

CHALLENGES BEFORE CROP LOAN SCHEME- A STUDY WITH SPECIAL REFERENCE TO PRIMARY CO-OPERATIVE CREDIT SOCIETIES

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Abstract

Primary co-operative credit societies form an integral part of the co-operative credit structure. These societies operate mainly for the benefit of rural areas particularly the agricultural sector. They are the main source of institutional credit to the farmers. Co-operative credit societies are chiefly responsible for breaking the monopoly of money lenders in providing credit to the agriculturalists. They have an extensive branch network and reach out to people in remote areas. Co-operative credit institutions have played a catalytic role in mobilising rural savings and stimulating agricultural investment. Credit facilities are given to the farmers on the basis of their production needs and also on the basis of the produce to be harvested by the peasants and the type of cultivation practiced in the area.

Key words: co-operative credit societies, crop loan and credit co-operatives

Introduction

In 1945, the Agricultural Finance Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries spelt out the main features of this system. They are as follows, (1) The Primary Agricultural Credit Society should try to meet in full short term credit requirements of its members and subject to certain limitations their medium term needs as well. (2) The credit worthiness of a member borrower should be assessed on the basis of his repaying capacity. (3) The society should have a charge on the crop. and mortgage could be undertaken if the size and period of loan requires it and (4) The loan should be advanced if necessary for a borrower and as far as possible in kind.

The general features of the crop loan scheme are as The financial requirement of the cultivators are to be assessed on the basis of the average of land and also the cost of cultivation of the crops grown, subject to the repaying capacity, It is intended to ensure that farmers are given loans in relation to their production requirements in cash and kind. The amount of loan is to be determined by the rational assessment of the needs. This is in relation to the production activity undertaken by the cultivator. These loans are repaid out of the revenue obtained by the sale of the crops. And the sales of the crops are generally linked to an agency, with which the credit society is linked. The advances are restricted to the period before sowing and end shortly before the harvest. During the season, the cultivators may be helped to meet the cost of seeds, fertilisers, weeding, harvesting etc. The eligibility of a cultivator to a loan is determined by the fact that: a. He is a bonafide cultivator. b. He is in need of credit for production activity and He is able to repay the loan out of his produce, 1 rather than by ownership of land or by the value of a tangible security. In brief, the main intention of the system is that the entire credit should be "Production Based" and "Market Oriented".

Review of Literature

Godara (2014) conducted a study on the topic “Issues and Concerns of Agricultural Credit in India”. For making the investigation more purposeful data collected from 90 farmers of six Primary Co-operative Credit Societies across three districts namely Jind, Sirsa and Bhiwani of Haryana State by the method of convenient sampling. The result indicated that all the farmers faced the problem of insufficiency of credit in comparison to their increasing credit requirements due to increasing cost of inputs. This inadequacy of credit was more severe among small and marginal farmers than large farmers. And also, the study reported that the inadequacy of credit was an important reason for lower productivity in agriculture sector.

In his paper “Performance and Prospects of Agricultural Co-operative Credit Societies in Block Bilhapur District, Kanpur Dehad (U.P.)”, Dinesh Singh Yadav (1999), evaluated the performance of primary agricultural credit co-operative societies during the period 1986-96. The study revealed that the demand for credit was positively related to the adoption of new technology and the cost of production in agricultural sector. The study suggested that more branches should be opened in this sector so as to meet the unfulfilled demand for credit.

Gurusamy and Subramaniam, (1991) through his paper “Agricultural Development and Economic Growth” tried to expose quantum of credit requirements that enabled the small and marginal farmers to adopt the high yielding variety of paddy in Kodumudi Panchayat Union, Periyar District. It is stated that the society was not able to function effectively and the farmers were not able to get adequate and timely finance from the Society. Further, the non-repayment of loans by farmers also affected the implementation of non-credit activities like distribution of seeds, fertilisers, manures and agricultural implements the study pointed out.

Through the article titled “Problems of Agricultural Loans” by Narayana, (1987) has made an attempt to examine the need of credit agencies. For making the investigation more purposeful Vysya Bank and co-operative credit society were taken into consideration. The study revealed that the farmers and others use more often the Vysya Bank for their credit requirements than the co-operative credit society. This is due to financial non viability of co-operative credit societies that results in the dominance of money lenders on farmers.

In the paper “Capital and Credit Need in Changing Agriculture”, Kumar, Joshi and Muralidharan (1995) took an effort to make an indepth study about the performance of primary co-operative credit societies in Tamil Nadu during the period 1985-86 to 1991-92. Study exposed that the demand for credit by the marginal farmers was inelastic with respect to prices of both inputs and outputs and steps to bring down interest rates on loans to marginal farmers could not be of much assist.

Statement of the problem

Farmers in Kerala, faced the problem of insufficiency of credit in comparison to their increasing credit requirements due to increasing cost of inputs. This inadequacy of credit was more severe among small and marginal farmers than large farmers. The inadequacy of credit was an important reason for lower productivity in agriculture sector. The major portion of credit borrowed by small farmers is diverted to meet domestic requirements like consumption, marriages, litigation, medicines, repayment of old debt and other social obligations. Present study helps to understand challenges before crop loan scheme of Primary co-operative credit societies.

Objectives of the study

Objective of the present study is to identify challenges before crop loan scheme.

Hypothesis of the study

Hypothesis formulated to test the above objective is the association in respect of ranking of each variable representing various challenges involved in the crop loan scheme with three categories of farmers is not significant.

Methodology

Both primary data and secondary data have been collected for the study. According to the plan of enquiry, primary data from the Members (beneficiaries) are collected by means of structured interview schedule. Secondary data collected from various sources like Statistical Abstract prepared by Statistics Wing of the Office of the Registrar of Co-operative Societies, Audit Reports of selected societies, textual information collected from Administration Report prepared by Statistics Wing of the Office of the Registrar of Co-operative Societies, Bye Laws of selected societies and Kerala Co-operative Journal. Apart from collecting data from various co-operative institutions, other sources like research articles, seminar papers, study reports of different Committees, doctoral theses, books and various government publications were tapped for developing the theoretical framework of the study. In Kerala, there are 580 Primary Co-Operative Credit Societies are registered up to 31st March, 2019 under the administrative control of Registrar of Co-operative Societies. But only 910 members are borrowed under this scheme. Among them 384 respondents were selected by using Kukeran formula.

Results and Discussion

For measuring various challenges involved in the crop loan scheme, mean rank is used. Significant association among the small, medium and large farmers on the mean score is assessed with the help of chi-square test. The classification of farmers based on the size of their landholding differs from place to place. In this study farmers were classified into three categories based on the size of their land holdings. They are classified as small farmers- (upto 2 hectare of

land), medium farmers (2-4 hectare of land) and large farmers (above 4 hectare of land). Rank correlation based on the mean rank score awarded by the farmers on various challenges of the scheme is assessed with the help of 'Pearsons rank correlation'.

Table 1
Challenges of the scheme

Variables	Small Farmers	Medium Farmers	Large Farmers	Test statistic	
	Mean rank	Mean rank	Mean rank	Chi-Square	Sig.
Purposeful delay in sanctioning of loan by PCC Societies	204.29	187.88	199.95	1.327	0.515
Societies follow more formalities for the sanctioning of the loan	208.25	189.87	193.41	0.926	0.630
Many Annexure are required to be filled for loan by beneficiaries.	218.61	192.07	184.01	2.658	0.265
Unfavourable land valuation and produce to sanction the loan.	227.85	179.89	211.67	10.262	0.006
Inadequate knowledge about the scheme	227.15	192.21	180.5	5.004	0.082
Lack of confident of beneficiaries on PCCS	188.39	184.71	213.87	5.3	0.071
Fear to follow the scheme by the beneficiaries	190.39	193.34	191.13	0.046	0.977
Society did not sanctioned the applied amount fully	190.83	184.77	212.84	5.032	0.081
Loan amount is not sufficient	163.64	202.94	176.47	8.259	0.016
Exorbitant rate of interest charged by the PCC Societies	170.15	198.45	185.52	3.005	0.223

(Source: Survey data)

The above Table shows the challenges of the scheme. Accordingly, small farmers awarded a mean score of 163.64 for the challenge “insufficient loan amount” which is found highest challenge. It is followed by exorbitant rate of interest (mean rank, 170.15), absence of confidence on PCCS (mean rank, 188.39), Fear to follow the scheme (mean rank, 190.39) and lack of interest by the Society to sanction the sufficient loan amount (mean rank, 190.83).

From the experience of medium farmers they suffered from the following challenges while practicing the scheme. As per the opinion of medium farmers, the variable ‘unfavourable land valuation and produce to sanction the loan’ (mean rank, 179.89) has got first rank. It is followed by absence of confidence on PCCS (mean rank, 184.71), lack of interest by the society to sanction the sufficient loan amount (mean rank, 184.77), purposeful delay in sanctioning of loan (mean rank, 187.88) and purposeful delay in sanctioning of loan (mean rank, 187.88).

As per the opinion of large farmers a mean score of 176.42 has given for the challenge “insufficient loan amount” which is found to be the highest challenge. It is followed by inadequate knowledge about the scheme (mean rank, 180.5), many annexures are required to be filled for loan. (mean rank, 184.1), higher rate of interest (mean rank, 185.52), fear to follow the scheme (mean rank, 191.13) and societies follow more formalities (193.43).

It can be seen from the above Table that there is no significant association among the small, medium and large farmers on the mean score awarded to the variables like ‘purposeful delay in sanctioning of loan’, societies follow more formalities, many annexure are required to be filled for loan, inadequate knowledge about the scheme, no confident on PCCS, Fear to follow the scheme, society did not sanctioned the applied amount fully and exorbitant rate of interest, as the p value obtained is greater than the level of significance (5%). It is different from those variables like unfavourable land valuation and produce to sanction the loan and loan amount is not sufficient. In these cases statistical significance is less than the 5% level of significance. So it can be concluded that there is significant association among the small, medium and large farmers on the mean score awarded to the variables like unfavourable land valuation and produce to sanction the loan and Loan amount is not sufficient. , as the p value obtained is less than the level of significance (5%).

Table 6. 1

Rank correlation based on the mean rank score awarded by the farmers on various challenges of the scheme.

Correlations			Small farmers	Medium farmers	Large farmers
Spearman's rho	Small farmers	Correlation Coefficient	1.000	-.503	.091
		Sig. (2-tailed)	.	.138	.803
	Medium farmers	Correlation Coefficient	-.503	1.000	-.867**
		Sig. (2-tailed)	.138	.	.001
	Large farmers	Correlation Coefficient	.091	-.867**	1.000
		Sig. (2-tailed)	.803	.001	.
**. Correlation is significant at the 0.01 level (2-tailed).					

(Source: Survey data)

Rank correlation based on the mean rank score awarded by the farmers on various challenges of the scheme is presented in the above Table. Accordingly there is no significant difference in the mean rank score awarded by small farmers and medium farmers (correlation coefficient: -.503, P Value 0.138>5%) and that of large farmers (correlation co-efficient: 0.091, P Value 0.803 >5%). There is a high negative correlation in the mean rank score awarded by the medium farmers and large farmers (correlation co-efficient: -.867, P Value 0.001 <5%).

6.9 TESTING OF HYPOTHESIS

For measuring various challenges involved in the scheme, mean rank is used. Significant association among the small, medium and large farmers on the mean score is assessed with the help of chi-square test. Rank correlation based on the mean rank score awarded by the farmers on various challenges of the scheme is assessed with the help of ‘Pearsons rank correlation’. The result revealed that there is no significant association among the small, medium and large farmers on the mean score awarded to the variables like ‘purposeful delay in sanctioning of loan’, societies follow more formalities, many annexure are required to be filled

for loan, inadequate knowledge about the scheme, no confidence on PCCS, fear to follow the scheme, society did not sanction the applied amount fully and exorbitant rate of interest, as the p value obtained is greater than the level of significance (5%). It is different from those variables like unfavourable land valuation and produce to sanction the loan and loan amount is not sufficient. In these cases statistical significance is less than the 5% level of significance. So it can be concluded that there is significant association among the small, medium and large farmers on the mean score awarded to the variables like unfavourable land valuation and produce to sanction the loan and Loan amount is not sufficient. , as the p value obtained is less than the level of significance (5%). Rank correlation based on the mean rank score awarded by the farmers on various challenges of the scheme is presented in the above table. Accordingly there is no significant difference in the mean rank score awarded by small farmers and medium farmers (correlation coefficient: -0.503 , P Value $0.138 > 5\%$) and that of large farmers (correlation coefficient: 0.091 , P Value $0.803 > 5\%$). There is a high negative correlation in the mean rank score awarded by the medium farmers and large farmers (correlation coefficient: -0.867 , P Value $0.001 < 5\%$). Therefore the study accepts the null hypothesis that the association in respect of ranking of each variable representing various challenges involved in the scheme with three categories of farmers is not significant.

Conclusion

Crop loan sanctioned to the farmers on the basis of their production needs and also on the basis of the produce to be harvested by the peasants and the type of cultivation practiced in the area. For measuring various challenges involved in the scheme, mean rank is used. Significant association among the small, medium and large farmers on the mean score is assessed with the help of chi-square test. Rank correlation based on the mean rank score awarded by the farmers on various challenges of the scheme is assessed with the help of 'Pearson's rank correlation'. The result revealed that the association in respect of ranking of each variable representing various challenges involved in the scheme with three categories of farmers is not significant.

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