CHAPTER 7

Summary, findings And Recommendations.

7.1 Summary

The first Introductory and Methodology chapter covers choice of the topic, scope of the study, objectives of the study, Research methodology, statements of hypothesis, limitations of the study, chapter wise scheme of the study and review of literature.

Chapter 2 deals with ‘History and Growth of co-operative Credit Movement’. The origin of the co-operative credit movement in India dates back to 1904, when the co-operative credit society act was passed. The main reason for the introduction of the co-operative movement in India was the failure of Taccavi loans. The Government of Madras took the first step towards the introduction of the co-operative movement. In 1882 the Governor of Madras, Lord Wedlock deputed Mr. Fredric Nicholson on special duty to study the theory and practice of agricultural and other banks in Europe, especially, in Germany, and to suggest measures by which a similar movement could be organised in India. In 1899-90 societies were formed on limited liability basis providing all services to the farmer under the motto of “one village one society”. Government watched its working for years. After removing the bottlenecks and making certain amendment. The Edward law committee drafted a bill and then, it was passed as the co-operative societies Act. 1904.

The rural credit system in country has undergone radical changes introspect of focus, structure and approach overtime. The institutionalization of credit started with establishment of co-operatives following the enactment of co-operative societies Act. 1904. The efforts to develop co-operative were
intensified following the recommendations of the rural credit survey committee (RBI 1954). Meanwhile the agricultural situation was undergoing transformation culminating in the adoption of intensive agriculture and high yielding varieties.

The review under taken by the all India credit Review committee (RBI 1986) also found that co-operatives had not reached upto expectations in mobilizing deposits and disbursing credit at the retail level. The review committee there fore, felt that the efforts of the co-operative had to be supplemented and recommended the adoption of multi agency approach to provide credit to rural areas. The agricultural credit review committee (1989) opined that from the point of view of structural appropriateness, there is no alternative to co-operative at the village level for provision of agricultural credit. The finance minister Dr. Manmohan Singh in his budget speech (1994-95) categorically stated that we must find ways of strengthening the co-operative credit structure, which has played a significant role in rural development through credit support.

The co-operative credit structure has two arms, namely, production credit (short-term credit structure) and investment credit (long-term credit structure). The short-term credit structure comprises primary agricultural co-operative societies (PACS) at the base level. District central co-operative banks (DCCB) at the intermediate level and state co-operative banks (SCB) at the apex level. The long term co-operative credit structure consists of the primary co-operative Agricultural and rural development bank (PCARDB) at taluka and district level and sate co-operative agricultural and rural development banks (SCARDBS) at the state level.

The growth of co-operative credit institutions has been spectacular especially after the post independence era. At the end of 31st march 1999, there were 29 SCBs, 367 DCCBs and 92,450 PACS dispensing S.T. and M.T. loan to
agriculture. The long term credit structure consisted of 19 SCARDBS with 745 PCARDBS introspect of federal structure and around 1,500 branches in the unitary structure.

The flow of credit for agriculture and rural development has expanded impressively over time. Total short-term credit flow rose from about 4032 crores in 1989-86 to Rs. 23577 crores in 1998-99. Term credit given for agricultural investment to the farmers showed impressive growth from Rs. 3060 crores in 1985-86 to Rs. 14477 crores in 1998-99. The total amount of credit advances by co-operatives increased from Rs. 24 crores in 1951-52 to Rs. 38054 crores in 1989-90.

Setup on 12th July 1982 under the Act of parliament, the national bank for AGRICULTURE AND RURAL Development (NABARD) is on apex Development Bank of the country, for supporting and promoting agriculture and rural development. The mission of NABARD is promoting sustainable and equitable agriculture and rural development through effective credit support, related services, institution building and other innovative initiatives.

Co-operative credit in Maharashtra had its beginning in the early years of its century in the former Mysore State. Maharashtra, with its long history in the field of co-operative movement is considered as the cradle of the co-operative movement. It has witnessed many structural changes, mainly the liquidation of central banks in the thirties and their reestablishment in the fifties after the reorganization of the states in 1960. It was only in 1954 that the intermediate tier of the structure came to be organised on a systematic basis, and by 1956, each of the 28 districts of the present states had central co-operative banks.

The third chapter deals with the profile of Ahmednagar district and Pravara area. Ahmednagar District has a compact shape with an area of 17048
square kilometer and considered as the largest district of the state by area. The climate is generally dry throughout the district except in the monsoon season. The rainfall is not uniform in all the parts of the district. The soil of the district is predominantly black Reddish but its texture and depth differs from place to place.

The population of the district is situated in urban as well as rural area. The rural population is more than urban area. The density of population of the district is 197 per square kilometer. The sex ratio was 949 females per one thousand males. The literacy percentage was 61.03 in the district. The main occupation of the people living in the district is agriculture. The working population of the district is 48.33 percent (As per 1991 census) The district in general is drought prone Uncertain and insufficient rainfall disturbs the economy of the district. For the purpose of agriculture irrigation facilities are widely provided by the government. Food crops dominate the cropping pattern especially by food grains. Out of the total working population 75.4 percent are engaged in agriculture and allied activities in the district.

Maharashtra Industrial Development Corporation (M.I.D.C.) has established in the district. In addition there are 15 sugar factories and 2 spinning mills in the district. There are 7501 various types of co-operative societies, 207 branches of commercial banks and 389 branches of co-operative banks are working in the district. The facilities like transport, health, education, electricity, communication are available in the district, which contribute a lot for the development of rural area. There are 12 pilgrim centers of which Saibaba Mandir Shirdi is famous all over the world.

Pravara Area :-

The Pravara area comprises 44 villages of Rahuri, Sangamner and Shrirampur Talukas of Ahmednagar district. The area is located between left and
right banks of Pravara River. The area is located on Kolhar Ghoti and Pune Manmad National highway. Area covered for the study pertains to Pravara area and it is regarded as predominantly agriculture area having agriculture and activities allied to agriculture as main economic activities.

The climate of the Pravara area is generally moderate and the seasons show considerable uniformity with no abrupt change in the temperature. The average rainfall was 470 to 765 m.m. The soil of the Pravara area is mostly blacked lonely. The Pravara is the main river in this area along with two canals. The five Kolhapur tupes weirs constructed on Pravara River in Pravara area.

The total population of the Pravara area is 1.46 lakhs. The total area of land is 35995 hectares. The working population in Pravara area was 34.6 percent as per 1991 census. The main occupation of the people living in Pravara is agriculture and subsidiary occupation is dairy business. Out of the total working population 79.5 percent is engaged in agriculture and dairy activities.

Pravara area is origin and example of co-operative movement in India. Asia was setup at first co-operative sugar factory Pravaranganagar in 1950. A number of co-operative institutions started and operating in this area under the influences of PSSK. Today, there are 143 co-operative Institutes working in Pravara area. As regards education facilities, the number of educational institutions such as traditional and professional have increased in this area. Other facilities like health, transport communication, electricity are available in Pravara area.

Chapter 4 deals with "Performance of co-operative Banks in Ahmednagar district. This chapter explains about co-operative banking structure in Ahmednagar district includes, Ahmednagar District Central Co-operative Bank (ADCC) with a network of 289 branches spread all over the parts
of the district. The main branch of Land development bank is located at Ahmednagar and its 14 sub-branches are located at each of the taluka place in the district. There are 23 Urban Co-operative Banks with 86 branches in the district. There are 1214 PACS covering 1568 villages for their activities in the district.

The ADCC Bank achieved spectacular progress since its inception in 1957. The recovery performance of ADCC Bank is far from being satisfactory. The average recovery was 62.4 percent during the period under study. ADCC bank has been making profit continuously, however, the volume and proportion of profit shows radical fluctuations from year to year.

The branch of land development bank was established in 1934 in the district. It has 14 sub branches at each taluka place in the district. The LDB Branch provided term loan to agriculture and its allied activities. The LDB Branches does not have adequate won funds and deposits for their activity. The branch always depends on NABARD for financial assistance. The average recovery was 52 percent during period under study.

The first urban co-operative bank was established in 1910 at Ahmednagar. Today there are 23 UCBs with 86 branches spread over in the district. All UCB provide finance for non-farm sector. The average recovery was 90 percent in the district. The performance of all UCB in the district is relatively satisfactory as compared to other banks.

The PACSs operating in the district are working as indirect agencies in providing short and medium term loans to farmers. Some of the PACS supply seeds, fertilizer, and pesticides etc. to the farmer’s PACS funds is quite inadequate for their activities. The recovery performance of PACS in the district
was 56 percent during period under study it is observed that more than 60 percent PACS are in loss due to poor recovery.

There are 207 branches of 24 commercial banks working in the district. These branches provided credit to farm and non-farm activities. The credit deposit Ratio of commercial bank was 77 percent in the district. The commercial Banks do not provide credit to agriculture as per target set by RBI. It is also found that commercial banks collect deposit from rural area and offer credit from rural deposit money in urban area.

Chapter 5 deals with “operational Result of co-operative banks in Pravara area” Economic development in Pravara area was initiated by setting of Pravara co-operative sugar factory Pravaranagar in 1950. These area covers 44 villages located with in a radius of 35 kms from sugar factory.

There are 73 financial institutions in the Pravara area, which includes 16 branches of ADCC Bank, 10 branches of UCB, 3 sub-branches of district LDB and 44 PACS. The branches of ADCC bank provided finance to farmers through 44 PACS. While LDB sub-branches provide medium and long-term finance to farmers directly. The branches of UCB provide finance for non-farm sector.

The 16 branches of ADCC bank mobilised significant amount of deposit in Pravara area. The growth rate of deposit mobilisation was 268.0 percent the volume of loan disbursement increased more than 3 times in period under study. The credit deposit ratio was 58 percent in the same period. The average recovery of 75 percent in Pravara is mainly due to the deduction made from a farmer’s sugar cane payment by sugar factory.

The LDB sub branches of Shrirampur, Sangamner and Rahuri provide finance to farmers in Pravara area. These sub branches have no funds of their own. They act as intermediary agency between branch office and the farmer. The
work of these sub branches a mobilizing deposits, loan disbursement and recovery of loans. In the last two years, performance of LDB was not satisfactory due to heavy overdues and non-availability of sufficient funds.

The Pravara co-operative bank (PCB) was established in 1975 with a meager share capital of Rs.2 lakhs and 400 members. Today this bank has 10 branches and 4 extension counters in Pravara area. PCB Provides maximum loan for non-farm sector and low Proportion to allied to agriculture. The average recovery was 88 percent during period under study. The data indicates that the bank has achieved significant progress in short period.

The first PACS in Pravara area were established in 1911 at Ashvi kd. Today there are 44 PACS in Pravara area, almost one in every village. PACS are providing crop loan and term loan to farmers. PACS are involved in making recoveries, supervision and guidance to farmers. Some of the PACS also undertake commercial activities such as sale of seeds, Fertilizers and insecticides to the farmers. It is observed that, All PACS have no sufficient own funds for their activity and on an average 40 percent PACS are loss due to overdues.

There are 5 branches of commercial banks working in Pravara area. The commercial banks provide credit for the purpose of agriculture, allied to agriculture and non-farm sector. In Pravara area co-operative bank disbursed credit of Rs. 17.36 crores in 1998-99 whereas commercial bank disbursed Rs. 5.74 crores for agriculture and allied to agriculture during the same year. The co-operative bank disbursed credit three times more than the commercial banks to agriculture in Pravara area.
Chapter 6 deals with "impact of co-operative credit on agriculture, rural development and employment".

It is observed that, out of 170 borrowers, 162 obtained short, medium and long term loans from PACS, where as 8 obtained short-term loans from PACS and term loans from LDB. 95 percent of the total borrowers obtained from PACS because they were located in villages and easily approachable to farmers. Another important point is that farmers can get short, medium and long-term loan at a time as a single window service. In addition to these agricultural inputs such as fertilizer, seeds, insecticides etc. are also available at it of the PACS. LDB sub-branches are located at taluka places, and more time is required for credit delivery. The procedure for obtaining term loans is more difficult and complicated than PACS.

Impact study discussed in this chapter covers availability of credit for purpose to the sample house holds and it's impact on irrigation, Production and Productivity of cash and non cash crops inputs used and impact on income and expenditure of the sample borrowers. The impact of credit on dairy activities on production, productivity, earning and expenditure also studied and evaluated.

At the end of this chapter evaluation of credit needs credit from other sources credit division and employment generation in Pravara area has been explained and also the recovery performance of sample borrowers and measures for overdues has been evaluated.

Chapter 7 gives the summary, finding and recommendation of the entire work and then discusses the main findings of the work in the light of objective laid down. The statement of hypothesis have been tested and narrated.
This chapter concludes with the recommendation made for improvement in the credit delivery, its adequacy and ensuring the repayment of loans by the borrowers in time.

7.2 Findings

Following are the important findings of the researcher based on analysis of available data on the theme.

A) Performance of co-operative banks and PACSs.

1) The ADCC Bank has achieved spectacular progress since its inception in 1951. The total growth rate in owned funds was 584.3 percent, deposits 806.8 percent, working capital 776.6 percent and credit disbursement 492.0 percent during the period under study. It is found that the funds flow with the ADCC Bank and sincere efforts of the board of directors and staff, have mainly contributed to growth of this Bank. (Table 4.4)

2) It is found that, out of the total disbursement of credit, 43.0 percent was given to agriculture and allied activities. However ADCC deposit base is wider and therefore, agricultural credit amounts only 46.0 percent of total deposits of the bank. NABARD, cheap refinance facility is available to ADCCB, when loans is excess over 40 percent amount of deposits ADCCB enjoyed marginal benefit of NABARD's cheap refinance. (Table 4.6)

3) The credit disbursement by ADCC bank for agricultural crop loan was reduced from 27.5 percent to 21.2 percent between 1989-90 to 1998-99 because of poor recovery and substantial increase in the number of defaulters during period. The bank had to divert credit to sugar factory and its by-product, which increased from 25.2 percent in 1989-90 to 33.6 percent in 1998-99 because of the assured repayment. (Table 4.6)
The disbursement of credit to PACS from ADCC bank was inadequate and untimely because the unsatisfactory performance of PACS, credit is given as per scale of finance per acre per crop. However actual demand for credit was much more than the available supply. Lack of co-ordination and delay in disbursement are the main causes of poor performance of PACSs.

The recovery performance of ADCC bank at 62.4 percent is far from being satisfactory. In the last three years, recovery was very poor from agriculture and its allied activities because on an average about 30 percent villages in the district were declared drought prone and no recovery was effected. Other reasons include the political interference and lack of co-ordination. (Table 4.7)

The LDB branches do not have sufficient funds and deposit. Due to inadequate funds, they are not in a position to fulfill the credit demand of the farmers. During recent two years 1997-98 and 1998-99 credit provided by the LDB was almost half of the average of the immediately preceding 8 years. This bank completely depends on NABARD for financial assistance. During recent 2 years 1997-99, state Government did not give guarantee to NABARD on behalf of LDB, so this bank could not disburse loan to its member farmers. (Table 4.11)

Due to lack of co-ordination, wrong disbursement of credit, low earning from agriculture, increasing cost of production, diversion of credit, political interference and willful defaults, the average recovery of district LDB branch was only 52 percent during the period under study. Hence, today this bank is facing economic crises due to heavy overdues and non-availability of owned funds.

The performance of UCBs Ahmednagar District is relatively satisfactory as compared to other banks. At the end of 1998-99, owned funds were Rs. 56.68 crore, Deposit Rs.638.10 crore and credit disbursement 468.10 crore. The recovery performance was more than 90% of demand due to professional
management and loan disbursement was ensured on the basis of repaying capacity of the borrower resulting in better performance of UCBs. (Table 4.16)

9) The performance of PACSs in Ahmednagar district was very poor. The ownership capital (share capital + reserves) is at a miserably low level, and deposit mobilisation is almost negligible. The PACs had to depend on ADCC bank for their credit disbursement. The average recovery was 56 percent during period under study. On an average about 60% PACS were in loss, due to low recovery and miss management. It is not a good sign for sustainability of PACSs and agricultural development. (Table 4.19)

10) Out of the total members 32 percent, members were getting credit from PACSs. PACSs could not sanction credit to 68 percent members, because most of them were defaulters and some were denied on technical and individual grounds.

11) It is observed that commercial banks do not provide credit to agriculture as per target given by RBI. It is also found that commercial banks collect more deposits from rural area and invest the same money in urban areas. Activities of commercial banks therefore lead to drain on rural economy of the country.

12) ADCC Bank Ahmednagar show a very high proportion of NPAs. NPAs norm has been made applicable to all DCCBs, UCBs and LDBs since 1996-97. Main cause for high proportion of NPAs with these banks is non-repayment by PACS, especially from dry villages where agricultural yield is most uncertain NPA norms is not applicable to PACS. However, their incapacity to repay crop loans in time leads to NPA of the DCCB.

B) Operational Results

1) The branches of ADCC bank do not have any, share capital. Reserves and borrowing of there own, but are meant only for collection of deposits,
loan disbursement, recovery from PACSs and guidance to PACSs and its members.

2) The decimal rate in deposit mobilization in Pravara area from ADCC bank was 288.0 percent, and in credit disbursement 238.2 percent. The average credit deposit Ratio was 58 percent, which is very low from profitability point of view. It is observed that ADCC bank collects more deposits but do not invest deposit money into paying assets to the fuller extent. (Table 5.1)

3) The purpose-wise loan disbursement by branches of ADCC bank was found to be 52 percent for crop production, 15 percent for agricultural implements, 16 percent for irrigation 9 percent for dairy, 3 percent for horticulture and 5 percent for non farm sector. Highest weightage has been given to crop loan but it is not in accordance with the cost of production. Therefore farmers are forced to get finance from commercial banks, moneylenders, friends and relatives. (Table 5.2)

4) The recovery percentage of ADCC bank in Pravara area was 75 percent. In Pravara area sugar factories facilitate recovery at source, from farmers sugar cane payment. Due to this facility extended by sugar factories, the recovery rate is satisfactory; otherwise it would have been very difficult to collect the credit. Same method should be adopted for recovery of loans to other crops. (Table 5.3)

5) The purpose-wise loan disbursement of LDB Sub-branches clearly shows that, highest credit (34.2%) was given to irrigation and the agricultural equipment followed by (32.8%) and allied to agricultural activity (17.7%) respectively during the period under study. It is found that, the average recovery percentage of term loan was about 60 percent during the period
under review. This rate of recovery can not be considered to be satisfactory. One of the causes for low recovery rate, heavy cost of capital goods. (Table 5.6 and 5.7)

6) It is found out that Pravara co-operative bank has achieved significant progress in a short period. The growth rate in owned funds, deposits, working capital and disbursement stood at of 764.6%, 440.5%, 457.3% and 415.5 percent respectively during the period under study. Out of the total disbursement, highest, say 26.0 percent credit was given to agro-based and allied activities alone. (Table 5.8 and 5.10)

7) The recovery performance of UCBs was very much satisfactory (88 percent) during the period under study. The average profit of the bank was 31.0 lakhs and the growth in profit was 248.6 percent during the period. It is noticed that the overall performance of Pravara co-operative banks is far more satisfactory as compared to other banks in Pravara area, due to professional management and sincere efforts. (Table 5.11)

8) It is found that, the PACSs in Pravara area are not raising sufficient owned funds for their activities. The average owned funds per PACSs, were Rs. 7.13 lakhs in 1989-90, which increased up to 17.94 lakhs in a period of ten years. The PACSs do not collect any amount of deposit from rural people. Though they have facility and authority to collect the deposits, but management and secretary take no efforts to mobilised adequate deposits. So PACS always depended on ADCC bank for loanable funds. (Table 5.13)

9) In Pravara area, out of the total disbursement of PACSs disbursed given 52 percent credit for production purpose and 48 percent for investment purposes. The average recovery performance was 73% through sugar
factory during the period under study. It is found that, out of 44 PACSs, 26 PACSs earned profit, whereas 18 have suffered losses. (Table 5.16)

10) The credit deposit ratio of commercial bank in Pravara area was 64 percent during the period under study. It is found that commercial bank disbursed Rs. 34.4 crores, as against 147.4 crores by co-operative bank during the period under study. It is quite clear from the foregoing analysis that co-operative banks have disbursed credit to extent of 81 percent as against only 19% by commercial Banks in Pravara Area. (Table 5.21)

Impact of co-operative credit

1) It is observed that, out of the 170 borrowers 162 borrowers obtained production and investment credit from PACSs whereas 8 borrowers obtained production credit from PACSs plus investment credit from LDB. 95 percent of borrowers obtained loan farm PACSs because; they were located in villages and easily approachable to farmers. Another important points are the farmer gets all types of credit at a time as a single window service. In addition to this agricultural inputs, such as seeds, fertilizers insecticides etc are also available at it of the PACS.

LDB sub-branches are located at taluka places, and more time is required for credit delivery. The procedure for obtaining credit from LDB is much cumbersome and time consuming as compared to easy and quick credit in PACSs.

2) It is observed that, the average land holding of the sample borrowers was about 2 acres for marginal farmers, 4 acres for small farmers, 7 acres for medium farmers and 12 acres for large farmers. Out of the total land 70 percent farmers (marginal and small) cultivated holding 44 percent of land and 30 percent of medium and large farmers cultivated 56 percent land. It
was an uneven distribution of land as is found in any village in the country. (Table 6.2)

3) By observing distribution of credit for purpose, it is noted that crop loan dominated in all farm sizes. Loan for minor irrigation occupied second place in case of marginal, small and medium land holding farmers and farm machinery loan in case of large land holding farmers. It is found that the credit facility is taken by marginal, small and medium farmer for buying milch animals, but no credit was granted for farm machinery to the marginal and small farmers. (Table 6.5)

4) It is find out that there is a positive impact of credit facility on the irrigated area. The total area under irrigation has increased from 521 (64.4 percent) acres to 724 (89.4 percent) acres from pre to post investment period. The permanent irrigated area increased from 51.4 percent to 70.4 percent and seasonal irrigated area increased from 13.0 percent to 18.0 percent during the period under study. (Table 6.6)

5) It is found that the total area under crop has increased from 724 acres to 890 acres. Form the base year to the last year under study. The growth rate was found 23.0 percent, which works out to 2.3 percent per annum during the period under study. Sugar cane was the most dominant crop of all the sample borrowers. Out of the total cropped area, 34.8 was occupied by sugar cane, followed by food grains 25.4 percent fodder 13.0 percent, fruits & vegetable 10.3 percent, cotton 6.3 percent, oilseeds 5.2 percent & pulses 5.0 percent respectively during the period under study. (Table 6.7)

6) It is found that the total production of sugar can increase by 44.3 percent, where as productivity per acre increased by 24.6 percent. The total food
and other crops production by 86.5 percent whereas productivity per acre was increased by 70.2 percent under the study period, because of the credit supplied by bank and its proper utilisation. The increased irrigation facility and new technology has also helped in getting more production and productivity. (Table 6.8 and 6.9)

It is observed that the use of inputs also increased significantly due to availability of credit. The average inputs used per acre per year were increased by 11.7 percent during the period under study. It was found that all the inputs increased, but out of them, the use of chemical fertilizers had significantly increased by 19.7 percent per annum during the period under review. (Table 6.10)

It was found that the category wise earning per farmer increased to 69.5 percent for marginal farmer, 86.5 percent for small farmer, 77.1 percent for medium farmer and 74.3 percent for large farmer, during the period under study. The average earning per farmer per year increased by 7.7 percent. The annual growth in earnings of the small farmer was found to be highest among the other category because credit enabled fuller capacity utilisation of land and irrigation resources. (Table 6.13)

It is observed that out of the total expenditure about 42 to 50 percent amount per year was spent for food by all sample borrowers and about 14 to 17 percent amount was utilized for festivals and ceremonial functions. The average household expenditure per year by marginal and small farmers was less because of small family size and limited income as compared to medium and large farmers. In Pravara area, sub-division of holding also leads to micro families. Most of the medium and large farmers are joint families. (Table 6.14)
It was found that on an average marginal farmer spent 142.7 percent of the income, therefore naturally his savings were negative i.e. - 42.7 percent of the current income. Small farmers saved around 33.8 percent of the income, medium farmers 41.5 percent and large farmers 57.0 percent of the income. This saving in the area under study is a function of size of holding of the household. (Table 6.15)

It is observed that, the total milk production of milch animal has increased on an average by 10.7 percent per annum, where as productivity has increased 2.15 percent per year during the period under study. The number of cows also increased @ 7.05 percent per year. Dairy activity has been helping in generating additional employment and supporting income for the families. (Table 6.16)

While analysing the table 6.17 it is observed that, the dairy business is not viable and beneficial to the farmer considering the expenses and earning of this business. The farmers do consider not impute cost of labour by family members and self produced fodder, while calculating cost of production per cow and milk per liters. They consider this activity beneficial ignoring the imputed cost mentioned above. This is far from in reality. Even though this activity provides either full time or partial employment to some members of the family, it should get a price of minimum Rs. 12 per liter for covering his money and imputed cost inclusive of a reasonable margin from dairy business. Price of milk should be flexible enough to absorb rise the cost of inputs. (Table 6.17)

Regular repayment of debt from borrower is the most essential for the sound economic health of the bank. However the repayment trend are as follows. For short-term credit, the percentage of irregular, complete
defaulters, and complete repaid was 18.2 percent, 23.0 percent and 58.8 percent respectively in 1990-91. The trend of repayment of medium and long term credit was found among regular, irregular, complete defaulters and complete repaid were 20.0 percent, 14.7 percent, 13.5 percent and 51.8 percent members respectively from pre to post-investment period. (Table 6.18)

Out of the 118 defaulters, (Production and Investment credit) 43 are willful defaulters and 75 are non-willful defaulters. It is found that, out of the total sample borrowers, 12.6 percent were willful defaulters and 22.0 percent were non-willful defaulters. The reasons of willful defaulters were mainly dishonesty of few influensive borrowers, untimely recovery by bank, diversion of credit to unproductive purposes, political interference, preference to consumption needs and waiting for declaration of one more debt relief scheme. For non-willful defaulters, the reasons were crop failure due to natural calamities, low prices to produce, high rate of input, low yield, higher family expenses and diversion of credit to consumption purposes ect. (Table 6.19)

The stock of capital resources with the sample borrowers for every selected purpose has increased during the period. Four types of capital resources have been considered to get the result. There were agricultural implements, machinery, construction and live stock. Because of availability of investment credit. (Table 6.20)

It is observed that institutional credit gap still persists. The gape between credit requirement and credit delivery per acre could indicate more gaps. It is found that out of the total 170 borrowers, 157 (92.3 percent) borrowed
loan from other sources including non-institutional, because credit delivered by co-operative banks was inadequate. (Table 6.24)

It is noticed that 28 (16.5%) borrowers had diverted the credit for purposes other than agriculture, while 35 (20.6%) had partially diverted their credit funds to meet the family expenses like children’s marriage education, medical treatment and drunkards and other vices of the farmer. (Table 6.26)

It is found that, the employment generation had increased from 522 workers to 620 workers giving as a decimal growth rate of 18.8 percent (1.9 % per annum). Increasing the opportunities for employment is a good sign of progress. For employment generation in agriculture and allied activities, more credit is to be provided by the co-operative financial institution and other agencies in institutional credit. (Table 6.28)

Other findings

1) It is recommended by the all agriculturists that the farmers should enjoy the benefits of crop insurance scheme. But it is a matter of great concern, that not a single farmer (except grapes growers) has received insurance facility from the Government so far, In fact this scheme would have benefited more to all farmers of dry land farming rain shadow area and also occasional sufferers from natural calamities. This is high time to implement crop insurance scheme on a large scale for all the crops in the country for betterment of farmers and agriculture.

2) At present, the bank provides 75 to 80 percent credit amounts to purchase tractor and other agricultural implements. But there are many farmers who
are not in a position to get the benefit of the scheme, because of the lack of seed capital equal to 20 to 25 percent cost of the capital asset to be purchased. Therefore, to make this scheme for more farmers friendly the bank should provide 100 percent loan facility to purchase the agricultural implements, at least to the marginal and small farmers.

The population of the sample farmers was 1071, of which 328 were men, 292 women and 450 were below eighteen years of age. The average members per family was found to be 6.30

Literacy percentage of the men and women was 86.56 and 68.10 percent respectively. Out of the total children population about 94 percent children go to the school and colleges and the remaining help their parents in their occupations or household services.

It is observed that, from the total sample farmers 89.0 percent farmers main occupation was agriculture and allied activities, 61.0 percent farmers were in service and 5.0 percent in Trading and business.

About 74 percent women were housewives and co-workers in agriculture, 19 percent were purely housewives and remaining 7 percent were housewives and casual labor.

Out of the total sample borrowers 13.4 percent were happy with the adequacy of loan received from bank, while 86.6 percent farmers do not think it to be sufficient. Farmers meet their remaining credit needs through other source such as commercial banks money lenders, friends and relatives etc.
It is realized that 72.2 percent farmers complained about the methods of obtaining loan due to reasons like political interference, lack of technical knowledge, delay in procedure and corruption.

It is found that, about 40.3 percent farmers complained that the bank loan installment was disbursed very irregularly causing much inconvenience to them.

From the sample borrowers only 5.4 percent farmers enjoyed the benefit of government debt relief schemes. Therefore, the current defaulters are reluctant to repay the loan installment and are waiting for such opportunities to repeat. This is a very harmful practice so far as the sustainability of banking system is concerned.

It is found that, about 66 percent farmers complained that the bank supervisor did not turn to site for initiating recovery of Bank loans. Only 34 percent farmers were satisfied with the duties of the bank supervisors.

It is observed that, out of the total borrowed farmers 31.5 percent farmers received better treatment. 36.4 percent were neutral about bank treatment and 31.1 percent complained of bad treatment by the PACS and bank.

Out of the total sample borrowers, 32.3 percent farmers reapplied that the inputs were supplied by PACSs, timely, while 67.7 percent farmers did not receive in-puts as per demand.

The farmers reported that the guarantors are required for obtaining credit facilities from financing institution were not accessible to them. Out of the total 170 farmers 54 or about 32 percent farmers faced the problem of arranging the guarantors.
Recommendations.

The following recommendations based on field experience are given for consideration of the co-operative credit institutions and the Government.

PACSs

1) The primary agricultural co-operative credit societies should raise-up their own finances from share capital and Reserve fund. PACSs should increase number of shares for per farmer or increase value per share. Reserve fund must be increased upto the working capital of the PACS.

2) The PACS should ‘Raise-up’ their own finances from the savings of rural population. This is possible by inculcating “SAVING” habit in the rural population. As on increase to the savers, PACS be allowed to offer competitive interest rate on savings.

3) The quality of lending of PACS must be improved by making loans and advances to right persons, for right purpose, in right quantity and at right time. The correct identification of the borrowers and the purpose for which loans are required will go a long way in elimination of undesirable and unproductive loans.

4) Production and investment credit is supervised credit. If there is no proper supervision, monitoring and follow-up of the loans advanced, there is every chance for their diversion to unproductive purpose. To make supervision effective, the span of control and supervision must be clearly defined.
PACSs should appoint an additional field supervisor besides the whole time paid secretary. The field supervisor should closely monitor the changes in the cropping pattern of the borrower farmers, supply of agricultural inputs in time, marketing and storage and above all the use of the credit for the purpose for which it was provided.

The PACSs must follow the traditional money lenders with regard to close touch with the borrowers so as to have timely call on the borrowers for repayment of loans. As seasonally in disbursement and recovery of loans are the main features of the crop loan system, the loans must be disbursed when needed and must be recovered promptly during the harvest period when recovery is easy and possible.

A rebate of \( \frac{1}{2} \) to 1 percent may be allowed to such of the borrowers, who repay their dues punctually on or before the due dates. Special recovery campaigns may be organised during the recovery seasons with the active support of the local level management.

The PACSs should create facilities to the farmer for processing, storage, transport and marketing. They should be enlarged and effective linkages between production and marketing through processing units, commodity boards, state corporation's etc. should be provided to facilitate recoveries.

The co-operative societies offer loans at low / Nominal interest rates. For this purpose, removing the chain of intermediaries from NABARD to PACSs can enhance their financial capacity. This will make PACSs, NABARD concessional refinance by 3 to 4 percent than the rate charged by DCCBS at present.
The present recovery procedure is linked with marketing of the agricultural produce, mainly in case of cash crop. Such as sugar cane, which directly recovered through sugar factories. In case of other crops, which are not linked with marketing, PACSs are required to effect recoveries regardless of crop situation and repaying capacity of borrowers. The recovery to be effected should be based on the "Crop Income" of the current year.

There is need for proper planning for the timely supply of seeds, fertilisers, insecticides, technology, equipment etc. to the farmers.

The PACSs must be given liberty to appoint full time trained secretary by their choice for the efficient administration of the society.

The PACSs should offer guidance and finance to the agro-based industries, self-employment, cottage industry, small-scale industry and self help groups engaged in rural development. In addition, they should supply the necessary goods and offer services at competitive prices in the open market to their members and non-members within their jurisdiction.

No defaulter of any society be allowed voting right and be permitted to contest election of the society. This will empower honest borrowers and discourage willful defaulters. The co-operative act may be amended accordingly.

**Banks (DCCBs, LDBs, NABARD and Government)**

The banks must provide in-time and sufficient crop loans to PACSs. The crop loan period may be varied between 1 to 3 years because crop yield and market prices are never guaranteed. In order to have confirmed
recovery of these crop loans, crop insurance must be insisted up on. Since the crop insurance at present applies to limited crops only, the union and state Government should provide for extensive insurance cover to all crops including those grown in draught prone and dry land farming.

The Banks should reduce the interest rates for agricultural loans. Moreover, the recovery / repayment procedure may be related to the sale of agricultural produce rather than to a due date or period.

Banks must be forced to take the responsibility for offering part of the agricultural loans for draught prone and dry farming crops. The lead bank of the area judiciously determines the quantum of such loans. State Governments may consider the policy of issuing guarantees to dry land farmers for crop loans.

Amount sanctioned to a borrower farmer as crop loan should include expenses of the farmer from pre-cultivation operations value of inputs used, marketing expenses and minimum consumption expenditure of the farmer for maintaining his family until the sale proceeds of his produce are realized. Dr. D.R. Gadgil has stressed this need 40 years ago, but has remained unattended till to day.

The bank should strictly monitor the utilisation of the loans through frequent visits to the farmers, so that the loans may be used only for the purposes for which they are sanctioned. This will minimise the burning problem of NPAs in the Banking sector.

The Bank has neglected allied activities to agriculture such as poultry, goat farming, fisheries, nurseries, sericulture, animal husbandry etc. The
researcher feels that the bank should provide more finance for these purposes, so that economic conditions of the farmer can improve by way of supportive income through allied activities.

The efficiency of land development banks should be improved in supplying medium and long-term loans. Their equity capital must be increased. The LDB must improve their recovery performance to augment their credit absorbing capacity and eligibility for fresh finance from NABARD.

The Government, without playing any politics, should take the guarantee of refund to NABARD, which provides finance to LDBs. The Government should also have the positive attitude towards the bank and farmers. It is observed in the past that when opposition party dominated LDBs, Government in power has refused guarantee to SLDB.

It should be enforced that the commercial banks fulfill their targets set for providing agricultural loans. Action is taken against all such banks, which do not achieve the targets. Lead Banks can play a very important role channeling the flow of credit to this priority sector.

The officers entrusted with the duty of effecting recovery from the cultivators should have adequate powers to take proper action against the willful defaulters. The state Government should extend its wholehearted co-operation in the recovery process.

Adequate incentive be given to the PACSs for prompt repayment of loan through a rebate for timely repayment and to the employees of the bank for better recovery through a notional commission for 100% recovery.
12. NABARD and financial institutions may amend the norms of crop loans existing since many years. There has to be flexibility in norms to change over time as per requirements. Need for crop loan is different for different areas and different crops over different period of time.

13. LDB must raise their internal resources for which they may be permitted to mobilize public savings in the form of deposits, and release public issues of financial instruments like bonds and debentures on their own terms. The bank should take steps to professionals their management and consider human resource development aspect as an integral part of their business strategies.

14. Government debt relief schemes should be stopped immediately. Government and Bank should jointly make it clear that no such scheme will be declared in future. Because such schemes can allow excuses to willful defaulters and shall be unjust to the honest, genuine farmers, who repays his installments regularly, such a scheme rewards willful defaulters and punishes punctual and honest ones.

15. It is advisable that farmers be provided market information at home & abroad & also be provided facilities for export of marketable surplus when home prices are depressed due to inadequate domestic demand. Here, information technology may come to the rescue of farmers turning bankrupt. Such a market support would avoid probable losses of farmers and eventually, reduce bad debts of banks and co-operatives.
Recommendations for overall Rural Development through Banking Structure.

1. Agro-processing Industries have wide scope in generating the employment in the rural areas. In small scale processing industries is installed in rural area it self-considering crop pattern of the area, the raw material would be easily available and the transport changes would be minimum. Value additions before marketing even increase of food grain product like cleaning, grading, polishing etc. will give better return, in addition to more employment. In processing activity, Government should encourage rural people and provide cheap finance and infrastructure facility.

2. Government may ask the UCBs to divert at lest 20 to 30 percent of its total loan disbursement to agriculture and allied activities in rural area. This will increase the volume of credit available to rural sector and at the same time would enable UCBs to make optimum use of funds at their disposal.

3. The state must provide the infrastructure support like provision of irrigation, electrification, roads, communication and marketing outlets to accelerate agricultural productivity and income levels of the farmers. It will facilitate a positive attitude amongst borrowers towards timely repayment of co-operative dues.

4. The concerned departments of the state Government should ensure that there is acceptance and adoption of modern technology and farming practices to make agriculture a commercially viable business which will ultimately facilitate repayment of loans.
5. NABARD should give stress on providing more capital expenditure for infrastructure facilities related to rural development, such as education, health, industry, water, roads, electricity etc. Soft loan to village panchayat be offered by NABARD to build rural infrastructure on which future rural development would depend.

6. Last, but not the least, researcher cannot resist his temptation to repeat the historical statement of AIRCS, committee on Direction of RBI made half a century ago, that “co-operation in India has failed, but it must succeed.” These words are even today, and a fresh wave of revival of co-operative credit is necessary. The spirit of co-operation among the constituents is lost.

Unless the members of our PACSs do not unite for a common cause of revival of co-operative credit structure once again, we can not hope survival of this unique sector in the 21st century.