



## **The Role Of District Central Co-Operative Banks In The Agricultural Deveopment Of E.G. District Of Andhra Pradesh**

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### **Abstract:**

*Agriculture forms the backbone of the Indian economy. It contributes 18.5 percent to the GDP and provides employment to about 52 percent of the total working population during the year 2006-07. The advanced technological changes in the agricultural sector necessitated the requirement of more working capital. Hence, the poor peasants in India are in search of timely credit. Co-operative banks were established on the principle of co-operation and to serve the poor peasants. The main function of these banks is to relieve the poor farmers from the clutches of money lenders. These are playing significant role in extending credit to the farm sector besides providing inputs, marketing and extension services. Particularly in the state of Andhra Pradesh (AP), Co-operatives play a very important and crucial role in the growth and development of agricultural sector. East Godavari District is an agriculturally developed district in Andhra Pradesh where paddy forms up to 53 percent of the total cultivated area. In the district, Co-operatives are functioning in most efficient manner by providing adequate, cheap and timely credit to agriculture and allied sector. They spread to the remote areas of the district in order to serve the needy farmers. These Banks accept deposits and lend both short-term and long-term credit for production and investment purpose through Primary Agricultural Co-operative Societies (PACS) and also directly to the farmers. Co-operative Banks are the friendly banks developed to relieve the poor from the vicious circle of poverty. These are providing timely and adequate credit to the three sectors viz., primary, tertiary and agriculture, particularly to agriculture and allied sector at cheaper rates. On this backdrop, an attempt is made to analyze the role of District Central Co-operative Bank (DCCB) in the agricultural development of East Godavari district.*

**Key words:** Co-operative credit, District Central Co-operative Bank (DCCB), Primary Agricultural Cooperative Societies (PACS), irrigation, yield, crop and term-loans, High yield varieties (HYV)

**1.Introduction**

“In the village itself no form of credit organization will be suitable except the Co-operative society, Co-operation failed, but Co-operation must succeed”.

-All India Rural Credit Survey.

Agriculture is the most important and crucial sector of Indian economy. It provides food, income and employment to the largest section of population of the country. It contributes 18.5 percent to the Gross Domestic Product and provides employment to about 57 percent of the total working population. Indian agriculture is mainly dominated by small, marginal farmers and landless labourers who live in the subsistence economy and are not in a position to finance agricultural inputs for the development of agriculture. So to meet their agricultural requirements, adequate credit is crucial for the agricultural development. Agriculture requires appropriate institutional mechanism to purvey both short-term and long-term credit to the farmers. After the Independence, the Government of India (GOI) has adopted a multi-agency approach for farm credit in order to provide adequate, cheap and timely credit.

Cooperatives have occupied an important place in agricultural development of the country as they provide basic credit which lubricates the wheel of agriculture. The District Central Co-operative Bank (DCCB) occupies and forms an important position in the Co-operative credit structure. The success of the Co-operative credit movement largely depends upon the role and financial strength of the DCCB. The finance granted by the DCCB is given to the cultivators through PACS. Hence the Co-operative banking structure has been conceptualized to play vital role in providing timely, adequate and cheaper credit to the farmers for basic support to core agricultural activities.

Co-operative Movement in India was started primarily for dealing with the problem of rural credit. Credit Co-operatives play an important role in the Indian financial system especially at the village level. These are one of the important components of multi-agency system which plays a vital role in the development of the nation. These are the oldest and the most numerous of the all types of Co-operatives in India. The origin of Indian Co-operative Banking started with the enactment of Co-operative Societies Act, 1904. The objective of this Act was to establish Agricultural Co-operative Credit Societies “to encourage, thrift, self-help and co-operation among agriculturists, artisans and persons of limited means”.

The following are the objectives of Credit co-operatives:

- To ensure timely and increased flow of credit to the farming sector
- To reduce and gradually eliminate the money lenders
- To reduce regional disparities throughout the country
- To provide longer credit support to various rural development programmes
- To provide cheap credit with or without any security.

Co-operative Banks are organized and managed on the principle of co-operation, self-help and mutual-help and function with the rule of “one member, one vote”, function on “no profit, no loss” basis. Co-operation as principle does not pursue the goal of profit maximization.

Andhra Pradesh is basically an agrarian economy and is known as “Granary of the South” by producing one-tenth of India’s total output of food grains. As Andhra Pradesh is predominantly agricultural in character around 70 percent of the population depends on it for their livelihood. In Andhra Pradesh the Co-operative credit societies play an important role in serving the needy farmers by providing short term, medium term and long term loans at lower rates of interest. Andhra Pradesh is the first state which implemented the Single Window Credit Delivery System (SWCDS) in 1987. It is an innovative programme in which PACS are expected to provide multi-farm credit and multi-functional services at a single contact point.

East Godavari is one of the north-eastern districts of Andhra Pradesh. It shares the distinctions of “Rice Bowl of Andhra Pradesh” by producing paddy of 2625 kg per acre. As it is situated on the coastal side of Andhra Pradesh, majority of the East Godavari district people depend on agriculture and allied sectors for their livelihood. It is one of the highest population density regions, as agriculture is well developed. Rice, tobacco, pulses and coconut etc are the major crops of this district.

In this district, Co-operatives are functioning in most efficient manner by providing adequate, cheap and timely credit to the agriculture and allied sector. They spread to the remote areas of the district in order to serve the needy farmers. The Government of Andhra Pradesh set up Co-operative Central Bank at district level in Kakinada in the year 1987. The East Godavari District Cooperative Central Bank Ltd., Kakinada (DCCB) is one of the biggest Cooperative Central Banks in Andhra Pradesh catering the needs of the agriculturists. It was established as a result of Single Window Credit Delivery System (SWCDS), by the amalgamation of four DCCBs viz., The Kakinada Co-operative

Central Bank, The Ramachandrapuram Cooperative Central Bank, The Konaseema Co-operative Central Bank and The Rajahmundry Co-operative Central Bank. Actually it had operations from the year 1917 itself. It performs all the banking functions as per the Banking Regulation Act 1949. The bank accepts deposits and lends both short-term and long-term credit for production and investment purpose through Primary Agricultural Co-operative Societies and also directly to the farmers. As on 31<sup>st</sup> March 2010 there were 47 branches including head office, 1534 Primary Agricultural Co-operative Societies with a membership of 47,532. These institutions mobilized deposits of Rs. 23, 131 Crores and issued short-term loans of Rs. 24, 567 lakhs and non-agricultural loans of Rs. 4545 lakhs. It earned a profit of Rs.124 lakhs for the year 2009-10.

## **2.Review Of Literature**

Agricultural finance as a strategic input in farm production and credit as a tool in productivity has attracted considerable attention of the researchers. Cooperative credit for agriculture and allied activities occupied a predominant position in the Cooperative movement to fulfill the economic needs of nearly 80 percent of the population living in villages.

The findings of earlier studies might possibly give indications of the problem on the one hand and also provided certain guidelines for the present study. In addition, the earlier studies provided the necessary cushion for a proper understanding of the role of Cooperative credit and its role in helping farmers so that pointed attention was focused which in turn would enable the policy makers to plan appropriate strategy and apply corrective measures wherever necessary.

As agriculture forms the backbone of the Indian economy, The Government of India recognized the importance of free flow of credit to agriculture and allied sectors. Sharma (1967) stated that for agricultural development, credit is an important input which ensures adequate working capital as well as infrastructural development. Deccan Ryots Commission (1875) and Famine Commission (1880) concluded in their reports that majority of land holdings were deeply and inextricably in debt. The Central Banking Enquiry Committee (1929) observed that institutional credit provided to the agriculturists covered only a smaller portion. Black (1955) has emphasized the importance of credit and observed that credit provision was the first and foremost input to be increased, which enabled the farmers to buy more labour saving equipment, better seeds and fertilizers etc. Ford Foundation (1959) had recommended adequate supply of farm credit in order to

increase the farm productivity. Mishra (1982) has observed that modernization of agriculture necessitated huge capital investment. Hence, farm credit becomes sine qua none of agricultural development in the country. Reports of Frederic Nicholson and Edward Law Committee on Co-operative legislation confirmed and reiterated the need for the state to actively promote co-operatives. A decade later, a Maclagan Committee (1915) advocated that “there should be one Cooperative for every village and every village should be covered by a Co-operative”. In 1928, Royal commission observed that “if co-operation fails, there will fail the best hope of rural India”.

Calvert (1996) aptly argued that Cooperative credit is the practical alternative to usury. Adequate credit increases the agricultural output. The observations of Chaudhuri (2001) were strongly supported by Shetty (2004) and suggested that in order to increase the productivity of agriculture, better institutional credit delivery mechanisms were to be conceptualized, planned and executed urgently. Agricultural credit and agricultural development goes by hand in hand, hence the farmer should be provided adequate and cheap credit (Dutta and Sundaram, 2005). It is supported by Kanthimathinadhan (2005) suggested that without cheap credit is not possible for small and marginal farmers to survive. Shetty (2004) and Shivaloganathan suggested in their work that better institutional credit facilities is highly essential for agricultural growth. Shivaloganathan suggested multi-agency approach in order to fill gap between supply and need of credit in agricultural sector. Pathania (1987) analyzed the utilization of co-operative credit in agricultural sector and concluded that with the proper utilization of Co-operative credit the farmers can increase their productivity. It was strongly supported by Sharma (1989), Modi and Rai (1993), Sathey (1996) and Patnaik (1999). B. Subrahmanyam (2005) viewed that Co-operative rural credit delivery system has been farmer-friendly and has out reached to serve agriculture. Subbaiah & Selvakumar (2005) observed that the institutional finance to agriculture which has contributed 22.1 percent of GDP in 2002-03. He also found that the govt. has estimated the credit flow from all lending institutions for the year 2003-04 at Rs. 80000 crores and has planned to enhance the level of flow to Rs. 105000 crores for the year 2004-05 which represents an increase of 30 percent over the previous year. More over credit for agriculture serves as an important instrument for stimulating increase in output, income and employment. Subrahmanyam (2005) in his study observed that the government of India examined the flow of agricultural credit and related issues in consultation with RBI, NABARD and announced the farm credit package to ensure doubling the flow of agricultural credit in the next three years He also

viewed that Cooperative rural credit delivery system has been farmer-friendly and has outreached to serve agriculture. Vilasrao Deshmukh (2005) said that the Co-operatives in India account for more than half of industrial finance advanced to agriculture and one-fifth of private capital formation. Sri Rajnath Singh (2006) called upon the Govt. to take necessary steps so that farmers may not have to pay more than 6 percent interest on the agricultural loans. The Government of India recognizes Cooperatives' role in rural credit and appointed several committees to strengthen its performance. The Task Force Committee (2004) under the chairmanship of Sri Vaidyanathan recommended the Government of India for a revival package to restructure the cooperatives.

### **3. Methodology**

The objective of present study is to analyze the role of District central Cooperative Banks in the agricultural development of E.G. District of Andhra Pradesh. In view of this, an attempt has been made to study the role of the District Central Cooperative Bank, Kakinada and Primary Agricultural Cooperative Societies working under it for the growth and development of agricultural sector in the District. Agricultural development in the present work has been assessed through the flow of cooperative credit to farm sector. In order to study the impact of cooperative credit, the credit supplied by the DCCB, Kakinada through PACS to different sections of the agricultural sector has been analyzed. The credit supplied by the cooperative banks such as short-term, medium and long-term credit to agricultural sector has also been analyzed. The growth in the usage of agricultural inputs also is analyzed to study the objective. The trend of deposits, the ratio of fixed and savings deposits in inculcating the saving habit among the customers which in turn enhances the capital formation and credit deployment is also be considered for the analysis. The structure of the credit cooperatives, their growth and development and their trend of credit disbursements etc. have to be taken into consideration for the analysis of the objective. The data used for the analysis was of secondary in nature. The secondary data relating to the growth and development of Cooperatives in E.G. district was collected from the annual reports and websites of Andhra Pradesh State Cooperative Bank (APCOB) and DCCB, Kakinada, various publications of NIC and The Directorate of Economics and Statistics and various websites of The RBI, NABARD, NAFSCOB, etc.

Consistent with the objectives of the study, different techniques have used for the analysis of the data. The data pertaining to the study has been analyzed and presented in

tabular forms to make the findings meaningful and easily understandable with simple statistical tools of analysis like credit-deposit(C-D) ratios, compound annual growth rate (CAGR) etc.

#### **4. Analysis**

The Green Revolution results in remarkable changes in agricultural sector. The Revolution initiated through the changes in the approach of the Fourth Five Year Plan envisaged that modernizing agriculture is more or less a technology of inputs and its judicious management on scientific basis. This new situation calls for greater financial investment on the part of farmers for purchasing of the inputs. Consequently the provision of credit to farmers on liberal terms and conditions become sine qua non of agricultural development in the country. The development of Co-operative credit in the form of catalyst has accelerated the pace of agricultural development.

The Government of Andhra Pradesh (GOAP) set up Co-operative Central Bank at district level in Kakinada in 1987. As Kakinada is the district headquarters and surrounded by so many villages, it is suitable for establishing Co-operative Central Bank. The E.G. District Cooperative Central Bank Ltd., Kakinada (DCCB) is one of the biggest Cooperative Central Banks in Andhra Pradesh catering the needs of the Agriculturists in East Godavari District. The DCCB is deemed to have been registered as Cooperative Society under Section 7 of Andhra Pradesh Cooperative Societies Act, 1964. It started its operations 88 years ago (i.e., from 22.01.1917). The jurisdiction of the Bank extends to the entire East Godavari District and is servicing the rural clientele through 47 Branches in the District.

Banking institutions in the district consists of Public sector banks, Private sector banks, Regional Rural Banks and District Central Co-operative Banks. Andhra bank is the Lead Bank in the district.

Particulars	Number
a. Nationalized Banks	330
b. Co-operative Banks	47
c. Rural Banks	16
d. Private Banks	44
<b>Total</b>	<b>437</b>

*Table 1: List of Banks operating in the district*

*Source: Lead District Manager, Andhra Bank, Kakinada,  
District Statistical Handbook, E.G. District 2010*

The DCCB Limited is member-driven and democratic in character. The main aim of DCCB is to provide adequate and timely credit to needy people. The Bank performs the role of both Credit Purveyors and that of Banking Institution. The bank is covered under the provision of the Reserve Bank of India Act 1934, the Banking Regulation Act 1949 (AACS) and respective Provincial Co-operative Societies Act etc. The Bank accepts deposits and lends both crop and investment loans through PACS and also directly. The Bank had 47 branches throughout the district. The 47 bank branches and the following are affiliated to PACS to the bank have been serving the rural clientele in the entire District.

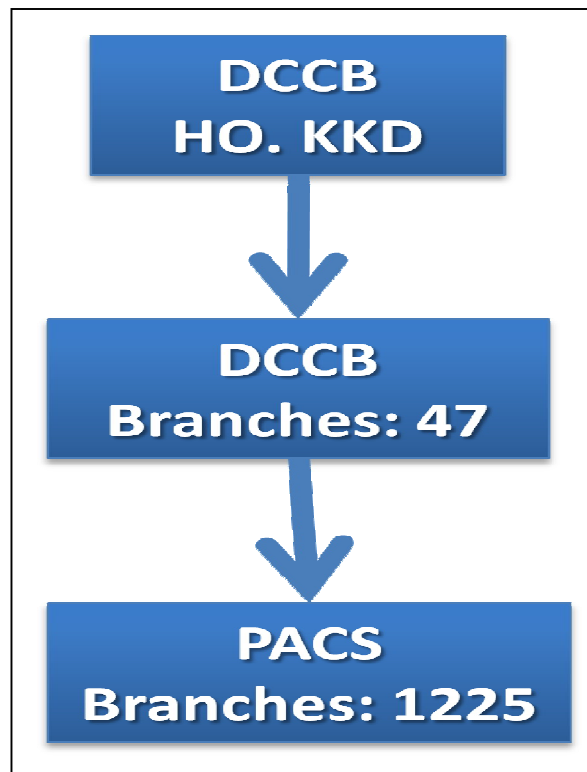
Primary Agricultural Co-operative Societies	:	293
Handloom Weavers Co-operative Credit Societies	:	61
Employees Co-operative Credit Societies	:	252
Other Societies	:	619

The bank provides refinance for crop loan issued for undertaking Seasonal Agricultural Operations(SAO) by the farmers through the DCCBs and PACS under the following programmes: i) Seasonal Agricultural Operations (Normal crop loans) ii) Oil Seeds Production Programme (OPP) iii) Development of Tribal Population (DTP) iv) National Pulses Development Programme (NPDP). It has introduced a Cooperative Kisan Credit Card cum Pass book (CKCC) for ease of operations by the farmers in respect of their production credit needs under the above schemes from the year 1999-2000. Focus is given to financing of small and marginal farmers and other weaker sections of the farming community in providing production credit for agriculture. APSCOB through its



affiliate DCCBs and PACS is the single largest provider of investment credit in Andhra Pradesh. The bank supports credit stabilization by converting, reposing and postponing agricultural loans issued earlier, into term loans repayable in a longer span, while at the same time providing fresh finance to undertake production activity subsequent to the advent of natural calamity.

The Government of Andhra Pradesh show case a unique experiment of Single Window Credit Delivery System (SWCDS), as a first of its kind in the country under which, both investment and production credit for agriculture is provided at the grass root level through a single agency.



*Figure 1: Operational Map of the bank as on March 2010*

Year	Business (Rs. in lakhs)	No. of branches	Ratio
2000-01	24116.6	40	602.915
2001-02	35605.3	40	890.133
2002-03	42509.5	40	1062.74
2003-04	52400.5	44	1190.92
2004-05	53444.2	46	1161.83
2005-06	54716.7	47	1164.19
2006-07	55997	47	1191.43
2007-08	57324.7	47	1219.67
2008-09	53800.6	47	1144.69
2009-10	56303	47	1197.94

*Table 2: Details of business and no. of branches of DCCB, Kakinada  
Sources: Compiled from Annual reports of DCCB, Kakinada*

As per the data in table 2, the business performance in terms of lakhs rupees and ratio of business/branch increased significantly during the period of study. The number of branches also increased from 40 to 47 while the ratio increased from 602.9 to 11.97 during 2000-01 to 2009-10.

### **5. Mobilization Of Deposits**

The main aim of Co-operative Credit is the pooling of savings of the farmers which is to be used for the mutual benefit of the members. Hence, mobilization of deposits is an important task of credit Co-operatives. In order to inculcate the saving habit among the members, the DCCB, Kakinada (KKD) has been adopting attractive schemes.

As per the Section 22 of Banking Regulation Act, 1949 (As Applicable to Cooperative Societies), the Bank may accept deposits from the members, individuals and others as per the interest rates fixed by the Board of the Bank from time to time. The Reserve Fund, the Bad Debt Reserve, Thrift Deposits, Special Bad Debt Reserve and other Reserves of such nature of Cooperative Societies shall be received as Term deposits at such rates of interest as may be fixed by the Board from time to time.

The DCCB and other branches of it are providing more interest on the deposits of the customers. They are also providing insurance to the deposits. They are paying 4 %

interest per annum on savings deposits and 5.0 to 9.75 % on fixed deposits depending upon the period. They are paying the highest rate of interest @ 10 % on “Sowbhagya Deposit Scheme” for 550 days. The bank is also giving more priority to the senior citizens by giving an extra interest of 0.50 % on their deposits.

As deposits are one of the main sources of funds for DCCB, it is inevitable to study and analyze the trend of its mobilization.

It is evident from the annual reports of DCCB during the period of 2000-01 to 2009-10; the trend growth shows some ups and downs. During 2000-01 to 2007-08, the trend growth was increasing. But, it assumed slow down trend in the later period. However, the compound annual rate of growth was 87.46% which is statistically significant at 0.1% level. However, over the years the DCCB has been playing a vital role and has emerged as champion in the mobilization of deposits of rural agriculturists.

<b>Year</b>	<b>Total Deposits in value (Rs. in Lakhs)</b>	<b>Increase/Decrease in value (amount in Lakhs)</b>	<b>Increase/Decrease in Percentage</b>
<b>2000-01</b>	6582.26	-	-
<b>2001-02</b>	9478.68	2896.42	44.00
<b>2002-03</b>	12428.63	2949.95	31.12
<b>2003-04</b>	17202.68	4774.05	38.41
<b>2004-05</b>	22144.12	4941.44	28.72
<b>2005-06</b>	25711.78	3567.66	16.11
<b>2006-07</b>	25817.74	105.96	0.041
<b>2007-08</b>	24850.16	-967.58	-3.75
<b>2008-09</b>	24191.75	-658.41	-2.55
<b>2009-10</b>	23130.37	-1061.38	-4.39

*Table 3: Trend of deposits during 2000-01 to 2009-10*

*Sources: Compiled from Annual reports of DCCB, Kakinada*

It is clear from table 3 that the deposits mobilized by the DCCB during tenure of study showed a negative trend. In the year 2000-01 the amount of deposits were Rs. 6582.26

lakhs whereas it was 23130.37 lakhs during 2009-10. However, from the year 2008-09, it started declining.

<b>Year</b>	<b>Current &amp; Savings Deposits</b>	<b>Total Deposits</b>	<b>Ratio (%)</b>
<b>2000-01</b>	1019.49	6582.27	15.49
<b>2001-02</b>	1455.87	9478.68	15.36
<b>2002-03</b>	1351.20	12428.64	10.87
<b>2003-04</b>	1663.53	17202.68	9.67
<b>2004-05</b>	1733.48	22144.12	7.83
<b>2005-06</b>	1783.97	25711.78	6.94
<b>2006-07</b>	1865.11	25817.74	7.22
<b>2007-08</b>	1875.97	24850.16	7.55
<b>2008-09</b>	2247.22	24191.75	9.29
<b>2009-10</b>	2770.85	23130.37	11.98

*Table 4: Details of current and saving deposits vis-à-vis total deposits (Rs. In lakhs)  
Sources: Compiled from Annual reports of DCCB, Kakinada*

As per the data in table4, it could be understood that current savings increased gradually while total deposits increased initially and decreased, hence, the ratio of deposit to total deposits appears as inverse parabola. During the period of study of last ten years (2000-10), the low cost deposits ranging from 6.94% (2005-06) to 15.49% (2000-01) was below the advisable level of 40%.

Year	Current & Savings Deposits	Term and Fixed Deposits	Total Deposits
2000-01	1019.49	5562.78	6582.27
2001-02	1455.87	8022.81	9478.68
2002-03	1351.20	11077.43	12428.64
2003-04	1663.53	15539.15	17202.68
2004-05	1733.48	20410.64	22144.12
2005-06	1783.97	23927.81	25711.78
2006-07	1865.11	23952.63	25817.74
2007-08	1875.97	22974.19	24850.16
2008-09	2247.22	21944.53	24191.75
2009-10	2770.85	20359.52	23130.37

*Table 5: Details of various deposits (Rs. In lakhs)*

*Sources: Compiled from Annual reports of DCCB, Kakinada*

The current & savings deposits increased marginally during the study period while the increase in term & fixed deposits and total deposits has been significantly high as shown in table 5.

## **6. Disbursement Of Loans**

The main aim of DCCB is to serve the rural clientele by providing needed funds in the district through its PACS established in 67 mandals of the district. The advances provided by DCCB have been broadly categorized into:

- Farm advances
- Non-farm advances

Year	Total Advances in value (Rs. In Lakhs)	Increase/Decrease in value (Rs. In Lakhs)	Increase/Decrease in Percentage
2000-01	15968.5	-	-
2001-02	26204.5	10236.1	64
2002-03	30588.8	4384.3	16.73
2003-04	28030.8	-2558	-8.36
2004-05	25316.6	-2714.3	-9.68
2005-06	26975.3	1658.73	6.55
2006-07	25036.2	-1939.1	-7.19
2007-08	27981.5	2945.37	11.76
2008-09	25867.3	-2114.2	-7.56
2009-10	35616.5	9749.16	37.69

*Table 6: Disbursement of total advances*

*Sources: Compiled from Annual reports of DCCB, Kakinada*

Year	Farm loans	Non-Farm loans	Total Loans
2000-01	23351.51	707.73	24059.24
2001-02	34734.39	813.59	35547.98
2002-03	31398.95	111.55	31510.5
2003-04	50678.64	1721.8	52400.44
2004-05	51241.37	2244.2	53485.57
2005-06	52037.22	2718.01	54755.23
2006-07	52986.6	2951.77	55938.37
2007-08	51584.57	2173.22	53757.79
2008-09	51221.17	2480.33	53701.5
2009-10	51793.64	2339.32	54132.96

*Table 7: Types of Advances provided by DCCB (Rs. In lakhs)*

*Sources: Compiled from Annual reports of DCCB, Kakinada*

The above table reveals that the Bank's farm loans occupied a major share in the initial period i.e., 2000-01 and maintained the same rate of growth during the period of study

whereas the amount of non-farm loans increased at a considerable rate during the period of study.

### *6.1. Crop Loans*

Agricultural development bears a close positive correlation with credit and finance. An important form of production-oriented farm credit is the short-term crop loans which are issued to enable farmers to meet the outlay on inputs. Conceptually, a crop loan is expected to bridge the gap in short-term or long-term resources, respectively of borrowers. These loans are given to the farmers to meet their working capital needs and to generate surplus for agricultural development. It is mostly given to small and marginal farmers and potentially viable cultivators to meet the pesticides, labour cost etc. These are meant for short period only usually for one year and are mainly for the purpose of improving the cropping patterns such as for buying HYV seeds, fertilizers, pesticides etc. The DCCB lent crop loans of Rs. 31.70 lakhs in the year 1995-96. In the subsequent years, the crop loans were mixed with short-term loans. In place of crop loans the PACS are providing HYV seeds, fertilizers, pesticides and crop insurance etc.

### *6.2. Agricultural Term Loans*

The agricultural term loans are given on long-term basis which include allied sector loans also. The term loans are used for the investment and replacement of assets i.e., agricultural tools and implements which increase the agricultural productivity. The investment credit enhances the production potential of the concerned farms through the prices of net capital formation.

Year	Short-term loans	Medium-term loans	Long-term loans	Total
2000-01	175.23	3.1	30.6	208.93
2001-02	158.17	2.32	28.07	188.56
2002-03	206.93	3.62	25.14	235.69
2003-04	216.29	2.47	10.93	229.69
2004-05	246.21	0.14	12.43	258.78
2005-06	389.33	2.90	60.96	453.19
2006-07	439.08	1.15	25.47	465.70
2007-08	2666.48	27.72	40.43	2734.63
2008-09	2298.57	12.38	11.7	2322.69
2009-10	5575.09	48.19	44.11	5667.39

*Table 8: Components of agricultural loans disbursed by DCCB (Rs. in Crores)*

*Sources: Compiled from Annual reports of DCCB, Kakinada*

Of the total term loans of Rs. 208.93 Crores, short-term loans account for Rs. 175.23 Crores, medium-term loans Rs. 3.1 crores and long-term loans Rs. 30.6 crores, respectively during 2000-01. It shows that short-term loans came to 90 percent of the total advances and showed an increasing trend during the period which was Rs. 5575.09 Crores in 2009-10, whereas medium-term loans showed fluctuations during the study period. The long-term loans also showed varied fluctuations during the period.

There is an inverse relationship between crop loans and term loans. If the demand for crop loans increases, the demand for term loans will decrease and vice versa. Since these two types of advances are inter-related and provided for agricultural purposes, any increase in one component will result in a decrease in the demand for the other.

By analyzing the advances and its growth rate, the following reasons were found out for the fluctuations in the trend growth rate.

- The farmers are very poor with small size of land holdings.
- Unable to meet out the cost burden due to increase in prices of inputs.
- No supporting prices for their output.



- Misuse of loan funds, instead of using for productive purpose utilizing them for personal purposes.
- Due to crop failures because of natural calamities such as cyclones, floods etc. and the farmers fail in repayment of loans.
- Low amount of mobilization of deposits also cause low deployment of credit.
- Due to large sum of overdues the bank decreased the amount of credit.
- Bank is not providing any crop loans and that to for poor peasants only.
- Allocated very less funds for long-term loans which have long-term perspective.

The aforesaid analysis signifies the dominance of short-term component in the total advances. Long-term loans are the second largest component of total advances. It also indicates the role of the DCCB in agricultural development of East Godavari District. The allied activities also might boost the economic conditions of agricultural labourers and landless labourers. In a nutshell the amount of farm advances supplied by DCCB in the district might act as an accelerator in the process of the agricultural development of the said area.

The DCCBs are providing both crop loans (Kharif and Rabi) and investment credit. It is providing credit under Seasonal Agricultural Operations (SAO), Oil Seed Production Programme (OPP) and Development of Tribal Production (DTP). The DCCBs are disbursing a credit of Rs. 2037.23 lakhs for Seasonal Agricultural Operations (SAO), Rs.246.14 lakhs to Development of Tribal Production (DTP) during 2008-09. It is clear that the DCCBs are providing major share to SAO. It is also clear that the DCCBs are concentrating more on crop loans than investment credit. Even though NABARD is financing for Long-Term (LT) loans, the DCCBs are concentrating on crop loans only. The viability of any credit structure depends upon its recovery of loans. The DCCBs are in a safe position in the recovery of loans.

Usually the major portion of advances of DCCB is directed towards agricultural sector which is the main substance for a majority of population. However, the DCCB has not neglected the non-farm sector.

### *6.3.Primary Agricultural Co-Operative Societies*

The Government of Andhra Pradesh has appointed a High Power Committee in 1982 headed by Sri Mohankanda to suggest on reorganization of Credit Co-operatives in the state. This committee has recommended the introduction of Single Window Credit Delivery System. After obtaining the approval from the Central Government, the Government of Andhra Pradesh has introduced the system with effect from 1st April 1987 to make the existing primary Agricultural Co-operative Societies more viable.

Through PACS, the DCCB extended its services to the remote places of the district. It established PACS in every revenue mandal. During 2000-01 the number of PACS was 354 with a membership of 1144 thousands. Basing on the viability of PACS, the number of PACS during 2009-10 was 295 with a membership of 544 thousands. The affiliated PACS of the DCCB advanced loans of Rs. 2809.3 Crores in 2000-01 and Rs.3087.4 Crores in 2009-10.

Regarding recovery of loans, PACS have succeeded to a large extent. Their recovery rate is nearly 70 percent. The recovery rate increased from 50 percent (2000-01) to 70 percent (2009-10). Regarding outstandings and overdues, the bank has to adopt certain measures in order to improve its recovery. If the overdues and outstanding loans increase, the survival of PACS may become a problem. The outstanding loans were increased by 36.84 percent from 2000-01 to 2009-10, whereas in the case of overdues it was only 28.79 percent.

Item	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Societies (No.)</b>	355	355	355	355	355	310	295	295	295	295
<b>Membershi p (in ,000)</b>	1149	1229	961	1144	807	650	599	533	500	544
<b>Share capital (Rs. In Lakhs)</b>	4988	4905	5045	4897	4814	5746	6008	5103	5049	5387
<b>Deposits (Rs. In lakhs)</b>	8109	3593	3196	2974	2317	2335	2978.5	2686.9	2540.8	2735.0
<b>Borrowing (Rs.in lakhs)</b>	87861	42766	42879	41645	34515	46751	49132.9	53842.6	41349.4	48108
<b>Working capital (Rs. In Lakhs)</b>	56595	56479	43849	52837	59304	54166	59218.7	63799.7	66839.1	63285
<b>Loans:</b>										
<b>a) Advances</b>	26611	29754	28753	28093	31000	30287	35122.8	29984	27515	30874
<b>b) Recoveries</b>	19931	20318	26711	20648	21602	24190	30791	26109.6	30601.1	29167
<b>c)Outstandi ngs</b>	40602	26974	37686	39929	32653	38738	47873	45074.6	30245	41064
<b>d) Overdues</b>	16532	11803	12659	10604	11227	11285	11005	11851.7	12225.4	11694

*Table 9: Working of PACS including Farmers Service Societies*

*Sources: Complied from Annual reports of annual reports of DCCB, Kakinada*

Table 9 reveals the total deposits and advances of PACS for the period 2000-01 and 2009-10. By observing the above table it is clear that the credit-deposit ratio of PACS

shows a fluctuating trend. The bank has shown a satisfactory growth in deposit mobilization. The total deposits increased from Rs. 57,043 lakhs to Rs. 3, 56,618 lakhs registering a growth rate of 250 percent. The total advances have been significantly increased, but there are fluctuations over the period.

It is evident that there is a significant growth in the membership of the Primary Agricultural Co-operative Societies after the introduction of Single Window Credit Delivery System. But there is considerable decline in the number of societies during the period. This significant decline in the number of Primary Agricultural Co-operative Societies has been attributed to the consolidation and amalgamation of Primary Agricultural Co-operative Societies on the basis of viability criteria under the Single Window Credit Delivery System.

### **7.Conclusion**

By the beginning of 20th century, the GOI recognized the root causes of the indebtedness and poverty of the Indian farmers and started Credit Co-operatives.Co-operative banks were established on the principle of co-operation.The main function of these banks is to relieve the poor farmers from the clutches of the money lenders and to provide adequate and timely credit at lower rates of interest. Sri Rajnath Singh (2006) called upon the Government to take necessary steps so that farmers may not have to pay more than 6 percent interest on the agricultural loans.

The institutional credit increases the purchasing power of the farmers and perhaps due to this reason there is an increase in the use of modern inputs in their farming procedures. It acts as a moral boost to farmers in increasing the productivity which ultimately improves their overall economic growth. Hence it can be said that agricultural credit and agricultural development goes by hand in hand. The present study clearly enunciated the advantages enjoyed through improved technology with the efforts of the cooperativebank for the beneficiaries in terms of high production, increased net returns and subsidiary incomes. The results further emphasized the need to enlighten the farmers about the superiority and profitability of improved technology through the extensive credit services. By and large the role of Credit Cooperatives is highly impressive and clearly exhibited in the socio-economic development gained by the beneficiaries.

The District Central Co-operative Bank ,Kakinada being a farmer's bank in the district covered all 1327 villages and 54 Revenue Mandals by its wide network of 47 branches

and 295 Primary agricultural Cooperative Societies providing services from the last 88 years. The role of the DCCB in the field of mobilization of deposits is highly significant. It collects unutilized savings of the public and mobilizes them in productive channels. The deposit mobilization of the DCCB enables the people of the rural area to recycle their funds particularly in the area of credit deployment. They are providing attractive interest rates on deposits. The credit deployment of the DCCB was broadly categorized into two viz., farm and non-farm advances. Farm advances include agricultural term loans and crop loans where as non-farm advances include advances to rural artisans, self-employed, self-help groups, small and cottage industries etc. The DCCB has given equal importance to both sectors as far as the deployment of credit is concerned. Through PACS, the DCCB extended its services even to the remote places of the district. The credit-deposit ratio was always higher than 100 percent except in the year 2006-07. To fill the gap in the credit-deposit ratio, The DCCB is getting refinance from NABARD and Government etc. In addition to the banking services, it is also extending other valuable services such as crop insurance, debt relief and waivers, supply of agricultural inputs etc. The District Central Co-operative Banks are playing very crucial role in serving the rural peasants of Andhra Pradesh as a whole and E.G. District in particular. Thus it is evident from the above study that Credit Co-operatives are playing a key role in the progress of E.G. district in particular and the Andhra Pradesh as a whole.

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