

CHAPTER- 7SUMMARY OF FINDINGS AND SUGGESTIONS7.1) FINDINGS:

The Primary Agricultural Co-operative Credit Societies have been the oldest institutions conceived to cater the credit requirements of farmers in India. They form the foundation on which the entire edifice of co-operative credit structure rests. Hence, they have been the object of great hopes and subject of numerous official and other enquiries. For proper development of PACS on desired lines, constant appraisal of their working in the different regions is sine-qua-non. An attempt to probe into the working of PACS in Belgaum, which is one of the agriculturally advanced district endowed with rich natural resources and located in the north-western region of Karnataka State, revealed the following facts:

1) Though apparently the cent percent of villages and population in the villages is brought within the coverage of PACS, the effective coverage is low as the membership which is already at low level is declining further during the years of reference. Secondly, a very small proportion of members are availing the credit and of those who are availing the credit again large numbers are defaulters. The only positive aspect of growth in membership is the dominance of small and marginal farmers and 'others' (i.e. landless labourers, rural artisans and others). The proportion of 'others' is strengthening further,

whereas, that of small and marginal farmers is declining during the period of study.

2) The PACS in Belgaum have utterly failed in the task of mobilising the rural savings by promoting the habit of thrift among the rural masses and have been acting as mere agencies for distributing the facile credit.

3) The financial position of PACS in Belgaum is weak characterised by low short-term liquidity (which is worsening further), heavy borrowing, ever-increasing administrative expenses and a meagre average profits declining further (a loss in the last year of reference).

4) The PACS in Belgaum district are ahead of their counterparts at national level in respect of average working capital, advances per PACS, advances per hectare, advances per borrower, borrowings from CFA's, average loans outstanding and average owned funds. However, they are lagging behind in respect of averages of membership, borrowing membership and deposits. The average overdues of PACS in Belgaum are much below the national average which is a heartening feature.

5) The Inter-taluka evaluation of performances of PACS reveal that the growth is comparatively better in Raibag, Hukkeri, Chikodi and Athani where as that in the remaining six talukas is poor. The position of PACS in Soundatti and Bailhongal talukas is worst and need immediate attention.

6) Intra-district analysis of PACS spread in ten administrative blocks reveal significant imbalance in the performance of PACS in respect of deposit mobilisation, recoveries, outstanding, reserves and surplus, borrowings from CFA'S, working capital and share capital. A moderate imbalance was observed in respect of average membership, borrowing memberships, indebted members, overdues and a low regional disparities in respect of defaulting members.

7) There is a concentration of PACS in Hukkeri, Bailhongal, Soundatti and Chikodi.

8) A moderate geographical imbalance is observed in growth of PACS in Belgaum district judged on the basis of average population served per PACS and density of PACS.

9) The analysis of viability of PACS in Belgaum indicated that recently framed norms of viability (i.e. loaning business of Rs.5 lakhs) are becoming invalid with the passage of time. The Minimum level of advances for PACS in Belgaum to break-even was Rs.7.5 lakhs approximately during the reference period.

10) The investigation into loans operations of PACS revealed that the advances are increasing but borrowers are reducing as a result advances per borrower are increasing and the advances are mainly for agricultural purposes.

11) The bulk of M.T. advances are for the irrigational purposes.

12) The disbursement of crop loans in cash and kind is in proportion to 70:30 as against the set norms of 33:67 in case of cash crops and 40:60 in case of food crops.

13) The advances are mainly for cash crops and amongst the cash crops sugarcane and cotten fetch major share.

14) The PACS have totally failed in administering the consumption credit which is characterised by meagreness, poor recovery and heavy defaults.

15) Compared to their counterparts at national level the PACS in Belgaum have advanced less amounts to the weaker sections and served less proportion of weaker sections.

16) The advances to all categories of farmers ranging from marginal farmers to very big farmers are on and around Rs.3000/- per head irrespective of their size of holdings and production needs.

17) Advances of lesser amounts are reducing as a result of constant erosion of money.

18) The recoveries outstandings and overdue position of all the categories of farmers is poor and worsening further. But it is better when compared to the peers at national level.

19) The proportion of overdues to outstanding for advances in the range of Rs.3000/- to 5000/- has been declining.

7.2) SUGGESTIONS:

The PACS in Belgaum have better performance in most of the respects when compared to their counterparts at National level. But this does not mean that their working is satisfactory. It only means that the position of average PACS at national level is worst whereas, the position of the PACS in Belgaum is worse. Following are some of the measures to improve their performance in long run- .

1) REORGANISATION AND REVITALISATION:

A programme of reorganisation and revitalisation of PACS in Soundatti and Bailhongal talukas should be done on the top priority as the working of the PACS in these areas is extremely poor. The other talukas which need an immediate attention of the authorities are Belgaum, Khanapur, Gokak and Ramdurg.

2) REVISION OF VIABILITY NORMS AND INCENTIVES FOR ATTAINING VIABILITY:

Unless the PACS become viable and financially self-reliant they will not be able to win the confidence of rural masses and improve their membership and borrowing membership, mobilise the rural savings, raise their own funds and reduce the heavy dependence on borrowings from C.F.A's. It is, therefore, suggested that the viability norms of PACS should be revised from time to time and various incentives should be provided to the PACS which will be fulfilling these viability norms such as concessional finance from CFA's, the prizes for such PACS and

Secretaries of such PACS, public praise, wide publicity and honours of management committee of such societies, etc.

3) YEARLY REVISION OF SCALES OF FINANCE:

The scales of finance for PACS in Belgaum are determined by fieldworkers once in a block of three years. Instead of doing so, the scales of finance should be determined every year through a committee consisting of experienced officials of central bank, departments of agriculture and co-operation and few successful farmers in district. This committee should revise the scales of finances in due consideration of available finance, the estimated cultivation expenses and market prices of various agricultural inputs.

4) DISBURSEMENT AS PER CREDIT NEEDS:

The PACS in Belgaum should maintain complete particulars of the land held and acreage under different crops of their members and the financing should be made on the basis of their genuine credit needs instead of making the disbursement in arbitrary way on and around Rs.3000 to all categories of farmers (from marginal farmers to very big farmers), as it is done at present.

5) RAISING OF MAXIMUM LIMIT:

The inadequate maximum limit stands in the way of co-operatives in meeting the credit needs of members on the basis of crop-cum-acreage as well as according to agreed scales of finance. Secondly it diverts the members and other farmers in

the village to other sources of finance such as commercial banks and RRBS. Hence there is a need of revising the upper borrowing limit of PACS, which were at Rs.5000/- in case of MT advances and Rs.10000/- in case of S.T. advances during the period of reference.

6) STRENGTHENING OF OWN RESOURCES:

The societies should persuade the big farmers to take more shares soon after the harvest at the time of repayment of loans. The facility should be provided to the small cultivators to purchase the shares in convenient instalments and thus strengthen the own resources.

7) CONTROLLING OVERDUES:

The responsibility of taking coercive measures against wilful defaulters rests on credit society but they are unwilling to take any action on account of their close associations with defaulters and apprehension of personal revenges. They, therefore, shift this responsibility on co-operative department.

The stringent measures for collection of should be taken. The collection drives should be launched in years when there are good crops. A recovery staff under the charge of judicial officer with sufficient delegated powers to execution will improve the position. Wilful defaulters can be discouraged by providing penalty like civil imprisonment and by refusing them a fresh finance.

8) MULTI-AGENCY APPROACH:

Multi-agency approach to rural finance has imperiled the loyalty to co-operatives. Though it has been suggested by Working Group on Rural Banks that RRB'S or Commercial Banks should not finance members of co-operative societies, in practice practically every member of PACS is found to be a borrower of these institutions. How can it be logical to expect that a newly established branch of nationalised bank having larger financial resources, better administrative set up and guided by the definite policies of the government should not compete with PACS ? Incidentally, an offshoot of easy availability of credit from the three institutions (viz. RRB'S, PACS & Commercial Banks) at low interest rates, was the emergence of parallel banking. Though there was no sufficient data to substantiate our plea, through the informal discussions with some of the informants it was revealed that a few wealthy farmers, on the strength of their credit worthiness, took loans from financial institutions and re-lent this money to needy persons at higher rates of interest. Thus a new class of money lenders was emerging. It is, therefore, suggested that at village level, there should be only one institutional agency for the supply of credit i.e. .. PACS ... the strong and viable PACS free from their all chronic defects.