CHAPTER – II

REVIEW OF LITERATURE

In this chapter an attempt is made to review the important studies made by various scholars regarding finance to agriculture in India. Both the theoretical and empirical literature having bearing on the problem of the present investigation is reviewed in this chapter. Literature about capital formation, credit delivery system, utilization and impact of credit and repayment and overdues is reviewed in this chapter.

J.S. Sharma and B. Prasad (1971) in a study conducted in three selected districts of Uttar Pradesh analysed the change in demand for credit due to change in the technology of agricultural production. They pointed out that at the then existing level of technology, the credit needs of the sample households were of the tune of Rs. 114 lakhs, of which about 35 percent, 29 percent and 36 percent were needed by small, medium and large farmers respectively; with improved technology, the credit needs would be Rs. 367 lakhs, of which 30 per cent, 20 percent and 50 percent were required by small, medium and large farmers respectively. One striking feature of the growth in credit observed was that the credit requirements of larger farmers increased more rapidly than those of small and medium farmers. Use of credit increased the income even at the prevailing levels of technology. More adoption of improved technology unassociated with the increase in the credit use was not found to increase incomes of farmers to any significant extent.

N. Saha and P.L. Dutta (1971) in their study on the high yielding variety programme and problems of finance for small farmers in Assam have found that the cost of cultivation of paddy per hectare was estimated at Rs. 150.00 in the traditional method and Rs. 655.00 in the new technology. This indicates that for
switching over to new technology an additional finance of Rs. 505.00 will be required by a farmer operating a hectare as short-term loan.

R.D. Singh (1972) has reported that on the farms of Uttar Pradesh resources were not used optimally and profits could be increased substantially if resources were allocated on the desired lines (under restricted supply of resources). However, when credit was not a constraint, farms profit might further increase.

Hanumantha Rao (1975) has conducted a survey in three villages of Narasipatnam of Vishakhapatnam district, Andhra Pradesh. This study showed that number of farmers who borrowed from money-lenders was high in the category of small farmers, while the numbers of borrowing from the cooperatives was high in the category of big farmers. Thus, he has concluded that the co-operative finance was more accessible to the big farmer and the small farmer was under perpetual obligation to the money lender and was not able to get out of his clutches. He has further concluded that the small farmers were not in a position to invest more on land to produce any surplus with the result that they were handicapped in building up the asset structure.

Vipin Behari (1975) has found that the amount of borrowed capital increased with the increase in farm size which varied from Rs. 273.54 in lowest size group to Rs. 313.34 in the large group. The proportion of borrowed credit to the total inputs per hectare was found to be higher in the large size of farms. The per hectare credit was found to be positively correlated with the size of holdings. The availability and source of credit indicated that 62.29 percent of total credit (short-term) was met by the co-operatives in case of small farms followed by relatives and moneylenders. The medium and long-term credit was met by land
development bank to the extent of 97.08 percent. Only a few cultivators were benefited by the commercial banks.

G.N. Singh (1976) has conducted a case study on distribution and utilization of co-operative credit in Lucknow district. He found that the farmers of small size group though numerically more dominant only small fraction of them could receive loan from co-operative societies. Out of 491 member farmers of 0-1.5 hectares, only 164 farmers could get loan. As against their situation, out of a total member farmers of 258 in the largest size group, as much as 203 farmers received loan from co-operative societies. As regards the amount of loan advanced to the farmers of different size groups, it was observed that a lion’s share of the total advancement went to large sized farmers. The study further shows that the large sized farmers utilized their borrowed money to a greater extent for productive purposes as compared to small farmers.

M.P. Dhongade and Dangat S.B. (1978) have analysed the inter-regional disparities in the availability of farm credit by commercial banks in Maharashtra. Among seven regions of the state, it was found that both total as well as average advances per branch for the Greater Bombay region were abnormally high as compared to other regions of the state.

K. Subbarao (1979) has observed the relative share of classes of different size in the total amount of co-operative credit and bank credit separately in different states of the country. The major findings are (a) in case of short-term cooperative loans disbursed over the period 1971-72 – 1975-76 to small farmers (below 1 hectare), their relative share remained constant or declined in Andhra Pradesh, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala and Rajasthan,
(b) in some states like Orissa, the corresponding share of the small farmers has increased from 17.5 percent in 1971-72 to 19.5 percent in 1975-76. Despite such dispersal pattern of distribution, inter-regional dispersion in such credit per hectare of small holdings declined over the period 1971-72 – 1975-76. In case of bank credit, the investigation shows that although all the states improved their absolute amount of advances by commercial banks over the period 1969-1977, inter-farm inequalities continued. Again, the entire network of institutional agencies failed to serve the interests of tenant and small farmers in the less developed eastern India.

Singh K and Sandhu Harbans K. (1980) have estimated the extent of overdues of different categories of farmers and the causes of such overdues. The study was confined to one of the technologically advanced areas of Phagwara block in Kapurthala district of Punjab. A total sample of 90 farmers of three size groups were interviewed to get the results. The findings show that out of 34 (84.17 percent) small, 29 (85.29 percent) medium and 14 (82.25 percent) large farmer borrowers, 26 (66.65 percent) small, 14 (41.17 percent) medium and 5 (29.40 percent) large farmers were found to be defaulters. The overdues position per hectare was Rs. 93.00, Rs. 56.88 and Rs. 17.27 for small, medium and large farmers respectively and hence indicated a negative correlation with size of holdings. The study shows the willful defaulters were mainly large farmers because they did not repay loans in spite of their repaying capacity of Rs. 7717 per defaulters as against the overdues amount of Rs. 3597 per defaulter.

Vashisht S.K. (1981) found out in his study for an area agriculturally advanced, that 88 percent short term credit was utilized for production purpose. While the remaining 12 percent was utilized for consumption. The utilization
pattern indicated that among production purpose, fertilizer loan which accounted for 64 percent of the total credit was the most dominant. Social and religious ceremonies which accounted for 5 percent of the total credit topped the list among non-productive purposes.

Chandran T.R., Balishter and Rajkumar (1982) analysed the extent of utilization of cash and kind credit available from institutional agencies in 1982. The study revealed that the proportions of cash and kind on the total credit was about 78 percent and 22 percent respectively. The misutilization was more in cash credit as farmers were free to use it for any purpose whatsoever.

Arunkumar Bandyopadhyay (1984) observes that in the informal loan market, the loan contracts that do not explicitly mention the rate of interest carry much higher implicit rates than those which do mention the rate. The suggestion is for the classification of loan contracts into three groups: (i) those loan contracts which clearly mention the rate of interests; (ii) those loan contracts which do not explicitly mention the rate but it is possible to calculate the rate accurately on the basis of the associated terms and conditions; (iii) those loan contracts which neither mention the rate of interest nor it is possible to calculate the same accurately on the basis of information available from the borrowers. It is found that the average rate of interest on the fully repaid loans comes to about 100 percent, but the rate charged from the land owning cultivators comes to about 60 percent per annum. For the high rate of interest, the basic rate and the monopoly profit are found to be much more important from the risk premium and administration cost. The high rate of interest is an obstacle to economic development. The monopoly element in the rate of interest can be reduced by
expanding and strengthening the organized sector. The inability of the small farmers to avail the institutional credit facilities as against the availability of such facilities to the large farmers not only contributes to the perpetuation of the monopolistic position of moneylenders but also leads to the perpetuation of the prevailing income disparity between the small and the large farmers.

Jagdish Prasad and Sunil Kumar (1985) while examining the repayment habits of rural households in Bihar found that out of 48 households surveyed in a particular area, 7 (14.6 percent) had made prompt repayments while 28 (58.3 percent) had not paid any installment. They cite these among other figures to show that the repayment habits of the loanees was poor.

R.K. Panda (1985) has found that the farmers of irrigated area are borrowing larger sum from institutional agencies on a lower rate of interest in comparison to farmers of non-irrigated region. The medium and large farmers are taking more loans on lower rate of interest as compared to small farmers. The farmers belonging to non-irrigated region divert a higher proportion of credit to non-productive purposes than the farmers of irrigated region. The medium and the large farmers are diverting more loans for non-productive purposes as compared to small farmers. Regarding overdues, it is concluded that the percentage of defaulters to borrowers in the case of farmers of irrigated region is lower than that of non-irrigated region.

Kalyanbrata Bhattacharya (1986) has said that institutional credit support to poverty alleviation programme in India is based on a multi-agency approach without proper demarcation of area of operation or any coordinating authority, sometimes resulting in wasteful zero-sum competition. Credit institutions often
set high quantitative targets and neglect quality or adequacy of loans. In an attempt to remove some of these defects government proliferated credit agencies diluting the responsibility and reducing the effectiveness of any particular agency. The long term objective of viability of projects was neglected and immediate working capital needs were given disproportionate importance. Diversification of the rural economy remained a far cry. To remedy the situation only two credit institutions with direct accessibility of borrowers like co-operative credit society and regional rural bank should continue. The former should cater to the needs exclusively of small producers and the latter should be open to all. Credit policy must be reformed to cover all credit needs of a borrower from the same source, security based credit should be replaced by production oriented credit, employees of credit institutions should be appropriately trained to help the borrowers with required consultancy; and subsidized credit should be granted to only small producers whose progress is a social priority.

T.K. Karthykeyan (1986) has conducted a field survey to assess the capability of the co-operative land development banking at the grass-root level in the presently followed multi-agency set-up of rural banking. The study examines the causes for deceleration in the credit delivery system of primary land development bank (PLDB) by making an in-depth analysis of the organizational and procedural framework of the lending agency by making necessary comparisons with the prevailing system in a commercial bank with a view to bring into focus the bottle-necks, if any, noticed in its functioning. A PLDB operating in a block in Tamil Nadu was selected purposively because this state is the pioneer in the system of land development banking and it is the same state where its
performance has, of late, declined to an alarming extent. For comparative analysis, a branch of a commercial bank operating in the same block was also selected for the study. A cross-sectional analysis of the term loan borrowers of PLDB and commercial bank who availed loans during the calendar years 1976 to 1979 was made from the primary data obtained from the borrower-beneficiaries and lending institutions duly supported with the insights obtained through discussions held with bankers, officials, academicians, local lenders and others. The extent of benefit going to the farmers was analysed on the basis of ‘before’ and ‘after’ approach. Twenty-five borrowers of PLDB and 25 borrowers of commercial bank were selected on a random sampling method. Conclusions were drawn on the basis of discussions held, questionnaires canvassed and data obtained. One of the important findings of the study is that indiscriminate lending for minor irrigation purposes by the PLDB led to mounting overdues which has led to a serious problem of resource crunch in the PLDB. It is now highly essential for the LDBs to diversify their lending portfolio to land-substituting inputs by not being so rigid in their security norms. The study comes to the conclusion that a system should be developed by which one borrower deals with one bank whether for investment or production needs, for agricultural purposes.

R.N. Pandey, A.C. Gangwar and Kusum Agrawal (1986) have studied the lending pattern of various credit institutions and the repayment performance of the borrower-farmers were analysed by using the data (1981-82) collected from 203 farmer borrowers, selected randomly from the list of borrower-members of six primary credit and service societies (mini-banks) of Kurukshetra district of Haryana. Also, 33 officials of various credit institutions were interviewed. The
study revealed that the financing from the institutional sources was biased in favour of relatively larger farmers. The amount of loans given for dairy, poultry, piggery, etc., meant for the downtrodden was almost negligible in the total loans disbursed. While the total amount of loans due to repayment exceeded the repaying capacity on the small and medium farms, it was reverse on the large farms. The default, thus, in the case of large farmers was mostly willful. These willful defaulters should be forced to repay the loans through appropriate legal actions. Direct payment of subsidies should be discouraged and norms for financing should be revised frequently as the former results in issue of fictitious loans and purchase of sub-standard animals. Small farmers should not be encouraged to buy tractors as it becomes difficult for them to repay the loans. In order to check the borrowers from taking loans from more than one source by offering the same property as security, it is suggested that ‘Credit Pass Books’ may be issued. Instances of advancing loans for dairy and poultry without considering the existence of adequate marketing facilities and supply of adulterated inputs to the borrowers were also observed. Appropriate steps should be taken to cleanse the agricultural inputs distribution system and to eliminate/reduce the political interference in the normal functioning of the credit institutions as it adversely affects the repaying capacity of the borrowers.

V. Radhakrishnan (1986) has said that institutional agencies provide credit to agriculture at concessional rate of interest. It is a matter for serious consideration as to whether this policy should be continued, taking into account its impact on the lending institutions, the borrowers and the economy as a whole. Concessional finance adversely affects the viability of lending institutions as also
their ability to effectively monitor the use of credit. Concessional finance may lead to misutilisation and sub-optimum utilization of credit, particularly by larger borrowers. Considering the fact that the distribution of concession would have been on the pattern of the distribution of gains from agricultural development, concessional finance is one of the sources of inequity.

Gupta, Awasthi and Yadav (1986) have studied the recovery problems of agricultural loans in Hoshangabad district of Madhya Pradesh. Specifically, the study seeks (i) to analyse the amount of loan provided to sample defaulter farmers for different purposes, (ii) to analyse the purposewise amount sanctioned to, recovered from and overdues of sample defaulter farmers, (iii) to examine the reasons for non-repayment of loans, and (iv) to suggest ways for improving the recovery performance of banks. State Bank of India (ADB), Hoshangabad was selected for this study. Out of the total number of defaulter farmers of this bank, 90 were selected for study. Primary data were collected by the survey method using interview schedules. The secondary data were obtained from the bank records. The data refer to the agricultural years 1979-80 to 1983-84. Simple average and percentage methods were used for the interpretation of data.

The average size of holdings of the respondents ranged from 1.40 hectare in the small group to 11.51 hectares in the large group. The strength of the family was highest in the case of small group. Only 8 percent of the respondents were educated up to high school and higher secondary school level, 11 percent up to middle school level and 14 percent up to primary school level. The majority of the farmers (66 percent) were illiterate. Out of 90 defaulter farmers, 39 belonged to the small group, 19 to the medium and 32 to the large size-group. The total
amount advanced by the bank to the 90 defaulters was Rs. 7,57,544. Out of this amount, 4.39 percent was for crop loan and 95.61 percent for term loan. All categories of farmers have taken maximum amount (about 90 percent) of loan as term loan. The overall recovery position of crop loan was found fairly good as compared to the term loan. The large farmers obtained the largest amount of the term loan followed by the small and medium farmers. The large farmers repaid maximum amount of the loan (46.88 percent) followed by the medium and small farmers. The overdues were found highest in the case of medium farmers followed by the small and larger farmers. The amount of loan was not sufficient to meet the requirement, the procedure of financing was quite long and too complicated, the rate of interest was high. These were the major difficulties faced by most of the respondent borrowers. The availability of loan according to requirement, low rate of interest for agricultural loan, flexibility in recovery of loans at the time of crop failures due to natural calamities, simple procedure of financing, availability of loan at right time, and insurance of crops, animals and machinery and the important suggestion given by the respondents. For improving the recovery performance, the bank should strengthen the supervising machinery to verify the utilization of loans and deal with case of misutilisation of loans promptly. A strong credit-market linkage would be the best solution for guaranteed recoveries. No interest on interest be charged in order to reduce the burden of repayment. Some concessions to non-willful defaulters and encouragement for prompt repayments of dues considered desirable.

H. Bhakta (1986) in his study of Saran district in North-west Bihar has shown that there are financial resources in the agrarian economy in the form of
primitive, pre-capitalist accumulation and agricultural surplus. But they are utilized for non-development activities like private loans mortgage and purchase of land, social ceremonies and so on. Whatever investment is made in agricultural development, it is financed mainly out of primitive, pre-capitalist accumulation. Therefore financing of agricultural development has been analysed on the basis of primary data collected from 96 land owning households of Saran district comprising poor, poor middle, middle and rich peasants, who have been further dichotomized into 'with agricultural income only' and with non-agricultural income also'. Of the total investment made in agriculture by selected sample households, 84 percent is accounted for by primitive accumulation financing, 7.72 percent by pre-capitalise financing and 8.25 percent by capitalist financing. Chemical fertilizer and improved seeds are more in the nature of capitalist financing than other heads of agricultural development. It implies that short-term capitalist investment has got preference. Besides, peasants 'with agricultural income only' are more prone to capitalist financing than peasants 'with non-agricultural income also'. But capitalist financing of agricultural development is not dominant. Pre-capitalist financing is also not significant. It is the primitive accumulation financing which pervades all heads of agricultural development. It is creating conditions for capitalist development along with pre-capitalist financing.

Thus, credit institutions and bank should not follow a rigidly capitalist approach. They should realize that they have come to finance agricultural development as exogenous force which may not come out of the economy. But productive forces will develop. Other steps may also be taken to transform the
whole agrarian economy capitalist oriented. Then only our capitalist approach will succeed and surplus created out of loans may be utilized for repayment of loans. Thus, the need of the hour is to change our approach to financing agricultural development keeping in view the dominant role of primitive accumulation financing and weak capitalist financing for accelerating the rate of agricultural development in India.

Rajendra Singh (1986) has attempted to examine the temporal pattern of income generation, level of incremental income as related to the assumptions made and the phenomenon of overdues and reasons thereof by supplying credit for pumpsets under minor irrigation scheme through the Land Development Banks. The present study covered two important aspects such as (i) whether the assumptions made about additional incremental income to be generated through the credit supplied by Land Development Banks (LDBs) under the ordinary lending, particularly for minor irrigation are correct, and if not what are the assumptions that have gone wrong and the steps needed to be taken to correct them, and (ii) whether the method adopted for assessing the repaying capacity is correct and adequate and if not what are the changes that are required to be made. Only those Primary Land Development Banks (PLDBs) of the Eastern Uttar Pradesh which had advanced loans more than the state average per PLDB were considered for the selection. From these, the PLDB Gonda showing the highest amount of overdues was selected. The loanees were classified according to loaning years and three main size-groups of their holdings. The reference period was 1981-82.
The results indicated that in the case of loanees upto 1978 belonging to the small size-groups, the incremental income has been negligible and that of loanees of 1978-79 it has been higher but in comparison to other loanees it has been much lower and this clarifies that after a certain period or after a long gap, the pumsets have got no impact on incremental income. The repaying capacity has also been found to be negligible and poor in the case of loans upto 1978 and 1978-79 of small size-groups but in the medium and large size-groups it has been found to be satisfactory with not set pattern. Interestingly, the amount of interest paid exceeded the amount of principal paid by the loanees in almost all the size-groups and confirms that the loans have been repaid after a long gap and as a result of this there are mounting overdues even though the majority of loanees have satisfactory repaying capacity. This has proved that the delay and neglect of repayment is willful, resulting in mounting overdues.

R.K.P. Singh, R.P.N. Singh and B.B. Singh (1986) have attempted to make a comparative study of financial performance of Regional Rural Bank (RRB) branch and a rural branch of a commercial bank, established almost at the same time and operating in an identical typical rural setting of Bihar with particular reference to the pattern of income, expenditure and profit or loss, per employee performance and breakeven levels for deposits as well as for advances. The study is based on secondary data, pertaining to the period from January 1981 to December 1983. The study indicated that the commercial bank branch earned comparatively larger amount of annual income (Rs. 72.24 thousand) and also incurred comparatively higher annual expenses (Rs. 134.14 thousand) than the income earned (Rs. 59.11 thousand) and expenses incurred (Rs. 75.54 thousand)
by the RRB branch. However the RRB branch recorded a relatively higher rate of growth in income (11 times) than the corresponding growth achieved by the commercial bank branch (two times) during the period under study but the growth in expenses of both the branches was identical (84 percent). The commercial bank branch incurred an average annual loss of Rs. 54.90 thousand during the study period whereas the annual loss in the case of RRB branch was comparatively smaller (Rs. 34.78 thousand). Moreover, the branch incurred losses during the first two years only but was able to earn a profit of Rs. 23.30 thousand in the third year of the study. Per employee performance of the RRB branch was also comparatively better than the per employee performance of the commercial bank branch with respect to the amount of loans, number of loanees, amount of recovery and number of depositors account. However, the commercial bank branch performed better in mobilizing per employee higher amount of deposits, probably because of the fact that the branch served comparatively more elite section of the rural society. The difference between per employee income of identified branches (Rs. 4.31 thousand) was relatively narrower than the difference between their per employee expenses (Rs. 16.56 thousand), indicating thereby low cost banking in the case of RRB and high cost banking in the case of commercial bank. The RRB branch has also operated either near or above the break-even levels for deposit as well as advances whereas the commercial bank branch operated much below the break even levels for deposit and advances (69 percent and 34 percent respectively of break even point). Hence, the financial performance of the regional rural bank branch was comparatively superior to the performance of the commercial bank branch. The commercial bank branch, thus, need to
increase their loan business and exercise more stringent control over expenses for improving the financial efficiency of the branch. To minimize the losses in the banking industry as a whole the Government, as a policy measure, should give priority to RRBs for opening their branches in the rural areas.

Himmat Singh, Panghal and Verma (1986) have conducted a study in Mahendragarh district of Haryana state with a view to (i) measure the credit gap in financing the rural weaker section, and (ii) examine the problems of borrowers and lenders; the study revealed that the rural weaker section received less amount of loan than the amount required by them. There is a need to assess their credit requirement and advance credit accordingly. In order to maintain and further expand the productive base of agriculture where the majority of small and marginal farmers are poor, government has to ensure timely flow of institutional credit to the agricultural sector. This is to be done by pursuing a multi-agency structure of cooperatives, land development banks, regional rural banks and commercial banks. Efforts are to be made to strengthen the primary agricultural cooperative societies (Gramin Banks), removal of regional imbalance in the flow of credit and opening of more branches of banks in the rural area. Though the institutional credit aggregated to a sizeable sum, yet it is only a small fraction of the total estimated requirements and has a long way to go before it can be called adequate. The study also suggests that only genuine cases should be sponsored by the sponsoring agencies for advancement of loans. Double financing should be avoided by sending a list of borrowers to all the lending agencies operating in the area. Adequate and trained technical staff with sufficient transport facilities should be appointed to advance loans, supervise its proper use and recovery of
loans. Loaning procedures should be simplified and policies for advancing loans in kind should be flexible.

Noor Basha Abdul and D. Dakshinamoorthy (1986) have opined that production and resource efficiency in agriculture do vary between the developed and backward regions, even in regard to the supply of production credit. The Agricultural Development Branches (ADBs) of State Bank of India (SBI) in Guntur District of Andhra Pradesh, offering production credit, were taken up for this study. The objectives of study were (i) to assess the impact of production credit on the farm production of developed and backward regions; (ii) to work out the coefficients of elasticity of production of various crops and total farm business, and (iii) to estimate the marginal value production (MVPs) and resource use efficiency of various factors. The regression coefficient of production credit on paddy farms are found to be more significant in both the regions. Production credit had significant impact on the yield of cotton in the developed region. In the total farm business, the magnitude of coefficient of elasticity of farm production with respect to production credit is the highest for large farms and the lowest for the small farms in the developed region. The result of MVP and resource use efficiency imply that for both the farm sizes of both the regions, wider scope exists for employing production credit further.

C.S. Vaidya and B.K. Sikka (1986) have made an attempt to work out the extent to which the LDB can play a vital role in augmenting the incomes of apple orchardists. The benefits from credit investment have been worked out by comparing the orchardists who benefited from the bank with the same category of farmers in the same area, who had not taken any credit. The study was conducted
in Shimla district in 1983-84. A final sample of 87 borrowers and 42 non-borrowers was selected. The farmers were classified according to their size of holding and the age of orchard, as the age of orchard plays an important role in determining the cost and returns from it. It was observed that though the farmers got some returns from intercropping in the orchard when the plants are young (0-5 years), it was not substantial and could offset the losses only marginally. In the second group, i.e. 5-8 years, only losses were incurred because of no return. The apple orchard comes into bearing stage at the age of eight years when returns start flowing and net benefits are reaped by the orchardists. It was observed that the net returns of borrower orchardists were significantly higher than those of non-borrowers, as the borrower farmers could afford to invest adequately in various inputs by utilizing the credit. Hence, it was concluded that there is a definite impact of term loan and this can be effectively used for speedy development of horticultural economy of the state. But, a careful probe needs to be made in regards to repayment schedule, etc. which can adversely affect the repayment position and consequently hinder the whole exercise.

J.K. Gupta (1988) has attempted to examine the lending pattern of the State Bank of India (SBI) Shahapur block of Jabalpur district and the repayment performance of the borrower-farmers, by using the data (1978-79 to 1982-83) collected from 80 defaulter farmers. The study revealed that the sample farmers obtained the loan mainly for creation of irrigation facility and about 92 percent of the total loan received was as term loan for sinking of new well, purchase of pump-set while only 8 percent was crop loan. It was also found that only 41.69 percent of the loan was repaid by the sample farmers and the over-dues accounted
for 58.31 percent of the total loan advanced. The recovery performance of term loan was found comparatively better than that of crop loan.

N. Gopala Rao (1996) has attempted to assess the performance of rural cooperatives vis-à-vis commercial and rural banks in disbursing and recovering agricultural loans in a predominantly tribal inhabited block, Venkatpuram, in Khammam district in Andhra Pradesh.

Considerable institutional variations are observed in the disbursement of both crop and term loans. While the Regional Rural Bank (RRB) has advanced the highest amount of crop loan of Rs. 3,531 per household, the cooperatives and private sources have disbursed Rs. 1,532 and Rs. 1,318 respectively to the sample households. In the case of term loans the cooperatives advanced the highest amount of Rs. 12,500 followed by commercial bank with Rs. 2,276 and RRB with Rs. 2,050. The comparatively low extent of crop loan disbursement by the cooperatives is mainly due to the defective, cumbersome and time consuming loaning procedures adopted by them compared to the commercial and rural banks in the study area. The performance of cooperatives in regard to the recovery of loans is quite impressive compared to the commercial and rural bank. While an amount of Rs. 1,077 per household accounting for 55 percent of the total lending is recovered by cooperatives, the amount recovered by the commercial bank was the lowest at Rs. 34, constituting about 1.5 percent of its total lendings. The RRB recovered an amount of Rs. 426 per household, forming 13 percent of its total lendings to the sample households. However, the recovery of private sources amounted to Rs. 1,527 accounting for 115 percent of the total lendings by these sources. The high recovery performance of cooperatives is due to its operational
advantages as the district central cooperative bank senior staff have conducted special recovery drives periodically along with vehicles in the interior tribal areas. The three primary agricultural credit societies are located very near to the villages and the number of villages under each society is very few compared to the commercial and rural banks. Besides, the cooperatives are armed under 'Revenue Recovery Act' which empowers them to attach any moveable or immovable property of the defaulters and recover the loan amount by auctioning the property. Such facilities are not available to the banks except expensive, time consuming, cumbersome legal proceedings which the banks feel not worth the trouble leaving the amounts as overrule.

Ravikesh Srivastava and Dhirendra Kumar Shukla (1996) have studied the cooperative agricultural credit in Madhya Pradesh. The cooperatives have made a major dent in institutionalizing agricultural credit. There are now 3.53 lakh cooperative societies bringing within their fold a membership of 175.1 million enveloping almost every conceivable economic activity. There are two separate wings of the cooperative credit structure in Madhya Pradesh. One provides short-term and medium-term loans, whereas the second provides long-term loans. During 1993-94, a sum of Rs. 268.14 crores was provided to the farmers as short, medium and long-term credit by the state cooperative in Madhya Pradesh. There is now one state cooperative (apex bank) with a membership of 96 and employing a paid up capital of over Rs. 33.22 crores and working capital of over Rs. 1,167.40 crores, enveloping almost every agricultural activity in the state. The total deposits of state cooperative stood at Rs. 561.19 crores at the end of 1993-94 against Rs. 164.82 crores in 1984-85. The total indirect finance made available by
state cooperative in 1984-85 amounted to Rs. 207.04 crores which increased to Rs. 934.84 crores in 1990-91. The total indirect outstanding agricultural loans of state cooperative increased from Rs. 165.96 crores at the end of 1984-85 to Rs. 582.05 crores as at the end of June 1991 and further it came down to Rs. 200.89 crores in 1993-94. Short, medium and long-term loans advanced by the state cooperative in Madhya Pradesh are played with high over-dues. In terms of the total agricultural loans outstanding, the over-dues of apex bank constituted 86.46 percent in 1991-92. The percentage of over-dues to demand in state cooperative stood at 1.68 percent in 1984-85 and further increased to 69.38 percent of demand in 1991-92 but came down to 37.76 percent in 1993-94. The Agricultural Credit Review Committee Report (1989) has noted several internal and external causes of over-dues. For combating these, the Directorate of Institutional Finance in the state should be strengthened. There has been a growing tendency to use agricultural credit as an instrument for achieving short-term populist objectives. The Government of Madhya Pradesh should evolve a concrete long-term policy for recovery of agricultural dues and take a firm and objective view in respect of 'wilful defaulters'.

Satyendra P. Gupta (1996) has made an attempt to examine the effect of cooperative credit on crop technology and income of the borrowers and the utilization pattern of cooperative credit on the borrower farms. The study is based on primary data collected from 60 house-holds (36 borrowers and 24 non-borrowers) from six villages of three primary agricultural credit societies (PACs) in Raipur district, Madhya Pradesh. It also examines the extent and trends in cooperative credit in the agricultural sector based on secondary data collected
from District Cooperative Bank, Raipur for the period 1991-92 to 1994-95. The study reveals that the extent of credit advanced to the small and large farmers was found to be 35.76 percent and 64.24 percent respectively of the total credit financed by the District Cooperative Bank, Raipur. The ratio of mid-term loan to total credit in the agricultural sector was not only negligible but also decreased drastically from Rs. 35.33 lakhs in 1991-92 to Rs. 12.63 lakhs in 1994-95. On the contrary, the short-term cooperative credit increased much faster i.e. from Rs. 937 lakhs to Rs. 50.08 crores during the same period. Credit in the form of cash and fertilizer has increased more than five-fold during the period of the study. The average size of cultivable land was 1.59 ha and 3.24 ha in the case of small and medium category of farmer-borrowers respectively while it was 1.64 ha and 3.05 ha for the corresponding categories of non-borrowers. Though in the kharif season, almost all area was under paddy cultivation on both the types of farms, the area under rabi was relatively higher on the borrower farms. The cropping intensity was 165 percent and 156 percent on the small and medium farms of borrowers respectively which was higher than the cropping intensity (142 percent and 127 percent respectively) on the corresponding categories of non-borrowers. Whereas the percentage of utilization of short-term credit to total credit has decreased, the percentage of mid-term credit has increased as the size of holdings increased. More than 70 percent of short-term credit (cash) was utilized to pay wages for hired labour while more than 90 percent of mid-term credit was spent on the purchase of draught animals by the farmers. The use of fertilizer and plant protection material, the area under high-yielding varieties (HYVs) and method of transplanting were also found to be higher on the borrowers farms. The study
revealed that there has been a sharp decline in mid-term credit during the period, which causes serious concern. The mid-term and long-term credit has to be stepped up for investment in Indian agriculture. The banks in India should reorient their conventional mode of financing to provide more funds for innovative activities like drip irrigation, soil conservation, sericulture, horticulture, tissue culture, forestry and aquaculture in which high potential may be achieved to enhance the productivity in the agricultural sector. Though the adoption of improved technology was considerably higher on the borrowers farms as a result of credit financed by PACs, there exists vast potentiality to raise crop productivity.

Dalvir Singh, D.D. Gupta and S.K. Goyal (1996) have attempted to examine the structure of Primary Land Development Banks (PLDBs) and their role in the infrastructure creation in Haryana agriculture since its inception. The study has shown that the number of banks increased from nearly 11 in 1966-67 to 78 in 1993-94. Similarly, the membership also went up from 0.13 lakhs in 1966-67 to 4 lakhs during 1993-94. The owned capital and working capital also recorded a substantial increase during this period rising from about Rs. 23 lakhs and Rs. 192 lakhs in 1966-67 to Rs. 39.62 crores and Rs. 482.35 crores in 1993-94 respectively. Similarly, a phenomenal rise was also observed in the share capital held particularly by other than government agencies, which increased from about Rs. 22 lakhs to Rs. 27.59 crores during the same period. Regarding the contribution made by PLDBs, the study showed that the loan granted for debt redemption and purchase of land declined over the years and became virtually negligible during the last decade in terms of the percentage of loan advanced. On the other hand, the advances for purchase of tractors, installation of tube-wells and
other land improvement programmes registered a substantial growth with the passage of time. The amount of loan advanced for purchase of tractor was only Rs. 3.37 lakhs in 1966-67 which increased to Rs. 34.81 crores in 1993-94, the increase being 1032 times over the period. The amount advanced for minor irrigation (tube-wells/pumping sets) went up from Rs. 5.26 lakhs in 1966-67 to Rs. 58.40 crores in 1993-94. It is thus clear that whereas nearly 70 percent of the total loan advanced during 1966-67 was for purchase of tractors, minor irrigation and other land improvement programmes, it increased to as high as nearly 99 percent during 1993-94 for these purposes, indicating thereby that the emphasis of the PLDBs shifted towards more productive purposes.

D.V. Singh’s (1996) study suggests that Himachal Pradesh has vast potential for the absorption of crop loan as large marketable surplus is generated from the production of cash crop like fruit and off-season vegetables, even on the small and marginal farms. The scale of finance fixed for different crops uniformly for the entire state needs to be fixed tehsil / district-wise. The amount of cash and kind components fixed for different crops was far below the actual cost involved on these items. This needs to be increased / revised at par with the cost of production. The scale of cash and kind components has to be made convertible so as to facilitate the borrowers in efficient use of credit for various purposes. The technical groups constituted for determining the scale of finance should be strengthened and have to take into account the realistic estimates of costs and returns of various crops. Some PACs reported that cooperative banks charged 19 percent interest on loans in addition to 3 percent income tax. They wanted the interest to be lowered at least to 15 percent so that the burden of the same can be
lessened on the farmers. Therefore, there is an urgent need for interest subsidy on agricultural produce and marketing loans. Almost all the PACs suggested that each society should be given some management subsidy so that proper functioning, i.e. issue and recovery of loans can be made efficiently and timely. This subsidy can be utilized for giving incentives to the paid members of the societies. The State Cooperative Bank suggested that the control of cooperative department should be eliminated from the system of crop loaning to the PACs, making the bank directly responsible for issue of loans and timely recovery of the same. On the whole, it is concluded that by adopting these measures the PACs can be revived as viable credit institutions and the farmers of the state will have adequate and timely loans for their crop production and marketing.

V.K. Singh, Jai Singh and Sushil Kharinta (1996) have attempted to study the amount of deposits and agricultural advances by Primary Agricultural Credit Societies (PACS) and to investigate the extent of disparity in institutional credit and the factors responsible for such disparity. The study is based on secondary data collected from the PACS in Haryana for period 1989-90 to 1993-94. The disparity in deposit mobilization and loans advanced was studied with the help of disparity ratio and coefficient of variation. The multiple regression analysis was done to ascertain the factors affecting agricultural credit disparity. It was observed that the PACs have been able to improve their position with regard to deposit mobilization and credit advancement. The number of societies showing profit has increased one and a half (from 811 to 1,344) times during the period of study. The districts of Mohendergarh, Sonepat and Sirsa have shown remarkable increase by over 200 percent each in the amount of loans advanced over the period from 1989-
90 to 1993-94. The disparity in credit mobilization showed a marginal increase whereas the disparity in loan advances has shown a modest decline. Three important factors, namely, number of tube-wells, agricultural productivity and number of tractors were found to be mainly responsible for increase in agricultural credit disparity. This calls for steps to reduce disparity in loan advances which could be done by ensuring the credit absorption capacity, besides agricultural productivity.

Bhag Chandra Jain (1996) has opined that the basic objective of the rural credit system is to provide adequate and timely credit for comprehensive agricultural development and related activities to enable the rural people to exploit the opportunities for development. The District Cooperative Land Development Bank (DCLDB) disburses long-term credit in the rural areas particularly to the small and big farmers. The main objectives of the Jain’s study were (i) to analyse the functional aspects of the long-term financing by the DCLDB in Raipur district over the period 1985-86 to 1994-95, and (ii) to identify the various problems in the process of financing at the farmers and branch level in the district. The DCLDB was registered in May 1935. Since then it has been rendering diversified services and functioning on sound lines with an area of operation spread over to 24 blocks in 11 tehsils. To fulfill the objectives of this study two villages, namely, Saragaon and Donde of Dharsiwa block of Raipur district were selected on the basis of maximum number of beneficiaries financed by DCLDB branch, Raipur. The analysis reveals that the membership of small and big farmers and total membership showed an increasing trend. Over the past ten years (1985-86 to 1994-95) the growth index of share capital was 239 percent. The DCLDB plays a
very important role in the development of irrigation in Raipur district through credit support. Among the irrigation purposes, the disbursement of finance for irrigation wells was the highest amounting Rs. 316.55 lakhs, followed by other irrigation schemes. The data clearly revealed that the DCLDB provided long-term credit facilities for all productive purposes for all types of members. But the credit disbursed was the maximum for the purchase of tractors and irrigation development schemes through thirteen branches of the DCLDB. The demand and recovery performance of DCLDB was quite satisfactory. The demand on the DCLDB has increased by 126 percent from Rs. 142.45 lakhs in 1985-86 to Rs. 322.76 lakhs in 1994-95, while the recovery rose by 116 percent from Rs. 106.59 lakhs to Rs. 230.16 lakhs. It is clear that during the ten year period, the demand and recovery have shown a positive correlation. The distribution of the share capital and working capital per member indicates the sound functioning of the DCLDB in Raipur district. The analysis reveals that out of 40 respondents, 39 (97.50 percent) reported non-availability of long-term loan in proper time and it ranked first as a major problem, followed by visit to the bank several times, non-cooperation of block, other bank and revenue officials and court permission for mortgage of land in favour of DCLDB.

A study by Toor and Singh (1996) analyses the change in the membership, loan and deposit portfolios and their impact on the economic viability of the cooperative societies in Punjab State. Multistage stratified random sampling technique was used for the selection of the sample. The Punjab State was divided into three zonal categories, i.e. high overdues, low overdues, and average overdues zones. Two districts from each zone and then four successful and four
unsuccessful societies from each selected district were chosen randomly. A total of 48 cooperative societies were selected for the study. In addition to this, case studies of some known successful agricultural service societies were also conducted. Time series data as on 30th June of each year, regarding membership, beneficiaries, loans advanced, recoveries, overdues, and deposit for a period of ten years were collected from the records of the selected societies. The study revealed that large number of membership along with the high frequency of meetings held and high percentage of attendance of committee members improved the decision-making process and working of the societies. The sales of various inputs and marketing of produce were found to be much higher in the case of successful societies than in the unsuccessful ones in all the zones. It was further observed that borrowings formed only a minor proportion of total resource base of the successful societies as they accumulated larger amounts of internal resources through share capital, deposits, and particularly through accumulation of profits. On the other hand, a major proportion of capital unsuccessful societies was accounted by external resources and these societies remained dependent on borrowing from the central cooperative bank. The analysis of pattern of loans indicated that successful societies advanced larger amounts, made larger recoveries and had relatively less overdues and loan outstanding as compared to the situation of unsuccessful societies throughout the study period. The study of growth rates indicated that all the variables recorded significant and positive growth rates except that of loan recovery in the case of all societies, but the growth rates were found to be higher in the case of successful societies than in the case of unsuccessful ones. Besides these indicators, there are certain other features
relating to the pattern of financial resources and loans outstanding. The high percentage of saving deposits and profit in total financial resources in the case of successful societies indicated their sound financial position as compared to the unsuccessful ones. On the other hand, the high percentage of borrowings and loan outstanding to total loans advanced in the case of unsuccessful societies indicated their weak financial position as compared with the successful societies.

C. Jayalatha, S. Varadarajan and Lokanathan (1996) have conducted a study (i) to assess the extent of credit supply by Primary Agricultural Cooperative banks (PACBs) for different purposes; (ii) to estimate the credit demand and supply of credit by PACBs and gap if any; and (iii) to identify the factor influencing the supply of credit. Out of 254 PACBs functioning in Madurai district, two banks were chosen at random and from the selected banks 50 credit beneficiary farmers from each bank were selected randomly for the present study. The data pertained to the year 1993-94. Nearly 75 percent of the total borrowers availed of crop loan and jewel loan was availed of by 13.22 percent of the farmers. The supply of medium-term loan was very small compared to short-term loan. The amount of credit supplied per farm was the highest for jewel loans with Rs. 21,128, followed by crop loan Rs. 8,887.

The cooperatives supplied 73 percent of credit demanded and other sources met about 14 percent, leaving a credit gap of 13 percent. The size of the farm, cropping intensity, loans from other sources, net farm income and rate of interest were regressed on supply of credit by PACBs with a multiple linear regression function. The function was estimated by ordinary least squares method. The cropping intensity and rate of interest had a positive significant influence and the
loans from other sources had negative significant influence on the supply of credit. With the cooperatives meeting only 73 percent of the credit needs of farmers, the farmers have no choice but to borrow from the local moneylenders, in spite of high interest rate charged by them. Therefore, meeting of the entire credit needs (including consumption loans) of the farmers must be the goal of the PACBs. The procedure for lending must be simplified so as to allow farmers to have an easy access to the PACBs for any of his needs and at any time. This approach is possible with the jewel loans and must be available for other unsecured loans within a limit. The PACBs have won the confidence of the farmers but they have to remove some operational difficulties. This should be possible if they adopt the method of project-based lending. Every loan must be evaluated not only for its returns to debt ratio but also for its prospective income, risk probability and specific measures for reducing risk in the repayment of loan.

S.K. Singh and B.B. Singh (1996) have made an attempt to estimate the requirements and availability of credit, the extent and mode of gainful utilization of the cooperative credit by the farmers / members of the cooperative society selected for the purpose. The reference year of the data collection was 1994-95. The study was confined to one of the active cooperative societies in Harahua in Varanasi district of Uttar Pradesh, which was selected purposively because it was actively involved in providing credit for the short-term cultivation needs of the farmers in the area. The study was based on the data collected from 90 borrower-farmers selected from two villages of the district. The findings of the study revealed that the overall average credit requirement of all the farmers for agricultural operations was estimated at Rs. 14,623 per farm and Rs. 5,624 per
hectare, of which self-finance and borrowing accounted for 28 percent and 72 percent respectively. The credit need increases as the farm size increases due to the fact that the large size farmers invest more in agriculture and adopt more scientific practices of farming than the small farmers. The cooperative society under study mainly financed for the fertilizer as revealed during the investigation. It was also revealed that 60 percent of the credit needs of the sample farms in the study area was provided by the cooperative society and 27 percent by commercial banks and the rest by the non-institutional agencies (i.e. friends, relatives, etc.). It was found on the sample farms that 21 percent of the credit was found to be diverted to non-agricultural / unproductive purposes and 79 percent of the credit was utilized for the purpose for which it was taken. A part of the credit was diverted for consumption purposes by the sample farmers. They sold the fertilizer to other farmers for cash and utilized this cash for other purposes. In order to check the diversion of credit, cooperative societies financed in cash as well as in kind. Various factors reported by the sample farmers for the diversion of loan during the study period included delay in the disbursement of loan, illiteracy and ignorance, pressing consumption needs and social obligation.

S. Bandyopadhyya (1996) attempted to evaluate the economic performance of a primary cooperative society in highly progressive belt of agriculture in the district of Hooghly in West Bengal. The major activities of the society involve advancing agricultural credit to the member farmers, mobilization of savings and term deposit from the members through its banking section operating throughout the day. The appreciably high and statistically significant compound growth rates in the above economic activities are estimated to be 19.44 percent, 28.90 percent

83
(during the period 1990-91 to 1995-96) and 32.90 percent per annum during 1990-91 to 1994-95) respectively, which indicate the remarkable success of the society. The net profit of the society have gone up from Rs. 12 lakhs in 1990-91 to Rs. 33 lakhs in 1994-95, showing a statistically significant compound growth rate of 28.41 percent per annum during the period under review, though adequate attention is not focused on earning profit following the cooperative principle. The society generates internal resources and gainful employment through various other important activities which include ferry service on the Damodar, issue of loans on easy terms against mortgage of gold ornaments, utensils, national saving certificates, land and other assets, advancing loans for house building, hire purchase, starting new business and promoting education. Some of the important welfare activities conducted by the society are free distribution of text books among the students, running charitable dispensary to extend medical aids to the people of the locality, maintenance of play grounds and construction of sheds at the local bus stops. The values of correlation coefficients between the variables: (a) sale of inputs and net profit (r = 0.693), (b) agricultural credit and bank deposit (r = 0.961), and (c) numbers of members and bank deposits (r = 0.605) are statistically significant confirming the positive relationships between the variables. The increased volume of bank deposit and sale of inputs will influence the availability of more funds for issuing enhanced volume of agricultural credit. There is wide scope for expanding the activities of the society. Under the present socio-economic condition the country essentially needs such economically and commercially viable cooperatives which will render valuable service to the
members for safeguarding their interests against the exploitation of the influential people.

R.S. Dixit, B.D. Shukla and Sant Kumar (1996) have examined the role of cooperatives in agriculture and rural development in India. The study is based on secondary data published in different reports of Reserve Bank of India. It is observed that during 1961-62 to 1991-92, both in terms of number and deposit, cooperatives have made considerable progress. In providing direct institutional finance to agriculture and allied activities, cooperatives occupy the first place which they also hold in recovering loans. In terms of recovery performance the position of State Cooperative Banks (SCBs) and Primary Agricultural Credit Societies (PACSs) are relatively better than that District Central Cooperative Banks (DCCBs) and Land Development Banks (LDBs). In terms of direct finance made by the cooperatives, the share of DCCBs was higher than that of SCBs during 1982-92. In providing direct short-term (outstanding) loans, PACSs are efficient when compared to the medium and long-term loans provided by PACSs and LDBs. To overcome this situation, a thorough investigation of the various aspects of the problems of default in repayment of cooperative loans is utmost importance both for policy makers and lending institutions to take corrective measures. For combating these, the Directorate of Institutional Finance in each state should be strengthened. It is necessary that a multi-disciplinary team of experts undertake long-term planning of the agricultural sector and develop projects which will provide necessary linkages and supporting services. There has been a growing tendency to use agricultural credit as an instrument for achieving short-term populist objectives. Government measures such as waiving of
agricultural dues, concessions announced by political functionaries from public
platforms, stay orders on legal processes of recovery, disbursement of loans at the
hands of political dignitaries in loan camps, etc., have vitiated the recovery
climate. A general consensus is also needed among all political parties to ensure
that agricultural credit is not used an instrument for sub-serving political interests.
The Government of India and State Governments should evolve a concrete long-
term policy for recovery of agricultural dues and take a firm and objective view in
respect of willful defaulters. Mass programmes for disbursement of loans be
stopped as they have deleterious effects on the functioning of credit agencies.

Rajinder Gupta (1996) attempted a critical and analytical study of the
provision of long-term institutional financing by cooperatives in agriculture in the
state of Jammu and Kashmir. The study is based on intensive research of all the
available data dealing with the functioning of cooperative institutions namely,
Land Development Banks (LDB). An effort has been made to probe into almost
all the dimensions of the probe of long-term agricultural finance to the farmers in
the state. The study concludes with the help of data collected from National Bank
for Agriculture and Rural development and directly from the LDBs located at
different places in Jammu and Kashmir that the progress of the LDBs is far from
rosy and encouraging. The study identifies the factors hindering the smooth
working and growth of LDBs in the state, as lack of efficient management, having
large overdues, decreasing trend in rural savings, lack of statistical cell,
diminishing trends in profits, lack of strict action against defaulters, waiving of
loans to the farmers, etc. Suggestions and policy recommendations are outlined
for raising the efficiency of the bank, which include, strict control over mounting
overdues, efficient administrative arrangements, control over misutilization of loans, etc.

Meenakshi Rajeev and Sharmistha Deb (1998) have conducted a study in Hugli district which ranks well ahead of most other districts of West Bengal in terms of productivity (i.e. yield per hectare). In particular, the Tarakeswar block was chosen as the location of study has both the prominent formal lending institutions, viz., the cooperative as well as the commercial banks have a strong presence here. Moreover, there is also a well established non-institutional credit base. This would naturally facilitate a comparative study. The results are based on a pilot survey (where a large proportion of the villagers gathered together to convey their view) and also on an intensive house to house survey of 60 households selected by simple random sampling without replacement. Within the broader category labeled “institutional credit” structure and coverage appear to vary significantly between commercial and cooperative banks. The latter has a comparatively widespread network with better accessibility to the proper section in contrast to the commercial banks. The latter has a comparatively widespread network with better accessibility to the proper section in contrast to the commercial banks. However, the survey also reveals an equally significant presence of traders as a non-institutional credit source, which is portrayed through the following statistics; 27 percent of the households took loans from the commercial banks, 85 percent of the households took loans from the cooperative banks, 85 percent households depend on non-institutional sources; 82 percent took both institutional as well as non-institutional credit.

87
Brahm Prakash (2001) has examined the size of operation, pace of deposit mobilization and functional structure of loans by primary agricultural Cooperative Credit Societies (PACSs) and the loan delinquencies and unit transaction / administrative cost of these societies. The study was based on secondary data pertaining to statistical statement relating to cooperative movement in India published by RBI and NABARD. The study revealed that absolute number of PACS declined both spatially and temporarily. Of the total number of PACS, only 63 to 65 percent were found to be viable and about 26 to 30 percent potentially viable. In 1992-93, these societies had a membership of about 91 million with a working capital of Rs. 12,612 crores. About 10 to 49 percent of the total membership borrowed loans across regions and at the all India level. A great majority of these borrowers were defaulters. Both the flow and stock of loans of PACSs were greater amongst loan size group up to Rs. 5,000 across regions, and amongst cultivator borrowers, small and marginal farmers ranked the highest. The delinquency rate and unit transaction costs were the highest in PACSs among two-tier cooperative credit institutions.

Anurag Saxena, Rekha Dayal and R.B. Singh (2001) have examined the performance and prospects of agricultural cooperative societies with reference to its structure and function and distribution of loans among farmers in Kanpur district of Uttar Pradesh. The study revealed that cooperative credit societies have not achieved success at least in supplying adequate credit to their members and failed to create sufficient deposits, share capital and working capital. In spite of all these drawbacks, the cooperatives offer good scope in the field of agricultural credit, and cooperative marketing and processing in the rural areas. The farmers
being poor, chronically short of land, capital and knowledge get low returns because of poor investment of inputs and defective marketing system. Under such conditions their position as producers and businessmen needs to be strengthened while organizing them on cooperative lines.

A.M. Jaulkar, J.S. Raghuwanshi, Daipuria and V.N. Singh (2001) have examined the crop loan utilization behaviour of wheat and mustard growers and identifies the variables associated with crop loan utilization for some crops in Morari block of Gwalior district in Madhya Pradesh. In the context of the present study, the crop loan utilization behaviour has been operationally defined as fully utilized, partially utilized and not utilized by the borrowers. A total of 120 farm beneficiaries who took loan from the primary agricultural cooperative credit societies (PACs) during the year 1996-97 were randomly selected for the study. The analysis revealed that 81 percent of the respondents were regular repayees of crop loans who fully utilized their borrowed loan and 19 percent partially utilized their loans. Among the defaulting borrowers only 46 percent had fully utilized their loan and 32 percent and 22 percent had partially utilized or had not utilized their loans at all. The fact that 54 percent of the respondents in the defaulting category had not fully utilized their crop loans was a clear indication of diversion of such loans for other purpose. The attitude towards cooperative societies, irrigation potential, annual income, size of holding, extension contact, and socio-economic status were highly significant, resulting in positive response towards utilization behaviour of crop loans.

A. Malaisamy and R. Srinivasan’s (2001) study makes an attempt to assess the repayment and transaction cost in self-help groups (SHGs) in the rural areas
vis-à-vis the cooperative functioning in Madurai district of Tamil Nadu. Specifically, it aims to study the cost of credit and recovery performance of loans received by the beneficiaries of SHGs and primary agricultural cooperative banks (PACBs) and to analyse the causes of defaults in repayment of loans by 90 respondent beneficiaries of SHGs and by 30 respondents of cooperatives, using conventional and regression analyses. The study showed that majority of the members of PACBs availing loans were willful defaulters, which not only denied them future loans but also affected the regular repayers. This tendency was not observed in SHGs. The average borrowing per beneficiary of cooperatives was Rs. 10,065. Nearly 85 percent of the beneficiaries of SHGs had received loans of less than Rs. 6,000 each. A comparison of the overdues of SHG beneficiaries with those of cooperatives showed that the latter had a high level of overdues (Rs. 4,884) as compared to the former (Rs.1,012) per household. The regression analysis revealed that 53 percent of the variation in overdues was explained by debt-asset ratio, educational level of the beneficiaries and membership of SHGs. The transaction costs were found to be higher in the SHGs due to high interest changes as compared to the cooperatives.

J.P. Singh, Anita Singh and S.K. Rawat (2001) have made an attempt to examine the performance of a Primary Agricultural Credit Society (PACS) in Milkipur block in Faizabad district of Uttar Pradesh and to assess its progress and recovery position. The data pertained to the years from 1994-95 to 1999-2000. The result of analysis highlighted a continuous increase in the membership and share capital of the society during the study period. The deposits showed an increasing trend from 1994-95 to 1997-98 and thereafter it declined. Working
capital also showed an increasing trend during the period. Short term loans disbursed to the members did not indicate any specific trend. Per member short-term loan increased over the period except for a decline during 1997-99. The recovery of loan was 76 to 96 percent during 1994-95 to 1996-97 and thereafter it was more than 100 percent, indicating the share of previous years overdues. The study suggests the need to encourage members to make timely repayment of the loan taken to extend recovery of loan in case of crop failure and to write off a portion of the loan in distressed cases.

R.B. Singh, S.C. Verma and Govind Babu (2002). have attempted to study the impact of credit advances on main crops and milk production enterprises in Soraon block of Allahabad district of Uttar Pradesh for the period 1999-2000 to 2000-2001. It presents a comparative economic analysis of the farm business as a whole for the pre- and post-borrowing condition of farm under different size-groups of holdings. The per hectare input cost, gross income, family labour income and farm business income were found to be higher in post-borrowing conditions as compared to pre-borrowing conditions of the farms. The higher level of incomes received in post-borrowing conditions were due to higher intensity of cropping, higher investment inputs in the form of higher yielding variety seeds and plant protection measures. These demanded higher use of inputs, resulting in higher input cost on per hectare basis. The borrowings made by the farmers helped them in making higher investment on their farms for different purposes. Amongst different input items, human labour accounted for the highest share, followed by bullock labour, manures and fertilizers and irrigation in the total cost in both situations. However, the percentage share of manures and fertilizers and
irrigation was higher in post-borrowing conditions as compared to pre-borrowing conditions of farms on different size-groups of holdings. It was due to loaning facilities and the impact of credit advances was also indirectly visible on the level of employment. The study concludes that in the post-borrowings conditions credit advances made for different purposes have directly / indirectly resulted in a significant increase in agricultural development, i.e. in the level of income and employment on different size-groups, of farms.

A. Saikia and Bhadra Kr. Bora (2002) have conducted a study in Batadraw and Khagarijan blocks of Nagaon district covering 75 credit recipient (CR) and 30 non-credit recipient (NCR) households with the objectives to study the availability and use of credit and impact on area expansion, income and employment. Institutional sources provided the highest credit of 28 percent to small, followed by 28 percent to medium, 25 percent to large and about 19 percent to marginal farms. Non-institutional sources provided the highest credit of 39 percent to marginal farms. Per farm credit had relation while per hectare credit had inverse relation to farm size. Current farm expenditure covered 70 percent and capital expenditure accounted for about 30 percent of credit utilization. The impact of credit was significant in area expansion for boro rice by 71 percent, vegetable (75 percent), potato (75 percent) and oilseeds (34 percent). Yield increase was positive for all crops. Additional employment of about 84 man-days per farm was created. Net income and operating cost ratios were higher for all the cash crops except jute in CR forms over NCR. Procedural delays in loan disbursement, non-availability of inputs and processing and marketing problems were the major constraints. The study suggests specific policy measures like simplification of the procedures,
easier terms for security, production oriented timely availability of credit, adequacy of credit and reasonable rate of interest to promote the development of cash crops.

Vivek Bansal, V.P. Metha and K.S. Suhag (2002) have attempted to analyze the performance of Primary Agricultural Cooperative Credit Societies (PACSs) in Haryana and Punjab states based on the secondary data collected from the various published sources for the period, 1991-92 to 2000-01. The specific objectives of the study were to analyze the trend and growth in size of operation and the pace of deposit mobilization and to study the important growth indicators, cost of management, unit transaction cost and delinquency rate in PACSs. To work out the compound growth rate, the least-squares method of the exponential factors was used to derive the inferences. Besides this, simple tabular analysis was done to study the different selected indicators, cost of management, unit transaction cost and delinquency rate of these societies in both the states. The study reveals that the number of societies, membership, amount of deposit, paid up share capital, borrowings, working capital, loan outstanding, loan advanced, cost of management, overdues and profit had increased over the study period. The number of PACSs working at profit has increased in Punjab and decreased in Haryana during the study period. The deposits have increased significantly over the period and borrowings by cooperatives remained the same over time in Haryana and Punjab. The unit transaction cost has decreased over the time period due to less expenditure on physical assets. Negative value of delinquency rate shows the amount of recovery is more than the loan outstanding but the amount of
overdues has shown an increasing trend, which is not a good sign for the progress of these societies.

Aminur Rashid Khan and S.K. Tewari's (2002) study seeks to examine (i) the gap between changing agricultural credit requirement and flow of institutional agricultural credit in nominal and real terms at all India level, (ii) the extent of inter-state disparities in the flow of institutional agricultural credit, and (iii) the relationship of short-term agricultural credit flow with average cost of cultivation across states. The study covers 17 agriculturally important states and is based on published data for the period from 1980-81 to 1999-2000. The results showed that agricultural credit gaps have been rising both in nominal as well as in real terms since the mid-eighties. However, the increase in credit gaps in real terms has been less severe due to improving terms of trade for farmers. Further, the rate of increase in credit gaps has been comparatively lower in the post-liberalization period. Institutional agricultural credit could meet only 40 percent of the estimated agricultural credit requirement and the gap between credit requirements and availability of institutional credit widened over the period. The inter-state disparities in per hectare flow of institutional agricultural credit gaps increased significantly during 1980-81 to 1990-91 and these disparities did not deteriorate till 1995-96 but increased slightly in 1996-97. The levels of average cost of cultivation through per hectare short-term credit flow was found to be very low in the post-liberalization period. Therefore, concerted efforts are needed for widening and deepening of institutional short-term credit to keep pace with the rising cost of cultivation in agriculture.
Harpreet Kaur, M.S. Toor and Inder Sain’s (2002) study examines the role of various sources of agricultural credit, based on data collected from a random sample of 100 farmers from four villages in two selected blocks in Sangrur district of Punjab. The farmers were stratified into small, medium and large farms by using the cube-root method and the information regarding credit acquisition, its use, sources and purpose etc. was collected by using the Survey method. The results of the study showed that small farmers were leading in acquiring per hectare credit (Rs. 98,409), followed by medium (Rs. 39,006) and large (Rs. 23,388) farmers. As a percentage contribution from institutional sources, the medium farmers were leading with a share of 48.99 percent, followed by small (45.97) and large (42.06) ones. In the case of non-institutional sources, large farmers accounted for 57.94 percent, followed by small (54.03 percent) and medium farmers (51.11 percent). Source-wise, the credit advanced by Land Development Bank was the highest, being Rs. 6,896 per hectare, followed by cooperatives (Rs. 5,891), commercial banks (Rs. 3,053) and Regional Rural Banks (RRBs) (Rs. 348). However, in the case of non-institutional sources, the farmers received the highest per hectare credit from commission agents (Rs. 12,288), followed by moneylenders (Rs. 6,197), relatives and friends (Rs. 1,647). As regards the use of credit, 19.86 percent of institutional loans and 13.22 percent of non-institutional loans were diverted from specific purpose to other uses. However, the diversion of per hectare of credit was the highest in the case of small farmers (Rs. 19,221), followed by medium (Rs. 2,225) and large (Rs. 1,573) farmers.
D.S. Nawadkar, K.S. Birari, J.T. Dorge and K.R. Waykar (2002) have attempted to study the structure and management of 45 Primary Agricultural Cooperative Societies (PACSs), 15 each from A, B and C grade societies selected from Newasa tehsil in Ahmednagar district of Maharashtra. The data pertained to the year 1998-99 while the data for decadal progress pertained to the years 1989-90 to 1998-99. Compound growth rates were estimated by using the exponential model. The results of the study indicated that the average population covered ranged from 3,550 to 4,120 in A, B and C grade societies with an average of 3,840 per society, whereas the average of members showed inverse trend. The total working capital per society was the highest for B grade societies which borrowed to the extent of 78.95 percent. The average turnover was the lowest in C grade society and that of A and B grade society was about three and four times that of C grade society. The overall turnover was Rs. 1,420 lakhs in which the short-term loan consisted the highest proportion (38.78 percent). The recovery percentage was the highest for A grade society, i.e. 82 percent for short-term loan and 73 percent for medium-term loan. The short-term loan recovery was the lowest in C grade societies (69.52 percent) and medium-term loan recovery was the lowest in B grade societies (51.30 percent). About 56 percent of the societies earned profit while the rest incurred loss. The business turnover of the cooperative societies consisted only of short-term and medium-term loan advances. The societies should try to increase their business through supply of inputs and marketing of farm produce. One society, one secretary rule should be followed. While advancing the loan, priority should be followed. While advancing the loan, priority should be
given to small farmers who form the bulk of farming community. Legal action should be taken against defaulters to overcome the problem of overdues.

P.N. Singh, S.K. Singh, M.K. Singh, A.K. Singh and Anand (2002) have found that out of the 567 primary agricultural cooperative credit societies (PACS) working in Varanasi region, 94 PACS are actively involved in financing rural credit to the farmers in the district, which are also known as mini banks. The PACS Harahua was selected as a case study to examine the structure and function of the society, management and staff, growth in respect of membership, volume of loan advanced and financial position during the five-year period from 1993-94 to 1997-98. The results of the study revealed that PACs, central cooperative banks and state cooperative bank form a three-tier structure to finance the agriculture sector with short and medium-term loans. The membership of the society increased from 225 in 1993-94 to 300 in 1997-98 and the society covered nine villages in its jurisdiction which shows the increasing trend in the membership of the sample PACS belonging to marginal and small farmers depending on cooperative credit. The credit made available to the farmers by the society increased by about 25 percent over the years. The financial position of the society with respect to share capital, deposit and overdues was found sound, share capital and deposit both have increased two and five times respectively over the years. However, overdues also increased to 50 percent in 1997-98 compared to 1993-94. The society is managed by a small managing committee which consists of one member from each village and elects its own president and secretary. All these office-bearers usually render honorary service. It was observed that the selection of managing committee members including the president has been influenced by
group faction, caste and political status. It was found that the society was mostly dominated by a few influential persons having higher financial and political status.

The preceding discussion of the various issues relating to agricultural credit drew up the following conclusions: A review of the studies carried out in the different parts of the country shows that cooperative societies were the major source of agricultural finance. The studies relating to credit needs indicated, in general, that the adoption of improved technology is closely associated with the availability of credit. A study of demand pattern of credit shows that the farmers borrowed for digging and repairing of wells, tube-wells, installation of pump-set, etc. The commercial banks also play an important role in agricultural finance by mobilizing rural resources. In some states commercial banks made commendable progress in comparison to cooperatives. The studies relating to the availability of credit and its use revealed that the small farmers in general have less access to institutional credit and their borrowings for consumption are significant. The studies dealing with the relation between credit use and efficiency of farming indicated that borrowers in general have higher average level of productivity of resources, investment in operation expenses, adoption of modern practices and farm returns. The study of association between socio-economic factors and repayment of cooperative dues brings out that the association is not significant between caste, land, amount of loan borrowed and repayment of cooperative dues.
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