Impact of Co-operatives on Rural Credit in Selected Villages at Tiruvannamalai Taluk

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Abstract--- *The needs of agricultural finance during early period was mainly a consequence of famine or scanty rain fall. Mostly farmers used to borrow on such occasions (i.e. who have buffer stock of foodgrains due to famine) go to feudal lords, who have buffer stock of foodgrains all the time. The repayment of borrowed foodgrains was used to repay adding extra grains as a rate of interest during the next season, if natural calamities were in favour of farmers.*

This system was called as 'wadi' system in South-Eastern part of the Kolhapur district during the early period. After popularisation of monetisation in exchange, the system was modified into the present lending of money to borrower farmers through lending agencies. Sometimes due to traditional assignment, farmers used to spend on marriages, births and festivals etc., through their capacity to spend was not in a position to face such expenses. Those who had large land holdings with huge quantities of foodgrains, money and other kinds of wealth began to lend. Among them there were initially sarafs and feudal lords and later village traders, shop-keepers, patils, pleaders and other traders who were engaged in both saving and lending.

I. INTRODUCTION

"Credit" says an old French Proverb, "supports the farmer as the hungman's rope supports the hanged". But if credit is sometimes small it is often indispensable to the cultivator. That the agriculturist cannot carry on his business without outside finance is a fact proved by history and evidenced by the appalling indebtedness of the persons engaged in the business of agriculture. Agricultural credit is a problem when it cannot be obtained, it is also a problem when it can be had but in such a form that on the whole it does more harm than good. In India it is this twofold problem of inadequacy and unsuitability that is perennially presented by agricultural credit¹.

Feudal lords and later village traders, shop-keepers, patils, pleaders and other traders who were engaged in both saving and lending².

II. CLASSIFICATION OF CREDIT

Credit may be either for production or for consumption. "The line between business and consumption credit is not easy to draw. Even the purpose of the loan does not represent as to whether it is business or consumption credit. It is easy to distinguish a purpose if a complete financial record of the

farmer is available, but even then there may be some difficulty in affixing an appropriate label to some loans".

Productive credit is that which is employed to stop a loss effect on economy or to create something materially valuable. The savings or gains which result ought eventually be equal to the debt, hence, no one need to be afraid of this form provided the amount and the extents be judiciously limited to availability of prompt payment. As is popularly said, productive credit makes its own security and liquidates itself.

The Reserve Bank of India has adopted the following credit method for agricultural purpose. They are,

1. Short Term Credit

- For purchase of seed, manure and fodder.
- Payment of rent, wages, revenue, cess and other charges.
- Irrigation of crops, hire charges of pumps and purchase of water
- Other current farm expenses.

2. Medium Term Credit

- For purchase of livestock
- Bonding and other land improvements
- Repairs of agricultural implements, machinery, transport equipments and farm houses, grain 'goals' and cattle sheds.
- Repairs of wells and other irrigation services.
- Laying of orchards, etc.

3. Long Term Credit

- For purchase and reclamation of land.
- Bonding and other new land improvements.
- Construction of new wells.
- Development of new irrigation sources.
- Purchase of additional agricultural implements
- Machinery and transport equipment.
- Other capital expenditure on agriculture.³

III. STATEMENT OF THE PROBLEM

Debt is the perennial problem of an Indian farmer. Though efforts have been taken at all levels to dilute the problem. Still they exist with all vigour. Rural debt cannot be ignored on the ground that it is problem relating to the individual farmer. In fact, it is the problem causing many problems to Indian Agriculture. In other words, no effort will constructively

promote agriculture unless the Indian farmer is relieved from the debt burden. It is therefore, an important and urgent task of the concerned to find means by which the debt problem can be solved. This alone will relieve the Indian farmer from the strain and tension and enable him to concentrate on farming, only from this angle, the problem is viewed.

Studies conducted by the Government reveal that the debt position is aggravating year after year and there is little scope for solving the problem. Unless some miracle happens, it will be a permanent problem. "Indian farmer is born in debt, lives in debt and dies in debt"⁴.

IV. REVIEW OF LITERATURE

Various studies have been conducted at different levels by government bodies and researcher relating to debt overdues. Utilisation of agriculture loans etc. Committees and commissions were appointed to study the debt problems at different levels in different periods. To study the various sources of credit and supply of the same to the rural population in general and agriculturist in particular. This task was entrusted to the Reserve Bank of India. Subsequently RBI had appointed a committee in the year 1951 known as the "All India Rural Credit Survey Committee", under the chairmanship of Mr. Gorwala.

The committee studied exclusively the various sources of agricultural credit and the various problems including the borrowing and repayment of farmers in length and breadth. It was found that only 3 per cent of total agricultural credit was met by co-operatives and money lenders played a major role, contributing more than 96 per cent of the total borrowing by farmers⁵.

All India Rural Credit Review Committee was appointed by Reserve Bank of India in July 1966 under the chairmanship of Mr. Venkatappiah to assess the progress made in the rural credit. The committee submitted its report in 1969. The major finding of the committees were the credit for financing investment in agriculture received considerable emphasis. The committee suggested in respect of all such loans, that the technical feasibility and economic viability of the scheme should be regarded as a primary consideration, they are (i) the period of loan should be based on repaying capacity (ii) the lending should be carefully followed up and supervised.

Necessaries of Credit

1. Agriculture is the source of many products and to produce effectively and profitable necessary inputs are useful. For the purchase of such inputs, credit is needed.
2. Productivity of the land must be accelerated and the productivity of the land is dependent upon the supply of inputs in time.
3. Agricultural all functions from harrowing to harvesting; adequate credit supply must be done

without delay. So credit facilities should be supplied cheaper rate of interest.

4. Double crop and multiple crop facilities must be adhered to. This needs the study of agricultural science is necessary. Hence finance is necessary.
5. Vague has no Hogue and hence scientific investigations are to be done and accordingly the selected functions must be done.
6. Farmers lack the knack to knock the difficulties and therefore agricultural scientific services should be obtained from agricultural graduates.
7. These all rhythmic functions need adequate credit for the collection of expected crops.
8. Routine cultural practices should be continuously exercised to escape from natural calamities.
9. Institutional credit at cheaper rate of interest only is useful to promote agriculture.
10. The ancient supply of credit cannot supplement the growth of agriculture. Formerly, the farmer was born in debt, lived in debt and died in debt. Such ugly practices should be promptly replaced by feasible credit facilities to be furnished by cooperative credit institutions.
11. In the ancient India, farmers were innocent, ignorant, illiterate and they were unable to cultivate effectively. At present, the proper education should be supplied with the adequate credit supply.
12. Agriculture is a seasonal occupation and it must be converted into perennial occupation by providing adequate finance in time.

V. RURAL COOPERATIVE CREDIT SOCIETIES

Indian planners acknowledged cooperation as a source of economic expansion. This can involve all disabled and disadvantageous men of all regions especially rural weaker sections. The organizers estimated the welfare activities through village cooperatives from which self reliance, mutual alliance and above all national upliftment can be obtained. The non-exploitative character of cooperative, voluntary natural of membership, the principle of one-man, one-vote decentralized decision making and self imposed restriction on profits eminently qualified as an instrument of development.

The cooperative credit was started with a view to supply cheap credit facilities to poor farmers. These cooperative credit facilities helped such poor farmers to some extent because the financial strength of these cooperative credit societies was too much unsound and year's together members, organizers and above all the Government agencies attempted to enrich these credit societies. But the status remained in the same level without any improvement. Members are honest but unfavorable conditions and these members are unable to repay their loans on due dates. Dues became over dues, even then the members could not obtain any fortune from their lands. Indian agriculture is governed by numbers of uncertainties which have become permanent associates of cultivators. Such uncertainties are narrated as follows:

1. *Uncertainty of Rains*

Rains in Indian are uncertain and so the supply of water to lands is always irregular and uncertain, insufficient rainfall and uneven rainfall to all regions created uncertainties for the smooth growth of crops.

2. *Uncertainty of Market Availability*

Farmers sustain many troubles to maintain a certain standard of their farm produce. But there is no certainty of getting feasible market for the immediate sale of their product. Farmers do not possess any storage facilities and so they are compelled to sell in the market at unfavorable prices. Again farmers do not emancipate their life from misery.

3. *Uncertainty of Finance*

Money lenders advance against property but farmers do not hold any valuable property except their lands. To borrow money from money lenders, farmers are compelled to mortgage their lands against which loans may be fetched. But these money lenders do not sanction loans at once and they are to prepare mortgage papers including determining rate of interest period for the repayment, acres of lands, etc.

4. *Unfavorable Price to Production*

Merchant middlemen and agent middlemen chase and purchase at the cheapest prices which do not cover the cost of production, farmers are unable to repay the debt of money lenders who confiscate the lands so mortgaged. Thus, farmers become landless and they work as coolies in the fields of others. Thus landlords become landless workers.

5. *Approach to Cooperative Credit Societies*

The income of farmers is always insufficient to meet farm expenses for purchasing seeds, fertilizers, manures, eater etc. At the same moment, a portion of the income should be reserved for their domestic needs. Again, farmers have to approach these money lenders. To facilitate farmers, cooperative credit is to be obtained at the cheaper rate of interest. But the cooperative credit is insufficient and again farmers were forced to borrow from money lenders.

However, farmers borrow from the co-operative credit societies but the farmers cannot maintain their punctuality, regularity and loyalty to pay the dues of such cooperative credit societies. Such dues become overdue which are known as Non-participating Assets (NPAS) of cooperative banks. These NPAS are known as secret diseases of these banks. Banks attempted to collect dues by the help of tribunals and many other legal remedies. They are not successful. At last scrupulous bank staff collects the dues by utilizing their skills and maintain sweet over their tongue. Therefore, cooperative bank staff is able to collect dues from unfortunate farmers.

VI. OBJECTIVES OF THE STUDY

- To assess the present rural debt and various heads of rural debt.
- To assess the role of co-operative credit and its share to total credit.
- To assess the repayment of co-operative credit.

- To study the impact of co-operative credit-co-operative loan-repayment of loan-liquidation debt.
- To suggest the suitable measures for improving the working PACBs.

VII. METHODOLOGY

The study may be conducted on "Ex-post Facto" that means the various journals and publishing reports and direct interview and schedule with manager and questionnaires framed for the cultivators. 150 samples are selected at simple Random sampling. The sample is selected on the followed criteria: In Tiruvannamalai taluk 38 Registered Primary Agricultural Credit Societies are functioning at three blocks (Tiruvannamalai, Turunjapuram and Kilpennathur). Two societies are selected in each block and 25 respondents selected from each society. Then the societies in each block were stratified according to the percentage of collection of loans during 2006-07 to 2010-11. The societies were selected from each block at the simple random sample method. A well set schedule (Appendix-I) is prepared to be administrated on the individual members to collect information relating to borrowing, repayment, outstanding, term of loans and purposes of loan etc. Information is also collected from the banks to know the amount of loan issued, recovery position, outstanding and overdues. The published annual reports are used wherever necessary to complete the report. In addition to the above, discussions have also been held with concerned authorities and the individual farmers.

VIII. SCOPE OF THE STUDY

Collection of loans is undertaken in different level of the co-operative credit structure PACBs. In this study lending and collecting of primary level has been studied. The study covers short-term and medium-term agriculture loans of the PACBs. The approach of the study is from the point of view of the members.

IX. SUGGESTIONS

Agriculture is the backbone of national economy and the improvement in agricultural productivity of paramount importance today. It not only provide food and other wage, goods to our population, but also ensures a strong base for the development of the industrial sector. Agriculture, like industry need short, medium and long-term investable funds. For accelerated development of the agricultural sector, it is essential that the farmers are provided with the pre-requisites, modern implements, marketing facility etc., without adequate and timely credit they cannot make use of these essential inputs. The use of better quality of inputs means greater demand for rural credit. Availability of credit to agriculturist at economic rates of interest, for agricultural purposes and at the time credit is needed by them, is an essential condition for the healthy and sound functioning of an agricultural economy. Adequacy of credit is only one of the essential elements in a good credit system.

X. CONCLUSION

It would be very important to improve the collection of loans by PACBs in the study area. The following suggestions made for the purpose.

- The board of directors should be constituted for the primary credit society, properly elected through election.
- The personal contact of the Directors with the borrowing members at the time of harvest and marketing would improve the recovery of loans.
- The interest accumulated over a long period should be written off as an encouragement for clearing off the loan. Charging of compound interest should be discontinued.
- After sanctioning of the loans by the PACBs the officials of the PACBs make the necessary follow up action should be taken, to ensure proper utilization of the loans for the purpose for which they were sanctioned.
- The government should give the special allowance to the PACBs staff based on the amount of collection by the members.
- Sometimes if the monsoons fail, the period of repayment may be extended in the cause of crop failure.
- The PACBs can sanction the loans immediately the unnecessary delay in sanction of loans may be avoided so as to maximum utilisation of the availability of the credit.
- The PACBs can arrange for the proper and adequate scientific storage facilities for storing the produce may be provided by the PACBs so as it will naturally improve their price in future.
- The political interference is an very important struggle for the recovery of loans by the PACBs. These political elements can be completely controlled by the management of the PACBs. The member should be properly educated and they should elected as a proper director and they have to utilise the loan properly and prompt repayment of the loans.
- The PACBs should announce a gift system should be adopted just like postal small savings that would naturally creating an interest to the members.
- Before the due date, the PACBs should be given a proper notice to the borrowers for the installment due date and amount of the principals and interest.
- The Government conduct a co-operative week, the regular repayer will be honored and one day conducting a function like regular repayers day.
- Not only the collection made only by the PACBs the various collection center will be opened with one or two staff may be appointed at various points, to improve the collection.
- The official of the PACBs should visits the borrowers place and find out whether he is a willful defaulter. If he is a willful he has to make an action immediately to the defaulters.

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