

*Manual on Short-term and Medium-term Loans
for Agricultural Purposes*



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RESERVE BANK OF INDIA
AGRICULTURAL CREDIT DEPARTMENT
BOMBAY

MANUAL ON SHORT-TERM
AND
MEDIUM-TERM LOANS
FOR
AGRICULTURAL PURPOSES

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PRIMARY agricultural credit societies, central co-operative banks and the state co-operative bank, together constitute the structure of co-operative credit in each state which dispenses short-term and medium-term credit for agricultural purposes. It has been the aim that this structure should provide such credit on the basis of a rational assessment of the need in relation to the activity undertaken by the borrower as an agricultural producer, subject to repaying capacity and in such a manner that the possibilities of misapplication of such credit are minimized. This manual seeks to set out the policies and procedures designed to ensure rationalization of co-operative agricultural credit on these lines.

PART I

SHORT-TERM CREDIT: CROP LOAN SYSTEM

Scales of Finance

2. The cultivator's requirements of short-term credit fall into two broad categories : those of cash for incurring certain outlays and those in kind represented by certain inputs such as fertilizers and pesticides associated with the adoption of improved agricultural practices. The cash need itself consists of two parts—one that is relatable to the traditional level of cultivation techniques and the other which is associated with the use of fertilizers, pesticides, etc. i.e. with improved agricultural practices. It is obviously impracticable for a lending agency such as the co-operative society which deals with a number of individual borrowers to attempt an assessment of the credit requirement of each cultivator on an individual basis. Indeed, such an approach may lead in some cases to nepotism or discrimination. The need can be fixed only on an average basis. For this purpose, the most convenient method is to fix crop-wise per acre scales of finance on the basis of which the requirement of every cultivator can be broadly determined with reference to the nature and extent of his cultivation. As the extent to which improved practices are adopted differs from cultivator to cultivator, it is convenient to fix the scales of finance in terms of three components : component (a) in cash which would help meet the miscellaneous cash outlays of a cultivator during the production period, production being assumed to be at the traditional level of technology ; component (b) in kind i.e., fertilizer etc., which would increase to the extent to which the cultivator is inclined to adopt the improved practices

7. Another aspect of the kind component which has to be emphasized is that there should be no insistence on this being taken, as a condition for the drawal of the first cash component (a). Experience has clearly demonstrated that any attempt to use the denial of credit in cash as a means of compelling the cultivator to take to improved practices is infructuous and hardly serves the interests of agricultural production or those of institutional credit. It is only through a sustained effort of extension over the years that the desired change in agricultural practices can be brought about.

Additional Cash Component

8. The additional cash component (c) will be an amount not exceeding 50 per cent of the value of the kind component suggested above. This will be allowed only if the kind portion is lifted and is intended partly to enable the cultivator to meet the cash expenditure which becomes necessary on account of the use of fertilizers, etc., and partly to provide an incentive to him to lift the kind component in an increasing measure.

Repaying Capacity

9. The composite scale of finance should not only meet the production requirements of the cultivators but has also to be within their repaying capacity. Fixed at not more than one-third of the average value of gross produce at the traditional level of cultivation, component (a) can be said to be well within the cultivator's repaying capacity which, from a practical point of view, may be taken to be equal to half the value of expected output. It is reasonable to assume that components (b) and (c) would generate their own repaying capacity in the sense of leading to additional produce of at least the same value. In this sense, the scale of finance fixed in terms of the three components (a), (b), and (c) can satisfy the test of repaying capacity as well as that of need.

Role of Central Banks

10. The central co-operative bank will then proceed to consider the extent to which it may be able to meet the requirements as reflected in the scales of finance recommended by the conference. In doing so, the bank will have to estimate the resources which it may be in a position to mobilize on its own and through borrowings from the state co-operative bank for the provision of short-term

agricultural credit. For estimating the internal resources, the bank may take into account not only the position of owned funds and deposits already reached, but also the improvement likely to take place in this respect and allow for investment in the shares of the apex bank, requirements of fluid cover, financing of activities other than agricultural credit, etc., before arriving at the estimate of funds which will be available for the provision of short-term agricultural credit as shown in the proforma given in appendix A. To these may be added the amounts that may become available to the central bank from the apex bank out of its own resources, supplemented by borrowings from the Reserve Bank. As the Reserve Bank is now the major source of finance, the central bank has to take note of the policies followed by the Reserve Bank in the fixing of credit limits from year to year. Account has also to be taken of the resources that may be available to the central bank out of *taccavi* funds, which the state government may place at its disposal directly or through the state co-operative bank.

11. Having estimated the available resources for the programme the bank will proceed to consider how best it could meet the demand emerging from the field-workers' conference. While it is not easy to make an estimate of resources which would be available, the demand likely to be made by the societies on the basis of the proposed scales of finance is more difficult to assess. This has been the experience in the districts selected for the Package Programme. While component (a) may be taken more or less by all eligible agriculturist-members of societies, a large number of them may not use any fertilizers at all, which would mean that they will not utilise component (b) and, consequently, will not be eligible for the additional cash component (c). Moreover, the actual utilization of fertilizers may also depend upon such factors as adequacy of rainfall, irrigation facilities available and availability of fertilizers. Thus, the demand for credit on the basis of the three component formula is somewhat difficult to predict very much in advance. The bank can proceed only on an experimental basis, relying mainly on its past experience of the use of fertilizers and other material by the cultivators of the area.

12. After making as accurate an estimate as possible of the probable demand against the components (b) and (c), and setting it against the resources that it is capable of mobilizing, the bank may proceed to determine the quantum of component (a) in the scale of finance per acre for the different crops. The bank has to ensure that the

scale of finance is such as would not make the total demand for credit go beyond the resources available with it for the programme. Otherwise, some societies or some members of some societies may not receive any accommodation at all for want of funds with the central bank. While the bank should try to meet the demand fully as reflected in the recommendation of the conference, it may not be in a position to do so for want of necessary resources. As it succeeds in mobilizing more and more resources, the gap between the recommended scale and the one it can actually provide will get progressively narrowed. Meanwhile, to the extent that reduction in the scale of finance is unavoidable, the cut may preferably be made in cash component (a) rather than the kind component (b) or the consequential cash component (c) as the latter two components are expected to have a relatively greater importance from the point of view of increased agricultural production.

Credit Limit Statements

13. On the basis of the scales of finance approved by the bank, secretaries of the societies or departmental supervisors, who are responsible for preparing loan applications of primary societies may be asked to prepare for each society a credit limit statement in triplicate as in the proforma enclosed (appendix B). The statement is to serve not only as the loan application of the society but also of each member included in it. Therefore, the details, particularly of the crops grown and the area proposed under each crop by a member may be filled up in consultation with him and his signature or thumb impression obtained on it as evidence of such consultation.

14. The following points may be noted in preparing the credit limit statement : (a) The statement should provide the details of all the lands a member proposes to cultivate during the next year. Care has to be taken to ensure that fictitious acreages are not indicated and that, for this purpose, the acreage shown in the statement is verified with reference to the register of lands maintained for all members in the form shown in appendix C. The register should be prepared carefully with reference to the village revenue records and checked and verified annually so as to note all the changes that may have taken place in the meanwhile. Care has also to be taken to see that information about the crops to be grown is correctly given, so as to ensure that a cultivator does not show larger acreage under crops which attract higher scales of finance. (b) With a view to facilitating easy verification and avoiding the possibility of the

same piece of land being shown under different crops during the same season, only one statement should be prepared for the whole year and for all the crops grown by a member and not separate statements for different crops and seasons. (c) Though the crop loan system envisages the provision of credit to members to meet their full production requirements on the basis of the acreage and scales of finance, it is necessary to see that their eligibility does not individually exceed the absolute limit represented by the individual maximum borrowing power that is, the ceiling on the amount which any individual may borrow from his society. The need for placing this limit arises on account of various practical considerations. Firstly, it is reasonable to expect that the bigger cultivator should be able to meet a larger part of his production outlay from his own resources than the smaller cultivator and consequently his need for credit per acre should be relatively lower than that of the latter. Secondly, the individual maximum limit helps to ration the available resources, preference being shown to the needs of the small and medium cultivators. Thirdly, concentration of loans with a few larger cultivators will mean that in the event of their failure to repay, a large number of small and medium cultivators who account for a relatively small amount in the aggregate may suffer, as the eligibility of the society for fresh credit from the central bank will be impaired. While the imposition of an individual maximum borrowing power is justified for these reasons it should be ensured that the ceiling is not fixed at such a low level that the cultivators who wish to raise high value money crops or to adopt improved practices are handicapped. Liberalisation of individual maximum borrowing power in societies where it is unduly low should, however, be undertaken with due regard to the ability of the societies and central banks to raise the resources required for financing agricultural production. From this point of view, it is suggested that the individual maximum borrowing power in all cases where it is lower than Rs 2,000 might be raised to Rs 2,000 and that thereafter it might be raised gradually having regard to availability of resources. In the context of programmes for intensification of agriculture, the process of increasing the ceiling may usefully be in the form of pegging the cash loan at a reasonable level, and allowing the kind component without any limit. In due course the total limit can be fixed at a new higher level, which may go up to Rs 5,000 in the predominantly unirrigated areas and Rs 10,000 in the irrigated ones. (d) After the credit limit statement is prepared as indicated above, the general body or the managing committee of the society may recommend

the amounts that may be sanctioned to each member by indicating the details in columns 28 to 32 (*vide* appendix B). The managing committee may work out the disposable resources of the society for lending and apply to the central bank for the balance, furnishing the financial particulars such as balance-sheet and profit and loss account and also copies of the resolutions of the general body or the managing committee for raising the necessary loan from the bank.

Sanction of Normal Limits

15. The credit limit statement as passed by the society may be forwarded in triplicate to the central bank, it being routed through a supervising union, if one is functioning. The bank's inspector should then scrutinize the statement with reference to the society's books, to ensure particularly that the details of the crops and acreages given therein for the different members are correct. He should also give a report on the society's working bringing out serious irregularities, if any, in its working, the position of overdues and the action taken against defaulters. The statement, with his recommendations, should then be placed for consideration before the board or the loan committee of the bank with the manager's remarks. It should be ensured that the credit limits to societies are thus sanctioned well in advance of the season and communicated to each one of them, together with a copy of the credit limit statement and also to the branch of the bank and the marketing society which is to supply the kind component of the loan. Once the statement is approved by the bank, the society will be authorised to draw on the limit specified therein as and when it is convenient, subject of course to the conditions of eligibility prescribed by the bank for the societies and individuals. The procedure regarding drawals on the limit sanctioned is indicated later in this publication.

Supplementary Limits

16. The credit limit statement would provide for the likely requirements of cash and kind of most cultivators. In the case of those who do not use fertilizers and other materials to the extent provided for, a portion of the credit limit sanctioned will lapse. On the other hand, it may happen that in the case of cultivators for whom the production plans are prepared by the agriculture department, the need for components (b) and (c) may be higher than what is included in the statement though the needs under component (a) will remain unchanged. In such cases, if the production plan for such a member

is ready before the credit limit statement is prepared, his needs according to the plan may be included in the statement, a distinguishing asterisk mark being made against his name to indicate his special category and a copy of the production plan attached to the statement. Alternatively, a list of all such members showing their requirements under components (b) and (c), duly certified by the extension authorities, may be attached to the statement so as to enable the central bank to take the additional needs into account while approving the statement. Where production plans are not ready for many members before the statement is forwarded to the bank, the society may apply for additional limits on behalf of such members, as and when a sizeable number of plans are ready, together with a list certified by the extension authorities so that the central bank may sanction supplementary limits for the amounts required. Meanwhile, the societies and the individual members will be permitted to get accommodation on the basis of the credit limit statement.

17. If this procedure is likely to result in financial accommodation not becoming available to members in time for the execution of their production plans, the bank may sanction a small cash credit limit to the society to be utilized for meeting additional requirements of members under such plans. The society should be required to apply to the bank for sanction of a regular loan as soon as a sufficient number of members receive such additional finance. The drawal against this loan should be used for crediting the cash credit account. To prevent any abuse of this facility, the grant of the cash credit limit should be conditional on the society furnishing a list of persons financed according to production plans which should be certified by the extension authorities and the period of such limit should be confined to the cultivation season.

Time Schedule

18. An important feature of the crop loan system is that all the necessary procedural steps should be so planned as to ensure that the finance becomes available to members at the time when they need it. It is, therefore, important that all the stages of the procedure described earlier should be completed according to a time schedule drawn up for the purpose. This is necessary particularly in view of the fact that in many districts the crop loan system is being introduced for the first time and various preliminaries such as the printing of forms, suitably designed for this system, have to be completed. The following may form the time schedule for the introduction

of the crop loan system. (1) Revision of the existing forms and registers for short-term and medium-term agricultural loans both at the society level and the central bank level. This may be done by the Registrar of Co-operative Societies in consultation with the apex bank and a few central banks. (2) Printing of the revised forms and registers. (3) Convening a regional meeting of chairmen, managers and development officers of banks for explaining the system. (4) Meetings at the district level of supervisors and managers of primary credit societies for explaining the new policy and giving practical training in completing the new forms and maintaining the new registers.

19. The above steps will be necessary for preparing the ground for the introduction of the crop loan system. Once these are taken, the time schedule for action every year may be as under for an area where *kharif* is the major season : (1) Convening of a field-workers' conference in the district or the area served by the bank for recommending scales of finance per acre for the different crops and for suggesting standard outlays per acre or per unit for different medium-term purposes—*November-December* (of the previous year). (2) Fixing of the scales of finance per acre and the standard outlays per acre or unit by the Board of Directors of the central bank—*January*. (3) Communication by the bank of the decisions referred to above to all concerned—*January*. (4) Preparation of credit limit statements by supervisors or managers of primary credit societies, their consideration by the managing committees of the societies and forwarding the applications to the bank—*January-February*. (5) Sanction of credit limits to societies by the central bank—*February-March*.

Where *rabi* is the major season, the process may start from *March* and close by the *following September*.

Operations on the Limits : Eligibility

20. The approval to the credit limit statement by the central bank signifies the upper limit up to which an individual may borrow from his society and that the society may borrow from the bank during the forthcoming year. The actual draws on the limits should be subject to the individual establishing his eligibility with his society and the latter with the central bank. The individual may be allowed to borrow upto the limit sanctioned to him provided (i) he is not a defaulter; (ii) he holds shares in the society in the prescribed

proportion; (iii) he has furnished the prescribed security to the society; and (iv) he has executed the necessary documents, e.g. pronote, agreement to sell through an approved marketing society, etc.

The society may be allowed to operate on the sanctioned limit provided (i) it has repaid the prescribed proportion of the demand (which is expected to be fixed at not less than 50 per cent and not more than 75 per cent as recommended in the Action Programme); (ii) it holds shares of the central bank in the prescribed proportion; and (iii) it executes the necessary documents, e.g. pronote, agreement etc.

It is important to note that the sanction of limits as indicated in the credit limit statement either by the society or the bank should not depend upon prior fulfilment of any of the conditions mentioned above. It will be enough if the conditions are satisfied by the borrower concerned only at the time of drawals on the limit.

Drawals against Cash Limits

21. For drawals against the cash portion of the limits, two different procedures are possible. (i) On an application from the president or the secretary of the society in the prescribed form (appendix D) for the drawal of a cash loan on behalf of a given number of members, the amount may be advanced to the office-bearers who are authorized to receive such advances, but a statement of disbursement with the signatures of the recipients of the loan as in the form given in appendix E should be required to be submitted to the bank within a fortnight of such disbursement. On receipt of such statements, their verification with the lists submitted at the time of drawal will ensure that (a) the amounts are actually advanced to those for whom they were intended, (b) the society has not diverted the amounts to its other activities such as consumers' stores, payment of instalment of godown loan etc., and (c) the amounts have not been used by the society for repaying another loan due later. At the time of the next visit to the society, the supervisor should verify the disbursements from entries in the loan ledger. (ii) An alternative method is to allow the office-bearers to draw cheques in the names of individual members who should present them for encashment at the counter of the branch or head office of the central bank where the society has its account. These cheques should be debited straight to the loan accounts of the society. It will be possible to adopt this procedure only if the bank has a network

of branches, conveniently situated from the point of view of the members of societies.

Operations on the Limit in Kind

22. The operations on the limit in kind may be carried out in any of the following ways: (i) Where the marketing society is the sole stockist for the area, the primary credit society should prepare delivery orders, in triplicate, on the marketing society in favour of its members who want to avail themselves of fertilizers etc., within the limits specified in the credit limit statement approved by the bank. Against such an order, the marketing society will deliver the specified quantity to the member by debiting the amount to the primary society. One foil of the delivery order should be sent to the concerned credit society and the other to the bank. The credit society would then debit the loan account of the concerned individual (who would have already executed a time-pronote for the aggregate of the cash and kind components) and credit the account showing borrowings from the central bank, while the bank will debit the loan account of the credit society and credit the cash credit account or the current account of the marketing society. On receipt of the advice of this credit, the marketing society will credit the account of the credit society concerned. If this arrangement is to work satisfactorily it will be necessary to supply the marketing society with a copy of the credit limit statement approved by the bank. (ii) The marketing society may immediately debit the central bank on delivery of fertilizers to members of the primary credit society and credit the bank when its own account is credited by the bank, provided, however, the bank has authorized the marketing society to do so. (iii) Where the primary credit society is itself a sub-agent of the marketing society for distributing fertilizers, the credit society will itself supply the required quantity to the borrowers by debiting their loan accounts and crediting the account showing the borrowings from the central bank. The credit society should request the bank to debit its loan account and credit the marketing society's account with the bank so that the primary society would be given corresponding credit by the marketing society against fertilizers supplied on a consignment basis. (iv) Where the system of cheques has been introduced and office-bearers have become familiar with it, the credit society may issue a cheque in favour of the marketing society for the amount representing the cost of the fertilizers etc., required by a member. The concerned member's signature may be obtained on the back of the counterfoil of the cheque issued by the credit society.

In such a case, the credit society may also issue a forwarding slip indicating the name of the member and the number and amount of the cheque issued. On presentation of such a cheque with the forwarding slip, the marketing society will issue fertilizers to the member concerned. To prevent any misuse of this facility, the cheques may be marked 'account-payee only'. Further, such cheques may be made payable only into the 'fertilizer cash credit account', drawals against which may be permitted only for payment for fertilizers. When the cheques are presented to the central bank, debits and credits will be raised in its books against the concerned credit society and the marketing society respectively.

Execution of Time-pronotes

23. After sanction is received by the society, the chairman, secretary or whosoever is authorized to raise loans from the central bank and execute the necessary documents for the purpose, will have to execute a consolidated time promissory note to cover the total of the cash and kind components of the loans intended to finance the production of the *kharif* crops. The pronote should have an appropriate due date for the repayment of the loans out of the sale proceeds of crops and will cover all the drawals under the limit during the year. For drawals intended to finance the second or *rabi* crops, the society will execute another time pronote subsequently with a different due date and covering both the cash and kind components. This second pronote is necessary in view of the difference in the dates of maturity. This arrangement is more convenient than that of requiring a society to execute a separate time pronote every time it draws on the sanctioned limit. Firstly, all loans are to become due as discussed later on a specified date soon after the harvest irrespective of the date of drawal. Secondly, the execution of a number of pronotes cannot be easy as most societies do not have well-trained personnel. Thirdly, in the absence of a consolidated time pronote to cover both cash and kind components executed at the beginning of the season, it may become necessary for a cash credit limit to be sanctioned to each society for the kind portion of the limits and to debit this account when payment for the kind component is made to a marketing society on behalf of the credit society.

Security for Short-term Loans

24. The essential feature of the crop loan system is that a cultivator's eligibility for loan and the size of the loan are determined

by the fact that he is a genuine cultivator who needs credit for production and that he will repay it from out of his production and not by the fact of his ownership of land or the value of any other tangible security he can offer. Though in recent years there has been some improvement, the provision of loans by the co-operatives continues to be confined in many states to land-owners and the amount of credit continues to be determined on the basis of the security offered. This results in the denial of credit to some cultivators and the provision of larger credit to some cultivators and smaller credit to others, in relation to their production needs. It is important, therefore, that in a system of production-oriented credit, the security offered should not be permitted to form the basis for determining the eligibility or the size of short-term loans for agricultural production.

25. Security is, however, necessary to provide against the possibility of a loan proving unrealisable and, therefore, it cannot be dispensed with altogether. But, the co-operative agency should be content with a type of security that is convenient to the borrower while placing him under sufficient restraint to remain conscious of his obligation to repay. Though the repayment of the loan has to be made out of the sale proceeds of the crops grown, the credit agency has to look to other forms of security. Because of the ineffective linking of credit with marketing, the credit agency has little control over the sale proceeds of the crops. Further, it is difficult to enforce the charge on the crops which the co-operative societies acts do provide. The mortgage of land is a sound security from the point of view of the lending agency, but insistence on such security is bound to create difficulties to the borrowers because of (a) the time-consuming and elaborate procedure and formalities which it generally involves, (b) it may leave no security for medium-term and long-term credit which are normally based on mortgage of land and (c) the inability of tenants, who form quite a large number, to provide such security. The most convenient security from the point of view of the lending agency as well as the borrowers is the charge created by a mere declaration in favour of the co-operative credit societies on the identifiable right or interest (whether as owner or tenant) of the cultivator in the land cultivated by him. The necessary legal provision exists in some of the states and is being made elsewhere. It should, however, be ensured that such a charge is vacated in case a borrower obtains a loan from the land development bank against the mortgage of the same lands as is the case in Maharashtra.

26. The problem still remains in respect of the oral lessees and tenants-at-will who have no recorded right in the lands cultivated by them. The only alternative in such case is to grant a loan on the scale admissible to others and have it secured by means of personal security offered by members other than the borrower himself, provided the managing committee of the society is fully aware that he is the actual cultivator of the land. It follows from this that when such a loan is granted, no other person may be sanctioned any loan for cultivating the same land even if he is its owner.

Seasonality in Disbursement

27. Since under the crop loan system the loan is for production of crops and the recovery is expected out of the sale proceeds of such crops, it follows that the advances should be confined to the period shortly before sowing and ending shortly before the harvest. So far as the basic cash component (a) is concerned, the borrower may be given an option to take the entire portion at the beginning of the sowing season or even a fortnight or so after he has cleared the earlier loan. It will be advantageous, however, if he is persuaded to borrow in two instalments, at the beginning of the sowing season and after some interval. As for the loans in kind, no difficulty is likely to arise in observing seasonality, particularly in the matter of fertilizers and pesticides, because a cultivator would like to have them at specified intervals during the cultivation period. However, if a cultivator wants to stock the fertilizers in advance i.e. even at the beginning of the season, he may be allowed to do so. The 'incentive' finance proposed for those who repay their dues by sale of produce through the marketing society may be provided just before the harvest, when many cultivators are hard pressed for cash.

28. It is the practice of many central banks to advance loans both for *kharif* and *rabi* crops, in a lump sum, at the beginning of the *kharif* season, partly because separate details of the cropped area for the two seasons are not available and partly because the inadequacy of administrative staff renders financing in two or more instalments somewhat difficult. Though this may not be objected to in every case, it would be preferable to provide the cash component (a) in instalments separately for *kharif* and *rabi* crops.

Seasonality in Recovery

29. Seasonality is necessary also in the recovery of loans and, for this purpose, the due date may be so fixed that it is not too distant

from the harvesting season, and at the same time, a reasonable period is allowed for enabling the cultivator to dispose of his produce. If the period is too long, the cultivator may sell the produce, defer the repayment of the loan and fritter away the sale proceeds with the result that he does not have the cash resources to repay the loan on the due date. If the cultivator does not want to sell the produce soon after the harvest and wants to wait for a better price, he may do so by pledging his produce to a marketing society and utilizing the amount of the produce loan to clear the loan for production owing to the credit society before the due date. The practice of some central banks to fix the due date at the end of twelve months from the date of drawal is inconsistent with the concept of seasonality. Such a practice may lead to overdues, as repayments do not coincide with the period when most cultivators are likely to have funds.

30. In a single crop area, the fixation of the due date with reference to the harvesting time of that crop will not be difficult. The problem is complicated where cultivators grow a large variety of crops during the same agricultural season, or grow different crops on the same or different portions of land during the *kharif* and *rabi* seasons. It will be administratively difficult to have different dates of maturity for different crops grown in the same season according to the differences in the harvesting period. In some cases it may not be convenient to have two different due dates, even for the *kharif* and *rabi* crops, if one set of crops is largely grown for the market, and the other mainly for self-consumption. In such cases, it may be justifiable to fix one due date having regard to the marketing period of the crops grown for the market. Care should, however, be taken to ensure that the total period of the loans does not exceed twelve months from the date of the first drawal. The guiding principle should be to fix the due date or dates with reference to the points of time when the majority of cultivators in the area are likely to market their produce.

Linking of Credit with Marketing

31. Another essential feature of the crop loan system is that loans advanced by a credit society to an individual for raising crops are recovered out of the sale proceeds of such crops. It is, therefore, necessary to ensure that the sales are effected through an agency with which the credit society is linked. It is expected that every borrower from an agricultural credit society should sell his produce

through the co-operative marketing society to which the credit society is affiliated and agree to allow the marketing society to deduct the credit society's dues out of the sale proceeds. Though in most parts of the country, agricultural credit societies do secure agreements to this effect from the borrowing members, in practice such agreements are not taken seriously either by the members who sign them or the credit societies who take them. This is explained partly by the inadequate appreciation by the credit societies of the importance of co-operative marketing from the point of view of the development of credit and partly by a feeling that marketable surplus would be negligible in the case of many small cultivators and also that most marketing societies are yet to demonstrate their competence to offer the services for which they are intended. The following steps may be taken with a view to making some impact on this situation and bringing about an effective link between credit and marketing :

Firstly, for the effective linking of credit with marketing, all credit societies should not only become members of the marketing societies, but also agree to contribute at the rate of two per cent of their turnover to its share capital as recommended in the Action Programme.

Secondly, the ultimate objective is to bind in an effective manner every borrower from a credit society to sell his entire marketable produce through the marketing society named by the credit society, giving authority to it to deduct from the sale proceeds whatever amounts are required for the repayment of his dues to the credit society. This, however, presupposes the existence of competent marketing societies.

As this is not always the case, the marketing societies can be considered as falling into two groups (a) those which are yet to prove their operational competence and (b) those which are already well established and command sufficient business on their own merit (or as a result of monopoly procurement through them). The second category is likely to include most of the processing societies formed by the growers of the concerned crops. With a view to giving a helping hand to the societies in group (a) and enabling them to acquire experience and to demonstrate their capacity, it should be stipulated that every borrower from a primary credit society compulsorily repays a suitable proportion of the loan taken by him in kind through sale of the requisite quantity of produce to or through the marketing society. It should be left to the annual field-workers' conference to lay down this proportion which may be kept at a

fairly low level to begin with. The conference may raise it from year to year as the marketing societies demonstrate their capacity and the cultivators develop confidence in them. Apart from incentives to be provided for the sale of produce through the co-operatives, specific sanctions should be laid down against any breach of this obligation, e.g. penal interest, loss of eligibility to loan for the next season etc. In the case of the marketing or processing societies falling within the second category, compulsion on the part of the credit societies is not as important as the help that such societies can on their own render to the credit societies in the matter of recovery of their dues. This could be in the form of such marketing or processing societies withholding, in the case of cultivators notified by the credit societies as indebted to them, a suitable proportion of the sale proceeds (or pledge loan or advance payment against produce delivered as the case may be) every time they are due to be paid to them and passing on the amounts so withheld to the concerned credit societies for being adjusted to the respective loan accounts of the cultivators. The societies expected to render this service should be specified by the field-workers' conference, which should also be entrusted with the duty of specifying the ratio of sale proceeds, etc. to be withheld by them towards repayment of the credit societies' dues, subject to a minimum of 50 per cent in the case of sale proceeds and 66 $\frac{2}{3}$ per cent in the case of pledge loan or advance payment. These minima are suggested on the ground that they are likely to represent at least the loan component of the produce handled by the marketing or processing societies.

32. Cultivators who sell produce to or through marketing or processing societies, might be given encouragement in the form of an additional cash loan upto 5 per cent or even 10 per cent of the recovery of loan via the marketing or processing societies in the previous year. Such additional credit should preferably be disbursed during the period immediately preceding the harvest as this is generally the time when traders tend to tempt cultivators with advances for securing a hold on their produce. To ensure that such incentive finance is provided only on the basis of actual sales and recoveries, the marketing societies should be required to furnish particulars of the members who sold the produce through them, the value of the produce sold and the production credit recovered. Another incentive which may be provided to such cultivators is the provision of the cash component (a) of the loan for the next season at a date earlier than that in the case of other cultivators.

PART II

MEDIUM-TERM CREDIT

33. THE need for rationalizing the policy and procedure governing medium-term loans for agricultural purposes is becoming increasingly important in the context of the limited availability of medium-term resources on the one hand and the widespread use of medium-term loans in some states for short-term or long-term purposes on the other. The main feature of the present policy in regard to medium-term lending in many parts of the country is that the cultivator's eligibility for a medium-term loan is largely determined with reference to the value of the security offered, the indication of an approved medium-term agricultural purpose being often a mere formality. While security is important, it is wrong to make it the sole basis for determining the eligibility of a cultivator to a medium-term loan as the latter should depend, on the one hand, on the likely need for credit for the proposed outlay and, on the other, on the repaying capacity of the borrower.

Need for Medium-term Credit

34. So far as the need is concerned, it will be necessary for the central bank to fix certain generally acceptable norms of outlay for the various types of investment that may be considered important in the area. As in the case of short-term finance, this may be done by the bank on the basis of the recommendations of the field-workers' conference to which this question may also be referred. Some of these standards could be on per-acre basis, e.g. for bunding, levelling, reclamation etc., and the others on per unit basis as in the case of bullocks, wells, pumpsets, milch cattle etc. As the cost of investment per acre or per unit may vary from area to area within the jurisdiction of the bank, it may be necessary for the conference to indicate a narrow range within which the cost per acre or per unit may be accepted by the bank for the purpose of sanctioning medium-term loans. A decision will also be necessary in regard to the acceptable period of replacement in the case of wasting assets required in agricultural operations such as bunding, bullocks, minor land improvements, etc.

Repaying Capacity

35. So far as the repaying capacity is concerned, it may be useful to think of the purposes for which investments are made by culti-

vators in their two distinct aspects: (i) those relating to periodical maintenance or replacement of existing production assets with a view to maintaining the income-earning capacity of the farm, e.g., purchase of bullocks, reconstruction of bunds, repairs to wells, farm houses, cattle sheds, etc., and (ii) those relating to new investments with a view to increasing the income-earning capacity of the farmers, e.g., digging of new wells, levelling of land prior to introduction of irrigation, modernization of equipment of lift irrigation, construction of new bunds, contour bunding, purchase of tractors and other costly farm equipments, etc.

Whereas the second category of investments is expected to increase the repaying capacity of the borrower, it is to the existing repaying capacity of the borrower that the credit agency has to look, so far as the first category of investments, i.e., those for capital maintenance are concerned. As indicated earlier, the most convenient method of determining the repaying capacity of a cultivator is to relate it to the value of gross output turned out by him. Taking into account the cultivator's other liabilities, the credit agency would be justified in proceeding on the basis that liabilities on account of repayment of loan, which a cultivator might bear without much difficulty, should not exceed half the value of his annual output. It has been assumed earlier that since the basic cash component intended to take care of the miscellaneous cash outlay related to the traditional level of cultivation in the area may not be more than about one-third of the anticipated average value of gross produce per acre at that level of cultivation, the balance of repaying capacity, i.e., one-sixth of such minimum assumed value of output per acre would be a safe measure of repaying capacity so far as instalments payable on medium-term loan account are concerned. On this basis, it should be possible for the bank to fix, in consultation with the field-workers' conference, scales of annual repaying capacity for medium-term credit on per acre or crop basis for most crops. In the case of those crops for which it was assumed that there was no traditional level of cultivation as such, the per acre scales of repaying capacity for purposes of medium-term credit may be assumed at the same level as for the most important staple crop in the area. The eligibility of a cultivator for a medium-term loan will be three times or five times the annual repaying capacity according as the loan is for three years or five years.

36. So far as new investments are concerned, as distinguished from periodical maintenance or replacement of existing ones, it is the

additional repaying capacity rather than the existing repaying capacity which is relevant. If it is found that a particular type of new investment generates an increase in the cultivator's income to an extent that makes it possible for him to repay the loan taken for financing this investment within a period of three to five years, a medium-term loan should suffice for such a purpose. On the other hand, a long-term loan would be appropriate if the resulting income is not large enough to make repayment possible within five years. Whether a particular type of investment calls for a medium-term loan or a long-term loan may, therefore, differ not only from area to area but even within the same area from cultivator to cultivator, depending upon the scope for deriving the best out of an investment as represented by the size of the farm etc. This shows that there cannot be a classification of certain types of investments as purely medium-term investments, or purely long-term investments. It is possible that every type of new investment is capable of being serviced with a medium-term loan for at least some cultivators. The problem is, therefore, to assess in each case the likely increase in income or in the repaying capacity as a result of such proposed investment. An assessment of this nature would call for specialized knowledge and attention which the central banks and the primary societies may not be in a position to give in their day to day business. Unless, therefore, the central banks are confident of having all proposals for new investments appraised in detail on an individual basis for making sure that they would generate in each case sufficient additional repaying capacity for the medium-term loans sought for those investments, they will have to be content, for practical reasons, with considering such applications only on the basis of the applicant's current repaying capacity calculated in the manner indicated earlier for determining eligibility for term loans for replacement or maintenance. This means that no distinction need be made between loans for the two sets of purposes, so far as the consideration of repaying capacity is concerned, and that it has only to be seen whether the borrower possesses the necessary repaying capacity determined on the basis of per acre crop scale described earlier.

37. So far as the items of capital maintenance are concerned, there is reason to believe that medium-term loans sanctioned on the basis of the need as determined by the norms of outlay laid down per unit or per acre and within the repaying capacity as calculated above should generally be adequate to meet the requirements of

three instalments, the second and the third of such instalments being disbursed after watching the progress made. Where the loans are for the purchase of bullocks, the bank may insist upon the president or honorary secretary of the society giving a certificate of having verified the use of the loan for the purpose for which it was sanctioned. Further, the possibility of misuse of medium-term loans could be minimized if the banks tighten their arrangements for supervision over societies.

Estimate of Medium-term Resources

43. It will be necessary for a central bank to have a rough idea of the medium-term resources that it may be in a position to mobilize during the year. The bank may first make an estimate of its own resources as indicated in appendix F and then take into account the availability of funds from the state co-operative bank. It is the practice of the Reserve Bank to indicate at the beginning of each co-operative year the amounts that it may make available to each state co-operative bank for the grant of medium-term loans for agricultural purposes. It is expected that the state co-operative bank, in its turn, would re-allocate the amount among the different central banks. The state co-operative bank should determine the criteria to be followed for this purpose. Broadly, the state co-operative bank may take into account not only the intensity of the demand for medium-term loans in the different areas but also the likely limit that it may be able to obtain on behalf of each central bank as well as the ability of the latter to provide the margin money over and above the basic level, out of its own resources. This presumes a certain amount of planning at the beginning of each year on the part of the state co-operative bank which should enable it to indicate, well in advance of the season, the amount which is likely to become available to each central bank for grant of medium-term loans. If this is done, the banks will be in a position to know the extent of external assistance which they would receive for their programme of medium-term loans. The maximum medium-term resources available during the year, therefore, will be the sum total of the internal resources as indicated in appendix F, and the external resources as communicated by the state co-operative bank. As a major part of these would have been already invested in medium-term loans, it is excess of the total resources over the previous outstandings together with the likely repayments from the latter that would represent the resources available for fresh lending during the ensuing year.

Priorities and Allocations

44. Since the medium-term resources which a central bank may be in a position to mobilize during a year are limited, it may be necessary for it not only to make a reasonable estimate of the resources, but also to ration them among the societies and for different purposes. Thus, if the co-operative land mortgage banks could shoulder the responsibility for loans for purposes such as digging of wells, purchase of pump-sets, reclamation of land and levelling of land for wet cultivation, the central bank might accord a relatively lower priority for loans for such purposes as compared with those for purchase of bullocks, bunding and minor land improvements. The policy of the central bank in this behalf may be determined after taking the consensus of opinion at the field-workers' conference. The bank has next to determine how the available medium-term resources could be rationed among societies to the best advantage of all concerned. It is difficult to suggest any definite method for adoption by every central bank in this behalf. If the resources available for medium-term loans are likely to be about 25 per cent of those available for short-term agricultural purposes, a bank may indicate that no society will be eligible for a medium-term loan during the year exceeding one-fourth of the limit sanctioned to it for short-term agricultural purposes on the basis of the credit limit statement. It is desirable to indicate in advance the amount of medium-term credit that may be available to each society because that will encourage the managing committees of societies to do some planning in the granting of medium-term loans among the members and all the members will have a fair chance of getting such loans according to the ability of the society and the bank, instead of a few societies or members exhausting the available funds.

Application for Medium-term Loan

45. After the central bank indicates to all the societies the priority of the purposes for which medium-term loans may be sanctioned by it and also the amount likely to be made available to them, each society should prepare an application for medium-term loans from the central bank on behalf of its members in the form shown in appendix G. Before such an application is prepared, each society may, if possible, hold a general body meeting so as to ascertain the probable demand for such loans during the year and also to determine their priorities. This application will have to be a separate

one from that for short-term credit limits, as only a proportion of the members who are seeking short-term credit in any year are likely to apply for medium-term credit in that year, firstly because every member is not likely to be in need of a medium-term loan and secondly because a medium-term loan is not to be ordinarily advanced to a person who has already such type of a loan outstanding against him. Normally, a society may prepare one application for the whole year for all its members and it may preferably be made as early as possible during the year, especially as the medium-term requirements can be forecast and the members may not find it difficult to indicate their requirements well in advance. However, a supplementary loan application may not be ruled out if the allocation made for the society is not exhausted, for meeting any unforeseen demands such as, for instance, arising from the death of a bullock.

46. The application should be prepared in triplicate and sent to the central bank through the supervising union, if any. The bank's supervisor may be asked to verify the correctness of the details given in the application particularly in regard to the land under cultivation with reference to the register of lands and the acreages under different crops should tally with the particulars shown under the credit limit statement prepared by the society for short-term loans from the central bank. The supervisor may then forward the application to the manager of the bank with his observations. After the application is scrutinized in the office, it may be placed before the loan or executive committee of the bank for sanction. After the sanction of the bank, one copy of the application with the necessary remarks should be sent to the society and another to the marketing society for ensuring the linkage of credit with marketing.

Drawals against the Medium-term Loans

47. After the application is sanctioned by the central bank, the society may have the freedom to avail itself of the loans on behalf of its members according to their convenience. An element of seasonality in the disbursement of the medium-term loans is envisaged and a society may have to apply for drawal on behalf of its members at different times. The sanction, therefore, may be treated as a limit for the year against which the society may draw as many times as it likes. At the time of each drawal, the society may send an application in the form enclosed, as given in appendix H. The society may be instructed to see that the application for drawal is

not made on behalf of any member who is in default to the society in respect of any loan taken from it. On receipt of the application, the scrutiny may be made at the office of the central bank to find out particularly whether the application for drawal is in accordance with the sanction accorded by it before the drawal is allowed. If the bank does not follow the practice of asking the societies to draw cheques in favour of their members, it would be necessary for it to obtain a statement of disbursement as shown in appendix I within a fortnight of the drawal of the loan and verify whether the disbursements made are in accordance with the sanction communicated to the society.

APPENDIX A

ESTIMATE OF INTERNAL RESOURCES

(i) *Actual*: The actual may be assessed with reference to the position of owned funds and deposits already reached. It may be worked out as under: (a) Owned funds as on latest date; (b) Maximum deposits reached during the past twelve months; (c) Gross internal resources (Total of a+b); (d) Investments in the shares of the apex bank and other co-operatives; (e) Investments representing the reserve fund; (f) Investments in building, furniture and other fixed assets; (g) Fluid resources required to be maintained against the maximum deposits +10 per cent; (h) Basic level for medium-term loans; (i) Margin money for medium-term loans; (j) Commitments under non-agricultural loans e.g., to consumers' stores etc., over and above the reimbursement available from the state co-operative bank out of its funds or out of borrowings from the State Bank of India or Government; (k) Commitments on the internal resources of the bank (Total of d to j); (l) Net disposable resources for short-term loans for agricultural purposes (c-k);

N.B. : Commitments under (i) and (j) will be in respect of the next year's programme.

(ii) *Potential*: (m) Anticipated increase in owned funds; (n) Anticipated increase in deposits; (o) Gross potential internal resources (m+n); (p) Additional investment in the shares of the apex bank, of the reserve fund, in building, furniture, fixtures etc.; (q) Additional fluid resources required for the additional deposits expected to be raised; (r) Total additional commitments (p+q); (s) Net additional resources anticipated (o-r);

(iii) *Total resources*: Total resources that may be available for the programme of short-term agricultural loans (l+s).

APPENDIX B
CREDIT LIMIT STATEMENT

Code No.:

Name of the Society :

Taluka/Tehsil :

Name of crop	SCALES OF FINANCE PER ACRE AS APPROVED BY THE CENTRAL BANK						Total
	Cash (a)		Kind (b)		Additional cash (c)		
	Irrigated	Rainfed	Irrigated	Rainfed	Irrigated	Rainfed	
Paddy							
Ragi							
Wheat							
Gram							
.....							
.....							
.....							
..... etc							

Name of crop	COMPOSITION OF KIND COMPONENT PER ACRE						Total value Rs
	Fertilizers		Insecticides and Pesticides		Oil		
	Quantity	Value Rs	Quantity	Value Rs	Quantity	Value Rs	
<i>Rainfed</i>							
Paddy							
Ragi							
Wheat							
Gram etc.							
<i>Irrigated</i>							
Paddy							
Cotton							
Sugarcane							
Potatoes							
.....							
..... etc.							

ELIGIBLE AMOUNT OF SHORT-TERM LOAN (CROP-WISE)

(a) *Kharif*

Serial No.	Name of the Member with the Father's/Husband's Name and Surname	Crop I				Crop II			
		Acres	Cash Rs	Kind (fertilizers etc.) Rs	Additional Cash Rs	Acres	Cash Rs	Kind (fertilizers etc.) Rs	Additional Cash Rs
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

APPENDIX B—(contd.)

(b) Rabi								(c) Total					
Crop I				Crop II				Cash		Kind		Additional Cash	
Acres	Cash Rs	Kind (fertilizers etc.) Rs	Additional Cash Rs	Acres	Cash Rs	Kind (fertilizers etc.) Rs	Additional Cash Rs	Khariif Rs	Rabi Rs	Khariif Rs	Rabi Rs	Khariif Rs	Rabi Rs
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)

INCENTIVE LOAN BASED ON PRODUCE MARKETED THROUGH CO-OPERATIVES		Signature or Thumb Impression of the Member	LIMIT RECOMMENDED BY THE SOCIETY (MANAGING COMMITTEE)				
Amount of Loan Recovered through Sale of Produce Through the Marketing Society in the Previous Year Rs	5 per cent to 10 per cent of the Amount Shown in the Previous Column as Incentive Loan Rs		Cash Rs	Kind Rs	Additional Cash Rs	Incentive Loan Rs	Total Rs
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)

N.B. (i) If any of the above crops is irrigated, it should be indicated by an asterisk mark.
(ii) If the same crop is irrigated and rainfed, the area under each should be treated as area under two different crops.
(iii) If a farm production plan for a member is ready before the preparation of the credit limit statement, the needs of the member as per the farm production plan may be included in the statement by showing a distinguishing asterisk mark against his name.

Signatures of the Panchayat Members of the Society

APPENDIX B—(contd.)

I. Amount required by the society for financing members (Total shown in column 32) Rs		
<i>Resources of the Society</i>	Rs	<i>Commitments</i>
(1) <i>Actual</i>		(1) <i>Actual</i>
(a) Owned funds as on latest date ..		(a) Investments in the shares of the central co-operative bank and other co-operatives
(b) Deposits		(b) Investment representing the reserve fund
		(c) Other investments
		(d) Investment in medium-term loans out of own resources
		(e) Investment in non-agricultural loans, if any, out of own resources
(2) <i>Potential</i>		(2) <i>Potential</i>
(c) Anticipated increase in owned funds and deposits		(f) Additional investments to be made in the shares of central co-operative bank ..
Total (A) ..		Total (B) ..
II. Net resources of the society available for loan business (A-B) Rs		
III. Amount required to be sanctioned by the bank (I-II) Rs		
IV. Maximum borrowing power of the society Rs		
V. Credit limit which is operative Rs		
VI. Limit recommended by the bank inspector/supervisor Rs		
VII. Limit fixed by the bank (<i>vide</i> Resolution No.....dated.....)		
(i) Cash		Rs
(ii) Kind		Rs
(iii) Additional cash		Rs
(iv) Incentive cash		Rs
(v) Total		Rs

Dated :

Seal of the Bank

Signature of Manager

APPENDIX C

REGISTER OF LANDS CULTIVATED BY MEMBERS

Name of the Society :

Taluka/Tehsil :

Serial No.	Name of the Member with the Father's/Husband's Name with Surname	AREA OF LAND HELD BY THE MEMBER				Total Acres
		Owned		Tenancy or Lease		
		Survey Nos.	Acres	Survey Nos.	Acres	
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Land Revenue	OF WHICH AREA UNDER CULTIVATION				No. of Wells	No. of Pump-sets Installed	Initials of the Secretary or President of the Society
	Rainfed	Well Irrigated	Tank or Canal Irrigated	Total			
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)

APPENDIX D—(contd.)

AMOUNT APPLIED FOR					Name/s of Surety/ies	Signature or Thumb Impression of Member	Amount Sanctioned by the Bank
Cash Rs	Kind Rs	Additional Cash Rs	Incentive Loan for Co-operative Marketing Rs	Total Rs			
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)

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Remarks at the Central Bank's Office

- | | |
|---|---------|
| 1. Credit limit sanctioned for the year | Rs..... |
| 2. Outstandings as on date as per bank's books | Rs..... |
| 3. The balance available in the sanctioned limit | Rs..... |
| 4. Amount applied for in the present application | Rs..... |
| 5. Demand of the bank up to date | Rs..... |
| 6. Recoveries against demand | Rs..... |
| 7. Percentage of recoveries to demand | |
| 8. (a) The society is eligible to draw the amount applied for, to the extent of | Rs..... |
| (b) The society is not eligible to draw the loan under the rules of the bank. | |
| 9. Value of shares held by the society in the bank | Rs..... |
| 10. Additional shares to be purchased | Rs..... |
- The drawal of Rs..... may be allowed subject to the following conditions:

- (i)
- (ii)

Signature of Loan Officer

Signature of Manager

To be prepared in duplicate—One for the records of the Society and the other to be sent to the Bank.

APPENDIX E
DISBURSEMENT STATEMENT

Name of the Society :

Taluka/Tehsil :

Amount drawn from the bank: Rs _____ on _____

Serial No.	Name of the Member with the Father's/Husband's Name with Surname	Amount of Loan Sanctioned and Drawn from the Central Bank Rs	Loan Disbursed		Name/s of Surety/ies	Signature or Thumb Impression of the Member
			Date	Amount Rs		
(1)	(2)	(3)	(4)	(5)	(6)	(7)

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Signature of the Secretary

Signature of the President

APPENDIX F

ESTIMATE OF INTERNAL MEDIUM-TERM RESOURCES OF A CENTRAL BANK

(i) *Actual* : The actual resources available may be assessed with reference to the position of owned funds and fixed deposits (above one year) already reached by the bank. It may be worked out as under: (a) Paid-up share capital as on latest date; (b) Statutory reserve fund and other reserves as on latest date; (c) Fixed deposits maturing after one year; (d) Other deposits of medium-term nature such as reserve fund deposits of societies/banks; (e) Gross internal resources (total of a to d); (f) Investment of reserve fund; (g) Investment in shares of co-operative institutions other than those made from funds provided by state governments; (h) Investment in buildings, furniture, fixtures and other fixed assets; (i) Other medium-term investments excluding those made for agricultural purposes out of own resources; (j) Commitment on the internal resources of the bank (total of f to i); (k) Disposable resources for medium-term loans for agricultural purposes (e—j).

(ii) *Potential* : (l) Anticipated increase in owned funds (roughly 10 per cent over the last year's achievement); (m) Anticipated increase in fixed deposits above one year (depending on the rate of growth of such deposits during the previous 3 to 5 years); (n) Gross potential resources (l+m); (o) Additional investment in the shares of the apex bank, of reserve fund in buildings, furniture, etc.; (p) Net additional resources anticipated (n—o); (q) Net resources available for medium-term loans for agricultural purposes $\left(\frac{k+p}{2}\right)$.

Only 50 per cent of the medium-term resources are to be taken as available for medium-term loans as the balance may be required for absorbing overdues under short-term agricultural loans or other loans.

APPENDIX G—(contd.)

ANNUAL REPAYING CAPACITY FOR MEDIUM-TERM LOANS AS PER SCALES FIXED BY BANK								Total Rs
Paddy		Wheat		Groundnut		Cotton		
Rainfed Rs	Irrigated Rs	Rainfed Rs	Irrigated Rs	Rainfed Rs	Irrigated Rs	Rainfed Rs	Irrigated Rs	
(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)

APPENDIX G—(contd.)

Instalment of Medium-term Loan, if any, Outstanding Rs	Balance of Annual Repaying Capacity for Medium-term Loan (23-24) Rs	Eligibility for Medium-term Loan		Amount of Loan Applied for Rs	Purpose	Signature or Thumb Impression of Member	Loan Recommended by Society Rs	Period	Remarks
		3 years (3 × 25) Rs	5 years (5 × 25) Rs						
(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)

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Signature of the Secretary

Signature of the President

Rs

3 years Rs 5 years Rs Total Rs

1. Maximum borrowing power of society ..
2. Deposits ..
3. Short-term credit limit sanctioned for the year ..
4. Reserve borrowing power 1-(2+3) ..
5. Share capital held by society in bank ..
6. Additional share capital required for Medium-term loans applied for, if any.

- (i) Amount applied for by society ..
- (ii) Amount recommended by inspector/supervisor ..
- (iii) Amount recommended by manager ..
- (iv) Amount sanctioned by the bank vide Resolution No.....dated.....

Dated :

Seal of Bank :

Signature of the Manager

APPENDIX H—(contd.)

Remarks at the Central Bank's Office

1. Medium-term credit limit sanctioned for the year	Rs.....
2. Medium-term loans drawn against the limit as on date as per bank's books	Rs.....
3. The balance available in the sanctioned limit	Rs.....
4. Amount applied for in the present application	Rs.....
5. Demand of the bank up to date	Rs.....
6. Recoveries against demand	Rs.....
7. Percentage of Recoveries to Demand	
8. (a) The Society is eligible to draw the amount applied for, to the extent of	Rs.....
(b) The Society is not eligible to draw the loan under the rules of the bank.	
9. Value of shares held by the society in the bank	Rs.....
10. Additional shares to be purchased	Rs.....

The drawal of Rs.....may be allowed subject to the following conditions:

- (i)
- (ii)

Signature of Loan Officer

Signature of Manager

To be prepared in duplicate—One for the records of the Society and the other to be sent to the Bank.

**APPENDIX 1
DISBURSEMENT STATEMENT**

Name of the Society :

Taluka/Tehsil :

Amount drawn from the bank : Rs.....on.....

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Serial No.	Name of the Member with the Father's/ Husband's Name and Surname	Amount of Loan Sanctioned and Drawn from the Central Bank Rs	Loan Disbursed		Purpose of the Loan	Documentary Evidence in Respect of Utilization of Loan (Receipts etc.)	Signature or Thumb Impression of the Member
			Date	Amount Rs			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Signature of Secretary/President

.....*Society*