Chapter VII

Summary, Findings and Policy Measures

Agriculture has important status in the Indian economy because maximum employment is generated in this sector. A large quantity of export also depends upon the agricultural products. 35 per cent of the national income comes through this sector. Agriculture plays a major role in earnings as well as for the survival. Without agricultural development industrial development is very difficult. Keeping this in view, the Government of India has laid emphasis on agricultural development in the First Five Year Plan due to which agriculture made progress at the rate of 11 per cent per year. But during the Second Five Year Plan as the attention was focused upon industrial development, the agricultural sector could not progress as expected. Agricultural development depends upon water-projects, fertilizers, improved variety of seeds and pesticides. There are several factors which restrict the production and yield of agriculture. The small size of farms, low investment in agriculture and increasing population pressure on agriculture are some of the reasons. According to the Fourth Planning Commission without agricultural development, industrial development cannot take place. During the green revolution (1966) there was rise in the agricultural yield but in the year 1972-73 due to dry famine the yield had come down. This shows the slow rate
at which development took place in the Indian agricultural sector. Modern equipments are very essential for agricultural development and for that purpose a lot of investment is necessary. But the Indian farmer cannot invest such large sums because his income is very low. That is why loan is very essential for him. This loan should be given in sufficient amounts and on proper time. There are two types of loan: (1) Productive loan and (2) Unproductive loan. Productive loan is helpful for increasing the production. Unproductive loan is not meant for increase of production. Loan depends upon the price level of inputs, irrigation facilities, risk and uncertainties and cost of credit. The agricultural loans are also classified as: (1) Short-term, and (2) Long-term loans. The short-term loan has the duration of 15 months and it has to be repaid on the harvest. The long-term loan has a duration upto 20 years and it helps to make permanent type of development on the farms. The long-term loan plays a significant role in the agricultural development.

In the rural areas money-lenders have played a very important role in the agricultural finance but their rate of interest is very high. In India, farmers get loan from various sources such as money-lenders, co-operative societies, nationalised banks, commercial banks and also from government departments. It means that farmers get loans from private sector as well as from the banks. In 1951-52,
the loan distributed through the private sector was 93 per cent and from the banks it was 7 per cent but in 1982-83, the loan from the private sector was 39 per cent and from the banks was 61 per cent. Due to the high rate of interest of the money-lenders, the Government decided to provide more loan through the banks. The commercial banks which until now sanctioned loans for industries have now started giving loans for agriculture sector also. After the green revolution, loan through banks has considerably increased because in 1969, 14 major banks and in 1980, other 6 banks have been nationalised. The Government also provides loan facilities through Zilla Parishad, Panchayat Samiti and Tehsil. This type of loan is used for famine, floods and natural disasters.

The maximum amount of loan sanctioned through the nationalised banks is short-term loan which is also called as crop loan. The structural design of the co-operative banks is on three tiers: the Apex Bank at the state level, District Central Co-operative Bank at the district level and Primary Agricultural Co-operative Credit Societies at the bottom level. The primary agricultural co-operative credit societies provide loan to the farmers in rural areas. They have distributed a loan of Rs. 22.20 crores in 1951-52. In 1990-91, they distributed a loan of Rs. 99867 crores. This shows a rise in the loan distribution by the primary agricultural co-operative credit societies.
In 1951-52, there were 1.0005 lakh societies but in 1990-91 this number was reduced to 0.88341 lakh. Every district has one district central co-operative bank and it covers all the societies in that district. In 1990-91, there were 349 District Central Co-operative Banks and the loan distributed by them was Rs. 1540.17 crores.

The State Co-operative Bank is called as the apex bank. It provides loan to the primary agricultural co-operative credit societies through the district central co-operative bank. This apex bank gets loan from RBI through NABARD. In 1950-51, there were 15 state co-operative banks and in 1990-91 they became 28. These banks have distributed 1140.48 crores of rupees until 1990.

Land development bank play a major role in providing long-term loan. The structure of this bank is different in different states. Generally it performs on two levels. Previously this bank was called land mortgage bank. This Bank helps to make permanent development in agriculture. These banks had distributed loan of Rs. 522 crores in 1988-89. By 1988-89 the overdues of these banks were 2869 crore rupees. The percentage of overdues of these banks is very high.

To help the marginal farmers, small farmers, self employees, artisans, village and cottage industries, retail traders, the Regional Rural Banks were established in 1975. Through this bank by
1990, 3560 crores rupees loan was distributed. In 1975 there were 5 Regional Rural Banks and in 1990 it increased to 846.

The Parbhani district is predominantly an agrarian district of Marathwada region. About 80 percent of the working population in the district is engaged in agriculture as against 82 percent at regional level and 60 percent for the entire state. The nature of soil is not uniform in Parbhani district. Major portion of the district is covered by black cotton soil. This district belongs to assured rainfall region of the state and receives average annual rainfall between 849 mms to 1074.9 mms. Godavari is the most important river and the Purna, Dudhana, Penganga, Kayadhu, Karpata, Kansur are also other rivers in the district.

The total population of Parbhani district in 1991 was 21,14,770 of which the rural population was 77.49 percent and urban population 22.51 percent. As per 1991 population census the sex ratio was 955 females per one thousand males. The percentage of literacy is 38.9 percent.

The cropping pattern is dominated by food crops. Kharif and rabi jowar, wheat, gram, moong, tur are the main foodgrain crops. Whereas sugarcane, banana, cotton and groundnut are the important non-foodgrain crops of the district. The proportion of area under rice and wheat has decreased and that under sugarcane, groundnut
increased. The proportion of area under gram and tur has decreased over the period. If the percentage of gross irrigated area to gross cropped area is considered as an index of agricultural development the Parbhani district may be regarded as one of the agriculturally developed districts of Marathwada region since the percentage of gross irrigated area is as high as 21.42 percent. Talukawise picture revealed that on the irrigation front Parbhani taluka is the most developed taluka having the maximum area under irrigation.

The rate of farm machanisation has been slow in this district but the rate of increase in electric pumpsets and tractors has been sufficiently fast. The number of credit societies in the district has rapidly increased over the period.

A review of the studies carried out in the different parts of the country showed that block and co-operative societies were the major sources of finance on progressive and less progressive farms. Indigenous sources met only 20 percent of the credit. It was also found that banks can play an important role by mobilizing rural resources. In some states commercial banks made comendable progress in comparison to co-operatives. The utilization of credit shows diversion of productive loans to unproductive loans. The diversion indicates an inverse relationship with the farm size and level of technology. The growth of credit co-operatives is also hampered by poor deposit base.
lack of trained and experienced personnel, domination of vested interests, etc. The review also showed that the co-operative societies are only institutions which can break the long and solid chain of monopolists and agricultural money lenders. Studies on demand pattern showed that farmers borrowed loans for digging and repairing but after adoption of modern technology they borrowed it for other purposes like tube-wells, installation of pumpsets, etc. Studies have also indicated that the co-operative credit distribution is not only uneven between different size classes of holdings but also the growth in amount of credit per borrower member in all the categories of farm households is very much inadequate so as to provide sufficient credit support to develop agriculture. Studies on association between socio-economic factors and repayment of co-operative dues showed that the association is not significant between caste, land, amount of loan borrowed and repayment of co-operative dues.

**Findings:**

The findings of the present study are given below.

Crop loans distributed in the Parbhani district have continuously increased during the period from 1983-84 to 1992-93 except in 1987-88. Crop loan distributed has grown at the rate of 8.84 percent per annum in this district during the study period.
The crop loans are found to have been unevenly distributed among the seven talukas of this district. In 1983-84, the share of Pathri taluka in total crop loan distributed in the district was the highest (i.e. 17 percent), and the lowest in Jintur taluka (i.e. 13.00 percent). In 1992-93, the crop loans distributed is found to be the highest in Basmat (34,399 thousand rupees) which formed 21.01 percent of the total crop loans distributed in the district. Kalamnuri taluka has received the lowest share in total crop loans distributed (i.e. 10.31 percent) in this year. Parbhani and Basmat have shared higher proportion of the total crop loans distributed in the district during 1983-84 to 1992-93. This can be attributed to assured irrigation facilities available in these talukas. Kalamnuri and Hingoli talukas are found to have relatively lower share in total crop loan because they have relatively lesser irrigated cropped area.

The study also revealed that the main source of crop loans to the farmers of this district is the Parbhani District Central Co-operative Bank. In the year 1983-84, out of the total crop loan distributed about 76 percent crop loan was distributed by this bank alone. The State Bank Of India (8.00 percent), State Bank Of Hyderabad (7.00 percent), and Marathwada Gramin Bank (4.25 percent) were also the major sources of crop loan to farmers in this year. It means these five banks together supplied 95.00 percent of
the total crop loan in the district in 1983-84. The share of remaining eight banks was about 5 percent in the same year. In 1992-93, the share of the Parbhani District Central Co-operative Bank in total crop loan distributed in the district was high as 80.00 percent. The share of other three banks (SBH, SBI, MGB) was 11.86 percent, 17.06 percent and 9.95 percent respectively. They together supplied a little over 98 percent of the total crop loan distributed in the district. Remaining banks' share was only about 2.00 percent.

During the period of ten years the Parbhani District Central Co-operative Bank is found to have supplied 75.29 percent of the total crop loan. It means that 3/4 th of the total crop loans are supplied by this single co-operative bank and the share of nationalised banks stood at 25 percent. Among the nationalised banks, Marathwada Gramin Bank, State Bank of India and the State Bank of Hyderabad were the main sources of crop loans to the farmers of this district.

The average annual growth rate of crop loans distributed is found to be highest (i.e. 12.36 percent) in Basmat taluka during the period from 1983-84 to 1992-93. It means that the crop loans have grown at the highest rate in this taluka. This could be attributed to the irrigation factor. On the contrary, the crop loans distributed have recorded the lowest growth rate of 7.87 percent per annum in Pathri
taluka during the period of this study. This could be attributed to lack of credit facilities in this taluka.

Crop loans distributed by the State Bank of India have recorded the highest growth rate of 51.57 percent per annum during the period under study whereas the lowest and negative growth in crop loans distributed is recorded in the case of Bank of Baroda (-7.85 percent per annum). The average annual growth rate of crop loans distributed is found to be higher for the banks whose share in total crop loans distributed is relatively lower.

In the year 1983-84, the per hectare crop loans distributed in the district as a whole was Rs. 134.83. In Basmat, Hingoli, Parbhani and Pathri talukas, the per hectare availability of crop loans was higher than the figure for the district as a whole. In 1992-93, the per hectare availability of crop loans is found to be the highest in Gangakhed taluka (Rs. 328.55) and the lowest in Hingoli taluka (Rs. 130.03). The per hectare availability of crop loans in the district as a whole stood at Rs. 185.55 in the year 1992-93.

The per hectare availability of crop loans in the district is found to be Rs. 242.31 during the whole period under consideration. During the whole period, the lowest per hectare crop loan availability was in Hingoli taluka (Rs. 160.29). Availability of crop loan per one
hectare was relatively higher in Parbhani, Basmat and Jintur talukas as compared to other talukas of this district.

The study of long term agricultural loans showed that they have increased steadily during the study period with the exception of the year 1986-87 and 1990-91. Long-term agricultural loans have grown at the rate of 14.78 percent per annum in Parbhani district during the period of this study. Talukewise pattern of term loans distributed has shown that Basmat, Kalamnuri, Hingoli and Parbhani talukas have got relatively larger portion of the total agricultural term loans distributed in Parbhani district in 1983-84. The lowest share went to Gangakhed taluka followed by Pathri and Jintur talukas. The highest share of 29.12 percent went to Basmat taluka and the lowest share of 6.41 percent to Gangakhed taluka in 1983-84. But in 1992-93, Pathri taluka ranked first in the distribution of agricultural term loans. It’s share in total term loan distributed was the highest i.e. 23.81 percent. The lowest share of agricultural term loans distributed in the district went to Jintur taluka (7.39 percent) followed by Hingoli (7.86 percent), Gangakhed (9.14 percent) and Kalamnuri (11.38 percent) talukas in 1992-93.

Taking into consideration the entire period of ten years, it is found that the highest share of term loans distributed went to
Parbhani taluka (23.28 percent) whereas the lowest share went to Jintur (9.73 percent) taluka.

Sourcewise analysis of agricultural term loans distributed revealed that the Land Development Bank was the single largest source of term loans to the farmers of this district in 1983-84 and 1992-93. This bank has supplied 46.02 percent of the total agricultural term loans distributed in the 1983-84. The Parbhani District Central Co-operative Bank, State Bank of Hyderabad, Marathwada Gramin Bank and State Bank of India were the other important sources of term loans to the farmers. These five banks together have supplied 95.12 percent of the total agricultural terms loans in the district in 1983-84 and 95.82 percent in 1992-93. The share of remaining banks was negligible.

The Land Development Bank has supplied 44.31 percent of the total term loan distributed during the whole period under study. Next to this, Parbhani District Central Co-operative Bank was the important source of long term finance in this district. This bank has provided as much as 25.77 percent of the total term loans in this district during the whole period under consideration. The share of State Bank of India and State Bank of Hyderabad in total term loans distributed stood at 10.25 percent and 8.29 percent respectively. The
role of other banks in supplying agricultural term loans is found to be negligible.

Agricultural term loans have grown at the highest rate of 25.18 percent in Gangakhed taluka during the study period. This may be attributed to increase in irrigation facilities in this taluka. The lowest growth rate of long term loans distributed is found for Hingoli taluka (8.42 percent).

Agricultural term loans distributed have grown at the rate of 14.78 percent per annum in the district during the study period. Parbhani and Pathri talukas have higher growth rate of term loans than the district level figure, remaining talukas have relatively lower growth rate of term loans distributed.

Long term agricultural loans distributed by the Land Development Bank have grown at the rate of 19.14 percent per annum, for State Bank of India have this growth rate as 30.96 percent per annum and for the State Bank of Hyderabad 16.50 percent per annum. Term loan distributed by the Marathwada Gramin Bank have recorded a negative growth rate (-0.42 percent per annum).

In the year 1992-93, per hectare availability of term loans in Parbhani district was Rs. 41.80. The highest per hectare availability of term loans is found for Basmat taluka (i.e. Rs. 97.81)
and the lowest for Gangakhed taluka (Rs. 17.62) in 1983-84. In 1992-93, the per hectare term loans distributed in the district stood at Rs. 89.29. It means per hectare availability of term loans has increased in 1992-93 as compared to that in 1983-84. It was the highest in Parbhani taluka (Rs. 151.15) and the lowest in Gangakhed taluka (Rs. 54.29).

If we consider the entire period of ten years, the per hectare term loans distributed stands at Rs. 71.17. Parbhani and Basmat talukas have availed higher per hectare long term loans than the figure for the district as a whole during the whole period under consideration.

The aggregate agricultural loans distributed in the district have shown rising tendency and they grew at an average annual rate of 10.08 per cent per annum during the period of this study. Growth rates of aggregate agricultural credit have been positive for all the talukas. The aggregate agricultural credit has grown at the highest rate of 15.01 per cent per annum in Parbhani taluka and at the lowest rate of 7.17 per cent per annum in Hingoli taluka. During both the terminal years, Basmat, Parbhani and Pathri talukas have shared relatively higher share in the aggregate agricultural loans distributed in this district. Parbhani taluka has received highest share (19.20 per cent) in aggregate agricultural
loans followed by Basmat and Pathri talukas during the whole period under consideration. The lowest share was received by Kalamnuri (11.85 Per cent), Hingoli, Jintur and Gangakhed talukas during the whole period. It means Basmat, Parbhani and Gangakhed talukas have enjoyed relatively better agricultural credit facilities.

The Parbhani District Central Co-operative Bank has been the main source of agricultural credit in this district as it provided 62.46 Per cent of the aggregate loan during the study period. Land Development Bank (11.48%), State Bank of India (7.79%), Marathwada Gramin Bank (7.27%) and State Bank of Hyderabad (6.79%) are the other important sources of agricultural credit in this district. The remaining banks have played a negligible role in providing credit to farmers of this district. Agricultural credit provided by each of these banks has shown an increasing tendency over the period of this study. Growth rate of aggregate agricultural credit is found to be positive for all the banks except Marathwada Gramin Bank. Out of five major banks, growth rate is found to be the highest for the State Bank of Hyderabad (37.36 per cent per annum) and next to this for the Land Development Bank (24.61 per cent per annum).

The study revealed that the per hectare availability of aggregate agricultural credit in the district stood at Rs.274.39 during
the whole period under consideration. It remained the highest in Parbhani taluka (Rs.378.73) and next to this in Basmat (Rs.391.37) and Jintur (Rs.277.91) talukas. The per hectare availability of aggregate agricultural credit was the lowest in Hingoli (Rs.210.37) followed by Gangakhed, Kadamnuri and Pathri talukas. It means credit facilities were better in these three talukas as compared to other talukas of this district during the study period.

Policy Measures:

On the basis of above findings the study suggests the following policy measures:

1) In Parbhani and Basmat talukas more and more crop loan had been supplied during the decade of 1983-84 to 1992-93. The reason is that these talukas are provided with adequate irrigation facilities. At the same time very low amount of crop loan was supplied to Kalamnuri and Hingoli talukas. Therefore, talukawise economic imbalance has increased. There should be equal loan supply so that economic barrier may decrease. For this the lead bank of this district should take up the necessary measures.

2) During the period of 1983-84 to 1992-93 more loan supply has been made by Parbhani District Central Cooperative Bank only. Near about (75.29 percent) 3/4th of loan has been supplied by PDCC and approximately (25 percent)1/4th by other nationalised banks. As a
result PDC could not maintain its supply upto the mark. The problems of bad debts, recovery have increased. Therefore, all other banks should shoulder equal responsibility in financing agriculture sector. It may also result in proper crop loan supply in this district.

3) Due to the proper irrigation and tendency to take cash corps, in Parbhani an. Basmat taluka per hectare loan supply is more during the period of this study. Planned irrigation scheme and tendency to take cash crops is not found in Kalamnuri and Hingoli talukas. As a result less loan is supplied to these areas. Hence efforts should be taken up to increase irrigation facilities in these talukas.

4) During the period of 1983-84 to 1992-93 very low amount of long term loan has been supplied to Jintur taluka (9.73 percent) and more loan is supplied to Parbhani taluka (23.28 percent). The faulty supply of loan resulted in economic imbalance between these talukas. Hence, the lead bank of this district should take up the necessary measures which ensure equal distribution of loan among different talukas.

5) Land Development Bank (44.31 percent) and PDCC Bank (25.77 percent) have been the main sources of long term finance in this district. These two banks have played very important role in this regard. The other banks have not contributed very much to long term loan scheme; hence more burden has been occurred on LDB and
PDCC. Nationalised banks should concentrate on supply of long term loans to farmers of this district.

6) Per hectare loan supply is very high in Parbhani and Basmat talukas. It is because of availability of irrigation facilities. Per hectare use of credit should be increased in talukas with less irrigation facilities through subsidizing agriculture sector. Subsidies on chemical fertilizers and credit should be continued at least for dry farming areas.

7) The study indicated that the share of agriculture sector in total institutional finance in this district is 53 percent during the period of this study. Since the major source of population for livelihood is cultivation, more proportion of agriculture credit should go to this sector. Further, the proportion of term loans to agricultural credit is found to be 25 percent. This proportion of term loan needs to be increased as these loans are used for permanent developments on farms.