

## Original Research Article

# Evaluate the Working and Economic Viability of Co-Operative Credit Societies Advancing Crop Loan

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## ABSTRACT

### Keywords

Crop loan, Co-operative, Capital, PACS, Loan lifting

The present study examines the system of crop loan in Ratnagiri district of Konkan region of Maharashtra. For study secondary data collected from PACS through various annual report and personal interview with secretaries and primary data collected from member farmers of societies through personal interview. From study it was observed that PACS has made good profit and has good performance. Compare to demand very low percentage of amount lifted by farmer.

## 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 multipurpose 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.

## **Results and Discussions**

### **General information of selected societies**

To study the performance of multipurpose co-operative society it is need to understand the physical position of society. From Table 1, it was observed that an average working age of selected societies was 59.8 years, number of village covered per society was 3, average distance from head quarter was 2.48 Km, number of members per society was 808.6, average population covered was 4641.1, average no. of land holders in the jurisdiction of society was 355, proportion of members to total land holders was 43.9 per cent and 7 society had 'A' audit class and 3 Had 'B' audit class.

### **Working capital position of selected societies**

Working capital is the most important factor which is responsible for the business turnover and ultimate success of the society. From Table 2, it was seen that the average working capital per society was Rs. 380 lakhs. This amount of working capital constituted paid share capital of Rs. 72.38 lakhs (19%), deposit of Rs. 25.09 lakhs (6.6%), funds of Rs. 25.19 lakhs (6.6%) and borrowing of Rs. 257.35 lakhs (67.7%).

### **Distribution of credit**

The multipurpose co-operative service societies advance short term loan for crop production under crop loan system through KCC scheme and medium term loans for purchase of drought and dairy cattle, land development, purchase of electric pump, loan for irrigation etc. From table 3, it was seen that the average short term loan given by sample societies was 20.51 (43.47%) lakh which is 43.47 per cent of total loan. From short term loan maximum loan given to

mango crop which is 14.30 (69.72%) lakhs, 3.20 (15.60%) lakh for cashew, 2.70 (13.16%) lakh for paddy and lowest 0.31 (1.51%) for Arecanut crop.

The total average medium term loan given by sample societies was 26.67 (56.83%) lakhs, from that of 13.57 (50.88%) lakh given for land development loan and 13.1 (19.12%) lakh for cattle purchase loan.

**Profit and loss**

Under the prevailing condition of business activity and management, all 10 societies could make average net profit of Rs.6.04 lakh per society. From Table 4, it was seen that the average income per society was Rs.28.91 lakh per society and expenditure was Rs.22.87 lakh. The percentage of profit to income comes 20.89 per cent.

**Repayment and overdues position**

Punctual repayment of loans by borrowers is beneficial to borrowers and creditors, for

borrowers to be timely and regular in repayment makes his conscious about the credit for productive purpose and strengthening his credit creditworthiness.

From Table 5, it was seen that that the average total outstanding amount per society was Rs.171.3 lakh. This came to 45.08 per cent of the working capital of the society. Out of total outstanding of Rs.125.98 lakh (73.54 per cent) was recovered during the year, leaving an average amount of overdues per society of Rs.45.32 lakh this form 11.93 per cent of the working capital and 26.46 per cent of total loan outstanding.

The period of overdues varied from less than one year to more than three years. It was observed that 58.03 per cent of overdues were less than one year.

Overdues between one to two years 12.36 per cent and remaining 14.70 per cent of overdues were more than three years duration.

**Table.1** General information of selected societies

Sr. No.	Particular	
1.	Average working age	59.8
2.	No. of village covered per society	3
3.	Average distance from head quarter (Km.)	2.48
4.	Number of members per society	808.6
5.	Average population covered	4641.1
6.	Average no. of land holders in the jurisdiction of the society	355
7.	Proportion of members to total land holders (per cent)	43.9
8.	Audit class	
	A	7
	B	3

**Table.2** Working capital position of selected societies

**(Amount in lakh)**

Sr. No	Item	Average amount per society	percentage to working capital
1	Share capital	72.38	<b>19.0</b>
2	Deposit	25.09	<b>6.6</b>
3	funds		
	i) Reserve fund	4.02	1.1
	ii) Dividend fund	10.21	2.7
	iii)building fund	0.33	0.1
	iv) bad debt reserve fund	1.05	0.3
	iv)Risk fund	0.02	0.08
	v) Other fund	7.98	2.1
	<b>Total funds</b>	<b>25.19</b>	<b>6.6</b>
4	Borrowing	257.35	<b>67.8</b>
5	<b>Total working Capital</b>	<b>380.00</b>	<b>100</b>

**Table.3** Short term and medium term credit advanced by societies

Sr. No.	Purpose	Average amount (lakhs)	percentage to the purposive loan
<b>1.</b>	<b>Short term loan</b>		
a.	Paddy	2.70	13.16
b.	Mango	14.30	69.72
a.	Cashew	3.20	15.61
b.	Arecanut	0.31	1.51
	<b>Total</b>	<b>20.51 (43.47)</b>	<b>100</b>
<b>2.</b>	<b>Medium term loan</b>		
a.	Land development	13.57	50.88
b.	Purchase cattle	13.1	49.12
	<b>Total</b>	<b>26.67 (56.83)</b>	<b>100</b>
	<b>Total loan</b>	<b>47.18 (100)</b>	

(Figures in parentheses indicate percentage to total)

**Table.4** Average profit of the societies

Sr. No.	Items	Amount Rs. (lakh)
1	Income of the society	28.91
2	Expenditure of the society	22.87
3	Total profit of the society	6.04
4	Percentage of profit to income	20.89

**Table.5** Position regarding repayment and overdues of the selected societies

Sr. No	Items	Borrowers	Amount ( lakh)
<b>1</b>	<b>Working capital</b>		380
<b>2</b>	<b>Total outstanding</b>	78.3	171.3
3	percentage to working capital		45.08%
4	a) Amount recovered		125.98
	b) Percentage to total outstanding amount		73.54%
<b>5</b>	<b>a) Total overdues</b>	<b>21.6</b>	<b>45.32</b>
	b)percentage to working capital		11.93%
	c) percentage to loan outstanding		26.46%
<b>6</b>	<b>Overdues</b>		
	i) Upto 1 year	16.4	26.3 (58.03)
	ii) 1 to 2 year	3.6	5.6 (12.36)
	iii) Above 3 year	1.6	6.66 (14.70)
	<b>Total overdue</b>	<b>21.6</b>	<b>45.32</b> <b>(100.00)</b>

In conclusion, the economic position of the multipurpose co-operative societies in respect of capital, activities undertaken, income and net profit is good. The coverage of the societies in respect to population, number of members and percentage to member-farmers is also satisfactory. The period of overdues varied from less than one

year to more than three years. It was observed that more than half of overdues were less than one year.

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