

Chapter 1

Introduction And Research Methodology

- 1.1 Introduction to Co-operation**
- 1.2 Classification of Co-operatives**
- 1.3 Agricultural Co-operatives**
- 1.4 Objectives of Primary Agricultural
Co-operatives**
- 1.5 Present Position of Primary
Agricultural Credit Co-operatives**
- 1.6 Relation With Reserve Bank of India**
- 1.7 Significant Role of Agricultural
Finance in India**
- 1.8 Research Methodology**

Chapter 1

INTRODUCTION AND RESEARCH METHODOLOGY

1.1 Introduction To Co-Operation

The word Co-operation is derived from the latin word ' Co-operari' . "Co" means "with" and "operari" means "to work". In another words, Co-operation means ' working together for a common purpose'.

The Webster University dictionary defines Co-operation as " an association of number of persons for a common benefit especially in carrying on some branch of trade or industry, the profit being shared, as dividend among the members of it." Thus, co-operation is joint or collective action of people directed towards some specified goals in which where is a common interest with hope of getting some rewards.

The object of co-operation is economic and social betterment of persons who are otherwise weak persons to achieve progress individually, it helps them to gain the advantages of large scale operation, while maintaining independence by carrying out some economic activity.

Definitions of Co-operation

Co-operation has been defined by different authorities in different ways. Some of these definitions are given below

1. Dr. C.R. Fay describes co-operative societies as " An association for the purpose of joint trading, originating among the weak and conducted always in an unselfish spirit, on such terms that all who

prepared to assume the duties of membership may share in its rewards, in proportion to the degree in which they make use of their association."

2. Mr. Calvert defines co-operation as " A form of organization where in the persons voluntarily associate together as human beings on a basis of equality, for the promotion of economic interest of themselves."
3. Prof. Lambert observes co-operation as "An enterprise formed and directed by an association of users, applying within itself the rules of democracy and directly intend to serve both its own members and the community as a whole".
4. In the words of Prof. V.L Mehta " Co-operation is only one aspect of a vast movement which promotes voluntary association having common needs who combine together for the achievement of common economic ends."

From the above definitions it is clear that a co-operative society is voluntary and democratic association of persons with common economic need, working on the basis of equality, self-help and mutual help.

1.2 Classification Of Co-Operatives

Co-operative activities have been started into different branches of economic activities. Co-operatives to-day are found in production, consumption, service, credit, marketing and other spheres of country's life. In the age of specialization, every single co-operative society aims at catering a particular need of its members.

Initially, the co-operatives were organized for consumers. But later on they were extended to cover to the production field also. Hence, a twofold classification was adopted, viz, consumer's cooperation and producer's cooperation. At a later stage, when co-operatives were formed for the benefit of cultivators and rural people were developed, a separate classification of, agricultural cooperatives emerged. Later, they began to be categorized into

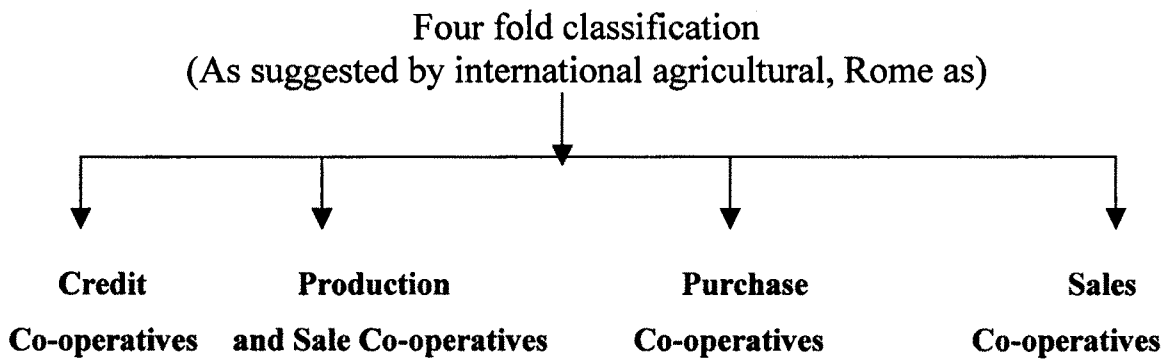
- (i) Agriculture and Non-Agriculture
- (ii) Rural and Urban

Four Fold Classification

None of the above classification proved satisfactory because the classification was based on the occupations or activities of the people who resorted to co-operation and was not based on the functions of the co-operatives or the purposes for which the co-operatives were formed. Therefore, a four-fold classification was adopted by International Institute of Agriculture, Rome as

- a. Credit co-operatives
- b. Production and sale co-operatives
- c. Purchase co-operatives
- d. Sale co-operatives

Four Fold Classification

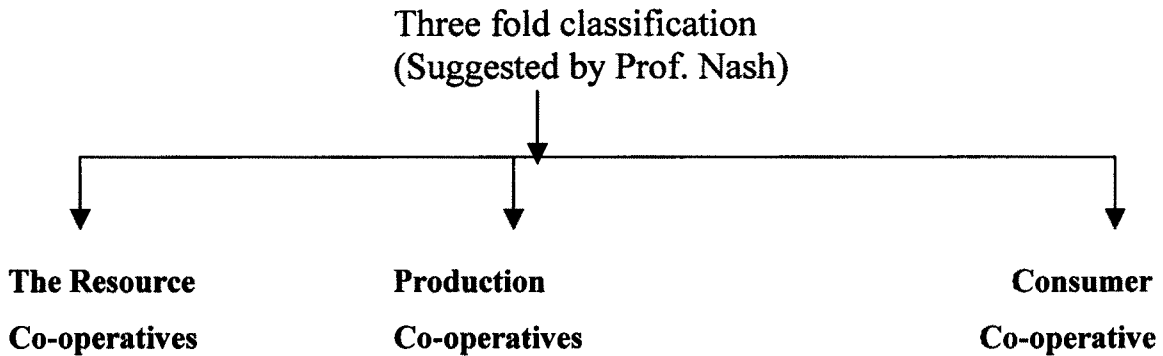


Three Fold Classification

A three fold classification was later on provided by Prof. Nash., as follows,

- a. The resource co-operatives, which were concerned with procurement of the needed resources (cash or agricultural input as the case may be) for their members.
- b. Production co-operatives, were to cover industrial production collective farming and labourers organizations and
- c. Consumer co-operatives which provided consumption articles and also housing for the members.

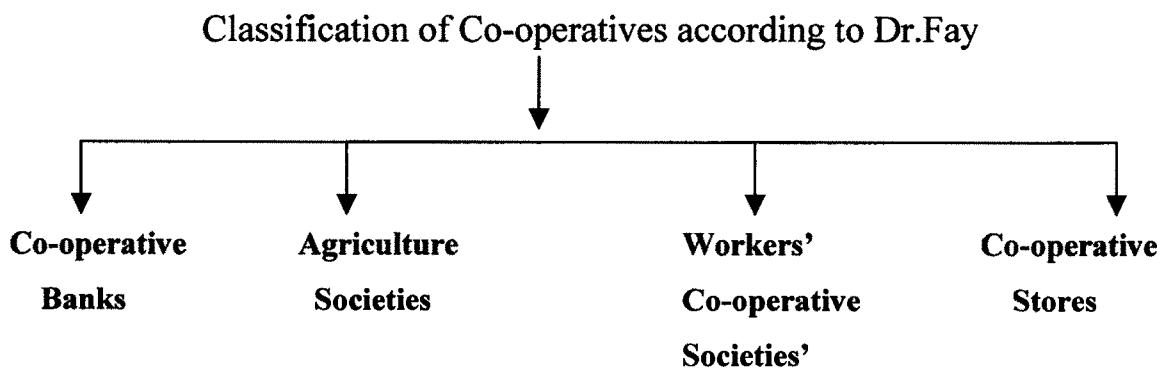
Three fold classification by Prof. Nash.



Classification According To Dr. Fay

Dr. Fay provided an improvement in classification, as shown below. For example, housing societies, insurance societies and the like have been left out of consideration, which now forms an important place in the co-operatives sphere. He classified co-operatives into.

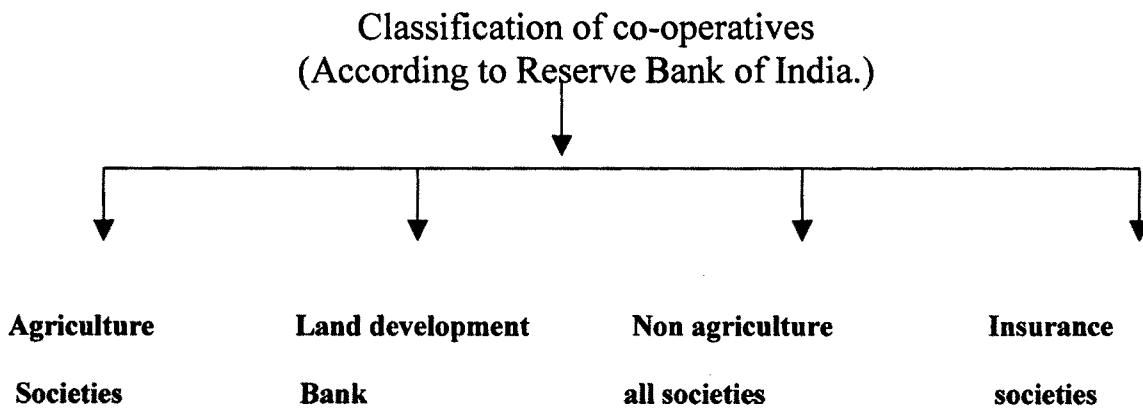
- a. Co-operative banks
- b. Agriculture Societies
- c. Workers co-operative societies'
- d. Co-operative stores



Classification According to RBI

The Reserve Bank of India has classified co-operatives into

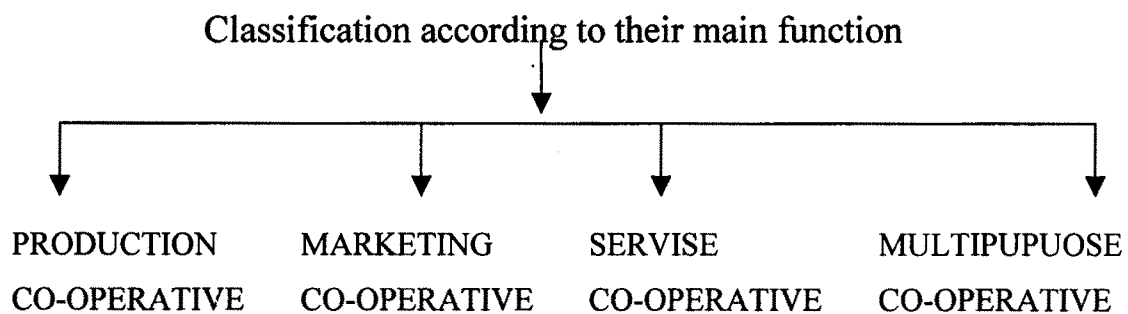
- a. Agricultural societies, comprising
 - i. Credit societies
 - ii. Purchase and purchase and sale societies
 - iii. Production societies
 - iv. Production and sale societies
 - v. Others
- b. Land Development Banks comprising
 - i. Primary land development banks
 - ii. Central land development banks
- c. Non Agricultural societies, comprising
 - i. Credit societies
 - ii. Purchase and purchase and sale societies
 - iii. Production societies
 - iv. Production and sales societies
 - v. Others
- d. Insurance Societies comprising
Ordinary and cattle.



It will be observed that classifications made have not been identical nor comprehensive. A good classification should not only be accurate and not overlapping, but should also clearly indicate the functions and purpose of each class of co-operatives. But such classification is rendered difficult because a co-operative may be originally intended to perform one function only.

Functional Classification Of Co-Operatives

When later on it is also entrusted with the functions of supplying agricultural inputs, consumption goods and marketing of member's produces, the classification becomes incorrect. However, classification according their main functions seems to be correct approach. According to functional classification the co-operatives are classified on the basis of their main function as shown below.



Production Co-Operatives

It concerned with agricultural and industrial production, should consist of

- i. Farming co-operatives (Joint or Collective)
- ii. Industrial co-operatives of all types
- iii. Processing co-operatives.

Marketing Co-Operatives

It dealing with marketing of agricultural produce, comprising

- i. Sale and purchase societies
- ii. Agricultural marketing societies. (whether central, primary or general purchase)
- iii. Supply Unions (milk supply, ghee, poultry, livestock etc.)
- iv. Consumer co-operative (In rural and urban areas)

Service Co-Operatives

It concerned with rendering services of their members. These are :

- i. Co-operative credit societies, (at primary level ; District co-operative Banks and Central co-operative Banks)
- ii. Land Development Bank's (Central and Primary)
- iii. Housing co-operatives
- iv. Others - Which include Dairy co-operatives, Fishery co-operatives, Irrigation co-operatives, Transport co-operatives, Forest labourer's co-operatives, Educational co-operatives, Medical aid and Health co-operatives, and Rural Electricity co-operatives.

Multipurpose Co-Operatives

Multipurpose co-operatives which undertake all functions, activities concerned with financing of crop production, sale of crops, supply of farmer's need for agricultural inputs and household requirements, milk collection center, encouragement of subsidiary occupation for members - i.e. those concerned with "Better farming, Better Business and Better Living", for general upliftment of rural masses.

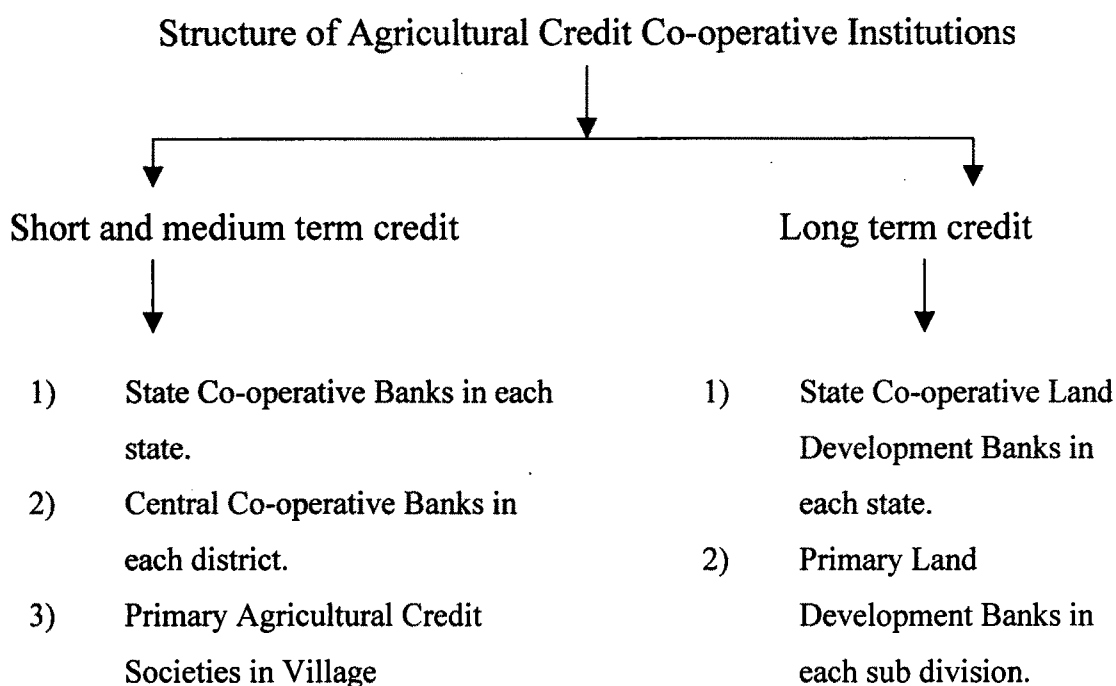
1.3 Agricultural Co-Operatives

Indian farmer faces a lot of financial difficulties in carrying out farming operation. To meet these difficulties he has to resort to a number of means including the private money-lenders. The financial problems are a great obstacle, particularly for small and medium farmers. Though 14 large banks were nationalized in 1969 and six others in 1990, and the credit requirement of farmers are not adequately met yet. The commercial banks also require to provide finance to the agriculture. Many hurdles are created towards the sanction and disbursement of loan. Large farmers can somehow cope with the situation. But the small and medium size farmers avoid approaching the commercial banks.

Agriculture Credit Co-Operative Structure

In India the short and medium term agriculture credit co-operative structure consists of three tiers. Viz. primary credit societies at the village level, central co-operative banks at the district level and state Co-operative banks (Appex Bank) at the state level. On the other hand, for the long term

agricultural credit co-operative land development banks in sub divisional level and state co-operative land development banks at the state level are functioning. Previously they were known as land mortgage banks.



Primary Agriculture Credit Societies

The organization of primary agricultural credit society dates back to 1904 when the Indian Co-operative Societies Act was passed. These societies were formed to provide cheap credit to the agriculturists with a view to make them free from the clutches of money-lenders. " The agricultural primary society is the foundation stone on which the whole co-operative edifice is built."

Initially, their function was to provide of credit and their area of operation was normally restrict to a village, in due course of time it has gone through a lot of changes. Its size, area of operation and scope is broadened.

The new policy, therefore, is that a primary society should not have an area of operation more than 3 to 4 miles from the head quarters, it does not matter how many villages are covered and that the population covered should not exceed 3,000 that is about 500 cultivating families. The liabilities of the members became limited.

The society is intended to promote the economic interests of its member in accordance with co-operatives principle. It has to achieve its aim by promoting saving among members, providing loans, supplying agricultural implements and certain essential domestic requirements and arranging for the marketing of their agriculture produce.

i. Membership

A member of the society needs possess the contractual capacity, should possess good character and should be resident of village. He is not allowed to become a member of any other society except a land development bank. Moreover, he should be solvent one.

ii. Sources Of Funds

The working capital of a credit co-operative society is composed of :

- a. Admission fee,
- b. Deposit accepted,
- c. Paid up share capital,
- d. Loans (Borrowed from central financing agency)
- e. Grants and donations,
- f. Surplus assets or reserve fund

iii. Security

Security is necessary at the time of advancing loan, because a co-operative society is not a charitable institution. Landed property is commonly insisted upon as security, though loans are also given on movable property and against the personal security of one or more members. The All India Credit Review Committee has recommended "No cultivator should be denied full production credit on the basis of the agreed scale of finance if he cannot offer personal security. The object is to provide loan necessary for production, so that non-availability of loan should not be a factor which may hamper production. The ideal security here is the honesty and character.

iv. Rate Of Interest

As far as practicable the rate of interest charged on loans should be lowest. In the words of Mr. V.L.Mehta, " The rate of interest charged should be lowest possible, consistent with safety and allowing for the management expenses and bad debts incidence."

v. Repayment of Loan

Punctuality in repayment of loan is very important part of co-operative practice. Recovery of loans is the responsibility of Board of Directors and office bearers to be carried out with the help of the bank supervisors and government officials. The Co-operative societies Act of various state made provisions for cases of defaults. Recovery of loan becomes easier if credit is linked with marketing.

vi. Overdues

Very often the loans are not recovered in time and they turn into overdues. The important causes of mounting overdues are lack of proper security for loans advanced, mis-utilization of loan by members, in-effective supervision, grant of loans for repayment of personal debts, attitude of borrower farmers and renewal of loans

vii. Crop Loan

The credit society is reorganized with a view to

- I. Provide production credit;
- II. Supervise its use;
- III. Recover the loans on due date at the time of harvest. The essential features of crop loan as pointed out by the Rural Credit Survey Committee are-
 - a. Short term seasonal loans are provided on the basis of anticipated crop and not on the security of loan.
 - b. Loans are advanced in kind (Fertilizers, seeds, pesticides, etc) to the maximum extent.
 - c. Production is the main purpose of such finance.
 - d. Recoveries are made as and when the crop is sold, by linking credit with marketing.

viii. Linking Credit With Marketing

According to the crop loan system loans are recovered from the proceeds of sale, when the crop is actually sold. Hence, sales are effected through an agency in which the credit society is linked. Therefore, members who avail such loan from credit society, sign an agreement to sell produce

through the marketing societies. Moreover, they authorize the marketing society to adjust the sale proceeds towards the loan taken by them from the credit society.

ix. Distribution Of Profit

The Co-operative Credit Societies Act of 1904 provides that, "No Part of the funds (Profit) of registered society shall be divided by way of dividend or bonus or otherwise among its members provide that :

- i. After at least $1/4^{\text{th}}$ of the net profits in any one year have been carried to reserve fund, payment from the remainder of such profits and from any profits of the past years available for distribution may be made among the members to such an extent and under such condition as may be prescribed by the rules or bye-laws ;
- ii. In the case of the society with unlimited liability no distribution of profits shall be made without the general or special order of the local government on this behalf "A Society after setting aside $1/4^{\text{th}}$ of profits to the reserve fund, can contribute 10 Percent of the remainder profit for any approved charitable purposes, with the approval of the Registrar.

1.4 Objectives Of Primary Agricultural Co-Operatives

The prime object or function of the credit society is to supply short and medium term credit, supply agricultural implements and marketing of agricultural produce. Promotion of saving habits is another important

objective. The functions of credit society pointed out by the committee on co-operative Credit (1963) are as follows-

- I. To associate itself with the programme of production.
- II. To lend adequate amount to members for their agricultural and consumption purposes.
- III. With the view to lend adequate amount to its member it has to borrow from central financing agencies.
- IV. To attract local saving not only as share capital but also as fixed deposits.
- V. To supervise use of loan advanced.
- VI. To supply certain consumer goods of common use (controlled commodities)
- VII. To recover the loans and ensure punctual repayment of loans.
- VIII. To distribute fertilizers, insecticides and agricultural implements etc.
- IX. To store the produce of its members till it is sold.
- X. To collect or purchase produce, where necessary, on behalf of consumer society, marketing society or government.
- XI. To associate itself with programmes of economic and social welfare for the village.

1.5 Present Position Of Primary Agricultural Credit Co-Operative Societies

A. Present Position Of Primary Agricultural Credit Co-Operative Societies In India

Primary Agricultural Credit Co-operative Societies (PACCSs) have given a great support to credit co-operatives. For short term credit structure

are they totally depend upon the PACCSs. These banks are the main bridge between the farmers and credit societies. These banks directly build a relationship and deal with the farmers and credit societies. These banks provide them a short and middle term loans as well as introduce them with the agriculture facilities, distribute them essential goods. With the help of Co-operatives Bazars it provide the selling services of the products produced by the members.

Table 1.1
Progress Of Primary Agricultural Credit Co-Operative Banks In India

(Rs. In crores)

Year	No.of Societies (in Lakhs)	Membership (in lakhs)	Share capital	Deposits	Working capital	Loan Advances
1950-51	1.15	51.44	8.40	4.48	40.96	22.20
1955-56	1.60	77.91	16.80	7.05	79.10	49.60
1960-61	2.12	170.41	57.75	14.49	273.92	202.75
1965-66	1.92	261.35	128.60	35.49	546.56	341.98
1973-74	1.56	349.00	271.06	89.27	1580.28	760.00
1976-77	1.23	448.32	377.31	142.32	2394.29	1210.43
1983-84	0.92	-	600.00	-	-	2158.00
1995-96	0.88	720.15	600.00	-	-	2158.00
2001	0.95	901.76	-	7035	2771	17530

Sources : -

- 1 Co-operation and Co-operative management Umesh C. Patnaik and Ananta K. Roy
- 2 Competitive examination books.

From table 1.1 it is seen that the number of societies increased upto 1960-00 and thereafter a gradual decline is noticed. The decline in number of societies is due to various schemes of reorganization, reformation and

revitalization. However, there is a steady growth in loan advanced. The membership and other financial aspects like share capital, deposits working capital increased.

The number of PACCS decline to 1,05,735 and the end of March 2004 from 1,12,309 in pervious year. However, the membership of PACCS increased by 9.6 Percent to 1.35 million. Borrowing members at 51 million constituted 37.9 Percent of total membership as compared to 51.7 Percent of the pervious year.

Table 1.2
Present Position Of Membership And Borrowers Of PACCS
In India

(No. in Million)

Particulars	At the end of march		
	2002	2003	2004
No. of Societies (in thousand)	0.098	0.112	0.116
Total membership of which	102.14	123.55	135.41
I) Scheduled cast	13.73	33.18	30.61
II) Scheduled Tribes	10.06	12.02	11.89
Borrowers of which	55.55	63.88	51.27
I)Scheduled castes	7.36	11.50	6.40
II)Scheduled Tribes	4.10	8.07	3.44
Number of total staff	0.266	0.261	0.347

Source : Report on Trend and Progress of the Banking in India 2005.

Resource mobilization continued to be a major area of weakness of PACCS, at present most of the PACCS, are totally depended on the finance

provided by CCBS. PACCS affiliated weak CCBs are esarved for finance, limiting their credit and non credit during 2003-04, while borrowing by PACCS increased sharply, there deposit declined significantly. Decline reasons of PACCS was more than made up by increasing paid up capital. On the whole, Resources of PACCS expanded at lower rate during 2003-04 as compared with pervious year. On the asset sides, increasing short term was partly offset by decaling in long term loans. As result, overall loan porfolio in percentage term, grew at the lower rate than the pervious year.

B. Present Position Of Agricultural Co-Operative Societies In Maharashtra

The agricultural credit is very important instrument in facilitating the process of agricultural development and there in the growth of rural economy. In recent years agricultural is being modernized. Adoption of modern technology calls for the diversification of agriculture which involved the use of, crucial and productive inputs such as irrigation fertilizers, pesticides and therefore the additional investments in agricultural sector has become imperative. The District Central Co-operative Banks in Maharashtra have played a significant role in providing crop loans and terms loans to farmers.

The present investigation was undertaken in order to study the reorganize and period wise of DCCBs in Maharashtra with regard to growth in recovery of loans and recovery percentage to demand of loans.

Growth in total loan recovered

The reorganize and period wise growth in total loan collection (recovery) by the DCCBs in Maharashtra during 1985-86 to 2000-01 in presented in table

Table 1.3
Growth In Total Loan Collection
(Recovery Of DCCBs In Maharashtra During 1985-86 to 2000-01)
(Rs. in cores)

Region	Period		%	Compound Growth Rate		
	1985-86	2000-01		Period I 1985-86 to 1993-34	Period II 1994-95 to 2000-01	Entire Period 1985-86 to 2000-01
Western Maharashtra	242.93 (58.47)	3416.00 (59.2)	1306.17	*** 29.28	** 11.21	*** 18.73
Konkan	25.53 (6.51)	514.24 (9.02)	1914.26	*** 29.84	NS 7.58	*** 20.81
Marathwada	63.32 (15.24)	1080.00 (18.94)	1605.89	*** 20.23	*** 29.04	*** 16.75
Vidarbha	83.67 (20.14)	691.08 (12.12)	725.96	*** 13.91	*** 16.80	*** 16.34
Maharashtra	415.45 (100.00)	5701.4 (100.00)	1272.34	*** 25.95	*** 13.55	*** 18.28

(Figurs of parenthese are the percentage to the respective tablies)

*** = Significant at 1%

** = at 5%

NS = Non Significant

Source : 'Maharashtra Co-operative Quarterly' vol. 177 Oct.-Dec. 2006

The results showed that the total loan recovered by DCCBs in Maharashtra state had increased from Rs. 415.45 crores in the base year to 5701.38 crores in the terminal year recording growth of 13 times increase over the base year i.e 1985-86. As regard the region wise analysis it is clearly noted that the highest growth in total recovered of loan was achieved by the Kokan region (19 fold) followed by Maharashtra (16 folds) , Western Maharashtra (13 fold) and Vidarbha (7fold) over the base year the study. The DCCBs in Maharashtra recorded about 60% of total loan recovered by DCCBs in the state during both year under study. Remaining recovery of 40% was contributed by all the three region of the state.

Thus, it is revealed from the data that the increase in total loan collection in absolute term was the highest in Western Maharashtra and the lowest in Kokan region. But, in terms of percentage change in recovery during the study period, it was the highest in Kokan region and the lowest in Vidarbha region.

The amount of total loan and advance recovered by DCCBs in Maharashtra registered compound growth rate of 18.28% p.a during the entire period and the rate was relatively more (25.95 Percent) during period I as compared to period II (13.55 Percent). The growth in total loan recovery was low in period II (13.55 Percent). The growth in total loan recovery was low in period II and it was mainly due to the negative growth in recovery of other loans. Region wise analysis related that the growth in total recovery of loan was highest in Kokan region (20.81 Percent) followed by western Maharashtra (18.73 Percent), Marathwada (16.75 Percent) and Vidarbha region (16.34 Percent) during the entire period under study. The growth in total loan recovery was satisfactory during the period II in Marathwada,

Vidarbha and Western Maharashtra region as against the non-significant recovery performance in Kokan region during period II

Average Total Loan Collection (Recovery) And Its Composition

In order to examine the trends in amount of total loans covered by each DCCBs in different region in Maharashtra state during the study period, the average total recovery and its composition was assessed and depicted in table

Table 1.4

Average Total Loan Collection (Recovery And Its Composition During 1985-86 Its Composition During 1985-86 And 2000-01 Of DCCBs In Mahashtra)

(Rs. In crores)

Regions	1985-86				2000-01				
	Short term	Medium term	Other Loan andAdvances	Total Loan Collection	Short term	Medium term	Other Loan andAdvances	Total Loan Collection	
Western	20.23	2.85	3.91	26.99	344.42	31.73	3.40	379.55	
Maharashtra	(72.95)	(10.55)	(14.50)	(100.00)	(90.79)	(8.39)	(0.90)	(100.00)	
Kokan	1.67	0.25	3.19	5.11	72.66	10.38	19.81	102.85	
	(84.75)	(4.89)	(62.43)	(100.00)	(70.66)	(10.09)	(19.26)	(100.00)	
Marathwada	7.67	1.32	0.06	9.05	129.60	8.00	16.39	154.29	
	(84.75)	(14.59)	(0.66)	(100.00)	(84.19)	(5.19)	(10.62)	(100.00)	
Vidarbha	7.02	1.20	1.08	9.30	59.21	11.72	5.85	76.78	
	(75.49)	(12.90)	(11.61)	(100.00)	(77.12)	(15.26)	(7.56)	(100.00)	
Maharashtra	10.24	1.56	2.05	13.85	163.50	16.63	9.90	190.05	
	(73.94)	(11.26)	(14.80)	(100.00)	(86.04)	(8.75)	(5.21)	(100.00)	

Source : 'Maharashtra Co-operative Quarterly' vol. 177 Oct.- Dec. 2006

Average total loan collection per DCCB in Maharashtra state had increased from Rs. 13.85 crores in 1985-86 to 190.05 cores in 2000-01. In 1985-86 the average collection per DCCB was the highest in Western Maharashtra region (Rs 9.30 crores), Marathawada region (Rs. 9.05crores) and the least in Kokan region (Rs 5.11 crores) . In the terminal year of the study, the average recovery of total loans year of the study, the average recovery of total loans per DCCB was Rs. 379.55 crores, Rs 154.29 crores, Rs 102.85 crores and Rs. 76.78 crores in western Maharashtra, Marathwads Kokan and vidarbh region respective. About 74 Percent of loan recovered were in the form of short term loans and 1985-86, which had increased to 86.04 Percent in the terminal year in DCCBs of Maharashtra.

The percent share of medium term loans and other loans were 11.26 Percent and 14.80 Percent respectively to the total loan collection in the base year of the study. This went down to 8.75 Percent and 5.21 Percent in the terminal year of the study. Among the regions, the percent share of short term loans recovery to total loan recovery between 32.26 Percent (Konkan) to 84.75 Percent (Marathwada) in the base year of the study. In the terminal year, it ranged from 70.65 Percent in kokan to 90.74 Percent in western Maharashtra. It reveals that the proportion in recovery of short term loan in total loans was prominent.

Conclusion :

The growth of total loan recover by DCCBs in Maharashtra was relatively more during period I as compared to period II. The growth in total recovery of loan was highest in Kokan region and lowest in Vidarbha

region during the period under study. The growth in total loan recovery was satisfactory during the period II in Marathwada and Vidarbha regions as against the non-significant recovery performance in Konkan region during the period II.

The average total recovery per DCCB was highest in western Maharashtra as compared to other region during the period under study.

C. Present Position Of Primary Agricultural Credit Co-Operatives Societies In Kolhapur District

In Kolhapur district, the primary agricultural credit co-operative societies show a very progressive trend. The table 1.5 shows the present position of primary agricultural credit co-operative societies in Kolhapur district.

Table 1.5
Progress Of PACCS In Kolhapur District

Sr. No	Year Particulars	(Rs. In Lakhs)				
		2001	2002	2003	2004	2005
1	No. of Societies	1508	1546	1611	1652	1688
2	No. of Members	697065	708252	701123	749076	747133
3	Loans	2880986	3432086	3348235	4778160	3633958
4	Deposits	458853	517176	579622	671106	724867
5	Working capital	6130473	6004266	6217123	7227932	7730812
6	Cash	15593	14756	8904	62201	40015
7	Share capital	1107625	121914	1359191	1494546	1578522
8	Out of the capital Govt share	3886	2930	2123	1488	2033

Sources : Records of District Deputy Registrar,
Department of Co-operatives, Kolhapur.

Number of members are increased comparing to 2002, the membership decreased in 2003 and in 2001 there are 6,97,065 members. In 2002 and 2003 there are 7,08,252 and 7,01,123 members respectively. In 2004 there are 7,49,076 and in 2005 there are 7,47,133 members of members. Comparing to 2004 the members are decreased in 2005.

Loans given by the primary Agricultural credit co-operatives societies in Kolhapur district are shows following position. In 2001 the loans is 28,80,986. In 2002 and 2003 the loans are 34,32,086 and 33,48,235. It shows decrease in Loans after that there is high rate of incensement in loan in 2004 i.e. 47,78,160 and comparing to that in 2005 there is decrease in loans in 2005 i.e. 36,33,958.

Deposits of the Kolhapur District Primary Agricultural co-operatives credit societies show progressive trend . It shows goods improves in collecting deposits from members. In 2001, and 2002 there are 4,58,853 and 5,17,176 deposits respectively. After that also there is good position in next three years also i.e. 5,79,622 in 2003, 6,71,106 in 2004 and 7,24,867 in 2005.

Working capital shows improvement figures since 2003. In 2003 the working capital valued Rs. 67,12, 123 and after that the progressive figures of next two years in 2004 and 2005 are Rs. 72,27,932 and Rs. 77,30,812 respectively. In 2001 the working capital was Rs. 61,30,473 and in 2002 it has small decrease and it was 60,04,266

Cash balance at the year ended on 31st March of every year shown in 2001 Rs. 15,593 in 2002 the cash balance is Rs. 14,756 . In 2003 and 2004 the cash in hand is Rs. 8,904 and Rs. 62,201. In 2005 the cash is hand is 40,015.

The Share capital in 2001 was Rs. 11,07,625 out of that the Governments share was 3,886. In 2002 the paid up share capital Rs. 1219214 out of that the Government subscription was Rs. 2,930. In 2003 that was Rs. 1359191 and in 2004 Rs. 14,94,546 out of that Government share were 2123 and Rs. 1488 for that respectively year and last year the share capital shows the balance of Rs. 15,78,522 and Government share was Rs. 2,033

Table 1.6
Profits And Losses of the Primary Agricultural Credit Co-operative Societies in Kolhapur District

(Rs. In Lakhs)			
Year	Item	Societies	Amount
2001	Profit making	1,113	1,26,600
	Loss making	264	21,617
2002	Profit making	1,090	1,29,898
	Loss making	446	23,717
2003	Profit making	1,099	98,894
	Loss making	488	24,199
2004	Profit making	972	1,28,462
	Loss making	659	78,733
2005	Profit making	963	1,32,039
	Loss making	715	81,294

Sources : Records of District Deputy Registrar,
Department of Co-operatives, Kolhapur.

In 2001, there are 1113 societies which gain profit of Rs. 1,26,600 and 264 societies which suffered loss of Rs. 21,617.

In 2002, there are 1,090 primary agricultural credit co-operatives societies who enjoying profit 1,29,898 and 446 societies who suffered loss of Rs. 23,717

In 2003, the number of societies who have profit increase. There are 9 more societies and 488 societies who sustain losses, there total loss was Rs 24,199.

In 2004, there are only 972 societies who has a profit of Rs. 1,28,472 and 659 societies suffered losses of Rs. 78,733.

In 2004 once again the profit making societies decreased. It is 963 societies with total profit of Rs. 1,32,039 and 715 societies with total loss of Rs. 81,299

It shows that the member of primary agricultural credit co-operative are increased. The total profit per year also increased every year but the profit making societies are decreased.

1.6 Relation With Reserve Bank of India

The Reserve Bank of India Act, 1943 has described the role and functions of RBI and expected to perform with regard to rural credit as, “_ _ _ _ However, with the economic developments assuming importance, the range of banks functions steadily winded and the bank had to perform variety of developmental and promotional tasks which, in the past, were regarded as being outside the normal purview of central banking. Few aspect of the working of Reserve Bank have been so striking, in the comparison with the other central banks generally as its role in the sphere of rural credit. The banks responsibility in the field is relatable to the prominently

agricultural basis of the Indian economy and the urgent need to expand and co-operative the credit facilities available to the agricultural sector"

(Government of Indian, planning commission, "Eight five year plan" 1992-97, Vol-II, Planning commission New Delhi, 1992 PP 18,19and25)

Broadly, the bank's functions are to co-operative and maintain operations of the bank's with the state co-operative bank's, other bank's and aid and advise the Government of India, state government, state co-operative bank's other banks and organization engaged in the business of agriculture credit.

The Reserve Bank of India prior to NABARD has been lending to the agriculturists, through apex co-operative credit institutions with whom it used to established direct relationship, short, medium and long -term credit limits were sanctioned by the RBI. Purposes for which these limits were sanctioned can be explained briefly financing of bonafied trade or commercial transactions, financing of agricultural operations, marketing of crops, financing distribution of chemical fertilizers, subscription the share capital societies including FSS and LAMPS, central land development Banks , to enable the state co-operative Bank's and Regional Rural Bank's to pay arrears in respect of accommodation of short -term agricultural purposes which they were unable to repay due to failure of crops on account of drought or other natural calamities, and making loans and advances to Agricultural Refinance and Development Corporation. Besides the above, the RBI also provided finance for production and marketing activities of more than 20 broad categories of cottage and small industries, coir/ weavers co-operative societies. Agricultural credit Board created with governor RBI as its Chairman, Dr. Governor as Vice-Chairman and the member include

Executive Director in charge of this department, four representative of central Board of the Bank, three Government of India representatives, six representative from commercial banks and two specialist from rural economy. The Board formulates and reviews rural credit policies.

The recent years the co-operative section has been playing a significant role in agriculture finance. According to All Indian Rural Credit Survey Committee (1951-52), the share of co-operative was 3.1 Percent in agricultural finance. In 1984-85 the share of co-operatives increased 25 Percent in total agricultural finance. It shows the co-operative section is major contributor in finance to agriculture. A large number of researches have worked on the impact on finance to agriculture by commercial banks. But merge work has been done on the co-operative sector. Nobody has devoted himself to impact of finance to agriculture by the central co-operative banks.

The Reserve Bank of India is advancing rural credit through the NABARD and state co-operative banks. All apex banks are members of the Reserve bank of India. It advances credit against government securities, agricultural produce and co-operative papers. It also provides accommodation in the form of purchase, sale or rediscounting promissory notes and loans and advances against the security of of stock, funds and bill of exchange. The bank is taking a great initiative in organising new apex bank in the states where they did not exist before. The number of apex banks was 25 in the year 1967-68. The scheme of reorganization of the state co-operative banks are taken up by the Reserve Bank of India and weak state co-operative banks are amalgamated in the principle of one apex bank for each state. The Reserve Bank of India not only provides finance but also

gives expert financial advice to the state co-operative banks in case of need. Even though, the apex banks are not 'Scheduled Banks' according to the Reserve Bank of India Act, they are given all the facilities which are available to the scheduled banks.

1.7 Significant Role Of Agricultural Finance In India

Eight out of every ten Indians draw their livelihood from agriculture directly or indirectly. A little less than one of our Indian income is generated in this field of economic activity. It is source of raw material for significant segment of our industrial structure and it plays an important role in the structural pattern of our exports. Further agriculture affords the main substance to our transport system, generates the purchasing power for our consumers goods industries, and even the finance of the government, particularly the state government are largely dependent upon the state agricultural activity. Agriculture in India forms therefore the back-bone of its economy.

A strong agricultural base is an essential requirement for the economic development of the country. The agricultural revolution that is taking place in the country on the account of that application of the science and the technology to agriculture has thrown open new horizons of the business enterprises for the commercial banks and other financial institutions closely connected with agricultural finance.

The rapid development of agriculture and allied activities, with effective incorporation of modern science and technology, form the basis of

development. The agriculture capital incentive and farmers required capital for the form of machinery, fertilizers, seed, pesticides etc. The more highly developed the agriculture, the greater the amount of credit required and generally the greater the role of credit agencies in supplying credit.

The All India Rural Credit Survey Committee observed during the 1951-1952, there were only two important sources of rural credit the money lenders and borrowers relatives.

In the seventies, both co-operative and commercial banks have recorded a significant progress. During the seventies commercial Banks have given an account of themselves, both in the field of extension of banking facilities in rural areas and increasing the volume of credit to agriculture. The share of rural offices in the total number of bank office in the country more than doubled from 22.2 Percent at the end of June 1969 to 51.2 Percent at the December 1981. The share of direct agricultural advances in the total advances of public sector banks, which stood at barely 1.3 Percent at the end of June 1969, shot up to 14 Percent at the end of March 1982.

1.8 Research Methodology

I. Objectives Of The Study

The main objectives of this study are as follows

- i. To study the types of advances of Shri. Paisafund Shetaki Sahakari Bank Ltd, Hupari, Taluka: Hatakanagle, District: Kolhapur
- ii. To enquire into procedures followed in sanctioning advances by Shri. Paisafund Shetaki Sahakari Bank Ltd. Hupari., Taluka: Hatkanagle, Dist: Kolhapur.

- iii. To study overdues of Shri Paisafund Shetaki Sahakari Bank Ltd., Hupari., Taluka: Hatakanagle, District: Kolhapur
- iv. To make suggestions to improve the efficiency of advances department of Shri. Paisafund Shetaki Sahakari Bank Ltd. Hupari. Taluka: Hatkangle. District : Kolhapur

II Scope Of The Study

The scope of study covers the loans and advances portfolio of Shri. Paisafund Shetaki Sahakari Bank Ltd. Hupari. Taluka: Hatkanagle, District : Kolhapur for the period of five years from 2000-01 to 2004-05.

III Data Collection

A. Primary Data

Primary data will be collected by administering a questionnaire for the borrowers. Interviews of officers of Shri. Paisafund Shetaki Sahakari Bank Ltd. Hupari Taluka: Hatkangale, District : Kolhapur were conducted.

B. Secondary Data

The collected data will be collected from the records maintained by the Shri. Paisafund Shetaki Sahakari Bank Ltd. Hupari, Taluka : Hatkanagle, District : Kolhapur, other published magazines and documents.

C. Data Analysis

The data collected will be organized classified, tabulated and analyzed in a systematic manner and the conclusions will be drawn. Simple statistical tools will be employed for data analysis.

D. Presentation of Data

The data collected and analyzed will presented in five chapters as follows :

- Chapter 1 : Introduction and Research Methodology
- Chapter 2 : Profile of Shri Paisafund Shetaki Sahakari Bank Ltd.
Hupari, Taluka : Hatkanangale, District : Kolhapur
- Chapter 3 : Loans and Advances – Procedural Aspects
- Chapter 4 : Data Analysis and Interpretation
- Chapter 5 : Conclusions and Suggestions

IV. Limitations Of The Study

The study suffer from following limitations

1. The time factor may restrict the scope of study.
2. Difficulty in obtaining confidential data.
3. Difficulty in getting adequate response and co-operation from the borrowers and the officials of Paisafund Shetaki Sahakari Bank Ltd.
Hupari, Taluka: Hatkangale, District: Kolhapur.
4. The researcher depend mainly on secondary data.