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INTEGRATED APPROACH TO INSTITUTIONAL FINANCE FOR AGRICULTURE—A CASE STUDY OF THREE CO-OPERATIVE SOCIETIES IN SABARKANTHA DISTRICT OF GUJARAT

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The credit required by the farmers is for the purpose of production or consumption. Considering the experience of rural credit in the country, co-operative societies are found to play a crucial role in supplying credit to the rural areas in general and agricultural activities in particular. For the country as a whole, the proportion of borrowing by the cultivators from co-operative societies has increased (Dadhich, 1977, p. 5). But overdues of this type of institutional loans have also been mounting every year. The problem of overdues has become the most serious one affecting co-operative activity in the country, especially at the primary level. It has adversely affected the liquidity position of co-operative societies and banks and made them financially weak. It will result in blocking of funds and choking of credit channels at all levels. This has also invited criticism against co-operative banks and made them suspect as institutions meant to assist the poor and needy agriculturists (Desai, 1979, pp. 141-143).

In this paper the focus is on primary agricultural co-operative societies. Agricultural co-operative society has a primary responsibility of providing crop loans in terms of cash and material, *i.e.*, agricultural inputs. By doing so they help the farmers in their efforts to raise farm productivity. These co-operative societies have had mixed performance. The reasons for the poor performance of these societies are identified to be (a) wilful default, (b) risky and uncertain nature of agricultural yields, (c) phenomenon of price and market uncertainties and (d) lack of proper planning by the farmers (Patel, 1983).

The problem becomes more acute in dry regions with the given set of other behavioural parameters.

OBJECTIVE

The objective of this paper is to examine an innovative attempt in crop planning and the effort at reorganising primary co-operative credit societies. This is done with the help of a few case studies. The case studies indicate that it is done in such a way that the co-operative societies which were earlier in red turned into viable societies. At the grass-root level, these societies

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have put into practice some efforts which have a potential to overcome some of the constraints mentioned above.

While presenting these cases, we are also aware of an obvious limitation. Though these societies have proved successful, it neither need to be a matter of permanent success nor one of full scale replicability. However, such efforts could be highlighted to draw attention of all concerned so that an approach could be built up on the lines suggested by this case study.

METHODOLOGY

For the said purpose, we have selected three co-operative societies which purveyed agricultural credit. These societies which are selected purposively are: (1) the Ramos Group Multipurpose Co-operative Society Ltd. (RGMC), (2) the Gadha Group Co-operative Society Ltd. (GGC) and (3) the Bayal Dhankharol Group Co-operative Society Ltd. (BDGC). All the three societies are located in Modasa taluka of Sabarkantha district of Gujarat. They are situated at an equi-distance from the taluka headquarter, Modasa, which is on the east side and the district headquarter, Himatnagar, which is on the west side. The geographical area falling under these three co-operative societies covered a radius of approximately four km. The area profile of these three societies and other economic and social characteristics are given in Table I. The area of each co-operative society is nearly equal. The land use pattern, cropping pattern and type of land are also nearly similar as all these villages are located in close proximity to each other.

The three co-operative societies are purposively selected for the case study. All these societies were established in the fifties. Records and annual reports of the societies were examined and interviews were conducted with chairmen, members of executive committees and secretaries of these co-operative societies. Moreover, we interviewed the inspectors of Sabarkantha District Co-operative Bank and some members of the said co-operative societies also.

Table II gives information for the last 12 years for the three societies. We have information for two periods, 1975-76 to 1986-87 and 1981-82 to 1986-87 (Tables II and III). We could not collect detailed information about small and large farmers for the period 1975-76 to 1980-81 as such records of borrowers were not available.

DISCUSSION OF THE RESULTS

Table II gives detailed information about the recovery and indebtedness of members. The table reveals that during the period 1975-76 to 1980-81 the recovery of debt was poor. Of course, the RGMC is an exception. But the performance of GGC and BDGC was poor. Their recovery as a percentage of targeted recovery came to only 19.78 per cent and 41.52 per cent respectively in 1975-76. In 1978-79 the GGC had the poorest performance in this respect; only 11.17 per cent of targeted amount could be recovered. For BDGC it was 33.39 per cent in 1977-78. In the case of the RGMC it was

TABLE I. PROFILE OF VILLAGES SELECTED FOR CASE STUDY

Sr. Village No.	Geographical area (hectares)	Percentage of irrigated area	Percentage of literates	Percentage of cultivators to total workers	Percentage of agricultural labourers to total workers	Year of establishment of co-operative society	Number of members	Share of capital (Rs.)	1986-87	
									Number of members	Share of capital (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Ramos	1,222	15.30	39.42	47.20	35.85	1956	36	2,420	314	3,45,560
2. Gadha (including villages) (a) Lachhai, (b) Jamana Chhapra (c) Juna Vadvasa (d) Nava Vadvasa	1,289	9.94	28.89	71.07	26.19	1958	52	2,600	526	2,23,220
3. Bayal Dhantharol (including village Kishorpura)	1,359	10.74	47.82	46.28	30.95	1953	118	6,300	345	2,67,590

Source: 1. Village and Town Directory, Sabarkantha District, Census of India, 1981.

2. Records and various Annual Reports of the Ramos, Gadha and Bayal Dhantharol Co-operative Societies.

TABLE II. PROPORTION OF RECOVERY AND AMOUNT OF DEBT PER MEMBER

Year	Village 1 : Ramos			Village 2 : Gadha			Village 3 : Bayal Dhankharol		
	Amount recovered as percentage of the target amount to be recovered per annum (per cent)	Average indebtedness per member (Rs.)	Amount recovered as percentage of the target amount to be recovered per annum (per cent)	Average indebtedness per member (Rs.)	Amount recovered as percentage of the target amount to be recovered per annum (per cent)	Average indebtedness per member (Rs.)	Amount recovered as percentage of the target amount to be recovered per annum (per cent)	Average indebtedness per member (Rs.)	Average indebtedness per member (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)			
1975-76	N.A.	N.A.	19.78	1,019	41.52	1,720	
1976-77	82.14	525	N.A.	778	33.54	1,530	
1977-78	73.72	696	33.23	771	33.39	1,546	
1978-79	65.27	1,028	11.17	922	43.74	950	
1979-80	76.09	741	17.13	1,040	44.04	899	
1980-81	88.06	422	N.A.	1,348	N.A.	N.A.	
1981-82	93.98	435	22.19	686	91.71	518	
1982-83	91.29	429	20.65	660	87.45	685	
1983-84	82.34	777	42.54	937	70.00	N.A.	
1984-85	86.06	637	59.47	448	53.00	3,074	
1985-86	81.10	788	132.41	594	62.00	2,916	
1986-87	73.90	1,273	75.24	465	51.00	3,206	

Source: Records and Annual Reports of Ramos, Gadha and Bayal Dhankharol Co-operative Societies, 1975-76 to 1986-87.

N. A. = Not available.

65.27 per cent in 1978-79. As a result of the continuous shortfall in recovery, the rural debt of the co-operatives mounted.

In 1981-82 the executive committees of two societies, namely, RGMC and GGC decided to cultivate seed plots with the help of Gujarat State Co-operative Marketing Society Ltd. (Gujcomasol), Gujarat Rajya Beej Nigam (Gurabin) and C. J. Parikh & Co., a private firm, dealing in improved seeds. Gujcomasol is a co-operative agency, Gurabin is a corporation of the State Government and C. J. Parikh is a private trader. RGMC adopted the programme of seed production of Gujcomasol and Gurabin. It was for the improved seeds of wheat (sonalika and kalyansona) and bajra (BK-560, CJ-104 and BJ-120). GGC adopted seed plot programme with C. J. Parikh & Co. The third society BDGC did not adopt this seed plot venture. The sponsors of seeds programme fixed the purchasing prices of seeds in anticipation, *i. e.*, before sowing. In the case of bajra, the seed prices offered were nearly double the bajra crop price. In the case of wheat, it was nearly 15 per cent higher than the market prices. These agencies agreed to purchase all the seeds produced within the week of harvesting and made payment within ten days of purchasing. The farmers and co-operative societies agreed because the prices of the seeds were fixed, the market was also assured. The risk of farmers disappeared with this. Moreover, the agencies agreed to give foundation seeds to sow and co-operative societies provided credit facility to the farmers. The co-operative society also provided fertilisers, pesticides and insecticides as required by the farmers. The great advantage of this scheme was that the credit was properly utilised.

It was also decided by the farmers and co-operative societies that the income from the sale of seeds would be routed through the co-operative societies. The society would claim 60 per cent of this income as loan repayment and the balance of 40 per cent would be paid in cash to the farmers. As a result, the outstanding debt decreased after 1981-82. The recovery of the two Societies, namely, RGMC and GGC improved rapidly. This system has helped both the farmers as well as co-operative societies.

Table III gives the details regarding the farmers engaged in seed plots and the area under seed plots. It also indicates the details about the size of farms. Small farmers (below 2 hectares) and big farmers (above 2 hectares) are engaged in seed production activity for the adopter societies. In the case of RGMC in the years 1981-82 to 1985-86, more than 60 per cent of the small farmers were engaged in this activity which covered about 35 per cent of their owned land. In the case of big farmers, about 66 to 94 per cent of them were engaged in it and about 16 to 24 per cent of their owned land was under this activity.

So far as the GGC is concerned, in 1981-82 only 26.18 per cent of the small farmers were in seed plot activity and devoted 15.49 per cent of their owned land to this activity. Their number increased to 57.65 per cent and their owned land area devoted to this activity increased to 42.25 per cent in

1986-87. The proportion of big farmers adopting this activity increased from about 50 per cent in 1981-82 to 82.55 per cent in 1986-87 and the proportion of area under seed production increased from 22.41 per cent to 40 per cent during the same period.

It may be noted that the recovery performance of RGMC has been consistently remarkable (Table II). Its recovery of loans was over 76 per cent except in 1977-79 and 1986-87. As mentioned earlier, the GGC witnessed poor recovery of its loans during the seventies. The BDGC had a recovery below 45 per cent during the period 1975-76 to 1980-81.

The percentage of recovery of loan outstanding increased for the RGMC and GGC after the seed plot activity was adopted. In 1981-82 it was 93.98 per cent for the RGMC society but it came down to 73.90 per cent in 1986-87 when this society discontinued the seed production activity. Since 1985-86 was a drought year, the District Co-operative Bank allowed the primaries to take advantage of the benefit of the 'conversion scheme'.¹ The GGC also has a remarkable recovery of its dues after adopting the seed plot scheme. In 1981-82 its recovery was 22.19 per cent. This was the first year of its seed production activity but due to the high overdues of past years, it showed a lower achievement. Its recovery of loans increased to 132.41 per cent in 1985-86 of the targeted amount. It declined to 75.24 per cent in 1986-87 because of drought and shortage of water supply. Other agricultural crops were also affected in many parts of the villages covered by this society.

The BDGC society did not engage in seed plot activity, as mentioned earlier. But the recovery in 1981-82 and 1982-83 was 91.71 per cent and 87.45 per cent respectively. This is remarkable but it is due to conversion scheme mentioned above.² In the next year, *i.e.*, 1983-84 it was 70 per cent which appeared high again due to the conversion scheme of the drought year repayments. However, the total debt amount was continuously mounting in this society. The recovery has declined in this society and the debt has increased. This can be seen from Table II. During 1975-76 the debt per member was Rs. 1,720. It declined to Rs. 518 and Rs. 685 in 1981-82 and 1982-83 respectively. It again increased to Rs. 3,074 in 1984-85 and to Rs. 3,206 in 1986-87. The GGC society's debt per member decreased to Rs. 465 in 1986-87 from Rs. 1,348 in 1980-81.

The RGMC society has the highest debt per member in 1986-87. It was as high as Rs. 1,273 in 1986-87 and it was the lowest at Rs. 422 in 1980-81.

Due to the seed plot scheme the small and big farmers of the GGC society benefited more (Table III). Over 25 per cent of small farmers and 36 per cent of big farmers were defaulters in 1981-82 but their proportion came down to 4 per cent and 6 per cent respectively in 1986-87. In the RGMC society in the year 1985-86 and 1983-84 the proportion of defaulters among small and big farmers increased and the area under seed plot decreased, though during the period the proportion of adopter farmers increased.

TABLE III. PROPORTION OF FARMERS ADOPTING SEED PLOTS, PROPORTION OF AREA UNDER SEED PLOTS, AND PROPORTION OF DEFAULTERS

Year	Size-group of farms	Village 1: Ramos			Village 2: Gadha			Village 3: Bayal Dhantharol				
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
				Percentage of farmers engaged in seed plots	Percentage of owned land under seed plots	Percentage of defaulters	Percentage of farmers engaged in seed plots	Percentage of owned land under seed plots	Percentage of defaulters	Percentage of farmers engaged in seed plots	Percentage of owned land under seed plots	Percentage of defaulters
1981-82	(a) Small (below 2 ha.)			56.93	39.33	14.60	26.18	15.49	25.29	—	—	19.38
	(b) Large (over 2 ha.)			66.04	19.73	16.35	49.66	22.41	35.57	—	—	10.87
1982-83	(a) Small			65.69	49.16	15.33	33.53	25.35	24.71	—	—	22.31
	(b) Large			79.24	22.10	13.21	55.03	22.41	34.22	—	—	22.30
1983-84	(a) Small			72.99	32.77	27.01	34.70	25.35	20.59	—	—	24.24
	(b) Large			94.34	16.78	24.53	55.70	22.41	28.86	—	—	34.53
1984-85	(a) Small			69.34	58.99	18.25	35.58	33.80	8.23	—	—	39.38
	(b) Large			77.36	24.31	27.04	65.10	35.38	11.41	—	—	46.04
1985-86	(a) Small			76.64	42.61	31.39	40.29	42.25	10.29	—	—	39.29
	(b) Large			72.33	18.79	33.96	75.17	38.91	6.04	—	—	33.09
1986-87	(a) Small			—	—	24.09	57.65	42.25	4.12	—	—	36.25
	(b) Large			—	—	28.93	82.55	40.09	6.04	—	—	41.17

Source: Records and Annual Reports of Ramos, Gadha and Bayal Dhantharol Co-operative Societies, 1981-82 to 1986-87.

CONCLUSIONS

Looking to the overall picture, it is found that after the adoption of the seed plot scheme, the farmers who were members of the RGMC and the GGC societies could in all probability improve their economic conditions. Their recovery during the period has also improved. The recovery of the RGMC decreased in 1986-87. It is important to note here that the RGMC did not adopt the seed plot scheme in this year.

The BCGC society's situation is still worse than the other two. If it had gone for seed plot scheme it could have improved the economic conditions of its members and could also have achieved a larger proportion of recovery.

Interviews with chairmen, members of executive committees, members of societies and supervisors of district banks revealed a few more causes of overdues in these co-operative societies. They are as follows:

(1) The defeated chairman of the co-operative society asked his supporters not to pay the overdues. In this way he tried to establish his own superiority and power in the village. This happened in the case of the RGMC in 1986-87 when recovery went down.

(2) Political leaders many a time gave false promises that the overdues of co-operative societies would be written off by the government. The better and bigger farmers, hence, indulged in wilful default.

The main outcome of this case study is that the overdues of co-operative societies increased mainly because of the weak and unstable financial condition of the farmers. It is necessary, as shown by this case study, to increase the income earning capacity of the farmers. This economic base also must be well protected from seasonal fluctuations leading to risky and unstable income.

NOTES

1. Under this scheme the primary societies were allowed a longer repayment plan. Instead of the system of settling the whole outstanding dues at the end of the year, the societies are now required to repay only 20 per cent of the capital amount due and 100 per cent of the interest amount due.

2. It should be noted that as the target amount of recovery is reduced, the amount recovered though less than usual can show a larger percentage of recovery.

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