

52  
CHAPTER NO. 5

FINANCING OF INVESTMENT

5.1 Introduction

In this chapter we discuss the composition of finance for investment made by different types of LIS under study.

5.2 In Table No. 5.1 on the next page we have given the data regarding the composition of financing of investment of individual LIS under study. The data is related to five different individual LIS. On the basis of this data we can make the following observations:

- (1) It is seen that group as a whole almost 78 per cent of the investment amount is in the form of loans from different agencies, and 22.11 per cent of the investment is financed by own savings.
- (2) No individual LIS has received any government assistance.
- (3) Loan from Land Development Bank constitutes, as a proportion, the single largest source of finance, followed by loans from other cooperative agencies (24.28 per cent) and loans from commercial banks.
- (4) It is also important to note that loans from relatives constitute 12.18 per cent of the total investment.

TABLE NO. 5.1

## Financing of investment - individual LIS.

Sr.No.	Name	Rs.									
		3	4	5	'6	7	8	9	10		
		Loans from Scheduled commercial banks	Land deve- lopment Bank	Money Lend- er	Loans from relatives	Mortgage of gold	Own savings	Other co- operatives loans	Total capital		
1	Shri Dattatraya Sakharam Patil, Chunaki	-	-	4,000.00 (66.66)	-	-	2,000.00 (33.33)	-	6,000.00 (100)		
2	Shri Babaso Anand- rao Patil, Tandul- wadi	-	70,000 (84.53)	-	-	-	-	12,810.00 (15.47)	82,810.00 (100.00)		
3	Shri Bapuso Bandu Patil, Kini	25,000.00 (22.69)	-	-	30,000.00 (27.22)	-	43,200.00 (39.20)	12,000.00 (10.89)	110,200.00 (100)		
4	Shri Tukaram Rama Patil, Kakhe	-	-	-	-	3,000.00 (18.75)	3,000.00 (18.75)	10,000.00 (62.50)	<del>16000.00</del> (100)		
5	Shri Shahajira Bhauso Patil, Pargaon	-	-	-	-	-	6,250.00 (20.00)	25,000.00 (80.00)	31,250.00 (100)		
	Total:	25,000.00 (10.15)	70,000.00 (28.43)	4,000.00 (1.62)	30,000.00 (12.18)	3,000.00 (1.22)	54,450.00 (22.11)	59,810.00 (24.28)	246,260.00 (100)		

Note: Figures in brackets indicate percentage.

On the whole we can conclude that 80 per cent of investment financed by borrowing and 20 per cent from own savings. Similarly, more than 50 per cent of the total investment or almost 68 per cent of the borrowed amounts are obtained from the cooperative sector.

### 5.3 Financing of Investment of Partnership LIS

In Table No. 5.2 on the following page we have given information regarding the composition of financing of investment of five partnership LIS under study. On the basis of data given in Table No. 5.2 we can make the following observations:

- (1) Partnership LIS under study have financed, as a group, 47.82 per cent of investment by borrowing from the cooperative Land Development Bank. This constitutes the largest single source of financing of the partnership LIS.
- (2) It is also important to note that 4 out of 5 partnership LIS have invested substantially from their own savings. Group as a whole, own savings constitute 27.01 per cent of the investment of partnership LIS.
- (3) Loans from other cooperative agencies constitute

TABLE NO. 5.2

## Financing of investment - Partnership LIS.

Sr.No.	Name	Loan from LDB		Other Coops.		Own savings		Total capital	
		3	Rs.	4	Rs.	5	Rs.	6	Rs.
1	Shri Mahipati Aba Patil Kakhe	15,000.00	(63.29)	8,700.00	(36.71)	-	-	23,700.00	(100)
2	Shri Namdeo Krishna Nerlekar Pargaon	-	-	30,000.00	(54.55)	25,000.00	(45.45)	55,000.00	(100)
3	Laxmi Pani Puravatha Mandal Kini	-	-	64,000.00	(64.00)	36,000.00	(36.00)	100,000.00	(100)
4	Shri Bhaou Hari Mohite Tandulwadai	86,000.00	(78.88)	-	-	24,000.00	(21.82)	110,000.00	(100)
5	Jay Bajarang Panipuravatha Sanstha Ghunaki	94,100.00	(78.88)	-	-	25,200.00	(21.12)	119,300.00	(100)
	Total:	1,95,100.00	(47.87)	1,02,700.00	(25.17)	1,10,200.00	(27.01)	408,000.00	(100)

Note: Figures in brackets indicate percentage.

25.17 per cent of the investment of partnership LIS.

- (4) On the whole, the cooperative loans constitute almost 73 per cent of the investment of partnership LIS.
- (5) The partnership LIS did not report borrowings from money lenders, relatives, and borrowings on the basis of mortgage of land or gold.
- (6) No partnership LIS has received any government assistance for financing of investment.

#### 5.4 Financing of Investment of Cooperative LIS

In Table No. 5.3 on the following page we have given data regarding composition of investment of cooperative LIS, by different units selected for the study. Group as a whole can make the following observations:

- (1) The percentage share of various sources of financing are given in the last row of the table. It is seen that the single largest source of finance is the government assistance which covers almost 74 per cent of the investment expenditure of cooperative LIS.
- (2) The next important source of financing of investment

TABLE NO. 5.3

## Financing of investment - Co-operative LIS.

Sr.No.	Name of scheme	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
		3	4	5	6	7	8	9	10	11		
		Member fee	Share capital	Reserve fund	Working capital	Loan from relatives	Mortgage of land	Govt. assistance	Other co-op. loans	Total capital		
1	Warana Sahakari Pani Puravatha Seva Sanstha, Ghunaki	104.00 (0.12)	37,600.00 (42.35)	-	-	-	-	-	51,077.30 (57.53)	88781.30 (100)		
2	Shri Anand Pani Puravatha Seva Sahakari Sanstha, Pargaon-Kodoli	-	4,150.00 (1.53)	-	-	-	-	2,67,200.00 (98.47)	-	271350.00 (100)		
3	Balbhim Matang Samaj Pani-puravatha Sahakari Sanstha, Kini	-	-	-	-	-	8,000.00 (34.78)	15,000.00 (65.22)	-	23000.00 (100)		
4	Dr. Babasaheb Ambedkar Sahakari Pani Puravatha Sanstha, Tandulwadi	-	225.00 (0.87)	25.00 (0.10)	689.00 (2.66)	-	-	25,000.00 (96.38)	-	25939.00 (100)		
5	Samaj Kalyan Siddhartha Sahakari Pani Puravatha Sanstha, Kakhe	-	-	-	-	7,330.95 (19.59)	10,097.00 (26.98)	20,000.00 (53.44)	-	37427.95 (100)		
Total:		104.00 (0.02)	41,975.00 (9.40)	25.00 (0.01)	689.00 (0.15)	7,330.95 (1.64)	18,097.00 (4.05)	3,27,200.00 (73.28)	51,077.30 (11.44)	446498.25 (100)		

Note: Figures in parentheses show percentage.

cooperative LIS is the loans from cooperative agencies, which accounts for almost 11.05 per cent of the investment expenditure.

- (3) The third important source of financing of investment expenditure of cooperative LIS is the contribution from share capital, which accounts for almost 9.5 per cent of the investment expenditure.
- (4) The sources like membership, reserve fund, working capital, loans from relatives and loans on mortgage of land constitute together 5.87 per cent of the investment expenditure.

#### 5.5 Financing of Investment of Factory-sponsored or Managed LIS

In Table No. 5.4 on the next page we have given information regarding percentage share of different sources of financing of investment of factory-sponsored or managed LIS. As explained earlier, the LIS under this category were initially started as cooperative LIS but subsequently because of their inefficient working, they were taken over for management by the Warana Sugar Factory with the consent of the members of the concerned LIS. The percentage shares of different sources of financing of investment of such LIS are given in the last row of the Table No. 5.4. On the basis

TABLE NO. 5.4  
Financing of investment - Factory-sponsored or managed LIS.

Sr. No.	Name of scheme	Member fee		Share capital	Subsidy loan	Loan from L.D.B.		Govt. assistance	Other Co-o. loans	Total capital
		Rs.				Rs.				
1	2	3	4	5	6	7	8	9		
1	Shri Ishwar Parwati Warana Sahakari Pani Puravatha Seva Sanstha, Pargaon	224.00 (0.05)	2,46,900.00 (50.86)	--	--	2,38,356.00 (49.10)	--	--	--	4,85,480.00 (100)
2	Shri Datta Pani Puravatha Seva Sahakari Sanstha, Kodoli-Kakhe	--	--	--	--	2,89,300.00 (100)	--	--	--	2,89,300.00 (100)
3	Shri Warana Sahakari Pani Puravatha Sanstha, Kakhe.	--	15,370.00 (16.31)	31,590.00 (Subsidy (S.F.D.A.)) (33.51)	--	--	47,301.48 (50.18)	--	--	94,261.48 (100)
4	Jai Jawan Jay Kisan Warana Sahakari Pani Puravatha Seva Sanstha, Tandulwadi	902.00 (0.19)	22,670.00 (4.80)	3,84,000.00 (81.25) (SBI loan)	--	--	65,049.58 (13.76)	--	--	4,72,161.58 (100)
5	Kisan Warana Sahakari Pani Puravatha Sanstha, Kini	83.00 (0.02)	19,072.00 (3.99)	4,32,558.00 (Bank of India loan (88.46))	--	--	37,269.75 (7.62)	--	--	4,88,982.75 (100)
6	Shri Mangesh Warana Sahakari Pani Puravatha Seva Sahakari Sanstha, Ghunaki	88.00 (0.02)	15,047.00 (3.08)	3,67,000.00 (Bank of India loan ( 75.06))	14,029.00 (2.87)	--	92,768.71 (18.97)	--	--	4,88,932.71 (100)
Total:		1,297.00 (0.06)	3,19,059.00 (13.76)	12,15,148.00 (52.59)	14,029.00 (0.60)	5,27,656.00 (22.75)	2,42,389.52 (10.45)	--	--	23,19,578.52 (100)

Note: Figures in brackets indicate percentage.

of this information we can make the following observations:

- (1) The single largest source of financing of investment of such LIS is of a mixed type, i.e., subsidy and or loan, which constitutes about 52.50 per cent of the total investment. It is to be noted that subsidy has been received only by one unit (unit No. 3) of Rs. 31,590 from Small Farmers' Development Agency. In the case of other unit this source is mainly in the form of loan from nationalised banks like State Bnk of India.
- (2) The next important source of finance for investment of such LIS is Government assistance which accounts for almost 23 per cent of the investment expenditure.
- (3) The third important source of financing is share capital of the members of the LIS, which accounts for about 14 per cent of the investment expenditure.
- (4) The share of cooperative loans in the financing of investment expenditure of such LIS is only 10.45 per cent.
- (5) It is to be noted that the financing of such LIS by Land Development Bank is significantly small.

## 5.6 Comparative Conclusion

If we compare the compositions of the financing of investment expenditure of different types of LIS we can conclude that in the case of Individual LIS and partnership LIS there are three major sources of finance as -

- (1) Land Development Bank,
- (2) Other Cooperative agencies,
- (3) Own savings,

in a descending order of importance.

In the case of cooperative LIS and factory-sponsored or managed LIS again a somewhat similar pattern of the sources of finance emerges. It is seen that in both cases the contribution of Government assistance and cooperative agencies together is significantly high. The contribution of share capital in both cases is almost identical percentage-wise. It is important to note that it is only the factory-sponsored or managed LIS that have obtained subsidy from Small Farmers' Development Agency or large loans from Nationalized banks like State Bank of India and Bank of India.

In the case of cooperative LIS and factory-sponsored LIS share capital can be considered as own savings. However, assuming this, it becomes clear that the contribution of

own savings in the case of individual LIS and partnership LIS is more than almost two times larger than in the case of cooperative LIS and factory-sponsored LIS.

**Note:** If we compare fixed capital expenditure with financial provision, it is seen that in case of unit No. 5 of partnership LIS, provision is slightly greater than actual expenditure. The same holds in case of units 2 and 4 of cooperative LIS and units 1,3,4 and 5 of factory-sponsored or managed LIS.

oOo