CHAPTER 4

LOANS AND ADVANCES BY NANDED DISTRICT CENTRAL CO-OPERATIVE BANK THROUGH PRIMARY AGRICULTURAL CREDIT CO-OPERATIVE SOCIETY
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CHAPTER 4

4.00 LOANS AND ADVANCES BY NANDED DISTRICT CENTRAL CO-OPERATIVE BANK THROUGH PRIMARY AGRICULTURAL CREDIT CO-OPERATIVESOCIETY

The main point regarding co-operative credit is that it should educate the borrower in the productive use of credit by giving loan mainly for productive purpose of loans and advances from the ideal point of view the village credit society should give loans and advance only for productive purpose. But in Nanded District under the existing social conditions farmers find it almost impossible to avoid a certain amount of expenditure on marriage and advance for these purpose. The members are certain to borrow from outside purposely sources.

As members lack the co-operative spirit they not only fail to scrutinize the way in which the loans advanced by the society are spent but often collide to deceive the society and the unknown loans is not rare loans taken ostensibly for productive purpose are often spent on unproductive purposes. Failure to keep down unproductive borrowing, which does not credit its own means of repayment to a minimum, is usually the first step on the downward path.

Purpose for which credit is required every farmer needs four of credit viz. Developments credit production credit marketing credit and consumption credit. Development-credit is required by the farm which include is.

(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 mixture conservation works, land leveling, lands shaping, laying out field channels, drainage etc.,
(iv) Construction of farm structures, such as cattle shed, silo-pits farm godown, fencing, gobargas plants etc.
(v) Development of horticulture fruit gardens, plantation crops and nursery crops.
(vii) Development of dairy poultry, piggery fishery sericulture development of dairy and apiculture etc through construction of sheds, purchase of animals, birds, equipment’s etc. Production credit is required by the farmer for crop production, this types of credit is needed by the farmer to purchase seeds, fertilizers manure, pesticides, insecticides and other important variable inputs besides paying wages to
the hired laborers

Length of period for which credit is required, the expenses, which must be incurred in advance, can be divided roughly into three categories viz. long period credit. There is however, no hard and fast of credit. But by convention, long-term credit is generally spread over a period ranging from 5 years to 20 years. Intermediate term credit is meant for period from two years to five years.

Farmers need funds for short periods for hiring labour for buying seeds and fertilizers and for holding stocks of the finished products until they can be sold, such short period loans are given for seasonal agricultural operations and are normally repaid after the harvest.

The information of last three years loan through Primary Agricultural credit Co-operative Society.

Table No. 20

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<td>Total</td>
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<td>7719.13</td>
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<td>9278.76</td>
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(Sources - Nanded District ans Annual Report 95-96)
Long-term credit is mostly acquired by the farmers have to acquire agents of production. Which help in the productive process over a long period of time. This type of credit is needed normally for a long period of time for the purchase of land machinery or to effect permanent improvements on land and farmers can repay the loan raised for these purposes, out of the extra income secured by their investments. Thus in short production loan, or crop loan which a farmer secures from an agency in a short-term loan which he has to repay in full in one installment after the crop is harvested and produce marketed.

Advances and loan on the basis of security against, they are granted, can be divided into their categories.

(1) Farm mortgage credit, which is secured against land by means of a mortgage of land.

(2) Chattel and collateral credit, which is given to the farmer on the security of live stock or crops or warehouse receipts.

(3) The personal credit, which is generally based on the character and repaying capacity of the borrower and not on any tangible assets. The kind of security, which will be accepted, would generally depend upon the length of the period for which the loans are required. As generally, the long-term loans are usually advanced on the security of land. While short-term and medium-term loans are made on personal and collateral security respectively.

The major requirement of any agricultural credit is that it should be a dynamic credit. Which is identified as one where in at the end of the credit period. There is an improvement in output and income or in assets so that repayment of credit is made out of the income generated by the use of the credit. The quantity of credit organization and conditions under which it is granted should be such that it promotes development.

Agricultural credit is no longer, viewed as an instrument for causing the extinction of the farmer. The dynamic outlook has been fostered primary by the intensity of the society's demand for increased agricultural production and by a feeling that the desired goals cannot be achieved unless an appropriate production oriented credit policy is pursued by the credit institutions. It is
therefore essential that the following criteria must be fulfilled in any scheme of agricultural credit.

(i) It must be adequate, timely and convenient to the borrower. The amount, the timing of loan conditions of repayment and other terms, should suit the convenience of the borrower. It must be granted for sufficiently long period, commensurate with the length of the operation, which it is designed to facilitate the repayment of loan should be such that it suits the farmer with the provision that the repayment be deferred in case of exceptional circumstances.

(ii) Credit should be granted at low rate of interest so that even the poorest farmers should afford it. This can be achieved by two ways. Partly by lowering the cost of lending to the lending agencies and partly by subsidizing the cost of lending by the Government.

(iii) Credit to the farmers should be granted on the basis of the prospective repayment capacity rather than on the strict credit worthiness based on the availability of existing tangible assets of the farmers. The essentiality of considering the type and adequacy of the security offered and the current indebtedness of the loans cannot be denied but at the same time it must be recognized that adherence to the security aspect alone would fail to infuse dynamism necessary for development of the agricultural sector.

(iv) Credit should be so obtainable that the act and effort of obtaining it shall educate discipline and guide the borrower the method of providing it must teach lesson of self and mutual help.

Role of Nanded District Central co-operative banks in financing agricultural loans and advances. It is very significant through in most of the developing agricultural economics these have entered this field recently. In past Nanded District central co-operative banks have been found lending to non-agricultural sector where returns have been adequate and mostly certain thus ensuring the repayment of bank loans. An encouraging them and open branches in rural areas so that they can to help the farmer. Rising prices of farm products and high farm productivity have made bank loans to agricultural sector. A very happy experience since co-operative banks primarily raise their resources from surplus money with the public their first obligation in to invest money in the safest venture with prospect of high return.
Nanded district central co-operative banks can also extend their support to the provision of rural credit by way of indirect financing by.

(i) Financing co-operative societies engaged in marketing and processing of agricultural produce or in activities ancillary to agricultural such as dairy farming poultry farming etc.

(ii) Providing indirect finance for the distribution of fertilizers and other inputs

(iii) Extending credit to manufacturing and distributive farms and co-operative engaged in the supply of agricultural inputs and machinery as well as financing the agencies engaged inprocurement storage and distribution of farm products.

The information of last three years loans which Bank taken from outside is as under

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<td>Dividend and Fund</td>
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<td>5</td>
<td>Building Fund</td>
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<td>Depreciation on Building Fund</td>
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<td>Outstanding Interest</td>
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<td>Reserve for Doubtful Debts</td>
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<td>Total</td>
<td>565.43</td>
<td>683.26</td>
<td>995.38</td>
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Reserve funds and other funds

The funds are available in Rupees 683.30 lacks in the end of 1994 to 1995. In the reporting year the funds are increased in 312.08 lakh rupees. The end of 1995 to 1996 the funds amount is 995.38 lakh rupees. The funds may be increased for the stability of bank. The funds increased 45.64 % in the reporting year. Bank is trying to increase all funds under the rule of co-operative society.

[Sources from Nanded district Annual report 1995-96]
4.1 FINANCIAL ASSISTANCE PROVIDED BY NANDED DISTRICT CENTRAL CO-OPERATIVE BANK

Agriculture is an unorganized profession. Its success and failure depends to a large extent on climatic factors. Further it is not always possible to distinguish between productive and unproductive loans of farmers. Because of these factors banks did not show much interest in advancing loans to agriculture and allied activities for a long time and farmers were forced to depend on money lenders and Mahajans.

Need for Agricultural Finance

Credit needs of the farmer, can be examined from two different angles

(i) on the basis of time
(ii) on the basis of purpose

Agricultural credit needs of the farmers, can be classified into three categories on the basis of time.

(a) Short-term
(b) Medium term
(c) Long-term

(a) Short-term

Loans are required for the purchase of seeds, fertilizers, pesticides, feeds and fodder of live stock, marketing of agricultural produce, payment of wages of hired labour, litigation and variety of consumption and unproductive purposes. The period of such loans is less than 15 months. Main agencies for granting of short-term loans are the many lenders and co-operative societies.

(b) Medium-term

Loans are generally obtained for the purchase of cattle small agricultural implements, repairs and construction of well etc. The period of such loan
extends from 15 months to 5 years. These loans are generally provided by 
money lenders, relatives of farmers, co-operative societies and commercial 
banks.

(c) Long-term

Loans are required for effecting permanent improvements on land, digging 
tube wells, purchase of larger agricultural implements and machinery like trac­
tors, harvesters etc. and repayment of old-debts. The period of such loans 
extends beyond 5 years. Such loans are normally taken from land develop­
ment banks.

(iii) On the basis of purpose

Agricultural credit needs of the farmers can be classified on the basis of 
purpose into the following categories.

(i) Productive.

(ii) Consumption needs.

(iii) Unproductive.

Under productive needs we can include all credit requirements which di­
rectly affect agricultural productivity. Farmers need loans for the purchase of 
seeds fertilizers, manure's, agricultural implements, livestock, digging and 
repair of walls and tube wells, payment of wages, effecting permanent im­
provements on land, marketing of agricultural produce etc. Repayment of these 
loans is generally not difficult because. The very process of production gener­
ally creates the where with walls for repayment, farmers often require loans 
for consumption as well as. Between the month of marketing of agricultural 
produce and harvesting of the next crop there is a long interval of time and 
most of the farmers do not have sufficient income to sustain the through this 
period. There for they have to take loans for meeting their consumption needs, 
in the time of droughts or foods. The crop, is considerably damaged and farm­
ers. Who other wise avoid taking loans for consumption have also to incur
such loans. Institutional credit agencies do not provide loans for consumption purposes. Accordingly, farmers are forced to fall back upon money-lenders, and Mahajans to meet such requirements. In addition to consumption, farmers also require loans for a multiplicity of other unproductive purposes such as litigation, performance of marriages, social ceremonies on the birth or death of a family member, religious functions, festivals etc. Since institutional agencies do not grant credit for such unproductive purposes, farmers have to seek assistance from money-lenders, and Mahajans. It is often very difficult to repay such loans because they do not contribute to the productivity of farmers. According to some time the farmers were forced to depend on money lenders and Mahajans.

Nanded district farmers do not have funds of their own to buy seeds, fertilizers and cattle or to carry out their agricultural operations such as ploughing, weeding, harvesting etc. They borrow funds from the village money lenders at high rates of interest, some time, they are able to borrow from co-operative societies but this amount is limited. They have not been able to secure adequate and cheap finance for their seasonal agricultural operations or for making permanent improvements on land. The existing sources of finance have been either defective or inadequate. But without money the farmer can not do anything. Any scheme designed by the Government to increase agricultural productivity will have to include measures to provide for adequate and cheap finance for the farmers you will study, in this agricultural finance it is too much carry and hard problems connected with them.

Why do farmers require finance?

At the outset, you should understand the purposes for which the farmer needs finance. The financial requirements of the Nanded district farmers can be classified into three types, depending upon the period and the purpose for which they are required.

(1) The farmer needs funds for short periods of say 12 to 15 months, for the purpose of cultivator for meeting domestic expenses. For example. He may want to buy seeds, fertilizers, fodder for cattle etc. Or he may require
funds to support his family, if crops had not been good or adequate to support the family. Such short period loans are normally repaid after the harvest has been collected.

(2) The farmer requires finances for medium periods that is up to 5 years for the purpose of buying cattle, agricultural implements for repairing wells or to make some improvements on land. These loans are much larger than short term and cannot be repaid in a year or two. The farmer may repay the loans within three to five years.

(3) The farmer needs finance for long periods of 5 to 15 years or more for the purpose of buying additional land to make permanent improvements on land to construct wells, to pay off old debts and purchase costly agricultural machinery like tractors. These loans are generally of large amounts and hence can be repaid only over a number of years.

PRIMARY AGRICULTURAL CREDIT CO-OPERATIVE SOCIETY.

In the beginning of this district, the farmers were heavily indebted to the money-lenders and were steeped in poverty and misery. The government felt that is the farmers were provided with cheap and adequate finance. They would be able to improve their output. The only way to provide such credit. It was thought was through co-operative credit or loan to farmers. The co-operative credit societies Act, 1904 was passed by the government and rural credit societies were formed. Another and more comprehensive Act; known as the co-operative societies Act 1912 was latter passed. The co-operative credit movement has a three-tier organization at lowest village level, primary credit societies and the higher State level. The State co-operative Banks and in between the central co-operative banks. A village co-operative credit society can be started with ten or more person, normally belonging to a village.

Way back in 1995-96 the All District Rural Credit survey found that finance of loan from commercial banks constituted 0.9% of the total borrowing of cultivators from all sources. According to the all Rural Debt and investment survey, that part attributable to commercial finance decline to 0.6% in 1996-97 much water has flowed down the Ganges since these finding's made
us conscious of the fact of negligence by commercial finance of the primary Agricultural sectors

All systematic survey of the emerging needs of the primary agricultural sectors were made by all district rural credit review committee in 1996, as a result of its recommendations. It was enjoined upon commercial finance that they should throw open their doors to "All Sectors" of the economy viz. primary Agriculture, small - scale industries, small borrowers and as a matter of facts, to any one who can produce something worth while and earn his way through by honest hard work. Even primary agriculture is now getting a larger share in bank credit from year to year ever since the nationalization of the major commercial finance. The fact remains that while the outflow of credit is restricted mainly to the major metropolitan cities, the receipt or inflow of credit is fairly widespread. This has been revealed in a study publishing in December 1997. The study points and that it is possible to identify certain industries largely dependent an credit sanctioned by the finance offices in areas outside the districts where the manufacturing units are located. In all such cases the head or administrative offices of the borrowing units being situated in metropolitan cities. The credit arrangements are made with the bank offices in the cities. This is the principal reason for the phenomenon of credit migration which, of course is an aspect of corporate financial management rather than one of financing bank practice.

It is true that in any scheme of things pertaining to area approach to development of primary agricultural, their sectors are principally involved viz. The co-operative sector, the commercial finance-banking sector and the Government sector at different levels. However the present rural scene presents a some what, confused picture is so far as credit is concerned. Due to the large credit gap, multi-agency approach for credit to primary agriculture is now accepted as inevitable, But then the versions agencies working at the same time has resulted in wastage and misuse of scarce resources due to lack of co-operation and proper report between them.

At present the following are the various institutions providing credit to the agricultural finance sector.

(a) Co-operative finance Banks
With a view to avoid overlapping of functions by matter of providing agricultural finance the Reserve Bank constituted a working group under the chairmanship of shri C.E. Kamath. The group is probing into the following issues:

(a) Identification and analysis of production which have arisen as a result of the adoption of multi agency approach in financing agriculture.

(b) Suggesting measures, which can be taken to meet the problems and ensuring co-ordinate functions of the different institutional agencies.

(c) Considering it two or more institutional agencies may function in an area and if so to lay down the basis for such demarcation and make appropriate recommendations on the arrangements for the evolution and implementation of the proposed pattern.

(d) Enunciating the principles which should guide the reserve Bank finance in granting licenses to regional rural finance Banks commercial finance Bank and co-operative finance Banks in rural areas for avoiding overlapping.

(e) Considering questions relating to rates of interest and security in respect of agricultural finance and advances.

(f) Making any other recommendations, which are incidental or related to the above aspects.
4.2 Seeds and Fertilizers pesticides provided by primary agricultural co-operative society

Seeds and fertilizers pesticides provided by primary agricultural co-operative society of all the methods improving technique none has brought about such progress as the improvement of plant through selection and cross-breeding. These method of improvement entail considerable and constant care, where as the use of improved varieties of seeds only involves the agriculturist in the slight extra expenses represented by the surcharge of a few rupees per capita of seeds.

The introduction of a better variety in an agricultural area means an immediate profit for the agriculturist. It improves the crop either in quantity of in quality while scarcely increasing the cost of cultivation. The creation of variety with an improved yield and quality is there fore one of the simplest and most effective means of raising the general level of the state of countries economy.

The methods of producing better varieties include the introduction of new forms and different types of seeds, fertilizer pesticides are day by day changes, but seeds are important. The quality of improvements of seeds and properly the methods of seeds selection from variations occurring in nature and from those artificially induced by hybridization of plants and indeed all those means by which consigns improvements of plants may be accomplished. It has been estimated that an increase in the production of 10 to 15 % can be obtained from improved varieties.

Plant genetics is advanced enough to develop seeds strains almost to order. The Nature's slow process of mutation has been speeded up by irradiation of seeds with radioisotopes and selecting string with the desired qualities. In this district have produced strains which are not only provide yields but also flood resistant and which mature early. These are meeting the conditions of waterlogged areas, semi-arid tracts and the requirements of the municipal cropping.

4.2.1 Importance of improved seeds

Demonstrations have revealed that the natural average yield of rice was 1.15 tones per hectare in 1995-96, 85 % of the demonstration plots with HYV seeds gave a yield exceeding 4.5 tones. The figures of wheat were 1.31 tones
per hectare on 81% of the plots in 1995-96. The analysis of the yield data reported from various districts indicated that as compared to traditional varieties, the yield of these varieties, was significantly higher. The higher yield of paddy touched the level of 13000 Kgs. Per hectare and the average yield in the different District ranged between 2100 Kgs. and 5500 Kgs. Per hectare. In the lose of hybrids, yields as high as 7835 Kgs, 7500 Kgs. And 6.527 Kgs. Per hector were obtained for maize, jowar, and bajra respectively. The per hector yields of maize ranged between 1404 Kgs. And 3500 Kgs. In different district and those of hybrid bajra ranged between 1300 Kgs.

However, several administrative, organizational and institutional problems faced in the implementation of the program of high yielding verities were identified during the Evaluation studies conducted by the planning commission and Agro - Economic Research Centers. The problems included provision of additional facilities in certain research laboratories strengthening of soil testing facilities fuller utilization of available soil testing facilities greater emphasis on demonstration. An important improvement is training programs better publicity popularization and use of treated seeds, quality control of fertilizers and pesticides and increased supply of in situational credit.

Quite a large number of improved varieties of food grains have been evolved, which have helped in boosting up the production of food grains. The all coordinate project on improvement of wheat has evolved new varieties which have a high degree of resistance to all types of rust and which mature earlier than the older varieties. Research work is being carried on at 20 centers. The varieties evolved are suitable for rain fed conditions particularly.

Based on field trials following varieties of wheat have been considered suitable for rain fed as well as high fertility conditions. Lurna Rajo, sonara - 64 sharbati sonara, Kalyan sona, Sonalika, S -311, (Chotti Lerma) safed lerma, Hira (H D - 1941) Narmada - 4C. some of these are of short duration, while other are late sowing varieties and are grown where irrigation is available even up to the middle of January after the harvest of sugar cane, potato, toria, radish, carrots or turnips.

Even more heartening is some of the exotic varieties of paddy, which can stand high doses of fertilizes. It gives yields ranging from 3500 Kg. To 750
Kgs per hectar. So far more than 400 superior varieties have been evolved, which give 10 to 20 percent more yields. The all co-ordinated Rice improvement project is involved in bringing out new varieties of dwarf and high yielding ability. Many of these varieties are of better grain quality, early maturing and drought resistant. While others are susceptible to severe disease pests, unsuitable under water logged conditions, coarse glutinous grain and poor consumer acceptance. Therefore, now such varieties are being raised which are devoid of these problems.

The all co-ordinated project on pulse crops was undertaken with a view to evolve quick yielding varieties which can be fitted into suitable multiple cropping and relay cropping pattern in area with assured irrigation and also high yielding strains which are resistant to pests and diseases. The IARI scientists have developed a new short duration (75 days) variety of green gram for growing between rabi and kharif crops yielding over a ton of grain per hectare.

Great possibilities are now open for increasing the yield of pulse crops, particularly during the kharif season through control of pests as still be clear. High yielding are obtain from hybrid varieties through. Thick sowing the plant population of maize, Jowar and bajra are respectively 50000, 140000 and 120000 plant per hectare. Fertilizer dosages to reap rich harvest it are necessary to apply about 100 Kgs. Of potash per hectare. With increased yields elements like sulfur zinc and boron get depleted. Therefore in areas of intensive cropping, these are supplied as a routine producer.

Pest and Disease control for producing high yielding plant protection measures are needed proper timing of fertilizers and irrigation where heavy does of fertilizers are being applied. It is important that 75%. Irrigation at the time of grain development is essential.

4.2.2 GENETIC IMPROVEMENT OF CROPS

Genetic improvement of crops and plants are of highest importance and urgency for several reasons such as

(i) Large yields increases and dependent to a large extent on suitable variety Which is capable to produce high yield; provided other associated
factors are available in proper combination.

(ii) Interactions and responsiveness of improved varieties with fertilizers additional moistures and other inputs are substantial.

(iii) Improved varieties are one of the most important components of strategic inputs, which farmers would like to use for attaining a higher yield.

Agricultural Production can be increased further if efforts are made on putting the scientifically bred, processed and tested seed on the land. This program will necessarily involve efficient production of breeder, foundation and certified seeds, their processing storage quality control and seed distribution and marketing.

The production of breeder seeds is determined by the moisture, sunlight, temperature patterns, susceptibility to disease and pests, drainage situation and consumer preferences of every area. These dictate the optimality of the seed, which can maximize yields for a particular area. The agencies for releasing breeder's seed may be agricultural universities or the private seed agencies.

Production of foundation seeds require that such seeds are inspected frequently in order to ensure a high yield with disease free well filled and viable seed grains. Harvesting cleaning, bagging and labeling has to be carried on under expert supervision. Such seeds can be produced on seeds farms of large size, which enjoy adequate facilities and good technical staff for their production certified seeds are produce with foundation seeds for use by farmers and which are certified as fulfilling prescribed purity germination and other standards. Such seeds are generally produce in progressive farmer's farm under contract.

Seeds multiplication program requires that for multiplication of seeds, irrigated and fertile areas as chosen carefully. So that quality farmers seed can be produced without risk of disease and pests. Secondly irrigation with large compact area under production, good inputs processing storage facilities. Finally, adequate incentive should be maintained to spur the seed farmers to produce quality seeds. Seeds processing are concerned with extraction, during, purifying treatment, packing and storage.
Regulation of quality seeds requires to be strictly adhered to. The objects of regulating the quality seeds are: to protect the farmers and the seed dealer against unscrupulous seed dealers to provide the farmers with standardized seeds fulfilling certain requirements in respect of their varieties to test seeds for quality factors to restrict the export, import and inter-state movement of non-descriptive seeds.

The national commission on Agricultural in its Interim Report on seeds of high yielding varieties and hybrids of Nanded has dealt with certain aspects relating to multiplication and distribution of quality seeds of quality seed in adequate quantities. It has spelt out the responsibilities of various agencies in multiplication and distribution in different stages—breed's foundation and certified seed.

With regard to breeders seed it has laid down that responsibility should be on the research institutions and the Indian Council of Agricultural Research. For foundation seed it has advocated that the National Seed Corporation should be responsible for varieties of all India importance and state Government should designate agency or agencies with regard to varieties of state importance.

With regard to certified seed, the commission has advocated a multiplicity of agencies both for suggested their development by providing necessary incentives and facilities. The responsibility for assessment of the requirement of seed at various stages has been assigned to the production. The marketing agencies subject to supervision guidance and co-ordination by the state and Central Governments.

4.2.3 THE SEEDS CORPORATION

This corporation was established in 1963, mainly as an organization to produce stock and supply foundation seeds for hybrids particularly hybrid maize, which were released by that year. The corporation launched a major program of seed production of certified seeds of hybrid, bajra and seven Regional units have been setup in different parts of the country to the corporation to facilitate timely supply of parent seeds. To provide technical guidance and seed and inspection and certification of hybrid seed crops. 14 processing plant have
of nearly 3000 to 4000 quintals per year. It has also popularized land levelers and planters by providing these on lease.

The corporation has been providing besides hybrid seeds of maize, Jowar, bajra, rice etc. Vegetables seeds also such as Bhindi, Tomato, Purple, long brinjal, Katki, cauliflower, chillies, Guntur chillies, Coimbatore long Karla, Bonnervele and perfection New line peas and Asiriya mutunde groundnut.

Thirteen farms of large size have already been setup during the third and fourth plan period and about 40 seed producers co-operative societies are working. During the fifth plan special attention is to be devoted to multiplication and distribution of improved seeds. The main components of the program will be continuous supply of breeder stock. An adequate arrangements for production of improved seeds arrangements for seed certification.

In brief, the essential measures needed to fulfil the gap between the requirements and available supply of high yielding seeds are four.

(a) Production of quality seeds their proper use, popularizing them and making suitable arrangements for their distribution.

(b) Enabling the poor farmer to purchase them through such facilities as credit.

(c) Making available supporting input like water and fertilizer so that seeds could be used efficiently.

(d) Greater provision of research in evolving better seeds, suiting Indian conditions.

4.2.4 PESTICIDES AND PLANT PROTECTION MEASURES

In Nanded, crops are damaged not only by insect pests and diseases of crops but also by wild animals and natural calamities. The various estimates have been made about the losses suffered from insects, nematodes, fungi bacteria, viruses, parasites, weeds rodents and other animal like birds snails and snugs. One estimate puts the loss at this district.

Fertilizer consumption has been increasing regularly. The figures of block
Fertilizer consumption has been increasing regularly. The figures of block wise consumption are not available. The consumption of chemical fertilizers in 1997-98 was reported at 6728.684 tons representing application of over 68 kg. Chemical fertilizers per hectare of gross cropped area. Oil seeds crops occupy an important position in the agricultural economy of the district, which contributes about 14 % of total crops in of district. The important oilseed. Crops are groundnut, sunflower, and safflower. It is a centrally sponsored scheme. Central share is 75% strategy for increasing oilseed production is.

(i) Increasing area under summer groundnuts
(ii) Distribution of seed minikits on nominal rates
(iii) Subsidy for groundnut seed treatment 50 % or Rs. 55 Per kg on pesticides.
(iv) Subsidy for High Yielding varieties seeds.
(v) Subsidy for sprinkler set pattern of subsidy for sprinkler is as in cotton scheme.
(vi) Subsidy for distribution of improved agricultural implements.
(vii) Organizing oil seed crop demonstration.
(viii) Subsidy for use of gypsum Rs. 300/-.
4.3 TYPES OF LOANS AND ADVANCES PROVIDES BY NANDED DISTRICT CENTRAL CO-OPERATIVE BANK

There are three types of loans namely short, medium and long term loans, multipurpose co-operative societies grant short and medium term loans. As societies raise their funds mainly though short term deposits they do not advance long term loans.

Primary agricultural credit society grant short and medium term loan to members. Short term loan is given for the purchase of seeds, fertilizers, pesticides manure’s, payment of wages to workers and for paying land revenue. Crop loan are most popular.

Medium term loans are given for purchase of cattle, implements, equipment, construction of small irrigation facilities, repair of wells, construction of bunds and improvement of land the different types of loans are as under.

4.3.1 Short term loans

Short term loans are advanced for meeting the expenses of crop production such as purchase of seeds, manure’s and fertilizers, insecticides, pesticides payment of irrigation charges and labour charges. The length of loan period is 12 to 15 months and even up to 18 month in certain cases, depending upon the types of crop. These loans are recovered after the harvest of the crops, from the sale of produce. To avoid the misuse of credit some societies advance loans partly in cash and partly in kind from short term loans are also given to cover the cost of harvesting and marketing, to avoid forcing the farmer to sell his produce immediately after the harvest of the crop during the period of market glut and low prices.

4.3.2 Medium term loans

The medium term loans are advanced for a period of 5 to 7 year for purchase of live stock and machinery etc. these loans are recovered in installments and then the interest is charged only on the paid capital.
The loans are generally advanced on co-operative-lateral security on personal promise of the cultivator or repay the loan. In certain cases the pledge of another member to repay the loan is taken into consideration. When there is fear of default by the borrowers. However several multipurpose co-operative societies use land and other property for security. The maximum credit limit is fixed by the general body The loans are advanced up to 20 times the land revenue paid by the member.

An outside loan, in the reporting year bank accept the crops loan and decided to distribute the loan. In the programme of state co-operative loan rate totally rupees 5200 lakh. The loan of bank vidrole rupees 3238.76 lakh. The sanction limit is rupees 62.28% in the end of this year bank refund the loan is rupees 3410.54 lakh The loan recovery is less to there limits and to distribute the loan.

Transfiguration loan m the en of 1995-95 the translate loan is refund rupees 69 lakh. In the reporting year the selected translated loan is rupees 588.94 lakh and withdrawal rupees is 588.94 lakh. The remaining loan is rupees 654.54 lakh

Agricultural loan in the district and the member of co-operative societies to develop their crops. An other side business to supply agricultural loan. The reports of last year bank pay in the reporting year is rupees 15.48 lakh. In tire end of this year bank must be pay rupees 12.80 lakh and to refund under the loan.

Automatic refinances to supply the water all the members. In Nanded district central co-operative bank. An available the loan in the relief fund a state bank rupee 200 lakh. From last four year bank totally closed this types of a loan 31-3-1996 last rupees 89.61 lakh will pay the refunded loan. In the running year bank refunded loan rupees 50.38 lakh and end of this year bank till refunded the loan rupees 39.23 lakh.

Self-starting loan supply in the running year rupees 56.10 lakh pay to the bank is refundable and that in the running year rupees 9.61 lakh refunded to the bank. Now just till rupees 2.27 lakh loan is refund to bank.
Short term loan and advances provided by N.D.C.C. Bank

TABLE No. 22

( Rs. In Lakh )

<table>
<thead>
<tr>
<th>Year</th>
<th>Society Members</th>
<th>Members</th>
<th>Seasonable Loan Distributed</th>
<th>Loan Distribution to members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-95</td>
<td>962</td>
<td>146670</td>
<td>4667.00</td>
<td>1105.25</td>
</tr>
<tr>
<td>1995-96</td>
<td>965</td>
<td>120286</td>
<td>5685.00</td>
<td>1185.58</td>
</tr>
<tr>
<td>1996-97</td>
<td>969</td>
<td>84014</td>
<td>3257.46</td>
<td>682.26</td>
</tr>
<tr>
<td>1997-98</td>
<td>868</td>
<td>103279</td>
<td>4248.23</td>
<td>1082.03</td>
</tr>
<tr>
<td>1998-99</td>
<td>873</td>
<td>158037</td>
<td>9827.15</td>
<td>2049.80</td>
</tr>
</tbody>
</table>

(Sources - Nanded District Annual reports 1994-95 to 1998-99)

Medium terms loans and advances by N.D.C.C. Bank

Table No. 23

(Rs. In Lack)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Electric Motor</td>
<td>11.13</td>
<td>11.59</td>
<td>0.11</td>
<td>0.67</td>
<td>13.03</td>
</tr>
<tr>
<td>2</td>
<td>Pipe line</td>
<td>45.53</td>
<td>41.78</td>
<td>0.78</td>
<td>5.40</td>
<td>65.38</td>
</tr>
<tr>
<td>3</td>
<td>Emptying water supply</td>
<td>12.68</td>
<td>8.94</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>4</td>
<td>Tractors</td>
<td>12.28</td>
<td>136.48</td>
<td>27.28</td>
<td>27.83</td>
<td>45.25</td>
</tr>
<tr>
<td>5</td>
<td>Y yield milk Animal</td>
<td>28.48</td>
<td>9.53</td>
<td>—</td>
<td>3.17</td>
<td>153.77</td>
</tr>
<tr>
<td>6</td>
<td>Government planning</td>
<td>84.95</td>
<td>50.87</td>
<td>28.37</td>
<td>40.79</td>
<td>37.53</td>
</tr>
</tbody>
</table>

(Sources - Nanded district Annual reports 1994 - 95 to 1998 - 99)

Above loans and advances provided by N. D. C.C. Bank, in the beginning of this century, this district farmers were having indebted to money lenders and were steeped in poverty and misery. The Government felt that if the farmers were provided with cheap and adequate finance. They would be able to improve their output.

The only way to provide such credit, it was thought was through co-operative credit societies in rural area for the purpose of providing cheap credit or
The co-operative credit societies Act 1904 was passed by the Government and rural credit societies were formal. Another and more comprehensive Act known as the co-operative societies Act 1912 was latter passed. The co-operative credit movement has a three tier organization at lowest village level, primary credit societies, the higher state level and the state co-operative Bank.

### 4.3.3 Primary agricultural credit co-operative society

A village co-operative credit society can be started with ten or more person, normally belonging to a village. The value of each share is generally nominal so as to allow even the poorest farmers to become numbers. The members have unlimited liability, that is each member is fully responsible for the entire loss of the society, in the event of failure. This will mean that the members should know each other well. The management is honorary and no one is paid any salary. The society gives loan to its members for short periods, generally for one agricultural season and the rate of interest is very low. Dividends are not declared and profits are generally use for the welfare and improvement of the village such as construction of school building, digging of well, repairing of the village roads etc.

The village co-operative society, known as the primary agricultural credit society, is at the bottom of the co-operative movement. The society was expected to attract deposits from among the well-to-do members and non members in the village and thus promote thrift (saving) and self-help. The society would given loans and advances to needy members out of the share capital, the deposits of the members and other sources. Soon it was found that the funds available through there sources were not sufficient and there for, the Government encouraged the starting of two other credit institutions, known as the central and state co-operative banks.

It is useful to know how the farmer raises loans from the co-operative society. At the beginning of the agricultural reason, all members of the primary agricultural credit society (PACS) give in their requirements of loans. The president and the secretary of the credit society total up the loan demands and
approach the central co-operative bank for a loan. The loan is sanctioned by the central co-operative bank and the money is paid to the president and secretary who distribute the amount to all the members. At the end of the harvest season: the farmers sell their surplus produce in the market and repay their loans. The president and the secretary collect the amounts from all the members and returns the loan taken from the central co-operative bank the farmers find this a very convenient and cheap method of raising funds to meet their agricultural operations. The progress of primary agricultural credit societies is given.

**Primary agricultural credit societies (PACS)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of societies (in thousand)</td>
<td>105</td>
<td>161</td>
<td>88</td>
</tr>
<tr>
<td>Loans advances during the year (in lakh)</td>
<td>23</td>
<td>578</td>
<td>6600</td>
</tr>
<tr>
<td>Loans overdue (in lakh)</td>
<td>6</td>
<td>322</td>
<td>3000</td>
</tr>
</tbody>
</table>

(Sources :- Nanded district vision 2000)

We find that the primary agricultural credit societies from 105000 in 1990-91 to 212000 in 1993-94 but latter the number gradually decline to 88000 since 1998-99. The decrease in number of societies is the result of programme to reorganize and revitalize the societies, introduced by the Government. The Government wants to reduce the number of societies but increase their membership and working funds. This clearly shows that more villages are members of co-operative societies are borrowing from them. In spite of tremendous growth the primary agricultural credit societies have remained the weakest link in the co-operative structure. There was quickening of the movement and there was a rapid progress in all the directions. The number of societies, membership and deposits showed remarkable increase. This progress has been maintained since then mainly because of the keen interest taken by the reserve Bank of India in the growth of the co-operative movement.
Reorganization of PACS (Primary agricultural credit societies) the usefulness of the primary agricultural credit societies has been increasing steadily. The PACS have stepped up their advances to the weaker sections, particularly to the small and marginal farmers. Their progress has been quite spectacular but not adequate, considering the demand for finance for farmers.

Considerable attention has been given during the past few decades to build the PACS into strong in situations. Such a structure, close to the farmers is very essential for disbursing rural credit, particularly to small farmers. However, "the primary credit society has continued to remain the weakest link in the entire co-operative structure." A programme was introduced by the Government and the RBI to recognize and revitalize the PACS. Weak PACS has been closed down and other have been strengthened through financial aid to their capital structure. This programme of reorganization of PACS was completed. The progress process of reorganization of PACS has not made much headway.

To make all PACS viable and ensure adequate and timely flow of co-operative primary agricultural credit to the rural area, the RBI has been taking a series of steps to strengthen weak. Co-operative banks and to correct district imbalances in co-operative development. Steps have been taken to organize viable PACS and amalgamation of non-viable societies with farmers, service societies or large-size multipurpose societies. These efforts are being intensified by providing large funds to weak societies and to write off their losses, bad debts and over dues.
The major portion of funds which the village credit society lends to the members is obtained from the central financing agencies viz. the Nanded district central co-operative Banks (Working at the district level) and the state co-operative Banks (Working at the state level).

The borrowing is the most important elements of their working capital. Theoretically a cooperative credit society by inculcating thrift and self help among its members. Must be able to raise locally all the finds. It needs and in the words of “A society in debt to the central bank should be regarded as risk society in hospital.” The majority of the village credit societies have been chronically bed ridden.

The borrowing of the society are based on some criteria which differ from state to state according to their liability. The maximum borrowing power of unlimited liability is fixed in the general meeting. The value of assets or not assets generally fixed. But it is generally fixed at $1/6th$, $1/8th$ of the value of the total net assets of the solvent members which is certified by the panchayatdars of the society. The credit limit is fixed by the registrar or the central co-operative banks on the basis of factors such as the total assets of the members. Their incoming repaying capacity repaying capacity owned funds of the society. Its audit classification repayment performance.

In this district the borrowing limit is 8 times the paid up share capital and accumulated losses. It should not exceed 10 times the owned capital without the sanction of the registrar. But the maximum borrowing power is fixed at 10 times the paid up share capital plus separately invested reserve fund. It is 10 times the own funds excluding the borrowing from the members. It is 10 times the share capital actually subscribed plus reserve fund but it ranges from 8 to 10 times the owned funds. Though the borrowing limits are fixed under rules and by laws or by the registrar, the central or financing bank have a say in the determination of such limits.

In many district, the banks follow certain standards for sanctioning fresh loans to societies. In state no loans are advanced to defaulting societies. The
banks do not advance fresh loans to a society where the over dues exceed of outstanding from members or the over dues of the society to the bank exceed of 25% of the loans payable. In fresh loans are not advanced to a society in certain states The financing banks require cent percent repayment by constitute societies before advancing fresh loans. In case of defaults no fresh loans are given.

The following table shows the quantum of loan advanced by the state central co-operative banks to the primary agricultural credit societies.

**Loans & Advanced by state and central co-operative Banks**

Table No. 25

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State Co-operative Bank Loans and Advances made during the year (Rs. Crores)</td>
<td>758.52</td>
<td>781.33</td>
<td>1161.51</td>
<td>1514.81</td>
<td>1717.08</td>
</tr>
<tr>
<td>2</td>
<td>Central Co-operative Bank Loans and Advances made during the year (Rs. Crores)</td>
<td>1020.83</td>
<td>1019.70</td>
<td>1248.54</td>
<td>1721.65</td>
<td>1807.94</td>
</tr>
<tr>
<td>3</td>
<td>Loans Overdues as P C of loans outstanding</td>
<td>22.00</td>
<td>36.00</td>
<td>31.00</td>
<td>32.00</td>
<td>34.00</td>
</tr>
</tbody>
</table>

(Sources-Annual Report of Department co-operative society for 1998, Government publication)

In order to make the borrowing of the societies more impressive and sound the V. L. Mehta committee recommended that the registrars of the co-operative societies may be authorized to fix the maximum credit limit of a limited liability society between to times to 12 times of its owned funds. An unlimited liability society up to 1/6th of the value of net assets of the members after taking into account the various factors.

Such as credit worthiness of the society. The position of owned funds the proper utilization of funds and loans-arrangement of supervision. The recovery of dues from individual members from the sale of crops raised by them etc.
4.1 Loans And Loaning Policy

The underlying idea of the co-operative credit is that a grant combining to furnish a collective guarantee can obtain funds at lower interest rates than they individually could command. The main point regarding co-operative credit is that it educates the borrower in the productive purposes and insists on punctual repayments.

Primaries supply short and medium term loans to their members. Short-term loans are given for one year for the purchase of seeds, fertilizers, pesticides, manure's, implements, payment of wages to workers in the farm and payment of land revenue. Medium-term loans are given for 3 to 5 years for the purchase of cattle, implements, equipment, construction of small irrigation facilities, including in stalling of pumping sets, repair of wells, construction of bunds and improvements of land.

The loans sanctioned to a member is related, in each case, to the production credit needs which are ascertained and recorded. In some areas, there particulars are set in what is known as the "normal credit requirements." Prepared by the society every year. Under this practice the credit limit of each member is fixed in advance of the seasons. Which not only safe guards against the lending of excessive amounts but also facilities getting loan in time. This amount generally ranges from Rs 250 to Rs. 2500/-. 

The over dues situation, though better than before still constitutes a large proportion of the outstanding. The amount of over dues this that the principles of co-operation have not been put into practice. So that a very large percentages of loans remained as outstanding some of the more important causes. For this are over financing, grant loans in the repayment of ancestral debts, lack of proper security of the objects of loans. The repaying capacity of the borrowers, ineffective supervision over the utilization of loan. The leniency in demanding punctual payment of the loan and can calling them by fictions repayment of an automatic renewals. According to the reserve bank's review, "the accumulation of heavy over dues and freezing of the assets of the societies naturally result. In clogging their lousiness and paralyze the working of the co-operative movement over large parts of the district coercive action against the defaulters should be taken provided no effective remedy for this district of
affairs in found since it only saddles the societies with the lands. Which are
difficult to dispose of land the management of which given rise to compli-
cated problems.

The raising trend in the outstanding loans points to the necessity of introduc-
ing sasonality in the matter of grant. The recovery of loans for various crops
under which the loans should be given during the sowing season. The date of
recovery should be fixed as near as possible to the period when the market-
able crop of a majority of cultivators in the area in likely to be marketed.
Conversion of short term loans into medium-term loans in areas affected by
natural calamities by having recourse to agricultural credit stabilization funds
may be adopted for lessening over dues. Drives for collection of past over
dues should be organized. Adoption of more liberal policies such as relating
the size of credit to production outlays, An effective linking of credit with
marketing and strict supervision will also solve the problem.

The raising trends in the outstanding loans points to the necessity of intro-
ducing sasonality in the matter of grant and recovery of loans for various
crops under which the loans should be given during the sowing season and the
date of recovery should be fixed as near at possible to the period. When the
marketable crop of a majority of cultivators in the area is likely to be mar-
keted. Conversion of short term loans in to medium term loans in area af-
fected by natural calamities by having recourse to agricultural credit stabiliza-
tion funds may be adopted for lessening over dues. Drives for collection of
past over dues should be organized. Adoption of more liberal policies such
has relating the size of credit to production outlays, effective linking of credit
with marketing and strict supervision will also solve the problem.
The recovery of loans and advances the statements indicating the performance of all financial institutions during the period 31-3-1995, 31-3-1996, 31-3-1997, 31-3-98, 31-3-99. are as under

### The performance of financial institutions

<table>
<thead>
<tr>
<th>Table No. 26</th>
<th>(Rs. In Lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Eligible bank Recovery Amt</td>
</tr>
<tr>
<td>2</td>
<td>Recovery</td>
</tr>
<tr>
<td>3</td>
<td>Percentage of Recovery</td>
</tr>
<tr>
<td>4</td>
<td>Recovery of Interest</td>
</tr>
<tr>
<td>5</td>
<td>Total Recovery + Interest</td>
</tr>
<tr>
<td>Source:</td>
<td>Nanded district annual reports from 1995 to 1999</td>
</tr>
</tbody>
</table>

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</thead>
<tbody>
<tr>
<td>1</td>
<td>Sugar Industry</td>
<td>820.70</td>
<td>613.39</td>
<td>557.20</td>
<td>642.44</td>
<td>1253.83</td>
</tr>
<tr>
<td>2</td>
<td>Cotton Committee</td>
<td>81.64</td>
<td>361.19</td>
<td>429.80</td>
<td>171.71</td>
<td>408.70</td>
</tr>
<tr>
<td>3</td>
<td>Marketing Committee</td>
<td>7.38</td>
<td>4.70</td>
<td>5.97</td>
<td>9.90</td>
<td>18.96</td>
</tr>
<tr>
<td>4</td>
<td>Crop Insurance</td>
<td>---</td>
<td>---</td>
<td>1518.00</td>
<td>---</td>
<td>134.00</td>
</tr>
<tr>
<td>5</td>
<td>In cash</td>
<td>902.36</td>
<td>643.47</td>
<td>936.85</td>
<td>993.38</td>
<td>1135.55</td>
</tr>
<tr>
<td>Total</td>
<td>1812.08</td>
<td>1622.75</td>
<td>1945.00</td>
<td>1847.43</td>
<td>2951.04</td>
<td></td>
</tr>
</tbody>
</table>

(Sources :- Nanded district annual reports from 1995 to 1999)
At the end of 31-3-1995 the recovery of percentage is 11.55 and the end of June is 40.21, like that the end of 31-3-1996 is 7.81 and the end of June is 25.14 and at that end of 31-3-1997 is 6.94 and the end of June is 17.03 and at that end of 31-3-1998 the percentage of 7.66 at the end June it is 47.37, and the end of 31-3-1999 it is 9.85 at the end of June 53.89 percentage. Banks economy good condition shows the recovery of loans for that purpose, all of your help is very important in way.

Banks economy good condition shows the recovery position of loans

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</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>38%</td>
<td>40%</td>
<td>27%</td>
<td>26%</td>
<td>44%</td>
</tr>
<tr>
<td>Industries</td>
<td>15%</td>
<td>36%</td>
<td>37%</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>Services</td>
<td>23%</td>
<td>35%</td>
<td>49%</td>
<td>37%</td>
<td>48%</td>
</tr>
<tr>
<td>Total</td>
<td>35%</td>
<td>39%</td>
<td>31%</td>
<td>28%</td>
<td>45%</td>
</tr>
</tbody>
</table>

(Sources: ~ Nanded District Annual Report from 1994-98)

The recovery percentage for 1994 at 35%. For 1995 at 39%, for 1996 at 31% for 1997 at 28% and for 1998 at 45% is not all satisfactory. The recovery percentage of 45% as at Jun 1998 has improved considerably as compared to that at June 1997. Which was 28% However recovery of 45% is not considered as satisfactory, as per norms. Banks are required to have standard assets to the tune of 50% i.e. the recovery percentages of banks should be 90%. The participating banks are there for very reluctant to disburse fresh loans, particularly under various Government sponsored schemes.

The district authorities are requested to provide/develop infrastructure facilities in the district, so as to increase substantially the income generation of all sections of beneficiaries, especially agriculturists. This will help the bankers to improve their recovery position in all segments. The over dues of all the banks are mounting year after year, resulting into low profitability of the banks.
In Nanded district, the over dues of all the eighteen commercial banks and two co-operative banks are to the extent of Rs 121 crores as at the end of June 1996. But as a result in 1998 in Nanded district the over dues of all the 19 commercial banks two cooperative banks and one state government financial institution ore to the extent of Rs 159 Crores at the end of June 1998.

Hence lead bank office and also the government authorities in the district in various forums that unless and until over dues of the banks are reduced to a desirable extent i.e. recovery of banks is increased up to 70% to 80% from 31% as at the end of June 1996, the banks will not be able to provide required credit for the development of the various activities in the district.

The lead bank office has already taken initiative since 1995 in evolving various strategies and also modifying the same every year. So that the banks over dues are reduced to the desirable extent, which will in-turn help banks to provide required credit for the development of the district.

The chief-secretary of Government of Maharashtra has already issued instruction to the district authorities to help banks in recovering of their over dues. How ever, banks feed that, excepted help is not forthcoming from the Government agencies, and district authorities.

Accordingly twenty two strategies which were finalized in the DCC held n 4-4-1995 and also the various drafts of the letters or notice to be sent to various Government department, sugar factories, influential defaulters and also the draft of the joint appeal to be published in the widely circulated newspapers were again reviewed in the DCC meeting held on 31-12-1996 and were also approved for an implementation. The defaulters are now realizing that there is no other alternative but to pay bank to dues of the banks.

With an implementation of the various strategies, as above it is expected, that there will be very good impact on the banks defaulters, leading to substantial recoveries by banks. In the blocks, all the banks have arranged recovery comps jointly with Tahasildar, BDO, Talathi, Gramsevak, etc. However there was no good response from the borrowers, there by recovery of various banks has been badly affected for the year 1996-97.