Problems and prospects of Agricultural Credit:

In this chapter is analyzed the problems of banks and farmers in lending and barrowing of credit. This chapter further I have analyses the impact of credit. Impact of credit of the farmers based on criteria like changes in production output, employment, income, savings, extension of cultivation etc, is done as part of the study.

Credit is considered an important input for modern agriculture. It is considered here essential to analyze the impact of credit on the rural economy especially on agriculture and allied activities. Credit is temporary transfer of purchasing power. It is the external source of capital for investment. Institutional Credit often necessary is only one instrument for promoting agricultural development.

Institutional Credit enables farmers to use various modern inputs to the recommended levels and thereby increase agricultural production and employment opportunities. The present study is an attempt to understand the impact of institutional credit on utilization of inputs, production, employment, and income and saving etc., before and after taking the loan from banks.

1. Impact on Purchasing of agricultural inputs:

The purpose of crop loan is to meet the working capital requirement of small and marginal farmers especially for purchase of seeds, fertilizers, pesticides etc,. Therefore, the extent of utilization of crop loan by the farmers is indicated by additional purchase of these inputs by these barrowers. There was increase the purchase of modern inputs for agricultural development after barrowing loan from the banks. Before barrowing, they used traditional inputs. Hence, we found that loan
helped the farmers to purchase and use modern agricultural inputs in their agricultural activities.

2. Impact of credit on production:

An assessment of the impact of credit on production in agricultural economy. There was an increase. It showed that in the production of the cash crops and commercial crops after the utilization of loan. In the case of credit it is positive impact on the all crops production. The study showed that, agricultural production increased from 44% to 53% in all total crops in the sample farmers’ production the farmers get loan for irrigation and increased the production of commercial crops like sugarcane and cotton.

3. Impact of credit on employment:

Bank finance for agricultural activities led to increase in the cropping intensity, irrigated area and particularly labour intensive high yielding varieties of crops. These changes resulted in greater use of both family and hired labour and resulted in employment generation by the sample households. The impact of credit helped in employment generation, to some extent solved the problems of unemployment and under employment in the study area.

4. Impact of credit in income:

Increased agricultural production and employment generation have to be translated into additional income to enjoy the real benefits of the institutional credit to agriculture. Analysis of the data from the field survey revealed that the impact of credit on income generation was not significantly.

5. Impact of credit on the savings:

Savings made by the farmers Form the basis for capital formation and further investment in agriculture. The analysis revealed that the impact of generation of
saving is only marginal. It is increased 40.38% to 59.6%. However credit is impact on the farmers’ utilization of agricultural inputs,

And also in this chapter I have explained the problems faced by commercial and Co-Operative societies in dealing with the farmers; further efforts are also made to examine the problems faced by the farmers in getting finance from both banks and societies. In order to identify the problems faced by both parties in, Banks and farmers the researcher had personal interview with the banks officials and farmers separately.

This chapter also attempts to suggest the remedies for the difficulties and the problems faced by commercial banks branches and societies in regarding with the situational finance in general and banks, Societies in this district.

Problems of agricultural financing are many & complicated. Agricultural financing is very different from industrial and trade financing in which credit institutions has gained considerable experience and expertise. Agricultural finance features peculiar to its own, very different from industrial and trade finance.

**Problems faced by Commercial Banks:**

The commercial banks are guided by RBI Through identification of targets and achievements for agricultural sector. The banks are expected to provide both direct and indirect loans. The agricultural credit is normally provided for crop loans and term loans.

The banks while providing problems which are.

1) Most problems faced by commercial banks is with references to identification of real cultivator. The hand records maintained and controlled by revenue departments. These are the oldest documents which are not maintained properly by the concerned. Hence, the identification of documents with cultivator for sanctioning the loan is an identical problem to the banks.
2) The interference of political persons, higher officials in Government is also problems to the banks in providing loans to cultivators. The top executive of the banks and other financial and non-financial institutions are creating more complicated problems to the banks.

3) The banks are not able to check the proper utilization of credit.

4) The main and greatest problems of the banking sector is the repayment of loans

5) Due to failure of crops the banks pressure from cultivators to convert crop loans into term loans the banks operating in a particular area can not be decided on their own.

6) We observed that the bank branches of commercial banks in district faced so many problems relating to the operational and organizational activates due to lack of proper infrastructures facilities and management. And also observed that some of the bank branches have to even work offer bank working hours due to consideration of the late customers who are coming from various villages by buses.

7) Some of the staff of the banks are not able in adjust in the villages. They reside in nearby towns for the some of facilities like children education.

8) The branches of commercial banks are located in such of the structure which fails to attract the attention of the public

9) Recovery of loans is one of the major problems which stand in the viable operation of banks in the district for example. In chincholi banks faced the recovery of agri. Loans in very less it is less then 70%.


11) Illiteracy of farmers.
Problems of Co-operative Banks

As may be seen the contribution of the Co-operative sector towards agriculture economy of the state is significant all the crop loans are disbursed through KCC (Kisan credit cards).

1) Due to continuous and constant natural calamities, the rate of recovery has been poor

2) Lack of infrastructure in societies such as building, Technical infrastructure, funds, staff, computer facilities.

3) Lack of staff members in the societies we observed the some societies such as Miriyan, Chimmaidalia, Katamanhalli, Vibhutihalli, Aurad. These societies have faced problem of lack of staff members.

4) Societies are not able to go to the field in sanctioning the loans or to check the proper utilization of loans.

5) Interference of political persons, local leaders and higher officers in Government while giving loans to formers and also in the recovery of loans.

6) The deposited mobilizations by the PACs show that the deposits of selected PACs are very low and insignificant. Therefore most of the PACs at present they dependent on funds provided by the DCC in the district.

7) Lack of capital

8) Lack of credit facilitates to a large segment of rural population, particularly the poor. Those need to be addressed. The formal banking system in the country services 25.9% of rural house holds while 14% formers households depends on money lenders for their credit needs. Further 51.4% of the total formers households do not have any access to credit facilities.

9) Low level of recovery.
Suggestions of banks and societies to reduce there problems

1. Appropriate simplification in documentation is needed. All supporting documents for loan application may also be made available in local/vernacular language, particularly to agricultural and small business barrowers.

2. Trained staff members are in the banks. Knowledge of the officials dealing in credit needs a regular updating through training.

3. Active supervision and better follow up of loans after disbursement of loans are required to maintain asset quality at the branches.

4. The commercial and co-operative banks must simplify their loaning procedure.

5. The Co-operative laws of the state most facilitate the Co-operative to functions as member’s drives organization. Present in any banks non-servicing members become the managements.

Problems of farmers

Problems of farmers focus attentions on the inherent weakness of the financing institutions. It is true that adequate and timely supply of credit is the one of the essential condition for improving agricultural practices and prompt repayment of loans.

The primary need of the farmers is timely supply of credit. Needless to emphasis the importance of credit in agriculture. It is sine quonan with agriculture. Various ways and means have been identified to provide credit to farming communities. Co-operative and commercial banks are important sources of agricultural credit to the farmers. These commercial banks willingly or unwillingly come forward to finance agriculture. These institutions charge
slightly higher rate of interest compared to Co-operative societies as they are basically commercially oriented and profit making institutions.

The study is an attempt to know the problems of farmers in getting loans from commercial and Co-operative banks in Gulbarga district. The Problems are given below.

1. In farmers have to face the numbers of problems, One them being great difficulty in getting credit because of the peculiar nature of agricultural credit.
2. The client of uncertainty is greatest in agriculture as compared to other sectors because even today a considerably high proportion of Indian agriculture is dependent on the vagaries of the monsoon.
3. The interference of the middle man in getting the loan. It is higher in commercial banks compared to co-operative banks.
4. Some banks are giving the preference to big farmers so, small and marginal farmers are not able to get the high amount, because land size is small, and repayment capacity is less.
5. The continuous and constant natural calamities, the agricultural production is very low. So, the repayment capacity of the farmers is very less. Then increase in debt and default occur.
6. Transaction cost of loan is very high.
7. The banks gives the loan amount which is very low, as compared (Co-operative- less amounts) to commercial banks. Co-operative banks give loan amount, 5000/- per acrea it is increased every year only 10%. So, the available of loans is not up to satisfaction of farmers.
8. The rate of interest is high in commercial banks, and low in Co-operative banks, in commercial banks there is 7% to 14.5% but in Co-operative banks ROI is 1% to 2%.

9. Farmers are facing the main problem that is market fluctuation.

For this purpose, a sample of 207 irrigated and non-irrigated farmers were selected randomly. Spread over the 9 villages of chincholi, shahapur and Gulbarga taluks of undivided Gulbarga district. We asked to state the problems which they considered most important in obtaining credit.

Problems of the farmers focus on attention on the inherent weakness of the adequate and timely supply of credit is one of the essential conditions for improving agricultural practices. The lending institutions should process loan applicant on in such a way that the purpose of the barrowers in fully fulfilled in time. Procedural delay hampers the planning of the cultivations. Table shows that the general difficulties being faced by the borrowing in the societies and commercial banks members for obtained the loans. The problems are presented in the table,

**Table: difficulties faced farmers in availing of institutional loans**

<table>
<thead>
<tr>
<th>Sl no</th>
<th>PROBLEMS</th>
<th>Commercial banks</th>
<th>Cooperative societies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of farmers</td>
<td>%</td>
</tr>
<tr>
<td>1</td>
<td>Cumbersome process of getting loan</td>
<td>90</td>
<td>78.26</td>
</tr>
<tr>
<td>2</td>
<td>Exploitations of middlemen</td>
<td>65</td>
<td>56.52</td>
</tr>
<tr>
<td>3</td>
<td>Lack of suitable security for the loan</td>
<td>50</td>
<td>43.47</td>
</tr>
<tr>
<td>4</td>
<td>Inadequate supply of inputs</td>
<td>82</td>
<td>71.30</td>
</tr>
<tr>
<td>5</td>
<td>Non availability of sufficient loan</td>
<td>75</td>
<td>65.21</td>
</tr>
<tr>
<td>6</td>
<td>Difficulties in obtaining records from</td>
<td>36</td>
<td>31.30</td>
</tr>
<tr>
<td></td>
<td>Government offices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Lack of knowledge of regulation</td>
<td>46</td>
<td>40.00</td>
</tr>
<tr>
<td>8</td>
<td>Lack of awareness regarding the loan</td>
<td>41</td>
<td>35.65</td>
</tr>
</tbody>
</table>
The above table shows that farmers are faced with many problems in getting the loans in the banks and societies in Gulbarga district.

In commercial banks highest no of farmers are 78.26% farmers faced the cumbersome process of getting the loans, 71.30% 68.69% 65.21%, and 60.86% farmers are faced the inadequate of inputs, insufficient of loan for agriculture sector, and low subsidy and distance of banks and farmers respectively.

Other problems include irregular information supply, low marketing prices of farm produce, mal practices in marketing of farm produce, wastage of time in transport. It is 53.91 % in the commercial banks in cooperative societies the farmers are faced same problems, but it compare to commercial banks it less or high.
This chart will be explained that sample barrowers of commercial bank and cooperative societies are faced same problems in getting loan and repayment period. The problem of distance of covering of reach to bank or PACS and interest rate is low in cooperative banks. Problem not Sufficient of loan amount is higher in cooperative societies compare to commercial bank.

**Suggestion made by the farmers:**

Farmers faced many problems in both banks. So they gave some suggestion to solve the problems.

1. Loan amount should be increased for agricultural purposes
2. Societies or banks should be fix a price for agricultural products and purchase it.
3. Effective supervision the by banks and societies over utilization of loan.
4. Banks or societies must have good contacts with the farmers’ especially small and marginal farmers.
5. Information about the Rate of interest, loan and repayment of loans should be provided to the farmers through conducting loan mela in village level.
6. Income enhancing programmes should be implemented in villages.
7. In time credit to smoothen the credit delivery by the banks or societies.
8. There should be no place or room for middlemen in banks and cooperative societies..
9. Banks should have a practices of issuing crop loan in cash and I kinds such as fertilizers and seed etc.
10. Reduce the transaction cost.
11. Reduce the rate of interest in commercial banks because it is higher compared to cooperative banks.

12. Bank branch can be opened in the village level to providing credit by nearest banks branch.

13. Increase the repayment period for agricultural credit.

14. Government should provide subsidy to the loss of crop and % of subsidy should be increased.