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CHAPTER - IVSECTION - ABANK'S FINANCE TO AGRICULTUREIV-1. CROP LOAN SYSTEM (A GENERAL REVIEW) :

The RBI had prepared a 'manual on short-term and medium-term loans for agricultural purposes' and issued it in 1966. It is usually called as 'Crop Loan Manual'.

The crop loan system has been described by the Survey Committee (1954) as follows:

"The system may be briefly described as one which concentrates on productive purposes; provides short-term loans on the basis that a crop is anticipated, and not primarily that a title exists; relates such loans in amount to the estimated outlay on raising the crop and as and when the crop is sold, recovers the loans from the proceeds of the sale. The loans should to the maximum extent possible be disbursed in kind".

~~Prof.~~ D. R. Gadgil explained the features of the crop loan system as follows:

The crop loan system sought to transform the situation in two directions, first by shifting the emphasis from real property to the crop as security it brought in even pure tenants as potential borrowers; and second, by relating the size of the loan to this requirements of business, it emphasised productive purpose. The system of giving a large part of the loan in kind was evolved in order to ensure proper utilisation.



DEFECTS OF THE OLD SYSTEM :

1. Under the old system, short-term agricultural finance was provided on the basis of land.
2. Those who were owning lands alone were eligible to get loans.
3. Under the old system loans in the form of cash were disbursed.
4. The credit requirements of the farmers were not scientifically assessed under the old system.
5. No seasonability in disbursement and collection of loans was maintained.
6. Credit worthiness of a farmer was decided on the basis of their ownership of land and value of land.
7. Scientific repayment procedures were not arranged.
8. As the short-term loans were tied to mortgage of land, farmers, who were in need of long term loans found it difficult to mortgage their loans to land development Banks.
9. Overdues were mounting with the primary credit societies.
10. The old system had no elasticity in the sense, there was no scope for postponement during the times of crop failure.

Prof. Gadgil, the champion of the crop loan system observed the defects of old system as follows:

'In the earlier system co-operative loans were made for a twelve months period and were renewable. The utilisation question was not properly considered while advancing loans to individuals, also fairly severe limits on loans to individuals and to society as a whole were laid down. The result was that in almost all cases the credit extended by co-operative societies did not serve fully the needs of the member. The co-operative credit system could not hope under the circumstances to replace the money lender-trader system"3.

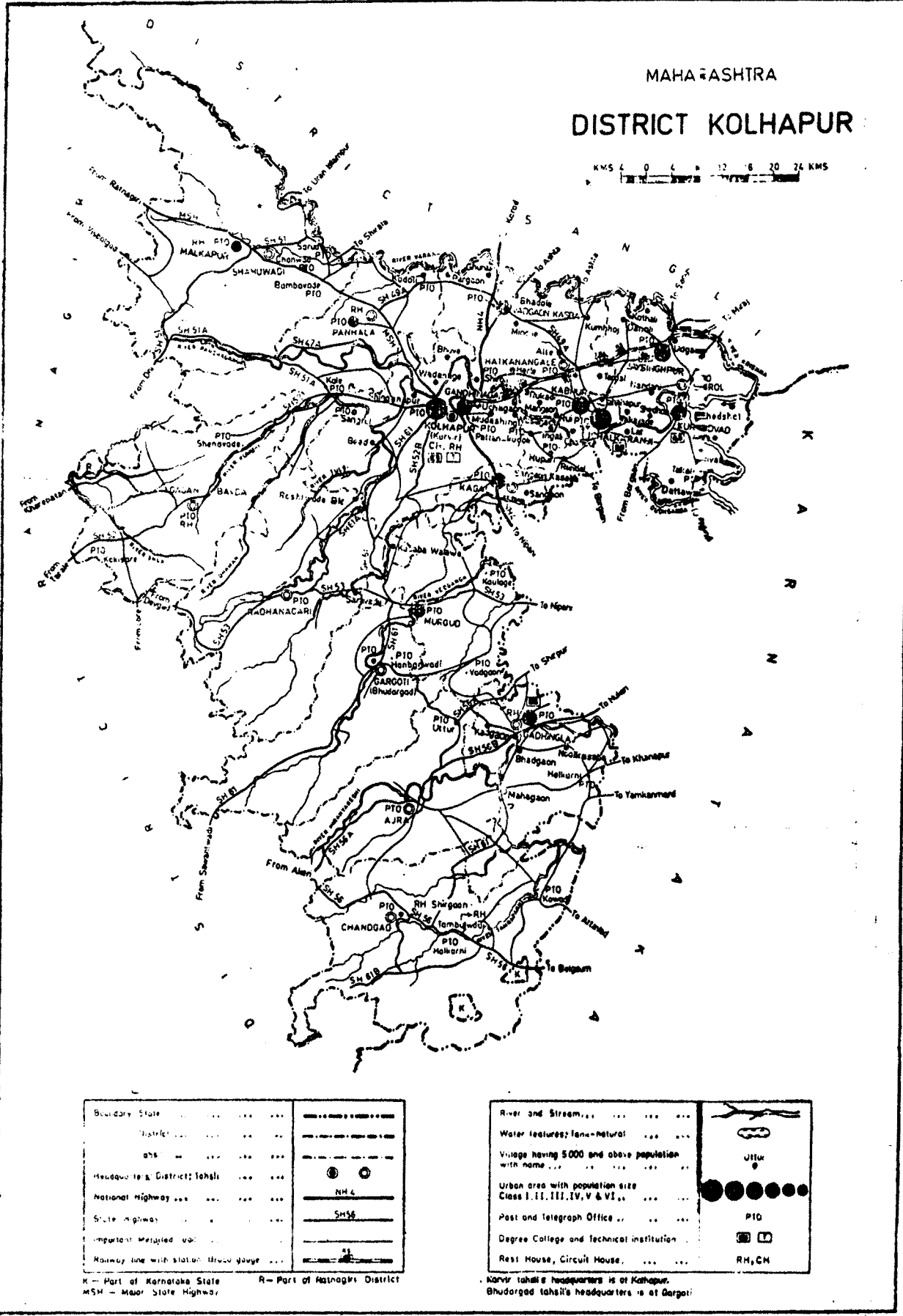
The committee on co-operative credit (1950) said:

'A Co-operative credit society should not deny a loan to a person merely on the ground that he does not own land or cannot produce owners of lands as sureties. The primary test for judging the credit worthiness of an individual as his repaying capacity and we consider that upto that extent he can be advanced a loan by the society on the basis of his requirements for agricultural production. Although the production needs of an owner-cultivator and a tenant will be more or less the same, there may be a difference in the repaying capacity. This may not always be the case. Since the tenant may well have other sources of Income which the owner cultivator may not be having. We are therefore of opinion that a primary credit society should be in a position to make credit available to all cultivators irrespective of whether they are tenants or lessees on the basis of their repaying capacity and on their providing adequate sureties".4.

FEATURES AND ADVANTAGES OF CROP LOAN SYSTEM :

1. Crop-loan system is production oriented and not security oriented.
2. After the introduction of crop-loan system, weaker section of the community was able to get finance.
3. As the loans were dispensed^b in kind and in cash, there was less scope for misutilisation of funds.
4. Financial requirement was assessed on the basis of cost of cultivation. Thus scientific approach is found in case of crop-loan policy.
5. Loans are given during the era of agricultural operations or before the season starts. Thus seasonality in disbursement and recovery is the main feature of crop-loan policy.
6. Credit worthiness is assessed on the basis of crop-cultivated and expected income. It is production oriented.
7. As the crop is the security for the crop-loan, the farmers are able to mortgage their land to get long-term finance from Land Development Banks.
8. Repayment of loan is made through the linking of credit with marketing.
9. Under the crop-loan system, even medium-term loan was issued upto a certain extent without security of land.

MAP NO 1



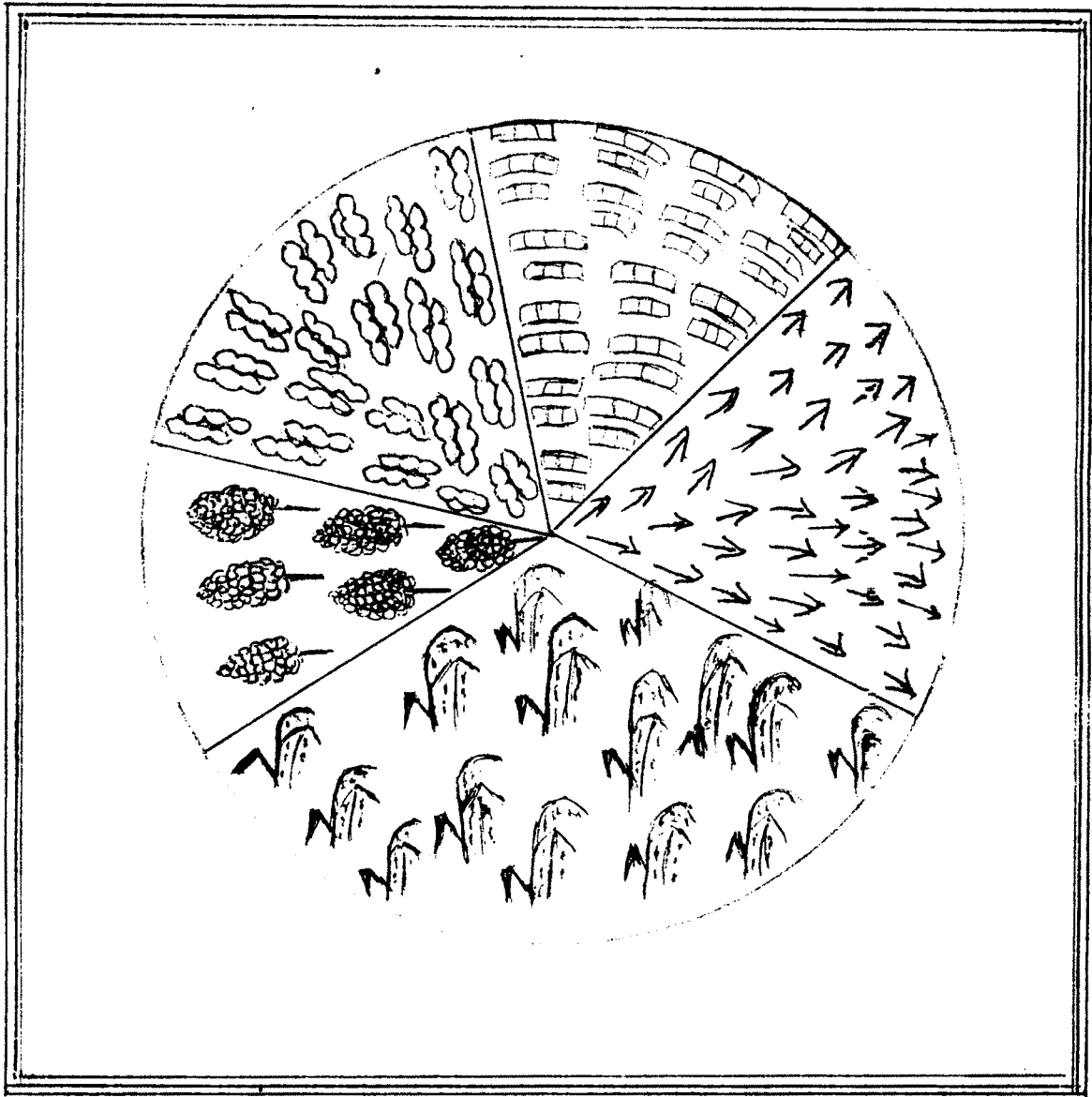
IV-2 CROPPING PATTERN IN KOLHAPUR DISTRICT : T A B L E 1.1



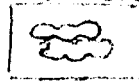

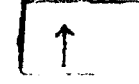
TALUKA	RICE	DISTRICT : KOLHAPUR				TALUKAWISE AVERAGE AREA (KHARIF CROPS) (1979-80 TO 1983-84)										AREA IN '00 HA			SUGAR CANE TOTAL	TOTAL KHARIF AREA
		JOWAR	BAJRI	RAGI	OTHER CEREALS	TUR	OTHER PULSES	8	9	10	11	12	13	14	15	16	17			
1	2	3	4	6	6	7	8	9	10	11	12	13	14	15	16	17				
1. HATKANANGLE	52	105	6	1	2	10	12	188	1	103	2	--	2	107	82	378				
2. SHIROL	26	68	5	1	4	23	38	165	1	51	--	--	3	54	76	296				
3. PANHALA	96	27	--	24	3	3	2	155	--	33	--	--	--	33	40	228				
4. SHAHUNADI	94	8	--	39	18	1	1	161	--	19	--	--	--	19	16	196				
5. RADHANAGARI	111	3	--	43	11	--	1	169	--	13	--	--	2	15	56	240				
6. G. BAWADA	29	--	--	16	20	--	--	65	--	--	2	--	--	2	12	79				
7. KARNEER	111	50	1	23	3	5	14	207	--	55	--	1	1	57	142	406				
8. KAGAL	99	46	--	29	3	6	24	207	--	99	1	1	--	101	29	337				
9. GADHINGJAL	82	67	--	42	1	2	17	211	--	98	--	5	--	103	39	353				
10. BHUDARGAD	98	12	--	45	11	--	2	168	4	19	--	--	--	19	20	211				
11. AJRA	76	20	--	58	22	1	4	181	--	28	--	--	5	33	11	225				
12. CHANDGAD	113	4	--	99	36	--	3	255	--	14	--	--	--	14	29	298				
TOTAL	987	410	12	420	134	51	118	2132	6	532	5	7	13	557	552	3247				

SOURCE: COMPILED FROM RECORDS OF ZILHA PARISHAD, AGRICULTURAL DEPARTMENT, KOLHAPUR.

Graph. NO 5
(Table NO 11)

AREA UNDER DIFFERANT CROPS
IN KOLHAPUR DISTRICT
1979-80 TO 83-84



RICE	JAWAR	OIL-SEEDS	SUGAR-CANE	OTHER CROPS
				

IV-3. CROP LOAN POLICY IMPLIMENTED BY

KOLHAPUR DISTRICT CENTRAL CO-OP. BANK LTD. KOLHAPUR

Kolhapur District is located between 15° and 17° North latitude and 73° to 74° East longitude. The District is bounded by Sangli at the North, Belgaum district from Karnataka State on South, East and Ratnagiri district at the West. Thus, Kolhapur district is situated at the fag-end of Maharashtra State on the Western side.

AREA AND POPULATION :

The area of the district is 8059 Sq. Ems. Population according to 1981 Census stood at 25,06,330, out of which the rural population is 18,24,308, forming 75% of the total population. The district comprises of 12 Tahsils.

GEOGRAPHICAL SETTING :

The main part of the district is traversed by Sahyadri mountains in the West. It has thrown several spurs in the East of the district and in this range, some of the point are as high as 900 metres above the Mean Sea Level.

There are six principal rivers and seven minor rivers flowing in Kolhapur district. Most of the rivers flow from West to East as the western Ghats are having the maximum land levels.

RAIN-FALL :

The rainfall in the district is not evenly distributed. The Bavada Tahsil in Western Ghats receives a little over 6000 mm. rainfall while Hatkanangle Tahsil in the East receives as little as 500 mm. Heavy rain affected area in the Western Ghats keep the rivers flowing for the major part of the year. The district gets rain from South-West Monsoon and to some extent from North-East Monsoon also, known as Anti Monsoon rain.

Thus, it can be said that in Kolhapur district, rainfall differs from mile to mile as we walk down from West to East. This phenomenon has dominated the cropping pattern of the district in a big way.

CROPPING PATTERN IN THE DISTRICT :

The major crops taken by the agriculturists in the Kolhapur district are (1) Sugarcane, (2) Paddy, (3) Jowar, (4) Groundnut, (5) Tobacco and (6) Chilly, etc. The rural economy of the Kolhapur district pivots around cultivation of sugarcane followed by the rest of the crops as sequenced above.

The sugarcane cultivation requires 3 basic ingredients like timely finance, adequate finance and sufficient controlled water supply, of these three, the bank caters to the need of adequate and timely finance, and the irrigation societies perform the role of irrigating the land. The cropping pattern available in the district has further given momentum

to the Co-operators in the district for setting up Co-operative sugar factories for processing sugarcane. At present there are 11 sugar factories working in Co-operative sector.

CROP LOAN POLICY :

The crop loan policy adopted by this bank has rendered unique feature in giving initiative to the agriculturists to follow the most important ^{principle} of Linking of Credit with the marketing in the real sense of the term.

For the purpose of financing for sugarcane cultivation the sugarcane growers are broadly divided into 2 categories.

- 1) Members of co-op. sugar factories and those who supply their sugarcane to sugar factories on seasonal contract.
- 2) The agriculturists who process and convert sugar cane into Jaggery.

The scale of finance in case of sugarcane cultivators varies on the above basis, as the average yield, consistency, in net income, and price fluctuation. These factors play a predominant role.

FINANCE TO SUGARCANE CROP :

The scale of finance for sugarcane in respect of sugar factory members is fixed on the basis of the last two years productivity. The bank finances Rs. 100 per metric tonne. The maximum scale of finance per acre is fixed at Rs. 6,000/-

and the minimum being Rs. 2,000/- per acre. In case of agriculturists who supply his sugarcane to Co-operative sugar factory is also financed at the above scale, taking into consideration his productivity, integrity and recoveries through cane proceeds etc. Such finance is made available to him on the strength of guarantee given by the Managing Committee of the society to the Bank for financing such a member at a factory scale of finance.

In case of members of sugar factories who do not contract their excess sugarcane acreage with factory, such sugarcane is treated as GURHAL ACREAGE (crushing Acreage) and is financed by the Bank, calculating 7 tonnes of sugarcane is required for producing one part loan of jaggery i.e. 24 lumps and is financed accordingly.

FINANCE TO JAGGERY PRODUCING MEMBERS :

Jaggery producing members are financed minimum Rs. 1100/- and maximum Rs. 5,000/- per acre, taking into consideration his productivity and sale of his produce through co-operative purchase and sale unions and recovery of his dues effected through linking. The following table will give the nature of finance, based on productivity, integrity and sale of his produce through Co-operative Marketing.

TABLE 1.2
FINANCE TO JAGGERY PRODUCING MEMBERS

Sale of jaggery through Co-operatives (per Acre)	Scale of finance per Acre /Rs.
1. Cart-load (7 Qts.Approx.)	1,600
2. -do- -do-	2,100
3. -do- -do-	2,600
4. -do- -do-	3,200
5. -do- -do-	3,600
6. -do- -do-	4,000
7. -do- -do-	4,500
8. -do- -do-	5,000

SOURCE: Compiled from Record of KDC Bank.

Maximum individual limit of finance extends upto Rs. 60,000/-. New members of Agricultural primaries are financed at a minimum scale of Rs. 1100/- per acre.

Loan limits are sanctioned in kind and cash component to individual members. Normally, 50% of kind and 50% cash component limits are sanctioned.

In areas where perennial water supplies^{are} available cultivators use kind component in higher proportion and in such areas where water supply is relatively short cash component exceeds the kind component which is 60% - 40% in proportion.

Kind portion of loan comprises of seeds, pesticides, fertilizers, oils lubricants, electric charges and water charges etc.

Cash component is disbursed to the members of Agricultural Primaries by cheques only.

Loans are disbursed in 3 doses depending upon the availability of water supply in the areas. Loan disbursements for ADASALI and pre-seasonal type of sugarcane plantation starts from the month of July every year and SURU crop from October onwards. Duration of Adasali sugarcane crop is of 18 months and that of Suru 12 to 14 months.

DISBURSEMENT OF LOAN :

The loan disbursement activity can mainly be divided in three stages.

- 1) Demand by the society (2) Actual advances and
- 3) Recovery of dues. All these three stages go hand in hand.

1) DEMAND BY THE SOCIETY :

According to the established practice of the crop loan system, all the primary agricultural societies are required to prepare Normal Credit statements every year. The Bank insists that such N.C. Statements should be carefully prepared by the societies and submitted to the bank latest by December every year, so that the maximum credit limits for crop can be sanctioned to them by end of February/March as the acreage under next crop is finalised by that time. N.C. statements are prepared separately for big farmers and small farmers as per directives received from the erstwhile Agril. Credit Dept. of the Reserve Bank of India.

The societies prepare N.C. Statements on the basis of the requisitions, demand they receive from their members, who desire, to borrow from the society for their agricultural requirements according to their (members') cropping pattern for the next season. The N. C. Statements thus prepared are submitted by the societies to the Bank Inspectors stationed at branches of the Bank to which the societies are affiliated. On receipt of the N. C. Statements the Bank Inspectors visit societies for scrutinising the statements from the records of the societies on priority basis. After the scrutiny of N. C. Statement is done by him, he recommends the statement as per policy to the Head Office for final sanction by the Executive Committee of the Board of Directors, which generally meets once in a week. After the sanction is given by the Executive Committee, latter conveying the sanction of maximum credit limit to the society as a whole is issued by the Agricultural credit Department, Head Office to the Branch Agent. The Branch Agent Communicates sanction letter to the concerned societies. The disbursement of loans is made through the Branch after getting all documents completed and conditions completed fully. Here again the society has to approach Bank Inspector for his approval to operate individual limits.

ADVANCES :

As per procedure the society is to submit its loan demand as and when required, to Bank Inspectors who is

~~San~~ stationed at each branch. The demands of the societies are sanctioned by the Inspectors as per policy. In the initial stages of the season, mostly the demands for 1st dose of fertilizers are individually fixed by the Bank Inspectors as per scale fixed by the Bank and necessary requisition orders are issued by him on Marketing Co-operation institutions to supply the total quantity of fertilizers to the society. The Secretary of the society takes the delivery of the fertilizers thus sanctioned and disburses them to members as per sanction accorded by the Bank Inspectors, at society's level. After delivery of the Fertilizers, the marketing Co-operatives raise fertilizers bill and send to the concerned branch of the Bank for realisation. The bank in its turn debits society's loan account and gives credit to marketing society's account. This way cycle works.

FIRST DOSE :

On demand from the societies, the 1st dose is sanctioned by the Bank Inspector to the society members for new plantation of sugarcane as per policy. The requirements of the first dose vary area-wise from Rs. 1500 to Rs. 1700 per acre. As the plantation season starts from October to February, the demand for 1st dose spreads over accordingly.

TABLE 1.3

DISBURSEMENT OF (DOES) (FIRST DOSE)

Particulars	Seed and Fertili- zers./Rs.	Water charges Rs.	Labour charges Rs.	Total Rs.
a) Rivers with perennial water supply.	900/-	500/-	300	1700
b) Other rivers	700	500	300	1500

SOURCE: Compiled from Records of KDCC Bank.

SECOND DOSE :

The second dose is sanctioned to the society after receipt of N. C. Statement by the Bank and verification of acreage under sugarcane crop. Verification of acreage in respect of sugar factory members is done by the Agriculture Department of the sugar factories which is accepted by the bank for disbursement of further credit. So also, for the purpose of verification of acreage under sugarcane crop, the records of irrigation societies are taken resort to, In cases of members not coming under above two categories their acreage is physically verified by the cane-supervisors, who are entrusted with this work only.

A member who has already repaid his dues through linking is allowed fresh loan upto 80% of the crop loan dues repaid by him and in case of member who has either repaid loan partially or if the Inspector is ensured that the remaining dues shall be repaid through the sale proceeds in future, such member is financed to the extent of 75% of the dues outstanding with him.

THIRD DOSE :

The third dose i.e. the remaining limit is allowed to the member after actual repayment of the entire dues is effected and his fresh limits are sanctioned in the Normal Credit Statement.

PURCHASE OF SUGARCANE SEEDS :

The Bank has provided in first dose a quantum of loan amount for purchase of the seeds for fresh plantation of sugarcane. Such loan is sanctioned in cash. If the agriculturist who has supplied seed is a loanee in any Co-operative Society then the cost of the seed is directly credited in his loan account with that society. In case he buys seeds from co-operative sugar factory, then the cost of the seeds is directly transferred to the account of sugar factory with the Bank.

SUPPLY OF FERTILIZERS :

The Bank has approved a panel of fertilizers manufacturers viz. Co-operative Purchase and Sale Unions from this District, Central and State Government owned Fertilizers undertakings etc. Fertilizers are supplied through the above agencies to the agricultural primaries against the demand by issuing Bank orders.

Here also, one important feature to be noted is that all the approved fertilizers are supplied only through Co-operative purchase and sale unions functioning in the

district. Private Agencies are not allowed to supply fertilizers to Agricultural Primaries. Fertilizers are supplied to the society against the Bank Orders. The amount of fertilizers is debited to the Loan Account of the concerned Agricultural Primaries and the same is credited into the account of the Co-operative Sale and Purchase Union, on whom the order is issued. If the concerned Co-operative Sale and Purchase Union has sought financial assistance from this Bank, then the amount is credited into the loan account of the such co-operative sale and purchase union.

LOAN FOR PAYMENT OF WATER CHARGES :

The Bank has made provision in first and second dose, a quantum of loan amount for payment of water charges. The amount sanctioned towards water charges is, on sanction, directly credited to the account of co-operative irrigation society or to the account of irrigation scheme run by the Co-operative Sugar Factory, as the case may be.

If the irrigation society has lifted loan from the Bank, then amount of water charges sanctioned is adjusted towards the loan account of the irrigation society. The amount is transferred with a written consent of individual agriculturist. Under no circumstances, water charges quantum is lifted in cash

In case of irrigation scheme run by a member of agricultural primary, he is sanctioned loan for water charges towards payment of electric bills, the same are paid directly to the State Electricity Board by cheque or the amount is reimbursed to the member if he has already paid the electricity charges. So also, Diesel too is supplied to member on bank orders who runs his irrigation scheme on diesel pump set.

VERIFICATION OF SUGARCANE CROP :

The Bank allows finance to the members of agricultural primaries after verification of acreage under sugarcane crop. Every care is taken to avoid duplicate or excess finance on the same acreage. For physical verification the Bank has created a separate cell for the purpose. For verification of acreage under sugarcane crop, resort is taken to the records of the Co-operative Sugar Factories and Co-operative Irrigation Schemes, where correct acreage is registered by the Agriculturists.

However, second dose of loan is released only after physical verification of new acreage brought under sugarcane crop and acreage which is used for preparation of jaggery. So also, in cases of members who have not repaid their last year's dues to the society through linking, are financed only after physical verification of cane crop by the Bank.

LOAN FOR GURHAL EXPENSES (JAGGERY PRODUCTION) :

In the crop loan policy, the Bank has provided loan for Gurhal Expenses i.e. loan for preparation of jaggery. This loan is sanctioned at rate of Rs. 700/- per acre and the maximum limit of such loan for individual is fixed at Rs. 4200/-. This loan is made available to those members, who satisfy the following conditions.

- i) The loan for this purposes shall be made available to the eligible members of both non-defaulting and defaulting society.
- ii) The members must have repaid at least 75% of his dues through linking, during the past season.
- iii) He must not be a defaulter.
- iv) In case of sugar factory members, such loan is made available only to the acreage which they have not contracted with the sugar factory.
- v) In case of member who has taken sugarcane crop for the first time shall be sanctioned this loan only after the managing committee of the society executes a guarantee to the Bank for repayment of the loan through linking.

FINANCE FOR KHARIP CROP :

The following statements depicts the cropwise loan limits for Kharip Crops.

T A B L E 1.4

(Figures in Rs.)

FINANCE FOR KHARIP CROPS

Sr.No.	Name of the crop	Kind per acre	Cash	Total
1.	Jowar	250	200	450
2.	Chilly	280	220	500
3.	Paddy	280	220	500
4.	Nagali	160	140	300
5.	Groundnut	280	220	500
6.	Tobacco	280	220	500
7.	Ratali (Sweet Potato)	250	200	450
8.	Turmeric	1240	360	1600
9.	Vegetables/ Fruits	600	400	1000
10	Potatoes	2500	500	3000
11	Tapioca	1240	360	1600
12	Sunflower	280	220	500
13	Grapes	5000	5000	10000

SOURCE: Compiled from Records of KDCC Bank.

The Bank has provided incentive in the loan policy to a member who has repaid his loan through linking during the last two years in case of following crops.

1	Chilly	400	400	800
2	Groundnut	400	400	800
3.	Tobacco	500	500	1000

NORMS FOR SANCTIONING KHARIP CROP LOANS :

1. Under no circumstances kind portion shall be sanctioned in cash. Kind portion is supplied through purchase and sale unions against the bank orders issued by the Bank Inspector.
2. The members who do not lift the kind portion are allowed to lift the cash portion only.
3. These loans will be sanctioned only after the Bank Inspector is satisfied that the previous loans are fully recovered.
4. Loans for potato and tapioca shall be disbursed only after physical verification of the crop and on being satisfied that there is adequate water supply available for the crop.
5. The loans are disbursed from January to September every year, as and when required.
6. The members holding less than 5 acres of dry land and demanding cash component only, will be sanctioned a minimum cash loan of Rs. 400/- or upto the extent of his share holding in the society, or at Rs. 250/- per acre, whichever is maximum.

FINANCE FOR HIGH YIELDING VARIETY CROPS :

The following statement depicts the cropwise loan limits for High Yielding Variety.

TABLE 1.5FINANCE FOR HIGH YIELDING VARIETY CROPS (Figures in Rs.)

Sr. No.	Name of Crop.	Seeds	Chem. Fertilizers	Pesti- cides	Cash	Total
1.	Paddy	40	500	100	200	840
2.	Maize	30	450	50	150	680
3.	Jowar	40	500	100	250	890
4.	Groundnut	300	150	50	200	700

Source: Compiled from Records of KDCC Bank.

Rs. 90/- more per acre shall be sanctioned in case of Carbo feron Processed Jowar Seeds.

1. These loans are disbursed from January to September, every year.
2. Loans will be sanctioned by the Bank only after recommendations of the Zilla Parishad Officers.
3. The member must execute a written guarantee to the society for selling his marketable surplus through co-operative agency/Govt. agency and repay his loan through linking. Like-wise the society also must execute a counter guarantee under resolution to the Bank to this effect.

FINANCE FOR HIGH YIELDING COTTON CROP :

The Bank is extending financial assistance for cotton crops as detailed below:

TABLE 1.6

FINANCE FOR HIGH YIELDING COTTON CROPS (Figures in Rs.)

Doses per Acre	Laxmi Cotton			Varlaxmi & H4 Cotton		
	Kind	Cash	Total	Kind	Cash	Total
1) First (To be released one month after plantation.)	325	100	425	700	200	900
2) Second (to be released two months after plantation)	300	75	375	700	200	900
TOTAL :	625	175	800	1400	400	1800

source: compiled from the records of KDC Bank
 The first dose of loan shall be disbursed only after
 the member executes a letter of authority for repaying the
 loan from the proceeds of the cotton supplied to
 Co-operative Spinning Mills in the district

The second dose will be released after physical
 verification of the crop. Landless person, agricultural
 labourers and artisans are eligible to avail consumption
 loan upto minimum limit Rs. 400/- or to the extent of 80%
 of his share-holdings with the primary society. These lands
 would be made available to above categories of members on
 securing two, land-holders as sureties

Members taking loan from Block Level Artisan Society,
 Member of joint family taking crop loans and these members
 seeking crop loan facility are not eligible to avail
 consumption loan.

RECOVERIES :

Harvesting season for the sugarcane crop, generally starts from middle of October onwards. It is at the peak in the months of December, January and February. For the purpose of recovery of crop loan, in case of sugar factory members, the societies obtain from the member a letter of authority addressed to factory for deducting from the proceeds of sugarcane an amount equal to the crop loan and interest thereon and to credit the amount to the Central Bank directly to be adjusted against the loan account of the society with the bank. On the strength of such letter of authority from each member supplying cane to factory, the society informs the factory the crop loan dues of a member well in advance, i.e. before 1st week of October. The factory after crushing the cane of the members, pays cane bills every fortnight. The bills of the members indebted to society are first remitted to Bank for being credited to the loan accounts of the society. The society in turn after receiving the advice from the Bank and the list from the factory, gives credit to loan account of the concerned members.

During the last season i.e. 1983-84 an amount of loan recovered through sugar factories, comes to the tune of Rs. 1948.82 lakhs, forming 68% of the total recovery.

As far as the recovery of crop loan of non-factory members or jaggery producing members is concerned, there

is also a set practice of recovery through linking. Societies keep a close watch on such members especially on the movement of jaggery. Member of society forwards his jaggery to a marketing cooperative or an adat shop run by society. The recovery procedure thereafter follows, on the same line as in case of sugar factory members.

During the last year recovery through purchase and sale unions was Rs. 173.78 lakhs, forming 16.59% of the total recoveries. Thus the total recovery percentage through linking only works out to 79%.

Cropwise dates for repayment of loans for 1984-85 seasons are as follows. TABLE 1.7

DATES FOR REPAYMENT OF LOAN

Sr. No.	Type of Crop.	Date of repayment
1.	Sugarcane Cash-credit	30 June 1984
2.	<u>A) KHARIP CROPS</u>	
	i) Disbursed during January-1984	31 December 1984
	ii) Disbursed during Feb. 1984	28 January 1985
	iii) Disbursed during March 1984.	25 February 1985
	iv) Disbursed from April 1984 onwards	25 March 1985
	<u>B) Hybrid Rabbi Crops</u>	27 May 1985

SOURCE: Compiled from Records of KDCC Bank

The above dates of repayment of loan relate to the dues to be repaid by society to the Bank. The society must recover dues from its members one month prior to the above dates. However, the date of repayment in respect of sugarcane cash credit is fixed at 30th June. The society shall repay to Bank all kinds of crop loan within a period of 12 months, accordingly the society shall execute promotes in favour of the Bank for a period less than 12 months.

CHART NO 5

PROCEDURE OF SANCTIONING FINANCE BY

K.D.C.C. BANK LTD, KOLHAPUR.

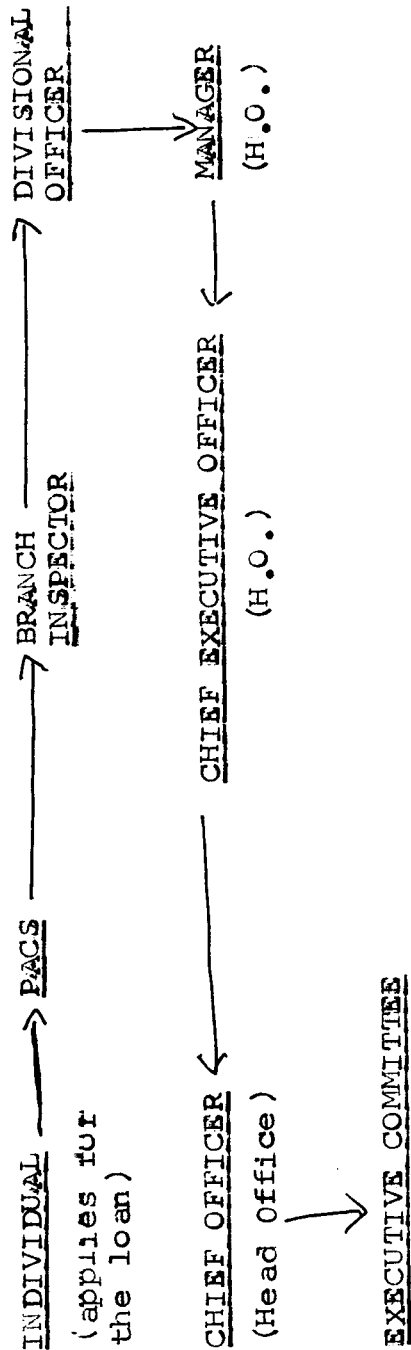


CHART NO 6

KOLHAPUR DISTRICT CENTRAL BANK'S

DISBURSEMENT OF LOANS

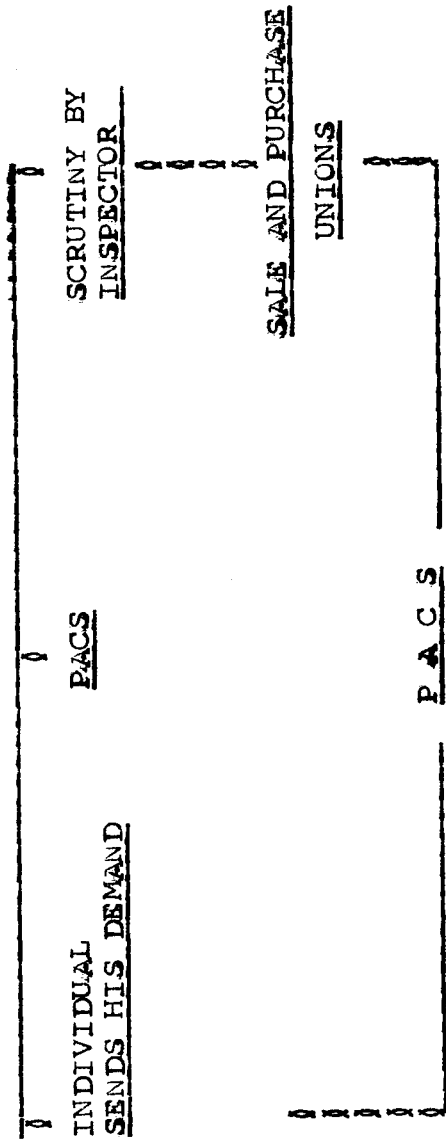
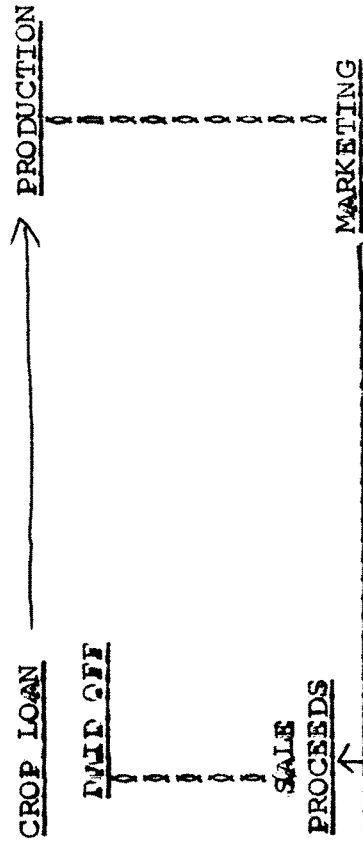


CHART NO 7

BANK'S RECOVERY OF LOANS



IV-4 K.D.C.C. Bank's Advances for
Agricultural Sector.
IV-4.1 TRENDS IN BANK'S ADVANCES :

The following table shows the trend in the bank's advances for agricultural purposes.

TABLE 1.8
BANK'S ADVANCES TO AGRICULTURE

(Rs. in lakhs)

Year	Short-Term Finance	Medium-Term Finance	total
1978-79	1491.88 (93.3)	108.67 (6.7)	1600.55
1979-80	1602.77 (93.7)	107.96 (6.3)	1710.73
1980-81	2201.08 (96.1)	90.96 (3.9)	2292.04
1981-82	2768.99 (93.2)	203.27 (6.8)	2972.26
1982-83	2678.71 (92.7)	212.57 (7.3)	2891.28
1983-84	3014.53 (92.8)	237.18 (7.2)	3251.71

SOURCE: Compiled from Annual Reports of KDCC Bank

NOTE: Figures in the parentheses indicate percentages to horizontal totals.

It is clear from the table that the total advances during the five years (1978-79 to 1983-84) were increased by 103.16 per cent. The average rate of growth of agricultural advances was 20.63 per cent.

Thus there is a remarkable increase in its total advances. Total advances increased due to the fact that cost

of cultivation was increased. It is due to the rise in the prices of agricultural raw-materials, Annual Compound Growth rate of aggregate advance was 15.6 per cent. Demand for advances depends upon returns of the farmers and cost of operation on land. Due to change in these factors, advances vary from one period to another.

IV-4.2 CROP LOANS OF K.D.C.C. BANK : ✓

TABLE 1.9

TRENDS IN CROP LOANS OF THE BANK (RS. IN LAKHS)

Year	Sanctioned Limit.	No. of Societies	Loans Disbursed
1978-79	2,260.62	840	1,491.85
1979-80	2,260.47	845	1,602.77
1980-81	3,466.74	846	2,201.07
1981-82	4,488.82	845	2,768.99
1982-83	4,321.72	851	2,678.71
1983-84	4,396.96	856	3,014.53

SOURCE: Compiled from the Records of KDCC Bank.

Short-term Advances i.e. crop loans were increased by 101.39 per cent during the period of five years i.e. from 1978-79 to 1983-84. Annual compound growth rate of Short Term Loans was 14.8 per cent. The reason was that the number of members increased. The demand for the short term loans was being increased by PACS. The Bank had adequate funds to meet their increasing demand.

The short-term loans are given for raising the crop on land. They are generally given for 12 months. They are utilised for purchasing seeds, manures and fertilizers or for meeting labour charges. They are repaid after the harvest.

It is also clear from the table (1.9) that there is much difference between the loan sanctioned and disbursed. Societies and individuals demand more than the amount given in the bank loan schedule. As a result sanctioned limit goes up. But while disbursing the loan, the past records are seen by the inspectors and secondly some members are the defaulters. As a result, actual disbursement will be less than the amount sanctioned.

IV-4.3 Crop-wise Distribution of Loans.

TABLE 1.10 ✓

CROP-WISE DISTRIBUTION OF LOANS DISBURSED

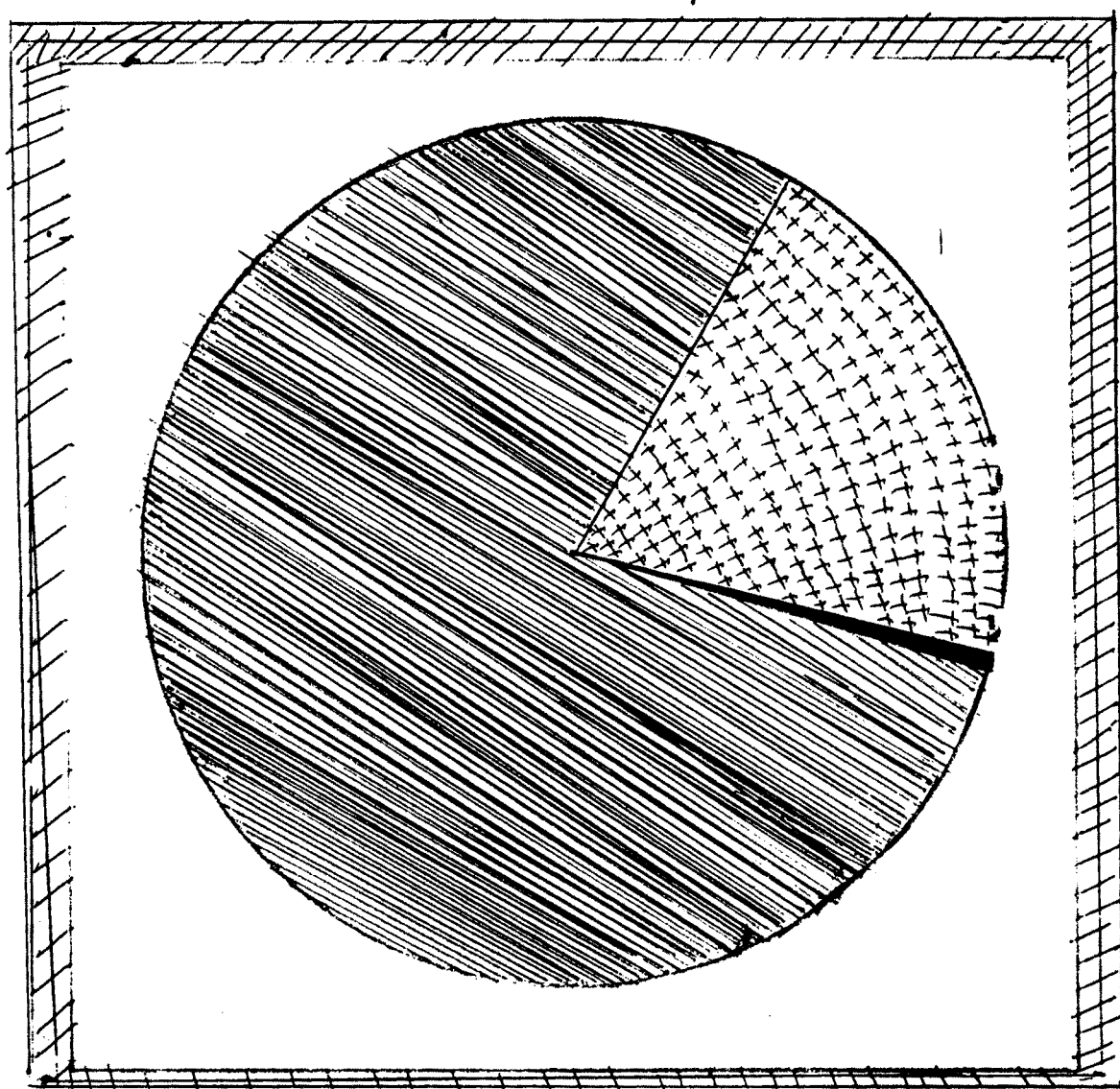
(Rs in lakhs)

	1978-79	1983-84
Sugarcane	1186.79 (75.15)	2367.49 (78.53)
Consumption	8.75 (0.54)	15.10 (0.50)
Others	404.98 (24.31)	531.94 (20.97)
Total	1600.52 -----	3014.53 -----

SOURCE: Compiled from Records of KDCC Bank.

Graph No - 6
Table No - 1.10
K D C C BANK'S

CROP-WISE DISTRIBUTION OF LOANS
1983-84



■ CONSUMPTION
▨ SUGAR-CANE
▤ OTHER-CROPS

If we see the Crop-wise distribution of the loans it is clear that more than 75% of loans are enjoyed by the sugarcane growers. Food crops include paddy, rice, wheat etc. They received less amount. The reasons are...

- i) Farmers are habituated to apply for loans for the growth of sugarcane.
- ii) Major irrigated land (about 80%) is under sugarcane in this district.
- iii) Some times the farmers use fertilizers purchased for the production sugarcane to other crops also without proper knowledge.
- iv) Loan sanctioned limits are high in case of sugarcane crops comparatively.

Thus major portion of bank's advances are meant for sugarcane growers.

IV-4.4 MEDIUM TERM LOANS :

They form a very small portion of total advances. Since the establishment of the bank, the objective of the Bank was to provide for short-term Advances. Recently it started to cater to needs of M.T. Loans.

Farmers are not interested to purchase heavy machines. Because their size of land is small. In Kolhapur an average size of holding is 7.5 acres. After the introduction of NABARD the bank started to provide Medium Term Loans on a large scale.



From the Table 1.8 it is clear that there is a phenomenal rise in the Medium Term Loans. During five years i.e. from 1978-79 to 1983-84 they were increased by 118.25 per cent. The average growth rate of Medium Term Advances was 23.65 percent and compound growth rate was 17.7 per cent.

TABLE 1.11.PURPOSEWISE DISTRIBUTION OF LOANS

(Rs in lakhs)

Particulars	78-79	79-80	80-81	82-83	83-84
1. Engines, Pipes, Electric materials	0.85 (0.78)	1.59 (1.48)	1.91 (2.10)	13.89 (6.53)	10.63 (4.48)
2. Drought Animals	2.84 (2.61)	15.43 (14.29)	11.44 (12.58)	4.45 (2.09)	3.72 (1.57)
3. Milk Animals	91.97 (84.63)	77.72 (71.99)	72.92 (80.17)	100.67 (43.35)	122.08 (51.48)
4. Improvements of land and repairs of wells.	0.12 (0.11)	0.02 (0.01)	0.01 (0.01)	0.16 (0.08)	1.12 (0.47)
5. Trucks and tractors	0.80 (0.73)	-	3.38 (3.72)	61.86 (29.10)	25.73 (10.84)
6. Irrigation Scheme	6.27 (5.77)	0.66 (0.61)	0.68 (0.74)	9.93 (4.68)	4.52 (1.91)
7. Purchase of sugar fact- ory share	2.06 (1.90)	11.52 (10.68)	--	20.99 (9.87)	0.78 (0.33)
8. Other	3.77 (3.47)	1.02 (0.94)	0.62 (0.68)	0.52 (0.30)	68.60 (28.92)
TOTAL	108.67	107.96	90.96	212.57	237.18

FIGURES given in parentheses indicate percentage to total source : Compiled from the Records of KDC Bank.

Loans disbursed by the bank depends upon the demand of farmers through PACS. The advance for the purchase of engines, Pipes, and electrical materials has shown a rising trend. It

increased from 0.78 per cent to 4.48 per cent during the period under review. It recorded near about five fold increase.

Loans for purchase of drought animals decreased from 2.61 per cent in 1978-79 to 1.57 per cent in 1983-84. It is because of increase in the activities for which loans are to be disbursed under M.T. loans programme.

Advances for the purchase of milk animals increased from Rs. 91.97 lakhs to Rs. 122.08 lakhs during the period under review. This is due to the introduction of IRDP. Because of different activities under IRDP, 50% of total advances are granted for buying milk animals, whereas it stood at 85% in 1978-79.

Loans for irrigation scheme decreased from 5.77 per cent to 1.91 per cent during the period under review, because (i) After the introduction NABARD, loans for big irrigation scheme increased. (ii) Lending for other purchases ^{raised} ~~raised~~ (iii) There were no new water potentialities.

Advances for the purchase of trucks and tractors reduced from Rs. 61.86 lakhs in 1982-83 to Rs. 25.73 lakhs in 1983-84. It is due to restrictive policy adopted by RBI

Loans disbursed for other purchases increased from Rs. 3.77 lakhs in 1978-79 to Rs. 68.60 lakhs in 1983-84. It shows that many new activities such as the purchase of gohar-gas have been financed by the Bank.

IV-4.5

S E C U R I T Y

Every Bank has to follow the principle of safety. Whenever a financial institution advances the funds, it should see that the loans should be repaid at proper time.

The KDCC Bank accepts the following securities.

Type of Credit	Security to be furnished
1. Crop-loan	Demand Promissory Note/Loan Agreement. a) A Charge is created on land b) Guarantee by the third party. c) Some times on oral lease also loans are disbursed for old beneficiaries.
2. Medium-Term Loan	i) Hypothecation of assets; ii) Mortgage of land (at bank's discretion).

IV-4.6 RATE OF INTEREST :

The rate of interest on loans and advances charged by the Central Co-operative Banks varies according to the purpose of the advance. The following chart shows rate of interest schedule.

Sr.No.	Type of Advance	Rate of Interest (Percentage)
1.	A) Agricultural Short-term loan	9.00
	B) Short-Term loans for emergency cause	12.50
	C) Interim Loan for non-agricultural purposes	14.50
2.	<u>Agricultural Medium Term Loans.</u>	
	1. Approved purposes (Tractor, Power tillers)	9.00
	2. Conversion & Rehabilitation	9.00
	3. For Purchase of Milk, Cattle, Cows under Apex Bank Scheme.	5.00
	4. Tractors, Tillage powers, and other necessary implements.	11.00
	5. Fencing of barbed wire for protecting sugarcane.	12.50
	6. Loans for the purchase of Shares of Co-op. Lift irrigation societies.	12.00
	7. Medium term loan for the purchase of shares of sugar factory.	9.50
3.	Lift Irrigation Societies for Capital expenditure.	12.00
4.	Dairy Milk Societies for the purchase of vehicles.	14.50
5.	Consumer Co-operative Societies	13.50
6.	Other societies those provide necessities of life.	13.50
7.	Societies which get loans against the pledge of sugar excluding sugar factories.	18.00

The Bank (Managing Committee) can lower the rate of interest upto 3 per cent. The above rates of interest are fixed by the RBI.

IV-5 RECOVERY POSITION OF BANKS (A GENERAL STUDY) :

The problems of recovery engender far reaching and long term consequences. If the overdues increase, the loanable ~~resources~~ resources of the credit institutions dry up and slow down the pace of agricultural development. It makes the decision making process of the banks difficult. When a large number of farmers delay or default in their repayments, the confidence of the lenders is shaken and the easy flow of money to a large number of other farmers is arrested.

CAUSES OF OVERDUES :

1. Generally Politicians being members of the Managing Committee seemed to adopt unnecessarily liberal policies in case of defaulting borrowers. Overdues are likely to be higher in the year prior to the year of elections.
2. PACCs hardly bother to supervise utilisation of loans by the farmers.
3. There is lack of close watch on utilisation of loans and lack of linking.
4. Farmers take loans from other sources.
5. They take at low rate of interest and lend it to others at higher rate of interest.
6. In some cases loans are sanctioned for unproductive activities. In some other cases, loans sanctioned for wells are diverted to other purposes.

7. A sizeable part of the overdues is due to the defective lending policies.
8. The end use of credit is not carefully scrutinized.
9. Failures of crops are also responsible.

BANK'S EXPERIENCE :

The experience of commercial banks, Co-operatives and regional rural banks indicates that overdues have started exhibiting a rising trend. According to the *Daley* Study team near about three fifths of the overdues of the primary agricultural credit societies (PACS) as on June 30, 1972 had arisen on account of willful default.

In the case of central co-operative banks also the overdues had gone up. A sizeable part of the overdues was due to the defective lending policy pursued by central co-operatives Banks and PACS.

T A B L E 1.12

ALL INDIA RECOVERY OF AGRICULTURAL ADVANCES OF ALL
SCHEDULED COMMERCIAL BANKS

	Percentage of Recoveries to Demand	
	June-1975	June-1978
ALL INDIA	51.6	51.2

SOURCE: Vasant Desai 'A' Study of Rural Finance' P.530

Thus, loan overdues were to the extent of 50 per cent in case of commercial banks also.

The performance of Co-operative Finance at Central Co-operative Bank level (In Maharashtra) with respect to loan overdues was examined over a period of 22 years i.e. 1958 to 1979.

The growth rate in loan advance was 5.53 per cent per annum. The percentage of over-dues to total outstanding was only 18.01 in 1958 and increased to 55.30 per cent in 1979. Thus the studies indicated that the over-dues were increasing.

(Above data is compiled from the article 'Performance and Problems of Co-operatives by Dr. S. P. Kalyankar, Published in 'The Maharashtra Co-operative Quarterly Vol. LXVII No.3 January 1984. P. 143).

IV-5.1 RECOVERY POSITION OF KDCC BANK :

TABLE 1.13

AGRICULTURAL OUTSTANDING & OVERDUES OF K.D.C.C. BANK
(Rs. in lakhs)

Year	Outstandings	Overdues	Percentage of overdues to Outstandings
1978-79	1611.77	286.88	17.79
1979-80	1677.81	239.01	15.25
1980-81	2245.62	159.45	7.10
1981-82	2793.47	120.00	5.33
1982-83	2715.63	123.33	5.54
1983-84	2979.75	170.09	5.70

SOURCE: Compiled from the Records of K.D.C.C. Bank.

TABLE 1.14OUTSTANDINGS & OVERDUES OF SHORT TERM & MEDIUM TERM LOANS.

(Rs. in lakhs)

	<u>Outstandings</u>		<u>Overdues</u>	
	Short-term	Medium-Term	Short-term	Medium Term
1978-79	1461.27	150.50	275.68	11.20
1979-80	1513.83	163.98	227.32	11.69
1980-81	2095.53	150.99	152.66	6.79
1981-82	2550.70	242.77	113.17	7.83
1982-83	2381.18	334.45	114.11	9.20
1983-84	2585.84	393.91	159.00	11.09

SOURCE: Compiled from the Records of KDCC Bank.

TABLE 1.15PERCENTAGE OF OVERDUES TO OUTSTANDING

	<u>S.T. Loans</u>	<u>M.T. Loans</u>
1978-79	..	18.86
1979-80	..	15.01
1980-81	..	7.28
1981-82	..	4.43
1982-83	..	4.79
1983-84	..	6.14

SOURCE: Compiled from the Record of KDCC Bank.

TABLE 1.16POSITION OF RECOVERIES RELATING TO CROP-LOAN

(Rs. in lakhs)

Year	Recoverable Dues	Recoveries	per cent of recoveries to recoverable dues.	per cent of overdues to recoverable dues.
1978-79	2010.84	1735.16	86	14
1979-80	1735.34	1508.02	87	13
1980-81	1746.16	1593.50	91	9
1981-82	2399.65	2286.48	95	5
1982-83	2933.82	2819.71	96	4
1983-84	2940.18	2781.18	95	5

SOURCE: Compiled from the Records of KDCC Bank

TABLE 1.17POSITION OF RECOVERIES RELATING TO MEDIUM TERM AGRICULTURAL LOANS

(Rs. in lakhs)

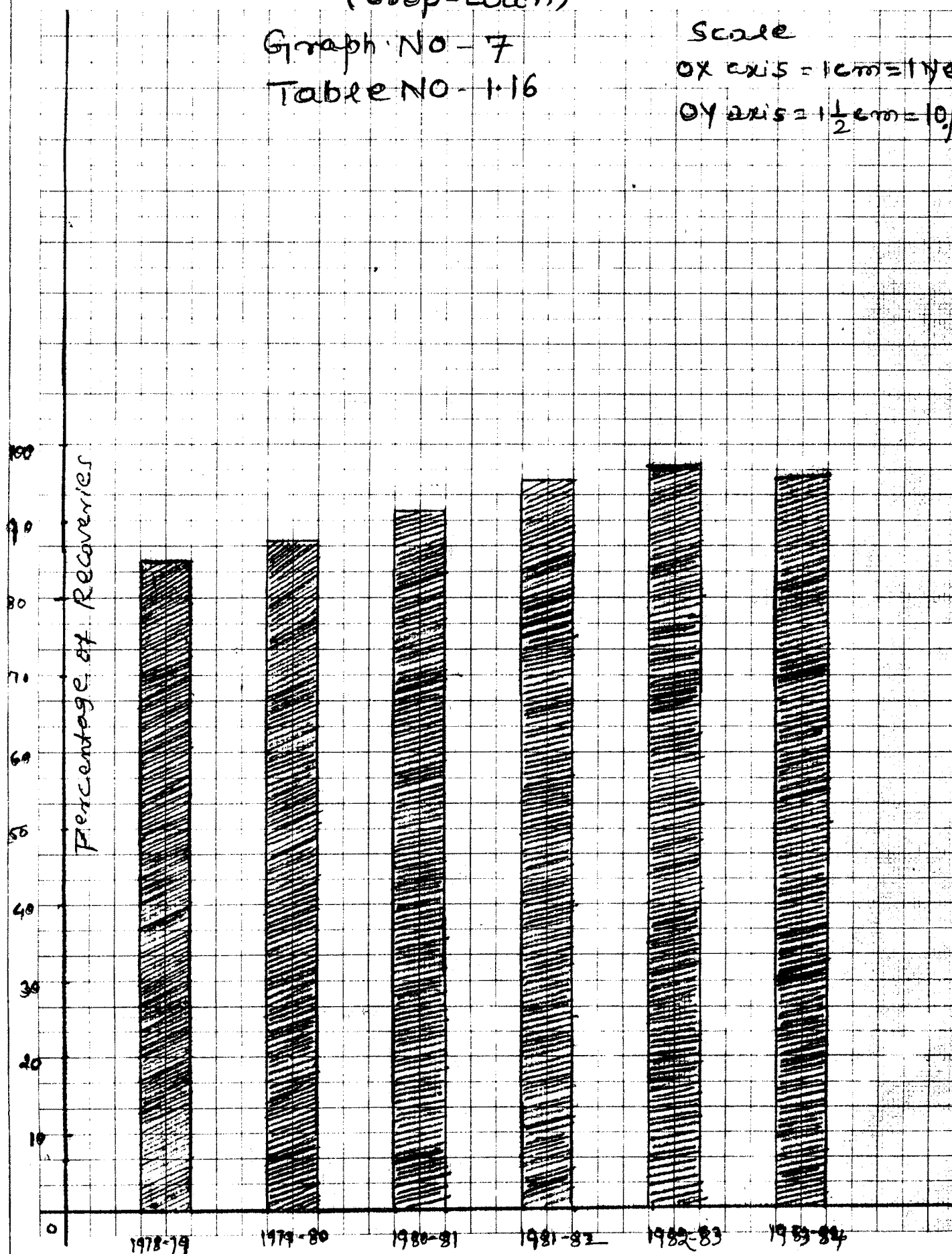
Period	Recoverable dues.	Recoveries	Percentage of recoveries to recoverable dues.	Percentage overdues to recoverable dues
As on 30.6.79	N.A.	N.A.	N.A.	N.A.
As on 30-6-82	114.56	106.73	92.5	7.5
As on 30-6-84	177.32	166.23	93.7	6.3

SOURCE : Compiled from the Records of KDCC Bank.

Trends in recoveries (Crop-Loan)

Graph No - 7
Table NO - 1.16

Scale
OX axis = 1cm = 1 year
OY axis = $1\frac{1}{2}$ cm = 10%



- Years -

TABLE 1.18TALUKA WISE RECOVERY OF LOAN AS ON 30-6-79

(Rs. in lakhs)

Name of Taluka	Recoverable dues.	Recovery effected	Recovery of loan through marketing institution.	percentage of recovery
1. Ajra	54.66	40.73	17.07	75%
2. Chandgad	121.87	82.32	54.39	68
3. Gadhinglaj	166.63	150.16	79.26	90
4. Kagal	208.14	179.99	130.12	86
5. Hatkanangle	215.30	207.08	192.95	97
6. Shirol	227.03	196.23	185.69	86
7. Karveer	480.77	425.46	386.63	90
8. Shahuwadi	62.22	47.83	26.21	77
9. Panhala	173.73	139.95	124.17	81
10. Gagan Bawada	31.33	12.34	7.61	39
11. Bhudargad	123.28	112.14	81.85	91
12. Radhanagari	155.87	140.13	128.44	90
TOTAL	2010.84	1735.16	1414.59	86

SOURCE: Compiled from Records of KDCC Bank.

TABLE 1.19TALUKA WISE RECOVERY OF LOANS AS ON 30-6-84

(Rs. in lakhs).

Name of Taluka	Recoverable dues.	Recovery effected	Recovery of loan through marketing institution	Percentage of Recoveries
1. Ajra	98.97	94.69	49.86	96
2. Chandgad	200.30	187.71	121.44	94
3. Gadhinglaj	234.58	227.08	143.18	98
4. Kagal	237.94	220.04	130.36	92
5. Hatkanangle	331.32	326.56	280.87	99
6. Shirol	283.70	262.87	235.48	93
7. Karveer	690.35	671.46	615.15	97
8. Shahuwadi	89.10	81.86	43.02	92
9. Panhala	238.86	221.24	187.13	93
10. Gagan Bawada	43.87	32.13	25.01	73
11. Bhudargad	191.92	170.22	100.90	89
12. Radhanagari	299.27	284.81	252.77	95
total	2940.18	2781.18	2185.27	95

SOURCE: Compiled from Records of KDCC Bank.

One significant feature of the operations of KDCC Bank was the steep fall in the volume of outstandings. The amount of outstandings stood at Rs. 1611.17 lakhs in 1978-79 and it amounted to Rs. 2793.47 lakhs in 1981-82. It moved sharply to Rs. 2171.63 lakhs in 1982-83 (Table 1.13). Again it increased to Rs. 2979.75 lakhs due to high increase in total advances to agricultural sector.

Percentage of over-dues to outstandings decreased from 17.79 per cent in 1978-79 to 5.70 per cent in 1983-84 (Table 1.13)

Short-term credit outstandings and medium-term credit outstandings amounted to Rs. 2585.14 lakhs and 393.91 lakhs as on 30-6-1984 (Table 1.14). Over-dues decreased by 42.18 per cent and 0.98 per cent in case of S.T. and M.T. advances respectively.

Percentage of over-dues to outstandings gives the true picture of ^{recovery position. Here in case of} both Short-term and Medium Term agricultural finance, percentage of overdues to outstandings has shown a declining trend i.e. from 18.86 per cent in 1978-79 to 6.14^{per cent} in 1983-84 and from 7.44 per cent in 1978-79 to 2.82 per cent respectively. (Table 1.15).

The recovery position is further analysed.

The percentage of over-dues to recoverable dues declined. It was 14 per cent in 1978-79 and decreased to 5 per cent in 1983-84 (Table 1.16). It is an outstanding

performance of the K.D.C.C. Bank. In 1978-79, 86 per cent of loans were recovered whereas in 1983-84, 95 per cent of loans were recovered (Table 1.16). This is worth-nothing factor.

The recovery position in case of medium-term finance is also quite satisfactory. As on June 1982, percentage of recoveries to recoverable dues stood at 92.5 per cent and it increased to 93.7 per cent as on 30-6-1984 (Table 1.17)

When we see the table (1.18), it is clear that except one Taluka i.e. Gagan Bawada, recovery position was upto the mark. As this taluka is having hilly area the production was not satisfactory as on 30-6-1978. In course of time this trend also changed. As on 30-6-1984 all talukas recovered the loans more than 90 per cent of advances. It is a feature of sound banking system. It is a unique feature of KDCC Bank. This bank stood first in the state of Maharashtra in respect of recoveries of loan.

IV-5.2 SOURCES OF RECOVERIES :

LINKING WITH MARKETING :

An essential feature of Crop-loan system is that loans advanced by a credit policy to an individual for raising crops are recovered out of the sale proceeds of such crops. It is, therefore, necessary to ensure that the sales are effected through an agency with which the credit societies is linked. It is necessary that every member who takes a loan from an agricultural credit society signs an agreement to sell his produce through the marketing society. He should also authorise that society to appropriate the sale proceeds towards the repayment of the production credit taken by him through the primary credit society.

Table (1.20) shows that more than 78 per cent of loans are recovered through linking process. Repayment of loan by cash forms a very small portion, i.e. 22 per cent. Linking of credit to marketing has been ~~undoubtedly~~ undoubtedly succeeded in case of KDCC Bank. Therefore, the bank has no problem of overdues.

Sugar factories, marketing Committees and other sale and purchase unions work efficiently. The principle of co-operation among co-operative, has been followed.

T A B L E 1.20

SOURCES OF RECOVERIES OF KDCC BANK

SHORT-TERM AGRICULTURAL CREDIT
i.e. Crop-loan.

(RS. IN LAKHS)

Period As on	Recoverable dues	Recoveries	Sugar factories	Marketing committees	Other sales and purchase unions	Total linked recoveries	Conversion	By cash	Percentage of linking recoveries to total recoveries.
1	2	3	4	5	6	7	8	9	10
30-06-78	1860.15	1663.61	1176.80 (70.73)	16.79	165.14	1358.73	--	304.88	82
30-06-80	1735.34	1508.02	1061.23 (70.30)	23.52	133.86	1218.61	--	289.41	81
30-06-82	2399.65	2286.48	1770.85 (77.55)	32.92	167.26	1971.03	--	315.45	86
30-06-84	2940.28	2871.18	1948.82	61.77	173.78	2184.37	21.44	575.07	79

MEDIUM TERM CREDIT :

1	2	3	4	5	6	7	8	9	10
30-06-78	N.A.	51.70	11.52	0.7	11.24 (21.75)	22.83	--	28.94	44
30-06-80	N.A.	90.94	12.00	0.11	62.61 (68.35)	74.72	--	16.22	82
30-06-84	177.32	166.23	39.76	1.39	82.30 (59.50)	123.45	--	42.78	74

SOURCE: COMPILED FROM RECORDS OF K.D.C.C. BANK.

Figures given in the parenthesis^gs indicate percentage to total recoveries.

Another worthnoting point is that large part of the loans are recovered through co-operative sugar factories. The table 1.20 depicts that 70 per cent of advances are recovered through sugar factories. The reason is obvious. Farmers (70 per cent) demand loans from the bank for the production of sugarcane. Soon after the harvest, they repay their loans through sugar factories. It has become a habitation. This practice had been followed since a long period. Therefore the bank has no over due problem.

In case of medium term finance, loans are repaid through sale and purchase unions. There also since 1980, ~~linking~~ recoveries, ^{through linkage} plays a dominant role., K.E.C.C. Bank stands as a model, for the successful operation of linking of credit with marketing.

All India Rural Credit Survey Committee (195.) recommended this measure to solve the problem of overdues of Co-operatives. This bank got success in it.

The reasons for high recoveries are narrated in the concluding chapter.

IV-6 K.D.C.C. BANK AND MARKETING CO-OPERATIVES :

This district is fortunate in having a strong co-operative marketing structure. There are 15 sale and purchase unions and 13 other societies doing marketing business in the district.

These marketing organisations can be looked as the connecting link between the producer and the ultimate buyer. These co-operative organisations provide the agriculturists with manures and oils and other necessities related to agricultural production on the one hand, and help the agriculturists to sell their produce at best rate through this medium on the other. The sale proceeds thus realised are directly credited to the Bank by these organisations.

15 Co-operative Sale and Purchase Unions are at different places as given below :

- | | |
|-------------------|--|
| 1) Ajra | 8) Radhanagar |
| 2) Chandgad | 9) Kolhapur Wholesale |
| 3) Gadhinglaj | 10) Shrirol Tambaku Sangh. |
| 4) Bhudargad | 11) Shetkari Sangh |
| 5) Hatkanangle | 12) Shetkari Tambaku Sangh |
| 6) Kagal | 13) M. J. Phule Bhaji Pala
Utpadak Sangh. |
| 7) Panhala-Barada | 14) Karveer |
| | 15) Shahuwadi. |

SUPPLY OF FINANCE TO MARKETING SOCIETIES (Rs. in lakhs)

Particulars	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
A) CLEAN CREDIT	73.04	79.25	84.75	110.25	108.01	117.21
B) HYPOTHECATION CREDIT	216.18	209.05	237.00	297.35	301.50	257.25
C) PLEDGE CREDIT	41.22	39.95	41.25	58.75	39.75	30.00

SOURCE: Compiled from records of KDCC Bank.

The Bank provides above mentioned financial facilities to marketing societies. Clean Cash Credit facilities and Hypothecation credit facilities increased by 60.50% and 18.99% respectively. It is an impressive performance of the Bank.

TABLE 122

SUPPLY OF AGRICULTURAL INPUTS AND OTHER REQUISITES
BY MARKETING CO-OPERATIVES FROM THE DISTRICT.

(Rs. in lakhs)

	78-79	79-80	80-81	81-82	82-83	83-84	84-85
Fertili- zers.	2500	3371.01	5525.12	6500	7100.00	8200	9000

SOURCE: Compiled from the records of KICC Bank.

It must be realised that to achieve this goal of maximum linking of credit with marketing, these units must be viable and efficient. There will be more than 3 times increase in the supply of fertilizers from 1978-79 to 1984-85.

IV-7 KDCC BANK AND PROCESSING SOCIETIES :

Considering the ever rising trend of deposits of this bank and the availability of surplus funds after providing maximum agricultural credit, the bank, since last 5 to 6 years, adopted policy of diversification of credit according to which working capital as well as medium-term finance of the co-operative sugar factories and other processing societies has been under taken by it.

Out of 14 Co-operative Sugar Factories working in the district following area at present enjoying credit facilities from this bank as shown under.

TABLE 1.23

LOANS TO PROCESSING SOCIETIES

(Rs. in lakhs)		
Name of the Co-op. Sugar Factory.	Sanctioned Limit	
	Working Capital 1983-84	Medium Term loan
1. Warna ..	1225.00	300.00
2. Bhogawati ..	1335.00	--
3. Panchaganga ..	2075.00	--
4. Mouninagar(Bidri)	865.00	--

^{Same}
SOURCE: AS FOR TABLE 1.22

I hope that in the future almost all sugar factories, spinning mills and other processing units in Kolhapur District shall avail of all sorts of credit facilities from this Bank only.

R E F E R E N C E S

CHAPTER - IV

- Cited in*
1. All India Rural Credit Survey Committee 1954. Vol. I
~~in the system~~
 2. Cited in Dr. S. Nakkiran
'Co-operative Banking in India' 1980 - P. 94.
 3. Ibid - P. 96.
 4. Report of the Committee on Co-operative
Credit (1960) P. 86 point 16.

**** CHAPTER - IV ****

SECTION 'B'

REFINANCE AND K.D.C.C. BANK.

- IV-8 K.D.C.C. BANK AND NABARD.
- IV-9 K.D.C.C. BANK AND IRDP.
- IV-10 K.D.C.C. BANK AND CROP-INSURANCE
POLICY.

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XXXXX
XXXX
X

CHAPTER - IV.SECTION - BREFINANCEIV-8. NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD) AND IDCC BANK.

NABARD has been set up with effect from 12th July, 1982.

WHY NABARD :

- i) There was imperative need for decentralisation of RBI functions in the context of expansion and diversification of the developmental role.
- ii) Agricultural credit Board may not cope with the changed situation in the context of
 - a) adoption of multi-agency approach to rural credit dissemination.
 - b) emergency of RRBS in addition to LDBs/SCBs and CCs.
- iii) There was a lack of co-ordination between various financial institutions such as ARDC, ACB of RBI, RRBs.

OBJECTIVES:

- i) Promotion of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts and other rural areas allied economic activities.
- ii) Serve as a refinancing institution for institutional credit (both short and long in the rural areas)
- iii) Direct financing to any institution as approved by Central Govt.
- iv) To maintain organic links with RBI.

FUNCTIONS :**A) CREDIT FUNCTIONS :**

1. To provide refinance to commercial banks, co-operative banks, Regional Rural Banks for financing.
 - a) Agricultural production and marketing operation.
 - b) Marketing and distribution of inputs.
 - c) Production and marketing activities relating to rural artisans and industry.
2. To provide conversion loans for production credit to meet emergency situations.
3. To provide financial assistance to reschedule loans and advances to rural artisans, industries, handicrafts facing unforeseen hardships.
4. To provide medium and long-term investment credit for agricultural and rural development.
5. Contribution to share capital and securities of eligible institutions.
6. Assist state Govts to contribute to the share capital of eligible institutions.
7. Direct loans as approved by Central Govt.

B) ALLIED DEVELOPMENTAL FUNCTIONS:

8. Co-ordinate operations of rural credit institutions.
9. Develop expertise to deal with rural problems.

10. Help Govt. RBI and other institutions in rural Development efforts.
11. Act as Govt and RBI's agent in transaction of business in relevant areas.
12. To provide facilities for Training, Research and Dissemination of information in rural banking and development.

GENERAL RELATIONSHIP BETWEEN NABARD AND KDCC BANK :

The relationship is indirect. NABARD provides refinancing facility through Apex Co-operative Bank. The bank deals with Schematic lending operations. The projects are sent to NABARD through Apex Co-operative Bank. After its approval, refinancing facilities are made available.

INTEREST RATE STRUCTURE :

Concessional rate of finance policy is followed. Apex Co-operative Bank provides the loans at 6.75% rate of interest to KDCC Bank. It charges 7.50% to primary co-operative bank in case of medium term loans for irrigated areas.

In other areas Apex Co-operative Bank sanctions funds to KDCC Bank at 8.20% of interest. It charges 9% to institutions.

PERFORMANCE OF K.D.C.C. BANK UNDER NABARD :

Under NABARD, so far the bank has completed 13 Lift Irrigation Projects. They are..

- 1) Shri Laxmi Co-operative Water Supply Society Kurani-Buzawade.
- 2) Nagnath -do- -do- -do- Nagardale.
- 3) Basaveshwar -do- -do- -do- Rajgoli Kh,
- 4) Hanuman -do- -do- -do- Boburdi.
- 5) Bhaveshwari -do- -do- -do- Morewadi.
- 6) Shirdwad Vikas (v) Water Supply Co-op.Scy.Shiradwad.
- 7) Shetki -do- -do- -do- Fukadi
- 8) Koteswar -do- -do- -do- Eahreshwar.
- 9) Bharat -do- -do- -do- Fashiwade Ek.
- 10) Laxmi -do- -do- -do- Basarge Ek.
- 11) Nagadevwadi -do- -do- -do- Pagdevwadi.
- 12) Ramling -do- -do- -do- Manjarwadi.
- 13) Abaso Jagdale -do- -do- -do- Mohare.

TABLE 1.1

COST AND REFINANCE FOR ABOVE 13 PROJECTS. (Rs. in lakhs)

31-12-1985

Approved Cost	: Actual Cost	: Refinance by National Bank
73.23	81.46	58.66

SOURCE: Completed from the Records of KDCC Bank.

The following 3 projects are going to be completed.

- 1) Londha Khore Co-op. Water Supply Co-op. Society, Keloshi.
- 2) Mahadev -do- -do- -do- Mhalsawade
- 3) Narsinh Vikas Water Supply Co-op. Scy. Fadali Kh.

Except lift irrigation, other schemes have not been enhanced by the Bank.

IV-9. KDCC BANK AND INTEGRATED RURAL DEVELOPMENT PROGRAMME :

Integrated Rural Development Programme (IRDP) has been under implementation since 1978-79. It was extended to the whole country from 2-10-1980. This programme is implemented jointly by the Govt. and Banks. Govt. has in fact established a separated machinery by constituting Rural Development Agency in each district. The Chief Executive Officer of Zilla Parishad is the Chairman of the RDA and Project Director is the full time executive looking after the working of this agency. At Taluka level, Block Development Officer is entrusted with the implementation of the programme and is assisted by Village Level Workers (VLWs) at grass root level.

OBJECTIVES :

- 1) Improving the means of livelihood.
- 2) Equal distribution of income.
- 3) Raise the level of income and consumption.
- 4) Raise the standard of living of rural people.



- 5) Creating employment opportunities.
- 6) Main objective is to assist the families below poverty line. Poverty line has been defined in terms of annual income of a family. A family having an annual income of Rs. 6400/- or less is considered to be a family below the poverty line in 1986.

SMALL FARMER :

A cultivator with a land holding of 5 acres or below is a small farmer. In case of irrigated he has 2.5 acres of land or less.

MARGINAL FARMER :

A person with a holding of 2.5 acres or below is a marginal farmer. In the case of class I irrigated land, the ceiling will be 1.25 acres.

AGRICULTURAL LABOURER :

A person without any land deriving more than 50% of his income from agricultural wages is an agricultural labourer.

SUBSIDY :

The subsidy is provided for economic activities on the following pattern :-

Small farmers & Marginal farmers	..	25%
Agricultural Labourers	..	33.1/3%

INTEREST RATE :

The credit is available to the beneficiaries on

concessional rate of 10%. The participating credit institutions get a refinance from NABARD for the activities under ~~IRDP~~. IRDP. These activities include primary, secondary and tertiary sector activities.

SECURITY COVERED :

IRDP borrowers are not required to furnish any security for investment loans upto Rs. 5,000/-. They are only required to hypothecate the assets created by the loan in cases where movable assets are created.

TABLE 1.2
PERFORMANCE OF KDCC BANK AS RURAL DEVELOPMENT
AGENCY UNDER IRDP.

(Rs. in lakhs)

Year	Loan Target	Achievement	
		Loan Amount	Beneficiaries
1983-84	Rs. 76.62	Rs. 133.20	3602
1984-85	Rs. 71.55	Rs. 73.23	3548

SOURCE: ~~Compiled~~ from the records of KDCC Bank.

The above table shows that the achievement in respect of loan amount disbursed is more than the target fixed. Thus the figures indicate that the performance is impressive under IRDP Programme, loans are given for the purchase of milk, animals and Gobar-gas. Other activities are not covered.

IV-10. KDCC BANK AND CROP INSURANCE POLICY :

It was introduced in Maharashtra on pilot basis in 1981-82. At present it is accepted as a general policy.

OBJECTIVES :

- i) To provide financial support to farmers in the event of crop-failure as a result of draught, flood etc.
- ii) To restore the credit eligibility of farmers after a crop failure for the next crop season and..
- iii) To support and stimulate production of cereals, pulses and oil-seeds.

SAILENT FEATURES :

- 1) Under this policy, crops covered are
 - a) Rice, Wheat and Millets.
 - b) Oil seeds and Pulses.
- 2) All farmers availing of crop-loans from Co-operative Credit Institutions, Commercial Banks, Rural Banks are covered under this policy.
- 3) The sum insured per farmer shall be 15% per cent of the crop-loan disbursed during the insured season. The co-operative institutions, Rural Banks, have to remit the insurance charge to the General Insurance Corporation of India. In case of small and marginal farmers 50% subsidy will be given in respect of the insurance charge payable by them. The subsidy will

be equally shared by the Govt. of India and Govt. of Maharashtra. Insurance fee will be added with the loans advanced.

4. If there is a short-fall in the actual average yield per hectare of the insured crop, each of the insured farmers growing that crop will be eligible for 80% of the average yield per hectare of the crop for the defined area during the last five years for which data are available based on crop-cutting experiments.

5. FORMULA FOR ~~THE~~ COMPENSATION :

Suppose in Taluka 'A', average yield of paddy per hectare is say 1000 Kg. Its 80% means 800 Kg. is regarded as threshold yield. If the actual average yield falls short of 800 Kg per hectare, he is eligible to get the compensation. Suppose, in Taluka 'A' during 1986 seasonal year, production of paddy per hectare is 500 Kg. Then he gets compensation =
$$\frac{(800 \text{ Kg} - 500 \text{ Kg}) \times \text{Insured amount say Rs. 1200}}{\text{Threshold yield.}}$$

$$= \frac{300 \times 1200}{800}$$

$$= 450$$

Method ^{of} sending the insurance application :

C H A R T N O 8



The last date for sending the application is 15th July to the Divisional Officer for the year 1986-87. He has to submit the application to the head office on or before 22nd July 1986.

CROP INSURANCE SCHEME :

Under this scheme following Talukas and crop are covered.

<u>CROP</u>	1) <u>RICE</u>	2) <u>JOWAR</u>	3) <u>GROUNDNUT</u>
<u>TALUKA</u>			
	1) Ajra	1) Hatkanangle	1) Hatkanangle
	2) Bhudargad	2) Shirol	2) Shirol
	3) Chandgad	3) Panhala	3) Panhala
	4) Gachinglaj	4) Karveer	4) Shahuwadi
	5) Gagan Bawada	5) Kagal	5) Radhanagari
	6) Hatkanangle	6) Gachinglaj	6) Karveer
	7) Karveer	7) Ajra	7) Kagal
	8) Kagal		8) Gachinglaj
	9) Panhala		9) Bhudargad
	10) Radhanagari		10) Ajra
	11) Shirol.		
	12) Shahuwadi.		

<u>Fee Charged</u>	<u>Other Members</u>	<u>Small & Marginal farmers.</u>
1) Rice & Jowar	2%	11%
2) Groundnut	1%	1.2%

TABLE 1.3

~~THRESHOLD~~ YIELD FOR THE YEAR 1986
THRESHOLD

(per hectare, Kg)

Sr.No.	Name of Taluka	Rice	Jowar	Groundnut
1.	Hatkanangle	1129	2185	1269
2.	Shirol	1634	1704	939
3.	Panhala	1712	1749	1465
4.	Shahuwadi	1340	--	1042
5.	Radhanagari	1682	--	1000
6.	Gagan Bawada	1502	--	--
7.	Karveer	1782	1448	1227
8.	Kagal	1412	1205	1005
9.	Gachinglaj	1375	1598	9109
10.	Bhudargad	1353	--	789
11.	Ajra	1720	1696	873
12.	Chandgad	1254	--	--

SOURCE: Compiled from the Records of K.D.C.C. Bank.

Out of twelve talukas, Crop-insurance scheme has been introduced in 4 talukas i.e. Panhala, Gadhingla and Karveer. The performance is poor. The reason is that yield per acre fixed by the authority is too low. Farmers are not ready to come to so low yield.