

AN EMPIRICAL STUDY OF STRUCTURE AND PERFORMANCE OF STATE CO-OPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANKS AND AFFILIATED PRIMARY COOPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANKS IN INDIA

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ABSTRACT

In India, the Rural Co-operative credit structure includes 'Short Term Co-operative Credit Structure' and 'Long Term Co-operative Credit Structure'. LTCCS comprises SCARDBs (State Co-operative Agriculture and Rural Development Banks) and PCARDBs (Primary Co-operative Agriculture and Rural Development Banks), which mainly dispenses long term investment credit to farmers. As on 31st March 2020, the total number of operational units of fully functional 13 SCARDBs is 1719. Total members of LTCCS are 86.04 lakhs. NABARD continues to be the main source of funds for SCARDBs. Borrowings of functional SCARDBs stood at Rs. 7763.44 crores during the year 2019-20. Except Tripura SCARDB 12 out of 13 fully functional SCARDBs are now mobilizing deposits. The fund raised by the SCARDBs consist of borrowings, deposits and shares etc. which are utilized mainly for advancing loans and repayment to NABARD & other creditors. During 2019-20, total advances of SCARDBs were Rs. 3923.37 crores for farm & non-farm sectors. SCARDBs invest their funds to comply with statutory requirements as well as to deploy surplus funds. Most of the investment are parked either in fixed deposits with SCBs / CBs / DCCBs or other instruments such as Government Securities, NABARD bonds etc. Eight SCARDBs have achieved profit in 2019-20. The ground level recovery of SCARDBs is 38.60%. This structure needs to chalk out suitable and time bound viability action plans. They have to focus their attention towards improving the recovery performance for better rotation of funds lent. These banks need their attention towards improving quality of their assets and take all out steps to reduce their NPA level (34.42%) substantially to become eligible for refinance from NABARD. LTCCS is losing its importance in the policies and programs of Government, RBI, NABARD etc., due to its declining performance in the last ten years, in specific in the recent four years from 2017-18. Major areas of concern which are hampering the progress of SCARDBs & PCARDBs shall be tackled with immediate corrective steps.

Keywords: agriculture, co-operative, credit, rural, primary, performance

INTRODUCTION

The Rural Co-operative credit structure in India is bifurcated into Short Term Co-operative Credit Structure (STCCS) and Long Term Co-operative Credit Structure (LTCCS). The Co-operative credit structure in India is 117 years old. State Co-operative Banks (SCBs) are the apex of the three tier Co-operative credit structure dispensing mainly short and medium term credit whereas State Co-operative Agricultural and Rural Development Banks (SCARDBs) are dispensing mainly long term investment credits. (Nishanth, 2021), www.nafscob.org

The LTRCCS consisting of Cooperative Agriculture & Rural Development Banks (ARDBs) at State and Primary levels is a specialized agency for giving long term loans to farmers. These institutions played a very important role in capital formation and productivity enhancement

in agriculture (Bansal *et al.*, 2021). Though ARDBs are engaged in financing farmers for nearly 100 years they are not licensed as banks so far. Because of this, they are unable to accept public deposits and borrow from market like other rural financial institutions. Consequently, they face severe shortage of resources to meet the demand for credit from their members. As they are not licensed as banks, they are also not allowed to implement various Government schemes for farmers including interest subvention scheme for crop loans, affordable housing, interest subvention scheme for education loans, centrally sponsored scheme for renewable energy sources etc. At present, a good number of farmers who borrow investment loans from SCARDBs are not able to access crop loans from other agencies as they already mortgaged their land to the ARDB as security for investment credit. Due to difficulties in availing crop loans, these farmers at present are unable to fully make use of farm assets created

out of investment loans, affecting their income and repaying capacity. (Chaudhari & Mayuri, 2021)

OBJECTIVE

The objective of the study is empirical study to understand the structure and analyze performance metrics of SCARDBs and affiliated PCARDBs in India.

METHODOLOGY

This empirical study evaluates the performance of the SCARDBs and PCARDBs in India. The paper is solely based on the secondary data which are sourced from statistical bulletin and annual reports of the National Co-operative Agriculture & Rural Development Bank’s Federation Ltd., Navi Mumbai. In addition, website and publications of

NACRDBF are also referred. The data collected are of SCARDBs & PCARDBs in various States of India disbursing investment credit within the years 2015-16 to 2019-20.

Structural pattern

Out of thirteen fully functional SCARDBs, five are unitary structure operating through their branches and six are federal structure operating through affiliated primary ARDBs at grass roots level. The remaining two SCARDBs have a mixed structure operating through own branches in some areas of the State and affiliated PCARDBs in other areas.

Organizational network

The organizational network of LTRCCS comprises operational and supervisory units as given in Table-1 which are analyzed hereunder :

Table 1 : Organizational network of LTRCCS (Number)

Sr. No.	Organizational Network	2015-16	2016-17	2017-18	2018-19	2019-20
1	SCARDBs	13	13	13	13	13
2	SCARDB branches	604	615	637	624	624
3	Supervisory units	114	112	108	118	124
4	PCARDBs	601	601	601	578	578
5	PCARDB branches	431	460	462	392	393
6	Operational Units (2+3+4+5)	1750	1788	1808	1712	1719

Source: Statistical bulletins, NCARDF, Navi Mumbai, www.nafcard.org

The number of SCARDB branches of fully functional banks shown an increasing trend over the years, 604 in 2015-16, 615 in 2016-17 and 637 in 2017-18. There is a slight drop, so now it is only 624, in the last two years. Operational units are delivery points of credit to the ultimate borrowers. These consist of branches and sub-branches of unitary SCARDBs as also that of PCARDBs affiliated to SCARDBs. The total number of operational units of fully functional SCARDBs were 1750 in 2015-16, 1788 in 2016-17, increased to 1808 in 2017-18 and reduced to 1712 as on 31 March 2019 and 1719 as on 31 March 2020.

Supervisory units are located either at the district, regional or divisional level. The total numbers of supervisory units of fully functional SCARDBs were 114 in 2015-16 reduced to 112 in 2016-17 and 108 in 2017-18 which increased from 118 in 2018-19 to 124 in 2019-20.

Membership at ultimate borrowers’ level

The number of individual members with break-up between borrowing and non-borrowing members is exhibited in Table-2 as below. They are direct members of the SCARDBs in the case of unitary structure and/or members of affiliated PCARDBs in respect of federal structure.

The total memberships of SCARDBs were 108.51 lakhs in 2015-16, 108.19 lakhs in 2016-17 and 111.39 lakhs in 2017-18. This explains that the total membership has decreased by 16.50 lakhs during 2019-20 as compared to that of 2018-19. The number of borrowing membership was 64.94 lakhs in 2015-16, 61.38 lakhs in 2016-17 and 63.92 lakhs in 2017-18. Further, it is observed that the borrowing members have decreased during the year 2019-20. Gujarat, Himachal Pradesh, Jammu & Kashmir, Kerala, Pondicherry and Punjab SCARDBs had reported increase in membership while borrowing membership of Haryana, Karnataka, Rajasthan and Uttar Pradesh SCARDBs decreased during 2019-20.

Table 2 : Membership details (Borrower’s level) at SCARDBs

Membership	2015-16	2016-17	2017-18	2018-19	2019-20
Borrowing Members (Lakhs)	64.94	61.38	63.92	59.46	35.36
Non-borrowing Members (Lakhs)	43.57	46.81	47.47	43.08	50.68
Total Membership (Lakhs)	108.51	108.19	111.39	102.54	86.04

Source: Statistical bulletins, NCARDF, Navi Mumbai, www.nafcard.org

SOURCES of funds & net-worth of SCARDBS

The financial position of fully functional SCARDBs for the years 2017-18, 2018-19 and 2019-20 at a glance is given in Table-3.

Table 3 : Sources of Funds**(₹ Crores)**

Sr. No.	Particulars	During the Year			Growth (Last 2 Years)	
		2017-18	2018-19	2019-20	Amount	Percent
I	Share Capital Outstanding					
	a) Borrowers	851.62	818.73	820.32	(+) 1.59	(+) 0.19%
	b) Government	82.35	68.35	65.86	(-) 2.49	(-) 3.64%
	Total-I (a+b)	933.97	887.08	886.18	(-) 0.90	(-) 0.10%
II	Free Reserves Outstanding					
	a) Reserve fund	658.39	667.13	690.96	(+) 23.83	(+) 3.57%
	b) Credit stabilization fund	337.95	342.57	352.39	(+) 9.82	(+) 2.87%
	c) Other funds & free reserves	2055.90	2495.97	2315.73	(-) 180.24	(-) 7.22%
	Total-II (a+b+c)	3052.24	3505.67	3359.08	(-) 146.59	(-) 4.18%
III	Accumulated losses	486.88	648.04	519.63	(-) 128.41	(-) 19.82%
IV	Net worth (I+II)-III	3499.33	3744.71	3725.63	(-) 19.08	(-) 0.51%

Source : Statistical bulletins, NCARDF, Navi Mumbai, www.nafcard.org

It is seen that Share Capital (-0.90), free reserves (-146.59) and net worth (-19.08) of SCARDBs decreased during 2019-20 compared to previous year.

Share capital

The total paid up share capital of fully functional SCARDBs was ₹ 933.97 crores in 2017-18 which dropped and stood at ₹ 886.18 crores, as on 31 March 2020 as against ₹ 887.08 crores, as on 31 March 2019 registered a dip of ₹ 0.90 crore over the previous year. The share capital contributed by individual members has increased by ₹ 1.59 crores, while share capital contributed by the Government decreased by ₹ 2.49 crores, during 2019-20.

Reserves and other funds

The total of free reserves and other owned funds of SCARDBs had decreased from ₹ 3505.67 crores, in 2018-19 to ₹ 3359.08 crores during 2019-20. There has been increase in the reserve fund and credit stabilization fund by ₹ 23.83 crores, and ₹ 9.82 crores respectively, while other funds and free reserves decreased by ₹ 180.24 crores, during 2019-20.

Net worth of SCARDBS

Total net-worth of fully functional SCARDBs stood at ₹ 3725.63 crores, as on 31 March 2020 as against ₹ 3744.71 crores, indicating decrease of ₹ 19.08 crores, from previous year. The net-worth was mainly affected by accumulated losses which however has decreased from ₹ 648.04 crores, during 2018-19 to ₹ 519.63 crores, during 2019-20. Haryana

SCARDB (₹ 390.34 crores), Himachal Pradesh (₹ 10.60 crores), Jammu & Kashmir (₹ 102.31 crores), Pondicherry (₹ 4.53 crores) and Uttar Pradesh (₹ 11.85 crores,) banks had accumulated losses in 2019-20.

Gujarat, Haryana, Karnataka, Kerala, Punjab, Tamil Nadu and Uttar Pradesh SCARDBs had reported increase in profits during the current year 2019-20. Only Rajasthan SCARDB has reported decline in its profit during 2019-20 over the previous year. Himachal Pradesh, Jammu & Kashmir and Pondicherry states incurred loss of ₹ 12.10 crores, ₹ 22.37 crores, and ₹ 0.25 crores, respectively in 2019-20.

Borrowings

NABARD continues to be the main source of funds for SCARDBs. Since 2012-13, these funds have been allotted as loans instead of subscriptions to debentures. Central and State Governments also give refinance to the extent of shortfall in loans given by NABARD. SCARDBs also avail funds from NCDC, SCBs and commercial banks through loans or line of credit.

Borrowings made during the year 2018-19 and 2019-20

Table-4 depicts the aggregate borrowings by fully functional SCARDBs under various heads for the period 2018-19 and 2019-20.

Table 4 :Borrowings

(₹ Crores)

Sr. No.	Types of Borrowings	During the Year		Growth		Percentage to Total Borrowings	
		2018-19	2019-20	Amount	%	2018-19	2019-20
1	Borrowings from Government	204.60	142.00	(-) 62.60	(-) 30.60%	5.91%	1.83%
2	Borrowings from NABARD	1989.80	2034.79	(+) 45.19	(+) 2.27%	57.50%	26.21%
3	Borrowings from Others	1265.99	5586.65	(+) 4320.68	(+)341.29%	36.59%	71.96%
Total (1+2+3)		3460.39	7763.44	(+) 4303.05	(+) 124.36%	100%	100%

Source: Statistical bulletins, NCARDF, Navi Mumbai, www.nafcard.org

During the year 2019-20, SCARDBs borrowed ₹ 7763.44 crores, as against ₹ 3460.39crores, during 2018-19. SCARDBs' borrowings recorded increase of ₹ 4303.05 crores, during 2019-20 over 2018-19 mainly on account of increase in 'Other borrowings' which include short term borrowings from SCBs/DCCBs by way of interim finance. Borrowings from NABARD during the year stood at ₹ 2034.79 crores, registering an increase of 2.27% and accounted for 26.21% of the total resources mobilized during 2019-20, as against 57.50% in 2018 19. Of the total resources, a sum of ₹ 142.00 crores, was contributed by the Governments as against ₹ 204.60 crores, in 2018-19.

Against the total borrowings from NABARD at ₹ 2034.79 crores, during 2019-20, total repayment to NABARD were ₹ 2926.81 crores, Kerala SCARDB had the highest borrowing of ₹ 1507.24crores, during 2019-20, followed by Karnataka with ₹169.09 crores, Rajasthan ₹114.20 crores, Gujarat ₹ 100.00 crores, Uttar Pradesh ₹70.12 crores, Himachal Pradesh ₹ 38.52 crores and Punjab ₹ 35.64 crores, respectively from NABARD. However Haryana, Jammu & Kashmir, Pondicherry, Tamil Nadu SCARDBs did not avail refinance from NABARD due to non-availability of State Government/Union Territory's default guarantee as required.

Share of Government and NABARD in total borrowings raised during 2019-20 was decreased from 5.91% to 1.83%and 57.50% to 26.21% as compared to the previous year.

Borrowings outstanding

The aggregate borrowings outstanding of SCARDBs stood at ₹ 12249.33crores, as on 31 March 2020 as against ₹ 13657.17 crores, as on 31 March 2019 registering a decrease of ₹ 1407.84 crores, (11.49%) over the previous year.(Source: Statistical Bulletin of NAFCARD)

Total borrowings of PCARDBs during 2019-20 were

₹ 3241.11 crores, 88.30% of their total borrowings amounting to ₹ 2861.80 crores, came from SCARDBs as the balance of ₹ 379.31 crores came from other sources. The outstanding borrowings of PCARDBs as on 31.03.2020 increased to ₹ 15140.14 crores, as against ₹ 14922.84 crores, during the previous year. (Source: Statistical Bulletin of NAFCARD)

Deposits

Co-operatives are allowed to collect deposits from their voting members without any restrictions that are applicable to raising public deposits. The said Act also permits Co-operatives to raise deposits from non-members as per deposit scheme approved by State Government which is the sole regulator of deposit scheme of Co-operatives. Majority of SCARDBs are mobilizing deposits now. The aggregate of deposits raised during 2019-20 was ₹ 1221.39 crores, as against ₹ 1189.06 crores, during the previous year showing increase of ₹ 32.33 crores. The total deposit outstanding of these banks as on 31March 2020 increased marginally from 1829.56 crores, to ₹1857.61 crores, from the previous year. (Source: Statistical Bulletin of NAFCARD)

Utilization of funds

The funds raised by the SCARDBs consist of borrowings, deposits, share capital from borrowers and loan recovery, which are utilized for mainly advancing loans and repayment to NABARD and other creditors. Following are the major purposes for which loans are issued.

- Long term loans in non-farm sector (excludes rural housing)
- Long term loans for rural housing
- Long term loans for Agriculture and Non-agriculture purposes
- Short term loans for Agriculture and Non-agriculture purposes

Advances at apex bank level

During 2019-20, total advances of SCARDBs were ₹ 3923.37 crores, as against ₹ 3987.82 crores, during 2018-19. Advances during the year decreased by ₹ 64.45 crores, which comes to 1.62% less than that of the previous year. The Table-5 given below depicts the breakup of advances between farm and non-farm sectors during the years 2018-19 and 2019-20 by SCARDBs.

The aggregate loans outstanding at Apex Bank

level as on 31 March 2020 stood at ₹ 19337.49 crores, as against ₹ 19476.02 crores, as on 31 March 2019. There has been a decrease in the loans outstanding of Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan and Uttar Pradesh SCARDBs while outstanding loans of Karnataka, Kerala, Pondicherry and Tamil Nadu SCARDBs were less than the previous year. (Source: Statistical Bulletin of NAFCARD)

Table 5 : Loans disbursed at apex bank level

Sr. No.	Types of Advances	Amount (₹ Cr.)		Growth		Remarks
		2018-19	2019-20	Amount (₹ Cr.)	Percentage	
1	Farm Sector Advances					Haryana, Karnataka, and Kerala SCARDBs had increased their long term farm sector advances, while Gujarat, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan and Uttar Pradesh SCARDBs showed decline in their farm sector lending's. Kerala SCARDB registered an increase in their short term farm sector advances while Rajasthan shown a declining trend.
i	Long Term	1394.89	1241.40	(-) 153.49	(-) 11.00%	
ii	Short Term	55.65	59.26	(+) 3.61	(+) 6.49%	
2	Non-farm Sector (Long Term)	375.90	338.56	(-) 37.34	(-) 9.93%	Gujarat and Karnataka SCARDBs has increased in their LT non-farm sector advances while remaining banks had recorded declining trend.
3	Rural Housing	998.63	945.75	(-) 52.88	(-) 5.30%	Haryana, Jammu & Kashmir and Karnataka SCARDBs has increase in their lending's under rural housing segment, the remaining banks had recorded declining trend.
4	Other Non-agriculture Advance					Only Haryana has increased their long term other non-agri. advances, while Jammu & Kashmir, Kerala and Uttar Pradesh SCARDBs recorded reduction in their long term lending's. In short term other non-agri. advances, Pondicherry and Tamil Nadu had shown increasing trend while Gujarat SCARDB registered declining trend for the same.
i	Long Term	257.31	231.08	(-) 26.23	(-) 10.19%	
ii	Short Term	905.44	1107.32	(+) 201.88	(+) 22.30%	
	Total	3987.82	3923.37	(-) 64.45	(-) 1.62%	Increase in the total lending's were registered by Haryana, Karnataka, Kerala, Pondicherry and Tamil Nadu SCARDBs while the remaining banks had registered declining trend in their total lending's.

Source : Statistical bulletins, NCARDF, Navi Mumbai, www.nafcard.org

Advances at ultimate borrowers' level

The Table-6 depicts the breakup of advances between farm and non-farm sectors for the period 2018-19 to 2019-20 by the affiliated PCARDBs. The loans disbursed at ultimate borrowers' level decreased by 0.03% from ₹ 4376.22 crores, during 2018-19 to ₹ 4374.72 crores, during 2019-20. The advances of PCARDBs in Haryana, Karnataka, Pondicherry and Tamil Nadu states reported growth in advances while advances by PCARDBs in Himachal Pradesh, Kerala, Punjab and Rajasthan states were less than the previous year.

The aggregate loans outstanding at ultimate borrowers' level as on 31 March 2020 stood at ₹ 17796.37 crores, as against ₹ 18080.88 crores, as on 31 March 2019. PCARDBs in Karnataka, Kerala and Tamil Nadu States had increased their loan outstanding while there was decline in the loans outstanding of PCARDBs in Haryana, Himachal Pradesh, Punjab and Rajasthan States compared to the previous year. (Source: Statistical Bulletin of NAFCARD)

Table 6 : Loans disbursed at ultimate borrowers' level

Sr. No.	Types of Advances	Amount (₹ Cr.)		Growth		Remarks
		2018-19	2019-20	Amount (₹ Cr.)	Percentage	
1	Farm Sector Advances					Haryana, Karnataka, and Kerala SCARDBs had increased their long term farm sector advances while Gujarat, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan and Uttar Pradesh SCARDBs showed decline in their farm sector lending's. Kerala SCARDB registered an increase in their short term farm sector advances while Rajasthan shown a declining trend.
i	Long Term	1336.75	1261.79	(-) 74.96	(-) 5.61%	
ii	Short Term	90.43	68.49	(-) 21.94	(-) 24.26%	
2	Non-farm Sector (Long Term)	393.16	356.14	(-) 37.02	(-) 9.42%	Gujarat, Haryana and Karnataka SCARDBs has increased in their LT non-farm sector advances while remaining banks had recorded declining trend.
3	Rural Housing	1006.72	957.19	(-) 49.53	(-) 4.92%	Haryana, Jammu & Kashmir and Karnataka SCARDBs has increase in their lending's under rural housing segment, the remaining banks had recorded declining trend.
4	Other Non-agriculture advance					Jammu & Kashmir, Kerala, Punjab, Rajasthan and Uttar Pradesh SCARDBs recorded reduction in their long term other non-agri. lending's. In short term other non-agri. advances, Pondicherry and Tamil Nadu had shown increasing trend while Gujarat SCARDB registered declining trend.
i.	Long Term	356.28	252.34	(-) 103.94	(-) 29.17%	
ii.	Short Term	1192.88	1478.77	(+) 285.89	(+) 23.97%	
Total		4376.22	4374.72	(-) 1.50	(-) 0.03%	Increase in the total lending's registered by Haryana, Karnataka, Kerala, Pondicherry and Tamil Nadu SCARDBs while the remaining banks had registered declining trend in their total lending's.

Source: Statistical bulletins, NCARDF, Navi Mumbai, www.nafcard.org

Purpose-wise classification of advances

The purpose-wise classification of farm and non-farm long term advances and break-up of short term advances between agriculture and non-agriculture purposes during

2017-18, 2018-19 and 2019-20 at borrowers level are given in Table-7.

Table 7 : Purpose-wise Advances

Sr. No.	Purpose of advances	2017-18		2018-19		2019-20	
		Amount (₹ Cr.)	%	Amount (₹ Cr.)	%	Amount (₹ Cr.)	%
A	Farm Sector Advances						
i.	Minor Irrigation	109.30	2.87%	64.92	1.39%	79.31	1.81%
ii	Farm Mechanization	106.81	2.81%	136.36	2.92%	132.67	3.03%
iii	Plantation & Horticulture	413.57	10.87%	374.39	8.02%	175.55	4.00%
iv	Land Development	218.65	5.75%	180.30	3.86%	150.50	3.43%
v	Allied Sectors (Dairy, Poultry, Others & Fisheries)	461.36	12.13%	489.83	10.5%	270.86	6.18%
vi	Non-productive purposes (Purchase of Land & Others)	15.92	0.42%	4.01	0.09%	5.01	0.11%
	Total Farm Sector Advances	1325.61	34.85%	1249.81	26.78%	813.90	18.56%
B	Non-farm Sector Advances						
i	Rural Housing	1063.32	27.95%	1028.35	22.03%	957.19	21.83%
ii	SRTO & Rural Go-downs/ Storage	39.85	1.05%	47.41	1.02%	51.16	1.17%
iii	Others	619.57	16.29%	497.41	10.66%	409.84	9.35%
	Total Non-farm Sector Advances	1722.74	45.29%	1573.17	33.71%	1418.19	32.34%
C	Short Term Advances						
i	Short-term Agricultural Advances	114.34	3.01%	90.43	1.94%	68.48	1.56%
ii	Short-term Non Agricultural Advances	641.07	16.85%	1753.65	37.58%	2084.59	47.54%
	Total Short Term Advances	755.41	19.86%	1844.08	39.51%	2153.07	49.10%
	Grand Total (A+B+C)	3803.76	100%	4667.06	100%	4385.16	100%

Source: Statistical bulletins, NCARDF, Navi Mumbai, www.nafcard.org

During 2017-18 and 2018-19, the share of farm sector advances was 34.85% and 26.78% respectively while that of non-farm sector stood at 45.29% and 33.71% respectively of which Rural Housing was 27.95% and 22.03% respectively accounted for the major share and short-term advances accounted for 19.86% and 39.51% respectively.

During 2019-20, the share of farm sector advances was 18.56% while that of non-farm sector stood at 32.34% of which rural housing was 21.83% accounted for the major share and short-term advances accounted for 49.10%.

Investments

SCARDBs invest their funds to comply with statutory requirements as well as to deploy surplus funds. These investments relate mainly to reserve funds and other reserves/ funds. Majority of these investments are made either in Fixed Deposits with SCBs / CBs / DCCBs or other instruments such as Government Securities, NABARD bonds etc. The aggregate investments of the SCARDBs, as on 31 March 2020 was 2476.76 crores, as against 3247.40 crores in 31.03.2019 registering decrease of 23.73%. (Source: Statistical Bulletin of NAFCARD)

Financial position of SCARDBS - income and expenditure**Income**

Table-8 below depicts the break-up of aggregate income between interest income and other income during 2017-18, 2018-19 and 2019-20 together with their relative share for these years.

Table 8 : Income**(₹ Crores)**

Sr. No.	Types of income	During 2017-18		During 2018-19		During 2019-20		Growth (Last 2 Years)	
		Amount	%	Amount	%	Amount	%	Amount	%
1	Interest income	2283.70	96.41%	2321.96	96.39%	2278.22	91.75%	(-) 43.74	(-) 1.88%
2	Other income	85.12	3.59%	86.84	3.61%	204.86	8.25%	(+) 118.02	(+) 135.91%
Total Income (1+2)		2368.82	100%	2408.80	100%	2483.08	100%	(+) 74.28	(+) 3.08%

Source: Statistical bulletins, NCARDF, Navi Mumbai, www.nafcard.org

The total income of SCARDBs during the financial year 2019-20 was Rs. 2483.08 crores, as against Rs. 2408.80 crores in 2018-19. During 2019-20, the other income increased by Rs. 118.02 crores, and interest income decreased by Rs. 43.74 crores, resulting in 3.08% increase in total income over the previous year. It is concluded that 91.75% incomes is from interest.

Expenditure

During 2019-20, the total expenditure of SCARDBs

stood at Rs. 2235.70 crores, as against Rs. 2461.98 crores, during 2018-19 registering a decrease of 9.19% over the previous year. Provisions was increased by Rs.37.46 crores, while Interest Paid, Cost of Management and Other Expenditure were decreased by Rs. 119.30 crores, Rs. 21.46 crores and Rs. 122.98 crores, respectively as compared to the previous year. It is seen that interest paid is decreasing while cost of management is increasing in subsequent years. Details of expenditure for the years 2017-18, 2018-19 and 2019-20 together with variations are presented in Table-9.

Table 9 : Expenditure**(₹ Crores)**

Sr. No.	Types of expenditure	During 2017-18		During 2018-19		During 2019-20		Growth (Last 2 Years)	
		Amount	%	Amount	%	Amount	%	Amount	%
1	Interest paid	1457.34	61.27%	1294.69	52.59%	1175.39	52.57%	(-) 119.30	(-) 9.21%
2	Cost of management	385.24	16.19%	420.81	17.09%	399.35	17.86%	(-) 21.46	(-) 5.10%
3	Provisions	463.07	19.46%	408.34	16.59%	445.80	19.94%	(+) 37.46	(+) 9.17%
4	Other Expenditure	73.33	3.08%	338.14	13.73%	215.16	9.62%	(-) 122.98	(-) 36.37%
Total expenditure (1+2+3+4)		2378.98	100%	2461.98	100%	2235.70	100%	(-) 226.28	(-) 9.19%

Source: Statistical bulletins, NCARDF, Navi Mumbai, www.nafcard.org

Working results of SCARDBS

Among all the thirteen SCARDBs in 2015-16, Rs. 112.16 crores profits were made by nine banks and four banks registered a loss of Rs. 28.12 crores. In 2016-17Rs. 70.19crores profit was made by seven banks. Six banks registered loss of Rs. 272.60 crores. In 2017-18, profit making

ARDBs were eight and the others were in loss. Eight banks were in profit during 2019-20 as against seven banks during 2018-19. However, aggregate profits increased to Rs. 282.70 crores, in 2019-20 from that of Rs. 120.69crores, in 2018-19. Five SCARDBs were in loss of Rs. 34.72crores in 2019-20 as against Rs. 173.27crores loss made by Six SCARDBs during 2018-19. As on 31 March 2020, five SCARDBs

namely Haryana, Himachal Pradesh, Jammu & Kashmir, Pondicherry and Uttar Pradesh SCARDBs had accumulated loss of Rs.519.63 crores, as against Rs. 648.04 crore as on 31 March 2019 by four SCARDBs viz., Haryana, Jammu &

Kashmir, Pondicherry and Uttar Pradesh. The accumulated loss has increased substantially after 2015-16, which shown decreasing trend in 2019-20. The working results of fully functional SCARDBs are presented in Table-10.

Table 10 : Working results of SCARDBs

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Total SCARDB (No.)	13	13	13	13	13
In profit (No.)	9	7	8	7	8
Profit amount (₹ Cr.)	112.16	70.19	73.58	120.69	282.70
In Loss (No.)	4	6	5	6	5
Loss amount (₹ Cr.)	28.12	272.60	83.15	173.27	34.72
No. of banks having accumulated losses	5	7	5	6	5
Accumulated Loss (₹ Cr.)	217.69	486.85	486.88	648.04	519.63

Source: Statistical bulletins, NCARDF, Navi Mumbai, www.nafcard.org

Working results of PCARDBs

Among 601 PCARDBs, 309 were in profit and 292 were in loss during the year 2015-16. During the year 2016-17, 241 PCARDBs have registered profit and 360 PCARDBs have registered loss. A profit of Rs. 39.20 crores showed by 179 PCARDBs and 422 PCARDBs showed a loss of Rs. 671.52 crores in 2017-18. As on 31 March 2020, out of 578 PCARDBs affiliated to SCARDBs under federal and

mixed structures, 209 PCARDBs were in profit aggregating to Rs. 80.84 crores, whereas 369 PCARDBs had incurred loss to the tune of Rs. 584.60 crores. 440 PCARDBs had accumulated loss of Rs. 4872.76 crores, during 2019-20 as against Rs. 4428.35 crores, during 2018-19. The accumulated losses of PCARDB had increased substantially by Rs. 444.41 crores, during 2019-20 compared to previous year. Working results of PCARDBs are presented in Table-11 below.

Table 11. Working Results of PCARDBs

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Total PCARDBs (No.)	601	601	601	578	578
In profit (No.)	309	241	179	224	209
Profit amount (₹ Cr.)	174.14	77.75	39.20	90.72	80.84
In loss (No.)	292	360	422	354	369
Loss amount (₹ Cr.)	275.01	629.50	671.52	525.52	584.60
No. of banks having accumulated losses	378	413	361	424	440
Accumulated Losses (₹ Cr.)	3140.13	3634.87	4000.05	4428.35	4872.76

Source: Statistical bulletins, NCARDF, Navi Mumbai, www.nafcard.org

Recovery performance: demand, collection, balance position

Table-12 below furnishes the demand, collection (recovery) and balance (overdue) position at the Apex bank level and at ultimate borrowers' level. As against a total demand of Rs. 11786.21 crores, for 2019-20, total collections at the Apex Bank level were Rs. 5036.03 crores, with a recovery rate of 42.73% compared to 45.04% as on previous year. Total Apex level overdue in 2019-20 stood at Rs. 6750.15 crores, as compared to Rs. 6148.31 crores in 2018-

19, showing an increase of overdue of Rs. 601.84 crores, over the previous year.

The total ground level demand of SCARDBs during 2019-20 were Rs. 14316.50 crores, against which collections were Rs. 5528.14 crores, which show 38.61% of recovery in 2019-20 as against 38.57% in 2018-19. Total ground level overdue in 2019-20 stood at Rs. 8788.36 crores, as compared to Rs. 8241.51 crores, during 2018-19, showing an increase of Rs. 546.90 crores, over the previous year.

Table 12 : DCB Position

(₹ Crores)

Sr. No.	Particulars	2018-19		2019-20		Growth	
		Apex	Ultimate Borrowers	Apex	Ultimate Borrowers	Apex	Ultimate Borrowers
1	Demand	11186.40	13415.61	11786.21	14316.50	(+) 599.81	(+) 900.89
2	Collection	5038.01	5174.10	5036.03	5528.14	(-) 1.98	(+) 354.04
3	Balance	6148.31	8241.51	6750.15	8788.36	(+) 601.84	(+) 546.90
4	Recovery (%)	45.04%	38.57%	42.73%	38.61%	--	--

Source: Statistical bulletins, NCARDF, Navi Mumbai, www.nafcard.org

SCARDBs need to chalk out suitable and time-bound viability action plans in consultation with the Board of Management of these PCARDBs. Unless the ground level recoveries improve, the higher tier i.e. SCARDBs may not be in a position to show a better rotation of funds lent. The

SCARDBs have to focus their attention towards improving the recovery performance of their branches as also that of their affiliated PCARDBs if they want to improve their eligibility for availing higher limits of refinance from NABARD.

ASSET CLASSIFICATION

Asset classification of SCARDBs as on 31 March 2018, 2019 and 2020 are as given in Table-13 below.

Table 13 : Asset classification

(₹ Crores)

Asset Classification	2017-18	2018-19	2019-20	Growth (Last 2 years)	
				Amount	%
Total loans outstanding	20235.35	19068	18962.2	(-) 105.83	(-) 0.56%
Standard assets	15050.40	13878.1	12435.9	(-) 1442.19	(-) 10.39%
Sub standard assets	1942.20	1972.08	2532.25	(+) 560.17	(+) 28.41%
Doubtful assets	3214.39	3189.77	3961.89	(+) 772.12	(+) 24.21%
Loss assets	29.37	29.12	33.17	(+) 4.05	(+) 13.91%
Total NPAs*	5184.94	5190.97	6527.31	(+) 1336.34	(+) 25.74%
Total provision made	2040.41	2547.98	2598.86	(+) 50.88	(+) 2.00%
NPA as% of loans outstanding	25.62%	27.22%	34.42%	-	-

Source : Statistical bulletins, NCARDF, Navi Mumbai, www.nafcard.org

* Excluding Rs. 1.02 crores and Rs. 1.00 crore of Special reserved suspense account pertaining to Gujarat SCARDB for the year 2018-19 and 2019-20 respectively.

It can be seen from the above that the total impaired assets to total loans outstanding stood at Rs. 6527.31 crores, as on 31 March 2020 registering an increase of Rs. 1336.34 crores, over the previous year. The total impaired assets (NPA) to total loans outstanding were at Rs. 5184.94 crores, as on 31 March 2018. The impaired asset to total loans outstanding has increased to 34.42% as on 31 March 2020 from 27.22% as on 31 March 2019. The quantum of doubtful assets at Rs. 3961.89 crores, as on 31 March 2020 rose by Rs. 772.12 crores, registering an increase of 24.21% over the previous year, while the standard assets have decreased by Rs. 1442.19 crores. There has been an increase in the case of sub-standard assets by Rs. 560.17 crores, during the same

period. Total doubtful assets were Rs. 3214.39 crores where as standard assets was Rs. 15050.40 crores in 2017-18. The banks need to focus their attention in improving the quality of their assets and take all out steps to reduce their NPA level substantially so as to become eligible for getting unrestricted refinance from NABARD in the coming years.

RESULTS AND DISCUSSION

- Majority of membership of SCARDBs comes from individuals. The numbers of borrowing membership has decreased during the year 2019-20 as compared to previous year. Women members were 13.72 lakhs accounting for 15.94% of the total membership of 86.04 lakhs.
- The share capital contributed by the Government decrease by Rs. 2.49 crores in 2019-20.

- SCARDBs borrowings recorded increase in 2019-20 over 2018-19.
- The aggregate of deposits rose in 2019-20, showed an increase of ₹ 32.33 crores against previous year.
- Advances during the year 2019-20, decreased by Rs. 64.45 crores which comes to 1.62% less than that of the previous year.
- The aggregate investments of the SCARDBs as on 31 March 2020 stood at Rs. 2476.76 crores, registered decrease of 23.73%.
- Total impaired assets to total loans outstanding stood at ₹ 6527.31 crores, as on 31 March 2020 registering an increase of ₹ 1336.34 crores over the previous years.

CONCLUSION

Major areas of concern which are hampering the progress of SCARDBs are poor recovery and rising NPAs, rising accumulated losses, lesser growth in loans and advances, limited scope for deposit mobilization, heavy dependence on borrowings, non-availability of Government guarantee, lack of skilled and professional staff, not updated to latest technology, weak internal systems and procedures, lack of good governance, resource crunch for expansion of credit and increase in number of loss making PCARDBs.

The structure is in urgent need of reforms to address deficiencies in its design as non-resource based institutions with the only business of advancing long term loans.

The SCARDBs are required to bestow immediate attention for taking corrective steps to tackle the above major areas of concern for upgrading the performance of LTRCCS in India. SCARDBs need to prepare action plans to step up lending, resource mobilization and timely recovery of loan installments. LTCCS may seek enhanced support from respective State Government, RBI, NABARD and Government of India.

The new initiatives recommended for Agriculture & Rural Development Banks cover important areas in the working of SCARDBs & PCARDBs including lending, recovery, deposit mobilization and computerization. In view of the declining role and relevance of the structure SCARDBs should take steps to implement these recommendations.

Recovery

Mounting overdue is the single factor responsible for financial weaknesses of institutions in the structure and also the issues they are facing in profitability, liquidity and refinance / borrowing eligibility.

The trend of increase in the amount of overdue at ground level year after year should be arrested and reversed.

New approach to lending

Slowdown in lending under farm and non-farm sectors in the last few years has resulted in drastic fall in business level and viability of SCARDBs & PCARDBs branches. In this context, banks should consider adopting a new approach to lending with focus on the following:

(i) Financing post production value chain including storage, processing and marketing which is given high priority by the Government and NABARD as it results in creating jobs in large numbers and also helps farmers to increase their income. Vast scope for financing agricultural value chain will also help ARBDs to attain viable business level. Banks can finance most of the activities under non-farm sector as also under farm sector itself with the refinance support on NABARD.

(ii) Cluster based lending

Quality of lending in ARBDs has generally gone down impacting loan utilization, loan effectiveness and loan recovery. Inadequate loan follow-up and supervision due to shortage of field staff is the reason for poor quality of lending. Most of the branches which covers an entire tehsil or block are operating with one or two field staff who cannot ensure proper supervision and follow-up of loans scattered all over the jurisdiction of the bank. Cluster lending is the answer to this problem. It involves identifying clusters with high potential for lending under available schemes of the bank and sanctioning loans to all interested parties from the identified cluster around the same time by organizing credit camp for collection and completing processing of application. A joint liability group can also be formed by including all such borrowers for collaborating each other in the purchase of inputs, sale of produce, by liaison with Government extension agencies and also to create peer pressure for timely repayment.

The ARDBs can also consider relaxation in the security norms when loans are sanctioned to members of joint liability group even if it is an informal group.

The biggest advantage of cluster approach is that it facilitates effective loan supervision in a most efficient manner compared to dealing with applications coming sporadically from different areas in the jurisdiction of the bank. Banks, however, should continue to meet loan demand coming from other areas as well, while organized marketing of loans will be carried out in identified clusters.

SCARDBs shall conduct public contact programs on occasion of celebration of 75 years of Independence- Azadi Ka Amrit Mahotsav (AKAM) under cluster based lending by organizing credit camps at branch level.

(iii) Introducing short term loan products :

Enabling provisions for giving short term loans by ARDBs is now included in the act of the States. Long term lending by SCARDBs has stagnated or declined considerably due to inadequate returns on long term investments at farmer level. Limited availability of NABARD's refinance, non-availability of Government guarantee to the extent required and declining eligibility for refinance which is linked to risk rating etc., have also restricted the scope of long term lending in the farm sector by ARDBs.

Diversification to short term credit, in this context is important for maintaining viable business level and also to help long term borrowers to meet their production / working capital / contingency credit needs.

Revolving credit limit to long term borrowers

The scheme involves sanctioning a short term credit limit also while sanctioning new long term loans and also to existing borrowers who are regular in repayment. The security for credit limit shall be the same given for long term loans. The credit limit is sanctioned on a yearly basis and renewed every year subject to drawl and repayment limit with interest as per terms and conditions laid down by the banks.

The credit limit scheme apart from helping the borrower to meet short term credit needs will also give leverage to borrowers for timely payment of installments of long term loans. Gold loan, consumer loans for employed persons etc. are other short term products recommended for ARDBs.

Deposit mobilization

Deposit mobilization is the only reliable source of resources for funding short term loan products. ARDBs have vast scope for raising resources through deposits. The Banning of Unregulated Deposit Schemes (BUDS) Act 2019 empowers cooperative societies to accept deposits from their members without any of the restrictions as applicable to public deposits. The said Act has also given regulatory powers of deposit schemes of cooperative societies to State Governments. Hence cooperative societies can also accept nonmember deposits subject to terms and conditions as being approved by the State Government.

Computerization

Computerization at all levels is an essential

requirement for revival of SCARDBs. SCARDBs in most of the States have initiated the process which needs to be completed in a time bound manner.

(Ref. Source: Proceedings of the 167th Board of Management meeting of NCARDB Federation, Navi Mumbai).

IMPLICATION

The research can be useful for SCARDBs and PCARDBs in India for strengthening their position for performance planning, monitoring and implementing effective and timely action plans to step up their business activities. This research can also be useful to authorities related to LTCCS and policy makers as well as researchers.

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CONFLICT OF INTEREST

The authors of the paper declare no conflict of interest

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