

ROLE OF COOPERATIVE BANK IN AGRICULTURAL CREDIT: A STUDY OF RAJASTHAN STATE

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ABSTRACT

The Cooperative banking sector is one the main partners of Indian Banking Structure, the Cooperative Banks have more reach to the rural India, through their large 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 objectives with social outlook and approach. The Cooperative covers almost all cent per cent villages in India. The cooperative form of organization is the Ideal Organization for economically weaker sections in the country. According to the recent study by World Bank and National Council for Applied Economic Research, the Primary Agricultural Cooperative Societies (PACS) amount for about 30 per cent of micro credit in India. This paper attempts to analyse the role of Cooperative Banks in Agricultural Credit.

Key words: *Cooperative Bank, Agricultural Credit, Rural Development, PACS, DCCB, NABARD.*

INTRODUCTION:

India is the country of villages and about 70 per cent population lives in rural area. Agriculture is still the main livelihood of approximately half of the rural house- holds in India and contributing over 16% to its gross domestic product (GOI,2018). The cooperatives 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 an important role in taking care of common individual and financing for his agricultural, 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 115 years and serving the societies. Economy of the Rajasthan is mainly dependent on agriculture as more than 70 per cent of the total population lives in villages and about two-third is engaged in agriculture and allied activities. Cooperative is a State subject. The Rajasthan Government has implemented from 2008-09 the scheme of providing agricultural loans at the concessional rate of 4% and in later years even at zero per cent of interest in last 4--5 years Agricultural loans have been distributed to farmers through Primary Agricultural Cooperative Societies (PACS). The farmers of the

state are getting agricultural credit with no interest with the condition that the loan amount borrowed is to be repaid on or before due date. The Rajasthan State is one of the leading state producing mustered crop with a contribution of about 40% of the total production in the country. There are *Tilam Cooperative Societies (PACS)* in selected area of the State especially financing to mustered growers through Cooperative Banks. Rajasthan state is the largest producer of Mustard, Cumin, Coriander, Fenngreek, Bajra, Mehndi and Isabgol crops in India. 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 Banks in Agricultural Credit.
3. To study the Agricultural Credit Structure of the Cooperative Bank.

HYPOTHESIS

Cooperative Banking is an important sector in Rajasthan as far as its role in agricultural credit and socio-economic development is concerned. It has no major alternative in the era of economic reforms also.

AREA OF THE STUDY:

The study is based on the agricultural credit of Cooperative Banks of Rajasthan. Therefore, study covers state of Rajasthan especially Jaipur district of Rajasthan to the fulfilment of objectives of the study.

PERIOD OF THE STUDY

For collection of the secondary data on Agricultural credit, five years data from the year 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19 were taken as the period of study. The data were collected from The Rajasthan State Cooperative Bank Ltd., from its Annual Report, Published and other documents, Annual Reports of DCCBs. The required primary data were collected from the members of Primary Agricultural Credit Societies who availed the credit from Cooperative Bank under three tier credit structure. A detailed questionnaire was prepared to collect the primary data from farmer member of PACS in Jaipur district (JCCB) during the year 2018-19.

REVIEW OF LITERATURE:

Agricultural Credit is a crucial input process of Rural Development. Indian farming community failed to make huge investments in agriculture since a long time. In order to solve the problems of the farming community, the Cooperative Credit Societies Act was passed in 1904 to provide agricultural credit. Later on to meet the credit needs of villagers for Non-Agricultural Activities, the Act of 1904 was amended in 1912. The Act of 1912 was intended

to fill in the lacunas of the earlier Act of 1904 (p.5 of the Rajasthan Cooperative Societies Act, 2001). The first Rajasthan Cooperative Societies Act, 1953 came into force from first April, 1953. Ajmer witnessed the first Cooperative movement in the State under the Acts of 1904 and 1912. The Act permitted the formation of different type of credit cooperative 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 cooperatives. Apart from these cooperative institutions, nationalization of commercial banks and introduction of Regional Rural Banks (1969) also helped in increasing credit supply to farmers. The Indian Credit Cooperatives have a century long history. During this period these institutional financing agencies failed to a large extent, to meet the requirements of the farmers. Some of the factors responsible for their failure are inadequate and timely supply of credit, poor recovery, demand-supply gaps, interference by politicians, lack of monitoring, mis-utilization of credit, problems in identification of target groups, high transaction costs, and lags in time, natural calamities and competition from informal credit agencies including Money-lenders.

A number of Committees such as 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 (CRAFICARD-1981), the Agricultural Review Committee (1989) and the Narsimham 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 about 40 per cent was met by the Cooperative Banks and remaining by the commercial banks and by RRBs.

RESEARCH METHODOLOGY AND DATA COLLECTION

The present study is based on the secondary data published by The Rajasthan State Cooperative Bank Ltd., Jaipur which includes Annual Reports and Profile & Progress published by Bank. The required data and published literature for the study purpose were collected from NABARD's Inspection report, published data of Registrar, Cooperative Societies, Rajasthan, Jaipur and a number of reference books, Journals and Internet. Primary data were collected by the researcher using a questionnaire from 100 Farmer Members of 10 selected PACS of Jaipur District having affiliation with Jaipur District Central Cooperative Bank Ltd., Jaipur (JCCB) to know about the availability of Agricultural Credit from the PACS/JCCB, Jaipur. Two branches of JCCB viz. Choumu and Bassi Branches were selected for this purpose. Farmers were selected on simple random basis that they have borrowed S.T. loan regularly in past 5 years on certain parameters/indicators like – Banking Services, Lending procedure, lending schemes, interest charged by bank, repayments, Agricultural extension services, satisfaction of farmer, availability of inputs (Seed, fertilizers etc.), facility of procurement of farm produce and awareness. The response of farmers was collected and then analysed using analytical tool like average and percentage method.

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 area. For the selection of the sample respondents, the researcher approached the State Cooperative Bank and Jaipur Central Cooperative Bank Ltd., Jaipur. From JCCB, Jaipur after discussion with senior officials for the study 10 PACS of two branches of JCCB (Choumu and Bassi) have been selected and from each PACS 10 respondents have been selected by adopting simple random sampling method. Thus, 100 respondents (farmers) were selected and researcher filled the Schedule and Questionnaire prepared for the purpose after discussion.

SCOPE AND LIMITATIONS OF THE STUDY

1. The Study is limited to concept of cooperative and agricultural credit.
2. The information collected from 100 respondents of Jaipur District.
3. The study is applicable to other districts of Rajasthan.

Agricultural Credit

The Agricultural Credit Policy lays emphasis on augmenting credit flow at the ground level through credit planning, adoption of region-specific strategies, 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 purposes in agriculture and allied activities like Land Development including purchase of land, Minor Irrigation, Pump-sets, Sprinklers, construction of Farm-pond, farm mechanization, Dairy Development, Poultry, Animal Husbandry, Fisheries, Plantation, and Horticulture, Wadi Project financing. Loans are also available for Construction of Storage Godown, Processing and Marketing of agricultural produce, Cold-Storage, Purchase of Small Road Transport for distribution etc.

National Bank for Agriculture & Rural Development (NABARD)

The NABARD started functioning from 12th July, 1982. It has been established as an apex development bank for supporting and promoting agriculture and rural development. The NABARD provides refinance to the State Cooperative Bank (Apex Bank) and State and Primary Cooperative Agricultural & Rural Development Bank (for LT loans). NABARD is 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 re-financing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas. It coordinates the rural financing activities of all the institutions engaged in developmental work at the field level and maintains liaison with Government of India, State Government, Reserve Bank of India and other national level institutions concerned with policy formulation.

District Central Cooperative Bank (DCCB) DCCBs are the linkage part between the PACS and the SCB and performing the responsibility of Central Financing Agency at district level. The total area of 33 districts of Rajasthan is at present covered by 29 DCCBs, who serve as

the intermediary in agricultural re-finance, through their 444 branches. DCCBs have issued loan & advances of Rs.15644.71 Crore in the year 2017-18.

Primary Agricultural Cooperative (Credit) Societies (PACS)

PACS are the backbone of Short-term Cooperative Credit Structure. PACS are playing a crucial role in improving the economic and social conditions of the common masses of Rajasthan. They provide Short-term and Medium-term loan to the members/farmers at reasonable interest rates to meet their various needs. PACS are the foundation of the Cooperative Credit System on which the super structure of the Short term cooperative system is built. Out of 6472 PACS/LAMPS in the state, 5402 PACS are also having the status of Mini Bank and collecting deposits from their members. PACS are working at root level and providing credit facilities of all types to its members for production credit. Large Area Multi - Purpose Cooperative Societies (LAMPS) are functioning in Tribal area of the State and function as PACS.

Agricultural Cooperative Credit Structure

In Rajasthan, there is Three-Tier Co-operative Credit Structure of Short Term Structure with PACS in rural areas, Central Cooperative Banks at the district level and the Apex Bank (SCB) at the state level. The Short-term Co-operative Credit Structure provides Short-term credit for crop production and Medium term credit for small developmental activities along with short term loan to farmers.

Rajasthan State Cooperative Agriculture and Rural Development Bank (RSCARDB) at the State level and Primary CARD Bank at the District/Block level cater to the long-term credit needs in the two-tier credit delivery system separately.

In the Short term credit Structure, 6472 PACS (including LAMPS) are functioning. In addition to this, there are 29 District Central Cooperative Banks with 444 branches. The Rajasthan State Co-operative Bank (Apex Bank) is functioning as State level financial institution.

Table – No.1

Short Term Agricultural Credit (loan) Target and Distribution of loan by Cooperative Banks during last 5 years:

Year	Target for ST loan Distribution (Rs. In Crore)	Loan Disbursed (distribution) (Rs. In Crore)	% of Achievement (distribution against Target)
2014-15	16,000.00	16,017.36	100.11
2015-16	14,000.00	15,441.85	110.30
2016-17	14,500.00	13,540.46	93.38
2017-18	15,000.00	14,166.05	94.44
2018-19	16,000.00	12,342.47 (Tentative)	77.14

(Source : The Rajasthan State Cooperative Bank Ltd., Jaipur)

Above Table-1 shows the Short-Term Agricultural loan target and loan disbursed to farmers in the Rajasthan State during the last 5 years and percentage of achievement of distribution against target for the year. These figures shows that during the year 2014-15 and 2015-16, loan disbursement is more than cent per cent against the target. But from the year 2016-17 to 2018-19, the state have not distributed cent per cent ST-Agricultural loan against target to the farmers. During 2016-17 it was 93.38%, during 2017-18, it was 94.44% and during 2018-19, the disbursed Short-term Agricultural loan is only 77.14% of its target. The reason for less disbursement was drought conditions in most of the districts in the state during the year. The disbursement of ST-Agricultural loan during 2014-15 to 2018-19, there is a continuous decline in distribution of loan.

Table No.2

Short Term Agricultural Demand and Recovery against Demand, and Percentage of Recovery of ST-Loan:

Year	Total Demand (Rs. In Crore)	Total Recovery against Demand (Rs. In Crore)	% of Recovery of Short term loan
2014-15	17628.01	15987.58	90.69
2015-16	17205.97	14370.20	83.52
2016-17	16546.07	13765.51	83.20
2017-18	16995.19	11627.84	68.42
2018-19	13662.82	9203.93 (Tentative)	67.36

(Source : Annual Reports of Rajasthan State Cooperative Bank Ltd., Jaipur)

Above Table-2 shows the total short term agricultural loan disbursed to 29 DCCBs in the entire state during last 5 years is from 2014-15 to 2018-19. The above figures of total demand shows that there is continuous decrease in ST loan distribution from the year 2014-15 to 2018-19 (from 1st April to 31st March period). Similarly, in recovery of Short-Term agricultural loan it reflects the decreasing trend continuously from 2014-15 to 2018-19. The distribution of short term agricultural loan includes loan distributed in Kharif and Rabi season.

KISAN CREDIT CARD/DEBIT CARD

In Rajasthan the Kisan Credit Card (KCC) was introduced from 1999-2000 in District Central Cooperative Banks for Short term agricultural loans to provide adequate and timely credit support from the banking system in a flexible and cost-effective manner. Now with the introduction of KCC scheme, loan disbursement is done through KCC. KCCs are issued to farmers mentioning the maximum credit limit (based on land-holding by farmer) of amount up to which the borrower can avail credit facilities for agricultural purposes which includes purchase of Seed, fertilizer, pesticides, payment for diesel oil, labour cost, hiring of field machineries etc. At present the KCC limit is Rs.1.50 lakh without collateral security and up to Rs.3.00 lakh with mortgage of land under ST Agricultural credit. In Rajasthan 28.27 lakh KCC were issued in past years. In Rajasthan, about 70% farmers are small and marginal

farmers having landholding less than one hectare. The average disbursement of loan in Jaipur district to farmers was Rs.37, 000/-

Out of total 29 DCCBs in Rajasthan, the researcher has collected data from JCCB, Jaipur also to know the position of a District. The JCCB have 319 working PACS of which 297 are working as Mini Bank having deposit of Rs.23087.24 Lakhs as at the end of year 2018-19. JCCB have issued 1,75,689 KCCs to farmers.

Table No.3

Short-Term Agricultural loan Disbursement, Recovery and %age of Recovery of loan in 5 years in JCCB was as under:

Year (July to June)	ST & MT- Agricultural Loan Disbursed during the year. (Rs. In Crore)	Recovery of ST Agricultural Loan during the year (Rs. In Crore)	Percentage of Recovery during the year
2014-15	93,307.87	89,891.96	96.34%
2015-16	102,857.98	101,893.43	94.47%
2016-17	90,379.99	84,107.62	93.06%
2017-18	92,493.70	63,015.95	68.13%
2018-19	97,525.83	65,595.87	67.26%

(Source: Published data of JCCB: Progress Report (2018-19) and Annual Reports)

The S.T.-Agricultural & MT Agricultural loan given to farmers through PACS has been recovered every year on due dates. Due dates for crop loan as decided by RBI are as under:

- (i) For Kharif Crop : 31st March of forthcoming year
- (ii) For Rabi Crop : 30th June of forthcoming year

The time period in which kharif and Rabi ST Agricultural loan is distributed are as under :

- (i) Kharif Loan :From April to September (6 month period)
- (ii) Rabi Loan : From October to March (6 month period)

The above Table No.3 shows that average recovery of S.T. Agril. Loan during the year 2014-15, 2015-16 and 2016-17 was 94.62%. But during the last two years i.e. 2017-18 and 2018-19, it was 68.13% respectively, which shows low recovery performance of Cooperative Bank as compared to its first 3 years under study. The reason of low recovery was shortage of rainfall during the last two years. Most of the other districts of Rajasthan also had the similar conditions of rainfall. The average recovery percentage of other Districts in the State during last two years was almost same i.e. 68.42% (2017-18) and 67.36% (2018-19).

Table No. 4

**Analysis of Primary Data based on 10 Parameters
(out of 100 respondents)**

S. No.	Parameter/Indicator	Very good	Average	Poor	Total
1.	Banking services	65	28	7	100
2.	Lending Procedure	60	25	15	100
3.	Lending Schemes	58	32	10	100
4.	Interest rate	80	10	10	100
5.	Repayments	85	10	5	100
6.	Satisfaction	87	8	5	100
7.	Agri. Extension services	70	22	8	100
8.	Availability of Inputs	76	16	8	100
9.	Procurement of Agri. Produce	28	22	50	100
10.	Awareness about credit facilities	74	16	10	100

(Source: Primary Data collected from field work based on questionnaire.)

On the basis of analysis of Table No.4, findings of the study are as below :

- (1) Majority of the farmers (above 80%) are satisfied with the banking services, lending procedure, lending schemes, interest charged by Bank, agricultural extension services provided by bank field staff, making timely available inputs i.e. seed, fertilizer, pesticides etc. to farmers, and general awareness about bank credit facilities for farmers.
- (2) Most of the farmers (above 70%) have also said that various types of facilities are very good/good as they are getting ST credit facility in time as per their requirement from the PACS. Farmers are totally satisfied that they are getting ST agricultural credit facility at “zero” per cent interest rate (in last more than 5 years), as they are repaying loan in time.
- (3) Only in case of procurement of agricultural crops 28 per cent respondents are satisfied as their produce is purchased by PACS on behalf of Cooperative Marketing Society, otherwise 50% respondents said it as poor because they are not getting the procurement facility, as their quantum of production available for sale is less in quantity.
- (4) Almost all farmers (above 60%) are aware about the Banking facilities, lending policy and procedure, and general awareness about Short-term Agricultural credit facilities available from the PACS/Cooperative Banks in the village area and are in general satisfied by the services of PACS/Cooperative Bank.

FINDINGS AND OBSERVATIONS

- (1) From the above data it is clear that Cooperative Banks are serving in the field of agricultural credit and rural development.
- (2) Maximum number of respondents (70%) are satisfied with functioning of Cooperative Bank at district and village level.

- (3) The farmers in general (about 70%) are satisfied by the service of cooperative banks and PACS and the satisfaction level is very high.
- (4) Cooperative Banks are playing extraordinary role for agriculture credit and rural development.
- (5) Cooperative Banks are providing Agricultural credit at ‘zero’ per cent interest rate to farmers, hence they are very much satisfied (above 75%) with this service. For this credit also goes to State Government who is sharing the burden of interest with RBI.
- (6) Cooperative Banks plays a major role in rural credit delivery of Rajasthan State.

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