institutional credit in a trouble free manner to the farmers at a reduced rate of interest is the key ingredient for meeting their credit needs and encouraging investment for accelerating agricultural growth.

2) In line with this requirement the government announced a “**Comprehensive Credit policy** in June 2004” the measures included in this policy were.

- Doubling the flow of credit in next three years.
- Enhancing the coverage of Institutional credit through Kisan Credit Cards.
- Bringing more number of farmers under the Institutional credit scheme.
- Reducing the rate of interest, on crop loan above Rs 3 lakh from 7 % to 6%. the state government will also give subsidy in the rate of interest.

3) Similarly the Government of Maharashtra had appointed, the “**Swaminathan Committee** in 2004” to give Blue Print of Agriculture Policy for Maharashtra for the next 25 years: This committee submitted the Report in 2005. This policy emphasized the need for Crop Insurance Policy, and steps that must be taken to increase agriculture productivity.

Against this background when we look at the “**Annual Credit Plans**” (of 2006-2007) of Pune District, it was seen that it has surpassed this target, that is in 2003-2004 the amount disbursed for Agriculture Sector
was Rs 303.17 crores, and in 2006-2007 it was Rs 1194.99 crores (that is increase of 3.94 times) Since Crop Loan account for 55 to 60 % of Agriculture Sector loan, I wanted to find out whether the Crop Loan credit has also increased and thereby helped to increase the productivity and production in Agriculture.

It was against this background, I wanted to critically evaluate the implementation of the crop loan and crop insurance policy from Pune District Central cooperative Bank, from 2003-04 to 2007-08.

1.6 Why Pune District Central Cooperative Bank was selected for the Study.

1. Among the 31 Central Cooperative Banks in Maharashtra the Pune District Central Cooperative Bank is the leading Central Cooperative Bank.

2. Pune District has progressed not only in Industry but also in Agriculture.

3. The increased production of Agriculture goods has resulted in exporting Certain Agriculture products like Grapes, Onions, Potato, Tomato and Sugar.

4. Such a study can be the basis on which direction further efforts need to be channelized for, making the Cooperative Societies, in general and the Pune District Central Cooperative Bank in particular as catalyst of rural Transformation.

I have taken the topic of evaluating the implementation of crop loan by Pune District Central Cooperative Bank, because, Pune District Central Cooperative Bank is one of the leading Central Cooperative Bank in Maharashtra, and out of the total crop loan disbursed in the “Annual Credit Plan of Pune District”, the crop loan disbursed by Pune District Central Cooperative Bank, accounts for more than seventy percent.
1.7 Purpose of the thesis

Such a study would provide a clearer picture of the progress of the crop loan and crop insurance policy and deficiencies if any in its implementation. Such a study may also enable the policy makers to frame policy guidelines to improve the efficacy of the agriculture finance in general and crop loan in particular, of the cooperative banks.

The area chosen for the study covers the Pune District, this study is to critically evaluate the implementation of crop loan and crop insurance through Pune District Central Cooperative Bank. The ultimate objective of providing credit to farmers under Crop Loan scheme is to enable them to earn higher income through larger production. Thus in the case of crop loan, the impact is expected to be reflected in higher crop production through the adoption of improved technology.

In order to show how crop loan has benefitted the borrower, to increase their yield, output and income, a comparison is made with the sample of non borrower farmer from the same Primary Agriculture Credit Society.

1.8 Objectives of the study

1) To find out how many farmers are taking Crop Loan and Crop Insurance Policy from Pune District Central Co-operative Bank. What is happening to it from 2003-04 to 2007-08.

2) Which are the crops for which Crop Loan is given by Pune District Central Co-operative Bank, and the Crops for which crop Insurance is taken?

3) Which crop is prominent in the Crop Loan and Crop Insurance?

4) Which Taluka is prominent in the Crop Loan and Crop Insurance?

5) To study the procedures of Crop Loan.

The ultimate objective of providing credit to farmers is to enable them to earn higher income through large production. Under normal circumstances, the borrowers are bound to realize higher income. But what is more important is to prove that the additional income realized by the borrower farmer has by and large been due to the financial assistance provided by the Cooperative
Bank. This has been done by comparing the difference in the, cultural characteristics (use of fertilizers, pesticides, HYV seeds, irrigation and bringing more area under cultivation) of the borrower farmer with those of the non borrower farmer, from the same PACS, in the area, yield, production, cropping pattern and exports.

In other words the objective of this study was to examine critically the working, progress, and performance of Crop Loan and Crop Insurance Scheme in Pune District, and in light of empirical data suggest ways and means for more effective implementation of the scheme so as to fulfill its social and economic objective.

1.9 Hypothesis
1) The Pune District Central Cooperative Bank, through Primary Agriculture Credit Societies, has given crop loan to large number of farmers, but there is still scope to cover more number of farmers.
2) Demand for Crop Loan is more in the Kharif Season compared to Rabi Season.
3) Crop loan has increased the area, productivity and production of large number of Cash crops.
4) The surplus generated of cash crops like grapes, potato, onion, tomato and sugar has increased the exports of them.
5) Crop Insurance Policy exists only for some crops and is taken only by some non borrowing members.

1.10 Research Methodology
The study makes use of both primary data & secondary data. The secondary data was collected from Library research and the primary data was collected from Field research. The details are given in Chapter 4 on Research Methodology.
1.11 Definition of important terms

1. Kharif crop- the rainy season is called as the Kharif season. The crops cultivated during the Kharif seasons are called Kharif crops. Rice, Jowar, Bajra, Moog, Cotton, Onion, Potato, Tomato are the main Kharif crops (the crop loan given by Pune District Central Cooperative Bank, from month of April to September is called as Kharif Loan).

2. Rabi crops- the winter season is called as the Rabi season. The crops cultivated during this season are called Rabi crops. Wheat, Gram, Safflower, Onion, Potato, Sugarcane, Grapes are the main Rabi crops (the crop loan given by Pune District Central Cooperative Bank, from month of October to March is called as Rabi Loan).

3. Jiryati Farming- the farming carried out mainly with the help of rain water is called as Jiryati farming or rain fed farming.

4. Bagayati farming- the farming carried out mainly with the help of water supplied through irrigation is called Bagayati farming or irrigated farming.

5. Crop loan- the short term loan is now called as crop loan. It is mainly for financing current expenditure for raising the crop like purchase of seeds, fertilizers, pesticides, expenditure of ploughing, payment of labour charges etc, they are given for a period up to 1 year. They are generally repaid after the harvest, from the sale proceeds of the crop.

6. Medium term loan- they are given for a period from 3-5 years. They are given for meeting the capital investment, to increase the output from the Land. They are given for deepening of wells, sinking of wells, installations of pump sets, purchase of bullocks etc.

7. Long term loans- they are given for a period over 5 years up to 15 years. They are given for meeting the capital investment, to increase the output from the land. They are given for deepening of wells, sinking of wells, land leveling, bunding, purchase of tractors, oil engines etc. The distinction between medium term and long term loans is not so much on the basis of the purpose of loan as the repaying capacity of the concerned borrower. Thus, loan sanctioned for purchase of pump
set, may be either medium term or long term depending upon the borrower’s ability to repay it within five years or more than five years.

8. Scale of Finance- it is the expenditure fixed crop wise, per acre, for meeting the cost of cultivation, requirement of the majority of cultivators in the area. It is fixed by the technical committee appointed by the District Central Cooperative Bank.

9. Technical committee- it is compact group of knowledgeable persons drawn from the Agriculture, and Cooperative department, Central Cooperative Bank, selected Primary Agricultural Credit Societies and few successful and enterprising framers from the area. Such a Technical committee is appointed by each District Central Cooperative Bank, to decide the scale of finance for different crops in that district.

10. Cash component (before 2006 the crop loan consisted of cash component and kind component, now the entire crop loan is given in cash) – it was intended to meet the probable outlay of the cultivator in the area during the period it takes to grow the crop. It would act as “ways and means” accommodation to the cultivators and would not exceed about one third of the average value of production per acre.

11. Kind component- it would be fixed with reference to quantity of chemical fertilizers, pesticides and inputs which an average cultivator in the area uses, based on the recommendation for each crop by the Agricultural department.

12. NCL(Normal Credit Limit)- it is a document prepared for three years, by The Secretary of the society on the basis of the crop grown, the scale of finance for it, the type & quantity of land owned by the farmer. This document is scrutinized by the inspector, divisional officer of the District Central Bank, and then sent to the head office of the District Central Bank for Sanction of Crop Loan.

13. Cereals- they consists of crops like Rice, Wheat, Bajra, Maize, Jowar etc.

14. Pulses- it includes Gram, Green gram, Horse gram, etc.

15. Food grains- consists of Cereals and Pulses


17. Oilseeds- consist of Groundnut, Sunflower, Mustard, Safflower etc.
18. Gross area cultivated- consist of net area cultivated plus area cultivated more than once.

1.12 Chapter scheme

The thesis is divided into ten chapters as under:

Chapter 1:
This chapter gives the reason for choice of topic of study, objective of the study, Hypothesis, of the study. Such a study would provide a clearer picture of the progress of the crop loan scheme and deficiencies if any in its implementation. Such a study may also enable the policy makers to frame policy guidelines to improve the efficacy of the agriculture finance in general and crop loan in particular, of the cooperative banks.

Chapter 2:
This gives a brief profile of Pune District. It tells about total geographical area, area under cultivation, type of soils, climatic condition, rainfall, major crops grown, and pattern of land holding etc. It also gives a brief profile of Pune District Central Cooperative Bank. It highlights the progress of Pune District Central Cooperative Bank.

Chapter 3:
This gives a review of literature on crop loan,

Chapter 4:
It deals with Research Methodology. The procedure adopted for collecting the Primary data and Secondary data, and the procedure adopted for analyzing the data.

Chapter 5:
This gives the comparative analysis of crop loan at district level. (Based on secondary data) In this chapter analysis is made of total crop loan, crop loan for Kharif season and for Rabi season. What is happening to the amount over
a period of time (between 2003-04 to 2007-08). What is happening to the percentage of target and achievement.

**Chapter 6:**
This gives the comparative analysis of crop loan, crop wise. (Based on secondary data) In this chapter comparison is made about the crop loan, crop wise, from 2003-2004 to 2007-2008.

**Chapter 7:**
Data Analysis: Consisting of Text, Tables, and Figures.

**Chapter 8:**
Deals with Discussion, findings and Hypothesis testing.

**Chapter 9:**
Implementation of crop insurance policy. It highlights the objectives of the policy and makes a comparative analysis of the crop insurance policy for different crops in different talukas of Pune District, and between different types of farmers.

**Chapter 10:**
Deals with summary, conclusions, recommendations and limitations of study

**Bibliography**
Questionnaire to farmers
Questionnaire to secretary of society