Role Of Rural Cooperative Credit Institutions Towards Agricultural Credit In India

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Abstract
Sustainability of agriculture growth in India is crucial as almost half of the country’s population still depends on this sector for their livelihood. Flow of credit to agriculture plays a critical role in agriculture production in the country and hence in maintaining momentum of growth of this sector. Credit is one of the critical inputs for agriculture development. The flow of credit to the agriculture sector and rural areas is met through institutional agencies like commercial banks, regional rural banks and cooperative credit institutions. The short term, medium term and long term needs of the farming in rural community met by their credit institutions. The cooperative banks have played a dominant role in proving credit needy. The main objectives of the paper are to study the structure of cooperative credit institutions and role of short term rural credit cooperatives in providing agriculture credit in India. Secondary data have been used for the present study. At present there are nearly 93042 primary agricultural credit societies, 370 district central cooperative banks and 32 state cooperative banks working in India.

Key words: Agricultural credit, PACSs, DCCBs, SCBs.

1. Introduction
India is an agricultural based country. Agriculture sector has been the back bone of the Indian economy. Two thirds of the population is dependent on the agricultural sector through direct as well as indirect. Agriculture is facing many challenges like the shortage of man power and water along with increasing prices of inputs like seeds and fertilizers. Cooperative banks should providing credit to farmers at low rates of interest to meet the agricultural challenge. Cooperative banks supplement the efforts of the commercial banks in credit delivery and deposit mobilization particularly in rural areas. The Cooperatives which are the life blood of the Indian economy, the cooperative credit is serving the India since 1904. Rural credit cooperatives in India were originally envisaged as a mechanism for pooling the resources of people with small means and providing them to access to cheap and cost effective financial services. Rural credit cooperatives came into existence essentially as an institutional mechanism to provide credit to farmers at affordable cost and address the twin issues of rural indebtedness and poverty. With its phenomenal growth in outreach and volume of business, rural credit cooperatives have a unique position in the rural credit delivery system. Through the short and long-term structures, they continue to play a crucial role in dispensing of credit for increasing productivity, providing food security, generating employment opportunities in rural areas and ensuring social and economic justice to the poor and vulnerable. Several committees, from All India Rural Credit Survey Committee to the Vaidyanathan Committee have stressed the relevance and importance of cooperative credit societies to the development of agriculture and rural economy In light of this; the cooperatives occupy an important position in the Indian financial system. Cooperatives were the first formal institutions to be conceived and developed to provide credit to rural India and have been a key instrument of credit delivery to enable farmers to meet their production needs and to increase production and productivity in the rural areas.

The cooperative banking structure is three tier federal one.

1. A state cooperative bank works at the apex level.
2. The central cooperative bank works at intermediate level.
3. Primary credit cooperative societies at base level.

Primary cooperative credit society is an association of borrowers and non-borrowers residing in a particular locality. The funds of the society are derived from the share capital and deposits of members and loans from central cooperative banks. The borrowing powers of the members as well as of the society are fixed. The loans are given to members for the purchase of cattle, fodder, fertilizers, pesticides etc. The state cooperative bank is a federation of central cooperative bank and acts as a watchdog of the cooperative structure in the state. Its funds are obtained from share capital, deposits, and loans and overdrafts from reserve bank of India. The state cooperative banks lend money to central cooperative banks and primary agricultural credit societies and not directly to the farmers. Central cooperative banks are the federations of primary credit societies in a district and are of two types those having only membership of primary societies and those having a membership of societies as well as individuals. The funds of the bank consist of share capital, deposits, loans and overdrafts from state cooperative banks and joint stocks. These banks provide finance to member societies within the limits of the borrowing capacity of the societies. They also conduct all the business of a joint stock bank.

At present there are nearly 93042 primary agricultural credit societies, 370 district central cooperative banks with 13233 branches and 32 state cooperative banks with 992 branches. On an average there is on PACS for 8 villages. These societies have total membership of more than 120 million rural people making it one of the largest rural financial systems in the world.

Objectives
- To understand the structure of cooperative credit institutions in India.
- To study the progress in short term and medium term agricultural credit providing by PACSs, DCCBs and SCBs in India.

Scope of the study:
The scope of the present study is confined to India only covering all the states and as far as the banks are concerned it is restricted to PACSs, DCCBs and SCBs. The period considered for the study is from 2007 to 2014.

Methodology:
It is a descriptive study conducted to understand the structure of cooperative credit institutions in India and also to study the progress of different banks in extending short term and medium term agriculture credit. Published data is taken from NAFSCOB and analyzed accordingly. For easy analysis, the table flow charts were drawn wherever needed.

Statement of the Problem
India is agriculture country, most of the people depending on the agricultural sector. The purpose of agriculture is not only to increase the agriculture production but also to increase export capacity, it improve foreign exchange. Agricultural development requires timely and sufficient supplies of essential inputs. Most formers are poor and they cannot have enough money to meet purchase of seeds, recommended dose of fertilizers, hiring farm machinery, etc. so lack of finance is one of the main reasons for low productivity in agriculture. Agricultural financing could help to purchase costly inputs and improve their production. The Agricultural financing encourage the farmers to use modern technologies and secure inputs for farm use. The cooperative banks are most important one to provide agriculture financing to the farmers for meeting their capital requirements. This study has to focus on the role play by different Cooperative Banks in agricultural financing.

Significance of the study:
Present study is significant to academicians, research scholars, banks, policy makers, farmers and others who are directly or indirectly interested in agriculture credit in India.
1.2 Review of literature

- Kurulkar (1983) opined in his published work on agricultural finance in backward region, reported glaring defects in the set-up of co-operative credit system. He pointed that out of the ten sample owners who obtained long-term credit from the co-operative banks, 30% could not secure short-term credit. Lack of short-term or production credit to the farmers who availed long-term credit resulted in lower output per acre, thereby resulting in over dues.

- Devadas (1987) in his book titled, “Co-operative Banking and Economic Development” studied the role of Assam Co-operative Apex Bank Ltd. in economy of the State. He found that apart from working as a commercial bank it had to discharge three other functions, i.e., to finance primary credit societies, to act as banking centre for primary societies, and to undertake supervision of primary societies. He found that bank had not been able to achieve much in these three fields due to lack of adequate support from government of the state.

- Wadhwa (1998) believed that reforms did not pose threats to cooperatives but provided opportunities. It was found that as Commercial banks and Regional Rural Banks (RRBs) are not keen to finance the agriculture sector, thus, the cooperatives have ample opportunities to expand their rural business. With the other banks turning away from the rural area, rural savings can be tapped by the cooperatives. With mobilization of rural savings there would be no need for cooperatives to depend on outside financial support in the long run. It was suggested that there is need to create awareness among the officials of the cooperative banks by providing training and adequate support facilities.

- Balishter and Singh (2001) made an attempt to examine the performance of cooperatives in rural development and the performance was examined through contribution of cooperatives in the development of rural infrastructure facilities, supply of credit and organizing the marketing and processing activities. But it was found that the performance was not up to the mark due to several weaknesses, i.e., resource constraint, large over dues and defective management. It was found that the rural economy is the weaker section of the national economy and this weakness is responsible for backwardness of the economy and cooperatives seem to be the only hope to accelerate the growth of rural economy so cooperatives should be strengthened through effective monitoring system, strong resource base, effective management, and trained and professional staff.

- Goyal et al. (2006) made an attempt to study the changes and regional variations in growth of Primary Agricultural Cooperative Societies (PACS) in Haryana. It was analyzed that there is significant growth in share capital, owned funds, working capital and loan advance and membership. But the growth rate of over dues is very high. There are large scale variations in membership per society and loan advanced per society, proportion of profit making societies was more in the western region than the eastern region. The variables with regard to membership, over dues are increasing but with regard to loan advanced these are reducing. It was suggested that the societies should streamline the recovery drive to improve the viability of societies.

- Ganesan (2005-06) made an attempt to study the relative performance of state cooperative banks in India for the years 2002-03 and 2003-04, for examining the performance of the banks,different input parameters that is membership,labour,borrowed funds and number of branches and output parameters (that is advances and investments) were used. In relative efficiency it was found that 5 SCBs that is Gujarat Himachal Pradesh, Maharashtra, Tamilnadu and west Bengal were found to be efficient in 2002-03 and 6 SCBs that is Andhra Pradesh, Delhi, Gujarat, Himachal Pradesh, Maharashtra and West Bengal were found to be efficient in 2003-04. The average efficiency for the SCBs in India was 0.46 in 2002-03 and 0.47 in 2003-04. In traditional self-efficacy approach, it was found that SCBs of Andhra Pradesh, Gujarat, Maharashtra and west Bengal have high self-efficiency and in cross efficiency approach, it was found that SCBs Andhra Pradesh, Assam, Tripura, Nagaland and Mizoram are the worst performers.
Chalam and Prasad (2007) attempted to analyze the financial performance of PACS working in West Godavari district of Andhra Pradesh. For evaluating the performance, the ratios like liquidity, operational, productivity and profitability were used. It was found that cash to deposit and credit to deposit ratio were very high. It was also found that establishment expenditure of PACS was very high. It was suggested that the management should check the expenditure to ensure profitability and societies should take necessary steps to enhance their income from noncredit activities. The societies should also take steps to maintain consistent and higher level of profitability.

Raikar (2011) made an attempt to study the performance of district central cooperative banks (DCCBs) in India for the period 2002-03 to 2007-08. For analyzing the performance, ratio analysis and data envelopment analysis (DEA) were used. It was found that number of DCCBs on efficient frontier and above efficiency score showed a fluctuating but declining trend, this indicates declining efficiency of CCBs over the study period. It was also found that there is significant growth of CCBs in terms of financial parameters that is reserves, deposits, investments, loans and advances, income etc. but the performance was deteriorating due to weak capital base and high NPAs. It was suggested that to improve the performance of CCBs, there was need to improve their recovery performance.

1.3 Structure of cooperative credit institutions in India as on March 31, 2015.

PACS: Primary Agricultural Credit Societies;
SCARDBs: State Co-operative Agriculture and Rural Development Banks;
PCARDBs: Primary Co-operative Agriculture and Rural Development Banks.

Notes: 1. Figures in parentheses indicate the number of institutions at end-March 2014 for rural co-operatives.
2. For rural co-operatives, the number of co-operatives refers to reporting co-operatives.
Source: RBI.
Table 1.1. Loans issued and outstanding by primary agricultural credit societies in India for the period 2007-08 to 2013-14 (Amount in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Loans issued</th>
<th>Loans outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>97224</td>
<td>3247755</td>
<td>3751012</td>
</tr>
<tr>
<td>2008-09</td>
<td>94942</td>
<td>3091533</td>
<td>3795140</td>
</tr>
<tr>
<td>2009-10</td>
<td>95633</td>
<td>3762480</td>
<td>4112302</td>
</tr>
<tr>
<td>2010-11</td>
<td>94647</td>
<td>4646981</td>
<td>4463900</td>
</tr>
<tr>
<td>2011-12</td>
<td>93413</td>
<td>4912721</td>
<td>4723820</td>
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<td>2012-13</td>
<td>92432</td>
<td>6449920</td>
<td>6656684</td>
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<tr>
<td>2013-14</td>
<td>93042</td>
<td>7204335</td>
<td>6137610</td>
</tr>
</tbody>
</table>

Source: NAFSCOB

Figure 1.1

From the above figure it is noticed that the loans issued and outstanding amount in the primary agricultural credit societies in India were equally progressing during 2010 to 2012, whereas in 2007 to 2009 and 2013 the outstanding amount is more than the loans issued by the banks. In 2013-14 the situation is fairly acceptable.

Table 1.2 Short term & medium term loans issued and outstanding by District central cooperative banks in India for the period 2007-08 to 2013-14 (Amount in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Short term loans issued</th>
<th>Shortterm loans outstanding</th>
<th>Medium term loans issued</th>
<th>Medium term loans outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>371</td>
<td>4113718</td>
<td>4317953</td>
<td>239844</td>
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<tr>
<td>2008-09</td>
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<td>3974546</td>
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<tr>
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<tr>
<td>2010-11</td>
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<td>2011-12</td>
<td>370</td>
<td>7631374</td>
<td>6145380</td>
<td>362917</td>
<td>911715</td>
</tr>
<tr>
<td>2012-13</td>
<td>370</td>
<td>10141581</td>
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<td>366994</td>
<td>1016537</td>
</tr>
<tr>
<td>2013-14</td>
<td>370</td>
<td>11349254</td>
<td>8441502</td>
<td>415732</td>
<td>1084030</td>
</tr>
</tbody>
</table>

Source: NAFSCOB
It is evident from the above figure that number of District central cooperative banks in India are constant during the study period. Short term are showing satisfactory results in terms of loans issued and outstanding during the study period. In medium term loans, there is huge difference between loans issued and outstanding throughout the study period. Medium term loan recovery is poor due to which the outstanding continuously showing higher than the loans issued.

Table 1.3 Short term & medium term loans issued and outstanding by state cooperative banks in India for the period 2007-08 to 2013-14 (Amount in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Short term loans issued</th>
<th>Short term loans outstanding</th>
<th>Medium term loans issued</th>
<th>Medium term loans outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>31</td>
<td>2255415</td>
<td>2046518</td>
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<tr>
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<tr>
<td>2010-11</td>
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<td>446383</td>
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<tr>
<td>2011-12</td>
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<td>283147</td>
</tr>
<tr>
<td>2012-13</td>
<td>31</td>
<td>5407632</td>
<td>4341058</td>
<td>152639</td>
<td>292636</td>
</tr>
<tr>
<td>2013-14</td>
<td>32</td>
<td>7613699</td>
<td>6306485</td>
<td>144932</td>
<td>321765</td>
</tr>
</tbody>
</table>

Source: NAFSCOB
Figure 1.3

It is evident from the above figure that number of State cooperative banks in India are constant during the study period. Short term are showing satisfactory results in terms of loans issued and outstanding during the study period. In medium term loans, there is huge difference between loans issued and outstanding throughout the study period. During 2007 to 2009 the situation was satisfactory and from 2010 the outstanding has increased tremendously with a significant difference.

Suggestions:

- To give awareness about crop loan to the small farmers, Procedure of issuing loan should be made simple and hassle free, Time availability of credit should be ensured for timely purchase of the required inputs, The cooperative bank should develop new methodology to recover the crop loans, The bank should acquire securities from the borrowers for avoiding bad debts and the banks should try to coordinate between board of management, members, depositors, borrowers and employee of the bank.

Conclusion

From the analysis, it is observed that rural cooperative credit institutions play a vital role in providing short term and medium term agricultural credit India. Agricultural credit by all short term rural cooperative credit institutions like state cooperative banks, district central cooperative banks and primary agricultural credit societies is in increasing trend by year on year from 2007-08 to 2013-14 by providing Rs. 77,58,631 lakhs, Rs. 117,64,986 lakhs and Rs. 72,04,335 lakhs respectively as on march, 2014. Even though, agricultural farmers still facing the problem of credit facilities. There is a gap between demand and supply of credit needed by farmers in India. It is suggested that the government of India has to take a step to overcome the problem of agricultural farmers. The cooperative banking structure has to unique position in the rural credit delivery system in India. They serve both rural and urban population and are mainly cooperative banks sup-porting to development of agricultural and rural areas. Their key role is to give credit to various rural based entrepreneurships. It have to be develop as an effective tool to solve the financial problem of farmers. The agricultural financing greatly contribute to fulfil the capital requirement of the farmers. This agricultural credit not only to increase the productivity it also helps to expand the economy of the country.
Scope for further research:
Present study is confined to few banks in India like District Central Co-operative Banks, Primary Agricultural Credit Societies and State Co-operative Agriculture and Rural Development Banks. The study can be conducted by considering regional rural banks and other commercial banks either state wise or country wise to have a comprehensive view towards agricultural credit and also comparison can be done between the regional rural banks and cooperative banks operating in the country which can be helpful for developing and modifying existing policies to towards agricultural credit by the government of India.

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