Rural development is an all embracing programme in the rural areas where agricultural development happens to be its part and parcel. The agricultural sector and other sectors of rural economy are to be developed in an integrated manner. As a matter of fact, of all the sectors, it is the agricultural sector that influences to be a considerable extent, rural settlement and living. It is the pursuit of agriculture which forms a large and significant ingredient of rural occupational structure. The rural industries that exist in the rural side depend directly or indirectly on agricultural output for their input or on agriculture for their potential market.

In India, agriculture is the largest sector of economic activity which provides not only food and raw materials but also employment to a very large section of the population. Agriculture being the dominant sector, improvement or any change in the national output depends upon the output in this sector. Indian agriculture has been undergoing a technological transformation during the last twenty years. This has been made possible through the use of high yielding crop varieties which calls for an increased use of modern inputs, such as, quality improved seeds, fertilizers, pesticides, irrigation, and plant
protection measures, skilled labour. The transformation of traditional agriculture due to the use of modern inputs has increased the demand for capital and credit to a large extent. Since the owned funds of the farmers are not sufficient to meet the growing demand for financing modern inputs, they have to be supplemented by borrowing from institutional agencies.

At present, cooperative banks, commercial banks, Regional Rural Banks, National Bank for Agriculture and Rural Development and Government Departments provide institutional finance to agriculture, whereas the professional moneylenders, landlords, commission agents, relatives and friends etc., provide non-institutional finance to agriculture. The institutional credit is more advantageous to agriculturists than the non-institutional credit, while cooperatives will, by and large, continue to be the most important agency with regard to Indian agriculture. A large part of cooperative bank finance consists of short term and medium term credit to agriculture. The cooperative banks have a three-tier federal structure. The three-tier structure is formed by the primary agricultural credit societies at the base organized at the village level, central cooperative banks at the district level and state cooperative banks at the state level.

Contribution of agriculture to national income amounted to about 53.8 per cent in 1960-61, which declined to 47.3 per cent in 1971-72 and 45.0 per cent in 1990-91. About 70 per cent of the Indian work force depends on agriculture. Agriculture is the main source of raw material to leading industries in India and accounts for 40 per cent of the country's foreign exchange earnings.

Credit Needs of Agriculture:

Credit is the life blood of trade and industry, and agriculture is no exception. Like any industry agriculture requires short, medium and long-term credit for its sustained growth and development. The main purposes of this type of credit are land improvement, purchase of seeds, fertilizers, pesticides tools and equipments and livestock or workstock, creation of facilities, such as, irrigation, fencing, storage, transport, farmshed, bunding, etc. The extent of credit needs is dependent on various factors, but it depends more importantly on the stage of agricultural technology and the credit-absorbing capacity of the farmers.

Agricultural development in India received proper attention only after launching the First-Five Year Plan in 1950-51, and credit came to be recognised as one of the important inputs.
Prior to the All India Rural Credit Survey (1951-54), no serious attempt was made to assess the credit needs of agriculture and provide for it in a satisfactory manner. Mostly the farmer was left to the mercy of the private moneylenders. Although the cooperative credit institution was launched as early as 1904, it played a very insignificant role in the development of agriculture. This was clearly revealed by the findings of the All India Rural Credit Survey Committee Report (1954). According to the Survey, about 70 per cent of the credit requirements of the farmers was met by the private money-lenders; the government and cooperative credit accounted only for about 3.3 and 3.1 per cent respectively. Whatever little cooperative credit was provided, a major part of it went to the big and medium cultivators. Paradoxically enough, a substantial part of the institutional credit was accounted for by household expenditure, and very little of it was utilised for genuine agricultural development.

A part of the low interest rate institutional credit was utilised for repayment of high interest rate private loan. The main cause of this state of affairs appears to be the chronic poverty of the peasants and the backwardness of agriculture the credit for which was considered more as a matter of convenience than an important input for modernising and commercialising agriculture.
However, the post-independence era witnessed a number of epoch-making events in the sphere of agricultural credit; one such important event was the launching of the "Integrated Scheme of Rural Credit" in 1954, as recommended by the All India Rural Credit Survey Committee. The main objective of the scheme was to gradually institutionalise agricultural credit through the development of a countrywide net work of viable credit cooperatives with the active support and guidance of the Reserve Bank of India. This became a major plank of the agricultural policy, and the programme of development of the cooperative credit structure formed an important component of the strategy for agricultural development.

Capital lubricates the wheels of development in any sector whether it is agriculture or industry. Adequate investment of capital in agriculture emerged as a matter of vital importance as a sequence to the launching of intensive development programmes based on modern technology. The adoption of modern agricultural technology requires the application of inputs, such as seeds, chemical fertilizers, and pesticides along with the development of land and water resources. All these lead to intensive demand for credit. The problem of agricultural credit has assumed greater importance in view of the fact that the new technology depends on external finance for its wider adoption. In this context, credit has a greater relevance to the small farmers than to the big farmers. In the absence of credit, the small farmers
are bound to be left out of the programme for agricultural development.

There is a time gap between investment and return in agriculture. The gestation period of crops varies from months to years. Credit is necessary till the income is generated, since incurring expenditure in agriculture is a continuous process, the farmers have to spend money daily for various purposes. But income generation is not a continuous process. Further, farm expenses and home expenses are mixed up in agriculture. The farmers get income only during harvest season. Hence, to meet the continuing expenses finance is needed by the farmers.

Unlike factories, return in agriculture is uncertain; we cannot accurately work out the profit. From the time of sowing of seeds to the marketing of produce a lot of risks and uncertainties prevail which make the farm income uncertain. Agriculture is susceptible to natural calamities and countries, such as India, still depend on monsoon. Enormous risk in the form of uncertain income, bad weather, drought, flood, cyclone, pest-attack, lower prices, etc is associated with agriculture. Just because loss is sustained in a year, the farmers cannot abandon their farming forever. They could borrow and produce

good crop in the coming season and meet the previous loss. Hence, to continue cultivation in good and bad seasons, credit is required.

**Classification of Agricultural Credit:**

Agricultural credit can be classified mainly on the basis of period, purpose and security. The term or the period of the loan is the common basis of classifying agricultural credit. Short term credit is given for a period not exceeding 15 months. Short term loans are issued for the purchase of seeds, fertiliser, pesticides, and such other inputs and for payment of wages to labourers for various agricultural operations. Short-term credit is issued mainly for production purposes. To a limited extent, short-term loan is issued for consumption purposes also. Security for short-term loans depends on the purpose for which loan is required. Short-term agricultural credit is disbursed by primary agricultural credit societies and the commercial banks. Production credit is disbursed under crop loan system where the security insisted is the anticipated crop. Loans for consumption purposes are disbursed on the basis of personal security.

Medium-term credit is issued mainly for production purposes. Medium-term credit is for a period more than 15 months but which is repayable in 5 years or less. Medium-term loans are required mainly for investment purposes, like deepening the wells, purchase
of agricultural machineries and land reclamation. Primary agricultural credit societies and commercial banks issue medium-term loans. Mortgaging land is still insisted upon as security for medium-term loans. But loans for the purchase of machines are issued on the hypothecation of such machines.

Farmers need all kinds of finance, such as, short-term, medium-term, and long-term to make their agricultural operations successful. Long term investment is needed to make permanent improvements in land and improve the value of assets of land. Farm holding will be priced higher after a well is dug and assured irrigation facility provided. The land development banks provide long-term loans to the farmers. But the present study attempts to analyse only the short-term and medium-term credit.

A strong agricultural base is an essential requirement for the economic development of the country. The agricultural revolution that is taking place in the country on account of the application of science and technology to agriculture has thrown open new horizons of business enterprise for cooperative banks, commercial banks and other financial institutions closely connected with agricultural finance.

Now-a-days agriculture is capital-intensive, and farmers need capital, especially, for capital inputs, such as, farm machinery, fertiliser, seeds, pesticides, etc. The more
developed the agricultural sector, the greater is the amount of credit required and generally, greater is the role of cooperative and commercial banks in supplying credit.

The present system of agricultural credit in India consists of two sectors, viz., the institutional and the non-institutional. The institutional sector comprises of cooperatives, commercial banks and Regional Rural Banks. The non-institutional sector consists mainly of the professional and agricultural money-lenders, landlords, traders and commission agents and the farmer's relatives and friends. In spite of the significant expansion of the institutional sector, the non-institutional agencies continue to play a dominant role. Although the non-institutional agencies charge high rates of interest and follow unethical practices, they continue to dominate the scene because the farmers find it more expedient to resort to them than to the agencies in the organised sector. The main reason for this phenomenon is that their lending procedures are relatively simple and credit assistance is timely. However, the share of the non-institutional sector in the total borrowings of farmers has recorded a decline from more than 95 per cent in 1951-52 to 85 per cent in 1961-62, 75 per cent in 1971-72, 60 per cent in 1981-82 and 40 per cent in 1991-92.

Today, by and large, all over India the farmer has taken to the use of high yielding/hybrid varieties of seed, notably wheat,
maize, paddy and other crops. These varieties have shown that they are capable of transforming agricultural production beyond all previous achievements and expectations, provided that necessary inputs by way of improved seeds, water, fertilisers, pesticides, etc., for which credit is necessary, are made available in time and in adequate quantities.

While cooperative will, by and large, continue to be the most important institutional agency in the field in the context of the conditions of Indian agriculture, other institutional agencies have to be necessarily considered to supplement the resources of the cooperatives. Commercial banks entered the field of agricultural lending much later with the introduction of social control of banks in 1968. Following the nationalisation of major commercial banks in July 1969, they have pursued their efforts in agricultural lending with vigorous enthusiasm. In the seventies and eighties both cooperative and commercial banks have recorded significant progress. It has been reported that the share of the co-operatives as a source of cultivators' borrowings has almost doubled. In 1951-52, the loans (short-term and medium-term) of the primary agricultural credit societies amounted only to Rs.23 crore. In 1971-72 the figure had risen to Rs.613 crores. At the end of June 1990, the primary societies advances to agriculture stood at Rs.1,349 crores, covering 5.16 crore farmers and 36 per cent of the villages.
The Government has been another agency in the field for the supply of credit agriculturists. The All India Rural Credit Survey Committee has observed, "the record of taccavi loans has been a record of inadequacies, inefficiency of supervision and incompletion of coordination." Precise data in regard to the quantum of credit from the Government are not available. Some of the States have already stopped direct lending. Moreover, in view of the difficult ways and means position of the States, the Government cannot be reckoned as a major source of credit for the cultivators, except when it has to come forward in times of distress and famine.

In respect of non-institutional credit, the money-lenders charge not only high rates of interest but also resort to unfair means. However, the share of the non-institutional sector in the total borrowings of farmers has recorded a decline from more than 95 per cent in 1952 to 40 per cent in 1992. There are some links between the organised and unorganised sections, but these are quite work. Here the main problem is one of strengthening the links between the two sectors to promote further integration.

A study of agricultural financing during the seventies and early eighties shows that the multi-agency approach has come to

accepted in rural India. The cooperatives, assisted by the commercial and Regional Rural Banks have played a crucial role in meeting the credit needs of agriculturists. The establishment of the National Bank for Agricultural and Rural Development (NABARD) should exercise a significant influence on the working of these institutions in the country, particularly, in financing agriculture and other allied activities.

Agricultural credit cooperatives thus constitute one of the principal agencies of ushering the farm revolution. The loan advanced by the 1.23 lakh primary agricultural credit societies in India to the farmers amount nearly to Rs.1300 crores every year. The benefits of these cooperatives have gone to more than 37 per cent of the villages covering nearly 5 crores of rural people.5

**Place of Cooperatives:**

Cooperative banks have strong-hold in agricultural financing and, numerically, their concentration is in rural areas. Among the cooperative banks, the largest number consists of short-term and medium term agricultural credit structure which has a three tier federal structure. The three-tier is formed by the primary agricultural credit societies at the base organised at the

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village level, central cooperative banks at the district level and state cooperative banks at the state level.

The organisation of the cooperative movement in our country took its root in the field of agricultural credit and its purpose was to liquidate rural indebtedness and to drive the moneylenders out of the agricultural financing scene. At a time when agricultural financing was considered as a riskier proposition and an unprofitable avenue of lending, it was the cooperative banks which took the risk of lending agriculture amidst various socio-economic obstacles. Agricultural financing by commercial banks is of recent origin and the commercial banks were compelled to lend to agriculture only after their nationalisation. It was the cooperative banks which first came forward to lend the small farmers, tenant farmers, village artisans and weaker and depressed sections of the community. To encourage various sections in the economy, cooperative banks in India are helping the needy sectors like agriculture and small-scale industries. Nearly half of the agricultural credit needs are, at present, met by cooperatives and thus they pave the way for rural industrialisation and spread of small-scale and cottage industries.
Concepts:

A) Cooperative Credit Society:

A cooperative credit society is one in which the individuals associate themselves voluntarily, patronage the society with their savings, administer the society on democratic lines, utilise the services of the society for their credit needs and share the profit on the basis of equity. A cooperative society is an association of persons to promote their economic interest among themselves in accordance with cooperative principles.

B) Farmers:

For the purpose of study the farmers have been identified and arranged in three categories. They are:

(1) Small Farmers: Those holding below 5 acres of dry or 2.5 acres of wet land.

(2) Medium Farmers: Those holding between 5 and 10 acres of dry land or between 2.5 and 5 acres of wet land.

(3) Big Farmers: Those holding above 10 acres of dry or 5 acres of wet land.
Need for Short Term and Medium Term Loans:

A) Crop Loan System:

Almost in all States short-term agricultural credit is disbursed on the basis of crop loan system. The Reserve Bank of India had prepared a manual on 'short-term and medium-term loans for agricultural purposes' and issued it in 1966. It is usually called as the 'crop loan manual'. The system may briefly be described as the one which concentrates on productive purposes, and which provides short-term loan on the basis that a crop is anticipated and not primarily because that a title exists, and relates such loans in amount to the estimated outlay on raising the crop, and when the crop is sold, recovers the loans from the proceeds of the sale.

It is not enough if a farmer is provided with adequate long-term finance for land development, digging and deepining of wells and purchase of pumpsets and tractors. Unless he is supported with some working capital for purchase of seeds, fertilisers and pesticides and other farm expenses, he will not be able to achieve the targeted output. Hence short-term loan is considered as important as long-term loan.
B) Medium-term Loan:

Medium-term loans are issued for a period of 3 to 5 years. These loans are issued for the purposes of purchasing machines, of milch animals and bullocks, pumpsets deeping of wells, reclamation of land etc. With regard to the importance of the medium-term credit, the Committee on Cooperative Credit had pointed out that the demand for medium term credit was admittedly great, and it should be satisfied to the maximum possible extent, particularly, when such credit is utilised for improvement of land or for purchasing of pumpsets or other implements which will help in increasing the agricultural production.

Earlier cooperatives used to provide loans only for production purposes. Of late, their loaning policy has changed considerably. It is felt that a portion of the loan amount must also be provided for consumption purposes so that the farmer may not divert the productive loan for unconnected purposes. This also saves the farmers from knocking at the doors of the money-lenders for help for domestic purposes. Diversion of productive loans to consumption forces the farmer to approach the moneylender.

The present research study is undertaken to discuss the problems of efficiency of cooperative banks with regard to coverage of farmers, credit facilities extended, and utilisation
and recovery performance. The reasons for selecting the Karnataka Central Cooperative Bank Dharwad for research are more than one. The study of short-term and medium-term facilities provided to the farmers in the region was not attempted so far. Another reason for undertaking the study is the familiarity of the region to the researcher who has access to the required information.

**Survey of Current Literature:**

A number of studies have been made to investigate into the various aspects of agricultural finance in India. These studies have been useful in highlighting the various problems of cooperative credit in financing agriculture in India. By the very nature of their objectives, they have not been able to probe deep into the problems of farmers obtaining loans from non-institutional agencies. Hence, it is felt that there is a need for an in depth study of the central cooperative bank disbursing loans to the farmers at the village and of the intensity of the problems the farmers face in obtaining adequate loans, the rate of interest and the utiliation and recovery of the loans. The main purpose of the study, is therefore, to investigate the problems the farmers are facing in getting adequate loans from the cooperative societies, and their utilisation and recovery and the other agencies from which the
farmers borrowed during cultivation and the differences between the institutional and non-institutional agencies.

The Karnataka Central Cooperative Bank, which is the District Central Cooperative Bank at Dharwad is about 80 years old. But it is surprising that no systematic study has been made either by the Government or by any individual or organisation so far. Agricultural finance is the need of the hour as it gives boost to farm output.

Mahfoozur Rahman has made a study of co operative credit and agricultural development with reference to Jammu & Kashmir. Overdues in farm cooperative credit is the study of C.L. Dadhich. His study is confined to the cooperative credit movement in Rajasthan and the causes of overdues at the borrowers' and the institutional levels. He has also suggested measures for reducing the overdues.

A study by Ranga Reddy, on overdues of primary agricultural credit societies of Guntur district with reference to 1975-82, is


a case study of primary agricultural credit societies of Guntur District. The study covers only overdues of primary agricultural credit societies at the institutional level and not of the borrowers.

Another work is that by D.V.Prasad on cooperatives and rural development. It is a case study of the District Central Cooperative Bank in Andhra Pradesh. The study covers the administrative aspects but not the credit problem.

Kutumba Rao has studied management of central cooperative banks. His work deals only with management aspects of the Central Cooperative Banks with regard to their organisational structure, deposit mobilisation, financial and personnel management.

Another study is by S.M.Patel, "A case study of repayment of crop loan and causes of their non-repayment in Maharashtra State". It deals only with the repayment aspect of crop loans provided by the District Central Cooperative Banks and causes of their non-repayment.

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Khatry and Chamola in their study on utilisation pattern of loan advanced by the primary agricultural credit societies in Haryana have concluded that small farmers have utilised 60.50 per cent of the total loan for productive purposes and diverted 39.50 per cent of the loan to unproductive purposes. Large farmers have utilised 70.20 per cent of the loan to productive purposes and 29.80 per cent loan for unproductive purposes.

Another noteworthy study on institutional credit as a means of agricultural development has been brought in 'Institutional Credit and Agricultural Development' by Mohideen. The author attempts a comparative study of the cooperatives and commercial banks and the Government in financing agricultural development.

The problem of utilisation and repayment of institutional credit is analysed with reference to Indian agriculture in "Institutional Credit for Agriculture in India", by Pandey. Another study on the problem of repayment of agricultural loan is carried out by Sinha in "Recovery of Loan from Farmers" - Repaying Capacity and Repayment performance".

There is a vast amount of literature with regard to the financing of agriculture relating to other countries. Such literature is of considerable help in understanding and assessing the role of institutional credit agencies, particularly the cooperative agency in financing agriculture in particular and rural development in general in India.\textsuperscript{16}

Besides publications in the form of books there are several reports published by Vaikunth Mehta Institute of Cooperation, Reserve Bank of India, Indian Institute of Bank Management, National Institute of Rural Development and other similar institutions. Though the reports contain valuable data, yet taken together, they provide inadequate and partial picture for an understanding of the real character of agricultural finance.

There are also a number of reports by the international organisations which attempt an indepth study of the problem of agricultural credit, its principles and practices and the policy


measures to evolve an effective agency for agricultural credit in developing economies. Some of the reports focus on the case studies of developing countries and draw attention to the role of cooperative agency as a means of financing agricultural credit. The agricultural extension aspect is highlighted as a necessary condition for the effective utilization of agricultural credit.\textsuperscript{17}

**Statement of the Research Problem:**

The ambit and scope of rural credit is very vast. Rural credit is not merely financing agriculture, it encompasses farm and non-farm economic activities in the rural areas. Rural development covers a wide spectrum of activities, such as land development, crop development, horticulture, social and farm forestry, agricultural infrastructure etc.

The problem of rural credit is a multi-dimensional one. The All India Rural Credit Survey Committee, (1954) addressed itself to a number of issues pertaining to rural credit. The committee opined that agricultural credit was difficult to obtain and when it was obtained it was not put to proper use. The diversion in the use of rural credit has been noticed.

\textsuperscript{17}. FAO, (1964): New Approaches to Agricultural Credit, Supervisory Credit Combined with Cooperatives and Agricultural Extension, Rome.
There are many agencies engaged in providing rural credit. The institutional agencies consist of the cooperative sector commercial bank and Government, where as the private sources of rural credit are composed of the agricultural and professional moneylenders, landlords, and traders. Prior to the country's independence, the performance of all the institutional agencies was too far insignificant and heavy reliance had to be made on the village moneylender to supply the credit needs of the agriculturists.

Soon after independence the cooperative sector was given a monopoly position and the private agencies were relegated to the background. The All India Rural Credit Survey Committee (1954), built up a strong case for the development of cooperative credit. It observed that there was no alternative to cooperative credit and recommended cooperation as an ideal agency to meet the needs of the agriculturists, and, as such, the cooperative credit structure had to be strengthened. With the advent of commercial bank nationalisation in 1969, the monopoly position of the cooperatives was broken and the multi-agency system was adopted, and the commercial banks entered the field of rural credit significantly. This new situation created problems of competition and cooperation among the institutional agencies. The role of the cooperative sector has kept on changing during the post-independence period in India and it is time now to examine the role of cooperative credit in the wake of this new
development. In India the Reserve Bank of India has made special provision to meet short-term credit requirements through concessional rates of interest. It is recognised that the commercial banks cannot be expected to fulfill all the credit requirements of agriculture. Even in many advanced countries special schemes or special credit institutions are created for agriculture.

The main thrust of the present research is to examine the credit deployment by the cooperative to the rural development and to assess the extent of proper utilisation of credit by the farmers.

Objectives:

The following are the objectives of the research study:

(1) To assess the extent of credit provided by the District Central Cooperative Bank for different purposes to agriculture through primary agricultural credit societies;

(2) To find out the sources of finance of the District Central Cooperative Bank, over the years, so as to ascertain their soundness to meet the increasing demands of the farmers for their farm business;
(3) To examine the evolution of loaning policies of K.C.C. Bank, since its inception to the present time for agricultural development in particular and rural development in general;

(4) To study the extent of utilisation of loan borrowed by farmers for various purposes and pinpoint the difficulties, if any, in the utilisation of the loan;

(5) To assess the extent and causes of overdues in order to determine the viability of banks and repaying capacity of the farmers; and

(6) To suggest remedial measures based on the findings and observations of the study.

**Hypothesis:**

The following hypotheses are postulated for empirical verification in this study.

(1) The credit provided by the District Central Cooperative Banks through the primary agricultural credit societies to agriculture for different purposes is inadequate;
(2) The sources of funds for the District Central Cooperative Banks to finance the increasing demands of farm business are inadequate;

(3) The loaning policies of D.C.C. Bank are suitable for agricultural and rural development;

(4) There is less diversion of the use of credit by the farmers for non-agricultural purposes; and

(5) The extent of overdues is large in respect of all the farmers.

**Methodology:**

This study is confined to the Karnataka Central Cooperative Bank, Dharwad. It is an empirical study based on survey method. A two stage sample design is planned for the study. The first stage concerns itself with the selection of the primary agricultural credit societies. The second stage takes into account the selection of borrower households.

For the purpose of the study, out of 17 talukas in the district, Navalgund Taluka has been selected, since, the K.C.C. Bank advanced maximum amount of loan to the Navalgund taluk during the year 1984-85 and three years following it. There are
59 primary agricultural credit societies in the taluka of which 4 societies are in the irrigated area and another 4 societies in the dry area selected. In all 8 primary agricultural credit societies are selected at random.

To select the borrower households, a list of farmers who had borrowed loans from the sampled societies was obtained from each society. Out of 1769 farmers, only 10 per cent of the loanees were taken into account from selected primary agricultural credit societies. Equal representation has been given to the small, medium and big farmers. From each category of farmers 30 farmers were selected. In all 90 farmers from the irrigated and dry areas were selected.

The category wise distribution of the farmers or borrower households and the primary agricultural credit societies is presented in the Table 1.1.

The sample size is 10 per cent of the primary agricultural credit societies and the borrower households. There is equal representation of small, medium, and big farmers in both the irrigated and non-irrigated areas. The universe of the present study covers 1769 borrower households covering all classes of farmers, the small, medium and big.
TABLE - 1.1
Selection of Sample-Societies and Borrower Households

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the Society</th>
<th>No. of farmers who have Borrowed</th>
<th>Sample size</th>
<th>Sample size to the total (in percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Alagawadi</td>
<td>386</td>
<td>39</td>
<td>10.0</td>
</tr>
<tr>
<td>2.</td>
<td>Hebbal</td>
<td>257</td>
<td>26</td>
<td>10.0</td>
</tr>
<tr>
<td>3.</td>
<td>Karlawad</td>
<td>145</td>
<td>15</td>
<td>10.0</td>
</tr>
<tr>
<td>4.</td>
<td>Yamanur</td>
<td>98</td>
<td>10</td>
<td>10.0</td>
</tr>
<tr>
<td>5.</td>
<td>Annigeri</td>
<td>266</td>
<td>27</td>
<td>10.0</td>
</tr>
<tr>
<td>6.</td>
<td>Bhadrapur</td>
<td>225</td>
<td>23</td>
<td>10.0</td>
</tr>
<tr>
<td>7.</td>
<td>Hallikeri</td>
<td>258</td>
<td>26</td>
<td>10.0</td>
</tr>
<tr>
<td>8.</td>
<td>Nalawadi</td>
<td>136</td>
<td>14</td>
<td>10.0</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1769</strong></td>
<td><strong>180</strong></td>
<td><strong>10.0</strong></td>
</tr>
</tbody>
</table>

The present study thus covers —

(a) Eight primary agricultural credit societies and 180 borrower households in the Navalgund taluka of Dharwad District;

(b) A period of twelve years, from June 1980 to June 1992.
Data Collection:

A pilot study was carried out with the schedules to verify the concepts and definitions adopted in this study. Two comprehensive schedules were used for the collection of data.

(1) The first schedule was used to collect information from Karnataka Central Cooperative Bank with regard to its loaning programmes, policies and procedures;

(2) The second schedule intended to interview the borrower households, who had taken loan from the Central Bank through primary agricultural credit societies, constituted the main core of the enquiry.

Limitations of the Study:

The borrower households do not maintain any records in respect of the loan amount, cost incurred for the loan, amount disbursed after deducting the share capital contribution, interest and penalties paid, time taken in obtaining the loan and communication by the bank regarding repayment of the loan. The data relating to all these aspects had to be collected through the survey method which enabled the researcher to get an insight into the utilisation of loans as well as the full particulars of
farm operations. However, the data cannot be exempted fully from memory bias and other built-in biases in the responses obtained from the households. Even then, the response from households was quite satisfactory and the recall bias was minimised by several cross checks made while interviewing them.

Profile of the Study Area:

Karnataka is an important federal state in the Indian Union with 19 districts. The state of Karnataka lies on the southern part of India bordered by Maharashtra on the northern side, Goa on the western side and Andhra Pradesh on the eastern side with Kerala and Tamil Nadu on the southern side. The Karnataka state has a long 323 Kms coastal area with Arabian sea touching its shores on the western side. Karnataka has a total land area of 1,91,757 sq.kms. accounting for 5.6% of total Indian Union land area and is situated in the western part of Deccan peninsula and is stretched in between 11.5° and 19° north latitude and 74° and 78° east longitudes. The total population of Karnataka state as per 1991 census is 4.49 crores of which male population 2.29 crores and female population is 2.20 crores. The density of population is 235 per sq.km.

Dharwad district happens to be the second largest district in the state having 17 talukas with a total population of 34.99 lakhs as per 1991 census of which male population is 17.99 lakhs
and female population is 16.99 lakhs. Further the urban population of the district is 12.22 lakhs and the rural population is 22.77 lakhs. The average rainfall of the district is 717.2 mm. The rainy season of the district generally falls between June to September with scanty rainfall and with little irrigation potential, agriculture in the district depends upon the vagaries of monsoons.

Navalgund taluka is one of the 17 talukas of the district which is predominantly agriculture oriented. It is surrounded by Hubli, Nargund, Ron and Gadag talukas of Dharwad District and Saundari taluka of Belgaum district. The taluka has a total geographical area of 1080.80 sq.km. with a population of 1.61 lakhs of which the male population is 82,700 and female population is 78,700. The taluka has a total number of 58 villages and 2 towns namely Navalgund and Annigeri. Hence, the taluka is predominantly rural and agrarian oriented. The land area of the taluka is mainly black soil with little amount of red cultivable land. The major crops of the taluka are jowar, wheat, cotton, groundnut, onion, chillies sunflower and pulses. The taluka has the advantage of river irrigation facilities from the Malaprabha project. Nearly half of the cultivable land is under irrigation from this project. In view of this irrigation facilities cotton has become one of the important commercial crop which has led to the emergence of Annigeri and Navalgund towns as important trading centres for cotton. This advantage has further
resulted in the establishment of a cooperative spinning mill in Annigeri town of the taluka. However, the Industrial activity in the taluka is very much insignificant compared to predominantly agricultural activities in the rural area. In view of the predominantly agricultural orientation of the rural economy of the taluka agricultural credit plays the vital role in promoting developmental activities amongst the rural population of the taluka. Hence the research problem focuses on the study of rural credit in the taluka through the district central cooperative bank.

Navalgund has an average (1901-1990) of 612.4 mm of rainfall. The geographical distribution of land in Navalgund is 43562 hectares of which 2117 hectares is not available for cultivation and 69 hectares of land is uncultivable barren land. 8591 hectares is uncultivable. The cultivable land is 69599 net hectares of which 5162 hectares sown more than once. The distribution of land according to size is given below:

<table>
<thead>
<tr>
<th>No.of holdings</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one hectare</td>
<td>1458</td>
</tr>
<tr>
<td>Between one and two hectare</td>
<td>6070</td>
</tr>
<tr>
<td>Between two and four hectare</td>
<td>7239</td>
</tr>
<tr>
<td>Between four and ten hectare</td>
<td>2879</td>
</tr>
<tr>
<td>Above ten hectares</td>
<td>425</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12156</strong></td>
</tr>
</tbody>
</table>

Source: Dharwad District at a glance 1991.
The canal is the main source of irrigation for Navalgund taluka. However, wells are also found. The total area irrigated is 22613 hectares out of which 15326 hectares from canal, 1784 from well and 5503 from other sources. The major crop in the taluka is jowar (area 26964 hectares) followed by wheat (23121 hectares) cotton (19109 hectares) pulses (constitute the 18214 hectares). Navalgund taluka has 7 branches of cooperative Banks with 3.36 lakh deposits, 2.37 lakh disbursement of loan, one primary land development bank and there are 38 primary agricultural credit societies and 6 non-agricultural credit societies as on June 1991.

Plan of the Study:

The thesis is organised into seven chapters:

Chapter-I: Introduction:

This chapter deals with the importance of cooperative credit in agriculture, review of literature, statement of the problem, methodology and research design, objectives, hypotheses, limitations and importance of the present study.

Chapter-II: Cooperative Credit Movement and its Organisation

This chapter presents briefly the history of cooperative movement in India in general and Karnataka in particular. It
throws light on the cooperative credit movement in Dharwad District and the three-tier setup in terms of the state cooperative bank at the state level; district cooperative bank at the District and primary agricultural credit societies at the village level, their objectives, functions and areas of operation.

Chapter-III: Source of Finance:

This chapter deals with the resources, progress of share capital, reserve fund, deposits, borrowings and their importance and branch expansion of the Karnataka Central Bank for the period from 1980 to 1992.

Chapter-IV: Loaning Operations:

In this chapter the loaning policy and its operation by the Karnataka Central Cooperative Bank and Reserve Bank of India's Directions, scale of finance, maximum borrowing power, repaying capacity, eligibility of defaulters, loaning procedure and mode of disbursement are discussed.

Chapter-V: Utilisation of Loan:

This chapter deals with the utilisation of loan, credit gap, fulfilment of credit gap, cash and kind components, the average
expenditure on inputs, extent of diversion of loan, and loan from other agencies and cooperative awareness.

**Chapter-VI : Recovery of Loan:**

In this chapter an attempt has been made to assess the recovery procedure and repayment performance of cooperative loan in the irrigated and non-irrigated areas, the position of overdues, causes of overdues and schedule of repayment. It also deals with the repayment performance of borrowers of other than cooperative loan in the irrigated and non-irrigated areas and measures for reducing the overdues.

**Chapter-VII: Conclusion and Suggestions:**

The last chapter contains the summary of the main findings and results. In this chapter suggestions are made for solving the problems that are faced by the farmers in getting the required loans and reducing their overdues.