

C H A P T E R - IVFINDINGS AND RECOMMENDATIONS

In this chapter an attempt has been made to identify the problems of working of PACS in Vengurla Taluka laid down in the objectives and hypothesis of the report. These findings are based on the enumeration of 23 PACS in Vengurla Taluka. The important findings have been elaborated as follows.

FINDINGS :

1. Borrowing of loans is time consuming as well as lengthy procedure :

The PACS in Vengurla Taluka have not re oriented the Credit policy according to crop loans. All the powers regarding the sanction of loans, recovery of loans, and recovery of overdues are vested with the DCC Bank. PACS in Vengurla Taluka do not have any freedom to take action in this regard. The secretary of the PAC forwards the loan application i.e. NCL statements to DCC Bank and the bank forwards these application towards the scrutiny officers at different levels in the Bank. This procedure of scrutiny is very lengthy and time consuming one. This process is some times delayed by a period of 3 to 4 months. This delayed process affects the agricultural productivity on the one hand and income of the farmers on the other.

The high incidence of overdues found in PACS can be attributed to the defective loan policy followed by these PACS. On the basis of above factor of loan policy we can identify the major factor of problems of loan operations these are as follows :

- a) Actual disbursement of loans by these PACS is purely imbalanced to the different category of members.
- b) The entire loan amount is paid in lumpsum and that to in terms of kind i.e. fertilizers.
- c) The PACS loans are provided on the basis of security rather than production. These pacs provided loans against mortgagage of land or any assets, and as a result the economically weaker section and reserved category members, can not avail of benefits in the absence of adequate collateral security.
- d) The application form prescribed by the cooperatives is too vast and requires particulars which are difficult to obtain.

2. Domination of economically stronger group it has been found that in that major ty of the members belongs to the category of land holdings households. / The landholder category is clearly dominated the membership of PACS and naturally even the operation of PACS.

### 3. HIGH OVERDUES :

One of the most disquieting features of PACS in Vengurla Taluka is the high amount of overdues. The percentage of overdues of all

PACS moved from 40% in 1982 83 to 31% in 1986 87. This is quite progressive in the case of recovery at average level. But in case of different category members overdues is very high during this particular period. In case of non agricultural members percentage of overdues stands 39% to their total loans advanced. and jore than 90% to the reserved category members.

The problem of overdues faced by these PACS in Vengurla Taluka is on account of the following reasons.

- a. Lack of coordination between cooperative credit and cooperative marketing.
- b. Low agricultural productivity of land and weak financial position of members.
- c. Inadquate audit and supervision of the PACS leads to misutilisation of funds by the members which has aoso resulted in high overdues.

4. INEFFICIENT MANAGEMENT :

Management of PACS in Vengurla Taluka in terms of personnel management and managing committee leads to the serious problems of financial weakness and disbursement of loans to the members.

In case of management of PACS in this Taluka, most of the members of PACS taking very less interest in they day today

affairs of PACS. In case of some PACS, a person who is the Chairman holds the chair for years together. There is no change in the leadership and which develops some vested interests and that adversely affects the loan operations of PACS.

Out of the 23 PACS only two PACS have appointed fulltime paid secretary and other PACS have part time secretaries. This has made the entire functioning of PACS Opsided. The economically and socially weaker sections of the society have remained out side the fold of cooperative movement.

#### 5. LOANS AGAINST MORTGAGES :

The PACS in Vengurla Taluka distributed loans on the basis of mortgages like land, property and house etc. On the basis of this principle most of the non agricultural members are not getting benefits of cooperative credit and those who are having more of land holdings can get higher benefits of cooperative credit.

But in case of this taluka duringg this study, period, most of the big farmers holding more than 8 hect. of land are not getting benefits of cooperative credit. But the agriculturists holding less than 1 to 2 hectors of land are taking much of the benefits of PACS in the form of loans. Therefore, it may be said that economically stroner groups are not taking undue advantage of their strength in the membership.

This can be considered to be very healthy sign of the development of PACS in Vengurla Taluka.

6. WEAK FINANCIAL STRUCTURE :

The capital structure of PACS in Vengurla Taluka is very weak. As the majority of the PACS can not afford to have independent secretary on full time basis as a result of which they can not really induce professionalism in their managements. Generally two or three PACS are clubbed together which appoint secretary and his workload becomes considerably high. The Govt. contribution in the share capital of the entire PACS in Vengurla Taluka is very negligivle. There are only seven PACS getting the benefits of Govt. Assistance in share capital in 1986-87.

It is observed that the proportion of increase in share capital in relation to volume of working capital is more or less constant for the last five years.

The low rate of interest on saving is the real cause of low deposits from the members and non members. The second reason for this is that most of the farmers are very poor and they are not in a position to save some amount out of their current income. The reserves made by these PACS are also very low as compared to the working capital required by the PACS.

The depsit mobilisation form both the categorjes i.e. members as well as non members is very less as compared

to the total requirement of working capital of the 23 PACS in this taluka.

The important source of finance of the PACS in Vengurla Taluka is the borrowing of from the DCC Bank when the PAC depends upon external finance like DCC Bank loans, the Bank takes away the independent asking them to follow a particular set of policies very rigidly. In fact, in that case the entire operations of PAC become routinised identity of PACS by policy matter.

#### 7 NON VIABLE UNITS :

The PACS in Vengurla Taluka are working as the non viable units during the last five years as evaluated in the present study. There is one PAC known as matond was the on viable society in 1982 83 and others were non viable society ior units In 1986 87 the position of viable societies increased by one more PAC known as vetord. The viability is measured on the basis of operations of PACS in terms of membership, capital mobilisation, loan operations, management etc. According to the Registrar of Cooperatives and manager of DCC Bank in Vengurla the basic criteria of viability of PACS are the business turnover of PAC must be more than Rs. <sup>5</sup> lakh appointing full time paid secretary, having the independent office and payment of the dividends on shares. These criterias are not

fulfilled by 21 PACS in Vengurla Taluka.

Viability of PACS can be judged on the basis of audit classification also. There is not a single unit of PAC in the audit class 'A' most of the PACS are in audit class B and C which expressed the poor performance of these PACS.

8 Operation of PACS is consumption oriented rather than production oriented.

The PACS in Vengurla Taluka are basically functioning as consumer stores rather than credit institutions. They are providing variety of consumer goods and not the agricultural inputs. The PACS in this Taluka are providing only fertilizers as the agricultural inputs and nothing else.

9) ABSENCE OF THRIFT :

One of the basic objective of the cooperative credit movement in our country is to encourage the habit of thrift and saving amongst the members. In case of Vengurla Taluka unfortunately these PACS have not succeeded even on modest scale to tap the saving of the rural masses. This is evident from the fact that the deposits of the members during the last five years of present study moved from Rs. 36941 in 1982 83 to Rs. 122723 in 1986 87. This is very low as compared to the working capital of PACS.

So long as the habit of thrift and saving is not encouraged among the rural masses. It will have to be confessed that the agricultural credit movement has failed in Vengurla Taluka.

RECOMMENDATIONS :

1. LOAN OPERATIONS :

Loan operations of PACS is entirely dependent upon the lending policy of DCC Bank borrowings from DCC Bank constitute of these PACS high proportion in working capital of these PACS. The following measures are necessary to improve the loan operations of the PACS.

- A) Procedural formalities should be so designed that borrowers get the loans at the time when he needs it and with the least possible difficulty. Even efforts should be made to reduce the number of particulars required to the essential minimum, to expedite and improve the scrutiny of the applications and to streamline the arrangements for sanction and disbursement, providing for a reduction in the number of authorities through whom the process has to be carried out, to the extent possible.
- B) Loans should be made in accordance with the needs of the members and should maintain the balanced approach of loan distribution, amongst all the categories of membership.



C) Loans of the PACS should be disbursed in the form of kind as well as in cash. An emphasis should be given to the best utilisation of funds in the productive activity.

The natural distribution may take place on the instalment basis so as to link it up to the productive operations for which loan facility has been availed of

D) Provision should be made to sanction the advance of loans on the basis of personal security for the purpose of production as well as to consumption. The crop loan system has to be developed to the maximum extent so as to make the loan provision on the basis of crop. This will encourage the small income groups and socially downtrodden members of PACS to borrow the funds of the PACS and the principle of seasonality should be taken into account for the loan advance and loans recovery.

2) MEMBERS COMPOSITION :

Efforts should be made that PACS are not dominated or exploited by some agricultural groups of the community. It is better to make more and more provision of membership for the small income group of the community provide the special assistance for increase the membership of reserved category.

The basic object of the cooperative movement is to serve the small farmers and other weaker section of the society.

The PACS should therefore, re orient their loan policy and procedure so that they may increasingly serve the small farmers and the weaker sections. Government should continue to provide outright grants with a view to building up special bad debts reserves to cover the possible risk involved in financing of this category of members.

3. OVERDUES :

Serious and substantial efforts should be made to reduce overdues. The collection drive should be launched in all the PACS. Adequate staff with the necessary delegated powers relating to execution etc. should be provided. Link of credit with marketing should be made more effective. Coercive action should be taken against persistent and wilful defaulters. Cooperative Department and the cooperative financing bank should exercise the utmost vigilance to see that the book adjustments do not occur on a large scale.

Special help should be provided for the recovery of small income group people. In case of reducing the overdues is necessity of effective supervision inspection and audit. The SDCC Bank should be entrusted with the work of supervision of PACS. The supervision should see that loans are used for stipulated purposes and that societies work on cooperative principles.

#### 4. MANAGEMENT :

On the basis of study it has been concluded that PACS are not managed efficiently. The managing committee members should be made aware of the aims and objectives of PACS. This can be possible by arranging their meeting with the DCC Bank members and officials of cooperative department. The chairman and secretary should try to achieve all types of cooperation from the committee members. In the present situation secretary is the only person who is paid for managing the affairs of the PACS. But his decisions are some times influenced by local elites, which has adverse effect on the operations of the PACS. Therefore necessary freedom and full cooperation from managing committee members should be given to the secretary. He should call managing committee meeting and explain the problems of PACS.

#### 5. Strengthening of financial position of PACS : PACS :

As the importance of share capital is considerably great for strengthening of resources of PACS systematic efforts to augment the same should be made. Members should be persuaded to take additional shares at the time of repayment of their loans soon after the harvest. The larger cultivator should be made to contribute more towards his share capital while the smaller

cultivator and weak section of the community should invariably be extended the facility of paying his share amount in convenient instalments, as otherwise credit will be beyond his reach.

Special grants should be taken from the Govt. so as to increase the owned funds of PACS.

6 FLEXIBLE APPROACH TO DETERMINING VIABILITY :

While taking care to see that economic viability is assured, the State Govt. should adopt a flexible approach in determining in specific standards of business required for a viable society so that they may be varied from area to area with reference to disparities in conditions in different regions and also modified from time to time, as the cost of staff and other relevant factors change.

7 SPECIAL EFFORTS FOR ENCOURING THRIFT AND SAVINGS :

PACS should make special effort to increase the savings from the members and non members. In order to increase the thrift and saving from the members, there is need of guidance and knowledge of the benefits of saving should be provided by the PACS.

8 NON CREDIT ACTIVITIES :

It has already been concluded that majority of the PACS have neglected non credit activities. Due to inadequate owned funds of PACS they are not able to run properly a fair price shop of their own. Private persons should not be allowed to run a fair price shop on the behalf of PACS. There is wide scope for the PACS to run the cooperative consumer stores in the

village level also. The PACS should try to fulfil all types of requirements of their members through such stores. Some extra payment should be made to the sectetray for looking non credit activities.