International Research Journal of Human Resource and Social Sciences
ISSN(O): (2349-4085) ISSN(P): (2394-4218)
Impact Factor 6.924 Volume 9, Issue 09, September 2022
Website- www.aarf.asia, Email : editoraarf@gmail.com

ROLE OF CO-OPERATIVE CREDIT SOCIETIES IN AGRICULTURE CREDIT

Manoj Bhai Suthar
Research Scholar Sunrise University Alwar
Dr. Ashok Kumar Yadav
Associate Professor Sunrise University Alwar

ABSTRACT

Agricultural Credit Cards are not new concept in the field of agricultural banking in India. The scheme had already been introduced by number of public sector banks in few states much earlier. These schemes were niche marketed and were exclusively preserved for the privileged class of farmers. Similarly cash credit facility was being extended by several public sector bank and co-operative banks to farmers with the view to improving their access to credit. Again, this scheme was used only selectively. Kisan Credit Card Scheme (KCC) scheme was introduced in 1998-99 to provide farmers with timely credit for their agricultural operation. The main objectives of the Scheme is to meet the short term credit requirements for cultivation of crops, post-harvest expenses, provide loan for marketing of crop, consumption requirements of farmer, working capital for maintenance of farm assets and allied activities to agriculture like dairy, animals, poultry, inland fishery etc. The revolving cash credit facility allows any number of withdrawals and repayments within the limit. This limit is fixed on the basis of operational land holding, cropping pattern and the scale of finance. Sub-limits may be fixed at the discretion of banks. In this scheme eligible farmers are provided with a Kisan Credit Card and a passbook.

KEYWORDS: Co-Operative Credit Societies, Agriculture Credit, Agricultural Credit Cards, agricultural bank, Kisan Credit Card Scheme, India

INTRODUCTION

Commercial Bank never gave much importance to agricultural credit they never thought of it as their ordinary business. Commercial banks indirectly financed the merchants, who in turn would give advances to villagers. Direct loans were given to agriculturist on the pledge of product ornament and other valuables.

The various types of indirect finance given by imperial bank is through:

- Advance given to commission agents
- Financing the movement of produce from the distributing Centre's to the exporting ports.

In the recent times the Indian economy is growing on a faster pace. But the performance of the agricultural sector was very low in comparison with the other sectors the growth of the agriculture sector was very poor. Previously commercial banks were confined only for urban areas serving the activities of trade, commerce and industry. The role of commercial banks in rural credit in 1951-52 was very less it was only 0.9% and 0.7% in 1961-62. The lending's of Commercial Banks was very less to agriculture due its risky nature that is high dependence on monsoon and its unorganized nature. After nationalization in 1969 Commercial Banks were made to play an active role in agricultural credit.

In 2002-03 the estimated growth of Indian economy was 3.7% to 5.6% during 2001-02. This was because of the low growth of agriculture of 4.4%. Without the growth of the agricultural rural sector the economy cannot grow vigorously.

The manufacturing and the service sector cannot sustain economic development if there is underperformance of the agricultural sector.

Banks play a major role in the Indian financial system. Though finance is available through various alternative sources. Bank credit was 35% of the total flow of financial resources during 2016-17. The bank asset quality and profitability is been detoriating persistently. Demonetization of November 2016 for specified bank notes has temporarily impacted the banking sector performance;the function of the Primary Credit Societies is in villages and towns. Whereas the

Central Bank at the District level and the State Co-operative Banks at the state level. The State Co-operative is the Apex Bank. Through NABARD the RBI assists the Co-operative societies.

1. **The Primary Agricultural Credit Societies :**The Primary Agricultural Co-Operative Societies are a group of borrowers and non-borrowers residing in a particular locality. Membership is open to the members in the locality. Primary Agricultural Co-operative society's net worth is less than Rs. One lakh. They are also called as Urban Co-operative Banks. Primary Agriculture Credit Societies are outside the purview of banking regulation act 1949 and so not regulated by RBI.

2. **Central Co-operative Banks:** The District Central Co-operative Bank and StateCo-operative banks are registered under the provision of state Co-operative Act and is regulated by the Reserve Bank through NABARD,

3. **State Co-operative Banks:** State Co-operative Banks are set up with theobjective of attracting deposits from the rich urban class.

RECENT DEVELOPMENTS IN THE AGRICULTURE SECTOR:

In the recent development of priority lending by commercial banks the commercial banks have exceeded the annual target of agricultural credit by 28% during 2016-17.

The flow of credit to agricultural sector has increased to Rs. 10.658 lakh cores which surpasses the target of Rs.9 lakh crores.

Priority sector loan includes agricultural loans to farmers, allied activities, MSMES, Housing loan for poor and educational loans.

Development in Co-operative Banking:

Co-operative credit societies are owned financial cooperatives of members it is controlled by its members. Co-operative Credit societies are registered under the Registrar of Co-operative Societies. Co-operative Societies are people working together with a common economic objective and they together form a society. They work on the principle of self-help and mutual help. The Co-operative credit societies Act 1904 led to the formation of Co-operative credit societies.

Co-operative Banks mainly comprises of Urban Co-operative Bank and Rural Credit Institutions. They were mainly setup with development objectives, the prime objective was meeting the credit needs of financial services for villages and small towns.

The Co-operative Banking sector of India by the end of March 2017, consists of 1562 Urban Co-operative Banks (UCBs) and 94384 rural Co-operative credit including short-term and long-term credit institutions. The year 2015-16 showed a deterioration in the growth and profitability of UCBs however the rural Cooperative banks showed a growth.

Government of India and Reserve Bank of India:

In 2004-05 the Government and RBI introduced the policy of doubling agricultural credit. The banks made available basis banking “no frills” account with low or nil minimum balance and also low or no charges.

National Agriculture Insurance Scheme (NAIS)

National agriculture Insurance Schemes in 1999-2000 implemented this scheme. This was an insurance coverage and financial support to the farmers. In case there is a crop failure due to natural calamities or pests and diseases. During this time of disaster the farmers can avail this insurance coverage and this will motivate the farmers.

Government of India and NABARD:

The Government of India and NABARD established various innovative funds and schemes like:

i. **Rural Infrastructure Development Fund**

Rural Infrastructure Development Fund was set up for financing rural infrastructure projects. National Bank for Agriculture and Rural Development maintains its funds.

ii. Micro Finance Innovations

Micro Finance Innovation isa new innovative process of personalized online lending. It facilitates loans to individual's small businesses and poor persons.

iii. Kisan Credit card Schemes

It's a credit card scheme introduced with the main objective to meet the credit requirement of the agriculture sector and also supporting farmers financially

Refinance under Swarnajayanti Gram Swarozgaryojna:

Swarnajayanti Gram Swarozgaryojana is a scheme covering all aspects of self-employment it's a scheme for organizing the poor into self-help groups, for training them and providing credit, updating on technology infrastructure and marketing. This schemes is funded by centre and states in the ratio 75 :25and is implemented by commercial Banks, Regional Rural Banks and Cooperative Banks.

ROLE OF BANKS FOR ECONOMIC DEVELOPMENT:

According to Prof. Cameron in his book "Banking and Economic Development", states that there is a positive contribution of the banking system for the economic growth and development.

Definition: Economic Development:

Economic development is the process where the entire supply of goods and services of the society rises leading towards developed living standards.

The first and foremost role of a Bank is to collect the money from a scattered community to mobilize savings. The Bank plays a major role in the Economic Development of a country.

Some of the major roles of Banks in the Economic Development of a country are as follows :

1.**Saving Habits and Capital formation:**

Banks helps in capital formation it collects money from a scattered community and this in turn helps in savings, Investment and for increasing productive activities. Banks helps in promoting saving habits in people.

1.Credit Creation:

Credit Creation is a major role of Banks which helps in employment, sales and increased production.

1. **Industrialization:**

Banks help in industrialization it motivates various industries to develop by providing loans for various activities.

2. **Bank Rate Policy:**

The Reserve Bank of India sets up the Bank rate policy by which interest rates are regulated this in turn regulates money supply.

3. **Government Financing:**

Banks lends money and also discounts bills of exchange.

Bank provides short term and long-term fund to the Government. Short term for purchasing treasury bills and long term for investment.

4. **Agriculture Development:**

Agriculture is the most vital sector of the economy. Bank helps in the development of the agricultural sector by providing loans and advances at a lower interest rate,

CHALLENGES IN AGRICULTURE CREDIT:

"Slow agricultural growth is a concern for policymakers as some two-thirds of India's people depend on rural employment for a living. Current agricultural practices are neither economically nor environmentally sustainable and India's yields for many agricultural commodities are low. Poorly maintained irrigation systems and almost universal lack of good extension services are among the factors responsible. Farmers' access to markets is hampered by poor roads, rudimentary market infrastructure, and excessive regulation."

— *World Bank : "India Country Overview 2008"*

One of the major problem in agriculture is farmers are given loan according to their land holdings Land is major source of security for availing loan and due to this the farmers without any land find it very difficult to acquire loan.

PROGRESS OF AGRICULTURE CREDIT:

Agricultural credit is a crisis very critical to the farmers. It had to face various challenges. Some of the main problems for agricultural credit crisis was:

1. The high population pressure and less importance given to agriculture. The land holding size of the farmers from 1960-61 has fallen from 2.63 hectares to 1.06 hectares in 2003 and this was due to the drought in 2003.

2. Agricultural cultivable land is divided into dry farming and rain fed farming.

3. The failure to promote the new generation with new agricultural technologies.

The agriculture sector progressed gradually under the first five-year plan:

First five-year plan for Agriculture:

The main objective under the first five-year plan was to bring back the changes created in the Second World War and the Partition made after that.

Due to the partition the wheat area of Punjab and the rice area of Bengal went to Pakistan. To overcome this the first 5-year plan gave a lot of importance for the development of Agriculture out of the total actual investment of Rs.1960 croresRs. 601 crores that is 31% was allocated to agriculture. The target was realized to some extent.

Second Five-year Plan for Agriculture:

In the first five-year plan there was over fulfillment of food output and this induced the planners to think that agriculture is strengthened and agricultural problems were sorted. The allotment to agriculture reduced it was 20% as compared to 33% in the first five year plan. The targets set were high and the second five year plan failed to achieve the target. The poor developments of agriculture led to rising price of food grains. Imports of food grains resumed.

Third Five Year Plan for Agriculture:

The third five-year plan set the agriculture to attain self-sufficiency in food grains and to increase production so that exports can be done. But it was found that the third five year plan was also not able to meet the required target. Agriculture production fell drastically. The target to increase up to 30% i.e. 6% per year fell to 10% that is 2% per year.

Annual Plan

The Government wasn't able to introduce the fourth five-year plan in April 1966. So the Government introduced the Annual plan for 3 years 1966-69. The annual plan introduced the adoption of Green Revolution which consisted of new agricultural strategy.

Fourth Five-year Plan:

The failures of the third five-year plan made the planning commission to plan the fact that agriculture has to be increased in a higher speed and it should be given top priority.

The fourth five-year plan set up two main objectives:

1. To increase productivity to 5% p.a. over the next decade.
2. To include small farmers, agricultural laborers and rural population in the development of agriculture and share its benefits.

But in spite of all this the fourth five year plan was also not able to meet the expected target. The target for food grains was 129mn. Tones for 1973-74 and the actual production was 103mn. Tones. The two major reasons responsible for the failure was :

1. The production of fertilizers was lesser than the requirement. Failure to increase production and non-availability of fertilizers in international market was one the reasons.
2. The target of increasing irrigation was not satisfactory and because of this self-sufficiency in food could not be met and the country was forced to import food grains from 36 mn tones in 1973 to 48mn tones in 1974.

Fifth Five Year Plan:

In determining targets the Fifth Plan has clearly stated its objectives:

"It is envisaged that the fulfillment, of these tar gets will make country not only self-sufficient in respect of food grains but also leave a cushion for building a buffer stock. The dimension of growth in commercial crops envisaged in the Plan are such as to take care of export requirement in addition to meet the indigenous needs by way of industrial raw material." In other words, the objective is foo d self-sufficiency and self-reliance."

Sixth Five Year Plan:

In 1979-80 the country witnessed the worst drought and this affected agriculture drastically. As it was a drought situation the target achievement was satisfactory comparatively.

Out of the overall crop production only wheat production was able to meet the planned targets.

There was relatively good development of agriculture under the 7^{th} 8th 9th 10^{th} and the 11^{th} plan.

The major strategy of the 11^{th} five year plan was :

a) Replicating the rate of growth of irrigated land;

b) Refining water management, rain water harvesting and watershed development;

c) Regaining degraded land and concentrating on soil quality;

d) Linking the knowledge opening through active postponement;

e) Diversifying into high value outputs, fruits, vegetables, flowers, herbs and spices, medicinal plants, bamboo, bio-diesel. But with adequate measures to ensure food security;

f) Promoting animal husbandry and fishery;

g) Providing easy right of entry to credit at reasonable rates.

h) Improving the encouragement arrangement and functioning of market, if necessary, throuugh state intervention for improving the prices of agricultural produce and

i) relocation on land reforms issues. National Commission on Farmers has already laid the foundation for such a framework.

MAJOR DRAWBACKS OF AGRICULTURE PLANNING IN INDIA:

The major drawbacks of agriculture planning in India were:

1. The first five-year plan gave great importance to agriculture but failed to give similar importance to second five-year plan. The monsoon was also favorable during the first five-year plan this created self-complacency.

2. The Government failed to give much importance to quick yielding crops instead it gave more importance to long gestation period projects.

3. Lot of expenses were incurred on unproductive production.

4. The farmers were allotted very less credit much less than their regular requirements

5. No provision was there for agricultural fertilizers pesticides cement etc.

6. New farming techniques were not practiced among the farmers.

7. The targets set during the various five year plans were only on papers.

CONCLUSION

A study of agricultural finance with respect to farmers in co-operative bank included that the government through its various schemes of finance to agriculture aim at helping farmers and by helping it attempts to promote the growth and productivity of agriculture. This enhancing attempt is a major encouragement to farmers to sustain the growth in agriculture. The scheme of finance explained is a continuous and sustained effort of the government to encourage farmers.The “Agriculture statistics at a glance 2016” shows a detailed analysis between Budget Estimate, Revised Estimate and critical expenditure. It’s been observed that a large amount is been sanctioned for agriculture but the actual expenditure is lesser than the amount allotted. There is a vast difference between the budget amount sanctioned and actual expenditure incurred. The various policies and schemes initiated by the Government, Budgets, research papers and articles strengthen these facts. There is no major change in the life style of the farmer’s pre and post implementationBanks play a major role in the Indian financial system. Though finance is available through various alternative sources. Bank credit was 35% of the total flow of financial resources during 2016-17. The bank asset quality rating with regard to credit risk and profitability is been deteriorating persistently. Demonetization of November, 2016 for specified bank notes has temporarily impacted the Banking sector performance.Co-operative Banks are not only developing banking system but are also delivering better banking solution and services. Farmers have shown a tremendous amount of trust in Co-operative Banks. Pune District Central Co-operative Bank sown as a sapling has entered into its 100th year. It’s grown into a large tree. With its profits deposits and loans growing at a steady rate over the years. Growing high value crops is cash intensive and entails huge share of working capital, but most farmers do not have access to credit from formal institutions thus opt for informal lending thus high cost of working capital is a major constraint to smallholders' adoption of high-value farming. Rural market is the potential market to take the economy at a greater height. Co-operative Banks promises bright future harmony and prosperity of the entire nation.

REFERENCES

1. Mishra, P., Chaudhary, P., Anand, A., (2020). Migration and Child Health: Understanding the coverage of child immunization among migrants across different Socio-economic groups in India. Children and Youth Services Review, Vol. 119.

2. Kolte, A., Deshmukh, S., Gidwani, M., (2019). Socio- Economic state of Farmers in the state of Maharashtra. Adalya Journal. Vol. 8.

3. Dhillon, H., (2013). SOCIO-ECONOMIC STATUS OF FARMERS OF PATIALA AND SANGRUR DISTRICT.

4. Singh, T., Kumbhar, V., Kumari, S., (2016). Study of socio-economic status of farmers in drought prone regions of Maharashtra, India - A case study. International Journal of current research. Vol. 8, Issue 6, pp 33304-33306.

5. Roy, M., Chandra, N., Kharbikar, H., Joshi, P., Jethi, R., (2013). Socio-economic Status of Hill Farmers: An Exploration from Almora District in Uttarakhand. International Journal of Agriculture and Food Science Technology. Volume 4, pp. 353-358.

6. Chauhan, S., Sekher, T., Kumar, P., Srivastava, S., Patel, R., (2020). Prevalence, determinants and socio-economic inequality of early marriage among men in India, Children and Youth Services Review. Vol. 116.

7. Quaglia A., Lillini R., Casella C., Giachero G., Izzotti A., Vercelli M., (2010). The combined effect of age and socio-economic status on breast cancer survival. Critical reviews in Oncology and Hematology. Vol. 77, Issue 3.

8. Reddy G., Gangisetty N., Reddy T., (2015). A Study on Socio Economic Conditions of Farmers in Kurnool District. MERC Global's International Journal of Social Science & Management. Vol. 2, Issue 4, pp 281-288.

9. Faridi, Muhammad & Ahmad, Rashid & Bashir, Furrukh& Khan, Maria. (2021). Socio-Economic Status of Farming Community: A Case of District Rajanpur. Review of Applied Management and Social Sciences. 4. 485-494. 10.47067/ramss.v4i2.149.

10. Reddy K, Viswanatha&Venkatesh, Paramesh& Singh, N. &Mahajan, Gopal. (2017). Socio-Economic Status of Livestock Farmers of Ibrahimpur Village, North Goa District: A Benchmark Analysis. Economic Affairs. 62. 1-6. 10.5958/0976-4666.2017.00017.1.