

CHAPTER - I
=====

-:- INTRODUCTION -:-



CHAPTER - I
=====

INTRODUCTION

.....

- A) Farm Credit for Agricultural Development
 - Multi Agency Approach · Loaning Policies and Procedures

- B) Position of Koregaon Taluka



In this chapter are discussed :- A) farm credit requirements, the co-operative credit structure, the multi-agency approach to financing agricultural development and the loans policies and procedures of co-operative organisations - supplying farm credit; and B) the present picture of Koregaon taluka in Satara district in general and of farm credit to agriculturists in that taluka in particular.

A) Farm credit for agricultural development :

Farm credit is the loan that is made available to various organisations supplying farm credit to the agriculturists for development of agriculture. The loan amount that is provided by the organisations supplying farm credit is for bridging the gap between the capital required for agricultural development and resources of the individual agriculturists.

Farm credit required may be classified conveniently on the basis of period for which it is required. This classification may be made as follows :

- i) Short-Term and Medium-Term Loans
- ii) Long-Term Loans

i) Short-Term and Medium-Term Loans

Short-term loans granted to agriculturists are mainly meant for meeting their normal production costs for raising crops. Depending upon the crop for which it is taken, the short-term loan is normally granted for a period upto 12 months. In case of sugarcane, this type of credit may be extended upto 18 months depending upon the sugarcane

variety planted. The short-term loan is expected to be repaid out of realisation of the crop production raised.

Medium-term loans are mainly for the purpose of supplementary activities required in the production process. Repairs of well and installation of pump-sets may be given as the day-to-day examples of medium-term loan. Purchasing milch-cattle, sheep-breeding, purchase of share of a co-operative sugar factory and conversion of short-term production loan into a medium-term loan necessitated by the draught-resulted downfall in the repaying capacity of the loanee agriculturists are some of the other purposes for which medium-term loans are recently advanced. Depending upon the purpose of loan and repaying capacity of the borrowing agriculturists, the repayment of medium-term loan is determined which varies from more than 12 months to five years.

Short-term and medium-term loans are traditionally granted by the Primary Agricultural Co-operative Societies (henceforth referred to as PACCS) working at village level. They are federated at district level into a District Central Co-operative Bank looking after farm credit requirements and agro-based industries and allied activities carried on in the co-operative sector. The District Central Co-operative Banks are further federated into a State Co-operative Bank meant for the entire state. The State Co-operative Banks now get refinance facilities from the National Bank for Agriculture and Rural Development (NABARD). Before NABARD's establishment in July, 1982, the refinancing was done by the Agricultural Refinance

and Development Corporation after its establishment in July, 1963. ARDC has now been merged with NABARD. Commercial banks (including the Nationalised Banks) and Regional Rural Banks are two other agencies supplying short and medium-term farm credit. Commercial banks started doing this particularly after their nationalisation in July 1969 and after the recommendations of the All India Rural Credit Review Committee in the same year. Regional Rural Banks emerged on the scene of farm credit after 1975.

ii) Long-Term Loans

Long-term loans are mainly meant for capital improvement in the agriculturists' fixed or long-term assets which help them in production process and thereby help them earn more with increased productivity. Digging and repairs of wells, installation of lift irrigation schemes, purchase of tractors and other farm machinery, construction of godowns, land improvement schemes, development of horticulture (e.g. grape-gardening) etc. are some of the major purposes for which such loans are granted. The repayments of loan is normally in conformity with the incremental income the agriculturists are going to receive over a period of time on account of creation, procurement or improvement in their assets. The loan period normally varies from five years to 15 years depending upon the repaying capacity of the borrower which increases with incremental income and the period for which such created, procured or improved asset is going to be useful to him. Co-operative Land Development Bank has been the traditional main agency disbursing

the long-term loans. Depending upon whether it is a federal or unitary structure, the Co-operative Land Developments Banks work at taluka/district level and state level. After 1969, the Nationalised Banks have also entered into this field of activity. As in case of short and medium-term loans, the refinance facilities in case of long-term loans are also available from the NABARD (previously ARDC).

Concern of the study :

It may be mentioned here that this particular study is concerned with the PACCs in Koregaon Taluka (District Satara in the state of Maharashtra) disbursing short and medium-term loans to the agriculturists.

Multi-agency approach :

Multi-agency approach in the field of farm credit has been an evolution that has taken place because of the necessity. Establishment of the co-operative credit structure was mainly aimed at bringing together people of small means for promoting thrift and mutual help for development. Co-operation as a form of economic activity was formally recognised in India in 1904 when the first co-operative societies act was passed. It was later on replaced by the Act of 1912, mainly with an objective to cover other activities like supply, distribution, marketing etc. Agricultural Finance Sub-Committee (1945), The Co-operative Planning Committee (1946) and finally a comprehensive and coherent co-operative policy in the

All India Rural Credit Survey Committee Report (1954) may be mentioned as some of the important landmarks to be noted in the field of co-operation in general and farm credit in particular. The Survey Committee (1954) recommended an integrated scheme of rural credit with emphasis on linking of credit with marketing, State-partnership and establishment of the National Co-operative Credit (Long-term Operations) Fund and National Agricultural Credit (Stabilisation) Fund by the Reserve Bank of India. The Imperial Bank was nationalised and converted into the State Bank of India which was expected to help the co-operatives. The next important stage in the evolution of policy of co-operative credit came in 1959, when the Government of India (GOI) appointed the Committee on Co-operative Credit. The Committee recommended organisation of co-operatives at village level and introduced the idea of viable societies. The policy in the Third-Five-Year Plan and the subsequent years upto 1969 was with general emphasis on the rationalisation of co-operative credit structure and with special emphasis on viable credit structure.

Entry of Commercial Banks

As this proved to be an inadequate step, the Rural Credit Review Committee was appointed in 1966. The committee, which submitted its report in 1969, acknowledged the inadequacy of co-operative system alone to meet the agricultural credit requirement of an estimated figure of Rs.2,500/- crores and prepared the ground for a multi-agency approach to farm credit. As a result of this

and after nationalisation of the major 14 commercial banks in the country in July 1969, the commercial banks were required to take more active interest in farm credit operations, with special emphasis on small farmers. The possible areas of financing open to commercial banks in this sphere, according to the Committee, were (i) Production credit, (ii) investment credit, (iii) credit for the infrastructure, (iv) distribution credit, (v) credit for activities jointly undertaken with agriculture and (vi) credit to co-operatives in agricultural activities. For enabling the commercial banks to finance agriculture, the Committee had made various suggestions for aid and incentives to them by the RBI and for the removal of various restrictive provisions existing in the state laws.

Farmer's Service Societies

National Commission on Agriculture recommended in December 1971 the establishment of Farmer's Service Societies (FSS) which was accepted as a promising institutional innovation for making specific arrangements at the village level for conversion credit into inputs and services. FSS has been expected to meet the long-term credit needs of the agriculturists. A study of the 788 FSS (out of 1,577 by the end of June, 1978) undertaken by the RBI in 1980, reveals that, although they are structurally sound, they have not been given the requisite aid and opportunities by the concerned state governments and sponsor banks to work on the desired lines.

Large-sized Adivasi Multi-purpose Co-operative Societies

In pursuance of the recommendations of the study Team appointed by the GOI in 1971, Large-sized Adivasi Multi-purpose Co-operative Societies (LAMPS) were organised in the tribal areas with an objective (similar in nature to that of FSS) to help tribals. At the end of June, 1978, there were 1,424 LAMPS, largely concentrated in the tribal areas of Madhya Pradesh, Maharashtra and Orissa.

Regional Rural Banks (RRBs)

In 1975, Regional Rural Banks (5 in number) were started. They are different from commercial banks in the sense that they are manned by local people having an intimate knowledge of the areas in which they operate and a much simplified procedure for banking activities are followed. The RRBs are intended for the development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs and for matters connected therewith.

Loaning Policies and Procedures

As indicated earlier, the study is concerned with granting of S.T. & M.T. loans by PACCS. The general approach to the loaning policies and procedures has been to implement the crop loan system in all its aspects as far as S.T. Loans are concerned and to advance

loans based on needs and repaying capacity in case of M.T.Loans.

The District Central Co-operative Bank (DCCB) decides, in case of S.T.loans, the scale of finance per acre of crops, in how many instalments the loan is to be advanced, the rate of interest to be charged and the purpose-wise maximum loan limit to be sanctioned in case of M.T. loans. The PACC prepare the Normal Credit Limits Statements on the basis of demands of their members and submit them for sanction to the DCCB. The DCCB then scrutinises these statements and sanctions them. The PACCS are supposed to disburse loans to the members on the basis of Normal Credit Limit Statements. The loans are recovered as per the decided policy and procedures. The details giving cropwise loan limits and interest rates are given in Appendices ^(Annexure) numbering 1.1 to 1.7 given at the end of this Chapter.

B) Position of Koregaon Taluka :

The State of Maharashtra has been divided into six divisions for administrative purposes. These divisions are : Aurangabad, Amravati, Bombay, Nagpur, Nasik and Pune. There are 30 districts in all these divisions. Satara District comes under Pune Division. The Satara District has eleven talukas. Koregaon Taluka is one of these eleven talukas.

Koregaon Taluka comprises of 3 towns and 99 inhabited villages.

Population

According to the 1981 census report, the taluka has population of 190,551, out of which 153,423 (80.5%) was rural population and the remaining was urban population.

Occupation

Following Table shows occupational distribution of the adult working population of the taluka according to the 1981 census.

Table 1.1 Statement showing occupational distribution of adult working population according to the 1981 census.

Sr. No.	Occupation	Number of workers	Percentage to total workers
1	Cultivators	26,941	48.72
2	Agricultural Labourers	10,979	19.85
3	Cottage Household Industries	01,882	03.40
4	Others	15,495	28.03
Total		55,297	100.00

SOURCE : The Census of 1981.

The above statement clearly shows that 68.57% of the population is dependent on agriculture and allied activities.

Agricultural Scene

Following Table shows the position of agriculture that is obtained in Koregaon Taluka in 1981.

Table 1.2 : Statement showing the Area, Cultivable Area, Cropping pattern, Area under Main crops and Irrigated Area in Koregaon Taluka in 1981.

Area	Hectare	Percentage to total reporting area	
(A) <u>Area</u>			
1 Total reporting area	92,300	100	
2 Net cultivable Area	55,500	60	
3 Current fallows	4,900	5	
4 Area under forest	10,900	12	
5 Area not available for cultivation	10,800	12	
6 Other uncultivated area	10,200	11	
(B) <u>Cropping Pattern</u>			
1 Double/Multiple cropped area (percentage of double/multiple cropped area to net area sown)*	6,500	11.71	10%*
2 Gross cropped area	6,200	11.17	
(C) <u>Area under five main crops</u>			
1 Rice	944	1.70	
2 Jawar (Kharif)	19,612	35.33	
3 Bajara	7,184	13.0	
4 Wheat	912	01.64	
5 Jawar (Rabi)	9,271	16.60	
(D) <u>Irrigated Area</u>			
1 Wells	2,551	04.59	
2 Canals (State)	98	00.17	
3 Private Canals	765	1.37	
Total	3,414	6.15	

SOURCE : From Survey made by Lead Bank, Bank of Maharashtra for Satara District.

Co-operatives in Koregaon Taluka

Following Table shows the position of co-operatives in Koregaon Taluka as on 30th June 1986.

Table 1.3 : Statement showing Co-operative Societies in Koregaon Taluka on 30.6.86.

Sr. No.	Description of Co-operative Society	Number of Societies
1	Primary Agricultural Co-operative Credit Societies (PACCS)	80
2	Urban Co-operative Banks	2
3	Urban Co-operative Credit Societies	4
4	Salary Earners Co-operative Credit Societies	6
5	Primary Marketing Societies	1
6	Fisheries Society	1
7	Industrial Co-operative Institutions	7
8	Co-operative Poultry Farms	4
9	Industrial Estates	1
10	Water Supply Societies	26
11	Consumer Co-operatives	5
12	Housing Co-operatives	15
13	Labour Co-operatives	20

SOURCE : From the Records of the Assistant Registrar, Co-operative Societies, Koregaon.

Primary Agricultural Credit Societies (PACCS)

As indicated earlier, there are 80 PACCS in Koregaon taluka federated at district level into the Satara District Central Co-operative Bank Ltd., Satara (with its 11 branches in Koregaon Taluka). These societies may be classified on the basis of schemes under which they come. The classification is like this -

<u>Scheme</u>	<u>No.of Societies</u>	<u>Remarks</u>
1. Krishna-Dhom Project (KDP)	40	Irrigated to a certain extent, therefore better crop
2. Drought Prone Area Programme (DPAP)	20	Farmers get loans, subsidies etc. under this scheme; loans may be soft loans.
3. Other Societies	20	No special assistance to the farmers.

Generally speaking farmers in villages covered by KDP and DPAP receive certain benefits while those not covered (in 20 'Other Societies') do not get any of such benefits.

This is a brief description of the position of Koregaon Taluka. The main concern of this study is the problems in the working of the PACCS in the Koregaon Taluka which is going to be dealt with in the Chapters to follow.

Annexure 1.1

Statement showing rate of interest on loan to Society by SDCC Bank for the period 1983-84.

Sr. No.	Kind of Loan	Rate of Interest
1	Short term loan (Simple loan) (with sugarcane loan Cash Credit A/C No.1 and 2) Agricultural produce and Sale (Consolidated rate of interest) According to Reserve Bank Act Clouse -17(4)-(A)17(4)(C)	9%
2	Medium Term Loan For Agricultural purpose (Consolidated Rate of Interest) According to Reserve Bank Act Clouse (17) 4 (A)	9%
3	Convertible Medium Term Loan	9%
4	Medium Term Loan	9%
5	Medium Term Loan (Consolidated Rate of Interest) For Society members to purchase the shares of processing institutes	10.50%
6	Medium Term Loan (From Bank Capital)	15.00%

SOURCE : Credit Policy Book-let of SDCC Bank Satara - 1983.84.

Annexure 1.2

17

Statement showing scale of finance per acre for
irrigated crops - 1983.84.

Sr. No.	Crops	In Cash Rs.	Seeds & fertilizers Rs.	Total Rs.	Loan distri- bution installment
1	Sugarcane				
	A) For members of sugar factory and those contracting with factory				
	1) Aadsali	1,000	2,500	3,500	Two equal
	2) Suru	800	2,200	3,000	" "
	3) Khodawa	700	1,800	2,500	" "
	B) For Geogray making members				
	Aadsali, Suru, Khodara	700	1,500	2,200	" "
2	Cotton				
	A) Cotton - Local	100	250	350	One
	B) Cotton-H-4, Varlaxmi	200	700	900	"
3	Onion	100	200	300	"
4	Chillis				
	a) Irrigated	100	300	400	"
	b) Unirrigated	100	200	300	"
5	Fruit Gardens	200	500	700	Two equal
6	Stroberry	-	700	700	" "
7	Vegetables	100	200	300	One
8	Panmala	200	500	700	Two equal
9	Halad				
	If repayment is through linking	300	1,200	1,500	" "
	Without linking	300	900	1,200	" "
10	Summer Ground net	300	700	1,000	One
11	Grapes	3,000	3,000	6,000	Three
12	Ale				
	Repayment with linking	400	1,600	2,000	Two
	Without linking	300	1,200	1,500	"

SOURCE : Credit Policy Book-let of SDCC Bank Satara - 1983.84.

Annexure 1.3

Statement showing scale of finance per acre for
High breed crops (1983.84).

Sr. No.	Crops	In Cash Rs.	Seeds & fertili- zers Rs.	Total Rs.	Loan distri- bution installment
<u>KHARIF SEASON</u>					
1	Taychung local 1 U.I.R. & Paddy	100	400	500	One
2	High-breed Jowar	100	400	500	"
3	High-breed Maize	80	320	400	"
4	High-breed Bajara	50	200	250	"
5	High-breed Jowar for seed plot	-	800	800	"
<u>RABI SEASON</u>					
1	High-breed Jowar	80	320	400	"
2	High-breed Maize	80	320	400	"
3	Mecxican and Nifeld Wheat, Other improved variety	100	500	600	"
4	Subabhul (New plantation)				
	A)First Instalment	200	300	500	
	B)Second Instalment	250	-	250	
5	Subabhul (Khodara)				
	A)First Instalment	-	200	200	
	B)Second Instalment	250	-	250	

SOURCE : Credit Policy Book-let of SDCC Bank, Satara, 1983.84.

Statement showing scale of finance per acre for
Local Crops 1983-84.

Sr. No.	Crops	In Cash Rs.	Seeds & fertili- zers Rs.	Total Rs.	Loan distri- bution installment
1	Paddy - Kharif	200	200	400	One
2	A) Jowar -Kharif & Rabi unirrigated	200	150	350	"
	B) Jowar -Kharif & Rabi irrigated	200	200	400	"
3	Bajara	100	50	150	"
4	Wheat (irrigated) Rabi	200	400	600	"
5	A) Groundnut Kharif	200	200	400	"
	B) Groundnut Kharif(Phule Pragati)	150	650	800	"
6	Ghevada, Chavali, Mug, Watana, Maize, Tur	50	200	250	"
7	Karadai, Jawar (Rabi)	50	100	150	"
8	Harabara (Irrigated)	100	200	300	"
9	Sunflower	50	200	250	"

SOURCE : Credit Policy Book-let of SDCC Bank, Satara, 1983-84.

Annexure 1.5

Statement showing Medium Term Loan Limit according to purpose.

Sr. No.	Medium Term Loan Purpose	Loan Limit for 1983-84 Rs.
1	Oil engine with pump-set	8,000
2	Electric Motor with pump-set	8,000
3	Pipe line (maximum Rs.3,500/- per acre)	14,000
4	Electric Motor and laying of pipe line	20,000

SOURCE : Credit Policy Book-let for SDCC Bank, Satara, 1983.84.

Annexure 1.6

20

Statement showing loan for Gobar Gas Plant

Gobar-Gas plant size		Total investment Rs.	Bank Loan Rs.	No. of minimum Animals required
Cubic meter	Cubic feet			
2	70	3,057	2,250	3
3	105	5,057	3,750	4
4	140	5,683	4,275	6
6	210	7,090	5,325	10

If latrine is attached to Gobar-gas plant then Rs.400/- will be sanctioned extra.

SOURCE : Credit Policy Book-let for SDCC Bank, Satara, 1983.84.

Annexure 1.7

Statement showing period of lending and recovery in PACCS.

Crop	Period of lending	Last date for discounting cheques for loans in kind	Period of Recovery
Khariif	1st April to 30th July	31st August	1st January to 20th March
Rabi	1st August to 30th Nov.	30th Dec.	1st April to 20th May
Summer Crops	1st March to 31st May	20th June	1st Nov. to 20th Dec.
Sugarcane	1st April to 30th July	31st August	1st May to 15th June

SOURCE : Lending policy book-let of SDCC Bank Satara.