



A Study on the Problems Confronted by the D.C.C. Bs in the Recuperation of Agricultural Loans and Problems Faced by the Borrowers Acquiring Agricultural Loan through D.C.C. Bs in Western Odisha, India

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Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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ABSTRACT

District Central Co-operative Banks (DCCBs) are crucial for lending to the agricultural sector and related industries, serving as a centre of balance for rural finance. The DCCBs had an impact on the growth of farmers in Western Odisha by altering crop patterns, increasing productivity, creating job possibilities, raising incomes, and adopting new technologies. For the present study Five DCCBs in Western Odisha were taken for investigation for the present study. The analysis was based on primary data that were gathered in 2020–21. Loan recoveries were a concern that banks were dealing with. In Western Odisha, DCCBs disbursed loans more than 70% under category I (up to 3 lakhs), and more than 80% under category II (more than 3 lakhs), according to the NAFSCOB report. In the research area, PACS and "Kisan Credit Cards" were the primary methods used to disburse agricultural loans to farmers. Further data analysis revealed that the borrowers' biggest issue, which affected 77.6% of them, was the delay in loan disbursement, followed by the short repayment period, which affected 73.2% of them. The borrowers' least issue, which affected 48.4% of them, related to technical advice from the bank. The main goals of this study were to examine the and variables influencing, and issues faced by DCCBs in Western Odisha.

Keywords: DCCBs; loan recovery; agricultural loans; borrowers; problems.

1. INTRODUCTION

The cooperative movement emerged from adversity. A cooperative is a type of organization in which individuals voluntarily cooperate with one another as fellow humans based on equality in order to advance their own economic interests. Germany served as a major source of inspiration for the cooperative movement in India. Mr. Fredrick Nicholson was dispatched to Europe to research agricultural banks' operations and make recommendations on how to get cooperative movements started in India. The co-operative structure was adopted in India in accordance with his proposals, which focused mostly on the credit society model in Germany [1].

The Co-operative Societies Act was first enacted in 1904, but it was quickly superseded by the "Co-operative Societies Act 1912," a more comprehensive piece of legislation [2].

In India, the development of the agriculture is significantly influenced by credit. The farmers rely heavily on borrowing and have very little capital. Due to the lack of credit, it would be impossible for them to implement sophisticated farming techniques, which would force them to sell their produce under distress sale and at reduced rates [3].

The short-term (ST) or production credit structure and the long-term (LT) investment credit structure make up India's cooperative credit system. The Primary Agricultural Credit Societies (PACS), which are a part of District Central Cooperative Banks (DCCBs) at the district level

and State Co-operative Banks (SCB) at the state level, form the foundation of the ST system [4].

In cooperative Credit organizations, the District Central Co-operative Banks (DCCB) receive deposits for investments in both the agricultural and non-agricultural sectors. In a connection with the RBI, the State Co-operative Banks finances other Co-operative Banks and the DCCBs play a crucial role in providing loans to agriculture and related sectors and serve as a balancing hub for rural finance in a three-tier system of short- and medium-term lending [5].

DCCBs serve as the conduit between PACS and State Cooperative Banks. Basically, they are intended to satisfy PACS's credit needs. They also engage in banking activities such as taking public deposits, collecting bills, checks, drafts, etc., and giving credit to those in need. Individuals and organizations operating in its field of operation are eligible to join. District Central Co-Operative Banks oversee and check on PACS's operations and support the proper operation of the credit societies [6].

There were 352 DCCBs with 3042226 members at the all-India level in the year 2020–21. The entire amount of deposits in these banks totaled' Rs 34073787, with paid up capital of 'Rs1590723. These banks' working capital at the same time was Rs 48321027. They issued a total of Rs 43895516 in loans between 2020 and 2021, with Rs 45147242 in delayed payments during the same time (NAFSCOB Report 2021) [7].

At state level, there were 17 DCCBs during the year 2020-21. The progress of the cooperative movement in Odisha revealed that there are seventeen branches of the district central cooperative bank in the state, which serves thirty districts [8].

Each district in Western Odisha has its own DCCB. There are five District Central Cooperative Banks in Western Odisha that are operational, and they are located in Sambalpur, Bolangir, Boudh, Sundargarh, and Bhawanipatna [9-12].

2. RESEARCH OBJECTIVE

- To Study the Problem Confronted by the D.C.C.B in the recuperation of Agricultural loans and to suggest their remedial measures.

3. MATERIALS AND METHODS

3.1 Sampling Techniques

The study will focus on five District Central Cooperative Banks in Western Odisha. The sample, on the other hand, changed depending on the reaction to a particular facet of the study. For example, officials from five DCCBs in the region reacted to issues relating to DCCB difficulties. The data acquired from five DCCBs will be used to investigate inequity in credit distribution (short and medium). All five DCCBs in Western Odisha were taken under investigation for the study and the area as a whole for other components of the study, including work performance.

3.2 Selection of Districts

The Western Odisha Development Council comprise 10 districts i.e., Bargarh, Bolangir, Boudh, Deogarh, Jharsuguda, Kalahandi, Nuapada, Sambalpur, Subarnapur, Sundargarh and Athamallick Sub-division of Angul district. Out of ten districts, five districts was selected purposively due to their higher demographic Composition, bigger area as compare to other districts. The Selected Districts will be, Sambalpur, Bolangir, Boudh, Sundargarh, Anugul.

3.3 Selection of Branches

5 Branches will be Selected on the Basis of Highest Loan Disbursements in the five Selected Blocks of the Selected districts. The Selected

Districts will be, Sambalpur, Bolangir, Boudh, Sundargarh, Bhawanipatna.

3.4 Selection of Respondents (Loanee)

Selection of 500 Loanee farmers was done purposively from the respected villages on the basis of probability proportion.

3.5 Analytical Tool

The information related to problems concerned to administration, management, finance, disbursement of loan and recovery of loan were obtained from the officials of the DCCBs in selected districts of Western Odisha. This was done by simple tabular method of analysis with the help of frequency distribution and percentage formula = (Borrowers/ Total respondents x 100)

4. RESULTS AND DISCUSSION

4.1 Problems Faced by the Banks

The bankers encountered the following issues when financing agricultural and related industries.

Table 1 shows ranking of different DCCBs of Western Odisha towards the different problems faced by the DCCBs for recover of loans ,in which major problem faced by the DCCBs were Repayment of overdue followed by misutilization of funds by the borrowers.

4.1.1 Repayment/Overdues

The existence of significant overdues was the biggest issue facing lenders in general. Dues not being paid were the root cause of this. The majority of borrowers weren't honest about paying back their debts, which led to a halt in lending for additional developmental activities and discouraged other prospective recipients from applying for loans.

4.1.2 Distance and supervision

In general, the cooperative bank provides loans to people from all walks of life, including those in rural and other outlying locations, which created supervisory issues owing to inadequate connectivity and the distance between the bank branch and the loan recipients. Information about the bank that needs to be communicated to them (the borrowers) is delayed. Additionally, the

distance has occasionally made it difficult to provide them with instruction.

4.1.3 Uneven distribution of borrowers

The distribution of debtors among the bankers is likewise uneven, which has caused issues with oversight. A group borrowing system and an area approach system have been proposed for enhanced supervision. However, the issues were not always resolved as there were people who requested loans but did not belong to the target groups or location, and there were no answers from the target area.

4.1.4 Misutilization of funds by the borrowers

It was noted that certain borrowers exhibited loyalty to the people in charge of their monitoring, particularly when those people were evaluating the projects of the borrowers. Due to the borrower's tendency to use bank loans for other purposes or for consumption, lenders found it challenging to assess the true value or significance of these loans to the borrowers. The study area's misapplication of bank loans may not be due to a lack of or insufficiency of finances, but rather to the dishonesty of the borrowers. One of the main causes of issues with timely payment of debts was improper use of the cash provided to them.

4.1.5 Untimely submission of loan application

The bankers also noted that the borrower's loan offers were delivered late. If the loan was approved for these debtors, there was a chance that it would be misused. Additionally, they stated

that a repayment issue was discovered when it appeared that the loan approved might not be able to generate enough revenue to pay the installment on time. As a result, the bankers had to deal with the challenge of making loans at strange times.

4.1.6 Human resource

Both the bank's expansion and supervision have been constrained by a lack of personnel. Due to a lack of bank branches, a bank branch in that location must serve more areas. Due to the increased workload, bankers now have to cover more towns and villages with a smaller field crew. Insufficient bank employees, a tremendous workload, a lack of logistical support, and inadequate communication make it difficult for them to complete their tasks effectively. Therefore, the key factor contributing to the poor performance of cooperative banks in the Western Odisha region was a lack of skilled and trained human resources.

4.1.7 Productivity

In addition to misusing and diverting loans for other purposes, the farming system lacked the application of contemporary technologies, which decreased crop productivity. The farmers weren't prepared to take part in training sessions on contemporary technology. Lack of expertise, a lack of resources, and a tiny land holding are possible causes. There is a potential that the number of defaulters will be decreased if the borrowers follow a good set of procedures when applying for crop loans because the returns will be improved.

Table 1. Problems faced by the DCCBs during recovery of loans in Western Odisha

S. No.	Problems	DCCBs Western Odisha					Total Points	Rank
		Sambalpur	Bolangir	Boudh	Sundargarh	Bhawanipatna		
1	Repayment/Overdue	9(90%)	8(80%)	9(90%)	8(80%)	9(90%)	10 (100)	I
2	Distance and Supervision	6(60%)	7(70%)	8(80%)	7(0%)	6(60%)	10 (100)	III
3	Uneven distribution of borrowers	7(70%)	6(60%)	8(80%)	5(50%)	7(70%)	10 (100)	IV
4	Misutilization of funds	8(80%)	9(90%)	7(70%)	9(90%)	8(80%)	10 (100)	II
5	Untimely submission of loan application	6(60%)	5(50%)	3(30%)	4(40%)	5(50%)	10 (100)	V
6	Human resource	4(40%)	5(50%)	3(30%)	4(40%)	3(30%)	10 (100)	VI
7	Productivity	4(40%)	2(50%)	4(40%)	3(30%)	2(20%)	10 (100)	VII

Note: Figures in parenthesis represents the percentage of total borrowers

Table 2. Problems faced by the borrowers acquiring Agricultural bank loan through DCCBs in Western Odisha

Total respondents=500

S. No.	Problems	Borrowers of Western Odisha		Total	Rank
		Faced	Not faced		
1	Amount of loan disbursement	340 (68)	160 (32)	500 (100)	III
2	Time of loan disbursement	388 (77.6)	112 (22.4)	500 (100)	I
3	Credit facilities	302 (60.4)	198 (39.6)	500 (100)	VI
4	Technical guidance from bank	242 (48.4)	258 (51.6)	500 (100)	XI
5	Bank loan formalities	328 (65.6)	172 (34.4)	500 (100)	IV
6	Knowledge about type of loan	276 (55.2)	224 (44.8)	500 (100)	IX
7	Filing up of loan forms	280 (56)	220 (44)	500 (100)	VIII
8	Repayment period	366 (73.2)	134 (26.8)	500 (100)	II
9	High bank interest rate	288 (57.6)	212 (42.4)	500 (100)	VII
10	Grant of loan subsidy	268 (53.6)	232 (46.4)	500 (100)	X
11	Guarantor	318 (63.6)	182 (36.4)	500 (100)	V
12	Miscellaneous	192 (38.4)	308 (61.6)	500 (100)	XII

Note: Figures in parenthesis represents the percentage of total borrowers

4.2 Problems Faced by the Borrowers

Table 2 shows that the difficulties faced by the borrowers in Western Odisha area had in applying for bank loans. Out of the thirteen problems considered in this region for the study period 2020–21, six were deemed to be the most critical. These significant issues were the timing of loan disbursement, the short repayment period, the amount of loan disbursement, the number of excessive bank loan requirements, and the availability of credit facilities. Over 70% of borrowers had to deal with this. Further data analysis revealed that the borrowers' biggest issue, which affected 77.6% of them, was the delay in loan disbursement, followed by the short repayment period, which affected 73.2% of them. The borrowers' smallest issue, which affected 48.4% of them, related to technical advice from the bank.

5. REMEDIAL MESAURES

Additionally, bank managers pleaded for the delegation of some authority to individuals in

order to facilitate operations, particularly with regard to loan recovery. The issue of loan repayment can be resolved by connecting credit and marketing. The strategies suggested by the respondents for the seamless recovery of agricultural loans during natural calamities included rescheduling of loans, conversion of short-term loans into medium-term loans during lean years and natural calamities, revamping of lending procedure, etc. These recommendations would significantly improve the recovery of agricultural loans and the efficient operation of Western Odisha banks. The study's findings support the notion that there were issues with the recovery of agricultural loans for DCCBs as well as borrowers faced problem in acquiring Agricultural loan in Western Odisha.

6. CONCLUSION

The DCCBs plays an important role in distribution of Agricultural credit among the farmers for their agricultural purpose. But it has been seen that DCCBs also face lot of problems during recovery of loan which is very much a

difficult situation for the DCCBs which will create a bad impact on the entire Co-operative banking structure which results in poor performance of DCCBs as well as increase in higher NPAs there are several factors which contributed towards the non-recovery of loan amount from the farmers as the farmers will act here as a wilful defaulters, apart from this farmer borrows were also facing different kind of problems while acquiring loan amount from the bank which creates problems for them to perform their daily agricultural chores and activities. In order to mitigate the problems for both the DCCBs as well for the farmer borrower and the Dccbs will generate awareness programmes and Campaign for the recovery of loan among farmers and periodical checking must be done by the bank personnel in the farmers field for which the loan amount is sanctioned, a strict committee should be made who will observe all the activities of Dccbs which will help the farmer for speedy recovery of loan.

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COMPETING INTERESTS

Authors have declared that no competing interests exist.

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