ORIGINAL RESEARCH PAPER

Commerce

KEY WORDS: e-education, role of e-teacher education, e-education technologies, E-teacher educator

CONCENTRATION OF CO-OPERATIVE CREDIT IN YSR DISTRICT OF ANDHRA PRADESH

S. Sivasankar Research Scholar in commerce, Bharathiar University, Coimbatore.

Dr. B. Ramachandra Reddy Professor, Department of Commerce, Sri Venkateswara University, Tirupati-517502.

ABSTRACT

The adoption of new Technology has given rise to increasing demand for farm credit which is the key factor, and life blood of agricultural development. The organization of institutional credit is one of the major factors governing agricultural production particularly that of small and marginal farmers. Farm credit in India like that of developing countries consists of institutional and non-institutional sectors. The non-institutional sector consists mainly of the professional and agricultural moneylenders, landlords, commission agents, traders and the farmers, relatives and friends. The institutional sector mainly comprises, of co-operatives, commercial banks, regional rural banks and governments. On the institutional side the main lenders are agricultural or development banks, usually established by the government, and partially or fully Government owned; co-operatives or farmers associations, often Government organized and private or nationalized commercial banks. Many central banks are involved in various ways and degrees in the delivery of agricultural credit. Co-operatives have numerous advantages compared with other institutional agencies. They have tended to work best in areas where land holdings have been homogeneous, tenant farmers have equal status, some social cohesion exists at the grass roots and where literacy has attained reasonable level. A few studies conducted so far have not made an in depth inquiry into the problems affecting the operational performance of PACS in drought prone regions. Also, studies on inter-regional- and intra-regional variations in the performance of PACS within a district in a backward region have not been attempted. In a vast country like India with varying agro-climatic conditions and socio-economic conditions, specific studies are required. In view of this, a study was planned at a micro level to examine the role of "Primary Agricultural Co-operative Societies in financing farm sector in Y S R District of Andhra Pradesh.

PRELUDE

Agriculture is the largest sector of the economic activity and has a crucial role to play in the country's economic development by providing food and raw materials, employment to a very large proportion of population, capital for its own development and surpluses for national economic development. Thus the importance of agriculture despite rapid industrialization has not in any way diminished. It has become necessary not only to achieve self-sufficiency in matters of food and agricultural raw-materials, but to highly modernize agriculture so as to throw up surpluses to be made available for investment in the other sectors of economy as well.[1] The adoption of new Technology has given rise to increasing demand for farm credit which is the key factor, and life blood of agricultural development. The organization of institutional credit is one of the major factors governing agricultural production particularly that of small and marginal farmers. However, it is no wonder that all fanners especially small peasants borrow out of necessity at one time or the other. The rural masses borrow almost habitually, passing on the burden of debt to the next generation. It is, perhaps, this phenomenon of agriculture that compelled Nicholson to observe:

"The lesson of universal agrarian history from Rome to Scotland is that an essential of agriculture is credit. Neither the condition of the country nor the nature of the land tenures, nor the position of agriculture, affects the one great fact that agriculturists must borrow".[2] The peasantry of India is no exception. This has been amply borne out by records of heavy rural indebtedness, historically described in the words:

"A Farmer is born in debt, lives in debt, bequeaths in debt and dies in debt".

Farm credit in India like that of developing countries consists of institutional and non-institutional sectors. The non-institutional sector consists mainly of the professional and agricultural moneylenders, landlords, commission agents, traders and the farmers, relatives and friends. The institutional sector mainly comprises, of co-operatives, commercial banks, regional rural banks and governments.[3]

On the institutional side the main lenders are agricultural or development banks, usually established by the government, and partially or fully Government owned; co-operatives or farmers associations, often Government organized and private or nationalized commercial banks. Many central banks are involved in various ways and degrees in the delivery of agricultural credit.4 Co-operatives have numerous advantages compared with other institutional agencies. They have tended to work best in areas where land holdings have been homogeneous, tenant farmers have equal status, some social cohesion exists at the grass roots and where literacy has attained reasonable level.[5]

A few studies conducted so far have not made an in depth inquiry into the problems affecting the operational performance of PACS in drought prone regions. Also, studies on inter-regional- and intra-regional variations in the performance of PACS within a district in a backward region have not been attempted. In a vast country like India with varying agro-climatic conditions and socio-economic conditions, specific studies are required. In view of this, a study was planned at a micro level to examine the role of "Primary Agricultural Co-operative Societies in financing farm sector in Y S R District of Andhra Pradesh.

OBJECTIVES OF THE STUDY

The broad objectives are:

a) To assess the role of PACS in farm finance in YSR district of Andhra Pradesh in the context of multi-agency approach to farm credit.
b) To describe farm credit structure in the two regions of the district and to examine the concentration of farm credit disbursed by sample PACS; and
c) To analyse the inter-society variations in farm credit operations such as membership, borrowership, management, loans advanced and default.

HYPOTHESES

The following hypotheses are tested in the study:

a) There is no significant difference in the average level of institutional credit disbursed per household between the delta and non-delta Societies of the district.
b) There is no difference in the skewness of co-operative loans

(both current and outstanding)
disbursed in the sample Societies; and

c) Inter-society variations in the structure of membership, borrowership, repayment and profit/loss are not significant between the societies and over a five year period of time.

COVERAGE AND SAMPLE DESIGN

YSR district lies in the heart of the tract of land that forms the Southern Deccan plateau popularly called 'Rayalaseema' of Andhra Pradesh. It is bounded on the North by Kurnool District, on the East by Nellore District, on the South by Chittoor District and on the West by Anantapuramu District. To cover the wide range of population spread over the district two stage sampling plan was considered to be more efficient and flexible. Selection of PACS formed the first stage and selection of borrowers and non-borrowers the second stage. The period taken for the study is the agricultural year 2016-17.

There were 128 PACS in the YSR District. PACS in the District are divided into two groups, those working, in the delta region and those working in the non-delta region. The delta region is predominantly irrigated by the Kurnool-YSR Canal water supplied by river Thungabhadra and the non-delta region is subjected to the vagaries of monsoons. Out of 21 PACS in delta region and 107 PACS in non-delta region two societies from delta region and two societies from non-delta region were purposively selected for field investigation on considerations of proximity and better familiarity.

As the main focus of the study is on agricultural credit, landless agricultural labour households and non-agricultural households in the villages under the jurisdiction of the sample Societies have been dropped from the list. Thus out of 10657 households, 16O5 landless agricultural households and 940 non-agricultural households were eliminated. Hence the remaining 8112 cultivator households formed the universe of the study. These cultivator households were stratified into five groups, namely:

1.Marginal (0-1 hectare); 2. Small (1-2) hectares);3. Semi-medium (2-4 hectares); 4.Medium (4-10 hectares); and 5. Large (10 and above hectares).

The above five groups of cultivator households were further classified as borrower and non-borrower households. Five per cent of borrower households and two and half per cent non-borrower households were random selected for field investigation. The ultimate sample in units arrived at were 257.

FARM CREDIT STRUCTURE IN DELTA AND NON-DELTA REGIONS

As per the conventional classification, there are mainly three types of farm credit viz., short-term, medium-term and long-term. Short-term credit is required to meet working expenses like cost of seeds, manures, fertilizers, pesticides, wages, rent, irrigation charges, taxes, maintenance cost of agriculture machinery and implements and other miscellaneous expenses. Since such expenses are variable in nature and are associated with the production process of only one crop or a set of crops, the credit required for meeting such expenses is called short-term or production credit.6 There is a difference between production credit requirements of delta and non-delta regions. Comparative picture of short-term farm finance in the delta and non-delta regions of YSR district is discussed below:

From the delta of YSR District two societies namely Chennur and Vallur have been chosen. The two non-delta Societies are Pondalur and Mannur. The characteristics of delta agricultural economy in contrast to non-delta are evident in terms of net area sown, irrigated, intensity of irrigation, cropping pattern, level of yield etc. Eighty seven per cent of the geographical area of the delta Societies is under cultivation whereas it is only 46 per cent in the case of non-delta. Ninety one per cent of the net area sown is irrigated in the former, while it is 48 per cent in latter. Twenty four per cent of the net area sown of the delta is irrigated more than once compared to 9 per cent in the case of the non-delta. The intensity of cropping was higher in the delta Societies (153 per cent among borrowers and 157 per cent among non-borrowers) and lower in the non-delta (116 per cent among borrowers and 114 per cent among non-borrowers). An inverse relationship between the size of holding and intensity of cropping was found in both the regions. There is a positive relationship between the size of holding and the farm capital expenditure. The positive relationship also prevails between farm size and gross farm receipts. The correlation co-efficient between farm size and gross farm receipts. The correlation is 0.8447 for delta and 0.9343 for non-delta regions. It works out to 0.2748 between size of holding and farm capital expenditure for the former and 0.5927 for the latter. Similarly, the correlation co-efficient between farm size and gross farm receipts works out to 0.9475 for delta and 0.9116 for non-delta. There is positive relationship between farm size and household institutional borrowing in both the regions. The correlation co-efficient for delta and non-delta works out to 0.9965 and 0.9918 respectively. Similar is the case in respect of institutional loans outstanding (r=0.9979 for delta and 0.9829 for non-delta). Students test indicates a significant difference in the average level of institutional credit (current) among borrower households between delta and non-delta regions. It is not noticed in the case of non-borrower households. With regard to institutional loans outstanding, no significant difference was found either in the case of borrower or non-borrower households of delta and non-delta societies.

The average rate of interest for the sample households of non-delta was higher at 28 per cent compared to 23 per cent for the delta counterparts. There is a negative relationship between the size of holding and the average interest rates in both the regions. The correlation co-efficient for delta and non-delta works out to -08929 and -0.9748 respectively. Large farmers in both the regions pay lower rates of interest(ranging between 19 and 21 per cents) compared to peak rates of interest (ranging from 28 to 29 per cent) paid by small farmers. Thus, the farm credit market is not only imperfect but also fragmented and is biased in favour of large farmers.

CONCENTRATION OF CO-OPERATIVE CREDIT

Marginal and small farmers account for 73 and 75 per cent membership in the delta and non-delta societies. Their borrowing membership was 70 and 73 per cent respectively and thus indicates a high level of participation in co-operative credit. But in terms of size of loans their due is not met. Bowley's co-efficient of skewness for current borrowings of borrower households works out to 0.4546 for delta and 0.2768 for non-delta societies. For outstanding of these households this co-efficient figures which work out to 0.4674 and 0.3795 for delta and non-delta regions respectively imply a greater asymmetry in the distribution of loans both current and outstanding in the former compared to the latter. In regard to outstanding of non-borrower households Bowley's co-efficient of skewness was found to be 0.5024 for delta and 0.4416 for non-delta which indicates that the difference in skewness between the two regions is negligible. The inequality in the distribution of co-operative credit (current) among the farm households (borrowers) was measured by Gini co-efficient (0.368 for delta and 0.421 for non-delta). For outstanding the Gini co-efficients are 0.486 for delta and 0.525 for non-delta and indicate the extent of inequality which in rather high for the latter region. The Gini co-efficients for non-borrower households (0.533 for delta and 0.582 for non-delta) are higher compared to the outstanding of borrower households. The skewness distribution of co-operative credit is a reflection of the skewed distribution of assets especially land among the sample households.

INTER-SOCIETY VARIATIONS

Coverage of membership among sample Societies and over the five year period 2011-12 to 2015-16 exhibits a significant variation as demonstrated by ANOVA results. The calculated 'F' values (4.66 and 7.58) are higher than the table values (3.49 and 3.26) in respect of membership among sample societies and over the five year period. Hence, the null hypothesis that there is no significant difference in the membership between societies and over the time

is rejected. Similarly, there is a significant variation in borrowing membership between societies and over a period of 5 years is rejected as the 'F' values (43.68 between societies and 8.77 over time) are higher than the respective table values (3.49 and 3.26).

The working capital increased from Rs. 23,27,000 in 2011-12 to Rs. 27,08,540 in 2015-16. The components of working capital viz., owned funds, deposits and borrowings did not have much variability among societies during the period 201-16. ANOVA results indicate that there is a significant difference in the capital structure of PACS between different societies. However, there is a significant difference between different components of working capital. Short-term loans advanced increased by Rs. 83,88,87 and 89 per cent respectively in case of Chennur, Vallur, Pondalur and Mannur Societies in the year 2015-16 compared to 2011-12. Linear growth rates exhibit a positive trend in loans advanced which is significant for all the sample socieites. Category-wise deployment of credit indicates that there is a large share to the higher strata of farmers in the enjoyment of loans. Karl Pearson's co-efficient of skewness 0.05 shows asymmetry in the distribution of loans. Large farmers in Chennur Society enjoy a lion's share (47 per cent) of credit followed by Pondalur (42 per cent), Vallur (34 per cent) and Mannur (30 per cent) societies. ANOVA results reveal that there is a significant difference in the number of borrowers and amount of credit disbursed among different categories of farmers. Similarly there is a significant difference between number of borrowers and different societies. However there is no significant difference in the loans advanced among different societies.

The percentage of defaulters to borrowers in non-delta societies is higher than that of delta societies, but the amount per defaulter is high in delta compared to non-delta. There is a direct relationship between the level of over dues and farm size in all the four societies. ANOVA results reveal that there is a significant difference between the number of defaulters. Contrary to this there is no significant difference between different categories of farmers as to their number in default. For the amount defaulted, there is no significant difference between societies. But the difference between the various categories of borrowers as to their level of default is significant. Data regarding financial performance give a pathetic picture as all the sample societies are incurring losses. Compound growth rates computed for the data indicate that there is no significant difference in the losses incurred by all the societies.

POLICY IMPLICATIONS

Co-operative democracy in action can be ensured by widening the membership base and on effective monitoring of the meetings of the societies. It needs regular elections to the co-operative bodies to be conducted on non-party basis. The governing body members have to set an example by prompt repayment; they cannot contest in the elections if they are in delinquency. The elected members be imparted some training in the principles and practices of credit and co-operation. Deposit mobilization of a prescribed level is to be made a condition for election to the governing body, which will ensure financial strength to the society and also promote active participation of the members in the affairs of the society.

It is seen that the distribution of co-operative credit among small and marginal farmers is lower, compared to medium and large farmers. This finding leads us to recommend extensive rationing of credit. It is also seen that incidence and extent of default is lower among them compared to medium and large farmers. An equitable distribution of credit and better recycling of funds are ensured by extensive credit rationing. Medium and large farmers of the non-borrowing category have better access to commercial bank credit and therefore substitute it for co-operative credit. But the small and marginal farmers of this set are handicapped in the credit market and therefore their investment is constrained by credit. They would benefit by a system of extensive rationing of co-operative credit provided they are enrolled as members at the first instance. Thus enlargement of membership and extensive rationing of credit are the two major planks on which co-operative credit delivery system is to be shaped and directed for ensuring economic growth and equality in the district.

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