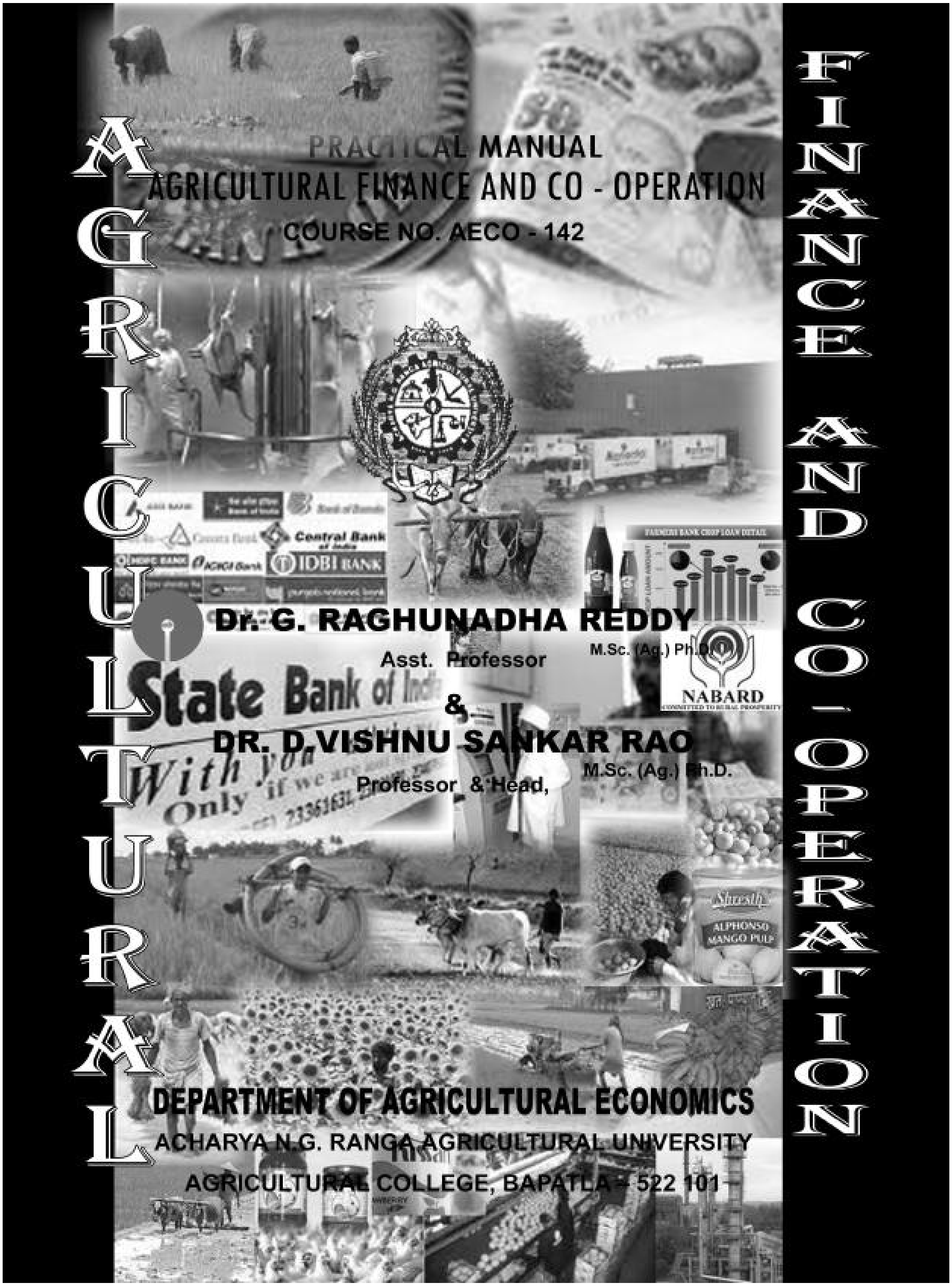
AGRICULTURAL
FINANCE AND CO - OPERATION
PRACTICAL MANUAL
AGRICULTURAL FINANCE AND CO - OPERATION
COURSE NO. AECO - 142
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State Bank of India
NABARD
IDBI BANK
Central Bank

PRACTICAL MANUAL

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AGRICULTURAL FINANCE AND CO-OPERATION

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Agricultural College

BAPATLA

Certificate

Certified that this is a bonafide record of Practical work done by

Mr/Miss...I.D.No..................

in Course No.**AECO 142 (1+1) AGRICULTURAL FINANCE & CO-OPERATION**

during the First / Second Semester of -

Teacher in-charge

Dept. of Agril. Economics

Agricultural College

BAPATLA

Place :

Date :

PREFACE

The practical manual in Course No. **AECO 142 – Agricultural Finance and Co-operation** was prepared as part of the preparation of the study material for the revised gudelines under ICAR new syllabus implementation from 2007 onwards. This manual covers the exercises like working of Commercial Banks, RRB's and Co-operatives (PACS and DCCB's) in providing loans to agricultural and allied activities, exercises on loan repayment plans, working of NABARD district offices, functioning and performance of SHG's, estimation of scale of finance, insurance indemnities etc., The manual also covers FSS and dairy co-operatives functioning in agricultural development.

The manual will be of great help to the students to understand their future role in financial institutions vis-a-vis the performance of these institutions in agricultural development. Considerable number of agricultural graduates are getting recruited in to financial sector at various levels today.

The exercises on the above topics were prepared keeping in view the future role of agricultural graduates in discharging their job activities related to financial and co-operative sectors. All the exercises are to be conducted by making the teachers and students to visit the respective financial and co-operative institutions. During their visit the teachers and the students have to interact with the officials / managers and get the relevant information needed for the practical exercises.

Bapatla | With regards

Jan-2010 | G. Raghunadha Reddy

&

D. Vishnu Sankar Rao

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AECO-142 (Agricultural Finance and Co-operation)

PRACTICAL MANUAL

BASIC CONCEPTS AND TERMS

Agricultural Finance : It is defined as an economic study of the *acquisition and use of capital* in agriculture at both micro and macro levels. Thus it comprises of various financial aspects of individuals (micro finance) and nation as a whole (macro finance).It is a branch of agricultural economics, which deals with the provision and management of banking services and financial resources related to individual farm units.

Borrowing: Borrowing means to receive money or something from some one else with the understanding that, it promises an equivalent amount of return as agreed upon. In terms of money, borrowing involves obtaining a certain amount of requisite funds to be repaid as specified in the promissory note, bond, Kisan Credit Card, etc.

Credit: Credit is the name usually given to money borrowed for business purpose. Credit means the ability to commend the capital of another in return for a promise to pay it at some specified time in the future. It is the transfer of money from haves to have-nots.

Creditor: Creditor is one to whom a debt is owed. Creditor is also called loaner like banker, money lender etc.

Debtor: A debtor is one who owes a debt. Dedtor is also called loanee like farmer-borrower.

Crop insurance: it is a method of safeguarding the farmers against crop losses. Here, a proportionate small premium amount is paid by farmers to the insurance agency before commencement of crop season to safeguard themselves against anticipated big losses to their crops due to unfavorable conditions.

Advance: It is the amount of loan advanced or given by an institution during a particular period, usually in an agricultural year or a season to the borrower.

Gestation period: It is also known as the grace period. The time period required for investment in a project to produce tangible return. It is the period between investment and its returns.

Down payment: No financial institution advances the total amount of investment and generally it advances about seventy five percent of the investment and the remaining money has to be met by the borrower himself. Down payment refers to the borrower's contribution to the proposed total investment. It is also called margin money.

Hypothecation: In case of hypothecation, the legal ownership of the asset financed remains with the lending institution, though the physical possession is with the borrower. The loans for tangible property such as machinery and equipment are generally called hypothecated loans.

Recovery: The amount of loan, which has already been recovered upto certain point of time, but not at a particular point of time is called recovery. It means that the total amount due upto a point of time only has been recovered and the rest of the amount was not repaid by the borrower. It means that a part of the total credit given was repaid and the remaining is to be recovered still.

Indemnity: It is the extent of damage payable under the crop insurance scheme which is ascertained on the basis of threshold yield. Threshold yield is equal to 80% of the average yield per hectare of the defined area for the past 5 years. Indemnity is calculated based on the following formula.

$$\textit{Indemnity} = \frac{\textit{Short fall in the yield of the crop}}{\textit{Threshold yield of the crop}} \times \textit{Sum assured}$$

The yield data for this purpose is collected through the crop cutting experiments conducted by state government in accordance with the prescribed procedure approved by NSSO (National Sample Survey Organization) of Govt. of India.

Repayment: It is the amount of loan, which is scheduled to be recovered at some specified time period.

Installment: It is the specified amount due by a particular date with a specific interval especially in case of long term loans. The number and amount of installment depends upon the amount of total loan taken and income flow.

Outstanding: The total amount of loan which remains to be recovered at a particular date is called outstanding amount. It is worked out as, Amount outstanding = Amount Borrowed – Amount repaid.

Overdues: A part of the outstanding becomes overdues, if not recovered within specified time period. *Overdues = Amount due for repayment – Amount actually repaid.*

Solvency: It refers to the ability of the borrower to pay all debts i.e. principal and interest in the long run.

Liquidity: It refers to the ability of a business or enterprise to meet its cash needs for immediate or current business operations.

Repo rate: The rate of interest at which the Reserve Bank of India (RBI) lends funds to banks in the country.

Credit control: The various measures employed by the RBI and the Government to control the volume of credit operations of the banks in the country.

Penal interest: It is the extra interest that can be charged to the borrower who fails to repay the loan within the stipulated period of time.

Rescheduling & Rephasing of the loan: Rescheduling of loan is spreading repayment amount over remaining installments. Rephasing means the extra years required to effect repayment of loan.

Liability or Debt: It is the amount of money due by an individual (to the bank or money lenders or others) in the form of a promissory note, bond, ST / MT / LT loans etc.

Limited liability: The responsibility of members of the society will not be there if the society incur heavy losses or liquidates. Under this the liability of the members is limited to the extent of their share capital only under the situation of loss incurred by the society

Unlimited liability: The responsibility of members of a society will be extended even to personal properties in case of loss to the society. The loss amount will be recovered from the property of the members of the society under unlimited liability condition.

Guaranteed liability: Responsibility of members of the society is extended upto two or four or sometimes eight times of payment of the share capital of the members, in case the society incur loss.

Shares: A share is defined as an unit of the equal parts into which the capital of a company is divided entitling the holder to a certain proportion of the company's profit.

Thrift: Thrift means tiny savings. Co-operatives should aim at inculcating the habit of thrift / small savings among their members. There should be some incentive for members who save their money. This means priority should be given to the members who save, in sanctioning of credit.

Dividend: It is that part of the profit which is distributed by the enterprise to their share holders after exclusion of retained profit from its total profit.

Reserve fund: In general 25% of the profit will be set apart towards the reserve fund and this fund can be used during natural calamities etc. for the growth of the society.

Co-operation: This is the self help made effective through the organizational efforts.

Co-operatives: These are the voluntary institutions, where in people come together without any force or coercion for meeting their common needs or achieving their stated objectives.

Production loans: This is the credit provided to the farmers for crop production activities. These are also called Seasonal Agricultural Operations (SAO) loans *or* Short Term Loans (ST Loans) *or* Crop Loans or self liquidating loans. The repayment period ranges from 6 to 18 months in lumpsum. *Ex:* Loans given for crop rising.

Investment loans: Loans given for creation of long-term assets or fixed assets whose productivity is distributed over more than one year. These are long term in nature and called as partially liquidating loans or non-liquidating loans. *Ex:* loans given for tractor, pumpsets, tube wells etc,.

Marketing loans: These are meant for helping the farmers to overcome distress sales and to market their produce in a better way.

Consumption loans: Loans advanced for some purpose other than production and marketing to meet family expenditure to arrest the diversion of production (or) marketing credit. It appears to be an unproductive loan, but in fact, it indirectly assists in more productive use of crop loans and investment loans by arresting the diversion/ deviation of loans to other purposes. The small & marginal farmers, landless labour, rural artisans etc., will be benefited by these loans. Consumption credit is provided for following purposes from 1976. *Ex:* Medical (Rs. 500), marriage

(Rs. 500), birth (Rs.150), funerals (Rs. 150), education (Rs. 200), religious ceremonies (Rs. 150), general consumption (Rs. 150) etc,.

Conversion loans: When ever the crop is failed due to natural calamities, theshort term loans are converted to medium term loans and the farmers will be given more time for repayment i.e loans are rescheduled.

Short term loans (ST Loans): Repaid within a period from 6 months to 18 months. Farmers require this type of credit to meet the expenses for ongoing agricultural operations in their field like sowing, fertilizer, chemicals application, wages to labour etc, He is supposed to repay the loans from the sale proceeds of their crops raised as lump sum /one time payment. *Ex:* Crop loans/SAO/production loans/ self liquidating loans.

Medium term loans (MT Loans): Repayment period is from 15 months to 5 years. These loans required for bringing about some improvements on his farm business by way of purchasing implements, electric motors, milk cattle, sheep (or)goat etc,. The relatively longer repayment of these loans in due to their partial liquidating nature.

Long term loans (LT loans): Repayment period ranges from 5 years to 20 years. These loans together with MT loans are called as 'Term loans' (or) 'Investment loans'. These loans are meant for bringing permanent improvements on land like land leveling, reclamation, soil or water conservation, construction of farm buildings, purchase of tractor, raising orchards etc, since these activities require large capital a longer period is required for repayment. These are also partial liquidating in nature.

Term Loans: At present no distinction between MT and LT loans is made. Hence all loans are term loans whose repayment is for more than 2 years and above.

Secured loans: Loans advanced by the lender against some security from borrower are termed as secured loans. Various forms of securities offered in obtaining the loan which is as follows:

Personal security: Borrower himself stands as the guarantee. It is advanced on farmer's promissory note, which stands as a legal document in times of arbitration.

Collateral security: It is the property or an asset that is pledged to secure a loan. The movable properties of the borrower are offered as security. *Ex:* LIC bonds, fixed deposit bonds, jewellary, machinery, livestock, warehouse receipts etc.,

Chattel loans (or) pledging movables: Loans obtained (generally from pawn brokers) by pledging movable properties like jewellary, utensils made of various metals, produce in godowns, stocks etc.

Mortgage: Mortgage in reality is creation of a charge on an immovable property for obtaining a loan. There is no absolute transfer of ownership. The person who is creating the charge of mortgage is know as mortgager (borrower) and the person in whose favour it is created in known as the mortgagee(banker). Contrary to collateral security, here immovable properties are accepted for security purpose. *Ex:* land, farm building etc,. There are 2 types of mortgages.

i. Simple mortgage: This is done by banking institution when the borrower property is inherited from the ancestors. Here borrower has to register his property in the name of banking institution as security for loan obtained. This process entails certain registration charges to be born by the borrower.

ii) Equitable mortgage: This applies to self acquired property. In this case there is no such registration because the ownership right is clearly specified in the title deeds in the name of farmer-borrower. Hence documents will be obtained from the borrower as security by the bank.

Hypothecation: It is the charge, which is preferred when the property to be taken as security is movable. It creates equitable charge on the property with a right to banker to take possession of that property and the goods, on default. The person who creates the charge of hypothecation is known as hypothecator (borrower) and the person in whose favour it is created is known as hypothecatee (bank). This happens in case of tractor loans, machinery loans etc., Here borrower will not have any right to sell the equipments until the loan is cleared. He will be only allowed to use that and generate income to pay the installment. There are of two types.

i. Key loans: The agricultural produce of farmer-borrower will be kept under the seal of financial agency and the loan is advanced. As and when the loan is repaid the produce will be handed over to the farmer. The facility prevents the farmer from resorting to distress sales.

ii). Open loans: This is another name for hypothecated loans in which the physical possession of the purchased machinery rests with the borrower but the legal ownership rights remains with lending agency till the loan is repaid.

Unsecured loans: There is no mention of any type of security here. Based on confidence between the borrower and lender the loan transaction takes place.

Institutional lending agencies: *Ex:* Co-operatives, Commercial Banks, Regional Rural Banks, NABARD etc. involved in the financial activities.

Non-institutional lending agencies: *Ex:* Relatives, land lords, agricultural money lender, professional money lender, traders, pawn brokers, etc.

Self-liquidating loans: The income generated through the use of these loans helps the farmer to repay the entire loan amount in the same season or year of obtaining loan. The productivity increase of the loan is direct in this case. *Ex:* ST loans or Crop loans.

Partially-liquidating or Non-liquidating loans: The income generated by these borrowings will help to pay part of the loan component only. In other words, these loans are cleared over a longer time period by the farmer-borrowers. These loans require relatively long time for realization of benefits. *Ex:* Term loans/ Investment loans

Individual approach: This is advancing loans by the lending agency to any potential borrower for the purpose his /her needs. *Ex:* Crop loans, Dairy loans etc.,

Area approach: Here loans are advanced by selecting the contiguous area by a bank branch. 'Service area approach' followed by the banks is an apt example.

DRI (Differential Interest Rate) loans: The loans advanced at a different interests than normal interest rate. Loans are advanced to the weaker sections of the community at an interest of 4 per cent per annum.

Group loans: Loans advanced to a group of people belong to a homogeneous background. Here the loan advanced will be used by the individuals of the group or jointly by all the members of the group for their overall development. *Ex:* Self Help Groups (SHGs), Rytu Mitra Groups (RMGs)

Direct loans: These are advanced directly to the farmers by the institutional agencies.

Ex: ST Loans or Term Loans to individual farmers from banks.

Indirect loans: The institutional agencies directly do not finance the farmers, but indirectly benefit the farmers by financing enterprise activities or organizations involved in agriculture. *Ex:* Financing fertilizer manufacturing companies, Financing construction of warehouses, market yards etc.

Interest rates: Interest is the cost paid for the use of capital or capital assets. Interest rates differ from region to region and also from institution to institution depending up on supply and demand for money in the market. There are several factors which will influence the rate of interest in the market.

Cost of credit: It is different from interest rate. It refers to total acquisition charges that include

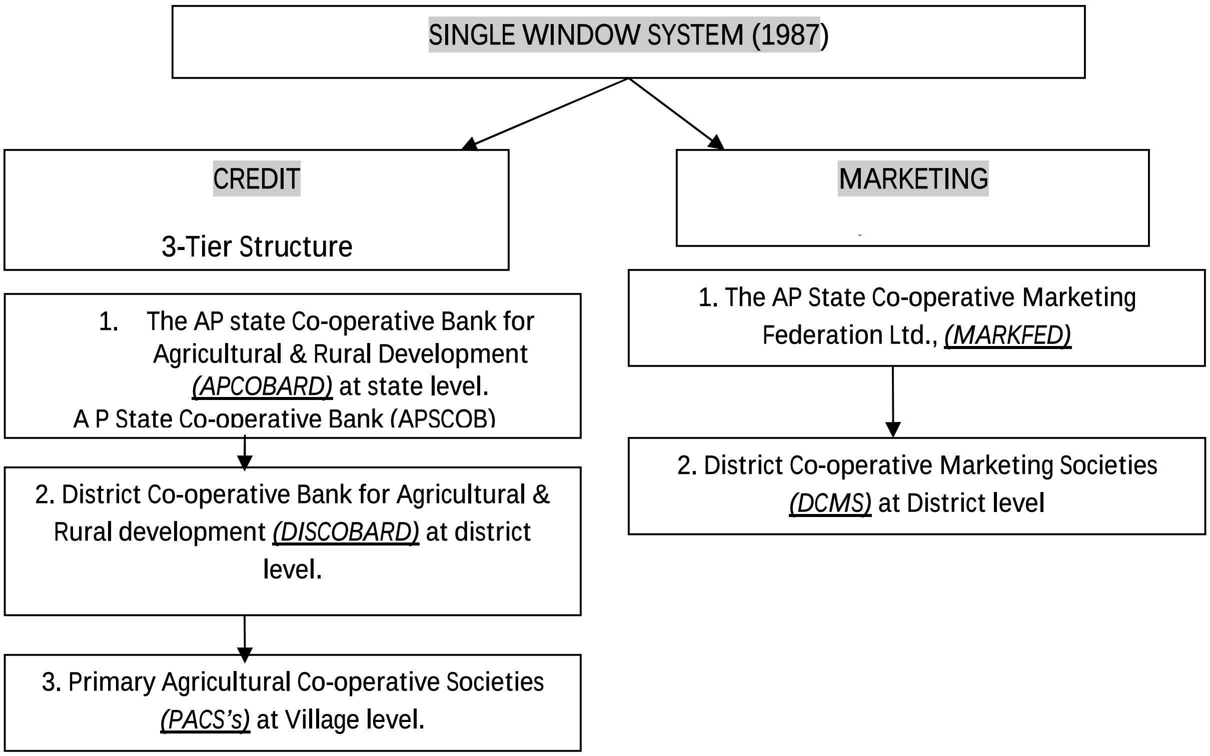
1. Rate of interest
2. Traveling expenditure made by the farmers
3. Payments made during the acquisition
4. Loss of wage earning (opportunity) of the farmer
5. Unproductive share capital investment

Repaying Capacity: This is the 2nd R of credit analysis. It determines the ability of the farmer and his family members to clear (or) repay the loan obtained with in the stipulated time to the bank i.e. this gives the capacity of the farmer to spare the amount from his earnings /returns for repaying the loan.

Risk Bearing Ability: This is the 3rd R of the credit analysis, which determines the farmer's capacity or the ability to with stand unexpected low income and an unpredicted expenses and losses there by provides the '*last line of defense'* in the use of credit.

Refinance: Loans provided by the banks initially to the borrowers for certain specified activities are funded by NABARD or other higher financial institutions.

Single Window System: The main idea of introducing this system is to supply all types of agricultural credit (ST / MT / LT loans) required by the farmers and provide processing and marketing facilities under one roof i.e. through PACS.



Scale of finance for crop loans: It is the quantum of loan that can be extended by any financial institution for the cultivation of 1 acre of land. Scale of finance for any crop will be fixed up by taking in to consideration of gross income and the cost of cultivation. As per the guidelines of RBI, the scale of finance for an individual crop should not exceed 50% of the gross returns. Research studies indicated that about 2/3 or 66% of the total cost of cultivation should be fixed up as scale of finance. Scale of finance will be fixed by District Consultative Committee (DCC) under the chairmanship of District Collector, with the help of bank officials, department of agriculture and animal husbandry and other scientists by taking preceding year crops cost of cultivation. Scale of finance varies from year to year and season to season and also from crop to crop.

Scale of finance or Unit cost for term loans: MT and LT loans are called term loans or investment loans. In case of term loans the scale of finance varies with the type of proposal and is also called as unit cost of proposed unit. The major consideration while fixing the scale of finance for term loans are incremental income (additional income) and total capital investment of the proposed project. The incremental income is the difference between the expected income after meeting the investment and the existing income. The term loans are financed and unit costs are prepared as per the recommendations of NABARD for purchasing assets. It may also varies from year to year.

List of amalgamated RRB's in AP (As on August 31, 2006)

S No.	Spencer Bank	Name of the new RRB & Districts covered	Names of amalgamated RRB's
1	Andhra Bank	Chaitanya Godavari Grameena Bank (Guntur, West and East Godavari)	Chaitanya Grameen Bank Godavari Grameen Bank
2	Indian Bank	Saptagiri Grameen Bank (Krishan, Chitoor)	Kanakdurga Grameen Bank Shri Venkateswara Grameen Bank
3	State Bank of Hyderabad	Deccan Grameen Bank (Adilabad, Karimnagar, Nizamabad and Ranga Reddy districts of Andhra Pradesh)	Golconda Grameen Bank Sri Rama Grameen Bank Sri Saraswathi Grameen Bank Sri Sathavahana Grameen Bank
4	State Bank of India	Andhra Pradesh Grameena Vikas Bank (Mahabubnagar, Nalgonda, Medak, Warangal, Khammam, Visakhapatnam, and Vizianagaram)	Kakathiya Grameen Bank Manjira Grameen Bank Nagarjuna Grameen Bank Sangameshwara GB Sri Visakha Grameen Bank
5	Syndicate Bank	Andhra Pragathi Grameen Bank (Kadapa, Ananthapur, Kurnool, Nellore and Prakasham districts of Andhra Pradesh)	Pinakini Grameen Bank Rayalseema Grameen Bank Sree Anantha Grameen Bank

Lead banks in AP

Name of the lead bank	Districts coverage
State Bank of Hyderabad	Hydearbad, Nalgonda, Adilabad, Khammam, Karimnagar, Rangareddy, Nizamabad
State Bank of India	Vishakhapatnam, Vizianagaram, Warangal, Mahbubnagar, Anatapur, Medak,
Syndicate Bank	Prakasam, Nellore, Dr YSR District, Kurnool
Indian Bank	Krishna, Chittor
Andhra Bank	Guntur, West Godavari, East Godavari, Srikakulam

State Bank of India and six associate banks

S No.	Name of the Bank	Headquarters
1	State Bank of India	Mumbai, Maharastra
2	State Bank of Bikaneer and Jaipur	Jaipur, Rajasthan
3	State Bank of Hyderabad	Hyderabad, AP
4	State Bank of Patiala	Patiala, Punjab
5	State Bank of Travancore	Trivendrum, Kerala
6	State Bank of Mysore	Bangaluru, Karnataka
7	State Bank of Indore	Indore, MP

*****

Exercise No: 01 & 02 Date: ________

Working out the various repayment plans

For term loans which are characterized by partially liquidating in nature, the loan repayment plan is not as similar as that of short term loans. These loans are cleared by the borrower / recovered by the banker through a given number of installments depending upon the nature of asset, income generating capacity of the asset and the amount advanced for the asset in question. Various repayment plans, in vogue are listed and briefly explained here.

1. Straight end payment plan or Single repayment plan or lumpsum repayment plan
2. Partial repayment plan
3. Amortized repayment plan
   A. Amortized decreasing repayment plan
   B. Amortized decreasing repayment plan
4. Variable repayment plan
5. Optional repayment plan
6. Reserve repayment plan

1. Straight end payment plan or Single repayment plan or lumpsum repayment plan:

The entire loan amount is to be cleared off after the expiry of loan period stipulated. More clearly in this method, the principal component is repaid by the farmer at a time in lumpsum when the loan matures, while the interest component is paid each year.

2. Partial repayment plan or Balloon repayment plan:

The farmer is expected to repay the entire loan amount in quarterly, half-yearly or annual installments (principal + interest). It implies that repayment of loan will be done partially over the years. Usually, the installment amount will be decreasing as the years pass by except in the maturity year (final year) during which the investment generates sufficient revenue for liquidation. This is also known as balloon repayment plan, as the large final payment is made at the end of the loan period following a series of smaller partial payments.

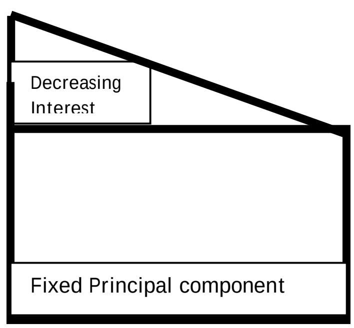
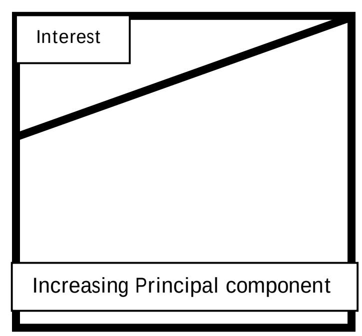
Work out this example: Loan amount = Rs 10,000
Time period = 6 years
Rate of interest = 12%

Year	Principal in Rs.	Interest in Rs.	Installment in Rs.	Balance amount
1	1000	1200	2200	9000
2	1000			
3	1000			
4	1000	840	1840	
5	1000			5000
6	5000			-
Total				-

Conclusion:

3. <u>Amortized repayment plans:</u>

It is an extended version of the partial repayment plan. Amortization means the repayment of the entire loan amount in a series of installments. Here we have two types of amortization plans:

i) Amortized Decreasing repayment plan	ii) Amortized Even repayment plan
In this plan the, the principal component is constant over the entire loan repayment period.	In this plan the, the principal component to be paid will be increasing over the entire loan repayment period.
The interest component decreases continuously	Here also the interest component decreases continuously
With the principal amount constant and the interest amount decreasing constantly, the annual installment amount decreases over the years. So the name as amortized decreasing repayment plan.	Where as, here the principal amount increasing and the interest amount decreasing constantly, the annual installment amount is constant over the years. So the name as amortized even repayment plan.
Example: LT loan advanced for machinery like tractor. Tractor does not demand much repairs in the initial years of loan repayments. So this enables the farmer to repay large amounts in the initial years.	This method is mostly adopted for term loans by the bankers. Examples: Loans granted for farm development, digging of wells, deepening of old wells, construction of godowns, dairy development, poultry loans etc.
 No. of Years 1......2.......3.......4......5......6	 No. of Years 1......2.......3.......4......5......6 The annual installment is arrived at through the following formula: $I = B \dfrac{i}{1-(1+i)^{-n}}$ Where I = Annual Installment B = Principal amount borrowed in Rs. n = Loan period in years i = Annual interest rate in fraction

<u>Procedure to calculate the amortized decreasing repayment plan in steps:</u>

Step 1: Obtain the principal amount payable per annum as follows

$$\text{Principal amount per year} = \frac{\text{Total loan amount advance}}{\text{Number of years of repayment}}$$

Step 2: Calculate the interest to be paid annually by multiplying the corresponding principal amount with the given interest in percentage

Step 3: Obtain the annual repayment installment amount by adding the principal and interest for that corresponding year

Step 4: Calculate and enter the unpaid balance of principal outstanding for each year

Step 5: Check that the penultimate (last but one) year's unpaid balance of principal equals to the last year's principal to be repaid.

Step 6: Observe that the installment to be repaid in the successive years will be continuously decreasing.

Step 7: Infer the result by writing the amount of money paid by the borrower towards the interest for using the loan/ credit for the total repayment period.

<u>Exercise: 1.</u>

A farmer has obtained a term loan of Rs. 100000 with an interest rate of 12% for the purpose of construction of a farm building. The repayment period prescribed by the banker is 6 years. Work out the repayment plan for the farmer using the amortized decreasing repayment method:

<u>Amortized decreasing repayment plan:</u>

Year	Principal in Rs.	Interest in Rs.	Installment in Rs.	Balance amount
1	16666.66	12000	28666.66	83333.34
2				
3				
4				
5				16666.66
6				-
Total	1,00,000			-

$$\text{Principal amount per year} = \frac{\text{Total loan amount advance}}{\text{Number of years of repayment}} =$$

Interest amount for the 1st year = 1,00,000 x 12% =

Interest amount for the 2nd year = 83333.34 x 12% =

Interest amount for the 3rd year = x 12% =

Interest amount for the 4th year = x 12% =

Interest amount for the 5th year = x 12% =

Interest amount for the 6th year = x 12% =

Conclusion:

<u>Procedure to calculate the amortized even repayment plan in steps:</u>

Step 1: Calculate the annual installment to be repaid for the term loan taken by the borrower using the following formula:

$$I = B \frac{i}{1-(1+i)^{-n}}$$

Where,
I = Annual Installment
B = Principal amount borrowed in Rs.
n = Loan period in years
i = Annual interest rate in fraction

Observe that the annual installment for all the years is constant.

Step 2: Calculate the interest to be paid for the first year by multiplying total loan amount with the given interest in percentage.

Obtain the actual principal amount for the first year by subtracting the interest calculated from the installment

Calculate and enter the unpaid balance of principal outstanding at the end of the first year

Step 3: Calculate the interest to be paid for the second year by multiplying the unpaid balance of principal outstanding at the end of the first year with the given interest in percentage.

Obtain the actual principal amount for the second year by subtracting the interest calculated from the installment
Calculate and enter the unpaid balance of principal outstanding at the end of the first year

Step 4: Continue the same process for the given repayment period

Step 5: Check that the penultimate (last but one) year's unpaid balance of principal equals to the last year's principal to be repaid.

Step 6: Observe that the installment to be repaid is constant throughout all the years, so the name Amortized even repayment method. The interest and the principal amount to be repaid in the successive years will be continuously decreasing.

Step 7: Infer the result by writing the amount of money paid by the borrower towards the interest for using the loan/ credit for the total repayment period.

Exercise: 2

A farmer has obtained a term loan of Rs. 100000 with an interest rate of 12% for the purpose of construction of a farm building. The repayment period prescribed by the banker is 6 years. Work out the repayment plan for the farmer using the amortized decreasing repayment method:

Amortized even repayment plan:

Year	Principal in Rs.	Interest in Rs.	Installment in Rs.	Balance amount
1	12322.50	12000	24322.50	87677.50
2				
3				
4				
5				21717.1
6				-
Total				-

$$\text{Annual installment} = 100000 \times \frac{0.12}{1-(1+0.12)^{-6}} = \text{------------}$$

Interest amount for the 1st year = 1,00,000 x 12% =

Interest amount for the 2nd year = 87677.50 x 12% =

Interest amount for the 3rd year = x 12% =

Interest amount for the 4th year = x 12% =

Interest amount for the 5th year = x 12% =

Interest amount for the 6th year = x 12% =

Conclusion:

4. Variable repayment plan:

As the very name indicates, various levels of installments are paid by the borrower over the loan period. In times of good harvest a higher installment is paid, where as in the periods of low yields lesser amount is credited towards the installment to the lender. According to the convenience the borrower will be paying the loan taken as repayment. This method is not found with the institutional borrowings.

5. Optional repayment plan:

In this method provision is made for the borrower to make payment towards the principal amount in addition to the regular interest annually.

6. Reserve repayment plan or Future payments:

This type of repayment is made by the borrowers in areas which are subject to high income variability of farms. The imminent problem here is that the farmers are worried by the fear that they may not be able to keep up their promise of repaying crop loans or installments towards term loans at scheduled time. To overcome such situations, the farmers make advance payments of the loan, from the savings realized during the previous year. The farmer is not a looser in this transaction by any means since he is paying interest amount for the coming year. This type of repayment is advantageous for the banker also in the sense that as the institutional agency need not worry about loan collections during the periods of crop failure. The farmer too gains here as he can keep up his integrity in credit transactions.

Exercise:

1. Workout both the amortized decreasing and amortized even repayment plans for the power tiller loan taken by a farmer.

Principal (loan) amount	=	Rs. 85,000
Rate of interest	=	11.50%
Repayment period	=	7 Years

2. A farmer has bought a Paddy combined harvester & thresher by taking a loan amount of Rs. 6,16,656 from a bank. The interest charged will be 12%. The loan repayment period was fixed as 11 years. Work out the repayment plan using amortized decreasing and amortized even repayment methods and conclude the results.

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Exercise No: 03 & 04 Date: ________

Study of Functioning of a Commercial Bank

Commercial Banking in India was started and developed by the industrialists / businessmen. Generally their activities were concentrated in big cities with a view to attract huge deposits for developing them as a new business line. The commercial banks did not consider it to be their function to lend to agriculture, so the agriculture and allied activities were neglected by them. Earlier, only the co-operative banks are dealing with the agricultural credit in India. With the nationalization of 14 major commercial banks in 1969 and 6 more in 1980, a big change had taken place in the sphere of agricultural credit lending by the commercial banks in rural India. Now there are 20 scheduled commercial banks nationalized in public sector besides public sector banks of RBI and 8 other subsidiary banks of SBI.

The following information about the scheduled commercial bank may be collected during our visits.

1. Name of the bank/branch:
2. Location:
3. Accessibility to the customers:
4. Area of operation: No. of villages serviced:
5. Main objectives and subsidiary objectives of the bank:
6. Total number of different types of account holders:
7. Loans advanced; Purpose wise; Kisan Credit Cards – Advantages
8. Procedure for obtaining a loan; Documents to be enclosed with the loan application for crop loans and term loans;
9. Different stages of processing of the loan application; Legal opinion; eqitable and simple mortgage; other security documents; Hypothecation; personal guarantee of sureties-promissory note etc;
10. Purposes for which the MT and LT loans are granted
11. Scale of finance for different crops and unit cost of term loans - other enterprises like poultry, dairy, piggery, fish ponds, shrimp culture, sericulture, tractors, pump sets, other agricultural machinery etc.; Maximum scale allowed for each cop both in kharif and rabi;
12. Interest rates – Does it varies with the holding or period of loan criteria followed; Differential Rate of Interest (DRI) or uniform rate of interest; any interest subsidy provided;
13. Any other incidental charges to the loans other than the loan amount & interest; processing fee, documentation charges, registration fee, mortgage fee, stamp fee, inspection charges etc; Crop insurance premium;

14. Steps taken by the bank to check proper utilization of loans; Frequent visits of the staff; other means to check the misuse of loans;

15. Disbursement procedure of ST, MT and LT loans;

16. Procedure of repayment of ST, MT and LT loans;

17. Over dues position and outstanding

18. To what extent recoveries are made in the recent years; problems of recovery; measures adopted to mend the defaulters;

19. Is the problem of double financing exist? If yes, measures taken to control it;

20. Progress of the bank in the recent years in the spheres like SHG finance, Rytu Mitra Groups, other if any;

21. Role of the bank in safeguarding the farmers/ customers through the crop insurance, cattle insurance, life insurance etc; Crop insurance premium crop wise, Insurance procedure, Claims procedure, performance of NAIS over the years;

22. Business turnover of the branch during last three years; C-D Ratios;

23. Any special facilities extended to the farmers like technical know how, rural godowns, non-credit services etc.;

24. Any recent policy decisions taken for the betterment of farming community;

25. Problems and suggestions for improvement, if any;

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Exercise No: 05 Date: ________

Study of Functioning of a Regional Rural Bank (RRB)

RRBs were setup as per the recommendations of the working group headed by Mr. Narsimham in 1975. According to the RRB's Act, RRBs were setup mainly with a view to develop rural economy by providing loans for the purpose of development of agriculture, trade, commerce, industry and other productive activities in rural areas by providing the credit and other facilities especially to the small & marginal farmers, agricultural labourers, artisans and the small entrepreneurs. More over RRBS were meant to combine the local feel and familiarity with several field level problems which the co-operatives possess and the degree of business acquisition, ability to mobilize deposits, access to central money market with a modernized outlook which, the commercial banks have. Thus RRBs have the status of scheduled commercial banks and are set up with low cost banking principal.

The following information about the RRB may be collected during our visits.

1. Name of the bank/branch:
2. Location:
3. Accessibility to the customers:
4. Area of operation: No. of villages:
5. Main objectives and subsidiary objectives of the RRB:
6. Board of management:
7. Share capital – Authorized and paid up capital
8. Total number of different types of account holders:
9. Progress of RRB & advantages of becoming a customer of RRB;
10. Loans advanced; Purpose of financing; Advances to priority sector; Repayment period for each loan;
11. Procedure for obtaining different loans from RRB; Documents to be enclosed with the loan application;
12. Different stages of processing of the loan application; Legal opinion; mortgage; hypothecation; personal guarantee of sureties- promissory note etc;
13. Scale of finance for different crops and other enterprises like poultry, dairy, piggery, fish ponds, shrimp culture, sericulture etc.; Maximum scale allowed for each crop both in kharif and rabi;
14. Interest rates – Does it vary with the holding or period of loan criteria followed; Differential Rate of Interest (DRI) or uniform rate of interest.
15. Any other incidental charges to the crop loan other than the loan amount & interest;

16. Steps taken by the bank to check proper utilization of loans; Frequent visits of the staff; other means to check the misuse of loans;

17. Purposes for which the MT and LT loans are granted

18. Disbursement procedure of ST, MT and LT loans;

19. Procedure of repayment of ST, MT and LT loans;

20. To what extent recoveries are made in the recent years; problems of recovery; measures adopted to mend the defaulters; Rescheduling and rephrasing of loans;

21. Crop insurance schemes – Premium payments, claims if any

22. Is the problem of double financing existing? If yes, measures taken to control it;

23. Progress of the bank in the recent years in the spheres like SHG finance, Rytu Mitra Groups, other if any;

24. Role of the bank in safeguarding the farmers/ customers through the crop insurance, cattle insurance, life insurance etc.

25. Recent developments / changes in the structure of RRBs;

26. Business turnover of the branch during last five years;

27. Any special privilege extended to the weaker sections of the society;

28. Any recent policy decisions taken for the betterment of farming community;

29. Problems and suggestions for improvement, if any;

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Exercise No: 06 Date: ________

Study of NABARD
(National Bank for Agriculture and Rural Development)

The Agricultural Refinance and Development Corporation (ARDC) role to meet the challenges of integrated rural credit through institutional building, training, research, policy making, planning and providing expertise in the diverse disciplines of finance was *inadequate and insufficient*.

To study the situation many committees viz. Banking Commission 1972, National Commission on Agriculture 1976, and **Committee to Review Arrangements For Institutional Credit for Agriculture and Rural Development (CRAFICARD) in 1979** were appointed by RBI. **CRAFICARD** under the chairmanship of **B. Sivaraman**, recommended the setting of a national level institution called **NABARD** for providing all types of production and investment credit for agriculture and rural development. So, NABARD came into existence on **12th July 1982**.

The then existing national level institutions such as **ARDC** (Agricultural Refinance and Development Corporation), **ACD** (Agricultural Credit Department), **RPCC** (Rural Planning &Credit Cell), **DBOD** (Department of Banking Operation & Development) of RBI were merged with NABARD. NABARD has taken over & combined **entire functions of ARDC** and **partly functions of ACD, DBOD and RPCC of RBI.**

NABARD operates through its head office at **Mumbai**, 17 regional offices (one each in major state capitals), 10 sub-offices (in smaller states/union territories) and 213 district offices.

The following information about the NABARD from its District's office may be collected during our visits.

1. Name of the office:
2. Year of establishment:
3. Office staff details:
4. A brief history of NABARD:
5. Main objectives:
6. Functions of NABARD:
    a. Credit activities:
        i. Annual Potential Linked credit Plans:
        ii. Refinance facilities under ST, MT and LT loans:
        iii. Purposes for which the ST, MT and LT loans refinanced:
        iv. Conversion and rescheduling of finance:
        v. Direct finance to State Govt., State sponsored corporations, share capital of co-operatives:

    b. Developmental activities

        i. Institutional Development of Co-operatives, RRB,s, Lead banks etc. thorough training and capacity building programmes:

ii. Borrowers' education on the ethics of repayment in selected areas through VVV (Vikas Volunteer Vahini).
iii. Research related activities:
iv. Significance of different funds maintained by NABARD
    1. AREIF (Agril. Rural Enterprises Incubation Fund)
    2. RPCF (Rural Promotion Corpus Fund)
    3. CFSF (Credit & Financial Services Fund)
    4. NRC (LT Operations) Fund
    5. NRC (Stabilization) Fund
v. SHG bank linkage and recent progress of SHGs:
vi. Consultancy and advisory body:

c. Regulatory activities

7. General route of flow of funds from NABARD to SCB / DCCB / PACS / RRBs / CBs / NGOs etc and at what interest rate?

8. In your view, what may be the reasons for failure of the institutions like PACS, FSS, LAMPS etc. established on the basis of co-operation?

9. Explain your view regarding the overall credit flow to agriculture?

10. What are the present day problems in agricultural credit in India?

11. Any recent policy decisions taken for the betterment of farming community;

12. Suggestions to improve the present situation of credit flow to agriculture.

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Exercise No: 07 Date: ________

Study of PACS
(Primary Agricultural Credit Co-operative Societies)

The Primary Agricultural Credit Co-operative Societies (PACS) function at the base or the field level of the co-operative credit system i.e. at the village level. The organization of these societies dates back to 1904, when the first Co-operative Credit Societies Act was passed. The societies were started with the objective of providing cheap credit to the agriculturists in order to free them from the clutches of money lenders. Co-operative credit structure is a three tier structure having the PACS at the village level, Central Co-operative Banks at the district level and the State Co-operative Bank at the state level.

The following information about the Primary Agricultural Credit Co-operative Society (PACS) may be collected during our visits.

1. Name of the PACS:
2. Location:
3. Accessibility to members:
4. Liability of the society:
5. Date of registration:
6. Date of functioning:
7. Area of operation: No. of villages:
8. Main objectives and subsidiary objectives of the society:
9. Total number of members:
10. Population of the villages and percentage of members to the total population:
11. Membership; eligibility / qualification to become a member; No. of members in the beginning and end of the year; No. of members admitted and with drawn so far;
12. Procedure for becoming a member & Advantages of being a member of society:
13. Shares and share capital – authorized, subscribed and paid up – Maximum per individual – provisions for easy payment.
14. Funding sources other than the share capital; Maximum Borrowing Power of the society; deposits from the members and non-members; Any other sources of borrowings (Source, interest income, margin money for the society)
15. Business transacted by the society; Loans to the members; sale of the members produce; purchase and distribution of the domestic and agricultural requirements and other, if any.,

16. Loans transacted: Kinds of loans & scale of finance – ST, MT & LT loans; Procedure for obtaining loan - Details of security – Rate of interest (How it differs with commercial bank interest?) – Conditions of repayment – Mode of repayment – Difficulties; Refinance schemes, scale of finance and unit costs of term loans

17. Crop insurance schemes- premiums, claims if any

18. Various types of loans advanced during the year; loan recovery position of the society; Any legal procedure of loan recovery from the defaulters followed? Over dues position, Rephasing and rescheduling of loans, loan waiver and interest subsidy schemes.

19. Business turnover of the society; Profit and loss account of the society;

20. Special facilities to the members by the society / government; provision of godown facilities; subsidies to the members in any form;

21. Reserve funds- Composition and amount – other funds – Dividends paid;

22. Management and control of society – General body – Board of directors – Govt. supervision – Staff position – relationship with apex institutions;

23. Progress of the society from the inception; Difficulties faced and how they were solved

24. Are members realizing the full benefits for which it was started? Any suggestions for improvement.,

25. Reasons for failure of the societies in meeting their objectives, if any.

26. Any recent policy decisions taken for the betterment of farming community;

27. Suggestions for overall development of society.,

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Exercise No: 08 Date: ________

Study of DCCBs
(District Co-operative Central Banks)

The Co-operative credit structure begins with the commencement of Co-operative Credit Societies Act, 1904. Under three-tier co-operative credit system both the ST and MT credit needs of agriculturists are met. The Primary Agricultural Credit Co-operative Societies (PACS) function at the village level. At the apex level the State Co-operative Bank (SCB) exist while at the district/ middle level District Co-operative Central Banks (DCCB). DCCBs in fact the link between SCB and the PACS. These are basically meant to meet the credit requirements of PACS. The area of operation varies from taluk to the district, but in most of the states their operations are confined to taluk level. Membership is open to individuals and societies working in its operation. Marketing societies, consumer societies, farming societies, urban banks and PACS are usually enrolled as members of the DCCB. DCCBs also undertake the normal banking operations like accepting deposits from the public, collecting bills, cheques, drafts etc and providing credit to the needy persons.

The specific functions of DCCBs are:

a) They supervise and inspect the activities of PACS and help the credit societies run smoothly
b) Maintain close, continuous contact and guide the PACS and provide leadership to them.
c) They undertake non-credit activities like supply of seeds and fertilizers besides sugar, kerosene and other consumer goods.
d) Providing requisite funds to societies under their control.
e) They undertake ordinary banking business like accepting deposits from public, collecting bills, cheques, drafts etc., and providing credit to the needy persons.

The following information about the District Central Co-operative Banks (DCCB) may be collected during our visits.

1. Name of the DCCB:

2. Location:

3. Date of establishment:

4. Is the bank have the branches in its area of operation:

    a. If yes, no. of branches and at what level ? :

5. Main objectives and subsidiary objectives of the society:

6. Total number of members:

S No	Members	Number
1	Individuals	
2	PACS	
3	Farming societies	
4	Consumer societies	
5	Marketing societies	
6	Urban banks	
7	Others	

7. Eligibility / qualification to become a member; No. of members admitted and with drawn so far;

8. Procedure for becoming a member & Advantages of being a member of DCCB:

9. Shares and share capital – authorized, subscribed and paid up – Maximum per individual – provisions for easy payment.

10. Relation with the SCB; funding by SCB;

11. Funding sources other than the share capital; Maximum Borrowing Power of the DCCB; deposits from the members and non-members; Any other sources of borrowings (Source, interest income, types of deposits)

12. Business transacted by the bank; Loans to the member societies – purpose wise and amounts; loans to the individuals – purpose wise and amounts, M B of societies and other, if any.,

13. Loans transacted: Kinds of loans & scale of finance – ST, MT & LT loans;

14. Procedure for obtaining loan by members - Details of security – Rate of interest (How it differs with commercial bank interest?) – Conditions of repayment – Mode of repayment – Difficulties; Refinance schemes, scale of finance and unit costs of term loans

15. Crop insurance schemes- premiums, claims if any

16. Various types of loans advanced during the year; loan recovery position of the DCCB / branch; Any legal procedure of loan recovery from the defaulters followed? Over dues position, Rephasing and rescheduling of loans, loan waiver and interest subsidy schemes.

17. Business turnover of the Bank; Profit and loss account of the Bank;

18. Special facilities to the members by the bank; provision of godown facilities; subsidies to the members in any form;

19. Reserve funds- Composition and amount – other funds – Dividends paid;

20. Management and administrative structure– General body – Board of directors – Govt. supervision – Staff position – relationship with other apex institutions;

21. Progress of the bank from the inception; Difficulties faced and how they were solved

22. Are members realizing the full benefits for which it was started? Any suggestions for improvement.,

23. Reasons for failure of the banks in meeting their objectives, if any.

24. Any recent policy decisions taken for the betterment of farming community / bank financial condition and improvement;

25. Suggestions for overall development of bank.,

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Exercise No: 09 & 10 Date: ________

Study of SHGs
(Self Help Groups)

SHG is a small group of rural poor, who have voluntarily come forward to form a group for improvement of the social and economic status of the members. In India, innovative approach in SHG group movement was made by NABARD by the introduction of pilot project in 1991. SHG is a group of 20 or less people from a homogenous class who are willing to come together for addressing their common problems. Generally the Self Help Group is a development group and informal in nature may consist 10 to 20 persons. The central idea of self-help is: **"You alone can do it-but you can't do it alone."** Self-help groups are an effective strategy for poverty alleviation, human development and social empowerment of rural poor. The purpose of the SHG is to build the functional capacity of the poor by creating gainful employment through Income Generating Activities (IGA's).

Forming an SHG can

- Change the basic thinking of members about themselves and their ability to perform the income generation independently;
- Provide social recognition and acceptance for a given task through its collective approach;
- Build collective strength and promote initiation of new projects/ideas;
- Improve the economic status of its members by regular savings/quick loans;
- Promote group access to bank/loans;
- Improve access to information about governmental/non-governmental & Beneficiary Oriented Schemes/Programmes;
- Resolve social and other disputes;
- Inculcate the feeling of self-reliance leading to the development in the right direction

An in-depth study of an SHG can be done with the following points:

1. Name and address of the group:
   - When the group was formed:
   - Since how long the group is in effective functioning:
   - Number of members in the SHG:
   - Age of the members in years

S No	Age in years	No. of members
1	Less than 20	
2	20-30	
3	30-40	
4	40-50	
5	More than 50	

ü Group member's profile

S No.	Gender	No. of members				
		SC	ST	OBC	GC	Minorities
1	Female					
2	Male					
3	Disabled					
4	Total					

ü Category of the members:
No. of BPL members:

No. of APL members:

ü Is all the members from the same village: Yes / No

ü Education status of the SHG members:

S. No	Education level	No. of members
1	Illiterate	
2	Literate (can sign)	
3	Up to primary	
4	Secondary	
5	Graduate	
6	>Graduate	

ü Major occupation of the members

S. No	Major occupation	No. of members
1	Agricultural labourer	
2	Marginal farmer	
3	Small farmer	
4	Medium/ big farmer	
5	Rural artisan	
6	Business	
7	Service	
8	Other	

ü Is any member of your group is also a member of other SGH?

2. Group meetings:

ü Frequency of group meeting: Weekly/ Fortnightly/ Monthly/ Quarterly

ü In general the average percent of attendance of members :

ü What is the general agenda of a group meeting

Collecting the weekly savings of the members	Yes / No
Sanctioning of loans to the members	Yes / No
Loan repayments by the members	Yes / No
Discussing the social & community action programmes	Yes / No
Discussing the family matters/ other need based problems	Yes / No
Discussing about the Govt. welfare programmes (health, education, welfare etc.)	Yes / No
Any other items	

Thrift & Savings:

ü What is the savings amount fixed per member per week? Rs.______________

ü Is all contributing for savings regularly? Yes / No

ü Amount of revolving fund received by the group? Rs. ______________

ü Presently, the total corpus with the group- Rs._________

ü Is the saving amount being used for internal lending's? Yes / No

ü Is the whole group involved in deciding the purpose, amounts, rate of interest, schedule of repayments etc., of internal lending's? Yes / No

ü General purposes for which the internal loans advanced to the members

Consumption	Yes / No
Health needs	Yes / No
Marriages/ other functions/ Festivals etc	Yes / No
Production purposes / Business	Yes / No
Any emergency purpose	Yes / No
	Yes / No
	Yes / No

ü Is the group has general reserve fund to meet the maintenance costs, payment to the members in emergencies and other contingencies? Yes or No. If yes, the amount Rs._________________

- Is transparency regarding financial matters maintained and the same known to all the members?
  Bank loan amount received, disbursed, repayment amounts, outstanding etc., Yes / No

  Internal sangha loan amount advanced, repayments with interest, dues etc., Yes / No

  Individual & group savings: Yes / No

- Is savings immediately deposited in bank? Yes / No

- Is members' rotation in depositing SHG money (so that they understand banking principals & get better exposure ensuing that the group has collective leadership and transparency) followed? Yes / No

- Is cheque facility available for the group's bank account? Yes / No

- Is your group accounts audited annually? Yes / No

- Who audits the accounts? – Local auditor / NGO person / Specify the others

3. **Leadership** : Who leads the group in

Convening and conducting SHG meeting at regular interval	A/ ER/ AM
Creating awareness of present social position, objectives of group formation, building team spirit and motivate for better living	A/ ER/ AM
Working for improvement of literacy and numeracy of the group members	A/ ER/ AM
Disseminating information to members about Government Welfare schemes (health and family welfare, education etc.), information received during training sessions (SHG management, general hygiene, environment consciousness, women and the law etc.)	A/ ER/ AM
Facilitating the group members to identify appropriate income generating activities, coordinate with banks for getting loans and ensure prompt repayment	A/ ER/ AM
Training the members in the procedures of bank activities	A/ ER/ AM
Encourage members for collective thinking and action	A/ ER/ AM
Working for improvement of socio-economic development of members	A/ ER/ AM
Ensure regular group savings by members	A/ ER/ AM
Maintenance of Minute Book, Account Book, Loan Records, Asset creation register etc.	A/ ER/ AM
Observing proceedings of the group meetings for passing resolution for grant of loans	A/ ER/ AM
Assist group in getting bank loan, asset creation and prompt repayment	A/ ER/ AM
Ensure participation of all members of the group in all activities.	A/ ER/ AM
Make regular house visits and motivate absentees to attend meetings regularly	A/ ER/ AM
Attending coordination meetings	A/ ER/ AM
Motivating the members to act with unity and integrity	A/ ER/ AM
Share problems, experience, feelings and ideas with all members of the SHG.	A/ ER/ AM
Ensure that SHGs become self-reliant and sustainable after 2 or 3 years	A/ ER/ AM

A= Animator/ ER= Elected Representative/ AM= Any member

4. Record keeping:
   - Who writes and maintains the records? A/ ER/ AM
   - Name the books and registers maintained by the group.

Attendance register	A/ ER/ AM
Minutes book / proceedings register	A/ ER/ AM
Savings ledger	A/ ER/ AM
Loan ledger	A/ ER/ AM
Savings ledger	A/ ER/ AM
Cash book (total group transactions)	A/ ER/ AM
General ledger (resolutions like formation of SHG, change in members, change in animator etc.)	A/ ER/ AM
Asset creation register	A/ ER/ AM
Individual pass book and bank pass book (each member's transactions entered during group meetings)	All members

A= Animator/ ER= Elected Representative/ AM= Any member

- Is double-entry book keeping system followed in record keeping for tamper-proof and sustainable operations? Yes / No

Organization:

- Name of the animator: At present:
  Previous year:

  Before last year:

- Is periodical rotation of leadership followed by the group? Yes / No

- Who deals with the cash handling and cheque signing? A/ ER/ AM
- Is the democratic decision making in practice involving all the members of SHG? Yes / No

5. Income Generating Activity (IGA):
   - The IGA taken up by the members

S No	IGA	No. of members taken	Initial investment			
			Owned funds	Borrowed funds	Source of loan	Interest per annum
1						
2						
3						
4						
5						
6						
7						

- Are all members satisfied with the loan availed regarding the cost of credit and repayment schedule?

- Economics of the IGA

Parameter	IGA's					
	1	2	3	4	5	6
Avg. cost of production per month						
Gross income						
Loan installment						
Net Income						

- Problems (production & marketing) in managing the IGA:

IGA – 1	IGA - 2	IGA - 3

- The SHG has organic links with

Financial institutions-

Village level organizations

Mandal level institutions

District level organizations

6. Impact / benefits of forming and working through the SGH:

Improved status of member in the family and society	Yes / No
Capacity building of poor and disadvantaged women	Yes / No
Improved wealth and family welfare	Yes / No
Improved health, functional literacy, numeracy and education	Yes / No
Women were given equal weightage in decision making	Yes / No
Achieved the communal and caste harmony through mixed caste members	Yes / No
Real increase in social awareness	Yes / No
Increased access to finance, market and other resources	Yes / No
Increase in household income and employment and reduced migration	Yes / No
Improved self-confidence, communication, interaction with officials etc	Yes / No
Better leadership, self-help and mutual help	Yes / No
Getting out of money lenders clutches by regular savings and internal rotation	Yes / No
Financial self sufficiency with the better management of IGA	Yes / No
Specify other benefits, if any	Yes / No

7. Any other information not covered above:

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Exercise No: 11 Date: ________

Estimation of scale of finance

The crop loan system was introduced in the country during 1965 and in the state of Andhra Pradesh from *Kharif* season of 1966. The scheme has been implemented by t*reating crop as security instead of landed property* for advancing the crop loans and f*ixing the scale of finance depending up on the actual cost of cultivation expenditure.* The credit requirements of the farmer to cultivate one acre of the land is estimated based *on the cost of cultivation of the crop.* The amount of loan requirement will be *fixed according to the crop and the season* in which it is given and type of crop i.e. *irrigated or rainfed*.

Scale of finance for Crop loans:

It is the quantum of loan that can be extended by any financial institution for the cultivation of one acre of land is called as scale of finance. Scale of finance for any crop will be fixed up by taking in to consideration of two aspects viz., *Gross income or Cost of cultivation.* As per the guidelines of RBI, the scale of finance for an individual crop should not exceed 50% of the gross returns. *Scale of finance is fixed by* District Consultative Committee (*DCC)* under the chairmanship of District Collector with the help of the cost of cultivation estimates (preceding year's) of different crops of that district presented by the department of agriculture and in consultation with bank officials and animal husbandry etc.

Scale of finance varies from year to year, season to season, crop to crop and also the crop growing condition i.e irrigated or un-irrigated. Generally, the total amount of variable costs will be considered and fixed as the scale of finance for that crop.

Scale of finance for term Loans:

MT and LT loans are called term loans or investment loans. In case of term loans the scale of finance varies with the type of activity and from time to time. The amount of loan that can be extended to term loans is based on the unit cost of the activity for which finance is to be provided and share of the borrower towards margin money in the unit cost.

- Loan amount (for term loans) = Unit cost – margin money

The major consideration while fixing the scale of finance for term loans is *incremental income* (additional income) of the proposed project. The incremental income is the difference between the expected income after the investment and the existing income before investment. The term loans are financed by the banks as per the unit costs decided by NABARD.

Procedure to estimate the scale of finance for the crops:

Step 1 : Collect and estimate the amount of money incurred by the farmer for payment of wages to the human labour, charges for bullock labour and machine labour for one acre of crop cultivation

Step 2 : Collect and estimate the amount of money incurred by the farmer for purchase of various inputs / materials (seeds, plant protection chemicals, fertilizers & FYM etc.)used for one acre of crop growing.

Step 3 : Add the amounts arrived through the above procedure to work out the interest to be charged for using that working capital.

Step 4 : Calculate the interest on working capital by using the following formulae

- $$\text{Interest on working capital (for one month)} = \frac{\text{Cost towards materials and labour x rate of interest}}{100 \times 12 \text{ months}}$$

  Actual amount of interest to be considered for that crop is arrived by multiplying the arrived monthly interest amount with the half of the crop growth period.

- Interest on working capital (for the crop) = Interest on working capital (for one month) x Half of the crop growth period in months

Step 5 : Work out the scale of finance of that crop by adding the amounts arrived through steps 1, 2 and 4.

Exercise:
Estimation of cost of cultivation of ____________________ crop.

A. Labour charges

S No.	Operation	Owned labour				Hired labour				Wage rates				Amount
		TL	BL	M	W	TL	BL	M	W	TL	BL	M	W	
1	Land preparation													
A	Removal of stubbles													
B	Ploughing													
C	Harrowing													
D	Levelling													
E	Puddling													
F	Trimming of bunds													
G	Ridge & furrow forming													
H	Others													
2	Application of manures													
A	Carting / transport													
B	Spreading													
3	Sowing / transplantation													
4	Fertilizer application													
5	Earthing up													

6	Intercultivation													
7	Weeding													
8	Irrigation													
9	Wrapping & propping													
10	Plant protection													
11	Harvesting													
12	Threshing & winnowing													
13	Bagging % transportation													
TOTAL														

B. Material cost

S No	Item	Quality		Rate	Value
		Owned	Purchased		
1	Seeds				
2	FYM				
3	Fertilizers				
a					
b					
4	Plant protection chemicals				
a					
b					
c					
3	Other if any				

C. Interest on working capital = $\dfrac{\text{A+B x interest rate}}{100 \quad \text{x } 12}$ x Half of the crop growth period

D. The cost of cultivation / scale of finance for that crop is arrived as A+B+C.

Scales of Finance for major Crops of Guntur district as decided by the DLTC for 2010-11.

Sl. No	Name of the crop	Irrigated / Rainfed	Scale of Finance per acre (Rs.)
	Kharif season		
1	Paddy	Irrigated	15,500
2	Paddy (SRI)	Irrigated	15,500
3	Cotton	Irrigated	24,500
4	Cotton	Rainfed	17,500
5	Chillies	Irrigated	42,500
6	Chillies	Rainfed	33,500
7	Turmeric	Irrigated	40,000
8	Sugarcane- Plantation	Irrigated	24,000
9	Sugarcane- Ratoon	Irrigated	19,000
10	Groundnut	Irrigated	9,500
11	Groundnut	Rainfed	6,500
12	Banana – Plantation	Irrigated	31,500
13	Banana – Ratoon	Irrigated	25,500
14	Onion	Irrigated	16,800
15	Acid Lime	Irrigated	19,000
16	Curry Leaf	Irrigated	25,000
17	Betelvine	Irrigated	35,500
18	Flouriculture	Irrigated	16,000
19	Yarn/ Elephant foot	Irrigated	40,000
20	Mango/ Guava / Sapota	Irrigated	13,500
21	Pisciculture (working capital)		1,20,000
22	Scampi (fresh water)		90,000
23	Shrimp Culture (Brackish water)		80,000
24	Ragi	Rainfed	1,800
25	Maize	Irrigated	15,500
26	Jowar	Irrigated	3,500
27	Bajra	Rainfed	3,400
28	Vegetables	Irrigated	24,000
29	Jute	Rainfed	2,300
30	Gingely	Rainfed	2,800
31	Pulses	Rainfed	6,000
32	Castor	Rainfed	2,800
33	Soyabean	Irrigated	6,000
34	Nelavemu	Irrigated	9,000
35	Pashanbhedi	Irrigated	10,000
36	Kalbanda	Irrigated	25,000
37	Vasa	Irrigated	21,000
38	Aswagandha	Irrigated	12,000
39	Lemon Grass		15,000
40	Palmorosa		12,000
	Rabi season		
1	Paddy	Irrigated	15,500
2	Groundnut	Irrigated	9,500
3	Pulses	Rainfed	6,000
4	Coriander	Rainfed	2,900
6	Sunflower	Rainfed	6,500
7	Tobacco- Virginia	Rainfed	22,000
8	Tobacco- Natu	Rainfed	11,000
9	Soyabean + Red gram	Rainfed	8,000

Indicative Unit Costs (for major activities of the district) as decided by NABARD

State : Andhra Pradesh District : Guntur

Activity	Unit size	Unit Cost Rs. in lakhs)
MINOR IRRIGATION		
Dug Well	no	0.96
Bore Well+Pumpset	no	0.60
E.P.Sets	no	0.33
Renovation of wells	no	0.08
Lift	ha	0.60
Drip Units	ha	0.44
Sprinkler	ha	0.25
Pipe line	ha	0.20
LAND DEVELOPMENT		
Land Reclamation	ha	0.12
OFD works	no	0.3
Soil impro.	ha	0.14
Water Harvesting Structures	2 ha	0.48
NADEP	5.4tpa	0.06
Vermi Hatchery cum Compost Units	100 tpa	6
Vermi Compost	6 tpa	0.08
FARM MECHANISATION		
Tractors	no	5
Power Tillers	no	1.25
Harvester Combines	no	20
Agril.equip others	no	0.4
PLANTATION & HORTICULTURE		
Cashewnut	ha	0.85
Mango-normal	ha	0.7
Mango-High density	ha	1.2
Mango -rejuvenation	ha	0.25
Coconut	ha	0.94
Sericulture #	ac	1.6
Commercial chawki rearing centres $	no	3.75
Kissan Nursery	ac	1.7
Drip Irrigation	ac	0.44
Citrus	ha	0.9
Guava	ha	0.6
Sapota	ha	0.54
Amla	ha	0.66
Papaya	ha	1
Flowers	ha	0.7
Rejuvenation of Orange Orchards	ha	0.35
Lemon Grass	ha	0.35
Distillation Unit for Aromatic Plants	no	2.5
Small Nursery	no	4
W.C. for fruit crops	ha	0.22
FORESTRY &WASTE LAND DEVELOPMENT		

Farm forestry(Eucalyptus)	ha	0.48
Wastelands(Casuarina, Subabool etc)	ha	0.4
Jatropa/Pongamia	ha	0.32
Forestry Others(Nurseries)	no	2.5
DAIRY DEVELOPMENT		
CB cows	1 nos	0.2
GM Buffaloes	1 nos	0.3
Mini dairy -GMB 4 animals	nos	1.2
Com.dairy- 50 buffaloes	nos	32
Fe.GMB calf rearing	no	0.22
Fe.CBC calf rearing	no	0.18
Fodder cultivation	ha	0.08
Vehicles for Gopal Mitras	no	0.3
Bulk milk coolers	no	9
Cattle feed plant	no	2.5
Indig.milk products	no	4
Private Vet. Clinics	no	2
POULTRY DEVELOPMENT		
Comm. Layers	1000 birds	3.2
W.C. for layers	1000 bird	6
Comm. Briolers	800 birds	2
Egg/chick. carts	no	0.1
Hatcheries-Layers(parent birds)	10000	60
Poultry feed plant and Analytical Lab	5tons/hr	16
Emu Breeding	50 Pairs	30
Chick.'meat outlet	no	1.3
SHEEP/GOAT DEVELOPMENT		
Sheep Rearing	(20+1)	0.6
Goat Rearing	(20+1)	0.45
Ram lamb Rearing	20 ram	0.4
Commercial Sheep Farm(100+5)	nos	5
Pig fattening	10cb weaner	0.16
Meat outlets	no	2
FISHERIES DEVELOPMENT		
W. capital for Inland fish/scampi farming	ha	1
Inland Fish Farming(New ponds/tanks)	ha	2.2
W.capital for B.W.P Culture	ha	1.5
Brackish water prawn farming(renovation)	no	1.2
Motorised boats(wooden boats with OBM/IBM)	no	1.8
FRP Catamarans	no	2.2
COLD STORAGE		
Cold Storages (5000 MT)	no	200
Rural godowns (1000 MT)	no	25
Agri Marketing Infrastructure	no	200
Milk Chilling Plants	no	280
OTHER ALLIED ACTIVITIES		
Bullocks	no	0.15
Bullock carts	no	0.2
Bio-gas plants	no	0.09

Solar off-grid applications	no	0.25
Solar Lanterns	no	0.05
NFS - WORKING CAPITAL		
Handlooms	no	13.4
S.S.I	no	11.4
NFS - INVESTMENT CREDIT		
Tiny Sector	no	1.5
Village Industries	no	1.2
SSI (others)	no	21
Rural 'Artisans	no	0.5
Handlooms	no	0.8
NFS - AGRO PROCESSING		
Bio diesel extraction plant	no	30
Organic Ferilizer/pesticide other than neem	no	30
Flour /Rawa mills	no	1.5
Wood based industries	no	1.5
Dal mills	no	1.5
Edible Oil extraction Units	no	30
Neem oil/cakeunits	no	1.5
Fish and prawn processing units	no	30
Rice flakes, puffed rice units	no	1.5
Mango Processing units	no	64
pulp,jam,jelly,juice,pickle		64
Bakery	no	1.5
Feed manufacturing units	no	30
Meat Processing	no	30
OTHER PRIORITY SECTOR		
Transport Operators	no	2.4
Retail trade/s Business	no	1.4
Proff./Self emp.	no	2.4
Education. Loans	no	2.6
Consumption. Loans	no	0.6
Rural Housing	no	3.4
SHGs	no	1.8

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Exercise No: 12 Date: ________

Estimation of Indemnity in Crop Insurance:

The dictionary meaning of the indemnity is 'protection against future loss' or 'a sum of money paid in compensation for loss or injury'. The compensation received by the individual for qualifying losses paid under an insurance policy is called as indemnity. The amount payable by the insurer to the insured either in the form of cash, repair, replacement or reinstatement in the event of an insured loss is termed as indemnity. In crop insurance, indemnity payments occur when yield is below a yield guarantee level.

The main objective of crop insurance is to provide insurance coverage and financial support to the farmers in the event of failure any of the notified crop to stabilize the farm incomes. Farmers growing notified crops and availing SAO loans from financial institutions will be covered on compulsory basis where as non-loanee farmers on voluntary basis.

In crop insurance, the non-preventable risks due to natural fire, lightening, storm, cyclone, typhoons, hurricane, flood, inundation, land slide, drought and dry spells, pests & diseases etc. are covered but not the preventable risks like losses arising out of war and nuclear risks, malicious damage etc.

Sum insured: It is the value of the threshold yield of the insured crop.

- *Sum insured= Threshold yield of the crop x Minimum support price of the crop during previous year.*

The insurance coverage to the extent of full loan amount in case of laonee farmers is compulsory.

Premium rates: The premium rates for notified crops in both kharif and rabi are around 2% to 15.55% of the sum insured or on the basis of actuarial (commercial) rate. Presently, the small farmers (2.5 to 5 acres) and marginal farmers (less than 2.5 acres) are allowed for 50% premium subsidy paid by government. The premium rates vary from crop to crop, season to season, year to year and irrigated to un-irrigated crop growing of the crops

Unit area: The smallest unit area presently considered for insurance coverage is a gram panchayat.

Actual yield: The actual yield per ha. of the insured crop is determined through the crop cutting experiments every season. The state government will conduct the requisite number of crop cutting experiments (block-16 in no., mandal-10 and gram panchayat-8) and estimates the actual yield in every season.

Threshold Yield: The threshold yield or guaranteed yield for a crop is the moving average yield based on the past three years average yield in case of rice & wheat and 5 years in case of other crops multiplied by the level of indemnity.

Levels of Indemnity: Three levels of indemnity viz., 90%, 80% and 60% corresponding to low, medium and high risk shall be available for all the crops like cereals, millets, pulses & oilseeds and annual commercial crops / horticulture crops) based on Coefficient of Variation (CV) in yield of past 10 years data. However, the insured farmers of unit area may opt for higher level of indemnity on payment of additional premium based on actuarial (commercial) rates.

Shortfall in crop yield: If the actual yield fall short of the specified threshold yield, all the insured farmers growing that crop in the defined area are deemed to have suffered short fall in their yield.

- *Shortfall in crop yield= Threshold yield - Actual Yield*

Indemnity: It is calculated based on the following formula.

$$\text{Indemnity} = \frac{\text{Shortfall in crop yield}}{\text{Threshold yield}} \times \text{Sum assured}$$

Weather based crop insurance: In weather based crop insurance for the purpose of calculating the payouts or indemnity, the kharif is divided into three contiguous phases corresponding to sowing, vegetative growth and harvest. Each phase may be 35-45 days in length. Insurance payouts in the first two phases are linked to deficient rainfall i.e policy provides payout if rainfall is below a particular threshold level, where as in third phase (harvest) insurance provides payout if rainfall is higher than threshold level. This is meant to protect the farmer against deficit as well as excessive rainfall during the crop growth.

Procedure of calculation:

Step 1: Obtain the actual yield per ha. of the insured crop from the crop cutting experiments conducted by the state government.

Step 2: Estimate the 3 year or 5 year moving average yield of the crop using the past 3 years or 5 years yield data.

Step 3: Calculate the threshold yield for that crop using the past three / five years moving average yield and multiplied with the level of indemnity.

- *Threshold yield x level of indemnity for that crop.*

Step 4: Estimate the sum insured as

- *Sum insured = Threshold yield of the crop x Minimum support price of the crop during previous year.*

Step 5: Calculate the shortfall in the crop yield.

- *Shortfall in crop yield= Threshold yield - Actual Yield*

Step 6: Calculate the indemnity using the following formula, if the actual yield of the crop is less than the threshold yield.

$$\text{Indemnity} = \frac{\text{Shortfall in crop yield}}{\text{Threshold yield}} \times \text{Sum assured}$$

<u>Exercise:</u> At Bapatla mandal paddy actual yield recorded during the kharif season of 2010 is 28.55 qtls per ha. The per ha. yield of paddy during 2005 is 30.31 qtls, 2006 is 45.89 qtls, 2007 is 48.53 qtls, 2008 is 43.11 qtls and 2009 is 37.05 qtls. The scale of finance fixed for the crop is Rs. 30,000 per ha. Calculate the indemnity receivable at 80% level by the paddy loanee farmers of the Bapatla mandal.

<u>Solution:</u>

Actual yield of paddy during 2010 kharif = 28.55 qtls

Threshold yield (moving average yield of past 3 years) = $\frac{47.21+45.82+40.08}{3}$ = 44.37 qtls

S No	Year	Crop yield recorded	Moving average
First year	2006	45.89 qtls	$\frac{45.89 + 48.53}{2}$ = 47.21 qtls
	2007	48.53 qtls	
Second year	2007	48.53 qtls	$\frac{48.53 + 43.11}{2}$ = 45.82 qtls
	2008	43.11 qtls	
Third year	2008	43.11 qtls	$\frac{43.11 + 37.05}{2}$ = 40.08 qtls
	2009	37.05 qtls	

Threshold yield at 80% level = 44.37 x 80% = 35.49 qtls
Sum insured (limited to loan amount) = Rs. 30,000 per ha.

Shortfall in the yield = 35.49 – 28.55 = 6.94 qtls

Indemnity to be receivable per ha. = $\frac{6.94}{35.49}$ x 30,000 = Rs. 5866.44

<u>Conclusion:</u>

Practice problem:

At K.R.Palem gram panchyat of Chebrolu mandal, Guntur dist. the Redgram yield obtained by the crop cutting experiments during the year 2010 is 6.11 qtls per ha. The per ha. yield of the crop during 2004 is 17.93 qtls, 2005 is 18.33 qtls, 2006 is 16.45 qtls, 2007 is 15.22 qtls, 2008 is 8.08 qtls and 2009 is 17.05 qtls. The Minimum Support Price fixed for redgram in the 2009 is Rs. 2,350 per qtl. Calculate the indemnity receivable at low, medium and high risk levels by the loanee farmers.

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Exercise No: 13 Date: ________

KCC (Kisan Credit Card) Limits

Provision of timely and adequate credit to the farmers has been one of the major challenges for banks in India. Kisan Credit Card Scheme (KCC Scheme), a pioneering credit delivery innovation, aims at providing need based and timely credit support to the farmers for their cultivation needs as well as non-farm activities in cost effective manner.

KCC scheme was formulated by NABARD and introduced during 1998-99. The objective of this is to bring about flexibility and operational freedom in credit utilisation. Under the scheme, branches may issue Kisan Credit Cards to the farmers in its operational area who are otherwise eligible for sanction of short term credit for crop production, allied activities and other non-farm activities. The farmers under the scheme will be issued a credit card-cum-passbook incorporating the name, address, particulars of land holding, borrowing limit / sub-limits, validity period, etc. to facilitate recording of the transactions on an on-going basis.

While fixing the limit, the Branch may take into account the entire production credit requirements of the farmer for the full year depending upon the type of crop, area under cultivation and scale of finance, including the credit requirements of the farmer for the ancillary activities related to crop production such as maintenance of agricultural machinery / implements, electricity charges, etc. as well as for allied activities and non-farm credit needs of the borrowers.

The credit limit under the card may be fixed on the basis of the operational land holding, cropping pattern and scale of finance as recommended by the District Level Technical Committee (DLTC) / State Level Technical Committee (SLTC). Wherever the DLTC / SLTC have not recommended scale of finance for any crop or in the opinion of the Branches, has recommended lower than the required amount, the Branches may fix appropriate scale of finance for the crop after due approval by the Zonal Office.

The farmer will be allowed for any number of drawls and repayment within the limit. No drawls in the account should remain outstanding for more than 12 months in case of normal crops and 18 months in case of sugarcane and banana crops. Rescheduling is also possible depending upon the situation. If for example the crops fail due to a natural calamity and the farmer is not able to repay his loan, then he could get an extension of up to four years.

Various leading banks in India have named the KCC differently like AB Kisan Green Card-Andhra Bank; Vijaya Kisan Card-Vijaya Bank; Kisan Credit Card-Allahabad Bank; KCC-State Bank of India, State Bank of Hyderabad, Canara Bank & Corporation Bank, PNB Krishi Card-Punjab National bank; Kisan Gold Credit Card-Dena Bank; Kisan Samadhan Card-Bank of India; Oriental Green Card- Oriental Bank of Commerce; SKCC- Syndicate Bank; BKCC-Bank of Baroda etc.

The information regarding the field level implementation of the KCC scheme may be collected from a near by bank branch as follows:

1. Name and address of the bank:
2. Name of the KCC provided by the bank:
3. What are the objectives of KCC scheme?
4. Progress of KCC scheme at the State level?
5. Progress of KCC at our bank branch level:

Year	No. of farmers				
	Marginal	Small	Medium	Large	Total

6. What are the contents or details furnished in a KCC?

7. Brief the procedure of getting a KCC by different groups of farmers:

8. What are the salient features or advantages of having KCC by a farmer compared to the earlier loan account? (regarding access to different types of credit facility, no. of drawls, repayments, validity of KCC, conversion / rescheduling of loans, security, margin, rate of interest, documentation / paper work, flexibility of operation, provision for enhancement of credit etc.)

9. What advantages the banker have by issuing the KCC to the farmers?
   a. Reduction of work load: Yes/ No. If Yes, in what way?
   b. Transaction cost to the banker: Increased / Decreased? How?
   c. Better banker-client relationship: Yes/ No
   d. Recycling of funds
   e. Recovery of loan

10. How the credit limit is fixed in KCC scheme?
11. Is the credit limit fixed changes every year? Yes/ No
    If Yes, how the enhancement of credit amount will be decided?

12. Other provisions covered by KCC Scheme? (like crop insurance, personal life insurance coverage against accidental death or permanent disability etc.)

13. Problems in implementation of the scheme (like having more than one KCC by a farmer/ family, defaulters, repayments etc.) at the field level.

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Exercise No: 14 Date: ________

Study of Farmers Service Society (FSS)

The National Commission on Agriculture (NCA) observed that the existing institutional structures were unable to meet the special needs of small & marginal farmers, agricultural labour and artisans. The NCA recommended for organization of the Framers Service Societies in 1971 to provide an integrated credit service to the farmers.

The FSS is a registered co-operative body with bye-laws to ensure autonomy, efficiency and freedom from political intervention. Each FSS is treated as an independent primary co-operative society for getting funds at concessional interest rates and subsidy. The FSS are sponsored and affiliated to the largest commercial bank / lead bank in that area or could form part of the co-operative credit system. These FSS provide technical service to farmer-members including the supply of essential inputs required for raising crops and livestock products.

The following information about the Farmers Service Society (FSS) may be collected during our visits.

1. Name of the FSS:
2. Location:
3. Accessibility to members:
4. Date of registration:
5. Date of functioning:
6. Origin & development with a brief history:
7. Sponsoring bank:
8. Area of operation: No. of villages:
9. Demographic particulars in the area of operation:
10. Objectives and functions of the society:
11. Board of management:
12. Composition of members: Big, small & marginal farmers, rural artisans, landless labourers, SCs & STs etc.
13. Membership – types (individual, Govt. & others); eligibility / qualifications to become a member;
14. Procedure for becoming a member: & Advantages of being a member of society: No. of members admitted and with drawn so far;
15. Financial position (over the last 5 years)
    a. Total share capital: Individual, Govt. & others
    b. Reserve and other funds

c. Deposits
d. Borrowings
e. Investment
f. Advances
g. Working capital

16. Business turnover:
    a. Agricultural advances – ST, MT and LT loan amounts
    b. Non agricultural credit – ST, MT and LT loan amounts
    c. Advanced against fixed deposits
    d. Sale of agril. Inputs- Fertilizers, seeds, pesticides, implements etc.
    e. Sale of consumer goods- controlled & non controlled goods, textiles etc.
    f. Marketing of output- sale of purchased output, sale of processed goods etc.

17. Income & expenditure
    - Income:
        i. Agril. Credit
        ii. Non agril credit
        iii. Other advances
        iv. Agril. Inputs
        v. Sale of implements
        vi. Consumer business
        vii. Marketing of output
        viii. Any other source of income

    - Expenditure:
        i. Interest
        ii. Salary & wages
        iii. Other office expenses
        iv. Miscellaneous

    - Net profit / loss:

18. Assets owned by the society:
    a. Fixed assets – Land / buildings / others
    b. Liabilities

19. Recovery performance of previous year
    a. Total advances under
        i. ST loans
        ii. MT loans
        iii. LT loans
    b. Recovery of loans
        i. ST loans
        ii. MT loans
        iii. LT loans
    c. Balance
        i. ST loans
        ii. MT loans
        iii. LT loans
    d. Total number of loanee members
    e. Defaulters

20. Special facilities to the members by the society like provision of godown facilities; subsidies to the members in any form, collective marketing of output etc.

21. Reserve funds- Composition and amount – other funds – Dividends paid;

22. Progress of the society from the inception; Difficulties faced and how they were solved

23. Are members realizing the full benefits for which it was started? Any suggestions for improvement.

24. Reasons for failure of many FSS in meeting their objectives, if any.

25. Any recent policy decisions taken for the betterment of farming community;

26. Suggestions for overall development of society.

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Exercise No: 15 Date: ________

Study of Dairy Co-operative Society

The following information about the Dairy / Milk Co-operative Society may be collected during the field visits.

1. Name of the society:
2. Year of establishment:
3. Area of operation:
4. Objectives and functions of the society:
5. Total number of members:
    a. Males:
    b. Females:
    c. Total:
6. Institutional members (Specify):
7. Management committee structure and how they are elected?
8. Eligibility for becoming a member in the society and management committee.
9. Share capital of the society: Value of the share, Authorized share capital, subscribed share capital, paid up share capital, share capital from members and others, Total Share Capital of the society.
10. Average quantity of milk procured per day and per year
11. To whom the milk is being sold
12. Average price paid / litre of milk to the members and pricing details for buffalo milk and cow milk
13. Other dairy products procured and sold
14. Factors effecting the quality of milk and price
15. Relation with the district Co-operative Milk Union
16. Facilities, subsidies, inputs, schemes etc provided by the society to its members
17. Facilities, subsidies, inputs veterinary aid etc., provided by the District Co-operative Milk Union to the society.
18. Assets and liabilities position of the society in the current year and its past performance.

19. Profit and loss position of the society in the current year and past performance

20. Who maintains the records of the society and auditing of the society activities

21. Monitoring, supervision, inspection and control of the society activities by the govt agencies like Dept. of Co-operative Societies, Animal Husbandry, Dist Co-operative milk Union etc.,

22. Problems faced by the society in running its activities

23. Suggestions for future improvement and better services to the farmers / members

24. Any other information relevant to the society

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Exercise No: 16 Date: ________

Study of Other types of Co-operative Society

(Growers / Weavers / consumers / farming / women / housing societies etc.,)

The following information about the ____________ Co-operative Society may be collected during the field visits.

1. Name of the society:
2. Year of establishment:
3. Area of operation:
4. Objectives and functions of the society:
5. Total number of members:
    a. Males:
    b. Females:
    c. Total:
6. Institutional members (Specify):
7. Share capital of the society: Value of the share, Authorized share capital, subscribed share capital, paid up share capital, share capital from members and others, Total share Capital of the society.
8. By laws of the society:
9. Management committee structure and how they are elected?
10. Eligibility for becoming a member in the society and management committee.
11. Major activities undertaken by the society for the benefit of members. Furnish details.
12. Affiliation to higher level co-operation organizations if any, specify.
13. Assistance received from different organizations like Govt. departments, banks, higher level co-operative organizations, NGO's etc.,
14. Infrastructure of the society and how they are funded
15. Different schemes / programmes implemented.
16. Assets and liabilities position of the society in the current year and its past performance.
17. Profit and loss position of the society in the current year and past performance. Reserve funds.

18. Who maintains the records of the society and auditing of the society activities

19. Any monitoring, supervision, inspection and control of the society activities by the govt agencies like Dept. of Co-operative Societies, higher level Co-operative organizations, funding agencies etc.,

20. Problems faced by the society in running its activities

21. Suggestions for future improvement and better services to the farmers / members

22. Any other information relevant to the society

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LIST OF ABBREVIATIONS

AB : Andhra Bank
AAP : Annual Action Plan
ACB : Agricultural Credit Board
ACD : Agricultural Credit Department
ADB : Agricultural Development Branch
AFC : Agricultural Finance Corporation
AIRCRC : All India Rural Credit Review Committee
AIRCSC : All India Rural Credit Survey Committee
AIRDIC : All India Rural Debt and Investment Survey Committee
BCR : Benefit Cost Ratio
BIRD : Bankers Institute for Rural Development
BLBC : Block Level Bankers Committee
CADA : Command Area Development Authority
CALCOB : Committee on Agricultural Loans through Commercial Banks
CBs : Commercial Banks
CCIS : Comprehensive Crop Insurance Scheme
CRAFICARD : Committee to Review Arrangements for Institutional Credit for Agricultural and Rural Development
CRR : Cash Reserve Ratio
DBOD : Department of Banking Operations and Development
DCC : District Consultative Committee
DCCB : District Central Co-operative Bank
DCP : District Credit Plans
DICGC : Deposit Insurance and Credit Guarantee Corporation
DIRS : Differential Interest Rate Scheme
DPAP : Drought Prone Area Programme
DRDA : District Rural Development Agency
DTC : District Technical Committee
DWACRA : Development of Women And Children in Rural Areas
EC : Encumbrance Certificate
ECGC : Export Credit Guarantee Corporation
FSS : Farmers Service Society
GKY : Ganga Kalyan Yojana
GATT : General Agreement on Tariffs and Trade
HADP : Hill Area Development Projects
IBRD : International Bank for Reconstruction and Development
IDA : International Development Association
IDBI : Industrial Development Bank of India
IFAD : International Fund for Agricultural Development
IFC : International Finance Corporation
IMBP : Individual Maximum Borrowing Power
IMF : International Monetary Fund
IADP : Intensive Agricultural District Programme
IRDP : Integrated Rural Development Programme
IRR : Internal Rate of Return
KCC : Kisan Credit Card
LAMPS : Large-sized Adivasi Multipurpose Co-operative Societies
LBS : Lead Banks Scheme
LSCCS : Large Sized Co-operative Credit Societies
MFALDA : Marginal Farmers and Agricultural Labourers Development Agency

MIGA	: Multilateral Investment Guarantee Agency
MPCCS	: Multi purpose Co-operative Credit Societies
MWP	: Million Wells Programme
NABARD	: National Bank for Agriculture and Rural Development
NAC	: National Commission on Agriculture
NCDC	: National Co-operative Development Corporation
NIBM	: National Institute of Bank Management
NREP	: National Rural Employment Programme
NSSO	: National Sample Survey Organization
PACS	: Primary Agricultural Co-operative Credit Societies
PLDB	: Primary Land Development Banks
RBI	: Reserve Bank of India
RRBs	: Regional Rural Banks
RLEGP	: Rural Landless Employment Guarantee Programme
RPCC	: Rural Planning and Credit Cell
SAA	: Service Area Approach
SAO loans	: Seasonal Agricultural Operations Loans
SAP	: Service Area Plans
SBI	: State Bank of India
SCB	: State Co-operative Bank
SFDA	: Small Farmers Development Agency
SGSY	: Swarnajayanti Grammen Swarozgar Yojana
SITRA	: Supply of Improved Toolkits to Rural Artisans
SLBC	: State Level Bankers Committee
SLDB	: State Land Development Bank
SLR	: Statutory Liquidity Ratio
SSI	: Small Scale Industries
TADP	: Tribal Area Development Programme
TRYSEM	: Training of Rural Youth for Self Employment
VAS	: Village Adoption Scheme
WTO	: World Trade Organization
WB	: World Bank

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