



A Study on Role of Salem District Central Cooperative Bank in Agricultural Financing With Special Reference to Crop Loan in Salem District

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ABSTRACT

The cooperative banking sector is one of the main partners of Indian banking structure, the cooperative banks have more reach to the rural India, through their huge network of credit societies in the institutional credit structure. The cooperative covers almost all percent villages in India. Finance is considered as the basic ingredient for each and every economic activity including agriculture. Especially in the economy where agriculture is subsistence this problem is very severe. Therefore the responsibility of the state is to support this sector. For this purpose the government extends institutional credit through the cooperative banks to those who cannot afford to fully utilize the available technology. This study is help to know the role of cooperative bank in agricultural financing.

KEYWORDS

Meaning

India is agricultural based country. Agriculture sector has been the back bone of the Indian economy. Two thirds of the population is dependent on the agricultural sector through direct as well as indirect. Agriculture is facing many challenges like the shortage of man power and water along with increasing prices of inputs like seeds and fertilizers. Cooperative banks should providing credit to farmers at low rates of interest to meeting the agricultural challenging. 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, the cooperative credit is serving the India since 1904.

Agricultural Credit

Bank credit is available to the farmers in the form of short-term credit for crop production and in the form of medium-term/long-term credit for capital investment in agriculture like land development. Loans are also available for storage, processing and marketing of agricultural produce.

Types of schemes for agriculture credit

The cooperative banks should issue the agriculture loans in following schemes

- **Kissan Credit Card**

The scheme aims at providing adequate and timely credit for the comprehensive credit requirements of farmers for taking up agriculture and allied activities under single window, with flexible and simplified procedure, adopting the whole farm approach, including the short-term credit needs and a reasonable component for consumption needs, through Kisan Credit Card including repayment of farmer's dues to non-institutional lenders.

- **Agricultural Jewel loan**

The cooperative banks issue loans on the pledge of jewels both for agriculture and non-agriculture purposes. The jewel loans are more popular among the public and banks are more secure and borrowing is hassle free for the beneficiaries.

- **Joint liability group**

A joint liability allows parties to share the risks associated with taking on additional debt, and to protect themselves in the event of legal litigation and lawsuits.

PROFILE OF THE BANK

The British Government has introduced the co-operative department, in India. The bank was registered on 06.01.1909

and started its function on 26.01.1909 in the name of "Salem Urban co-operative Bank". The bank's origin was at central level and later it was turned into state level. The bank was registered as "Central co-operative bank" in 1942. In 1981, the name was altered as Salem District central Co-operative Bank".

In 1912, certain rules and regulations were farmed to form a central co-operative society. In addition, the co-operative law as farmed in 1919 and it came into practice. In India, there are 17 state co-operative banks and especially in Tamil Nadu, there are 23 district centers, out of which there are only 8 centers licensed with Reserve Bank of India and one among them is Salem District central Co-operative Bank. The Salem Deistic Central Co-operative Bank received license from the Reserve Bank of India in 1987.

STATEMENT OF THE PROBLEM

India is agriculture country, most of the people depending on the agricultural sector. The purpose of agriculture is not only to increase the agriculture production but also to increase export capacity, it improve foreign exchange. Agricultural development requires timely and sufficient supplies of essential inputs. Most formers are poor and they cannot have enough money to meet purchase of seeds, recommended dose of fertilizers, hiring farm machinery, etc. so lack of finance is one of the main reasons for low productivity in agriculture. Agricultural financing could help to purchase costly inputs and improve their production. The Agricultural financing encourage the farmers to use modern technologies and secure inputs for farm use. The cooperative banks are most important one to provide agriculture financing to the farmers for meeting their capital requirements. This study has to focus on the role play by Salem District Central Cooperative Bank in agricultural financing through crop loans.

REVIEW OF LITERATURE

Yadav (2005) opined that efforts are on to ensure availability of more bank branches in are as having high population and organizing village meets for creating awareness about facilities available with the bank, safety, liquidity of funds, various deposits and advances schemes can go a long way in fine tuning the rural finance outlets. He also pointed out that Indian banking has been playing a significant role in financing rural enterprises.

Padhy (1980) critically examined the rural development experiment in relation to Indian CBs and also analyzed the problems arising out of their presence in rural areas and possible

solutions from different angles for the much needed development and modernization of the rural sector in India.

Jain (1973) in his study of nationalized banks and rural credit in Bhilwara District in Rajasthan found that there was enormous delay in processing of loan applications and corruption in these institutions.

Kuttikrishnan (1984) in his study of IRDP in a village in Kanur district in Kerala found that only 20 percent was eligible for assistance under the scheme. The study further revealed that borrowers misused the fund received. The study concluded that the programme failed in raising the income levels of beneficiaries who were below the poverty line.

OBJECTIVES OF THE STUDY

The present study has the following objectives:-

- To study the various functions of Salem District Central Co-operative Bank
- To assess the modalities followed by the Salem District Central Cooperative Bank for sanction of agricultural loan.
- To analyze the recovery of agriculture loans granted by Salem District Central Cooperative Bank
- To estimate the agricultural loan sanctioned by Salem District Central Cooperative Bank in the next five year
- To determine the relationship between agricultural loan distribution and agricultural loan recovery by Salem District Central Cooperative Bank

METHODOLOGY

This study is based on secondary data collected from the annual reports of the Salem District Central Cooperative Bank, published articles, bye-law of cooperative bank.

For easy analysis, the table of flow Charts was drawn whether needed.

LIMITATION OF THE STUDY

This is done in the Salem District Central Cooperative Bank only. It cannot be generalized to other Banks.

The time period of the study is limited for two months.

The information given by the Salem District Central Cooperative Bank is annual reports only. It's based on secondary data.

SCOPE OF THE STUDY

- The bank can make managerial decisions, like planning, and controlling based on the agricultural financing.

SOURCES OF DATA

The research is primarily based on secondary data, with additional information gathered from the finance department of the Salem district central co-operative bank, Salem. The main sources are company's five year annual reports.

TOOLS USED FOR ANALYSIS DATA

The financial status of the Shevapet Urban Co-operative Bank, various tools for analysis

- Simple percentage
- Time series analysis
- Correlation

DATA ANALYSIS AND INTERPRETATION

Financial statements are prepared primarily for decision-making. The statements are not an end in them, but are useful in decision making. Financial analysis is the process of determining the significant operating and financial characteristics of a firm from accounting date. Operational performance has to be measured and compared with the previous years of its own to see its improvement level. Inter firm and intra firm comparison gives guidelines for future course of action.

- Simple percentage

- Time series analysis
- Correlation

Time series analysis

A time series is set of observations taken at specified times at intervals.

Time series analysis can be useful to see how a given asset, security or economic variable changes over time or how it changes compared to other variables over the same time period. Mathematically a time series is defined by the value Y_1 , Y_2 of a variable Y (closing price of share) at times t_1 , t_2 .

Correlation

Correlation quantifies the extent to which two quantitative variables, X and Y , "go together." When high values of X are associated with high values of Y , a positive correlation exists. When high values of X are associated with low values of Y , a negative correlation exists.

FINDINGS:

- The percentage of kisan credit card scheme loan distribution has to decrease 2012-2013 as 23.65 to 22.28, it has increase in 2013-2014 respectively 22.28 to 29.69.
- The Joint group liability is increase in 2013 to 2014 as 29.84 to 30.66
- The agriculture group liability percentage has to improve year by year
- The recovery of crop loan percentage is increase.
- The farmers are repaying their loan but not in time, so over dues is increase in the year 2013 and 2014.
- There is the relationship between distribution of crop loan and recovery of crop loan.

SUGGESTION:

- The cooperative bank should develop new methodology to recover the crop loans.
- Procedure of issuing loan should be made simple
- Time availability of credit should be ensured for timely purchase of the required inputs
- To give awareness about crop loan to the small farmers
- The bank should get securities from the borrowers for avoiding bad debts
- The bank should try to coordinate between board of management, members, depositors, borrowers and employee of the bank.

CONCLUSION:

The study was undertaken the role of salem district central co-operative bank in agricultural financing with special reference to crop loan in salem district.

The cooperative banking structure has to unique position in the rural credit delivery system in India. They serve both rural and urban population and are mainly cooperative banks supporting to development of agricultural and rural areas. Their key role is to give credit to various rural based entrepreneurs. It have to be develop as an effective tool to solve the financial problem of farmers. The agricultural financing greatly contribute to fulfil the capital requirement of the farmers. The borrowers allocated more land to all types of crop compared with non borrowers. The borrowers of this bank are mainly give preference to kisan credit card scheme compared with other schemes of crop loan. The bank has good position in loan distribution and recovery. Time availability of loan is much important in agricultural financing. This agricultural credit not only to increase the productivity it also helps to expand the economy of the country.