

Project title	Evaluation of Agricultural Loans by Primary Agricultural Credit Societies (PAC) in Kerala
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Year	2001

Abstract

Compared to other States, Kerala accounted for a very large chunk of the short term credit provided by the Primary Agricultural Cooperative societies. The corresponding increase in the PAC societies in India was 20 times in deposits and seven times in working capital and loans issued. There were wide variations between the minimum and maximum values of share capital, deposits, number of members and number of shares in the selected societies studied.

There was slight increase in the number as well as in the average amount of crop loan during 1994-95 to 1996-97. According to the bank records, during 1996-97, about 31 percent of the loans were for banana cultivation and about 20 percent for pepper. More than half of the loanees who reported inadequacy of loan, used their own finance to meet the additional cost of cultivation and about one fourth availed loan with interest besides the cooperative loan.

About 14 percent of the loan amount was not used for cultivation and was used for non-agricultural purposes. Those borrowers who reported that the entire loan amount was used for non-agricultural purposes were termed diverters. This diversion was perhaps used to meet some other unavoidable household needs. Nearly half of the borrowers (47 percent) reported full utilization of the loan amount for the purpose for which it was sanctioned and out of them about two thirds (67 percent) got full benefit. The main reasons for part benefit were partial damage to the crops and fall in prices.

One third of the borrowers secured the loan by mortgaging their property and the remaining two thirds obtained the loan by offering personal security. Among cash crop loanees, 93 percent cultivated cash crops and only the remaining seven percent were diverters. Majority of them were also of opinion that the scale of loan for perennial crops was insufficient.

The study found that the increase in the agricultural loan during the three-year period 1994-95 to 1996-97 was only 28 percent whereas non-agricultural loans increased by 74 percent. Only 40 percent of the loanees utilized the loan amount for the purpose for which it was sanctioned and about 16 percent of the loanees used the entire loan amount for non-agricultural purposes.

The PACs did not have arrangements for proper checking of loan applications before the issue of loan. Agriculture in the state became stagnant due to increase in cost of production and fall in prices of the products especially of coconut and rubber. The primary agricultural credit societies should take up a complete monitoring of the crop loans issued by them. The PAC societies should also take up the responsibilities of marketing the produce.

