

Original Research Article

Progress of Crop Loan Finance Provided by Ratnagiri District Central Co-Operative Bank (RDCCBS) (M.S)

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ABSTRACT

The present study examines the system of crop loan in Ratnagiri district of Konkan region of Maharashtra. Study was based on secondary data obtained from RDCCBs for last 15 year from 2003-04 to 2018-19. Coefficient of variation between agriculture loan and non-agriculture was obtained. The bank made good progress, partially in respect of share capital, working capital, loan advances, and collecting deposits and C:D ratio. Loan advances by the bank to non-agriculture sector are in greater proportion than to agriculture sector and coefficient of variation (CV) is found more in non-agricultural loan compare to non-agricultural loan.

Keywords

Crop loan, Co-operative, Capital

Introduction

The word co-operation is derived from the Latin word “cooperate” and its elementary sense it simple means “working together”. The principle of co-operation is as old as human society. It is truly the basis of domestic and social life. With the passing of co-operative credit society act 1904, the great efforts have been done by the officials to eliminate the peculiar problems of farmers and common public. Since the last few years, the speed of co-operative credit institution has drastically changed due to the competition from commercial banks, undue intrusion of political parties and failure of many co-operative banks. A co-operative bank is a financial entity which belongs to its members, the owners and the customers of their bank. Agriculture sector plays a strategic role in the process of economic

development. As the World Bank describes, “Credit is often a key element in the modernization of agriculture”. In India, agriculture loans are mostly provided by co-operative banks, commercial banks, regional rural banks etc. Among these co-operative banks play an important role in the rural credit (Kaur, 2015).

India is agriculturally based country. Agriculture sector has been the backbone of the Indian economy. Two thirds of the population are dependent on the agricultural sector through direct as well as indirect. In India, agriculture contributed 17.9 per cent to GDP (2015). Agriculture is facing many challenges like the shortage of manpower and water along with increasing prices of inputs like seeds and fertilizers. Cooperative banks should provide credit to farmers at low rates of interest for meeting the agricultural

challenges. Cooperative banks supplement the efforts of the commercial banks in credit delivery and deposit mobilization particularly in rural areas. The Cooperatives which are the life blood of the Indian economy (Prakash and Palanivelu, 2014).

Materials and Methods

The present study was conducted in Ratnagiri district of Maharashtra state purposively, because the socio-economic conditions of the farmers and agro-climatic situation of the district are distinctly different from other parts of Maharashtra state. Therefore, the findings of the study were undoubtedly the financial institutions, especially, the District Central Co-operative Bank in formulation of credit policies in their endeavour for development. The growth of the bank in respect of certain indicator was studied. Two tahsils vis. Dapoli and Mandangad was selected purposively from district. From each tahsil five multipurpose co-operative service societies which has maximum loan disbursement were selected thus the final sample consists of ten Society.

The data collected with the help of specially designed schedules. The data pertaining to the bank for last 15 years were collected from the head office of the bank at Ratnagiri and through its annual reports.

Three stage random sampling technique was used for sampling. Tahsil as primary unit, multipurpose co-operative societies as a secondary unit and their members as the ultimate units of sampling.

Analytical tools

Data reanalysed by using simple arithmetical and statistical tools such as percentages, averages etc. The various tools of analysis used to assess the growth and ratio are:

Estimate of compound growth rate for indicating performance

The period wise compound growth rates for different indicators of DCCB have been estimated using the following type exponential mode.

$$Y = abte$$

Where,

Y = Dependent variable (indicator)

a = Intercept

b = Trend value

t = time period in year

e = Error term

The significance of the estimated compound growth rates was tested with the help Student 't' test.

Credit deposit ratio

The credit deposit ratio will work out the following formula:

$$\text{Credit deposit} = \frac{\text{Total credit advance}}{\text{Total credit deposit}}$$

Coefficient of variation

Coefficient of variation calculated by using the following formula.

$$CV = \frac{SD}{Mean} \times 100$$

Where,

CV = Coefficient of variation

SD = Standard deviation

Mean = $\Sigma X / N$

Results and Discussions

Growth of selected indicators

The Regression coefficient and compounded growth rate of the selected variables have been estimated and are presented in Table 1. It was observed from table that, non-agriculture loan has highest compound growth rate which was 22.66 per cent with regression coefficient of 29469.64 which is significant. Followed by compound growth rate of deposit 12.17 per cent with 0.91 per cent significant regression coefficient, working capital has regression coefficient of 12955.01 which significant increase with 11.65 per cent CGR, agriculture loan has 328.43 regression coefficient which is significant increase at 8.24 per cent CGR, share capital has regression coefficient of 237.11 which is significant increase with 8.10 per cent CGR, the individual membership has regression coefficient of 5.22 which is significant increase 2.18 per cent compound growth rate, institutional membership has regression coefficient of 27.83 which significant increase with 1.64 per cent CGR and the growth rate of number of branches has less the one with regression coefficient 0.68 respectively. Similar observations made by Bhosale (2011) and Raut (2017).

Scales of crop loans

The scales of finance are mainly decided taking into account the cost of cultivation of the crop up to a certain stage. Since the cost of cultivation changes due to rise in prices of seeds, manures, fertilizers, pesticides and due to rise in wages of labour, the scale of finance are required to be revised so as to cover the cost of cultivation. Therefore, an attempt was also made to assess the rate of change in the scales of finance for different crops of last five year i.e. from 2015-16 to 2019-20 by fitting regression equations which were

presented in Table 2. It was revealed from table that, the scale of finance of Cashew has shown highest significant compound growth rate which was 19 per cent with 16.4 regression coefficient, Corn has second highest significant compound growth rate which is 15.58 per cent with 2.76 regression coefficient followed by coconut, paddy (Local), paddy (hybrid), sugarcane (suru), sugarcane (adsali), groundnut, nagli. while, Arecanut was shown negative in scale of finance during study period.

Finance provide by R. D. C. bank

Ratnagiri District Central Co-operative Bank provides finance to both agricultural and non-agricultural purposes in the district. The share of bank to agricultural and non-agricultural sector during the last fifteen year was presented in table 3. It was observed from table that, the loans provided for non-agriculture purpose were in very greater proportion than the loan provided for agriculture purposes. The share agriculture loans which were 7.34 per cent in 2003-04 increased to 11.32 per cent in year 2005-06. But after 2005-06 it starts to decline from 11 per cent to 1.75 in 2018-19. This indicated that the loans to agricultural purposes have less significance in the total advance of the bank. The total agriculture loans advanced during the year 2018-19 were 7,177 lakhs out of which 7,636.11 lakhs were crop loan.

Credit deposit ratio

Credit deposit ratio is one of the indicators of performance are presented in Table 4. Higher C: D ratio simply means that the advances are larger than the deposits. It does not necessarily imply that the magnitude of advances is large. The volume of advances may be small but the ratio could be higher because the deposits are very small.

Table.1 Regression coefficient and compounded growth rate of the selected variables

Sr. no	Indicator	Intercept (a)	Regression coefficient (b) (%)	CGR (%)
1.	Individual membership.	-10269.94	5.22	2.18** (0.025)
2.	Institutional membership.	-54268.72	27.83	1.64* (0.010)
3.	Share capital.	-473853.64	237.11	8.10* (0.049)
4.	Working capital.	-25937996.93	12955.01	11.65* (0.065)
5.	Agriculture loan.	-656420.10	328.43	8.24* (0.55)
6.	Non-Agricultural loan.	-59101972.69	29469.64	22.66* (0.243)
7.	Deposit	-22263409.32	11118.22	12.17* (0.066)
8.	Number of branches.	-1300.70	0.68	0.91** (0.021)

(Figures in parentheses indicate standard error)

**Significant at one per cent level, *Significant at five per cent level.

Table.2 Change in the per acre scales of crop loan

Sr. No.	Indicator	Intercept	Regression co-efficient (b)	CAGR (%)
1.	Paddy (Local)	-3283.25	1.65	3.77* (0.023)
2.	Paddy (hybrid)	-4186.9	2.1	4.34* (0.044)
3.	Nagli	-548.418	0.282	1.38* (0.014)
4.	Corn	-5543.84	2.76	15.58** (0.23)
5.	Groundnut	-877.05	0.45	1.47* (0.015)
6.	Coconut	-6741.81	3.37	6.46* (0.051)
7.	Sugarcane (Suru)	-3951	1.25	2.53* (0.045)
8.	Sugarcane (Adsali)	-1943	1	1.38* (0.025)
9.	Arecanut	175.4	-0.06	-0.11* (0.002)
10.	Cashew	-32988.4	16.4	19** (0.117)
11.	Mango (Alphanso)	-7872	4	2.12* (0.038)

(Figures in parentheses indicate standard error)

**Significant at one per cent level, *Significant at five per cent level.

Table.3 Finance provide by R.D.C.C. Bank

(Amount in lakh)

Year	S.T agri. loan	M.T agri. loan	Total agri. loan	Total non-agri. loan	Total Loan
2003-04	2286 (86.43)	359 (13.57)	2645 (7.34)	36057 (93.17)	36416 (100.00)
2004-05	2286 (86.43)	359 (13.57)	2645 (7.34)	36057 (93.17)	36416 (100.00)
2005-06	3161 (97.38)	85 (2.62)	3246 (11.09)	29262 (88.91)	29347 (100.00)
2006-07	4257 (98.36)	71 (1.64)	4328 (11.32)	38224 (88.68)	38295 (100.00)
2007-08	3992 (99.35)	26 (0.65)	4018 (8.00)	50197 (92.00)	50223 (100.00)
2008-09	569 (94.21)	35 (5.79)	604 (1.16)	52169 (97.99)	52204 (100.00)
2009-10	1457 (91.01)	144 (8.99)	1601 (2.01)	79711 (97.99)	79855 (100.00)
2010-11	2450 (93.94)	158 (60.06)	2608 (2.97)	87846 (97.03)	88004 (100.00)
2011-12	3400 (96.21)	134 (3.79)	3534 (3.22)	109700 (96.78)	109834 (100.00)
2012-13	5506 (95.21)	277 (4.79)	5783 (2.78)	208088 (97.22)	208365 (100.00)
2013-14	2429 (88.33)	321 (11.67)	2750 (1.01)	271372 (98.22)	271693 (100.00)
2014-15	4403 (87.57)	625 (12.43)	5028 (1.88)	267549 (98.12)	268174 (100.00)
2015-16	6119 (82.61)	1288 (17.39)	7407 (1.81)	410006 (98.19)	411294 (100.00)
2016-17	6499 (84.91)	1155 (15.09)	7654 (2.25)	340343 (97.75)	341498 (100.00)
2017-18	5298 (83.72)	1030 (16.28)	6328 (1.61)	391919 (98.39)	392949 (100.00)
2018-19	6641 (92.53)	536 (7.47)	7177 (1.75)	410774 (98.25)	411310 (100.00)
CV (Percentage)	48.70	99.36	51.08	84.72	83.72

(Figures in parentheses indicate percentage to total)

(S. T. = Short Term, M. T. = Medium Term)

Table.4 Year wise total credit disbursement, total deposit and CD ratio of RDCCBs during 2003-04 to 2018-18

Sr. No	Year	Total credit	Total deposit	C:R ratio
1	2003-04	38702	42417.00	0.91
2	2004-05	38702	43840.27	0.88
3	2005-06	32508	46717.86	0.70
4	2006-07	42552	48752.25	0.87
5	2007-08	54215	52567.00	1.03
6	2008-09	52773	59282.20	0.89
7	2009-10	81312	74292.77	1.09
8	2010-11	90454	83013.70	1.09
9	2011-12	113234	90416.05	1.25
10	2012-13	213871	100582.44	2.13
11	2013-14	274122	121512.09	2.26
12	2014-15	272577	138534.30	1.97
13	2015-16	417413	153246.42	2.72
14	2016-17	347997	163190.86	2.13
15	2017-18	398247	195379.98	2.04
16	2018-19	417951	200385.57	2.09

Table.5 Details of crop loan during the year 2018-19 by RDCCBs

Sr. No.	Particulars	Kind (. in Lakhs)	Cash (. in lakhs)	Total (. in lakhs)
1.	Total crop loan demanded in the district			
i)	Kharif	5606.82	8262.76	13869.58 (64.31)
ii)	Rabi	3764.21	3831.34	7595.55 (35.39)
	Total	9371.03 (43.66)	12094.1 (56.33)	21465.13 (100)
2.	Total amount sanctioned by the bank			
i)	Kharif	2776.28	3865.13	6641.41
ii)	Rabi	1837.05	1885.89	3722.94
	Total	4613.33	5751.02	10364.35
3.	Percentage of loan sanctioned to the loan demanded			
i)	Kharif	49.52	46.78	47.88
ii)	Rabi	48.80	49.22	49.01
	Total	49.23	47.55	48.28
4.	Total loan lifted by societies			
i)	Kharif	1710.19	3499.81	5210
ii)	Rabi	949.67	1503.73	2453.4
	Total	2659.86	5003.54	7663.4
5.	Percentage of loan lifted to loan sanctioned			
i)	Kharif	61.60	90.55	78.45
ii)	Rabi	51.70	79.74	65.90
	Total	57.66	87.00	73.94
6.	Percentage of loan lifted to loan demanded			
i)	Kharif	30.50	42.36	37.56
ii)	Rabi	51.70	79.74	32.30
	Total	28.38	41.37	35.70

Higher the C: D ratio better is the performance of bank in purveying the credit requirements of their members. A favourable C: D ratio does determine the profitability of the banks. Hence a bank should aim at higher C: D ratio. The Table showed that, the C:D ratio of RDCC Bank in initial four year it was decreasing from 0.91 to 0.87 and further it was increasing 1.03 to 2.09. The lowest C:D ratio was found in year of 2005-06 which was 0.70 and highest C:D ratio was found 2015-16 which was 2.72.

Loan lifting

The crop loan demanded by the cultivators during the year 2018-19 was presented in Table 5. It was observed from table, that total crop demanded by the cultivators during the year 2018-19 were Rs. 21465.13 lakh out of this amount, Rs. 12094.1 lakhs (56.33 per cent) were demanded in cash and (43.66 per cent) were in kind component. It is seen that the crop loan demanded were Rs. 21465.13 lakhs. Out of this amount, Rs. 12094.1 lakhs (56.33 per cent) were demand season wise demand indicated that 64.61 per cent loans were demanded for Kharif crops and only 35.39 per cent for rabi-cum-hot weather crops. The bank had sanctioned 48.28 per cent of loans demanded by the societies but the societies had actually lifted 73.94 per cent of sanctioned loan. The percentage of loan actually lifted to loans demanded was still lower i.e. 35.70 per cent. This convincingly revealed that there is no much relevance between loans demanded, loan sanctioned and loan lifted.

In conclusion, the Ratnagiri District Central Co-operative Bank has made good progress, partially in respect of share capital, working capital, loan advances, and collecting deposits and C:D ratio. And the loan advances by the bank to non-agriculture

sector are in greater proportion than to agriculture sector. Compare to loan demanded very less amount actually lifted by societies, that's mean societies or farmer not take full advantage of loan.

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