
CHAPTER - V.

PROBLEMS BEFORE THE BANK
AND SOLUTIONS THEREOF.

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The Bank has started with long-term lending for agricultural development in 1982-83. The Bank made the beginning with long-term finance for lift irrigation schemes in 1983-84. As mentioned earlier, this study covers 16 Lift Irrigation Schemes for which the Bank has provided long-term finance and for which it has received refinance from the NABARD.

The Bank has obtained necessary permission from the Co-operative Department of Maharashtra State to function as Land Development Bank under Section 142 of MCS Act, 1960.

Unlike the short-term and medium-term loans given by the bank, it has not got sufficient experience and expertise in the sphere of long-term financing for agriculture development. This Chapter tries to state the various problems faced by the Bank in respect of long-term lending started by the Bank in 1983-84 and the possible solutions to these problems.

Problems before the Bank :

Problems before the Bank in respect of long-term lending for agricultural development may be classified in the following manner;-

1. Procedural Problems.
2. Problems with LDB Lending
3. Organisational problems

Details of these problems are given below :-

1. Procedural Problems :

Procedural Problems are as follows :-

- a) Problems of refinance
- b) Mortgage Deed and Registration
- c) Repayment Period.
- d) Interest Margin
- e) Problems with PACS.

a) Problems of Re-finance :

So far the Bank disburses loans to a number of PACS on the basis of sporadic lending. Every year the Bank

applies to the NABARD through the Apex Bank, Bombay for sanctioning M.T. credit limit under sporadic lending. Considering its financial position and resource availability, the application stands rejected by the NABARD. It is the Banks conviction that switching over to projects/ schematic lending is possible for them in a big way, only after strengthening the infrastructure gradually. This may take some time. The Bank disburses finance for them investments for the purposes which are approved by the erstwhile Agricultural Credit Department of RBI and presently by the NABARD.

b) Mortgage Deed and Registration : -

According to Rule 48A of the MCS Rules 1961, land is mortgaged directly from the beneficiaries by the LDBS against loan. But in case of the Bank the procedure of the land mortgage is complicated. The form of the mortgage deed is also to the L.I. Society/PACS alongwith other forms (i.e. application and other forms). These forms of mortgage deed, in duplicate, are filled in by the concerned society and

submitted to the Registrar for recording long-term loans on the 7/12 extracts of each of the members of the L.I.Society/PACS. Once the Registrar issues a receipt of these forms it is assumed that the mortgage of the land has taken place, though practically this process takes much longer time to record transaction of loan on 7/12 extracts of the land owner.

Government of Maharashtra Department of Agriculture and Co-operation has suggested some conditions for the Registration of the co-operative Lift Irrigation Societies. Such societies should produce a Certificate to the effect that the particular society through which the proposed Lift Irrigation Scheme is to obtain finance is in profit and the scheme is technically sound. This Certificate should be obtained from the society which is going to give finance. There should be a binding on Lift Irrigation Schemes to take loan only from the society which has given such a Certificate. There will be no problem like Certificate being obtained from one society and finance being taken from another society.

c) Repayment Period :

Gestation period as given by the NABARD is 23 months for all the schemes. Actually a project takes 18-20 months for

completion and then upto 12 months for production of crops which are to be sold. Considering this long period, gestation period of 23 months is not enough as it becomes very difficult to make first repayment in the 24th month. Taking into consideration this difficulty 3 years gestation period should be given and recovery should start from the 4th year.

d) Interest Margin : -

Bank gets Re. 0.75 of interest margin. Besides the Bank has to invest 10% of the estimate of the Lift Irrigation Scheme in the form of loan for L.I. Schemes. The Bank gets interest at 7.5% p.a. on such investment. The interest margin should therefore, be enhanced.

d) Problems with PACS :-

The long-term finance of the Bank should be distributed through the PACS only. Prior permission of the Commissioner and Registrar, C.S.,M.S., Pune will be necessary for channelisation of Long-term finance through any society

(like L.I. Society) other than PACS. Nationalised/ Commercial Banks also disburse finance for lift irrigation schemes and that too directly to the L.I. Society. If the Bank cannot finance L.I. Society directly without the Registrar's permission as above, financing of L.I. Schemes is likely to be done by Nationalised/Commercial Banks. These Banks would also give crop loans to the agriculturalists. Thus the Bank is put to a competitive disadvantage in this case. The Banks competitive disadvantage, as explained above must be removed by necessary measures at appropriate levels. It is experienced by the Bank that prior to disbursal of such finance the above banks obtained in writing from the beneficiaries members of the L.I. Scheme to borrow their crop loan and other short term loan needs from Nationalised/Commercial Bank only.

2) Problems with LDB Lending : -

The Bank shall not undertaken long term finance in the area of operation of unrestricted sub-branches of the LDB. In case of long-term finance in the area of operation of restricted branches of the LDB the District Deputy Registrar, C.S., Kolhapur shall determined whether the project could be financed by the sub-branch of LDB in the first instance.

if the sub branch is short of funds then the projects may be cleared for financing by the Bank. The District Deputy Registrar, C.S.Kolhapur shall give his decision within 7 days from the receipt of the request from the Bank. If such restriction is put on the Bank, then it is extremely likely that the majority of L.I. Schemes may approach Nationalised/ Commercial Banks for finance.

3. Organisational Problems :-

Organisation structure for long-term financing of the Bank has already been described in Chapter No. III. With the present quantum of business of long-term financing also, the organisation is inadequate. Moreover, the Bank has to consider purposes other than Lift Irrigation Schemes for financing and it should think of financing on 'integrated' basis. By integrated basis is meant financing for all the purposes for which the agriculturist needs financial help. For this purpose, the Bank must think of strengthening the organisation structure for long-term lending. How that should be done is the matter of details. But a few guidelines may thus be given :-

1. A Senior Officer should be in-charge of this section.
2. There should be Agricultural Officers in addition to the Engineers, the Bank is having at present.

3. There should be adequate number of inspectors.

4. At branch level, inspecting staffs should be increased.

These Inspectors should, as far as possible, be graduates in Agricultural Science. Inspecting Staff should adequate in number. Through them the Bank should be a position to look after cropping pattern of the L.I. Scheme, the utilisation of water resources for irrigation purposes, collection water charges at prescribed rates, repayment of the bank loan etc. This is a very much neglected aspect now.

CONCLUSIONS :

Entering the field of long-term finance is a new thing for a District Central Co-operative Bank. The Bank has, however, done its fairly successfully. The Bank started with lift-irrigation-scheme-finance in 1983-84 and in four years of time upto 1986-87, has financed 16 such schemes. Amount of loans sanctioned is Rs. 139.73 lakhs. 12 of the schemes are complete and 4 are in-progress. There are overdues in respect of 6 Schemes.

The author has studied the policy matters and procedures followed by the Bank in granting long-term loans for agriculture. Detailed description has already been given in the Preceeding Chapters. Problems connected with policies and procedures have

also been discussed and possible solutions are given in this Chapter. It has also been observed that the Bank has to strengthen its organisational structure so as to -

- (a) enhance the scope of its activities of long-term lending,
- (b) ensure utilisation of loans granted and
- (c) recover the instalments due for repayment in time and keep overdues to the minimum possible level.

A detailed Study may be undertaken to see whether this type of activity can be undertaken by other District Central Co-operative Banks advantageously.

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