

CHAPTER-V

SUMMARY, CONCLUSIONS AND
SUGGESTIONS

CHAPTER-VSUMMARY, CONCLUSIONS AND SUGGESTIONSChapter-I :

1) It was only after the Report of the All India Rural Credit Survey Committee in 1954 that the activities of the Reserve Bank of India in the sphere of rural credit showed a marked expansion. Moreover, following the establishment of the National Agricultural Credit Fund and the National Agricultural Credit Stabilization Fund as well as also recommendations of various committees, the role of the R.B.I. shifted from that of a lender of last resort to that of an active agency not only for the promotion of a strong co-operative credit structure but also for enabling cooperative agencies to take a larger share in the financing of agriculture, through appropriate measures of reform and reorganisation.

2) The R.B.I. took various measures mainly multi agency approach, establishment of R.R.B.s and NABARD and other measures for improving quality and working of co-operatives so as to facilitate adequate and smooth flow of credit to agricultural sector.

3) The co-operatives are generally organised into a three-tier structure for short-term and medium term credit consisting of the State Co-operative Banks at the apex level,

central cooperative banks at district level and PACCS at the base, serving a village or a group of villages. The crop loan system is ^{an} accepted policy framework for operations of PACCS for issuing loans for seasonal agricultural operations.

4) Working of PACCS : A case of Walwa Taluka has been selected for ^{the} present research study as PACCS form the base of co-operative credit structure and Walwa taluka is a progressive taluka in many respects in which many PACCS are very oldest ~~est~~ working since 1928.

5) Working of PACCS is examined in respects of growth performance based on some selected indicators, financial soundness of PACCS based on the proportion of owned funds to working capital, financing of weaker sections of farming community and level and trends in overdues.

6) While evaluating working of PACCS, profit and loss accounts of PACCS, activities other than loan operations are not taken into consideration owing to non availability of sufficient data pertaining to many years.

Chapter-II :

1) There are about 95 PACCS in Walwa Tahsil which form more than 18% of the total number of PACCS in Sangli district.

2) Various selected indicators such as membership per society, share capital per society, reserves, working capital per society, advances per society, loans outstanding and level of overdues per society have been made use of mainly to compare growth performance of PACCS in Walwa Tahsil with growth performance of PACCS in Sangli district.

3) PACCS in Sangli district showed a slightly better performance in respect of coverage as compared to PACCS in Walwa Tahsil in that average membership per society rose at annual compound growth rate of 2.8% in the case of former; while in the case of latter, it increases at annual compound growth rate of 2.6%. Moreover, average membership per society in Sangli district exceeded that in Walwa Tahsil throughout the entire period under review.

4) The growth rate of share capital per society was also higher in Sangli district in comparison to Walwa Tahsil in that growth rates of share capital per society accounted for respectively 5.1% and 3.6% in the case of the former and the latter. However, level of share capital per society in Sangli district persistently continued to remain below that in Walwa Tahsil during entire period.

5) Though level of reserve funds per society continued to remain larger in Walwa Tahsil as compared to Sangli district throughout entire period, the difference

between the two levels (The former and the latter) appeared to slowly wiped out owing to the fact that the level of reserve funds grew rather slowly in Walwa Tahsil (compound growth rate of 7%); while it rose steeply in Sangli district (compound growth rate of 9.6%). Therefore, PACCS in both Walwa Tahsil as well as Sangli district, by and large, exhibited a better performance in building up a sound financial base in the rural milieu.

6) PACCS in Sangli district showed a better performance in respect of working capital in comparison to Walwa Tahsil as working capital of PACCS rose more rapidly (at the annual growth rate of 5.9%) in the case of former than that in the case of latter (in which it rose at annual growth rate of 4.3%).

7) The growth performance of PACCS in respect of advances was exclusively far more better in Sangli district as a whole as compared to Walwa Tahsil during the period under review owing to negative growth rate of advances per society, a fluctuating trend in advances, a very wider amplitude of fluctuations in advances in some years and lower frequency of advances to increase in the latter.

8) It is hardly possible to compare performance of PACCS in Sangli district to that in Walwa Tahsil in respects of loans outstandings and overdues in as much as (1) overdues

position per society exhibited fluctuating trends in both Walwa Tahsil as well as Sangli district. Moreover, trends were quite similar in the former and the latter.

(2) Amounts of loans outstanding in both Walwa and Sangli increased more or less in a similar fashion during the period.

Aforesaid conclusions reveal that PACCS in Sangli district, by and large, exhibited a better performance as compared to Walwa Tahsil particularly in respects of coverage, share capital, working capital and advances per society during the period under study.

Chapter-III :

1) The working capital comprizing^s share capital, reserves, deposits and borrowings exhibited an upward trend during the period under review except 1983. Deposits and reserve funds were not very significant for PACCS in Walwa in as much as the proportions of the former and the latter to working capital accounted for respectively less than 1.16% and 6.22% during the period under review.

On the contrary, borrowings constituted a single largest source of working capital for PACCS in Walwa Tahsil as borrowings continued to form more than 55% of working capital throughout the entire period under review.

Similarly share capital formed more than 18% of the working capital. The share capital of members accounted for a major part of total share capital as its proportion to total share capital continued to remain above 98% during the period. Contrariwise, the share capital contribution of the State Government accounted for less than 2% during the same period.

2) Composition of membership of PACCS in Walwa Tahsil revealed that marginal and small farmers as well as landless labourers together accounted for from 75% to 80% of total membership; while big farmers having land holding above 2 hectares accounted for only less than 25% of total membership during the period under review.

3) PACCS in Walwa Tahsil supplied both short-term as well as medium term loans in that amount of the former continued to form a large part of the total supply of loans and the amount of the latter accounted for a small part of the total supply of loans. The proportion of short-term loans to total loans continued to remain between 64% and 87%; while the proportion of medium term loans to total loans remained in the range of between 13% and 36% during the period under reference.

4) PACCS in Walwa Tahsil issued short-term loans in the forms of cash and kind. The proportion of loans

maid in cash to total short-term loans continuously deteriorated from 52.57% to 40.54% during the period from 1979 to 1982.

On the contrary, proportion of loans made in kind to total short-term loans persistently rose from 47.25% to 59.46% during the same period.

However, during 1983, the proportion of loans made in kind appeared to be declined to 56.55%, while the proportion of loans made in cash appeared to be increased to 43.45%.

5) More than 40% of the short-term loans issued by PACCS in Walwa Tahsil went to weaker sections of farming community consisting of marginal and small farmers during the period since 1981 consequent upon concentration of efforts on the part of the societies to financing of weaker sections.

On the contrary, the share of big farmers continuously deteriorated during the entire period under review in that the shares of last two categories (of farmers having holding from 4 hectares to 8 hectares and farmers having holding above 8 hectares) continuously declined respectively from 50.19% to 14.19% and from 21.76% to merely 4.17%.

6) Indices of inequality for marginal and small farmers continued to remain below 100 during entire period

under review. Consequently, weaker sections of farming community continued to obtain lesser loans, than their share in total membership. On the contrary, indices of inequality for big farmers continued to remain above 100 throughout entire period. Therefore, they acquired more loans and advances than their share in total membership.

7) Crop-wise analysis of short-term loans revealed that loans for sugarcane crop formed at higher level of more than 60% of total short-term loans during entire period under review. Moreover, loans for millet crop were also significant in that the proportion of such loans to total short-term loans continued to remain above 23% during the period of reference. On the contrary loans for other crops were insignificant during the same period.

8) Analysis of distribution of medium term loans according to size of land holding indicated that the shares of marginal and small farmers in total medium term loans continuously increased respectively from merely 0.76% to 36.33% and from 1.27% to 29.83% during the period from 1979 to 1983.

On the contrary, the shares of borrowing farmers having holding from 4 hectares to 8 hectares and borrowing farmers having holding above 8 hectares continuously deteriorated respectively from 87.78% to 16.70% and from

7.68% to merely 3.58% during the same period. In this way, the share of weaker sections in total medium term loans continuously increased. In fact, during 1983, more than 60% of medium term loans went to weaker sections of farming community. On the contrary, big farmers' share gradually went down particularly since 1981.

9) Marginal and small farmers continued to obtain lesser medium term loans than their share in total membership during the period from 1979 to 1982 in as much as indices of inequality for both categories of farmers remained below 100 during the same period. On the contrary, the big farmers' position, by and large, continued to remain strong in getting more medium term loans than their share in total membership during the period under review.

10) The proportion of overdues to outstanding of loans (short-term) continuously deteriorated from 38.38% in 1979 to 14.42% in 1982. Similarly, the proportion of overdues to total demand for loans exhibited similar downward trend in that it declined from 29.82% to 15.37% during the same period. However, during 1983, both proportions rose respectively to 20.14% and 17.04%. The amount of overdues in the case of medium term loans also behaved more or less in the similar fashion in that its proportion to total outstanding of medium term loans rapidly deteriorated from 30.20% in 1979 to 6.28% in 1982. Likewise its

proportion to total demand for medium term loans declined from 54.90% to 16.95% during the same period. However, during 1983, both proportions rose to 9.74% and 23.02% respectively.

11) Periodwise (or Age-wise) classification of overdues in the case of short-term loans revealed that the proportion of overdues of over 3 years to total overdues and the proportion of overdues upto 1 year to total overdues varied inversely with each other during entire period in that the former continuously increased from 62.26% in 1979 to 73.79% in 1981 and the latter continuously deteriorated from 17.55% to 13.79% during the same period.

On the contrary, during subsequent period, the former declined from 73.79% to 43.19%; while the latter increased from 13.79% to 43.16%. Overdues of other two categories exhibited a fluctuating trend during the period under study.

12) Periodwise classification of overdues in the case of medium term loans revealed that the proportions of the first two categories of overdues (i.e. overdues upto 1 year and overdues between 1 year and 2 years) to total overdues exhibited an upward trend throughout entire period; while overdues of last two categories with ups and downs slowly deteriorated during the same period.

Chapter-IV :

1) Analysis of growth performance of selected PACCS at individual level revealed that PACCS in irrigated area showed a better performance in respects of coverage, share capital, advances and recovery in comparison to PACCS in less irrigated or dry area during the period under review. However, PACCS in both irrigated as well as dry areas showed poor performance in respect of deposits.

2) PACCS in irrigated area continued to financially more stronger in respect of share capital than those in dry area. On the contrary, Yetawade society in dry area showed relatively better performance in respect of reserves in comparison to other three societies. So far as bad debts and other funds are concerned, one society in irrigated area and one society in dry area exhibited better performance as compared to other two societies.

3) All selected PACCS in both irrigated as well as dry areas showed equally better performance in respect of financing of weaker sections of farming community in as much as the average share of weaker sections in total short-term loans in the case of Bhawaninagar, Yedemachindra, Yetawade and Ladegaon societies accounted for respectively 48.38%, 41.93%, 43.30% and 46.36% during the period under study.

However, all societies other than Ladegaon showed a poor performance in issuing loans to weaker sections according to their share in total borrowing members as the average indices of inequality for both marginal and small farmers continued to remain below 100.

4) The position of all selected PACCS was not really comfortable in respect of overdues in as much as annual growth rates of proportion of overdues to loans outstanding showed a very wide amplitude of fluctuations during the period under study eventhough the proportion of overdues to loans outstanding deteriorated during the period from 1978-79 to 1981-82.

SUGGESTIONS :

1) Financing of weaker sections of farming community may be enhanced to the extent of their share in total cultivator households. About 66% to 70% of the cultivator households have farm holding below 2 hectares in size. However, these categories of farmers could be able to obtain mere 40% of total loans from PACCS in Walwa Tahsil. Therefore, share of weaker sections consisting of marginal farmers and small farmers may be enhanced from 40% or two fifth to 66.6% or two third in the immediate future from points of view of social justice and equality.

2) As a matter of social policy, PACCS may discriminate in favour of small farmers and offer credit on favourable terms to them. The All India Rural Credit Review Committee recommended that only small farmers should be allowed full entitlement to the crop loan based on scales of finance and acreage and that the large farmers are required to plough back more of their resources.

Differentiated interest rate policy ^{is} based in favour of small and marginal farmers may be followed by PACCS in that interest rates on loans to small and marginal farmers have to be considerably lower to act as an incentive for increased production.

3) The quantity of deposits is relatively much lower in comparison to working capital. Moreover, proportion of deposits to working capital is deteriorating. Therefore, in order to encourage deposits, PACCS may be allowed (i) to issue attractive pass-books, (ii) to declare prizes on accounts with minimum withdrawals and (iii) to distribute attractive calendars giving hints on banking and better farming.

4) The policy of determining the quantum of loan may be purpose-oriented rather than existing land holding oriented. Such policy may help small, marginal and medium farmers. However, this presupposes the existence of an

efficient agricultural extension service to guide and advice the farmers as to the proper use of credit and existence of well-trained staff of co-operative credit societies. Unless there is complete co-ordination between PACCS and extension services, small farmers are not capable of making productive use of credit. Supervised credit system which co-ordinates credit provision with extension services may be adopted by PACCS for making credit instrumental in raising farm production.

5) In order to check the mis-utalisation of credit, PACCS have already started finance in cash as wellas in kind. The proportion finance in kind component may further be increased but it should be assured that inputs issued by these societies are of good quality. Moreover, supply of kind component of finance may be made timely without any delay.

6) The provision of consumption credit may be made mainly for landless labourers and credit to them may issued on the basis of income to be generated from their capacity to work in particular period.

7) It is necessary to reduce magnitude of mounting overdues. For this following measures may be adopted.

a) Every farmer whether a borrower, non-borrower or a non-member should be placed under statutory obligation to

obtain a certificate, even if he shows 'nil' dues from a PACCS before he is permitted to offer the produce for auctions/sale in mandi/regulated market. It should be made obligatory on the part of mandi/regulated market to recover the dues of the society and remit it to PACCS concerned.

Though this measure has been in operation since long back, necessary steps may taken to rationalize it further.

b) There is need to strengthen the organisational machinery of co-operative lenders at different tiers and streamline/skill to pre-empt mis-utilization or diversion of funds. Besides, proper attention is also required for providing such supporting services as supply of different inputs in appropriate time, facilities for transport, grading and storage, marketing and technical advice in collaboration with various Government agencies to enable the farmers to make optimum use of credit. This can, to some extent, exclusively help reduce magnitude of overdues of PACCS.