INTRODUCTION:

In order to make credit societies to provide adequate and timely financial support for agricultural development, urgent measures are to be taken to reduce the overdues. The problem of overdues of agricultural loans, irrespective of whether the institutional agency dispensing such credit is a commercial bank or a co-operative bank, should be traced to ultimate borrower and tackled primarily at that level, although it cannot be denied that the deficiencies of the credit agency itself might have served as contributory factors warranting certain remedial measures.

The measures that may have to be taken with a view to minimising the overdues in future, and ensuring speedy recovery of the backlog of overdues that had already accumulated on account of wilful defaults, largely depend on the quickness and firmness with which these inadequacies are made up.

The primary responsibility for the recovery of loan is that of the management of the co-operative institutions, which should, no doubt, be aided by the executive and the supervisory staff.
at the disposal. Secondly, the legislative and administrative assistance rendered by the State Governments should be responsible only for removing the deficiencies in the arrangements for the recovery. Thirdly, the factors having a bearing on the general level of overdues relate to certain built-in-arrangements backed by legal sanctions, which should help avoid defaults and ensure automatic recovery of co-operative dues.¹

To improve the recovery performance, the All India Rural Credit Review Committee, 1969, suggested for undertaking of an efficiently organised drive for recoveries, streamlining of loan policies and procedures, improving of technical competence of the paid management, granting of powers to staff of co-operative department to execute decrees, the appointment of additional recovery staff, if necessary, the amendment of Co-operative Societies Act in order to grant powers to the Central Co-operative Banks to initiate against defaulter-members of primary credit society in such cases, where the latter is reluctant to take action, the granting of powers to the Registrar to supercede the managements of those societies, whose management has become inert, the exercise of utmost vigilance by the co-operation department and financing bank to check book adjustments by primary societies and the

¹ Report of Study Team on Overdues of Co-operative credit Institutions, op. cit. P 154.
amendment of acts and rules, to incorporate provisions to disqualify defaulters and representatives of defaulting societies from continuing in the Board of Directors.²

To reduce overdues, the Study Team on Overdues 1974, has recommended various measures, including the building up of Satibilisation and Relief Funds, the charging up of higher penal interest rates, automatic disqualification of managing committee (board of directors), denial of fresh credit and voting rights to defaulters and the granting of powers to the Registrars to issue orders to recover overdues as arrears of land revenues.

MEASURES TAKEN IN KARNATAKA:

In Karnataka, in recent years, various measures have been taken for improving the recovery position of agricultural credit co-operatives. The important measures adopted for reducing the overdues are (1) persuasive measures, (2) measures to be taken during crop failures due to natural calamities and (3) legal measures.

(I) Persuasive Measures: The following are the different persuasive measures introduced in the field of agricultural co-operative credit with special reference to PACSs.

² Report of the All India Rural Credit Review Committee, 1969, RBI, Bombay.
The problem of overdues in agricultural credit co-operatives has been attracting the attention of Government of Karnataka for quite some years. On account of successive scarcity conditions, prevailing in different parts in the State, the loan burden of the farmers had substantially increased during the last 5-10 years, followed by the sanction of different types of loan facilities under stabilisation arrangement. The increase in the debt burden created serious problem before the co-operative structure for recovering these dues within a short period. Representations were, therefore, made to the State Government from time to time by Agriculturists and through the "Farmers' Associations" for writing-off their accumulated arrears in co-operatives.

During the past few years, the Government of Karnataka has been giving concessions in various ways to the members of PACSs and Primary Land Development Banks in the repayment of loans taken by them.

One of the important concessions given by the Government of Karnataka in recent years is subsidy to the farmers, with regard to interest payable by them on the overdue loans, who repay their overdue principal amount in full on or before 30th March of every year. This scheme was introduced in 1983 (vide Go No.
RDC 132 CLS 83 (1) dated 11/4/83.) and it was made applicable only to small and marginal farmers. Later on, the Government, in its modified order, extended this scheme to all farmers who borrowed up to Rs. 10,000/- (vide GO No. RDC 106 CLS 84 Bangalore dated 24/3/1984). This order was issued with concurrence of the Finance Department (vide order No FD. 463 Exp-II 84 dated 23/4/1984) The same facility was extended even for the years 1984-85, 1986, 1987, and 1988 (Vide Government orders No CMW/15/CLS/88, dated 12th February 1988, 8th March 1988 and 6th April, 1988 Government of Karnataka Annual Report, Co-operation Department, 1977-78). The interest subsidy scheme extended by the Government of Karnataka consists of two types, viz (1) interest subsidy, and (2) incentive subsidy.

1. INTEREST SUBSIDY

Government sanctioned subsidy to the farmers who repay their entire overdue principal amount of short, medium, medium-term-conversion and long-term loans, to the extent of the entire liabilities towards interest on overdues of principal amount as on 30th June, 1983.

Government also sanctions subsidy to those farmers, who pay the amount due within the due dated fixed by the lending financial institutions on short-term, medium-term, medium-term-
conversion and long-term loans to the extent of the difference between the lending rates of the NABARD to the State Co-operative apex Bank and the rate at which loans have been sanctioned to the farmers by the PACS/PLD Banks. By this concession, the farmers are required to pay only 7% interest on their borrowing as against 12.85% payable by small farmers and 14% by other farmers. Out of the subsidy amount, the share of the DCC Bank is 1% and that of the Apex Bank is ¼% and balance is to be borne by the Government.

2. INCENTIVE SUBSIDY

The scheme for providing incentive subsidy to the farmers to the extent of 5% of the value of their own agricultural produce marketed by the farmers through PACSs, provided, the proceeds are utilised to clear their co-operative loan, was introduced. The scheme was not applicable to commercial crops such as sugarcane, cotton, areca, tobacco, cashewnut, coffee and cardamum. The PACSs are eligible for incentive subsidy of 2% of the total value of agricultural produce and the marketing societies at 5%. Thus the object of this scheme is to encourage the farmers to sell their produce through marketing societies. This incentive subsidy scheme will boost up the business of marketing co-operatives and stimulate them in the recovery of co-operative dues. The linking of credit with marketing through this incentive subsidy
APPRAISAL OF THE SCHEME:

This scheme was introduced in the State by the Government in such an alarming situation, when a large number of PACSs and PLD Banks were running under heavy losses on account of huge amount of overdues and when farmers agitation was going on throughout the State to write-off their loan taken from the PACSs and PLD Banks. The most unfortunate thing was that the farmers agitation was very mild or almost nil in the areas where famine condition was more acute, but it was deeply rooted and the protest against the Government specially Revenue and Co-operative Departments was rampant in the districts, such as Mandya and Shimoga, where the scarcity situation never prevailed due to assured water facilities through canal irrigation. Due to the farmers' strong protest many PACSs, PLD Banks and DCC Banks lost the eligibility for the drawal of credit limit. On account of this, many PACSs stopped further advancing. When there was a gross failure of repayment on the part of the members, the entire credit structure became non-functional and recycling of finance was affected. The crux of overdues is that they not only affect the interest of the defaulter, but also the regular member creditors and the very co-operative movement itself.
Just to sympathise and to get favour and support from the farmers the Government could not take coercive measures effectively on the wilful defaulters. This scheme as a temporary relief was, therefore, introduced by the Government to appease the agitating farmers.

This scheme of waiving entire interest on overdue loans or subsidising the interest on current due came as a boon to the wilful long-standing defaulters because they had a chance of repaying their long standing arrears without interest or penal interest. Again all farmers irrespective of big or small, whether affected by famine or not were required to pay interest at only 7% against 12 to 14%. This is the inherent drawback of this scheme.

The most important lacuna of the scheme is that it did not make difference between big and small farmers, farmers with assured water facilities and farmers persistently suffering from vagaries of monsoon and finally farmers growing cash crops and non-cash crops. On account of this limitation, big farmers, farmers with adequate irrigation facilities and growers of cash crops are being greatly benefitted.

When it was introduced, no discrimination was made between wilful defaulters, defaulters with long standing and regular and punctual repayers. The credit worthiness and the punctuality of prompt repayers was not recognised and rewarded suitably.
This scheme actually spoiled the repaying habits of even the regular repayers. It is being continued from 1982-83. Now, the borrowers of the PACSs in villages are so confident that this scheme will be a permanent feature and the last date for the repayment will also be extended, if a little trouble is created to the Government.

The worst impact of this scheme on co-operatives is that the unscrupulous long standing wilful defaulters have again entered and usurped the levers of powers of co-operatives by clearing their long-standing arrears in the year 1982-83. These vested interests will spoil the co-operatives.

If the subsidy is not released by the Government immediately, the PACSs will be put into losses in many ways. Firstly, till Government releases the subsidy portion, PACSs have to pay interest to DCC banks for the loan borrowed. Secondly, Government will not pay interest on the amount of subsidy, if the delay is made in releasing it. Because Government in the previous years took 6 to 12 months for releasing the subsidy amount. Thirdly, on account of such delay the net profit of the PACSs for the concerned year will be reduced and thereby reserves and other funds will be remained stagnant. This will reduce the borrowing limit in the next year and the farmers will receive less loan.
Evaluating the effectiveness of the Scheme

In order to evaluate the impact of this scheme on overdues, the following parameters have been used:

(a) Analysis of trend in the amount of interest subsidy released by the Government.

(b) Percentage of borrowers availed of the benefit to total borrowers.

The Table-VII.1 indicates that the total amount of interest subsidy released by the Government from 1982-83 to 1986-87 to PACSs and PCARD Banks was Rs. 6296.52 lakhs. The total amount of subsidy released to PACSs was Rs. 2521.43 lakhs in 1982-83. This was reduced to Rs. 459.64 lakhs in 1985-86.

The Table-VII.1 further reveals that the total subsidy released by the Government to PACSs on current due was only Rs. 338.76 lakhs and this was Rs. 237.92 lakhs in 1983-84 and again increased to Rs. 459.64 lakhs in 1985-86. This shows that interest subsidy has not helped to improve the recovery position.

The Table-VII.2 indicates the number of borrowers who availed of the benefit of this scheme during years from 1982-83 to 1984-85.
### Table VII.1: PROGRESS OF THE GOVERNMENT INTEREST SUBSIDY SCHEME

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Interest subsidy released to PACSs &amp; PCARDBs</th>
<th>For repayment of</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Overdues</td>
<td>Current dues</td>
</tr>
<tr>
<td>1982-83</td>
<td>Primary Agricultural Credit Co-operative Societies (PACSs)</td>
<td>2182.67</td>
<td>338.76</td>
</tr>
<tr>
<td></td>
<td>Primary Co-operative Agricultural and Rural Development Banks (PCARDB)</td>
<td>617.88</td>
<td>173.84</td>
</tr>
<tr>
<td>1983-84</td>
<td>PACSs</td>
<td>891.00</td>
<td>237.92</td>
</tr>
<tr>
<td></td>
<td>PCARDBs</td>
<td>254.15</td>
<td>153.86</td>
</tr>
<tr>
<td>1984-85</td>
<td>PACSs</td>
<td>-</td>
<td>273.14</td>
</tr>
<tr>
<td></td>
<td>PCARDBs</td>
<td>-</td>
<td>193.35</td>
</tr>
<tr>
<td>1985-86</td>
<td>PACSs</td>
<td>-</td>
<td>459.64</td>
</tr>
<tr>
<td></td>
<td>PCARDBs</td>
<td>-</td>
<td>220.00</td>
</tr>
<tr>
<td>1986-87</td>
<td>PCARDBs</td>
<td>-</td>
<td>300.17</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>3945.74</strong></td>
<td><strong>2350.78</strong></td>
</tr>
</tbody>
</table>

Source: Collected from the Annual Reports of Research & Evaluation Cell, Office of the Registrar of Co-operative Societies, Government of Karnataka, Bangalore, for the related years.
Table VII.2. INTEREST SUBSIDY BENEFIT AVAILED BY THE MEMBERS

<table>
<thead>
<tr>
<th>years</th>
<th>No. of loanees.</th>
<th>No. of beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SF/MF</td>
<td>Others</td>
</tr>
<tr>
<td>1982-83</td>
<td>983873</td>
<td>890878</td>
</tr>
<tr>
<td>1983-84</td>
<td>991322</td>
<td>719561</td>
</tr>
<tr>
<td>1984-85</td>
<td>1104432</td>
<td>991549</td>
</tr>
</tbody>
</table>

Note: Figures in brackets are the percentages of beneficiaries to the respective loanees.

Sources: Collected from the Annual Report published by the Research and Evaluation Cell, Registrar of Co-operative Societies Bangalore, for the related years.

The Table-VII.2 indicates that out of the total loanees of PACS and PCARD Banks in the State, the percentage of loanees who had availed of the benefit of this scheme was 53 in 1982-83, and this was reduced to 32 in 1983-84 to 17% in 1984-85. This, therefore, clearly indicates that this scheme is not found to be more effective scheme to improve the rapidity of recovery.
(B) LINKING OF CREDIT WITH MARKETING:

The need for linking of co-operative credit with marketing has been recognised since long. Credit and marketing are the two vital functions which have a direct bearing on the efficiency of agricultural production. They are very much interdependent functions and, therefore, inseparable. Provision of timely and adequate credit will influence the quantum of marketable surplus and consequently the business of marketing agencies. On the other hand, availability of better marketing facilities is an incentive to induce farmers to avail more credit facilities and to increase production.

Co-operative planning Committee, 1945, was of the opinion that for the proper development of Indian Agricultural Economy, credit should be linked with marketing. It further recommended that (1) one of the conditions of the loan given by the primary society should be that each member will sell all marketable surplus of his farm produce through the primary society, (2) it should be the duty of the primary society to assemble the produce of its members, (3) transportation of the assembled produce should be, in all cases, supervised and where necessary arranged for by the primary society, (4) the duties of the primary societies as regards marketing will cease on delivery of the assembled
produce to the marketing societies and on receiving the payment for it, and (5) the payment to the members by the primary society may be made by it, out of its own funds.

The various Committees like the All India Rural Credit Survey Committee (1954), the Committee on Co-operative Credit (1960), the All India Rural Credit Review Committee (1969) etc., have emphasized the need for linking the credit with marketing.

PROGRESS IN THE LINKING OF CREDIT WITH MARKETING IN KARNATAKA :

Like in any other state, the progress of linking of credit with marketing is very much limited in Karnataka also. It is successful only in the case of crops such as coffee, cardamum, arecanut, sugar, etc., and also in the case of some of processing co-operative societies. The progress achieved in respect and linking of credit with marketing can be seen in the Table VII.3.

The Table VII.3 indicates that as many as 104 or 56% of number of 186 general purpose primary agricultural marketing societies were not all doing marketing activities. And out of 18 societies, only 8 to 9% of them helped in the recovery of the dues of primary agricultural credit co-operatives. Out of total number of PACSs in the state, the percentage of PACSs
Table VII.3: NUMBER OF GENERAL PURPOSE PRIMARY MARKETING CO-OPERATIVES RECOVERING THE PACSs DUES

<table>
<thead>
<tr>
<th>Years</th>
<th>Total</th>
<th>Of total No. of societies not doing marketing</th>
<th>Of total No. of PACSs whole loans recovered by marketing societies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of societies recovering the PACSs loan through linkage</td>
<td>in the state</td>
</tr>
<tr>
<td>1980-81</td>
<td>189</td>
<td>20(21%)</td>
<td>4646</td>
</tr>
<tr>
<td>1981-82</td>
<td>189</td>
<td>40(21%)</td>
<td>4647</td>
</tr>
<tr>
<td>1982-83</td>
<td>184</td>
<td>39(21%)</td>
<td>4596</td>
</tr>
<tr>
<td>1983-84</td>
<td>188</td>
<td>47(25%)</td>
<td>4611</td>
</tr>
<tr>
<td>1984-85</td>
<td>192</td>
<td>58(32%)</td>
<td>4580</td>
</tr>
<tr>
<td>1985-86</td>
<td>187</td>
<td>88(47%)</td>
<td>4777</td>
</tr>
<tr>
<td>1986-87</td>
<td>185</td>
<td>104(56%)</td>
<td>4712</td>
</tr>
<tr>
<td>1987-88</td>
<td>186</td>
<td>104(56%)</td>
<td>4685</td>
</tr>
</tbody>
</table>

Source: Data collected from the office of the Director of Research and Evaluation cell, Registrar of Co-operative Societies, Bangalore.
whose debt was recovered by marketing societies was only 5 to 8% from 1980-81 to 1987-88. This clearly indicates that only 7 to 8% of general purpose primary societies in the State were involved in the linkage and they recovered the loans of only 5 to 8% of total number of PACSs in the State.

The Table-VII.4 indicates the actual recovery of dues of PACSs through linkage in the State.

Table VII.4 : TOTAL LOANS RECOVERED THOUGH LINKAGE.

<table>
<thead>
<tr>
<th>Years</th>
<th>Total loans recovered</th>
<th>Of which through marketing Co-operatives</th>
<th>No. of indebted members in PACSs (000)</th>
<th>of which whose loan was recovered through linkage (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>84.60</td>
<td>1.01 (1.21%)</td>
<td>1135</td>
<td>64 (6%)</td>
</tr>
<tr>
<td>1981-82</td>
<td>91.08</td>
<td>2.29 (2.5%)</td>
<td>1260</td>
<td>7 (0.6%)</td>
</tr>
<tr>
<td>1982-83</td>
<td>130.80</td>
<td>1.59 (1.2%)</td>
<td>964</td>
<td>9 (0.9%)</td>
</tr>
<tr>
<td>1983-84</td>
<td>126.30</td>
<td>3.03 (2.4%)</td>
<td>1035</td>
<td>35 (3%)</td>
</tr>
<tr>
<td>1984-85</td>
<td>116.95</td>
<td>4.31 (2.6%)</td>
<td>1053</td>
<td>19 (2%)</td>
</tr>
<tr>
<td>1985-86</td>
<td>158.95</td>
<td>1.52 (0.95%)</td>
<td>1205</td>
<td>4 (0.3%)</td>
</tr>
<tr>
<td>1986-87</td>
<td>167.89</td>
<td>0.68 (0.4%)</td>
<td>1219</td>
<td>6 (0.5%)</td>
</tr>
<tr>
<td>1987-88</td>
<td>267.72</td>
<td>0.54 (0.20%)</td>
<td>1156</td>
<td>8 (0.7%)</td>
</tr>
</tbody>
</table>

Sources: Data collected from the office of the Director of Research and Evaluation Cell, Dept. of Co-operation, Government of Karnataka, Bangalore.
Table-VII.4 clearly indicates the failure of this scheme. Because, out of the total loans recovered by PACSs in the State, the percentage of recovery through general purpose marketing societies from 1980-81 to 1987-88 was even less than 1%.

The important reasons as to why the scheme of linking of credit with marketing is not becoming successful may be classified in three ways i.e. (1) at the member's level (2) at the PACSs level and (3) at the marketing society level.

REASONS FOR THE FAILURE OF THE SCHEME AT MEMBERS' LEVEL:

Inspite of the usefulness of this scheme, many members do not supply their produce to the societies for marketing. When an enquiry was made about the sources of marketing of their surplus produce, majority of them said "Commission agents". This can be seen in Table-VII.5.

The Table VII.5 indicates that out of 320 borrowers, interviewed 158 or 49% of borrowers sold their produces to commission agents, 74 members or 23% of them sold to local traders and another 5% of them sold to private agencies and commission agents, only 12% of them sold to marketing co-operatives.
Table VII.5: SOURCES OF MARKETING OF AGRICULTURAL PRODUCES AND DEFAULTERS

<table>
<thead>
<tr>
<th>Sources of marketing</th>
<th>MF B</th>
<th>D</th>
<th>SF B</th>
<th>D</th>
<th>MDMF B</th>
<th>D</th>
<th>BF B</th>
<th>D</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing societies</td>
<td>10</td>
<td>4</td>
<td>8</td>
<td>3</td>
<td>8</td>
<td>4</td>
<td>11</td>
<td>5</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>(11%)</td>
<td>(0%)</td>
<td>(10%)</td>
<td>(38%)</td>
<td>(11%)</td>
<td>(50%)</td>
<td>(15%)</td>
<td>(45%)</td>
<td>(12%)</td>
</tr>
<tr>
<td>Commission agencies</td>
<td>21</td>
<td>6</td>
<td>26</td>
<td>18</td>
<td>51</td>
<td>30</td>
<td>60</td>
<td>38</td>
<td>158</td>
</tr>
<tr>
<td></td>
<td>(23%)</td>
<td>(29%)</td>
<td>(32%)</td>
<td>(69%)</td>
<td>(60%)</td>
<td>(60%)</td>
<td>(83%)</td>
<td>(63%)</td>
<td>(49%)</td>
</tr>
<tr>
<td>Local agencies</td>
<td>36</td>
<td>22</td>
<td>28</td>
<td>14</td>
<td>10</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>(39%)</td>
<td>(69%)</td>
<td>(34%)</td>
<td>(57%)</td>
<td>(13%)</td>
<td>(40%)</td>
<td>-</td>
<td>-</td>
<td>(23%)</td>
</tr>
<tr>
<td>Other private agencies</td>
<td>5</td>
<td>2</td>
<td>8</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>(5%)</td>
<td>(40%)</td>
<td>(10%)</td>
<td>(50%)</td>
<td>(5%)</td>
<td>(50%)</td>
<td>(2%)</td>
<td>(100%)</td>
<td>(5%)</td>
</tr>
<tr>
<td>No surplus to cell</td>
<td>20</td>
<td>17</td>
<td>12</td>
<td>9</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>(12%)</td>
<td>(71%)</td>
<td>(25%)</td>
<td>(25%)</td>
<td>(1%)</td>
<td>(100%)</td>
<td>-</td>
<td>-</td>
<td>(10%)</td>
</tr>
<tr>
<td>Total</td>
<td>92</td>
<td>51</td>
<td>82</td>
<td>48</td>
<td>74</td>
<td>41</td>
<td>72</td>
<td>44</td>
<td>320</td>
</tr>
</tbody>
</table>

Note: B - Borrowers, D - Defaulters.

Percentages in brackets under "B" columns are percentages to total borrowers.

Percentages in brackets under "D" columns are percentages of defaulters to their respective borrowers.

Source: Primary data collected during the field survey.
The percentage of defaulters to total borrowers was 43 among sellers to marketing societies, 58 in respect of sellers to commission agents, 57 in respect of sellers to local traders, 50 in respect of sellers to other private agencies and 75 among those who had no surplus to sell.

When a question was asked as to why they sell through other than co-operatives, majority of them i.e. 140 members said that the commission agents provide loan to them as and when they need it. This can be seen in the Table-VII.6.

The Table-VII.6 indicates that out of 250 borrowers, who sold their agricultural produces to various agencies, 140 borrowers or 56% of them sold to non-co-operative agencies because they get loan from them as and when they need, 11% of them sold because these maintain loan secrecy, 8% of them sold because private agencies do not file arbitration cases, when they delay in making repayment and 6% of them sold, because, private agencies fetch better prices to their produces. Other reasons said by them for selling to non-cooperative agencies are: to avoid PACSs loan, socio-political tie-up with and good treatment from them, etc.

The same table further reveals that the percentage of defaulters was also very high among those who sold to non-co-
Table VII.6: REASONS FOR SELLING TO OTHER THAN MARKETING CO-OPERATIVES

<table>
<thead>
<tr>
<th>Reasons for selling to private agencies</th>
<th>MF</th>
<th>SF</th>
<th>MDMF</th>
<th>BF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>D</td>
<td>B</td>
<td>D</td>
<td>B</td>
</tr>
<tr>
<td>Better prices</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>1. Under 'B' percentage to their respective totals.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan as and when needed</td>
<td>24</td>
<td>22</td>
<td>40</td>
<td>24</td>
<td>36</td>
</tr>
<tr>
<td>2. Under 'D' percentages to their respective total borrowers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No legal action when repayment delayed</td>
<td>10</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>3. To avoid the payment of loan to PACSs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Marketing co-operatives do not purchase in bulk</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>4. Maintainance of secrecy of loan</td>
<td>10</td>
<td>-</td>
<td>4</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>5. Good treatment</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>6. Socio-policalitical tie-up with private agencies</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>53</td>
<td>32</td>
<td>55</td>
<td>32</td>
<td>63</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data collected during the field survey.

Note: 1. Under 'B' percentage to their respective totals.
2. Under 'D' percentages to their respective total borrowers.
operative agencies to get loan from them as and when needed, comparing to others, who sold for other reasons, to non-co-operative agencies.

Thus, an overwhelming majority of borrowers sell their produces to non-co-operative agencies, because these agencies advance loans whenever farmers ask and do not file arbitration cases, if the delay is caused for the repayment.

REASONS FOR THE FAILURE OF THE SCHEME AT THE PACSs LEVEL:

Even inspite of explicit stipulations in the bonds executed by borrowers in consonance with the provisions of the Karnataka Co-Operative Societies Act, 1959, they will not sell their produce through linkage on account of apathy of vested interests of office bearers and directors. When directors themselves are borrowers and defaulters, they will automatically discourage linkage.

Thus linking of credit with marketing is honoured more in breach than in observance. Hence, the practice of undertaking the bonds to sell the produces to marketing societies without implementing it practically tentamounts to meaningless efforts.

It is regretting to note that the societies visited, specially in the taluka of Yalaburga, Chikkaballapur and Hangal have not
made any conducive arrangements for the implementation of this scheme effectively. Whenever linkage was arranged, many lacunas were noticed. Some of them are (1) PACSs will not send borrower's list to the marketing societies well in advance to recover the dues of the members from their sales proceeds, (2) if marketing society recovered and remitted to DCC Banks, the same recovery will not be taken to the loan account of the borrowers from the date of linkage, (3) no additional loan concession in the interest on loan and other incentives will be generally given to the borrowers, who repay their dues through marketing co-operatives, and (4) no monetary benefit is given either from the marketing societies or from the PACS for the secretaries, who put in their efforts in increasing the linkage. Some years back, DCC Banks used to award some prices to the societies and to the secretaries for the highest linkage. But now this practice has been stopped.

During the lean period, PACSs should provide pledge loan to the members by storing their produces. But even now some PACSs are not having godowns. A large number of societies, having godowns, have not been providing storage facilities to their members, because they cannot advance pledge loans due to lack of funds. Since many of the DCC Banks are financially weak, they also cannot advance, cash credit loan or pledge loan by repledging the
pledged produces of members. Even some of the DCC Banks are advancing, it was told by some secretaries of PACS in the field study that the rate of interest charged by them will range from 16 to 20%. On this, PACS has to retain its margin. The pledge loan by PACS thus becomes costlier. The farmers will, therefore, feel that the higher rate of interest plus storage charges, may almost be equal to the interest on private loan, that the farmer may get temporarily from private agencies, or equal to losses that the farmer may sustain in the market by selling at lower prices during the glut in the market.

And again the employees in the PACS are not technically qualified for the preservation of agricultural produces. This is the reason as to why many PACSs have kept their godowns vacant. In Raichur district, all the selected PACSs are owning the godowns. They have been kept vacant since many years. Because they do not advance the pledge loan. Godown is used for few days for storing the fertilisers, till it is supplied. It is the same case with the most of taluk agricultural marketing co-operative societies as far as the proper and adequate utilisation of godowns is concerned. It was told that some of the Taluka Marketing Co-operatives instead of keeping their godowns idle, have given them on hire to State Warehousing Corporation.
It is also ascertained that the secretaries of PACS are indulged in malpractices, such as temporarily releasing the stored goods, with mutual understanding without recovering the pledge loan advanced, providing pledged goods to others to make capital out of it, selling them secretly and restoring them after harvest, passing bogus entries for pledge loan, without storing any goods etc. Above all, many of the board of directors of PACS themselves are local traders, or having commission agency business in cities or atleast having socio-political tie-up with commission agents. They, therefore, influence the members to sell their produces through private agencies. Therefore, they indirectly discourage the linkage.

REASONS FOR THE FAILURE OF THE SCHEME AT THE LEVEL OF TALUK AGRICULTURAL MARKETING CO-OPERATIVES:

The most important reason for the failure of this scheme is that many of the taluka marketing co-operatives in the State are not only defunct, but also, they have not at all undertaken the activities of marketing of agricultural produces. They are doing other than marketing of agricultural produces TAPCMS Ltd Chikkaballapur, and Yalaburga are not all undertaking the activities of marketing of agricultural produces. They have confined their activities only to the distribution of rationed articles. Similarly, Hangal TAPCMS Ltd.,
Hangal confined its activities to hulling paddy by installing rice mills. Though TAPCMS Ltd. Mandya has undertaken all marketing activities, it was ascertained in the field study that it cannot purchase entire paddy, what the farmers can sell, because of Government's levy problem. This clearly indicates that the marketing societies either do not do the marketing of agricultural produces at all, or do it inadequately. Thus, the scheme of linking of credit with marketing has not been effectively implemented. The very existence of marketing co-operatives, which are not undertaking the marketing of agricultural produces, has to be questioned. Even though these societies have not been undertaking the marketing of agricultural produces for the last so many years, the State Government is not enforcing them to do their main duties.

During the field survey, it was ascertained that some of the TAPCMS are so far away from some of the villages of PACS that it is impossible for the farmers to carry their produces by bullock carts, some times even by tractors, because of the bad roads surrounded by lakes etc. In some cases, some villages are nearer to adjoining taluka co-operative marketing societies. The PACS Ltd., Balambeed, the PACS Ltd., Adur in Hanagal Taluk are more near to Haveri another taluk in the Dharwad district.
Another important reason for the mounting overdues is that most of the PACSs are managed by inexperienced, untrained and low paid locally appointed secretaries in Karnataka, it is not the question of honorary or part-time secretaries, but the question of salary in commensurate with their responsibility. According to section 111(A) of KCS Act, 1959, now all societies, irrespective of their size and type must have a paid secretary. The practice of appointing a part-time secretary has been discouraged and electing one of the directors as honorary secretary has now been legally stopped. In all societies in the state, there must be paid secretaries and they must be the custodian of cash and all books of accounts.

In the field study it was noticed that in most of the selected societies in Dharwad and Raichur districts, the salary of the secretaries was only Rs.300/- a consolidated salary, which is far less than even the salary of a peon in Government office and in DCC Banks. It was also ascertained that they did not get increment in their societies, even once in three-four years. It was a funny thing noticed in one of the PACSs that the auditor passed remark in his audit report to recover an increment of Rs.50/- which was sanctioned by the Board of Director to Secretary for raising his consolidated salary from Rs.300/- to Rs.350/- per month,
on the ground that the concerned society did not get the prior permission from the Registrar of Co-operative Societies. And again the salary of a clerk is a consolidated amount of Rs.150/- per month. Because of low salaries in Hangal taluka, it was found that one person is serving as a secretary for 2 to 3 societies in addition to attending his family work mainly. This clearly shows that the salary paid to the secretary is not commensurating with his work load and responsibility entrusted to him. His work load and responsibility is no less than that of supervisors/inspectors of DCC Banks or upper division clerks in DCC/Apex Banks. It is, therefore, quite essential to increase his salary. When the salary is very meagre and not in accordance with the work load and responsibility entrusted, he will indulge in corrupt practices and does not take much interest in the recovery of loans. This leads to mounting up of overdues.

The Government of Karnataka (under G.O.No. RDC 6 CLM 83 dated 23/6/1983) has fixed different scales of pay under three categories and a consolidated pay under IV category. On a close scrutiny of the provisions of the order it is revealed that the secretaries of PACS with working capital of Rs.12 lakhs are entitled to receive Rs.630/- as monthly basic pay, whereas the secretary of PACSs with working capital ranging from 7.5 to Rs 12 lakhs, are entitled to Rs 490/- as their monthly basic pay. Under category
third also the secretaries of PACSs with working capital of Rs.3 to 7.5 lakhs are eligible to receive a basic pay of Rs.410/- per month. It is regretting to note that the secretaries working in PACS with less than Rs.3 lakhs working capital, have not been made eligible to receive any pay scale except a consolidated pay of Rs.300/- per month. Most of the PACSs which are not reorganised are having working capital less than Rs.3 lakhs and with a result, the secretaries appointed by them have been receiving only Rs.300/- as consolidated salaries, which is very meagre to make both the ends meet. In the fitness of the things, it is meet and proper to enchanche and restructure the pay scales of 4th category in commensurate with their work load and responsibility. Otherwise, they will be forced to work elsewhere, besides taking up their jobs in the said societies, on part-time basis, which acts as a stumbling block in the smooth working of such PACS. During hard days, it is very difficult to eke-out means of livelihood in the midst of soaring prices and, therefore, it is expedient to enchanche the pay scales of the secretaries of PACS.

In the field study, it was noticed that on account of paucity of funds with many of the PACSs, it is not possible to meet out the salaries to be paid to the secretaries and other employees. Under such circumstances, via-media arrangement may be made to meet-out salaries to be paid to the secretaries and other
employees of the PACSs by constituting a 'Cadre Fund' at DCC Banks by way of contributing from PACS, DCCBs, and the Apex Bank.

With a view to keeping the secretaries aloof from the morass of village politics, the posts of secretaries should be made transferable.

(D) DCCB's SUPERVISION OVER PACSs FOR ARRESTING OVERDUES:

I. Supervision over primary agricultural credit societies by the financing bank has been recognised as an essential aid to ensuring their efficient functioning. The All India Rural Credit Survey Committee 1954 recommended that supervision should be invariably treated as the legitimate function of the state and Central Co-operative Banks. The Committee stressed that they are well fitted for this role, because the intimate relations, which may be expected to exist between them and the societies.

II. The other committees such as the Standing Advisory Committee on Rural and Co-operative Credit of the RBI, the Committee on Co-operative Administration, 1963, the Committee on Co-operative Credit 1960, All India Rural Credit Review Committee, 1969, the Study Team on Overdues of Co-operative
Credit Institutions, 1974, etc., endorsed the view that the financial supervision should be the responsibility of the DCC Banks and hence the control over the supervisory staff should vest in the banks.

III. It is only by effective supervision that, it would be possible to ensure that the loans drawn are within the maximum limits to which they are entitled and that extensions are given in genuine cases and finally that the loans are used for stipulated purposes. Sound and satisfactory supervision over the primaries would go a long way in arresting the upward trends in overdues.3

IV. Co-operative credit must generate its own repaying capacity and this is possible only if the funds are used for productive purposes. Being cheaper, it is more likely to be misutilised if not properly supervised.4 It is but incumbent, therefore, on the part of the co-operative credit agencies to educate the member borrowers on the proper utilisation of loans to supervise more effectively at all points in the process of utilisation


of loans to pull those up, who divert loans from the channel.

So, proper supervision has a crucial role in checking the ever increasing default rate and hence making co-operative credit as an instrument of the agricultural and the economic development of the country, so that it serves the desired purpose. According to the Rural Credit Review Committee, 1969, bad supervision makes it possible for loans to be diverted to non-productive purposes and this, in turn, increases the overdues.

All these analyses given above clearly indicate the importance of proper supervision for arresting the rising trend in overdues, and the role of DCC Banks in supervision their affiliated PACSs.

Supervision is classified into three categories such as (1) administrative supervision, (2) financial supervision, and (3) legal supervision.

Administrative supervision includes the functions that the society works in conformity with co-operative principles, and its bye-laws, carrying out the departmental instructions properly, enquiring the complaints received, implementing any special scheme.

6. Ibid.
introduced, collecting annual statistics, collection of information, submission of required statements, etc.

The financial supervision includes functions as ensuring that the loans drawn by the societies are within their maximum credit limit, loans disbursed are within the limits sanctioned, assisting the society's staff in the preparation of normal credit statements, and loan applications, examining the books of the society, periodical verification of utilisation of medium-term loan, preparing inspection reports and visit reports, reviewing audit report of the society and getting defects rectified, convening general body meeting, attending committee meetings, assisting society's staff in the recovery of loans, vigilant and close supervision over the utilisation of credit.

Legal supervision is one of the most important duties of the supervisors. It is the duty of the supervisor to see that all the overdue cases are covered under legal action. If not, an early and timely action has to be initiated against the defaulters, otherwise certainly it will hamper the recovery of loan. It affects the growth of the society, if the loans of credit societies are allowed to become overdue, without initiating timely action, the overdue position of such societies will be increased and societies will not be in a position to finance for its fresh members, since it loses its borrowing capacity. If facility is
stopped to the society, the entire activity of the society will be stopped. In order to avoid the overdue problem, the legal action has to be initiated at first against big and wilful defaulters, with whom heavy loan amount is involved and such members cases should be executed first, then loan will be easily recovered from small formers. It is the duty of the supervisor to see that the default cases should not become time barred cases in the societies, since the execution power is delegated to the supervisors by the Registrar of co-operative societies, Government of Karnataka. Since the supervisor is given the execution power, he can more tactfully tackle as many cases as possible.

Each supervisor is allotted not less than 10 working societies in his jurisdiction. He has to tour 20 days in a month and has to visit each society not less than 4-5 times in a month. He has to make night halts for 10 days in a month in the headquarters of the society. He has to conduct a detailed inspection of at least 4 societies in a month and each society has to be inspected at least twice in a year.

**ANALYSIS THE DEGREE OF EFFECTIVENESS OF SUPERVISION:**

The recovery position of PACS will be improved only when effective supervision over the proper utilisation of credit by the members of societies is ensured. The efficient supervision
must help (1) to supply adequate credit, (2) to check over diversion of credit, (3) for linking of credit with marketing, and (4) for timely recovery of loans. Effective supervision is possible only when a direct personal contact among the supervisors and borrower-members, the Directors of PACS and secretaries and supervisors is cordially established. But vital relationship between the borrowers and the supervisors is almost nil. When a question was asked during the field survey to the borrowers interviewed, more than 82% of them did not know the name of the supervisors or co-operative extension officers. It was a matter of great surprise to know that some of the board of directors of PACSs also did not know the name of the supervisor. This can be seen in the Table VII.7

**TABLE VII.7 : MEMBERS KNOWING THE NAMES OF THE SUPERVISORS**

<table>
<thead>
<tr>
<th>Land Holdings</th>
<th>Knowing or No-knowing</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>B</td>
<td>D</td>
<td>B</td>
</tr>
<tr>
<td>MF</td>
<td></td>
<td>8(9%)</td>
<td>3(43%)</td>
<td>84(91%)</td>
</tr>
<tr>
<td>SF</td>
<td></td>
<td>10(12%)</td>
<td>4(39%)</td>
<td>72(88%)</td>
</tr>
<tr>
<td>MDMF</td>
<td></td>
<td>16(22%)</td>
<td>6(40%)</td>
<td>58(78%)</td>
</tr>
<tr>
<td>BF</td>
<td></td>
<td>24(33%)</td>
<td>8(25%)</td>
<td>48(67%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>58(18%)</td>
<td>21(38%)</td>
<td>262(82%)</td>
</tr>
</tbody>
</table>

B - Percentages of defaulters to their respective total borrowers.
D - Percentages of defaulters to their respective borrowers.

Source: Primary data collected during the field survey.
The Table VII.7 indicates that the degree of awareness about the supervisory machinery among marginal farmers is very less followed small farmers, medium and big farmers. On an average basis, it also indicates that 82% of the total members are unaware of supervisory machinery which is the clear symptom of ineffective role of supervision. It is also evident from the same that degree of supervision awareness is very less in the case of defaulters Lack of relationship between supervisors and borrowers may result in high degree of defaultness. Table VII.8 indicates the degree of efficiency of supervisors.

### TABLE VII.8 : PERCENTAGE-WISE ANALYSIS OF MEMBERS TO WHOM SUPERVISORS MET.

<table>
<thead>
<tr>
<th>Land holdings</th>
<th>Supervisors met</th>
<th>Supervisors not met</th>
<th>Not answered</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>D</td>
<td>B</td>
<td>D</td>
</tr>
<tr>
<td>MF</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SF</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MDMF</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BF</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>54(15%)</td>
<td>21(38%)</td>
<td>241(75%)</td>
<td>151(63%)</td>
</tr>
</tbody>
</table>

B - Figures in the bracket are the percentage to their respective totals.
D - Figures in bracket are percentage of defaulters to their respective totals.

Source Primary data collected during the field survey.
It is clear from the Table VII.8 that the supervisors did not meet on an average 75% of the total borrowers of different categories, which signifies ineffective role of supervisors.

Thus, it clearly indicates that there is an absence of personal contact and mutual relationship between the borrowers and supervisory machinery and consequence of this is the increase in overdues. Because of the absence of rigid supervision, the farmers will divert the funds of co-operatives for non-productive purpose.

ANALYSIS OF FACTORS FOR INEFFECTIVE SUPERVISION:

The main reasons for ineffective supervision may be divided into the four groups.

(a) At the Supervisor's Level

First of all, the supervisors themselves do not think that establishing a close contact with the borrowers itself is one of his important duties. Supervisors are reluctant to mix with the illiterate farmers and poor farmers. Because improved transportation facilities and attractive civil facilities in urban areas, which villages lack, supervisors put their families in cities and come back from tour to their houses every
day and prepare bogus diaries as if they have halted in the villages. The supervisory staff have the power to use various kinds of pressures, threats and if necessary coercive methods to recover the co-operative dues. However, it was found in the field study that the supervisors are yielded and turn coats to the favour of politicians, because many of them are directly or indirectly related to present or past directors. And again supervisor should not think that he is the boss of the secretaries of PACS and the principal of the society. He should rather think as a servant of the borrowers. He should serve as a friend, philosopher and guide, for the society, for the board of directors and for the members.

(b) At the level of DCC Banks

The DCC Banks also play an important role in ensuring an effective supervision over PACSs and thereby curbing the rising trend in overdues. In order to achieve this, they have to follow scientific recruitment policy for the post of supervisors, appoint only those who are ready to work at villages, avoid the frequent transfers of supervisors, allocate suitable and reasonable number of societies to each supervisor and train them afresh in the recent trends and developments in the field of agricultural co-operative credit.
The Table VII. 9 indicates average societies per supervisor in the talukas selected for the study.

**TABLE VII. 9 : AVERAGE SOCIETIES PER SUPERVISOR OF DCC BANK**

<table>
<thead>
<tr>
<th>Name of the Taluka</th>
<th>No. of societies in the taluk</th>
<th>No. of supervisors in taluk</th>
<th>Average No. of societies per supervisor</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yelaburga</td>
<td>17</td>
<td>2</td>
<td>9</td>
<td>Reorganised societies</td>
</tr>
<tr>
<td>Hangal</td>
<td>52</td>
<td>3</td>
<td>17</td>
<td>Non-reorganised societies</td>
</tr>
<tr>
<td>Mandya</td>
<td>49</td>
<td>3</td>
<td>16</td>
<td>Both organised and Non-organised societies</td>
</tr>
<tr>
<td>Chikkaballapur</td>
<td>17</td>
<td>3</td>
<td>6</td>
<td>Reorganised big societies such as FSS, SFSS &amp; VSSS</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>135</strong></td>
<td><strong>11</strong></td>
<td><strong>13</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data collected during the field survey.

The Table VII. 9 indicates that on an average, the number of societies to be supervised by each supervisor is more not only in respect of non-reorganised societies but also in respect of re-organised. This affects the efficiency of the supervisors adversely and thereby result in poor recovery performance.
Though due to reorganisation of PACSs, the number of PACSs per supervisor is reduced in Karnataka, the number of members to be supervised by each supervisor is not reduced. Under erst-while SFDA/MFAL programmes, the larger number of people from weaker sections were enrolled as members of PACS. And again, due to the failure of the scheme of agricultural finance by commercial banks through PACS, the PACS, ceded to commercial banks, have been coming back to DCC Banks on their own accord. This further increases the work load of the supervisors which, in turn, affects their efficiency adversely resulting in accumulation of overdues. The actual work load on each supervisor/inspector may also increase due to assumption of additional change in the event of his colleagues going on leave, training or deputation.

The work load also depends on the volume of business transactions of the societies, distance of villages from the head quarters of the taluk where supervisor is residing, availability of transport facilities etc. This, therefore, clearly indicates that the load per supervisor has considerably increased. It is, therefore, indispensable that an average number of societies per supervisor should be reduced taking into consideration the number of clients to be served. It should not be more than 10 societies in case of small non-organised societies and 5 to 6 in case of reorganised big societies.
(c) **At the Borrower's Level**

The borrowing members of the society also fail to establish a close contact with supervisors, because they consider supervisors as people belonging to different strata. The borrowers who wield considerable influence at village level encourage unfair means and corrupt the supervisory staff to avoid repayment of dues. They think that it is better to bribe the supervisory staff to avoid repayment of cheaper loan carrying lower rate of interest.

(d) **At the PACSs Level**

The board of directors and the secretaries also do not like to build up a close contact with the supervisors and members because they have a lurking fear in their mind that this might reveal many of the malpractices performed by them.

It can thus be concluded that the proper supervision has a great positive impact on the mounting overdues. Due to increase in the work load of supervisors, as the number of societies to be supervised by each supervisor is more, they are not establishing a close contact with the borrowers, which is very much essential to the proper utilisation and the recovery of credit advanced. The average number of societies per supervisor should,
therefore, be reduced taking into consideration the number of clientele to be served.

As per the pilot project for strengthening the credit delivery system, launched by the NABARD in Hassan district of Karnataka State, a target has been fixed to cover 500 clientele per supervisor. By this arrangement, even though an effective supervision can be ensured, it becomes a costlier affair on the part of DCC Banks, to implement it with its own funds, without any external aid.

(II). MEASURES CONTEMPLATED TO REDUCE OVERDUES DURING NATURAL CALAMITIES:

It has been noticed that natural calamities such as severe droughts, floods, cyclones, hailstorms, etc., impair the repaying capacity of the farmer-borrowers. Corollary to this, predicament is the mounting up of overdues and denail of timely fresh finance for carrying on their agricultural operation during ensuing season.

All India Rural Survey Committee, 1954, came to the rescue of the farmer-borrowers by recommending for the formation of Agricultural Stabilisation Fund to insulate against hazards
of vagaries of nature. Accordingly, this fund was set up to grant conversion of ST loans into MT loans to such borrowers of the co-operative societies, who were affected by natural calamities like failure of crops by assessing the actual situation of the same through Annemwari system. Conversion facilities are granted only in the event of Annemwari being 6 annas or less.

Loans-cum-grants are also provided by the State Government to the State Co-operative Banks. This assistance is fully re-imbursed by the government of India under a centrally sponsored scheme in the form of 75% as grant and 25% as loan carrying interest at the rate of 6%.

If there is a recurrence of natural calamity for the second time, MT loans initially granted for 3 years is rescheduled and made payable within 5 years from the date of conversion of the loan.

Concurrently, another MT loan is sanctioned for covering the ST loan due for repayment during that year. Thus, the farmer borrower has to repay 3 loans i.e. MT conversion loan of 3 years, MT conversion rephasingment loan of 5 years, and also current year’s crop loan, which become very burdensome to repay.
It is, therefore, essential to enhance the period of repayment during successive crop failures as per the recommendations of Datey Committee on overdues, which are noted below.

I. RELIEF IN RESPECT OF INTEREST ONLY:

A. In case of farmers whose value of gross produce is Rs 5,000/- or less, payment of interest on the loans eligible for conversion or rescheduling should not be a pre-condition. The interest should be deferred and recovered in the succeeding normal year which will be first year of repayment.

B. In the case of big farmer i.e. those whose value of gross produce is above Rs.5,000/-, repayment of interest due should be pre-condition for granting the conversion or rescheduling facility for the loans due from them.

II. RELIEF IN TIMES OF SUCCESSIVE NATURAL CALAMITIES:

A. If a member is indebted only in respect of short-term loans, the relief is to be as follows:

1. For two successive failures, no relief other than by way of rescheduling the aggregate of the two ST conversion loans as a five year loan.
11. For three successive failures - (a) write off one ST (conversion) loan and the interest thereon and spreading over of the other loans as a rescheduled loan for 5 years.

111. If, in addition to the short-term loans, the borrower has to repay a normal medium-term loan, the relief required to be given as under:

(1) For one crop failure, period of repayment of rescheduled loan need not be spread over 6 years.

(2) For two successive failures - (a) write-off of one ST (conversion) loan with interest due thereon for borrowers other than big farmers and spreading over of the remaining loans as rescheduled loan for 7 years.

B. For big farmers, mere spreading over the period of rescheduled loan to 6 years

III. FOR THREE SUCCESSIVE FAILURES:

a. Write-off two ST (conversion) loans and the interest due thereon for borrowers other than big farmers spreading over of the remaining loans as a rescheduled loan of 7 years duration.
b. In respect of big farmers, write off of one ST (conversion) loan (principal only) and rescheduling the remaining loans as 7 years loan.

In all other cases, the interest should be deferred and recovered in full in the normal year following the calamity year excepting in the case of big farmers, where the interest should be recovered in full before allowing the conversion or rescheduling facility.

If the date of original advance is taken into account it will be further noted the total period will work out to 10 years.

If the natural calamity recurs during the currency of such rescheduled loan, the instalment due in that year together with interest on loan, should be written off 7

The total ST loans converted into MT loans due to severe drought conditions in Karnataka State can be seen in the Table VII 10

7. RBI-Report of the Study Team on Overdues of Co-operative Credit Institution, op. cit. p.121 to 123.
TABLE VII.10 : SHORT TERM LOUNS CONVERTED INTO MEDIUM TERM LOUNS IN KARNATAKA

<table>
<thead>
<tr>
<th>Years</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984-85</td>
<td>14.65</td>
</tr>
<tr>
<td>1985-86</td>
<td>28.35</td>
</tr>
<tr>
<td>1986-87</td>
<td>1.08</td>
</tr>
</tbody>
</table>


CROP INSURANCE VIS-A-VIS STABILISATION/DEBT RELIEF:

Crop insurance is no doubt a comprehensive scheme and though it is mainly aimed at compensating the farmers, it will also promote bold investments and innovations in agriculture.

In the event of crop failures, the farmers will be compensated to some extent by the Crop Insurance Corporation which would improve the repaying capacity of the farmers. This scheme has been in operation in the State of Karnataka since last few years. But it is not extended throughout the State to all the crops.

Heavy overdues at the level of DCC Banks have impaired their capacity to borrow from the higher financing agencies as
these overdues lead to deficits in the non-overdue cover. The increasing overdues have therefore, an adverse effect on the flow of fresh credit.

Suitable measure in this respect be devised. Even in Karnataka also, overdue position at the primary and DCC Banks level has exceeded their owned resources resulting in crippling the co-operative credit structure to such an extent that it is not in a position to absorb credit from the higher financing agencies. Considerable delays in granting conversion facility may be reduced to the maximum. Then only, the increase in overdues cannot attributed to the occurrence of natural calamity, had there been quick arrangement in converting ST loan into MT loan under the stabilisation arrangements.

CHARGING LOW RATE OF INTEREST:

Co-operatives have become a cheap source of credit in the rural areas except the Taccavi loans which are given by the Government for some specific purposes. The rationale for charging lower interest by the co-operative is primarily based on two considerations. Firstly, to attract cultivators to come under the fold of co-operative umbrella and secondly, to enhance agricultural production. The lower rate of interest acts as an incentive for timely repayment.
But these considerations do not hold good now, due to changing structure in agricultural economy. Owing to introduction of high yielding variety programme, lower interest cannot be justified at least in the case of large cultivators. Even small and medium farmers also are not much worried about it.

The All India Rural Credit Review Committee, 1969 has observed, "However, it is to be recognised that the cultivator is not concerned about the rate of interest as about the adequacy and timeliness of the loan."  

It is beyond any doubt now that overdues in co-operative are mounting up very largely on account of the lower rate of interest charged by them. Co-operative rate of interest has enlarged the scope of relending in case of large and well-to-do farmers. As such, co-operatives have been strongly criticised that they have helped the affluent and elite group to become richer. Dangers of facile credit is that small and marginal farmers are naturally deprived of their share.

The observations of Prof. A.M. Khuro are worth mentioning here "Interest rates of co-operatives must be high enough to enable the rationing of limited credit amongst the most efficient borrowers." Higher interest rates must become the instrument of rapid recovery of overdues, of deflection of credit use from

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consumption to production and within production from less profitable to more profitable ventures. They must become the means of generating surplus for the banking activity and the ploughing back of this surplus for further expansion.

High interest rates and the consequent surplus will finally displace the money lender's credit through a competitive process." 9

It is interesting to mention here the observations made by E.M. Hough, "Moderately high rates of interest are advisable, not only to discourage reckless borrowing and borrowing for relending by members, but also to provide for bad and a doubtful debts, to cover management expenses and to build up the society's surplus more rapidly 10 Prof. William G. Murray has gone to the extent of stating that "A reduction in interest rate will at first benefit farmers by increasing net farm income by means of reduced expenses, but in time lower interest rate to be capitalised into higher land values and most benefits to farmers are lost." 11

This brings us to decide whether the rate of interest should be uniform for all members or shall be a devised method of differential rates of interest is not easy to state.

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PENAL INTEREST ON OVERDUE LOANS:

In the bye-laws of the PACSs, there is provision to charge a penal interest on the total amount of overdues every year at 2% more than the usual rate of interest. But the maximum rate of interest inclusive of penal interest should not be more than 18% in any year. However, the State Government being motivated by political climate, issues orders on PACSs for not to collect any penal interest. It is one of the important measures aiming at reducing the magnitude of the overdues. This may stimulate the wilful defaulters to speed-up their repayment because of prestige issue in the society.

LEGAL MEASURES INTRODUCED BY GOVERNMENT OF KARNATAKA TO REDUCE OVERDUES:

The Government of Karnataka has introduced more effective and far reaching provisions under its Karnataka State Co-operative Societies Act 1959 (KCS Act 1959) to curb the rising trend in overdues. Some of the important provisions are as given below

No voting power to the defaulters.

One of the earliest provisions made in the KCS Act 1959 is "No voting powers to the defaulters." According to the explanation
under section 20 (2) (a-i) and (c) of KCS Act 1959, a member shall be deemed to be a defaulter, if he has failed to pay arrears of any kind due by him to the society, as borrower, at least 15 days before the date of such meeting, after a notice of not less than 15 days in this behalf, has been issued to him. Further according to Rule 14(1) of KCS Act 15 days before the date fixed for the election in the general body meeting, the society must put up on its notice board, the list of defaulters, so that the defaulters must not exercise their powers in the General Body Meeting and other members should also know, who are defaulters. Thus a restraint from exercising the vote and from contesting for election, on account of defaulteness will indirectly tempt the borrowers to be prompt in the repayment of their dues.

No voting power to a credit society failing to recover 50% of the demand.

According to section 20(2)(IV) of KSC Act 1959, a Co-operative Society, whose principal object is to advance loans and whose percentage of recovery is less than fifty percent (50%) of total demand for the year, and which fails to pass on to its respective financing agency, the entire principal amount recovered

13 Ibid P 195
with interest due thereon, not later on 15 days of the close of the Co-operative year shall not have a voting power in the DCC Bank and other societies in which it is a member.

Disqualifying a default member from being appointed or elected or continued as a member of the committee

A defaulter as a borrower not only cannot exercise his voting power, but also shall not be eligible for being elected or appointed or continued as a member of the committee as per Section 29(c)(1) of KCS Act. And if any director becomes, defaulter during his term of office, his directorship will be ceased from the date of his default. Not only his directorship will be ceased, but also he will be made ineligible for being elected or appointed to the committee of such society or for election or appointment to the committee of any other co-operative society for a period of one year from the date on which he is ceased to hold office. This provision will not only help to instill the habit of voluntary repayment in an average member, but also inspire the members of the managing committee to use their offices even exerting pressure to secure repayment of dues from their supporters to ensure that the latter are not denied the right to vote in general meeting of elections legally.

But as per section 29-c(a) of the KCS Act the disqualification for being elected as a member of the committee shall not apply to a co-operative society, which is a member of another co-operative society and which has a right to vote under the provisions of this Act, if the principal object of such a co-operative society is to advance loans to its members, and the disqualification for being continued as a member of the committee shall not apply for such co-operative society after it is elected as a member of the committee.

Adjustment of share value for the full discharge of society debt.

According to section 23A, if the amount of debt due by a member to the co-operative society, the principal object of which is to advance agricultural loans, is equal or less than the value of all except one share held by him in such society, then on the application of such member, the value of such number of shares as are required to discharge the amount of debt, may be adjusted in full discharge of such debt and the value of the remaining share except one shall be refunded to him. But this provision will adversely affect the owned funds, and thereby the borrowing capacity of the member.

15. Ibid. P.40.
First charge of the society on the crop and other assets of the Borrower

According to section 32 of KCS Act\textsuperscript{16}, "Subject to any prior claim of the Government in respect of land revenue, or any money recoverable as land revenue, any debt or outstanding owing to a co-operative society, by any member or past member or deceased member, shall be a first charge upon crops and other agricultural produce, cattle, fodder for cattle, agricultural or industrial implements, or machinery or raw materials for manufacture and any finished products, etc., belonging to a such member, past member, or deceased member and the goods, which are subject to charge cannot be transferred except with prior permission of such society and if transferred it will be void.

Creation of a charge on Lands in favour of the society

According to section 33\textsuperscript{17} of KCS Act, the member before borrowing loan from their respective societies, must make a declaration in a prescribed form in which he should create a charge on the land owned by him or on his interest in the land held by him as tenant for the payment of the amount of loan which the society may make the member in persuasion of the

\textsuperscript{16} Ibid. P.47-48.
\textsuperscript{17} Ibid. P.48-49.
application and for all future advances until the whole amount together with interest is paid in full, no member shall alienate the whole or any part of the land on which a charge is created.

Power to the society to charge and set-off the shares or interest of the members in the society

According to section 35 of KCS Act, a co-operative society, shall have a charge upon the share or interest in the capital and on the deposits of a member or a past member and on any dividend, bonus or profits payable to a member of past member in respect of any debt or outstanding demand owing to the co-operative society and may set off any sum credit or payable to a member towards payment of any such debt or outstanding demand. But this provision will reduce the owned funds of the society. However this provision of set off will not be applicable to financing banks to exercise on their affiliated societies.

Powers to Financing Agencies and Credit Agencies to Proceed against Default-members

According to section 71-A of KCS Act, if a co-operative society is unable to pay its debt to the financing banks and

18. Ibid P.52.
19. Ibid P.76-77.
according to section 71B of Kccs Act, if a co-operative society is unable to pay its debts to the credit agency, by reason of its members committing default, in the payment of money's due by them, the financing bank as per section 71-A or a Credit Agency as per section 71B, direct the committee of such societies, to take proceedings against such members under section 70 or initiate proceeding under section 101 as the case may be, and if the committee fails to do so within 90 days from the date of receipt of such direction, the financing bank or the credit agency as the case may be, may itself proceed against such defaulters under section 70 or section 101 as the case may be. These sections (71A and 71B) further provide that where financing bank has obtained a decree or decision against a co-operative society, in respect of money due to it from the co-operative society, the financing bank or the credit agency as the case may be, proceed to recover such moneys, firstly from the assets of the co-operative society and secondly from the members of such co-operative society to the extent of their debts to society.

Even with these provisions said under sections 71A and 71B, either the committee of PACS or the committee of the financing bank or credit agency, may not take legal action 20. Ibid. p.77-78.
on the defaulters, because, on the board of directors of DCC Banks, the representatives of PACS are in greater majority followed by the representatives of TAPCMS, who are again the farmers. Naturally the committee of DCC Banks will not either direct the committee of PACS in which they are interested or take direct action on the defaulters of those PACS or on whom they are interested. The board of Directors of PACS may also be reluctant to initiate coercive action against the defaulter for the fear of losing their support in the elections to the committee or board as the case may be.

Recovery of Arrears of PACSs as Land Revenue

According to section 100 of KCS Act of 1959\(^{21}\) on an application made by an approved society for the recovery of arrears of any sum advanced to its members on account of the financing of crops or seasonal finance and on its furnishing a statement of accounts in respect of the arrears, the Registrar, may, after making an enquiry in such manner as may be prescribed, grant a certificate for the recovery of the amount stated therein to be due as arrears of land revenue according to the provisions provided in the section 101 Deputy Commissioner may take all precautionary measures until all arrears together with interest and recovery charges are paid (See 104).

\(^{21}\) Ibid. P.113-114.
According to section 101 of the KCS Act,\(^\text{22}\) every order made by the Registrar, for the members to pay their arrears will be deemed to be a decree of civil court and shall be executed in the same manner as a decree of such court, or may be executed according to the law under the rules in force for the recovery of arrears of land revenue by Deputy Commissioner or be executed by the Registrar or any other person sub-ordinate to him empowered by the Registrar in this behalf by the attachment and sale or sale without attachment of any property of the person or a co-operative society against whom the order or decision or award has been obtained or passed.

A conducive provision made in the KCS Act under section 101A of KCS Act\(^\text{23}\) to speed up the recovery is that any private transfer or delivery of an encumbrance or charge on property made or created after the issue of the certificate of the Registrar or any person authorized by him in this behalf under section 101 shall be null and void as against the co-operative society on whose application the said certificate was issued.

Restrictions on the Transfer of defaulter's properties under Execution

And again as per the provisions of section 101B of

\(^{22}\) Ibid. P.118.
\(^{23}\) Ibid. P.118.
KCS Act\textsuperscript{24} when in any execution, of an order sought to be executed, under section 101, any property cannot be sold for want of buyers, irrespective of whether such property is in the occupancy of the defaulter or any other person, the court or Deputy Commissioner of the Registrar as the case may be, may direct that the said property or any portion thereof shall be transferred in the manner prescribed to the co-operative society, which has applied for the execution of this said order.

Attachment of property before award or order:

Similarly according to section 103 of the KCS Act\textsuperscript{25} if Registrar is satisfied that on the basis of application, enquiry report or otherwise, that any person, with an intent to delay or abstract the enforcement of any order, decision or award that may be made against him under the provisions of this act is about to dispose of the whole or any part of his property or is about to remove the whole or any part of his property from the jurisdiction of the Registrar, arbitrator or liquidator, as the case may be, he may, unless adequate security is produced, direct the attachment of the said property and such attachment shall have the same effect as if made by a competent civil court.

\textsuperscript{24} Ibid. P.118-119.
\textsuperscript{25} Ibid. P 120-121
Purchase of Property by the State Government in Auction

It is an open fact that when the defaulters' lands are brought to auction the major difficulty is lack of bidders, such situation generally arises, either due to fear or powerful interest of the affluent classes of cultivators in the villages or it might also happen in some cases due to lack of bidders, with the requisite resources. In either case there is no choice for the society/central bank except to buy the land. But they find it difficult either to sell the land or even to take possession and ensure any return therefrom. To avoid this problem, as per section 101C26 of KCS Act when any immovable property is brought for sale by auction, for recovery of any dues, under this Act, the Deputy Commissioner or any person authorised by him shall, subject to a general or special order of the State Government in this be entitled to bid under such auction and purchase the property on account of the State Government. It shall be lawful for the State Government to dispose of such property in such manner as it deems fit. This purchase and disposal of the property shall not be questioned in any court of law.

Restriction on Benami Loans & Corrupt Practices

To avoid the Benami loans and corrupt practices in

advancing the loans, the penal provisions have been introduced under section 109 of KCS Act. When an officer or an employee or a member of a co-operative society, receives, or sanctions a benami loan, accepts or agrees to accept any gratification from any person, other than legal remuneration shall be deemed to be guilty of corrupt practices and shall be punishable with imprisonment for a term which may be extended to one year or with fine which may extend to Rs.5,000/- or both (sect. 109(15)).

Any officer or a member of a co-operative society, who wilfully recommends or sanctions for his own personal use or benefit or for the use or benefit of person in whom he has interest, a loan in the name of any other person, shall be punishable with an imprisonment for a term which may extend to one year or with fine, which may extend to Rs.3000/- or both (section 109 (12)).

LIMITATIONS OF THE EXISTING LEGAL PROVISIONS:

The measures for the recovery of cooperative dues prescribed under the State Cooperative Societies Act are really more conductive to improve the recovery position. However, some of the measures in the act need further improvements. Some of them are as under
1. According to section 20 of KCS Act of 1959, the member who failed to repay the arrears of any kind of due to the society, as borrower at least 15 days before the due date of such meeting after a due notice of not less than one month in this behalf has been issued to him, cannot vote. The last date prescribed by the State Government for the repayment of agricultural credit is generally 31st March. Suppose the general body is to be conducted within 6 months from the date of financial year (i.e., March 31), the member failing to repay within March 31, will be the defaulter. Suppose the general body meeting is to be conducted on 30th September, then members to get eligibility to exercise his all powers, should have paid it at least 15 days before General Body Meeting. Members, who became defaulters for not paying the dues before 31st March, and who clear their all dues on 13th or 14th September, get eligibility to vote and contest for election. The important point to be considered is that a member paying before 31st March and a member paying on 13th or 14th Sept, both will have voting powers and can contest. Thus there will be no difference between the members paid on due date inspite of many financial hurdles and members paid leisurely after 4 months, of course, with little penal interest
2. It is necessary that the recovery of loan should be made from the members, when their crops are ready for marketing. The last date for the repayment of loan for Rabi is 31st March in the State. In the districts like Dharwad, Raichur, Bijapur, Bellary, etc., the harvest of rabi crops continues up to the end of April/May. If farmers are forced to repay their dues, they find it difficult. Because in the month of March they will not send their produce to the market or their produce will not be marketed. Many farmers will, therefore, become defaulters. And again immediately after harvest, the supply in the market will be more and demand will be less. Under such circumstances, on the one hand TAPCMS will not purchase all produces due to their financial difficulties and on the other commission agents do not arrange to sell at better rates. The farmers will have to knock at the doors of commission agents very often even for an advance on the goods supplied. The commission agents charge 24 to 48% on their advances. The intelligent farmers therefore think that it is better to be defaulters to PACS for few months instead of taking advance from commission agents at high rate of interest or to sell that produces at lower rates. It is, therefore, essential to change the last date of recovery from March 31st to June 30th.
3. Before 1984, according to section 20 (2) (a-10) and 29C (a) of KCS Act, a defaulter shall not have the right of voting and no person shall be eligible for being elected or appointed or continued as a member of the committee, if he is in default to any cooperative in respect of any dues from him either as borrower or as surety. However, now the Government of Karnataka has under its latest amendments of 9th January, 1984, deleted the word "Surety". In other words, now only the principal borrower who is a defaulter is disqualified, but not the surety from being elected or appointed or continued as the member of the committee. This deletion of the word surety is not correct in the interest of the society for improving its recovery position. The Datey Committee on Overdues of credit cooperative 1974 has, therefore, recommended that the surety of a defaulter should also suffer from similar disqualification. The Datey Committee in fact supported the provisions of the section 29C (1) (a) of KCS Act disqualifying the defaulter and his surety for one year for being elected or appointed or continued as the member of the society. In the words of the Datey Committee "we recommend that a provision on the lines of the section 29 C of the Mysore Cooperative Societies Act disqualifying the surety of a defaulter from being
elected or appointed or continued on the managing committee or any society should be included in the cooperative societies acts of other states."

4. The Board of Directors are empowered to sanction loan, but not responsible for the recovery of loan. Powers and duties or responsibilities must go hand-in-hand. A provision has to be made under the KCS Act to supersede the board of the Directors, if at least 50% of recovery is not effected. No doubt, if PACS fails to recover at least 50% of demand it will lose its voting power in its DCC Bank as per section 20 (2) (iv) KCS Act 1959, which means mere a curtailment of voting rights of Board of Directors.

In order to inject a sense of responsibility in the Board of directors, as far as recovery is concerned, in all normal years, if the recovery position goes down below 50% in any PACS, the board of management of the society should be superseded. If such provision is created, only responsible persons holding command and respect among the members will come over the board of directors.

The study Team on Overdues has, therefore, recommended that the managing committee of a primary credit society or the board of directors of central co-operative bank should have the right to stay in office only if they collectively wield influence over and enjoy the confidence of majority of members.29

5. As per the existing provisions under section 29 C and A, only Registrar is empowered to disqualify the board of directors who became defaulters during their terms of office. The Registrar will disqualify the directors, who become defaulter only when he is informed of this. Only the secretary or the other board of directors should bring this fact of the director becoming defaulter to the notice of the Registrar. If the Secretary or the board of directors keep silent without informing it to Registrar, the Registrar will not do anything. Under such circumstances, the Secretary and the board of directors should be made responsible. If the chairman or the secretary fail to inform in writing to the Registrar the fact of the director becoming defaulter within a stipulated period, say one week they should be penalised. The Registrar should also hold an enquiry and pass an order for disqualifying the director as early as possible, say one week from the date of receipt of a written communication in this behalf. And again if a director, even after becoming a

29. Ibid. P.240.
defaulter, acts as a director, he should be penalised in addition to the existing punishment under section 29 C. Any resolution passed in the board with voting by defaulter-director should also be treated as void.

6. It was also found during the field study that, the Secretaries or board of directors, usually either do not file arbitration cases or make unnecessary delay to arrange for filing arbitration cases especially on some influential wilful defaulters. What is more important is that the board of directors make a lot of discrimination in filing the arbitration cases. For this lapse, a penal provision has to be made under the KCS Act, that, if within a reasonable period say one month an arbitration or other legal actions are not taken on all defaulters, the Secretary or Board of directors, whoever is responsible for this, should be penalised accordingly. If such mistake is done by the Secretary, he should be penalised and if it is done by the board of directors, board should be superceded and they should be disqualified for 2 years for being elected or appointed in such society and in any other societies.

7. On an enquiry it was also ascertained that another reason for not filing arbitration cases on all defaulters in some societies was lack of finance. On account of heavy losses, some of the societies are not in a position to file arbitration
cases. Under such circumstances, State Government may exempt such societies from the payment of arbitration fees or DCC Banks may meet these expenses.

8. Even though the provisions of 23A. of KCS Act, 1959\textsuperscript{30}, regarding the refund of the value of all other additional shares except one, for adjusting to the loan is alright for the recovery purpose, but it creates an adverse impact on both the borrowing power of the society as well the borrowing power of the individual members. It will also affect the internal resources of the society, which may help in absorbing the shocks of overdues.

9. Under Section 35 of the KCS Act 1959,\textsuperscript{31} it provides a charge and set-off in respect of shares or interest of members in the capital of the cooperative society. From the viewpoint of recovery of loans due from members, this provision is alright. But in so far as internal resources of the society are concerned, it will have an adverse effect and it will lead to encouragement of tricky borrowers, not to pay the portion of the debt which is equal to their shares, deposits, dividends etc. Due to the fear of set-off, the members will not deposit their surplus money in these societies, which affects the financial position of the societies.

\textsuperscript{30} Ibid. P.30.
\textsuperscript{31} Ibid. P.52.
10. As per section 29 C (1) (a) of KCS Act, 1959, it is provided that, a member of the committee, being a defaulter will not suffer disqualification in the other organisation, as a representative member of the committee but this provision will definitely encourage defaulters and as such it is better to delete the said provision.

At present, there is no provision to recover the medium-term loan instalment, so effectively as contemplated under section 88 of KCS Act, 1959, mainly meant for Agricultural and Rural Development Banks, wherein it is stipulated that, when any part of the instalment has remained unpaid for more than one month from the date on which it has fallen due, the committees may, in addition to any other remedy available to the bank, apply to the registrar for the recovery of such instalment or part thereof by distraint and sale of the produce of the mortgaged land including the standing crops thereon. This provision may be made applicable to the loans advanced by the PACSs and the DCC Banks also.

32. Ibid. P.40.
33. Ibid. P.P. 99-100.