CHAPTER - II

AIMS AND METHODS OF STUDY

Reasons for the present study

The scenario of formal agricultural credit in India since the mid-seventies is characterised by an (1) expansion of credit in the wake of the entry of commercial banks in the field, and (2) growing delinquency in the repayment of such credit. The magnitude of delinquency has recently assumed such a serious proportion as to choke the credit pipeline and thereafter the prospect of continued external assistance for agricultural development. This is a very serious problem, because overdues are undermining the soundness of the co-operative credit structure and lead to stagnation, if not recession, of co-operative credit.¹

In spite of the phenomenal growth in agricultural credit in the past few years, the mounting overdues both in the cooperative credit structure and the Commercial Banking structure are inhibiting further credit expansion. The increase in overdues prevents the cooperatives from expanding their lending programmes in subsequent years for agricultural development. Eligible borrowers who are not able to obtain credit from the institutions due to the bad

recovery position of the institutions also tend to default. Thus a vicious circle of mounting overdues sets in. The non-repayment of dues to other institutional agencies like Commercial Banks and Regional Rural Banks sets in motion similar chain reaction. The viability of the institutions itself gets seriously affected. The increasing overdues have not only affected the ability of the cooperatives to extend further credit but have also put in doubt the credit worthiness of the cooperatives themselves.

The report of the Working Group on Cooperation for the Fifth Five Year Plan says

"Overdues problem is the most ticklish problem facing cooperative credit institutions. If the institutional credit agencies are to provide adequate financial support for agricultural development, the creation of the sense of responsibilities among the cultivators in regard to timely repayment of loans is of utmost importance."

2 "Credit Delinquency in cooperatives", "The cooperator" National Cooperative Union of India No 9 Nov. 1, 1985 P. 185.


The total amount of overdues in agricultural cooperative credit structure consisting of PACSs, DCCBs, Apex Banks and Primary Land Development Banks and Central Land Development Banks in the country increased from Rs.765.18 crores in 1971-72 to Rs.2787 crores in 1981-82, to Rs.3287 crores in 1982-83 and to Rs.5072 crores in 1987-88. In the case of PACSs alone, it increased from Rs.376.7 crores in 1971-72 to Rs.1212 crores in 1981-82, to Rs.1389 crores in 1982-83 and Rs.2132 crores in 1987-88.

At the level of PACSs, the percentage of overdues to the total loans outstanding in the country increased from 20 in 1960-61 to 41 in 1970-71 and to 46 in 1980-81. However, it was reduced to 40.62 in 1981-82 and again it increased to 42.12 in 1982-83. Again, it came down to 4 to 40.2 in 1987-88.

In case of D.C.C Banks the percentage of overdues to total loans outstanding in the country increased from 12.4 in 1960-61 to 33.71 in 1970-71.

5. Figures for 1971-72, 1981-82 and 1982-83 are taken from Statistical Statements Relating to Cooperative Movement in India Part-I Credit RBI and for 1981-82 and 1982-83 are taken from Report on Trend and Progress of Banking in India 1983-84, P 147 and for 1987-88 taken from Important Data on Credit cooperatives and non-Credit Cooperatives for 1987-88 NABARD, Bombay, P.3 to 22 and 43 to 45.

6. Ibid, P 14

7. Statistical Statements, Relating to Cooperative Movement in India Part-I Credit R B.I Bombay for the related years.

and to 37.83 in 1980-81. Though it was reduced to 29.7 in 1981-82, it increased again to 30.89 in 1982-83\(^9\) and to 37.00 in 1987-88.\(^{10}\) Further, out of the total overdues, the percentage of overdues of over 3 years, was so high that it was in the range between 16 and 20 during the years between 1976 and 1979 in the case of P.A.C.Ss.\(^{11}\) Similarly in the case of D.C.C. Banks the same was in the range between 21 and 22 during the same period.\(^{12}\)

It clearly indicates that the problem of overdues in all types of agricultural credit co-operatives in the country was not so serious in 1960-61. However it started to grow later on. The above said figures reveal the alarming situation in these co-operatives.

The following Table II.1 shows the percentage of overdues to demand in agricultural credit cooperatives in recent years in India.

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9. Statistical Statements relating to cooperative movement in India, Part-I Credit, RBI, Bombay for the related years.
10 Important Items of Data Credit and Non-credit Cooperative Societies 1987-88 NABARD, Bombay, P.8.
11. Statistical Statements Relating to cooperative Movement in India Part-I Credit RBI, Bombay, for the related years.
12. Ibid.
Table II.1. YEAR-WISE PERCENTAGES OF OVERDUES TO DEMAND IN AGRICULTURAL CREDIT COOPERATIVES IN INDIA

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1980-81</th>
<th>1981-82</th>
<th>1982-83</th>
<th>83-84</th>
<th>84-85</th>
<th>87-88</th>
</tr>
</thead>
<tbody>
<tr>
<td>P.A.C.S.</td>
<td>41.4</td>
<td>42.0</td>
<td>39.9</td>
<td>N.A.</td>
<td>N.A.</td>
<td>40.20</td>
</tr>
<tr>
<td>D C C. Banks</td>
<td>37.8</td>
<td>35.8</td>
<td>37.8</td>
<td>41.4*</td>
<td>N.A.</td>
<td>37.00</td>
</tr>
<tr>
<td>State Coop Banks</td>
<td>9.8</td>
<td>9.7</td>
<td>7.4</td>
<td>10.0*</td>
<td>N.A.</td>
<td>11.3</td>
</tr>
<tr>
<td>C.L.D. Banks</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38.2</td>
</tr>
</tbody>
</table>

Source: * Taken from "Important Items of Data Credit and Non-Credit Cooperative Societies 1987-88 NABARD, Bombay, P.4 and 6.

The Table II.1 shows the rising trend in overdues in the Agricultural Co-operatives in the country. In some of the States, the overdues have assumed to such an alarming proportion that the co-operative credit institutions have so stagnated as not to be relied upon to provide any support to the agricultural programmes in their areas.¹³

Agricultural Credit Co-operative Movement in Karnataka is also no exception in respect of overdues, when compared to other

¹³. Report of the Study Team on Overdues of Cooperative Credit Institutions, RBI, 1973, P.1
states. The percentage of overdues to total loans outstanding in D.C.C. Banks in Karnataka increased from 20.21 in 1960-61 to 30.31 in 1970-71 and to 54.6 in 1980-81. In 1983-84 the percentage of overdues to demand in these banks in the state was 52, but it came down to 25.4 in 1987-88. Similarly the percentage of overdues to loans outstanding in PACSs increased from 34.04 in 1960-61 to 41.12 in 1970-71, to 51.00 in 1980-81 and came down to 43.00 in 1983-84, and to 40.5 in 1987-88.

Further from 1970, the total amount of overdues in the PACSs in the State has been increasing to such an extent that it has been exceeding not only the total amount of owned funds but also the entire internal resources. As on 30th June, 1972, the total amount of overdues in PACS in the State was Rs 26.47 crores as against the total internal resources of Rs 25.29 crores. This means overdues had exceeded the total internal resources by Rs 1.18 crores, and the same increased to Rs 12.48 crores by 1984-85.

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14. Worked out on the basis of the figures from the Administrative Report of the Department of Cooperation in Karnataka for the related years.
15. Important Items of Data Credit and Data on Credit Cooperatives and non-credit cooperatives for the related years, NABARD, Bombay.
16. Ibid.
17. Worked out on the basis of the Administrative Reports of the Department of Cooperation in Karnataka for the related years.
18. Ibid.
The mounting overdues in the agricultural credit cooperatives in the country have been therefore causing serious concern to the State as well as Central Governments, the NABARD and to the Credit Cooperative Institutions themselves as these have been acting as a serious restraint on the smooth flow of credit and consequently affecting the investment.

STATEMENT OF THE PROBLEM:

The ever increasing overdues in the agricultural credit co-operatives in Karnataka have created an alarming situation inspite of the fact that the Government of Karnataka has been taking all possible persuasive as well as coercive measures to curb overdues in co-operatives. Hence the need for a socio-economic analysis of mounting overdues over the last some years was felt by the researcher. This made me to undertake a detailed study of the mounting overdues to ascertain the socio-economic factors responsible for mounting overdues. Hence the present study on "OVERDUES IN PRIMARY AGRICULTURAL CREDIT CO-OPERATIVES IN KARNATAKA" has been undertaken.

REVIEW OF THE EARLIER STUDIES:

The field of rural credit is so vast and so complex and varies so widely that there is always scope for new experimentation and innovation. A number of studies have been made...
in the past to identify the causes for overdues in cooperatives in India. We have reviewed a good number of studies in this issue, irrespective of their size, conducted in various parts of the country by Indian as well as foreign research scholars, in order to know the various facets of the problems, they have studied certain factors responsible for mounting overdues.

The study made by Venkateshwarlu V. and Bale Rao M M. (July, 1984) covering 162 borrowers, from the selected societies in Guntur District of Andra Pradesh, gave more emphasis on the bulk-line cost concept for the purpose of working the scale of finance for different crops on scientific basis rather than on ascertainment of socio-economic factors responsible for mounting overdues.

The study made in 1978-79 by Kalyankar S P., Rajamane K D and Asturakar B C covering 96 sample borrower-members of 52 PACSs in parabham district of Maharashtra State, attempted to explain the causative factors for overdue with the help of posterior Bayesian probability theory. But it covered a limited sample of member-borrowers per society i.e. on an average of not more than 2 members from each society. The inferences drawn merely on the basis of a limited member of samples may not be adequate to substantiate the characteristics.
or effect relationship in respect of whole mass or population i.e. defaulters.

The doctoral thesis of Dadhachi C.L. (1971) covering 172 farmer-borrowers of 9 PACSs in 3 districts of Rajasthan, and the doctoral thesis of Ames Glenn Clifford Webater (1973), covering 136 farmer-borrowers of 35 PACSs in 3 districts of the Karnataka State, no doubt analysed some socio-economic factors which were responsible for mounting overdues. But in recent years, as number of legal and procedural changes in respect of advancing and recovery of agricultural credit, which were not at all incorporated in the aforesaid studies, have been taking place and these, besides socio-economic factors, have a profound impact on the recovery performance and overdues position of PACSs. It, therefore, becomes quite essential to study the simultaneous impact of recent policy measures taken by the Government and Monetary Authorities to curb overdues, along with impact of socio-economic factors influencing the trend in overdues in PACSs. In view of this, an attempt is made in our study to point out the varied factors responsible for overdues at present under changed conditions and to evaluate the effectiveness of Government and Monetary policy measures in curbing credit delinquency.

All the above mentioned studies are based on limited
sample of borrower-households of PACSs and have covered limited geographical area. Most of the studies are based only on the PACSs of old type generally financed by D.C.C. Banks but not on reorganised PACS and FSS and PACSs financed by commercial banks covering wider area of operation. Thus, present study is comparatively on a larger scale and based on 320 farmer-borrower-members of 18 different types of PACSs (due to reorganisation, the number of PACSs was reduced and as a result the area of operation per society increased) viz:

1) Non-reorganised old types of PACS but financed by D.C.C. Banks.
2) Re-organised PACS (Vyavasaya Sevasahakari Sangha i.e. VSS) but financed by D.C.C. Banks
3) Non-reorganised PACS but financed by Commercial Banks.
4) Re-organised PACS but financed by Commercial Banks.
5) Re-organised PACS but financed by Apex Co-operative Bank.
6) VSSS sponsored and financed by Commercial Banks.

Our study covers a geographical area of 48 villages in 4 revenue districts in the Karnataka State. Along with ascertaining the socio-economic factors influencing the overdues, an attempt has also been made to know whether the commercial banks with their managerial competency and financial soundness were able to keep control over rising overdues in their respective sponsored...
FSS and in their adopted PACSs. The present study is different from the previous studies, from another point of view i.e. whether the interest subsidy scheme of the Government of Karnataka has created any impact on the rising trend of overdies.

Our present study is therefore, quite different from the other earlier studies in terms of area of operation covered, different types of PACSs such as FSSs/SFSS/LAMPs and PACSs ceded to commercial banks.

PURPOSE FOR THE SELECTION OF ONLY PACS AS THE UNITS OF STUDY

In order to study the mounting overdues in the agricultural co-operative credit structure in the State only the PACSs have been selected. Because PACSs are the oldest and still continue to be the most predominant types of co-operatives in India as well as in Karnataka and also deal directly with rural people. The overdues in these co-operatives will have a direct impact on the DCC Banks and in turn on Apex Banks and so also ultimately on National Bank for Agriculture and Rural Development (NABARD). As pointed out by Date's committee on overdues 'The number of defaulters and the amount of default have grown much beyond the capacity of primary societies to manage within their resources resulting in large scale defaults to the central co-operative
banks.\textsuperscript{19} The inadequacy of the resources with the latter banks has in turn led to frequent and persistent defaults by these to the State Co-operative Banks. "The strength of the co-operative credit edifice is thus being undermined by the existence of overdues which are blocking the flow of credit all along the line to the cultivators."\textsuperscript{20} The agricultural primary credit society is the foundation stone on which the whole co-operatives edifice is built up. As these gross root level organisations are the final stage outlets of the cooperative credit after passing through district and State Apex Banks, it is imperative to probe into the causes for overdues in these co-operatives.

The PACSs financing short and medium-credit for the development of agriculture in rural areas in India as well as in Karnataka State can be broadly classified into . (i) non-reorganised PACSs, (ii) reorganised agricultural service co-operative societies, which are generally called as Vyavasaya Seva Sahakar Sangha (VSSS) (iii) Farmers service societies (FSS) or Sericulturist-cum-farmers Service Societies (SFSS) sponsored by Commercial Banks, and co-operative Banks specially DCC

\textsuperscript{19} Report of the Study Team on Overdues of Credit Co-operatives, RBI, 1974, P 7

\textsuperscript{20} Ibid
Banks and Apex Bank, and (iv) large-sized Adivasi multi-purpose societies (LAMPS) organised in tribal areas. Further non-reorganised PACSs can again be divided into (1) village primary agricultural credit societies organised generally in the beginning of the movement (2) multi-purpose co-operative credit societies, organised as per the recommendation of the Reserve Bank of India from 1937, (3) large-sized primary agricultural credit co-operative societies organised as per the recommendation of the All India Rural Credit Survey Committee, 1954 and (4) Service co-operative societies (SCS) organised from 1959 as per the recommendations of the National Development Corporation and as per the directions of the Pandit Jawaharlal Nehru, Late Prime Minister of India. However, all these above said societies are discharging the same functions. All these PACSs are generally financed by DCC Banks. However, some of these PACSs are directly financed by commercial banks and State Cooperative Apex Bank. The following types of PACSs have been selected for the study.

(A) **Non-Reorganised Societies**:

1. Large sized Primary Agricultural Credit Society Limited, Mandya, Kasaba - Taluka Mandya, District Mandya

21. Karnataka State Co-operative Apex Bank Ltd, Bangalore has been financing Chikkaballapur, Kasaba Vyavasaya Seva Sahakar Sangha Ltd, Chikkaballapur in addition other similar 6 societies in Chikkaballapur taluk in Kolar District.
2. Guitalu Seva Sahakar Sangha Limited, Guttalu, Taluk Mandya, District Mandya

3. Large-sized Primary Agricultural Credit Cooperative Society Ltd., Kukanur taluk Yelaburga, District Raichur


5. Large-sized Primary Agricultural Co-operative Credit Society Ltd., Balambeed Taluk Hanagal, District Dharwad


7. Akki-alur Grama Seva Sahakar Sangh Ltd., Akki-alur, Taluk Hanagal, District Dharwad


9. Seva Sahakar Sangha Ltd., Dodda Hurali, Taluk Chikkaballapur, District Kolar

(B) Re-organised Societies:


11. Vyavasaya Seva Sahakar Sangha Ltd., Yelaburga, Taluk Yelaburga, District Raichur.

13. Vyavasaya Seva Sahakar Sangha Ltd, Kiregendur Taluk Mandya, District Mandya
14. Vyavasaya Seva Sahakar Sangha Ltd., Induwala, Mandya Taluk, District Mandya
15. Chikkaballapur Kasaba Vyavasaya Seva Sahakar Sangha Ltd., Chikkaballapur, Taluk Chikkaballapur, Kolar District
16. Vyavasaya Seva Sahakar Sangha, Itagi, Taluk Yellapur, District Raichur

(C) Farmers' Service Societies:

17. Devasthanada Hosahalli Sericulturist and Farmers' Service Co-operative Society Ltd., Devasthanada Hosallihalli, Taluk Chikkaballapur, District Kolar

Thus out of so selected 18 societies, 9 are non-reorganised different types of old societies, 7 are reorganised societies and remaining 2 are Farmers service Cooperative Societies Even among non-reorganised societies 3 are large-sized adivasi multipurpose coop credit societies One is multi-purpose co-operative credit society and remaining 5 are service co-operative societies. Two PACSs are adopted at the rate of one each by commercial banks (Syndicate Bank and State Bank of Mysore) and one society is adopted by
the Karnataka State Co-operative Apex Bank. Thus re-organised and non-reorganised agricultural credit societies at rural areas financed by DCC Banks, Commercial Banks, Apex Bank are selected in addition to Farmers Service Societies financed by commercial Banks for the Study.

OBJECTIVES OF THE STUDY:

The important objectives of the study are

1. To study the progress of PACSs in the sphere of agricultural credit to the farmers.

2. To study the levels and trends of overdues in the entire short-term agricultural credit co-operative structure.

3. To study the socio-economic factors responsible for increasing overdues among the farmer-borrower-members belonging to different areas and different socio-economic strata.

4. To examine and review the lending measures and interest subsidy scheme of the Government of Karnataka.

5. To evaluate the effectiveness of legal and other measures introduced/attempted by the Government of Karnataka for curbing overdues.

6. To suggest measures to curb the overdues in primary agricultural credit co-operatives.
SCOPE OF THE STUDY:

The study confines to 4 districts, viz, Raichur, Dharwad, Mandya and Kolar in Karnataka. And again in each district one taluk has been selected for the study. Further, in each taluk 3 to 5 societies have been selected. The socio-economic factors influencing the overdues at the level of selected borrowers and the causes responsible for mounting overdues at the society level are studied. In order to study the overdues in agricultural credit co-operatives, only primary agricultural credit societies have been selected.

However, an attempt is also made to give a clear picture about the levels and trends of overdues in DCC Banks in the State and in the Karnataka State Cooperative Apex Bank Limited, Bangalore. The study confines mainly to short-term and medium-term agricultural co-operative credit structure in order to show the overdue position in the entire state.

An effort is also made to highlight in the levels and trends of overdues separately, in respect of PACSs, FSS, LAMPS and PACSs financed by Commercial Banks in the State.

A comparative study has also been made on the levels and trends of overdues in (1) PACSs financed by commercial banks, and PACSs financed by DCC Banks (II) PACSs and FSS...
COVERAGE OF THE PERIOD :

The data relating to loans advanced, demand collection, overdues, chronic overdues, etc, in respect of PACSs, FSSs, DCCBs and Apex Bank have been collected for the period from 1971-72 to 1987-88. However, in the case of LAMPs, the data was collected for the period from 1983-84 to 1987-88, as these are of recent origin.

STATEMENT OF HYPOTHESIS :

1. Mounting overdues have impeded the growth of agricultural co-operative credit movement.

2. Larger the land holdings, lesser will be the percentage of defaulters.

3. Borrowers with irrigated holdings default less than the borrowers with unirrigated holdings.

4. Borrowers whose principal occupation is cultivation default less than those who depend mainly on subsidiary occupations.

5. Defaulters are less among the self-cultivators than among those who get their lands cultivated by others.

6. More the influential and dominant caste group, more will be the default.
7. Borrowers who inform and discuss about their loaning operations with their family members default less than those who neither inform nor discuss with their family members.

8. Households with female management default less than those with male management.

9. Longer the period of association of member-borrowers with PACS, lesser will be the default.

10. Interest subsidy scheme of the State Government has created less impact on the borrowers to repay their dues in time.

METHODOLOGY:

The study is based on the primary and secondary data and stratified random sampling method was adopted. The primary data in respect of socio-economic factors responsible for mounting up of overdues was collected from the farmer-borrower-members (under different socio-economic strata) of selected societies. The societies for the study were selected on the following pattern.

1. Non-recogansed old types of PACSs but financed by DCC Banks

2. Re-organised PACSs (Vyavasaya Seva Sahakari Sanghas) but financed by DCC Banks.
3 Non-reorganised PACSs, but financed by Commercial Banks

4. Re-organised PACSs but financed by Commercial Banks

5. Re-organised PACSs but financed by Apex Co-operative Banks

6 FSS sponsored and financed by Commercial Banks

The secondary data in respect of membership, share capital, reserves, deposits, loans advanced, outstanding, overdues etc., were collected from their respective annual, administrative and audit reports.

To evaluate the levels and trends of overdues in entire co-operative structure, the related data was collected through data sheets and statements from the official records of the office of the Director of Research and Evaluation Cell of the Registrar of Co-operative Societies of Government of Karnataka, Bangalore.

The data in respect of socio-economic background of Karnataka State in general and of selected districts in particular was collected from the official records of the Director of Bureau of Economics and Statistics, Government of Karnataka, Bangalore.

PLAN OF ENQUIRY:

Comprehensive schedules were prepared for the collection of necessary data relating to the socio-economic factors contributing
to the mounting up of overdues from the borrowers. The borrowers were actually interviewed. Further to know the importance and the repercussion of the interest subsidy scheme introduced by the Government of Karnataka in 1982 to speed up the recovery of overdues in agricultural credit co-operative from the farmers, some of the directors of PACSs, DCCBs, & Apex Bank Co-operative and officials of co-operative Department & Banks were interviewed.

SAMPLING:

A list of all PACSs in each selected talukas was collected from the office of the Assistant Registrar of Co-operative Societies, viz., Chikkaballapur, Koppal, Savanur and Mandya. All the societies in each taluk were first alphabetically listed out. Then 10% of total number of societies in each taluk and not less than 5% of total number of borrower-members in each of the selected societies subject to the minimum 4 societies in each taluk and 15 members in each selected society were selected by using stratified random sampling techniques.

Then in each society, the total indebted members were first divided into 5 groups on the basis of the size of the land holdings owned by the members i.e. (i) big farmers with 10 acres and more (ii) medium farmers with 5 to 10 acres (iii) small farmers with 2.5 acres to 5 acres (iv) marginal farmers with less than
2.5 acres and (v) schedule caste and schedule tribes members irrespective of their size of lands possessed. In order to maintain consistency in comparison, 10% of each group in each society were selected for getting the primary data. The selection of taluk, societies, and indebted members of the societies can be seen in the following table - II 2.

Thus 5 societies in each Mandya and Dharwad districts, 4 societies in each Kolar and Raichur districts were selected. And from these 18 societies, 320 indebted members belonging to marginal, small, medium, big farmers and scheduled caste and scheduled tribe members were selected.

RATIONAL BEHIND THE SELECTION OF THE UNITS OF STUDY:

The entire Karnataka State has been divided into 4 revenue divisions, i.e. Bangalore, Mysore, Gulbarga and Belgaum. Belgaum and Gulbarga divisions consist of 4 revenue districts each and Mysore and Bangalore divisions consist of 6 districts each (including Bangalore city).

On the basis of topography, Karnataka is divided into 4 divisions, (i) Northern Maidan, (ii) Souther Maidan, (iii) Malnad area and (iv) Coastal area.
<table>
<thead>
<tr>
<th>Name of the taluk</th>
<th>No. of PACSs in the taluk</th>
<th>No. of societies and members selected for study</th>
<th>Classification of members selected</th>
<th>Total members, SC/ST</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>societies</td>
<td>Members</td>
<td>Marginal Farmers (MF)</td>
</tr>
<tr>
<td>Yalaburga</td>
<td>17</td>
<td>4</td>
<td>75</td>
<td>23</td>
</tr>
<tr>
<td>Hanagol</td>
<td>47</td>
<td>5</td>
<td>75</td>
<td>21</td>
</tr>
<tr>
<td>Mandya</td>
<td>42</td>
<td>5</td>
<td>77</td>
<td>26</td>
</tr>
<tr>
<td>Chikkaballapur</td>
<td>17</td>
<td>4</td>
<td>93</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>123</td>
<td>18</td>
<td>320</td>
<td>92</td>
</tr>
</tbody>
</table>
On the basis of the soil, it is divided into 5 zones such as (1) Laterite soils (11) Red Loamy soils, (111) Red sandy soils, (iv) Black soils, and (v) Alluvial soils.

We have, therefore, selected 4 districts and one taluk from each district Dharwad district in Belgaum division, Raichur district in Gulbarga division, Mandya district in Mysore division and Kolar district in Bangalore division have been selected for the study. Then taluks such as Mandya in Mandya district, Chikkaballapur in Kolar district, Yalaburga in Raichur district and Hangal in Dharwad district have been further selected.

While selecting the PACSs from different districts and taluks, due weightage was given to the factors such as rain fall, soils, irrigation facilities, cropping patterns, marketable surplus with the farmers, etc.

Mandya district in Mysore division from erstwhile Mysore province comes under Red-loamy and Red-sandy soil and is in the southern maidan. Kolar district in Bangalore division comes under red-loamy soils in the southern maidan. Dharwad district in Belgaum division from erstwhile Bombay province comes under Northern Maidan and has possessed, laterite soil and black soil. However, some part of Dharwad district like Hanagal and Kalagatgi taluks
comes under Malnad area. Whereas Raichur district in Gulbarga division from erstwhile Hyderabad Province has possessed black soil and come under Northern Maidan.

All taluks such as Hanagal, Yalaburga, Chikkaballapur and Mandya will represent the Agro-socio-economic conditions of their respective districts in particular and state in general.

And again the entire Mandya taluk comes under canal irrigation, Chikkaballapur comes under garden area, (with vast area under well-irrigation). Hanagal is in Malnad area and gets not only abundant rainfall but also its vast area is under tank and canal irrigation. In Dharwad district, Hanagal taluk is the second taluk having vast area under irrigation and getting highest rainfall. But Yalaburga taluk not only gets comparatively very less rainfall but also the availability of irrigation facility is less. Thus Mandya taluk is under canal irrigation, Chikkaballapur taluk with well-irrigation is under garden area, Hanagal taluk is in Malnad area getting highest rainfall having tank and canal irrigation facilities and Yalaburga taluk is under dry land area where famine is common.

The main crops grown in Mandya taluk are sugarcane, paddy, ragi and to some extent, mulberry. In the case of Chikkaballapur, the main crops are fruits and vegetables, mulberry, ragi.
paddy and other cereals. In the Hanagal taluk, the main crops grown are paddy, and jowar, but in some parts towards Haveri taluk cotton, groundnuts, chillies, etc., are also grown. In Yalaburga, being in a black soil, however, cotton, wheat, groundnut etc., are the main crops. However, famine occurs very frequently in this taluk.

Further Kolar and Raichur districts are comparatively backward districts in view of co-operation, education and economic developments, whereas Dharwad and Mandya districts are comparatively advanced districts in the State in respect of aforesaid all factors.

The above 4 districts have been selected specifically on the basis of another criterion that in two districts, i.e. in Raichur and Kolar all types of PACSs are re-organised. But in respect of Mandya district re-organisation of PACSs is partially done. In respect of Dharwad district re-organisation of PACSs is yet to take place.

DESIGN OF THE STUDY:

The study has been divided into 8 chapters. The first chapter deals with the concept of co-operation with historical background. The second chapter deals with the description of area.
to different aspects such as needs for the study, statement of the problem, review of the earlier studies, scope and research methodology, followed by the design of the study. Besides these, it also covers the conceptual clarity of certain words used in the study.

The third chapter explains how credit is crucial and indispensable to the farmers, the essential characteristics that a sound agricultural credit should possess and how co-operatives have been best suited to distribute credit movement in India. In this chapter, besides dealing with the historical background of the co-operative movement in Karnataka, an effort is also made to give the latest progress in respect of financial and loaning operations of the primary agricultural credit co-operatives, DCC Banks, and Karnataka State Co-operative Apex Bank Ltd., Bangalore.

The fourth chapter deals with Agro-economic conditions of Karnataka State in general and the selected districts in particular. Agro-socio-economic profile of the selected taluks is also given in brief.

The fifth chapter is devoted to throw a light on the rising trend in overdues and it also highlights on the paralysation of co-operatives due to increasing overdues. This chapter also presents rates to give an account on the levels and trends of overdues in the
agricultural co-operative credit structure. Besides this, the levels and trends of overdues in the selected PACS is also analysed. A comparative analysis of overdue position in respect of PACSs re-organised and non-reorganised financed by commercial banks, and DCC/Apex Banks is made.

The sixth chapter deals with the various socio-economic factors responsible for mounting overdues. A through investigation for ascertaining the causes for default is made in this chapter. All hypotheses are tested in this chapter.

The seventh chapter pertains to the evaluation of the measures such as (i) legal measures, (ii) interest subsidy scheme, (iii) procedural changes in the loaning policy, etc., introduced to reduce accumulated overdues.

The eighth chapter gives the summary of the findings and suggestions to reduce overdues in the primary co-operative agricultural credit societies.

DEFINITIONS OF TERMS:

1. **DEFaulTER** A member shall be deemed to be a defaulter, if he has failed to pay the arrears of any kind of due by him to the society within the stipulated period for repayment.
2. **WILFUL DEFAULTER**. Wilful defaulter is one who has a capacity to repay, but has not a will to repay.

3. **OVERDUE**. Overdue refers to the loans which could not be recovered, within the stipulated period of time by the society from its indebted members.

4. **CHRONIC OVERDUE**. It means overdues over three years and above.

5. **RECOVERY**. Amount recovered from the member-borrowers after the expiry of the period of loan by the credit society.

6. **CREDIT**. Credit refers to the co-operative credit provided by the agricultural co-operative credit structure, commercial banks and regional rural banks.

7. **FARMERS**. Farmer means a professional farmer who owned, or leased land and looks after farming under his direct supervision. This farmer is also eligible to become member, to borrow credit from his Agricultural Credit Co-operative Society. This study focuses on only those farmers who have borrowed from their societies. Farmers in this study have been mainly classified into four categories: (i) marginal farmers who have less than 2.5 acres of land, (ii) small farmers who are holding 2.5 to 5 acres of land, (iii) medium farmers who hold 5.5 to 10 acres of land, and (iv) big farmer with land holding more than 10 acres. In the case of the irrigated areas, the respective farmers should have possessed 50% of the above mentioned holding limits.

8. **WORKING CAPITAL**. Working capital of the primary agricultural credit society is the aggregate of deposits, share capital, reserve funds and other funds, staff security deposit, undivided profit and borrowing from the district central financing agencies and Government.
9 SHORT-TERM CREDIT This refers to the crop loan, borrowed by the farmer-members from their respective PACSs to raise different crops. This loan is repayable generally in one year. According to section 21 (1) of the NABARD Act 1981, the repayment period of this dues does not exceed 18 months.

10. MEDIUM-TERM CREDIT It is the credit advanced by PACSs to its members to enable them to purchase bullocks, bullock-carts, to undertake minor irrigation activities, to construct cattle sheds, to undertake dairy, piggery etc., for a period of usually 18 months to 5 years. According to section 24 of the NABARD Act, 1981, the repayment period of this loan is not less than 18 months and not more than 7 years.

11. LONG-TERM LOANS It is a loan advanced usually by land development banks and FSS/SFSS to the farmers for enabling them to undertake permanent improvements on their lands such as digging of wells, installation of pump sets, land reclamation, bunding, to purchase costlier implements like, tractors, bulldozers etc., to raise commercial crops like coffee, cardamum etc., generally for a period of 5 years to 20 years. As per section 25 of the NABARD Act advances to State Land Development Banks and State Co-operative Banks for a period not exceeding 25 years.

12. CO-OPERATIVE YEAR Co-operative year means the year ending with the thirtieth day of June, or in the case of any co-operative society or class of co-operative societies, the accounts of which are made upto any other date with the previous sanction Registrar, the year ending with such date.
13. SECRETARY Secretary means a Secretary of co-operative to co-operative society as specified in section 111 A of Karnataka Co-operative societies Act (KCS) 1959

14. CO-OPERATIVE SOCIETY Co-operative society means a society registered or deemed to be registered under the KCS Act of 1959

15. COMMITTEE Committee means the governing body of a co-operative society by whatever name called, to which the management of the affairs of the society is entrusted.