

## CHAPTER VI

## CONCLUSIONS AND RECOMMENDATIONS

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## CHAPTER VI

## CONCLUSIONS AND RECOMMENDATIONS.

## I. CONCLUSIONS

A study of operations of thirteen selected PACS and analysis of their operational difficulties leads to the following broad conclusions:

Out of thirteen selected PACS, four PACS, viz. Barshi, Pangri, Vairag and Upale, have been state participated. Maximum state contribution per society is Rs.10,000/- which is meant for extending non-credit activities. But in actual practice only Vairag society has been successful in extending a variety of non-credit services to its members. Remaining three PACS have not been able to extend the scope of their activities. They are running only fair-price shops. All the four PACS have made provision for the redemption of Government capital within a period of fifteen years from the date of its receipt. Vairag society is financially very sound. Its total reserves are more than the capital contribution. Borrowing constitutes only 26 percent of its working capital. This society stands first in Barshi taluka in respect of financial soundness. But still it is not free from managerial inefficiency which is reflected in the high percentage of overdues and low percentage of recovery.



PACS have brought almost all the cultivating household members within the fold of its membership; but it is unfortunate that only 14.4 percent of the cultivating household members have taken crop loans during the year 1983-84. One can conclude from this that 65 percent of the cultivating household members could not borrow because they were defaulters.

A normal credit limit statement has to be prepared by all the societies giving all the details such as land holding of every members, their cropping pattern etc., irrespective of eligibility of the members to borrow from the society. Based on such statements the DCC Bank sanctions the amount (which is apparently large), but the actual amount disbursed is very small (Table-31 ) resulting into waste of efforts and time.

1. Medium Term Loans :

From the study of operations of PACS for the last three years, it is clear that no advances have been made by the PACS for agricultural allied activities. Hundred percent of the medium term loans are outstanding. Therefore PACS are not allowed by the DCC bank to make fresh advances of medium term loans. Thus farmers are compelled to approach commercial banks and Regional Rural Bank for getting medium term loans for non-agricultural activities. PACS are concentrating on advancing crop-loans. But in the present multi-agency structure of rural credit PACS will have to make advances for

allied activities and to undertake other developmental activities in the village so as to bring about an improvement in the living standard of members.

## 2. Dominance of Big Cultivators :

This study revealed that out of total quantum of coop. credit issued during 1981-82 to 1983-84, the highest portion of loans (i.e. 48 percent) was issued to big cultivators (having land holding above 8 hectors), followed by medium cultivators (holding from 2 to 8 hectors of land) at 27 percent, and small and marginal farmers (holding land upto 2 hectors) together accounted for only 8 percent in the year 1983-84. The percentage of members transacting with the society is very small ranging between 1 percent and 50 percent of the cultivating members in all the selected PACS. The proportion of borrowers among members with small land holding was found to be lower (20 percent), than that of the borrowers among large land holding members (30%).

## 3. Low Recoveries and High Overdues :

Overdues constitute the most formidable problem facing the PACS. It has assumed alarming proportions in the year 1983-84. The percentage of overdues of Short-term loans to loans outstanding ranges between 30 percent and 95 percent in all the selected PACS in 1983-84. Medium term loans in 50 percent of the selected PACS are overdue to the extent of 100%.

In order to understand the problem of overdues of loans, it is necessary to find out the causes of overdues through its extensive study. Apparently these causes are divided into three parts, (1) External or Natural, (2) Internal or institutional and (3) others. The external causes of overdues are natural calamity and rainfall. Because of these factors crop fails or yield is low and uncertain. The internal causes of overdues are inefficient management of society and ineffective supervision of loans by DCC Bank and the society. The other causes of overdues are, soft attitude of the Govt.--being a democratic society it does not take harsh remedies to recover loans; diversification of funds, non-linking of marketing of production with credit.

It is necessary to note that even CRAFTICARD in its report (Report of the Committee to Review Arrangements for Institutional Credit for Agricultural and Rural Development; CRAFTICARD, RBI, Bombay-1981) that there has been no systematic study by the DCC bank to find out the reasons for increasing amount of overdues at the cooperative society level.

Recovery position is not satisfactory in majority of the selected PACS. The percentage of recovery to demand of short and medium term loans ranges between 18 percent and 70 percent in all the selected PACS. This situation has mainly resulted from accumulated overdues over the last three years

(i.e. from 1981-82 to 1983-84) due to poor crops in Barshi taluka. Managerial inefficiency, members' attitude to postpone the repayment of cooperative credit are the contributory factors to low recoveries.

4. Inadequacy of Non-credit Services :

Non-credit activities and earnings from such activities is very negligible in majority of the selected PACS. Therefore society should procure and hire agricultural implements for members who cannot afford to own them. This will enlarge their services to the members and enhance their total volume of business turnover and add to the financial strength of the societies. Majority of the functions as laid down in bye-laws of the societies are not carried out in actual practice. PACS have not been able to mobilise the deposits from members. Therefore, members' deposits must be tapped to the fullest extent possible by creating confidence, assurance of safety of invested funds and better return.

5. Secretary :

Table number 4.2 gives very meaningful information about the paid secretaries of PACS. Secretary occupies very important position in the management of societies. But it is unfortunate that he does not receive proper training from the cooperative department. It is clear from the Table No.4.2 that 50 percent of the secretaries of selected PACS have not received any type of training for their duties. Therefore,

rethinking on the administrative aspect of the secretaries of the PACS is needed. Demands and requirements of the secretaries are always neglected by the cooperative department. He does not get enough salary to meet the essential requirements of his family, therefore, he has to do other business in addition to the service of the society which affects the smooth working of the PACS.

## II. RECOMMENDATIONS

### 1. Management:

It has been concluded that rural credit cooperatives are not managed efficiently. Managing committee members should be made aware of the aims and objectives of the PACS. This can be possible by arranging their meetings with the DCC Bank members and officials of cooperative department. Chairman and secretary should try to achieve all types of cooperation from the committee members. In the present situation secretary is the only person who is paid for managing the affairs of the societies. But his decisions are sometimes influenced by local elites, which has adverse effect on the operations of the PACS. Therefore necessary freedom and full cooperation from managing committee members should be given to the secretary. He should call managing committee meeting and explain the operational difficulties of the societies.

## 2. Loan Operations :

Loan business of PACS is entirely dependent upon lending policy of DCC Bank. Borrowings from DCC Bank constitute high proportion in working capital. The following measures are necessary for improving the loan operations of the PACS.

- (1) The societies should increase their own funds by mobilising members' small savings and by creating sufficient reserves out of surplus.
- (2) Instead of concentrating only on crop loans PACS should consider and meet other types of loan requirements of the members, (e.g. loans for poultry, milk procurement and other types of village and cottage industries).
- (3) Crop-insurance scheme should be attached to crop-loans and insurance premium should be recovered from the first instalment of crop loan to be given to the farmers.

## 3. Supervision:

Administrative and financial supervision over the working of PACS is done by cooperative department and Solapur District Central Cooperative (SDCC) Bank respectively. Different ways of direct and indirect supervision are followed by SDCC Bank for supervising the credit operations of PACS.



Despite both the methods (Direct and Indirect) of supervision, simultaneously in operation, the loans are often misutilised. There cannot be any other method for supervising credit, but there is scope for improvement in practice. The suggestions for effective supervision can be summed up as under:

- (1) For efficient and effective supervision, PACS should have supervisory staff of its own.
- (2) The large number of societies under the charge of a supervisor drives away the keenness for supervision, therefore, the number of PACS under the charge of supervisor should be such that he can contact each and every borrower regularly. As well as the area to be allotted to supervisor should be contiguous.
- (3) The supervision can be really effective only when a liaison of trust is established between the supervisor and the borrower. The supervisor has to win the confidence of the borrower. It is for this reason that frequent visits and night halts in the villages are insisted upon.
- (4) Timely contact with cultivators is the most effective form of supervised credit. The cultivator needs not only timely availability of inputs/machineries but timely contact at the time of recoveries also. Due

to innumerable demands on their limited resources, they have a tendency to fritter away those resources if not utilised for repayments in time. Hence timely approach can only ensure prompt recoveries which more often than not is not ensured.

- (5) Proportion of kind loans in the total loans should be kept at minimum because majority of the cultivators always avoid to use costly seeds and fertilisers obtained from the financing agency in the form of kind loans.

4. Recovery of Loans:

Alongwith supervision, the PACS should pay adequate attention to prompt and regular recovery of loans in efficient and effective manner. PACS should give all types of cooperation to Recovery Officers of the financing agency. Crop loans should be recovered as far as possible through the sale proceeds of the agricultural produce. Any chance should not be given to the loanee to utilise such amount of sale proceeds elsewhere.

5. Non-Credit Activities :

It has already been concluded that majority of the PACS have neglected non-credit services. Due to inadequate owned funds PACS are not able to run properly a fair price shop of

their own. Private persons should not be allowed to run a fair price shop on behalf of the society. There is a wide scope for the PACS to run a cooperative consumer's store in the villages but for this purpose they should win the confidence of the rural community. PACS should try to fulfil all types requirements of their members through such stores. Financial requirement for running consumer's stores should be met by National Cooperative Development Corporation (NCDC). There should not be any scope for corruption in providing non-credit services. Extra salary should be paid to Secretary for looking after non-credit activities.