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STRUCTURE AND FLOW OF CROP LOANS TO AGRICULTURE IN MARATHWADA REGION**Dr. Vivek B Waykar¹ and Prashant Ramesh Chavan²**Assistant Professor¹ and Research Student², Department of Commerce, R. B. Attal College Grorai, Beed**ABSTRACT**

The study aims to examine the structure and flow of crop loan, provided by the Primary Agricultural Co-operative Banks. This necessitated the researcher to go through the previous studies made. The information's gathered are reviewed here. Agriculture is the largest sector of economic activity, providing not only food and raw materials, but also employment to a vast proportion of population in India. Agriculture contributes 40 percent of the National income, provides employment to 70 percent of the working population and account for 45 percent of the country's foreign exchange earnings. This sector provides the market for the products of many industries. Agriculture is the dominant sector, improvement or changes in the National output depends upon the output in this sector. For the same reason, it has provided the capital needed for its own development and makes available the surplus for the national economic development. Since the development of agriculture holds the key to the progress of the economy as a whole, it should receive due attention. The linkage between agricultural and non-agricultural sectors recognized. The interaction between agricultural and non-agricultural sectors facilitates the growth of both the sectors. The development of agriculture is of considerable importance to a developing country like India, for two reasons, namely, for bringing about an improvement in the standard of living of the people, as well as in the national income and for promoting industrialization and to reduce pressure on land. In short, agricultural development has multifaceted importance in both the economic and national life of the country like India. If agrarian sector is not nurtured and cared for properly, it will lead to a depression in the performance of the agricultural sector, and this depression would adversely affect the economic growth of the country."

CONCEPT & SIGNIFICANCE OF CROP LOANS

Crop loan is basically meant for agricultural production on short-term basis. The loan amount required is calculated based on the expenses to be incurred from the stage of cultivating the bare land to the stage of selling of agricultural products. Three years is the time or period for which the loan amount is sanctioned with prior approval from the Co-operative Bank three months in advance. The Co-operative Bank finally decides to pay the loan after confirmation of the assessment in terms of cash or agricultural goods.

THE SPECIFIC OBJECTIVES OF THE STUDY ARE

1. To study the structure of crop loan facilities available to the farmers.
2. To examine the assistance of the corporate sector to the flow of crop loans.
3. To analyze the problems of borrowers in availing crop loan.
4. To identify the problems of lenders in recovering the crop loan.

THE NEED FOR CROP LOAN

1. For repaying the previous loans acquired by the predecessors of the family.
2. Generally, agriculturists get very low income from the cultivated land. Hence, they are unable to sustain the agricultural expenses in addition to their family expenses.
3. Due to unforeseen climatic conditions like flood, draught and crop insurance, the agriculturists are unable to earn an income, a finally they land into a financial burden.
4. The agricultural work does not bear a constant income like industrial or business sector. The price variation of agricultural commodities virtually affects the income level to the extent of expenses. Hence, the agriculturists are forced to enter into loan scheme.
5. For the agricultural sector, nowadays more money is required for investment at various stages at agricultural activities. Due to shortfall in infrastructure facility the agriculturists have to acquire loans for investing in cash crops.
6. At present the agriculturists have to adopt advanced technologies and updated machinery for agricultural production. Also for purchase of seeds, fertilizers, pesticides, latest instruments, a crop loan becomes a basic necessity.
7. In addition to the above, agriculturists take crop loan for digging well, leveling the dry land for cultivation, construction of a house in the agricultural land.

8. Apart from the agricultural work, the farmers have to engage their leisure time in maintaining poultry farm, sheep and cow farm. Hence, they require a loan facility for continuing the agricultural and associated work.

FARM SIZE & GROUPS

In India, the farmers are grouped into the following three categories.

1. Small Farmers (S.F): Farmers holding below 5.0 acres of dry or 2.5 acres of wetland.
2. Medium Farmers (M.F): Farmers are holding between 5.0 and 10.0 acres of dry or 2.5 and 5.0 acres of wetland.
3. Large Farmers (L.F): Farmers are holding above 10.0 acres of dry or 5.0 acres of wetland.

MECHANISM OF CROP LOAN: -

Crop loan is provided to the farmers based on the crops cultivated by them. On the repayment of the existing loan only, fresh loans will be issued. Crop loans will be recovered by Primary Agricultural Co-operative Banks, mostly during the months of May and June every year, i.e. the end of the Co-operative year. At the beginning of the every co-operative year, applications for crop loan will be received by the Secretaries of Co-operative Banks. In the application form, the farmer has to state his residential address, survey number of the land he is cultivating, area of the land owned by him, the crops and area of cultivation under each crop. Documents relating to his land, and a certificate issued by the Land Development Bank to the effect that there is no overdue account should also be enclosed with the application for crop loan.

ROLE OF CREDIT IN AGRICULTURE

The advent of modern technology and the spread of improved techniques and practices in farming have brought in their wake the need for sizable expansion of farm credit. Moreover, in today's world of specialization, credit is considered to be a way of life and it is increasingly felt that credit is essential to the maintenance of efficiency in the agrarian sector. According to Barla, the demand for credit has arisen not only due to the seed, fertilizer revolution, but also due to the increased demand for traditional inputs as well. Though credit is required for the purchase of modern as well as traditional inputs, the same is not available within the agrarian sector. The agricultural sector has to depend on outside finance due to its inability to credit surplus. This is evidenced by the fact that agriculture has not yet effectively crossed the boundaries of subsistence farming and employed as a business oriented system. Therefore, farmers cannot expect their capital needs to come from savings because their income from farm Operation is not sufficient even to provide for the necessities of life. It is increasingly felt that, as a subsistence level of agricultural economy, it is difficult to break out of the various circle of traditional methods of agriculture low production and a shortage of capital. For the average cultivator this circle may be broken, if new capital is introduced at the farm of credit.

In the absence of self-financing, a dynamic program of agricultural credit is essential for such sustained growth. Hence, in the context of the current emphasis on the development and planning, financial institutions are expected to play a pivotal role in accelerating the pace of economic development. Moreover, it is conceivable that with the completion of the on going rural development projects of the various State Governments and with the knowledge of new inputs among the millions of small and medium size farmers and the seed fertilizer revolution, will further increase the dependence on credit. With the adoption of improved a technology, medium and small farmers will move on to commercial and profitable agriculture. This, in turn, will result in an enormous increase in the demand for credit. In the words of Nelson, "the technological revolution in agriculture is expected to continue and there will be more and more demand for capital consequently, the capital absorptive capacity of the Indian Farmers will be even with an increase, creating continuous demand for credit. It is estimated that the credit requirement will be more than Rs.16,000 crores by 1985.

THE PURPOSE FOR WHICH CREDIT IS REQUIRED

Purpose-wise, every farmer needs four types of credit, viz, development credit, production credit. Development credit (also known as investment credit) is required by the farmer to make investments on the farm which include (i) purchase of land, implements, farm machinery, etc., (ii) development of irrigation through sinking of new wells, renovation of old wells, installation of pump sets, installation of lift irrigation system on rivers etc.; (iii) undertaking land reclamation and development works, soil and moisture conservation works, land levelling, land shaping, laying out field channels, drainage, etc; (iv) construction of farm structures such as cattleshed, silo-pits-farm-godown, fencing, gobar gas plants, etc.; (v) development of dairy, poultry, piggery, fishery, sericulture, apiculture, etc., through construction of sheds, purchase of animals, birds, equipment, etc. Production credit lays sound foundations for modernizing the agriculture. Production credit helps him to purchase essential inputs of production without which he cannot increase output on the farm.

THE SHORT-TERM CREDIT IS REQUIRED FOR THE FOLLOWING PURPOSES:

- (i) Purchase of seed,
- (ii) Purchase of manure,
- (iii) Purchase of fodder,
- (iv) Payment of wages,
- (v) Payment of land-revenue, and other charges,
- (vi) Payment of rent,
- (vii) Maintenance of irrigation resources,
- (viii) Repairs and maintenance of implements etc,
- (ix) Other current farm expenditures,

THE LONG-TERM CREDIT IS REQUIRED FOR THE FOLLOWING PURPOSES

- (i) Purchase of land,
- (ii) Reclamation of land,
- (iii) Building and other land improvements,
- (iv) Digging and repair of wells,
- (v) Development of other irrigation resources,
- (vi) Purchase of implements, machinery and transport equipment,
- (vii) Construction of farm house, cattle shed etc.
- (viii) Other capital investment in agriculture.

INTRODUCTION OF CO-OPERATIVE CREDIT AGENCIES

The attempts to provide institutional credit to farmers took a formal shape in the passing of the Co-operative Credit Societies Act in 1904, which enabled the formation of the Co-operative Credit Societies. Co-operative Credit Society was initially conceived to be an important and effective institutional agency for providing the rural finance with the hope that eventually the private credit would be supplemented by Co-operative Credit in due course. Further, from the tenets of Royal Commission on Agriculture, till date Co-operatives are believed to be the best-suited agencies to disburse rural credit. Moreover in the Indian context it was visualized that the Co-operatives could render better services to the Indian farmers because of their appropriateness to the Indian situation.

Thus the Co-operative movement was started as a measure of administrative strategy to provide cheaper, timely and adequate farm credit in this country. In this way the foundation for organized institutional rural credit was laid with the starting of Co-operative Credit institutions. But in spite of the official efforts to start a large number of Co-operative Credit Societies, the progress was dismal in the first decade and the moneylenders continued to be the main source of rural finance.

The applications received up to a particular point of time, will be consolidated by the Primary Agricultural Co-operative Banks. The statement showing the requirements of crop loan for the period will be prepared by every Primary Agricultural Co-operative Bank.

DISTRICT CENTRAL CO-OPERATIVE BANK

The District Central Co-operative Bank will arrange for a conference in which its manager, its agricultural officer, the secretaries of various Primary Agricultural Co-operative Banks will attend. The amount of crop loan sanctioned to various Primary Agricultural Co-operative Banks will be decided by the meeting, based on the overdue position of the Primary

AGRICULTURAL CO-OPERATIVE BANKS

The cash component of crop loan sanctioned to various applicants will be credited to their savings bank accounts at the branch of the District Central Co-operative Bank. The applicants will be duly informed about the sanctioning of the crop loan. The applicants have to obtain a release order from the secretaries of Primary Agricultural Co-operative Banks by making another application for disbursement of crop loan. By 60 showing the release order, the applicants can draw the money from their accounts. The kind component of crop loan will

be provided by the Primary Agricultural Co-operative Banks. They will procure the seeds, fertilizers and pesticides required, and provide them to the applicants.

PROBLEMS ASSOCIATED WITH CROPE LOAN

The crop loan system was introduced in the year 1964 to make Co-operative Credit, production oriented and to ensure timely flow of credit to small farmers, by liberalising the loaning policies and procedures. The various field investigations in the selected districts conducted for the All India Rural Credit Review Committee revealed a considerable divergence between the accepted principles and actual practices. There are some practical difficulties and problems, which are faced by borrowers and lenders of crop loan. They are enumerated as follows:

1) Problems of the Borrowers

Borrowers of crop loan are the farmers who are members of Primary Agricultural Co-operative Banks. They face the under mentioned difficulties.

2) Unseasonality in lending & recovery

The principle of seasonality in the lending and recovery of crop loan has not been fully implemented in practice. For example, in the State of Tamilnadu, while seasonality pattern was being observed in the issue of loans, the dates of repayment were not fixed with reference to the harvesting season. In States like Assam and Madhyapradesh, the due dates for loans correspond to the harvesting seasons, but loans were issued throughout the year. Issue of loans in a season, when there is no need, gives rise to misuse of loan by the farmers. Recovery of loans in a non-harvest period creates great hardship to the farmers.

3) Formalities of the institutions

Procedural delay in issuing application for loans, scrutiny and verification of particulars of sanction and disbursement of crop loan is another problem. Along with the application for crop loan, a farmer has to submit the documents of title to land, statement issued by the Village Administrative Officer showing the survey number and area of his land holdings, crop cultivated, and a certificate of no-overdues issued by the Land Development Bank. Obtaining all these documents and making an application for crop loan itself is a great task for farmers, who are mostly illiterates.

4) Delay in disbursement of crop loan

Institutions providing crop loan make undue delay in processing of the applications and disbursement of crop loan. This gives rise to disbursement of crop loan at a time in which there is no need or there is no cultivation at all.

5) Scales of finance not in confirmation with component of crop loan

In many, cases the scales of finance for various crops do not confirm to components of crop loan. The disbursement in kind is negligible.

6) Non-provision of seeds & Crop insurance

In the scale of finance fixed for every crop, a portion is reserved for seeds. In the case of crops subject to natural calamities (such as paddy, groundnut, food grains) provision is to be made for crop insurance. In practice, seeds are not at all provided by institutions providing crop loan. Crop Insurance Scheme is not properly implemented, though in some cases, premium for it is collected from the farmers.

7) Improper provision of fertilizers & pesticides

The fertilizers and pesticides are procured and supplied by the agencies providing crop loan. In many cases, the fertilizers and pesticides needed by the farmers are not provided. Further, they are also not provided in the right time. This leads to misuse of fertilizers and pesticides by the farmers. They even sell them sometime.

8) Far away location of Institutions

The institutions providing crop are located at a far away place in many cases. The jurisdictions covered by them are also wide. In many cases, a Primary Agricultural Co-operative Bank has to strive to supply the credit needs of more than three revenue villages. In some cases, it is even four. Hence farmers served by these types of Primary Agricultural Co-operative Banks have to struggle a lot for getting crop loan, right from the time of application upto the disbursement of loan.

9) Improper supervision of crop loan

It is obligatory on the part of the institutions to supervise crop loan effectively. The field officers have to make a visit to the farm before sanctioning of the loan to ascertain whether or not the farmer has cultivated the crop for which crop loan is required. Then, during the period of loan he has to visit the farm to know the growth of the

crop and advise the farmer accordingly. At the time of harvest, he must help the farmer for marketing the crop so that the repayment of crop loan is ensured. Though it is obligatory on the part of the institutions, it is not properly carried out by them. It results in cultivation of crop other than the one for which crop loan is required.

10) Security for crop loan

The principle that crop loan should be provided on personal security and a statutory charge on the crop has not been properly implemented in most States and loans against personal security are subject to ceilings fixed at very low levels beyond which mortgage is insisted upon. In some States, the persons standing as securities are required to be land owners. In Assam, Bihar, Orissa and West Bengal loans upto Rs. 500/- are provided against personal securities but larger loans require mortgage of land. Even in comparatively advanced States like Punjab and Tamilnadu eligibility of credit is largely determined directly or indirectly by the value of assets owned.

11) Low quantum of credit as compared to current cost of production

Another serious limitation of crop loan system is that in a period of abnormal rise in farm prices, the requirement of credit computed at one third of the value of gross output may be pitched very high as compared to actual needs. Similarly any steep fall in farm prices in a year should not result in a corresponding fall in credit needs. Hence quantum of credit should be fixed by taking into consideration the cost of cultivation of crop concerned.

12) Problems of lenders

In India crop loan is provided by organized agencies like Commercial Banks and Primary Agricultural Co-operative Banks. They face the following difficulties in implementation of the scheme.

13) Unwillingness of the farmers to lift kind component

The agencies providing crop loan are facing a number of difficulties in disbursing of loan in kind because

1. The members are unwilling to lift fertilizers
2. The agricultural requisites do not reach the farmers in adequate quantities and in time and Cc) There is a lack of co-ordination between Co-operative Credit Agency and those in charge of the distribution of fertilizers.

14) Sale of fertilizers & pesticides by the farmers

In some cases, it is reported that the farmers sell the fertilizers and pesticides provided to them. It may be to meet their out of pocket expenses. But it is against the principles of crop loan. There are cases, where the disbursed fertilizers are sold and the required fertilizers are bought. This results in to losses to the farmers. Sometimes fertilizers provided by the Primary Agricultural Co-operative Banks are stored for next season.

15) Waiver of loan by the government

The State and Central Governments at times, waive the overdues of the farmers. This has a direct impact on the recovery of dues from the farmers. To make the outstanding loans as overdues, the farmers purposely avoid repayment, though they have the repaying capacity.

16) Significance of crop loan

In India, crops are damaged not only by insects, pests and diseases of crops but also by wild animals and natural calamities. Various estimates have been made about the losses suffered from insects, nematodes, fungi, bacteria, viruses, parasites, weeds, rodents and other animals like birds, snails and slug. Due to the above said all conditions, plant protection

DEFECTS & DIFFICULTIES

The major defects and difficulties in the implementation of the crop loan system in the states are summarized below:

1. Scales of finances were not fixed for different crops in the area.
2. The maximum scale in actual practice became the minimum, with the result that the individuals borrowed more than their requirements and repaying capacity.
3. Normal credit statements were not prepared for the different members in conformity with their production programme.
4. The growers like cash component of the loan but are reluctant to take kind portion.
5. Loans are given throughout the season with regard to harvesting and sowing seasons.

6. The repaying capacity is not taken into consideration while determining the quantum of loan.
7. There is hardly any linking of credit which marketing.
8. There is no effective supervision over the utilization of loans.
9. There is discrimination between owners of land and cultivating tenants in disbursement of credit. In some cases, lower credit limits are fixed for tenants.
10. A solution is yet to be found for the problem of financing rural tenants. While the landlords are not willing to openly acknowledge through any document about the fact of tenancy the members of the Panchayat or the Board of Directors of the Credit Society do not come forward to testify on the basis of their personal knowledge for fear of being involved in tenancy litigation. The land register which is the basis for preparing the annual credit statements is not being properly Maintained in many cases, and there appear to be difficulties in making them up-to-date where they have been prepared.
11. In areas where the resources are extremely limited, the sophisticated exercises envisaged under the crop loan system relating to fixation of scales of finance and preparation of annual credit limit statement turn out to be meaningless.

ROLESPLAYED BY INSTITUTIONAL AGENCIES IN THE FLOW OF CROP LOAN

Agricultural credit, thus, in a practical sense, is a nucleus of the system of farm operation. It provides a flow to the system averting ruin which would have occurred due to the lack of monetary capacity of a farmer. The Rural Credit Survey Report quotes the French proverb which says that, "Credit supports the farmer as the hangman's rope supports the hanged". Adequate and timely credit to the farmer is therefore vital and indispensable for the rehabilitation and progress of agriculture.

SUMMARY OF THE FINDINGS

An attempt is made by the researcher to analyze deeply the structure and problems of crop loans in Marathwada region. Earlier studies reveal the apathy of the bank officials and other financial institutional agencies towards agricultural credit. The present study finds that there are inadequate funds available with the institutional agencies to extend the required amount of credit. Government, Co-operative banks and Commercial banks are the three major constituents of crop loan management. These are the frontline agencies extending crop loans directly to the farmers. There are many methods of crop loans, but broadly loans are extended in cash as well as kind. These agencies are backed by National Bank for Agricultural and Rural Development (NABARD), Agricultural Refinance Development Corporation (ARDC) and Agricultural Finance Corporation (AFC), which refinance crop loans to these agencies. The lenders face a variety of problems in crop loan Management, which include the problem of deciding the quantum of loan and the right borrowers, inadequate mechanism to find out the timing of recovery and collection of outstanding crop loans.

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