



Co: operative bank lending: An agricultural perspective

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Abstract

India is an agrarian economy finds the funding mechanism of the cooperative banks as a crucial reaching the rural India. The cheapest and the best source of rural credit in India is definitely the co-operative finance. The cooperative banks catered to the needs of agricultural sector through their huge network of credit societies in the institutional credit structure. In India the active primary agricultural credit societies (PACS) cover nearly 86 per cent of the Indian villages and account for nearly 36 per cent of the total rural population of the country. Though co-operative land development banks have partially met this need, their impact on the farm economy has been far below expectations.

Keywords: co: operative structure, agriculture, allied activities

1. Introduction

The historical backdrop of agriculture in India goes back to Indus valley civilization era and even before that in certain pieces of southern India. India positions second worldwide in ranch yields. According to 2018, agriculture utilized half of the Indian work drive and contributed 17 to 18% to country's GDP. India positions first comprehensively with most astounding net trimmed zone perused by US and China. The monetary commitment of horticulture to India's GDP is consistently declining with the nation's expansive based financial development. In any case, horticulture is demographically the broadest monetary area and assumes a huge job in the general financial texture of India.

Indian is a horticulture based nation; where over half of populace is rely upon farming. This structures the primary wellspring of pay. The responsibility of agribusiness in the national salary in India is even more, hence, it is said that farming in India is a spine for Indian economy.

The Co-operative Credit Institutions in India can be classified as under a three-tier structure.

1. Primary Credit Societies at the bottom
2. Central Co-operative Bank at the middle
3. State Co-operative Bank at the top

Main Features

1. Primary agricultural credit societies

- Assessment of credit needs
- Disbursement of credit to members
- Recovery of credit
- Promote the economic interests of the members

2. District central cooperative banks

- Serve as balancing centre in the district central financing agencies
- Organise credit to primaries
- Carry out banking business
- Sanction, monitor & control implementation of policies

3. State cooperative banks

- Serve as balancing centre in the state
- Organize provision of credit for credit worthy farmers
- Carry out banking business
- Leader of the cooperatives in the state

4. National federation of state cooperative banks

- Provides a common forum to the member banks
- Promotes and protects the interests of the member banks
- Co-ordinates and liaison with government of India,

5. Reserve bank of India, national bank and others

- Provides research and consultancy inputs to the member banks
- Organizes conferences/seminars/workshops/meetings

Role of Co: operative banks in agriculture lending

Agriculture is the core sector of the Indian economy. It records of almost 15% of the total National Income and gives occupation for over 60% at the working populace of the nation. Credit plays an important role in improving horticulture generation, efficiency what's more, in this way alleviating the misery of the farmers.

The government of India started the cooperative movement of India in 1904. Then the government therefore decided to develop the cooperatives as the institutional agency to tackle the problem of usury and rural indebtedness, which has become a curse for population. In such a situation cooperative banks operate as a balancing centre.

India's cooperative banking structure consists of two main segments, viz., agricultural and non-agricultural credit. There are two separate structures in the case of agricultural credit – one for short and medium term credit and the other for long term credit. The cooperative credit structure for short and medium terms is a three tier, one with primary agricultural credit societies at the base level, the central

Co: operative bank at the district level and state cooperative bank at the apex level. Though the organization of central and state cooperative banks was mainly for the benefit of the agricultural credit sector, they serve non-agricultural societies too.

Satisfactory and opportune access to horticulture credit assumes a critical job in improving homestead creation and efficiency and subsequently the work of ranchers. About 80% of out agriculturists are little and negligible ranchers, intensely reliant on layaway for carrying on their occasional agrarian tasks. The more than multi year old Cooperative Credit System (CCS) in the nation has been a noteworthy supplier of horticultural credit, mostly transient advances for raising harvests, serving an expected half of all ranchers served by institutional acknowledge organizations with over 75% of the its credit disbursal being for little and negligible ranchers.

The cooperative banks in India was developed as a solution to avoid the hardships of farmers and the weaker section of the society and the mission to provide agriculture loan to the needy farmers at a reasonable rate of interest and protect them from clutches of private money lenders. The credit system in India includes two parallel structures *viz.* the three level transient credit structure for allotment of short, medium and long term credit. The short and medium term credit structure for harvest creation and agribusiness partnered exercises for carrying out agriculture operation and long term credit structure for giving long haul credit to interests in agribusiness, e.g., land advancement, ranch motorization, agriculture and so forth. The cooperative banks not only grant loan but also undertakes distribution and marketing functions. Primary Agricultural Credit Society was developed to meet all the borrowing needs of farmers called multi-service centers (MSCs), this will help the PACS to offer additional services i.e., through increasing the business portfolio of PACS.

Cooperatives give credit to the farmers, the most required thing in the cultivating. Aside from this cooperatives help farmers by giving top quality manures, seeds, bug sprays, pesticides and so on at sensible cost. Farmers additionally get promoting, warehousing office and transportation support from the cooperatives. Cooperative banks help poor people and negligible farmers with tractors, threshers and so on lease.

The cooperative banks provide many services for the agricultural development. Some of them are as follows: Disbursement for the year 2014-15 Rs.105.06crore was assigned to

- Establishment of agro service centers
- Rural retail outlets
- Agri-marketing infrastructure
- Rice mills
- Rural warehouses (godowns)
- Reverse osmosis water treatment plants.
- Tent houses and the catering business
- Farm machinery or implements for custom hiring
- Transport vehicles foe agricultural produce

These are the services provided by cooperative banks.

Credit facilities provided by cooperative banks

- Redemption of old debts
- Improvement of land
- Purchase of costly agricultural equipment

- Construction of wells and erection of pumps
- Purchasing of agricultural machinery etc.,

These foundations have been upheld both by method for approach and renegotiate bolstered for an extensive time by the RBI and later by the ARDC and NABARD.

Role of Co: operative bank in rural lending

Rural development is a major concern before our planners. Most of the planning objectives cannot be achieved without making sufficient and necessary efforts towards rural development. How the issue of rural development is addressed by country decides its approach towards comprehensive economic development. From this point of view the process of development in every developing country should be rural development. Most of the developing countries have a large population in rural areas. There is continuous and growing divide between urban and rural regions. This growing division leads to neglect of rural areas, disproportionate distribution of resources and absence of logical approach towards development. The issues and problems in rural area often remain neglected and people in rural area develop a feeling of step motherly treatment. Want of resources, lack of infrastructure, low income and lack of progressive approach of people are some of the reasons of absence of low development in rural areas.

India is fundamentally an agrarian culture with the greater part of its populace as yet dwelling in the towns. Country part is the significant supporter of the general GDP of the country and thus absence of advancement in towns implies absence of improvement in India. Agreeable social orders are assuming huge job in this and offer a noteworthy credit in the development of country division which alongside government and private areas add to the general economy of India. Cooperatives spread more than 97% of Indian towns; some kept running by its individuals and some by the administration.

Requirements of provincial individuals are served by various types of private and government associations including organization firms, cooperatives, organizations and altruistic trust. Government every year spends lakhs to crores of rupees on provincial advancement. In any case, cooperatives working in country territories are assuming important job in this.

After independence the job of cooperative banks developed to include financial improvement and annihilation of neediness in rural India. It turned into a necessary part of five year plan. With this cooperative banks turned into an essential piece of our economy.

Main aim of cooperative bank is to eradicate the poverty in rural areas, help the indebted farmers to get out of poverty and from the grasp of cash money lenders. Inside limited capacity to focus time, job of cooperatives reached out past farming credit. It began to cover the activities, for example, production, farming, marketing and processing. Cooperatives are presently assuming an extremely critical job in the financial improvement of our nation particularly the country India.

Types of agriculture lending by Co: operative bank

An agribusiness credit is an overdraft office which could be utilized to meet the expense of cultivating, development and working capital activities for agri-business and related activities. The farmers can use the low interest agriculture

loan to run their farming business more efficiently. Horticulture is the foundation of Indian economy and it certainly does not shock see money related establishments offer fiscal guide to ranchers the whole way across the nation. Rural credits are accessible for various types of cultivating related activities.

Types of agricultural loans in India

Loan to agriculture given for the following sectors

- Loans for Agricultural Activities
- Loans for Agricultural Infrastructure
- Loans for Agricultural Allied activities

These financial support are provided in the form of grants and subsidies too, it helps the farmers if the crop are damaged or loss of crops.

Agrarian credits in India are not just offered to ranchers moving in the direction of the development of nourishment crops, however they are accessible to any individual who is occupied with other agribusiness related divisions like agriculture, aquaculture, creature cultivation, silk cultivating, apiculture and gardening.

The credit requirements of agriculture are of three types

1. Short: Term
2. Medium: Term
3. Long: Term (LT)

1. Short term loan

Crop loan is a short term credit and it is given by primary credit cooperative. It is provided for 15 months and is meant for meeting the needs like seed, fertilizer, labour, cattle feed, etc. The time of advance is around one year with the exception of sugarcane for which the period 18 months. Short term loan would consist of different purpose viz. for Agriculture and Allied activities, Marketing of crops, Fisheries sector, etc.

2. Medium term loan

Medium term loans are granted for purposes such as sinking of wells, purchase of bullocks, pumping plants and other improved implements, etc. The period for medium term loan is from 15 months to five years.

3. Long term loan

The period of Long-term credit is generally 5 to 20 years or even more in some special cases. This applies to agriculture also. In Agriculture, long-term investment comprises of sinking well, land leveling, fencing and permanent improvements on land purchase of big machinery like tractor with its attachments including trolleys, establishment of fruit orchard of mango, cashew, coconut, sapota (chiku), orange, pomegranate, fig, guava, etc. There are many other items of long-term capital investment. Investment once made in the beginning continuous to give returns over a long period. Fruit orchards particularly do not give any income in the first 4-5 years as in case of other seasonal crops.

Long term loans are given by cooperative banks for agribusiness and even for industry. Long term loans for farming tasks are given by isolated cooperative banks called Cooperative Land Development Banks. They were recently called Land Mortgage Banks.

Other similar types of agricultural loan schemes

The NABARD has developed a number of other schemes,

some of them are listed below:

▪ Dairy entrepreneurship development scheme

This plan is intended to advance the dairy segment, explicitly by setting up modernized dairy ranches, advancing calf raising, give framework, redesigning strategic tasks to improve the item on a business scale, and produce independent work.

▪ Rural godowns

The fundamental goal of this plan is to help ranchers all through the nation by giving them godowns. This will thus improve their holding limit definitely and subsequently, they will probably sell their produce at reasonable rates, instead of offering them under pain. Likewise, with a nationalized distribution center framework set up, the showcasing of rural produce winds up easier.

▪ Loan against warehouse receipts

Warehouse receipt financing fills in as a secure method to counteract trouble deals. At the point when a farmer needs reserves, post-reap, he should simply store his produce in a Warehousing Development and Regulatory Authority (WDRA) authorize distribution center, which thus issues him a receipt. This distribution center receipt specifies critical subtleties like quality and amount of the produce, and can be utilized to get credit from banks up to 70 percent of the guarantee esteem.

▪ Solar schemes

These plans were executed so as to decrease reliance on framework control by advancing the utilization of sun oriented hardware. The thought here is to replace the diesel pumps with sun based ones, taking into account that they have low working expenses and are condition well disposed.

▪ Kisan credit card scheme

The Kisan Credit Card is a plan propelled by the Indian banks in 1998, as an approach to satisfy the monetary necessities of the agriculture sector. This is finished by giving financial help to farmers, which thus accompanies different highlights and advantages. The quantum of the advance relies upon a few variables like expense of development ranch support cost and so on. With the help of KCC card the farmers can withdraw the funds for domestic requirements and for the crop production

▪ RuPay kisan credit cards

NABARD in January, 2013 set up Special Project Unit-Kisan Credit Card (SPU-KCC) with a command for empowering cooperative banks and Local Rural Banks the nation over to issue Rupay KCC platinum cards. The center goal of the unit is to encourage issuance of cards by these banks through direction, co-appointment with National Payment Corporation of India (NPCI), communication with support banks of RRBs and cooperative banks. The general objective is to create money less eco framework by empowering the cultivating network to benefit all new financial offices at standard with urban territory of the nation. The SPU undertakes policy formulation and connecting with different partners to accomplish the above objective.

The other types of agricultural loans

▪ The Pig Farming

Co-operative bank, commercial bank, NABARD etc. also provide Pig Farming loan to farmers. For piggery development schemes with very huge outlays, complete project information will have to be prepared. In Pig farming project farmer should include information on land, livestock

markets, availability of water feeds, veterinary aid, breeding facilities, marketing aspects, training facilities, experience of the farmer and the type of assistance available from State Government Regional Pig breeding centers. The substance such as land development, building of sheds and other structures, purchase of the breeding, equipment, feed cost up to the position of income generation are generally measured under bank loan. Other items of investment will be measured on required basis after providing the adequate information. The price of land is not considered for lend. However, if land is purchased for setting up the piggery farm completely, it can be measured as beneficiaries margin money.

▪ **Dairy farming**

Dairy cultivating is a major disorderly part in India and a noteworthy hotspot for salary in rustic territories. While trying to get in structure into the dairy cultivating and surrenders support for setting dairy cultivates, the Department of Animal Husbandry, Dairying and Fisheries propelled the "Investment Scheme for Dairy and Poultry" in 2005. The plan offers intrigue free credits for setting up dairy units in India.

Dairy cultivating is extraordinary business in India and as indicated by "Assocham report", milk creation in India is probably going to achieve 190 million tones by 2015 with a yearly turnover of over Rs.5 Lakh Crores. With an end goal to additionally fortify dairy cultivating in India, the NABARD subsidizing for dairy cultivating has been launched.

▪ **The Fisheries Development**

Cooperative bank, business bank, NABARD and so forth additionally give Pig Cultivating advance to farmers. For fisheries improvement Financial help is exhaustive for structure/redesign of lakes/tanks., working of conduits, procure of fish prawn, sear and fingerlings/fish seed/prawn seed, obtain of information sources like oil cake, manures, natural composts and other feed materials up to the first gather, secure of nets, boxes, bins, ropes, scoops, snares and other extras and so forth.

▪ **Scheme for Financing Marine Fisheries**

Loan can be provided for acquired of automatic/non-automatic boats/deep sea fishing vessels/tractors, acquire of nets-travel net/purse-seine/grill nets, acquire of other deck equipments like travel, winch, wire rope, gallows, net-handler, navigational lights, life jackets, life boats, anchors, direction finders, fish finders, etc. purchase of marine engine, etc.

▪ **Sheep Farming**

Sheep with its multi-aspect viability for fleece, meat, milk, skins and compost structure a fundamental piece of country economy principally in the parched, semi-bone-dry and bumpy territories of the nation. It gives a solid wellspring of income to the shepherds through exchange of fleece and creatures. Sheep make a valuable job to the work of the financially more fragile areas of the general public. Among the animals proprietors the shepherds are the most unfortunate of the part. For Sheep improvement plans with gigantic expenses, point by point reports will must be prepared. The recipients may utilize the administrations of NABARD Consultancy Services(nab cons) having recognition in creating domesticated animals ventures for planning of the task report to point the bank credit for the things for example, buy of rearing creatures, development of sheds, buy of types of gear and so forth. The expenses of

land isn't considered for credit. The Scheme ought to incorporate data ashore, domesticated animals market, accessibility of water, bolsters, grain, veterinary guide, reproducing offices, training facilities, experience of the farmer and the kind of help accessible from State Government, Sheep society/association/alliance.

Types of rural lending from Co: operative banks

The Cooperative banks lends various non-agriculture loans given to rural peoples in order to improve their standard of living. Some of them are as follows:

- Rural Housing loan
- Vehicle loan
- Loan to artisans
- Loan for Land Purchasing
- Loan to small and cottage industries in rural areas
- Other non-agriculture loans

Beneficiaries of agricultural lending by cooperative banks

Agriculture loan is an overdraft facility which could be used to meet the cost of farming, cultivation and working capital activities for agri-business and associated activities. Agriculture loans are generally low interest loans that farmers can avail to run their farming business more efficiently.

There are various agriculture loans provided by the farmers to help the in their agribusiness. They are as follows:

1. **Farm Operating Loans:** Agriculture loans for day-to-day needs or expansion requirements.
2. **Farm Ownership Loans:** These include loans for buying agriculture or farming machinery, livestock, tractors etc.
3. **Farm warehousing loan:** This loan helps the farmers to store their agriculture products at one place i.e. Warehouse.

Purpose of lending for the farmers

- For Horticulture Plantation
- For Minor Irrigation
- For Sericulture
- For Purchasing Farm Machinery

The farmers are the beneficiaries of agricultural loans. The farmers gets help in the form of agriculture loan i.e. by availing loan from banks the farmers can run their agribusiness efficiently.

Beneficiaries of rural development lending

The beneficiaries of rural lending are rural peoples. The main aim of the Cooperative bank is to develop the rural areas by helping the peoples through lending loans.

The cooperative banks lends various loans such as

▪ **Rural housing**

This loan helps the rural peoples to build their own house by taking loans from banks.

▪ **Loan to women borrowers**

By lending loans to women borrowers the bank helps the women to startup their own business and earns their livelihood.

▪ **Loan to cottage industries**

By lending loans to cottage industries it encourages the rural peoples to work by sitting at home, and encourages their

skill

▪ **Loan for infrastructure development**

The Cooperative banks also lends loan for infrastructure development in rural areas so as to develop the rural areas.

Conclusion

The Post-Independence era, the co-operatives were floated as a developmental agenda of the Government of India. The co-operatives suffered some deficiencies and was not able to capitalize on the main agenda. The lacks of integration of the co-operative units lead to dilution of the very purpose and tenet of the same. There is a comprehensive effort that needs to be initiated on the individual unit end to consolidate on the whole. The political interference has been an obstacle in the liberalized functioning. The co-operative if would function in just way could definitely provide impetus to the farmers.

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