

ROLE OF COOPERATIVE BANK IN AGRICULTURAL CREDIT: A STUDY BASED ON CHHATTISGARH

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ABSTRACT

The cooperative banking sector is one of the main partners of Indian banking structure, the cooperative banks have more reach to the rural India, through their huge network of credit societies in the institutional credit structure. The cooperative sector has played a key role in the economy of the country and always recognized as an integral part of our national economy. Cooperatives have ideological base, economic objects with social outlook and approach. The cooperative covers almost all cent percent villages in India. The cooperative form of organization is the Ideal Organization for economically weaker sections in the country. According to recent study by World Bank and National Council for Applied Economic Research, the Primary Agriculture Credit Societies (PACS) amount for about 30 percent of micro credit in India. This paper attempts to analyze the role of co-operative bank in agricultural credit.

Keywords: Cooperative Bank, Agricultural Credit, Rural Development, PACS

INTRODUCTION

India is agricultural based country and its 70% population stay in rural area. The cooperatives which are the life blood of the Indian economy and the mechanism for any developmental programs. Especially in an agriculture dominated rural sector, cooperative banks play a pivotal role in bolstering the common individual and financing his business and personal needs. The cooperative credit structure is serving the Indian society since 1904 and since then it has seen several ups and downs. Despite of several limitations such as restriction of area of operations, limited clients, small volume of business, political interference, this movement is standing since last 108 years and serving the societies. Economy of the Chhattisgarh is mainly dependent on agriculture as more than 80% of the total population is engaged in this sector. The Chhattisgarh Government has implemented from 2008-2009 the scheme of providing agricultural loans at the rate of 3%. Chhattisgarh is basically known as “**Rice Bowl**” The State has witnessed tremendous growth in the cooperative sector. Empirical analysis results show that the increase in the level of agricultural loans granted by the cooperative banks positively influence development of agriculture in India.

OBJECTIVES

1. To study the performance of cooperative banking in respect of agricultural credit and rural development.
2. To study the role of cooperative bank in agricultural credit.
3. To study the agricultural credit structure of the cooperative bank.

HYPOTHESIS

Cooperative banking is an important sector in Chhattisgarh as far as its role in agricultural credit and socioeconomic development of Chhattisgarh is concerned. It has no alternative in the era of economic reforms also.

AREA OF THE STUDY

The study is based on the agricultural credit of cooperative bank of Chhattisgarh. Therefore, study covers Chhattisgarh to the fulfillment of objectives of the study.

PERIOD OF THE STUDY

For collection of the secondary data on the agricultural credit of the cooperative bank, three years i.e. from 2009-2010 to 2011-2012 were taken as the reference period. The required primary data were collected from the members and actual own experience in the field and discussion with all concerns during the year 2011-2012.

REVIEW OF LITERATURE / COMMITTEE REPORT

Credit is a crucial input process of development. For historical reasons, Indian farming community failed to make huge investments in agriculture. There is an adage which says that **“Indian farmer is born in debt, lives in debt and dies in debt”**. In order to mitigate the problems of the farming community, the Cooperative Credit Societies Act was passed in 1904, which permitted the formation of credit societies. They provided institutional support to farmers for short, medium and long term purposes. Subsequently, tiers at state and district levels were too conceived to strength these credit co-operatives. Apart from these cooperative institutions, nationalization of commercial banks and introduction of regional rural banks also helped in increasing credit supply to farmers. As mentioned before, by now the Indian credit cooperatives have a century long history. During this period these institutional financing agencies failed to a large extend, to meet the requirements (consumption and production) of the farmers. Some of the factors responsible for their failure are inadequate supply of credit, poor recovery, demand-supply gaps, interference by politicians, lack of monitoring, mis-utilisation of credit, problems in identification of target groups, high transaction costs, and lags in time, natural calamities and competition from informal credit agencies.

A number of committees such as the Rural Banking Inquiry Committee (1949), the All India Rural Credit Survey Committee (1954), the Committee on Cooperative Credit (1960), the All India Rural Debt and Investment Survey (1962), the All India Rural Credit Review Committee (1969), the Working Group on Rural Banks (1975), the Committee to Review Arrangement for Institutional Credit for Agriculture and Rural Development (1981), the Agricultural Review Committee (1989) and the Narasimhan Committee (1991 and 1998)

were constituted by the Government of India to look into their working and made several recommendations to improve their health and functioning. Of the total credit provided by these institutions 44 per cent was met by the cooperative banks and 48 per cent by the commercial banks leaving a paltry amount by the regional rural banks.

RESEARCH METHEDODOLOGY AND DATA COLLECTION

The present study is based on the secondary data published by office of the Registrar of Cooperative societies, Chhattisgarh, Raipur. The required data and literature for the study purpose were collected from the number of reference books, Journals and Internet.

SCOPE AND LIMITATIONS OF STUDY

1. Study is limited to concept of cooperative and agricultural credit.
2. The information collected from 50 respondents of Kabirdham District only.
3. The study is applicable to other Districts of Chhattisgarh.

Agricultural Credit

The Agricultural Credit Policy essentially lays emphasis on augmenting credit flow at the ground level through credit planning, adoption of region-specific strategies, rationalization of lending policies and procedures and bringing down the cost of borrowing. Bank credit is available to the farmers in the form of short-term credit for financing crop production programs and in the form of medium-term/long-term credit for financing capital investment in agriculture and allied activities like land development including purchase of land, minor irrigation, farm mechanization, dairy development, poultry, animal husbandry, fisheries, plantation, and horticulture. Loans are also available for storage, processing and marketing of agricultural produce.

National Bank for Agriculture And Rural Development (NABARD)

The NABARD provides refinance to the Apex Bank and CARD Bank. NABARD is an apex institution accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas. It is an apex refinancing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas. It co-ordinates the rural financing activities of all the institutions engaged in developmental work at the field level and maintains liaison with Government of India, State Governments, Reserve Bank of India and other national level institutions concerned with policy formulation.

Primary Agricultural Cooperative Societies (PACS)

PACS are playing a crucial role in improving the economic and social conditions of the common masses of Chhattisgarh. They provide short-term and medium-term loan to the members/farmers at reasonable interest rates to meet their various needs. They are providing credit to the farmers for agriculture purposes at cheap and easy terms. PACS is the foundation of the Cooperative Credit System on which the super structure of the short-term cooperative credit system is built.

Agricultural Cooperative Credit Structure

Short-term structure is a three tire structure with PACS in rural areas, Co-operative Central Banks at the district level and the Apex Bank at the state level. The short-term credit structure provides short-term credit for crop production and medium-term credit for small developments. Chhattisgarh State Cooperative Agriculture and Rural Development Bank (CSCARDB) at the State level and Primary CARD Bank at the Block level cater to the long-term credit needs in the two tier credit delivery system.

In the short term credit structure, 1333 PACS including 476 LAMPS are functioning. In addition to this, there are 6 District Cooperative Central Banks with 209 branches. Chhattisgarh State Co-operative Apex Bank is functioning as state level financial institution. In the long term credit structure CSCARD Bank with 12 District CARD Banks including 77 branches are functioning.

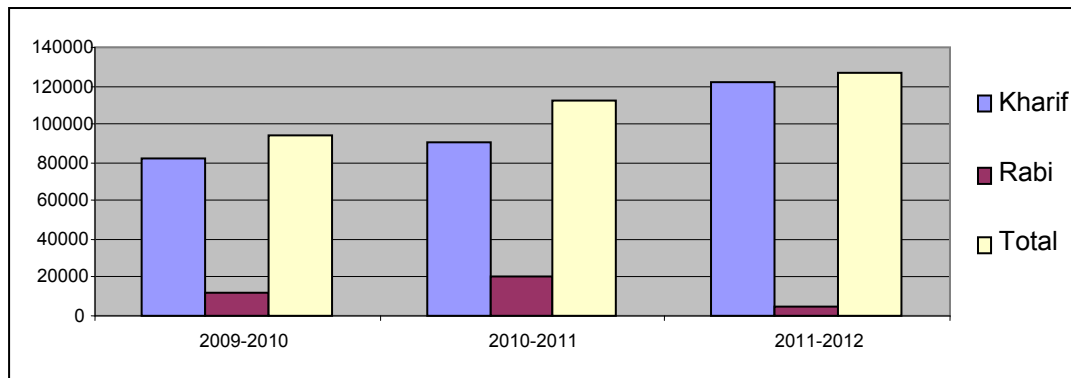
Short Term Agricultural Cooperative Credit Distributions and Recoveries

Table 1 shows the short-term credit distribution and Table 2 presents short-term credit recoveries for the last three years from 2009-2010 to 2011-2012. Graph 1 and Graph 2 show the same. The credit distribution was increased year by year and recovery of credit was poor.

Table 1. Short-term Agricultural Loan Distribution

Year	Kharif	Rabi	Total
2009-2010	82141	12417	94558
2010-2011	90784	20809	111674
2011-2012	121739	5203	126942 (up to 31.12.2011)

Source: Cooperative Department Report - 2010-2011. *(Figures- Rs. in lakhs)

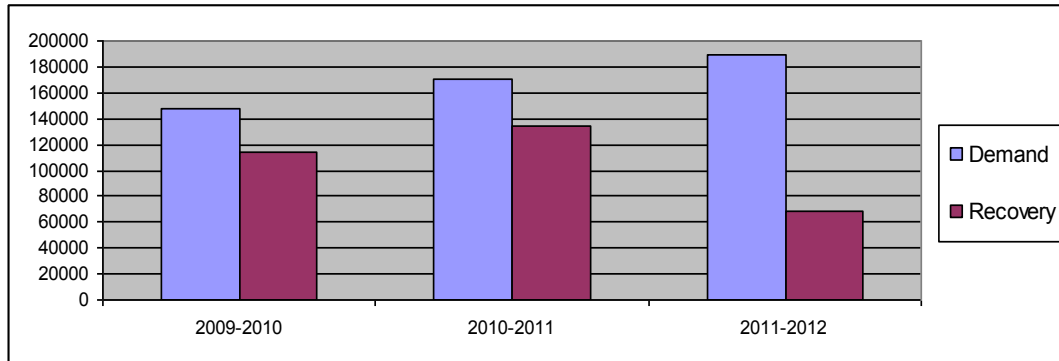


Graph 1. Short-term Agricultural Loan Distribution

Table 2. Short-term Agricultural Loan Recovery

Year	Demand	Recovery	% of Recovery
2009-2010	148086	114659	77
2010-2011	170724	133681	78
2011-2012	188864	68210	36 (up to 31.12.2011)

Source: Cooperative Department Report - 2010-2011. *(Figures- Rs. in lakhs)



Graph 2. Short-term Agricultural Loan Recovery

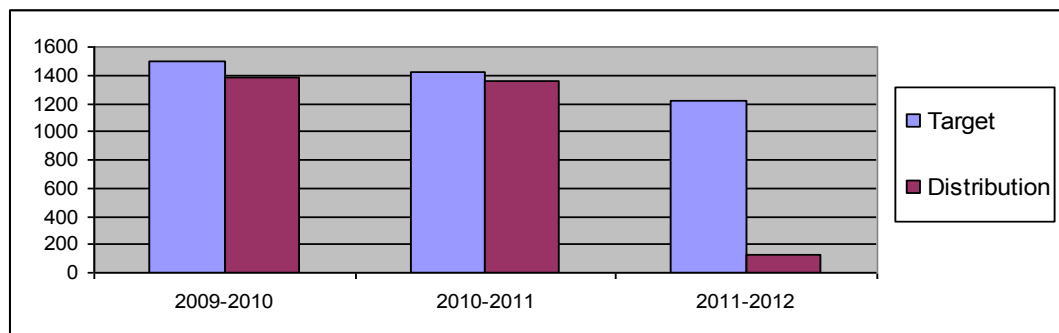
Long-term Agricultural Cooperative credit distributions and recoveries

Table 3 shows the long term credit distribution and Table 4 presents long-term credit recoveries for the last three years from 2009-2010 to 2011-2012. Graph 3 and Graph 4 show the same. The credit distribution was increased and target achieved above 90%, and poor recovery of credit.

Table 3. Long-term Agricultural Loan Distribution

Year	Target	Distribution	% of Distribution
2009-2010	1500	1379	92
2010-2011	1424	1355	95
2011-2012	1215	126	10 (up to 31.12.2011)

Source: Cooperative Department Report - 2010-2011. *(Figures- Rs. in lakhs)

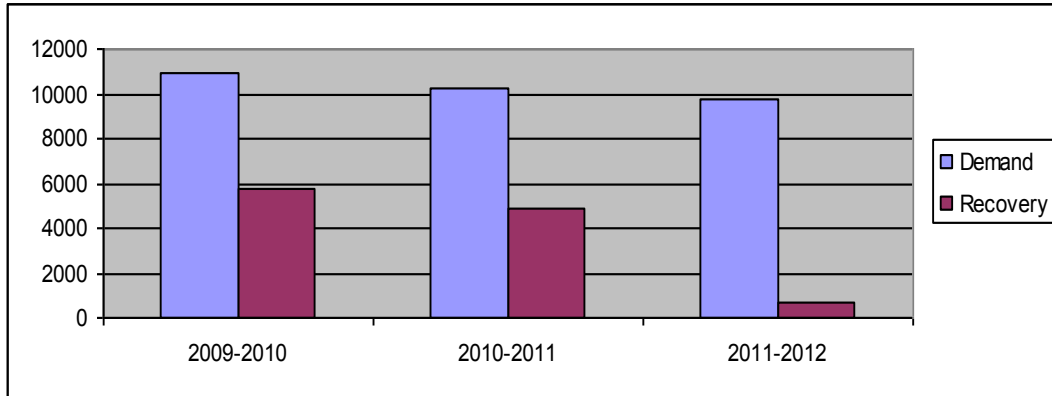


Graph 3. Long-term Agricultural Loan Distribution

Table 4. Long-term Agricultural Loan Recovery

Year	Demand	Recovery	% of Recovery
2009-2010	10943	5784	53
2010-2011	10235	4870	48
2011-2012	9764	722	07 (up to 31.12.2011)

Source: Cooperative Department Report - 2010-2011. *(Figures- Rs. in lakhs)



Graph 4. Long-term Agricultural Loan Recovery

KISAN Credit Card

In Chhattisgarh the KCC was introduced from 1999 in District Central Co-operative Bank for short-term and medium-term loans to provide adequate and timely credit support from the banking system in a flexible and cost-effective manner. The cash and goods ratio of the scheme is 60:40. Maximum limit of KCC is rupees five lakhs. 1366514 KCC issued since the scheme introduced.

Restructuring Cooperative Credit / Revival Package

In August 2004, the Government of India constituted a task force under the chairmanship of Professor A. Vaidyanathan for suggesting measures for the revival of cooperative credit institutions. The task force submitted its report in respect of a short-term cooperative credit structure and recommended a financial package of Rs 14839.00 crore for rural credit cooperative institutions. Based on the consensus arrived at with the state governments and other stakeholders on the recommendations made by the task force, the central government approved the revival package that involves financial assistance of Rs 13596.00 crore. NABARD has been designated as the implementing agency for the revival of the short-term cooperative credit scheme. A Department for Cooperative Revival and Reforms has been set up in the head office of NABARD for facilitating the implementation process. The provision of financial assistance under the package has been linked to reforms in the cooperative sector. In order to avail financial assistance under the package, the state governments are required to sign MOU. The Chhattisgarh Govt. signed MOU of 541.42 crores package on 25.09.2007.

Field Survey / Sample Design of The Study

The present study is survey based it attempts to explore the agricultural credit and economic development of rural sector. For the selection of the sample respondents, the researcher approached the Apex Bank (State Cooperative Bank). For the study 10 PACS have been selected from district Kabirdham and from each PACS 10 respondents have been selected by adopting simple random sampling. Thus 100 respondents were selected.

OBSERVATIONS AND DISCUSSIONS

From the field survey report the following parameters / indicators conclude the observation and analysis of agricultural cooperative credit.

Table 5. Parameters / Indicators of Analysis

Banking Service	55 (good)	36 (average)	9 (poor)	100
Lending Procedure	60 (timely)	25 (delay)	15 (very delay)	100
Lending Schemes	58 (limited)	32 (outdated)	10 (cant say)	100
Interest (long-term)	70 (high rate)	20 (very high)	10 (cant say)	100
Repayments	64 (repaid)	26 (will paid)	10 (NPA)	100
Awareness	56 (aware)	36 (average)	8 (not aware)	100
Satisfaction	76 (satisfied)	10 (unsatisfied)	14 (cant say)	100

Source: Primary data collected from fieldwork (Survey Data)

RESULTS / FINDINGS

From the above data it is clear that cooperative banks are serving in the field of agricultural credit and rural development. Maximum numbers of respondents are satisfied with functioning of cooperative bank. The level of service of cooperative banks is very high. Cooperative banks are playing extraordinary role for agriculture credit and rural development. In short we can say that Cooperative Banks are providing rural Chhattisgarh all round assistance and proved to be an institution where "**Growth with Social Justice**" exists. Cooperative Banks plays a major role in rural credit delivery of Chhattisgarh State.

SUGGESTIONS AND RECOMMENDATIONS

1. The Cooperative Banks should try to increase their deposits by opening branches in business areas, improve the services to their clients, introduce different types of deposit schemes and offer competitive rates of interest.
2. Cooperative Banks should change their loan policies on the basis of crop loan systems.
3. The Cooperative Banks must maintain adequate liquid resources, margin, properly scrutiny of loans and should try to qualitative improvement to the staff.
4. Cooperative Banks should try to co-ordinate between the Board of Management, Members, Depositors and Employees of bank.
5. Accountability and transparency need to be brought in the implantation of the schemes.

CONCLUSION

Cooperative banks belong to the oldest forms of the collective action in India playing essential role in the realization of the agricultural and in local development. They serve both rural and urban population, and are main banks in India supporting development of agriculture and rural areas. Their key role is to give credits financing various rural based entrepreneurs. Agricultural credits play a number of significant functions of which the primary include the intensification and growth of the agricultural production. In a developing State like Chhattisgarh with huge deficits in terms of quality and quantity, the State has to shoulder the primary responsibility of providing cooperative credit. Considering the low living standards of common man, incomplete and imperfect markets, and other socio political considerations it is the primary duty of the government to ensure that its citizens have easy access to cooperative credit.

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