CHAPTER-VI
SUMMARY, FINDINGS AND SUGGESTIONS

The Agricultural credit structure consists of non-institutional agencies and institutional agencies. Non-institutional structure is formed of money lenders, landlords, traders and commission agents who charge exorbitant rate of interest. The institutional structure was given a prime importance for relieving the farmer from the clutches of professional money lenders. The institutional structure consists of commercial banks, RRBs and co-operatives. Among the institutional agencies co-operative agency is the ultimate source of finance for agriculture.

The short-term co-operative structure is a phyramid of three tiers. Apex Bank at the top followed by the DCCBs at intermediate level and PACSs at the grass root or village level. On the other hand the long-term credit structure constitutes of state land development bank at the Apex and PCARDBs at the base level resembling two tiered structure in comparison with short-term structure.

Agriculture credit is classified mainly on the basis of period, purpose and security offered for. The common basis to classify the agricultural credit is the period of repayment. Short-term credit is issued for the period of less than 15 months, medium-term loan for more than 15 months and not exceeding 5 years and long-term for more than five years. In some cases long-term loan may be repaid upto 20 years.

Today co-operation is prerequisite of every economic activity, particularly the agricultural credit. In the organized form co-operation has
been launched only after the passing of co-operative societies Act of 1904, with the sole objectives like encouraging thrift, saving and judicious use of credit and inculcating spirit of self-help among the members of society and villagers mainly to relieve the farmer from the strangle-hold of rapacious money lenders.

In 1954 “Integrated co-operative credit scheme” was incorporated in rural lending mechanism by the recommendations of All India Rural Credit survey committee, which streamlined the process of co-operative movement in India and become as mass movement.

At present, so many segments of the economic activities, such as Credit, Processing, Marketing, Housing Service etc. are covered by the co-operatives and in the Liberalized Economic context also co-operatives have lot of scope and importance. Though various types of efforts have been made over more than half a century after independence to develop economy, through extending credit as a means of rural development, the desired results have not been attained. As a well known fact that even as the number of credit institutions in the rural sector has gone up considerably for dispensation of rural finance and total amount made available for the purpose has been escalating from year to year, it is clear that the share of co-operatives in 1951-52 was just 3.1 percent in rural credit, increased to 34 per cent in 1994-95, by the persistent and deep-rooted efforts of the Government of India but, there is something considerably wrong in the whole scheme of rural credit.

The co-operative movement in Karnataka in line with national co-operative movement has been initiated by the formation of Kanagihal co-operative society. Consequent of co-operative Act of 1904 and the passing
of Mysore Co-operative Regulation Act in 1905, on the lines with the Indian co-operative societies Act, the co-operative movement gathered momentum. The progress of co-operatives however is not harmonious in Karnataka both institutionally and geographically. To regulate the co-operatives, Co-operative Department was set-up in 1916-17.

After reorganization of states in 1956 the progress of co-operative movement was sharp and the potential strength was added in the planning era. The quantitative progress of primary co-operatives was phenomenal upto the third plan but after the third plan qualitative progress was emphasized. Consequently, growth in share capital, deposits, borrowings, working capital and loan disbursement was phenomenal. During the eighth plan period 4777 PACSs issued a loan of Rs. 281.02 crores with the working capital of Rs. 407.61 crores, but the overdue problem has not been mitigated which reached 49 per cent in 1960-61. Nearly Rs. 81.90 crores was the proposed outlay of eighth plan for co-operative sector, which is not the sufficient amount thereby indicating the need of government attention to foster the co-operative movement in Karnataka.

The first PACSs to be promoted in Belgaum district was at the Bellad Bagewadi of Hukkeri taluka in 1905 as a result of passing of 1904 co-operative societies Act. Large size credit societies, GSS Sanghas and multipurpose societies entered the co-operative movement in the district.

By the passing of co-operative societies Act of 1912, the non agricultural co-operatives joined the stream of co-operative movement. Presently sugar factories, spinning mills, rural electrification societies have been covered by co-operatives in addition to the promotion of educational, medical and processing of tobacco societies
Thus, it reveals that the funds required for rural sector in particular to agriculture has been increasing. But the biggest rural credit system at grass-root level is co-operative credit in the whole country. RRBs have been established as specialist banks particularly in the rural finance however, these along with the public sector banks were unable to meet their targets for the reasons known to them. Besides, all most all the root level credit institutions are facing the problem of resource crunch. Thus, obviously they are dependent on Apex credit agencies.

Amidst of current economic affairs all other sectors in the country are inviting changes in their policies inevitably it may have impact on agriculture sector too. The rural sector in India has been perceived as a sector requiring assistance. But it has not been viewed as potential for meeting challenges and competition. Moreover market orientation and profit motive principles have been neglected which are the pillars of NEP. Really speaking the developing countries like, India dependent on growth in primary sector, as it is the main occupation of rural folk has to regularly emphasise the agricultural sector. Further agriculture happens to be the first occupation of settled society. Even at present, it is most important and predominantly superior economic activity on which approximately 2/3 of the people dependent. Hence it is imperative that co-operation is essence of agricultural development.

The societies covered by the present study are long established societies. Telasang society was established in 1915 and Kohalli PACS in 1965, which shows that the PACSs were established between 1915 to 1965. Out of 10 PACSs, Chanchali, Hidakal, Katageri and Kokatanur are engaged only in lending operation, while, Aigali, Kudachi, Kohalli, Harugeri,
Mugalkod and Telasang societies function as lending agencies as well as operators of PDS and suppliers of inputs by themselves. The composition of membership in non-irrigated area is 42 per cent of small, 26 per cent of medium and 32 percent of large farmers on the other hand in the irrigated area it is 44 per cent of small, 29 per cent of medium and 27 per cent of large farmers, which comes about 43 per cent of small, 28 per cent of medium and 29 per cent of large farmers collectively for both non-irrigated and irrigated areas. It is evident from the facts that the proportionate representation of the large farmers is greater which shows prevalence of dominancy of large farmers.

PACSs in the study area are highly dependent upon the higher agencies whose borrowings accounts for 63 per cent of the total working capital for both the PACSs of irrigated and non-irrigated areas. However, it is less in irrigated area which amounts to 41 per cent compared to the borrowings of non-irrigated area accounting for 86 per cent. The PACSs are meeting the increasing demand for agricultural credit in the study area because total short-term loan disbursed in 1997-98 was Rs.736.82 lakhs rose to 853.30 lakhs in 1999-2000 and 8 per cent growth was registered collectively for non-irrigated and irrigated areas.

The farming activity has a close link with assets like cattle wealth, agricultural implements, equipments and agricultural holdings, which considerably influence the agricultural operation. Land holdings are unevenly distributed among the sample small, medium and large farmers. In the non-irrigated area small farmers cultivate 18 per cent, medium farmers cultivate 25.94 per cent and large farmers cultivate 56.05 per cent of the total cultivated area. Whereas, in the irrigated area it comes about
20.29 per cent by small, 24.77 per cent by medium and 54.93 per cent by large farmers respectively.

The deciding factor of demand for credit and repaying capacity is the cost-return position of the farmer. The new agricultural package has augmenting the credit needs of farmers. Major portion of the cost expenditure has to be allocated for labour and fertilizers. In the non-irrigated area small farmers cost on labour and fertilizers accounts for 55.79, medium farmers and large farmers cost on labour and fertilizers accounts for 58.5 and 59.73 per cent respectively. In the irrigated area 58.03 per cent by small, 63.34 per cent by medium and 60.99 per cent by large farmers is the percentage of cost of cultivation allocated for labour and fertilizers. The high percentage of cost allocation for labour and fertilizers in irrigated area indicates quantity of application of labour and fertilizers. The net-return among small, medium and large farmers in non-irrigated area amounts to 52.75 per cent, 59.57 per cent and 59.69 per cent respectively, whereas it comes about 57.65, 68.85 and 61.26 per cent of the gross return among small, medium and large farmers respectively in irrigated area. The percentage of net-return is higher in the irrigated area indicates the profitability of cultivation in this area as compared to non-irrigated area.

The gap between the credit needs and supply is more in irrigated area, the gap is of 59.98 in irrigated area which is more than 56.13 per cent of the gap of non-irrigated area, shows the speed of growth of credit need is more in irrigated area in the wake of new package of agricultural technology.
The positive impact of credit is measured by the incremental income. The increment of income registered 19 per cent in non-irrigated area, while it registered 18 per cent in irrigated area which implies that impact of credit is more in the non-irrigated area. Around 67 per cent of the sample farmers opined that co-operative credit is cheaper than the credit of other agencies overdue problem is not only problem to the further borrowings of farmers but also adversely affects the functioning of PACSs and borrowings of PACSs from the higher agencies. Hence, the central concern of the success of credit agencies is checking the mounting overdues and generating owned resources.

Main Findings

1. Out of 10 PACSs covered under the present study Aigali, Kudachi, Kohalli, Harugeri, Mugalkod and Telasang societies function as an agricultural credit agency, supplier of inputs particularly fertilizer and PDS center. The remaining 4 societies, Chinchali, Hidakal, Katageri and Kokatanur function just as credit supplying agency.

2. From the study area it is noticed that proportionate membership is more among the large farmers which accounts for 32 percent in non-irrigated area and 27 percent in irrigated area thereby indicates the majority of large farmers in the membership of the society.

3. Owned fund is pivotal because a strong capital base will generate greater confidence among the creditors and reduces the greater reliance on outside borrowings, besides imparting stability to the co-operatives in enabling them to withstand the ill-effects of overdues. But the share capital and owned funds are very meager in the study area. The share capital and owned funds is just 14 percent in non-
irrigated area while in the irrigated area it is 59 per cent of the total working capital, totally accounts for 36.5 per cent. However, owned funds and share capital in the total share of the working capital is satisfactory in irrigated area.

4. It is found that the good possession of owned funds with strongly built up internal base of sources augment the external borrowing capacity, which in turn results into augmented total working capital and more lending power in the hands of PACSs. The relationship of resource base, borrowing capacity and lending capacity can be judged by the facts that are the share capital in the non-irrigated area is around 8 per cent, deposits accounts for 6 per cent, borrowings accounts for 86 per cent of the total working capital of 791.26 lakhs out of which 317.15 lakhs has been advanced to the agriculturists. In the irrigated area share capital amounts to 21 per cent, deposits accounts for 38 per cent, borrowings accounts for 41 per cent of the total 722.33 lakhs of working capital, out of which 536.99 lakhs has been advanced to agriculturists. This implies that a good resource base results into more lending power of the societies which is more in irrigated area where loan advancement is also more.

5. As the general hypothecation concerning PACSs resource base structure, borrowings accounts for significant part of the total working capital, has been proved in the study area also, wherein it is 63 percent for both irrigated and non-irrigated areas. But it is more in non-irrigated area accounts for 86 percent compared to 41 percent of the irrigated area, which shows the financial needs dependency on higher
agencies is less in irrigated area as their share capital and deposit mobilization accounting for 21 percent and 38 percent respectively.

6. Major source of cost of maintenance is the servicing loan accounts or payment of interest amount on their borrowings, accounts for 80 percent on an average in general and it is 84 percent in non-irrigated area, because much dependency on higher financial intermediaries is more in non-irrigated area.

7. From the study area it is evident that the procedure of lending in the form of component 'A' and Component 'B' or cash and kind component is not followed strictly so far, which is evident from the fact that most of the societies will not lend the kind component in the prescribed form, but release funds by accepting the receipt of fertilizers issued by authorized dealers. However Harugeri and Kudachi of the irrigated area and Aigali and Telasang societies of non-irrigated area lend both kind and cash components in the prescribed form.

8. It is reported that the growth rate of short-term advance to agriculture is recorded around 13 percent during three years of study period in non-irrigated area whereas, it grew at just 3 percent in irrigated area, which totally accounts for 8 per cent. Further, it is imperative that fluctuation is greater in non-irrigated area than irrigated area pertaining to the advances as the non-irrigated farming activity is prone to number of uncertainty and vagaries of nature, particularly the rain.

9. It is also proved that timeliness in agriculture is all the more important requisite of lending procedure because a delay of 15 days in loan sanctioning can significantly affect the productivity.
10. As per the view of borrowers as well as managers, if the borrower is not able to repay the loan amount in time, farmer is allowed to pay only the amount of interest on the principal and the loan may be converted into a fresh loan, which is subject to payment of such amount within the termination of next co-operative year.

11. There is a positive relationship between the prompt repayment of the loan amount and incremental issue of loan in relation to the requirement and size of land holdings.

12. Deposit mobilization, becoming one of the major requisites of the PACSs to manage its multiplicating functions in rural lending, especially by the introduction of business development scheme. But deposit mobilisation is very meager in non-irrigated area in particular and study area in general. The deposits constitute just 6 per cent of the total working capital in non-irrigated area, while it is 38 per cent of total working capital in the irrigated area. Lower amount of deposit mobilisation owes to the low level of income and the will of the depositers as the rate of interest is low in PACSs and lack of trust on Co-operatives.

13. The study area has a satisfactory results pertaining to the matters like attending general body meetings, participation in elections and attending the discussion. Nearly 90 per cent of the members attend general body meeting and 68 per cent each of the people actively involve in elections and discussions respectively.

14. The number of cattle and agricultural implements is more with every increase of size of holding in general and it is more so in the irrigated area, where capacity to supply fodder and demand for such things is
more, but the relative per capita availability of cattle and implements is greater with small size of holdings. The average number of cattle and implements in the non-irrigated area stood at 9 while, it is 11 in irrigated area for all categories of holdings.

15. Distribution of land among the different holdings is not satisfactory in the study area, small size-group cultivate only 18 per cent of the gross cropped area of surveyed farmers in the non-irrigated region and it is also unsatisfactory in irrigated area where 20.29 per cent of the gross cropped area is cultivated by small farmers. The percentage of irrigation is good in non-irrigated Taluka also, but it is concentrated around the Krishna river belt which accounts for 38.56 percent.

16. Cost of cultivation is high in case of small farmer compared to the cost of cultivation of medium and large farmers owing to the application of higher amount of labour and small size of holding itself which cannot reap the benefits of economies of scale. The cost of cultivation in irrigated area is higher than the cost of cultivation in non-irrigated area where majority of the gross cropped area is allocated to commercial crops. The average cost of cultivation in non-irrigated area stood at Rs. 7.54 thousands whereas, it stood at Rs. 9.95 thousands, out of which 37.51 per cent is the average cost of labour in non-irrigated area and in irrigated area average labour cost accounts for 33.54 per cent.

17. Profitability is satisfactory among the medium and large farmers compared to small farmers because of economies of scale and allocation of majority of the cultivated area to grow commercial crops of high yielding varieties in order to reap high returns. Generally the profitability is more satisfactory in irrigated area compared to non-
irrigated area. The net return of medium and large farmers comes about 64.21 per cent and 60.47 percent respectively, instead of 55.2 per cent for small farmers. The net return among small medium and large farmers in non-irrigated area amounts to 52.75, 59.57 and 59.69 per cent respectively. Whereas it comes about 57.65, 68.85 and 61.26 per cent of the gross returns of small, medium and large farmers respectively.

18. It is empirically proved that the cost of cultivation is mounting faster in the wake of modernization and transformation in agriculture, which aggravated the financial management problem of the farmer. Hence farmer has compelled to borrow from one or the other sources. Further it is also found that gross return in irrigated area is absolutely above the level of gross return in non-irrigated area and the gross return of irrigated medium farmer is the best return of both the irrigated and non-irrigated areas, which stood at Rs. 31.90 thousands. The gross return of small, medium and large farmers of non-irrigated area amounts to Rs. 15.68, 19.66 and 18.06 thousands respectively. While it amounts to Rs. 25.62, 31.90 and 23.82 thousands for small, medium and large farmers respectively in the irrigated area.

19. In the study area it is found that supply of credit by PACSs to small farmers in accordance with their demand and needs is comparatively satisfactory than the medium and large farmers. The demand for credit and supply of credit for small, medium and large farmers in the study area stood at Rs. 24.45, 58.51 and 113.05 thousands as the demand and amount sanctioned is Rs. 15.00, 27.00, 44.00 thousands respectively, while it is Rs. 41.62, 73.05 and 146.94 thousands respectively for small,
medium and large farmers in irrigated area as the demand and amount sanctioned is Rs. 26.00, 31.00 and 50.00. The short fall of the amount is less in case of small farmers accounting for 38.65 per cent in non-irrigated area and 37.53 per cent in irrigated area compared to medium and large farmers, whose short fall accounts for 53.85 and 61.07 per cent in non-irrigated area and it is 57.56 and 65.97 per cent respectively in irrigated area to their credit demand or credit requirement.

20. It is interesting to tress out the fact that repayment performance is good among the farmers of irrigated farms than the farmers of non-irrigated farms, which mentions the sound financial position of the farmers in the irrigated area and implicitly sound resource base of PACSs. The repayment performance of small, medium and large farmers in non-irrigated area is 75, 76 and 59 per cent respectively while in the irrigated area it is 84, 83 and 75 per cent for small, medium and large farmers respectively, which is also influenced by the factors like efficient management and recovery by the societies.

21. It is note worthy that the overall percentage of incremental income of 19 percentage is considered as the better one recorded form the non-irrigated area compared to 18 percent recorded from irrigated area. However, the harmony in incremental income can be seen in irrigated area only. The incremental income of small, medium and large farmers comes about 23.7 and 26 per cent while it is recorded 18, 16 and 20 per cent for small, medium and large farmers respectively.

22. Besides impact of credit on income, there are, other important impacts, like mechanization, Scientific method of cultivation, use of HYVs etc.

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have greatly entered in the way of agricultural development and transformation.

23. Majority of respondents, which is around 65 per cent of the respondents, expressed their satisfaction over the rate of interest charged by PACSs.

24. There is positive relationship between the level of gross income and the repayment performance which means that higher the gross income, higher will be the repayment performance and vice-versa.

25. Overdue problem is existing in the rural lending scenario and overdue problem is more intense in non-irrigated area than irrigated area as far as the study area is concerned. The overdue problem not only becomes the hurdle to the functioning of PACSs but, on the other side it drastically affects the borrowing of the PACSs from higher layers of financial agencies. The number of defaulters being 19.1 percent in non-irrigated area comprised of 19, 17 and 20 by small, medium and large farmers while it accounts for 16 percent in irrigated area composed of 15, 15 and 20 by small, medium and large farmers. Out of 10 PACSs covered under study, the percentage of defaulters is highest recorded 31 percent in Chinchali society followed by 26 each in Kokatanur and Telasang societies respectively. The higher percentage of 20 per cent of overdue in case of large farmers is due to the willful defaults as the farmers are indulged in relending the loan amount instead of their high income and good repaying capacity.

26. The impact of overdue on the losses of PACSs is positively related and overdue problem found one of the main reasons for losses in co-operative credit societies. The total losses of five PACSs in non-
irrigated area is Rs. 3.50, 6.66 and 6.00 lakhs for 1997-98, 1998-99 and 1999-2000 respectively. While the total losses of five PACSs in the irrigated area stood at Rs. 5.64, 2.77 and 8.48 lakhs respectively during the same period. The overall average loss in non-irrigated and irrigated areas stood at Rs. 4.57, 4.71 and 7.24 lakhs for three years.

Suggestions:

Some of the important suggestions emerged out of the study are given here under:

1. Generally all PACSs are directed to lend the credit in the form of cash and kind components, but very few among the surveyed societies provide kind component on their own behalf and others provide loan amount (Kind Component) by accepting the receipt of fertilizers issued by authorized dealers. Moreover, the societies providing kind component on their own behalf give only fertilizers excluding other inputs like seeds and fertilizers due to dearth or lack of safe storage facility. Thus, agricultural inputs suddenly perish, if the safe storage facility could not be extended which may likely to impair drastically the agricultural production process. Hence farmers do not accept the inputs even the societies are ready to provide as the societies are know by the unsafe storage facility. Therefore, at the first step safe storage facility has to be built up at every PACS and then the lending of cash and kind component by the particular PACS is made mandatory.

2. Loan is usually sanctioned before the sowing of karif season and not for rabi. But in some cases loan is required for second crop also
which has to be considered by PACSs and sanction the loan depending upon the prevailing conditions.

3. Crop insurance scheme has not been found successful so far in mitigating the problems of farmers, hence, considerable number of crops have to be geared by crop insurance scheme and attention has to be given for the successful operation of insurance scheme in agriculture.

4. Instead of issuing limited Kisan Credit Cards, all the prompt repayers of the loan have to be made access to Kisan Card facility.

5. PACSs have to be aided financially by the Government to successfully implement the “Business Development Programme” as the pigmy amount as well as the local deposit mobilization is insufficient to meet out the credit needs for the development of small business in the village.

6. Consumption loan can also be provided to meet out family requirements at reasonable rate of interest recoverable in easy installments, the quantum of loan should be adequate to meet out emergent requirements.

7. Restraining announcement of populist measures that may adversely affect the financial discipline among the borrowers.

8. Taking legislative and political steps such as, rewarding prompt repayment and penalizing the default to abate the problems of voerdues.

9. Reducing the interference in the affairs of the co-operative banks.
Thus, Agriculture still being major sector in the Indian economic context greatly influences every economic field, which needs all time attention. But, the main aspect of focus is financing agriculture sector, proved very difficult so far due to the distinct features of the Indian farmers like, lack of awareness, ignorance, shy in approaching credit agencies, lack of awareness of various schemes and credit facilities, backwardness etc. As being the important sector continuous emphasis on agricultural sector mainly the agricultural credit through the rural cooperatives is indispensable requisite of the Indian economic development.