CHAPTER VI

SUMMARY AND CONCLUSION
Agriculture is a growing industry with the twin objectives of developing land and increasing its productivity through modern techniques, and reducing pressure on land by developing agro-based industries. Farmers are using high-yielding varieties, fertilizers, pesticides and other improved techniques of production in agriculture, but the essential prerequisite for launching any developmental programmes is capital. No agricultural transformation is possible without adequate supply of credit.

The development of agriculture depends upon a number of ecological factors: viz., institutional, infrastructural, technological, environmental and administrative agencies. As regards the last aspect, there has been no second opinion by various commission and committees, that significant remedial steps have not been taken to streamline the functioning of agricultural administration. It is, however, been the endeavour of the government to pay greater attention to this important aspect. All the developmental programmes naturally depend on the institutionalisation of agricultural finance. The Government is also cautious about the large-scale discontentment among the weaker sections owing to their heavy indebtedness to the moneylenders.

The Government has been seeking solutions to the problem of poverty by devising strategies to raise agricultural productivity and income, create more jobs for burgeoning population
and improve the quality of rural life. Irrigation facilities should be provided because in most of the regions the rainfall is erratic. Educational facilities would be expanded to teach the farmers the three R’s to enable them to appreciate and adopt better methods of cultivation, apply chemical fertilizers, seeds and providing better facilities for high yielding variety, obtaining loans through co-operative societies for purchasing different equipments etc. To achieve this objective, co-operation is the only hope and Co-operatives are the ultimate sources of supplying finance at the grass-root level.

In the preceding chapters, an attempt was made to look at the programme of credit and some observations were made based on an empirical study of the working of a sample Primary Agricultural Credit Society. Utilization and impact of credit on adoption of improved practices, cropping pattern, yields of the crop, cropping intensity and Income, the repayment performance of the borrowers.

Major findings have been summarised and broader conclusions drawn are discussed in the following pages. Organization of credit co-operatives in 1904 was a pioneering step for the institutionalisation of agricultural credit in this country. Plans to modernise the agricultural sector by co-operators, economists etc. were not met with success. Hence, revamping of co-operatives was needed and the Maclagan Committee made a beginning in reshaping the channel of financing of farm to boost
farm production and incomes of the farmers. The issue of loans and their recovery are the two inter-dependent variables and have great bearing on the financial institutions. In other words, effective deployment of loans depends upon recovery of it and, vice-versa. So a greater emphasis has been laid on the nationalised financial institutions and consequently National Bank for Agricultural and rural development (NABARD) came into existence on July 12, 1982 for providing refinance for agricultural development through credit co-operative societies.

The Primary Agricultural Credit Society (PAC) at Sawargaon in Narkhed taluk of Nagpur District in the State of Maharashtra was selected for the study. The Society covers seven villages namely, Sawargaon, Junona, Tapani, Khapari, Sindi, Umari and Khapa. A humble attempt had been made to make a micro-level study of the working of Primary Agricultural Credit Society in Nagpur District, especially with reference to utilization of Co-operative Credit and its impact on adoption of new agricultural practices, leading to changes in the cropping pattern, production, income etc. and like problems at the Society and individual level in deploying and obtaining of Co-operative credit. Factors affecting recovery performance of credit co-operatives and repayment performance of the sample borrowers have also been studied.

After analysing the data, which was collected from the sample PAC Society, it was observed that the increase in membership of the Society, during the period under study from 1977-78 to 1986-87, was just nominal i.e. on an average only 3 percent per
year. In the case of working capital, the increase was recorded at Rs. 82483.8 or 12.94 percent per year. The working capital of the Society was raised from Rs. 637512 to Rs. 1462350 during the period of ten years i.e., from 1977-78 to 1986-87. And the share capital had increased at the rate of 14.25 percent or Rs. 16228 per year. It was found that, surprisingly, deposits formed an insignificant place during the period under study. The deposits of the Society declined from Rs. 4202 to Rs. 3021 during the period of ten years. These facts point out that the Society had increased its working capital more by borrowing and less by generating internal resources, which is against the basic philosophy of Co-operation.

The analysis revealed that the problems of farmers in their agricultural operations can be greatly reduced by providing adequate and timely finance. For increasing the membership of the Society, steps need to be taken for increasing the deposits of the society by building up the confidence of the members in Society.

A decade of development of the sample Society in regard to capital structure, advances and recovery has been discussed in the following observations. The advances of the Society have increased considerably at the rate of 26 percent per year during the period under study. In the year 1977-78, the total advances were Rs. 1,18,699 which have gone up to Rs. 4,23,446 in 1986-87. But, the percentage of borrowers were very less i.e., approximately
25 percent only with regards to the advances to Scheduled caste, Scheduled Tribes farmers, the analysis showed that the S.C. and S.T. farmers who received credit from Society were only 2.62 and 2.82 percent respectively during 1986-87 as against 1.77 and 2.02 percent during 1977-78. The recovery performance of the Society was fairly good during the period under study. In the year 1977-78 the recovery was 61.78 percent whereas in 1986-87 the recovery was 61.93 percent. The higher percentage of recovery is recorded during the years 1982-83 i.e. 76.52 percent due to good monsoon and good crop yields and lgss recovery was recorded during the year 1981-82 i.e., 56.97 percent only, due to flood and untimely rainfall and also due to low crop yields. The overdues of the Society increased during the period under study. In the year 1977-78, out of the total demand Rs. 1,12,250 only Rs. 69,350 was recovered leaving the overdues of Rs. 42,900 i.e. 38.22 percent. During the year i.e., 1986-87, out of the total demand of Rs. 3,04,510, only Rs. 1,88,590 was recovered, leaving the overdues at Rs. 1,15,920 i.e., 38.07 percent. It is necessary to take remedial measures for improving the recovery performance of the Society. The measures includes, for instance, adequate and timely supply of credit, reduction in interest rates, liking of credit with marketing, giving fresh loans in future to those who promptly repaid the loans etc.

The flow of benefits due to proper utilization of an agricultural credit encourages farmers to adopt improved agricultural practices such as high-yielding seeds, fertilizers,
pesticides, implements etc. In our study, there was significant shift in the adoption of improved practices by sample borrowers after the utilization of credit. During pre-loan period, the percentage of adoption of different practices was 70 percent in the case of seeds, 70 percent in the case of fertilizers, 57.5 percent in the case of pesticide and 16.25 percent in the case of implements and it increased up to 93.75 percent, 92.5 percent 85 percent and 35 percent respectively during the post-loan period. The assured source of irrigation encourages farmers to effect a shift in cropping pattern, replacing low value crops by cash crops. It was found from the study that there was significant shift in the cropping pattern adopted by sample borrowers after the utilization of Co-operative credit. The extent of land under cultivation of commercial crops like ground-nut, cotton etc., increased in the post investment period as compared to pre-loan period. Further, it was observed that the small farmers made an impressive achievement by bringing more extent of land under cultivation of commercial crops, a performance which compared fairly well with the performance of 'other farmers'. One inference we can draw is that the small farmer borrowers are capable of commercialising their sector, provided they are supplied with adequate Co-operative credit in time, along with extension services and marketing facilities through Co-operatives. The area under the cultivation of commercial crops in the case of non-borrowers was less as compared to the sample borrowers.
Change in cropping intensity was observed in both the categories of farmers. But the cropping intensity was found to be higher in the case of small farmers i.e., 1.72-73 percent as compared to other farmers i.e., 165.73 percent, during post-loan period; whereas it was less i.e., 147.27 percent and 143.49 percent in the case of small and other farmers' respectively during the pre-loan period. Evidently, small farmers used their land more intensively than other farmers'. Similar was the position when compared with the non-borrowers.

It is assumed that co-operative credit would induce farmers to adopt better agricultural practices and help raise agricultural production. One significant fact observed from the analysis was that the per acre yields of 'other farmers' were not higher than that of small farmers. The small farmers had shown a better performance in terms of per acre yields in regard to all the crops at post-loan period as compared to pre-loan period and also when compared to non-borrowers, except in the case of ground-nut which failed to attain the expected average yield per acre. The average increase recorded in the case of cotton and Jowar was 27.27 percent, and 17.78 percent respectively whereas 27.78 and 41.94 percent was in the case of wheat and gram at post-loan period as compared to pre-loan period.

Effective utilization of Co-operative credit facilitates the farmers to effect change in cropping pattern towards more
cash crops which, in return, would raise income of the borrowers. The study revealed that there was substantial increase in the farm income in the post-loan period as compared to the pre-loan period. It was found that the small farmers raised their income considerably after making an effective use of the credit from co-operative credit society (i.e. 35.60 percent) as compared to other farmers (i.e. 28.50 percent) increase) is recorded in the case of small and other farmers' during post loan period as compared to pre-loan period. Also, it was observed that the income of borrowers was greater when compared to non-borrowers i.e. 26.26 percent and 25.64 percent greater in the case of small and 'other farmers' respectively.

The repayment performance of sample borrowers, i.e., 32 defaulters and 48 non-defaulters when studied, revealed that the failure of some borrowers to repay the loan amounts renders the Primary Agriculture Credit Society ineligible to draw finance from the Central Bank. This affects the lending capacity of the Primary Agricultural Credit Society. It is therefore necessary to study the factors accounting for poor recovery of loans. The analysis regarding repayment performance of the sample borrowers presented in the chapter No. 5 indicated that there were several factors which contributed for the low recovery of loans. It was observed that those who had small size of holding, less education, large family size, less irrigated land, less area under cultivation of cash crops, less income and higher expenditure were found to be defaulting more. On the other hand, the non-defaulters
had large size land, more education, more income, more area under irrigation, greater land under cash crops, small size of family, younger in age, including less expenditure as compared to defaulters. It is concluded that the factors like education, income, expenditure and size of holding are positively associated and found significant relationship with the repayment performance, when analysed by using $X^2$ (Chi Square) test. Other problems for the low recovery of loans were unsound lending policies, lack of effective supervision, diversion of loans for other purposes, untimely and inadequate supply of credit, lack of linking of credit with marketing, wilful defaults, low crop yields, droughts, floods, untimely and inadequate rainfall, lack of irrigation facilities etc. has been contributing for low recovery performance of the Society and consequently affecting the operational efficiency and repayment performance of the borrowers.

The agricultural production was the main source of finance for repayment of loans, as specified by large number of sample borrowers. Hence it is necessary to help solve the problem of borrowers to increase their production and income which will help to improve their recovery performance. In the present study, it became clear that some important measures needs to be introduced with a view to bringing down the level of overdues and to improve the recovery performance of the Society by improving repayment performance of the sample borrowers in future.
The success of remedial measures to avert the rising trend in overdues depends on the competence, quickness and firmness of the management and supervisory staff of the society. The wilful defaulters should not be given the impression that society may not take coercive steps to recover loans. The society has to find out the effective ways and means to collect loans from the member borrowers. There are measures like rescheduling or extending the period of loans, providing consumption credit, adequate and timely supply of credit, sound lending policies, effective supervision, insurance, providing incentives to the secretaries of the societies, educating borrowers, taking right action at the time of marketing, encouraging joint loans, improving credit worthiness, changing security norms, etc., needs to be taken in to account for improving repayment performance of the borrowers and recovery performance of the society.

In order to identify the problems of recovery and find solutions to the chronic problem of mounting overdues, there is now a greater need than before, to evolve a sound system of monitoring the recovery process. A 'recovery call' should be set up to monitor the schemes, to collect, compile, tabulate and analyse the scientific data relating to recovery of the advances made from time to time, to estimate the percentage of recovery and quantum of overdues in specific areas with reference to different agricultural seasons, agroclimatic variations, and to
evolve suitable measures for affecting maximum recovery and to modify the policies in the light of specific problems. Thus, unless a truly viable social and economic structure in agriculture conducive to greater productivity and higher income is created, the recovery problem will continue to exist.

The future role of the Co-operative credit movement lies in its effective policy in freeing itself from the clutches of the vested interest, in making it a movement of the people, for the people and by the people, in increasing the percentage of recovery by linking credit with marketing, in reducing undue reliance on external resources by increasing the deposits and diversifying the loan business to cover the whole life of the members which is conducive to the overall efficiency of the Co-operatives.