The chapter is presented under the following headings many studies have been conducted on the issue of rural and agricultural financing. The role of various institutions has also been studied by various scholars from different angles. A review of a few important and relevant studies in this area has been made in the study.

i) Growth and performance of banks and cooperatives in lending to agriculture.

ii) Recovery performance of banks and cooperatives in agricultural credit

iii) Impact of institutional finance on agriculture development

iv) Problems faced by the farmers in borrowing from the banks and cooperative societies.

I) Growth and performance in lending to agriculture by the banks and cooperatives

1. Desai (1988) examined credit requirement for agriculture production in 2000 A.D. and observed the growth rate of total credit between 1972-73 and 1982-83 was 17 per cent in nominal terms. The commercial bank’s share has more than doubled from 16.31 per cent in 1972-73 to 35.85 per cent in 1982-83. He estimated short term credit requirement by taking the total value of crop output from the cost of cultivation scheme of government of India for the period from 1974-75 to 1984-85 and found that the growth rate in agriculture advance to be 16.28 per cent.

2. T.prabhaker reddy (1990) explained the dilemma of credit distribution. The study is based on data collected in 1985-86 from rural beneficiaries of
institutional credit in the Karimnagar district of Andhra Pradesh. He found that
the existing level of credit supply from organized as well as unorganized source
inadequate for poor peasants and required a reformulation of the credit allocation
and distribution. There was a gap in supply and demand of credit, so he felt the
need to fulfill this gap.

3. **B.M.Desai and N.V.Namboodiri(1992):** analyzed the performance of rural
institutional finance system and implication for improving his performance.
And found that the long run performance of the rural institutional financial
system had been good short run growth rates which display a desperate
performance. So he concluded that the agricultural productivity and investment
had increased with the increase in various function of the rural institutional
financial system.

4. **Nair (2000)** reviewing recent trends in rural financial intermediaries and
commercial banks in India, indicated that the commercial banks credit to rural
areas during the late 1980’s and early 1990’s had shown a deceleration in
growth. The relative proportion of bank credit flowing to priority sector,
especially agriculture had fallen below the target of 18 per cent, at a national
level, since the mid 1980’s.

5. **Abate et.al. (2002)** studied the magnitude of institutional credit flow to
agriculture sector in Karnataka and indicated significant growth in quantum of
agricultural advances in the state deposit the limited expansion of credit
infrastructure.
6. Singh and Nasir (2003) studied that agricultural credit increasing in Bihar at an annual rate of 2.58% at constant prices. Commercial banks and cooperatives were the main providers of agricultural credit. The credit flow was found to be adequate. Agricultural development and functional rural institutional had positive influence on the credit.

7. Suchitra and Haque (2003) studied the availability of institutional credit in the country. It was found that per hectares creation was higher on small and marginal forms. The medium and large farms had more credit per borrower. Also the share of institutional credit in total credit has increased in all states overtime except in Andhra Pradesh, Orissa and Rajasthan. Here the share of non-institutional sources varied from 42% to 66% of total credit. The overall highest percentage was from bank credit (33.7%), followed by cooperative bank credit (21.6%), professional money lender (10.5%) and friends, relatives (8.8%).

8. Sahu and Rajasekhar (2005) analyzed the trends in credit flow to agriculture by scheduled commercial banks during 1980-81 to 1999-2000. They observed that the share of credit to agriculture in total bank credit for all the bank groups declined significantly, especially after banking sector reforms in spite of many efforts. They analyzed that scheduled commercial banks provided large quantum of funds to better-off farmers and to the activities earning high interest income only. They established the negative relationship between agriculture credit and investment in government security, credit subsidy and proportion of credit provided by the co-operative. They recognized that increasing lending rate reduce the credit disbursed to agriculture by scheduled commercial banks and affected the average quality of their loan portfolio. So they suggested not to
increase the interest rate to offset losses from defaults or to meet the lending cost, but to strengthen the quality of credit delivery system and ensure prompt repayment of loans for supporting the agriculture sector.

9. **Sinha et al. (2005)** while analyzing the flow of credit to different categories of farmers-a study in Nalanda District of Bihar, observed that loan advanced by the institutional and non institutional agencies, accounts for 77 per cent and 23 per cent of the total loan respectively. Commercial banks provided highest loan 50.68 per cent, followed by RRB and co-operative banks. When all the banks are considered together the marginal and small farmers were provided more loans by RRB and co-operative banks. The highest loan was given for purchase of farm implement and machineries especially to large farms.

10. **Gagan Bihari Sahu and D. Rajasekhar (2006)** analyzed the total outstanding credit provided by the scheduled commercial banks to the agricultural sector during the period 1981to 2000. This analysis brings that the share of credit to agriculture in total net bank credit had significantly declined, especially after the introduction of banking sector reform. And also shows that SCBs providing larger quantum of funds to activities earning highest interest of income. This trend was more prominent after the deregulation of the lending rate to ultimate borrowers. So, they concluded that reduction in the cost of financial and transaction cost and risk cost. This is indeed possible by strengthening the quality of the credit delivery system and ensuring prompt repayment of loans.(EPW vol.XL,no.53.2006 page no.5550 to5559.

11. **Mohan (2006)** examined the role of agricultural credit in supporting agricultural production in India and reviewed the performance of agricultural credit in India
during the period 1950-51 to 2003-04. He found that there was rapid increase in total number of rural branches, resulting into the growth of rural credit. The share of commercial banks in total rural credit of the banking system increased rapidly during the study period. He found a wide disparity in disbursement of agricultural credit by commercial banks. Southern states had higher share of agricultural credit to net state domestic product, followed by the northern and central regions. He observed that the proportion of NPAs for commercial banks were higher for agriculture sector than that of non-priority sector. He revealed that although the overall flow of institutional credit increased over the years but there existed several gaps in the system like inadequate provision of credit to small and marginal farmers, paucity of medium and long-term lending, and limited deposit mobilization. He recommended for reviewing the agriculture policy and adoption of package approach in different segments of agriculture and agro industry for developing the status of agriculture sector.

12. Thamarathanam (2006) evaluated the PACB for their functional efficient. The banks showed a good performance in giving loans to the performance. Particularly crops loans of finance and this has the implication that the positive growth trends in performance. Variables of the PACB’s need to sustained and strengthened and he also says that PACB’s has to remove some operational difficulties like over dues , diversion of loans for other purposes and so on.

13. Ramappa and Sivasankaraiah (2007) studied that the share of agriculture loan in the total priority sector advances were considerably large and fluctuated from 73.02 per cent in 1993-94 to 76.79 per cent in 2004-05. It was also evident that of the total agriculture loan in 2004-05, crop loan alone accounted for 93.31 per
cent. Among non-agriculture activities retail Trade/business enterprise received large quantum of loan followed by Self Help Group’s. The percentage share of non-priority sector in total outstanding advances showed increasing trend from 15.16 in 1993-94 to 34.2 in 2004-05. It signifies the change in the lending pattern of the Rayalseema Grameena bank in Andhra Pradesh.

14. Gupta et al. (2007) in their study on flow of credit to small and marginal farmers in Mandsaur district of Madhya Pradesh, found that in Madhya Pradesh the total financing to agriculture by all the institutions in 1997-1998, 1998-1999 and 1999-2000 were Rs 2,385 crores, Rs 1,658 and Rs 1,747 crores respectively. In RRB and commercial banks more than 80 per cent loans was given for long-term purposes and the remaining 20 per cent was for short term purposes, majority of the farmers belonging to small and marginal groups borrowed from co-operative banks.

15. Goyal et al. (2007) conducted a mode of study on growth and performance of cooperative credit to agriculture in India. The study revealed that the flow of institutional credit to agriculture and allied activities increased an annual compound growth rate of 15.7 per cent for the period 1980-1981 to 2005-2006 and the share of co-operative banks in agriculture was about 63 per cent in 1980-1981, which is decreasing year after year and reduced to only 22 per cent in 2005-2006, while commercial banks rose from 37 per cent to 70 per cent during the same period.

16. Sidhu.et.al. (2008) explained that the contribution of institutional credit to agricultural growth has been estimated in the state of Punjab. The demand-supply situation under different scenarios change there over a decade period has
been examined. A simultaneous (four) equation model has been used to estimate
the contribution of institutional credit towards use of production inputs, private
investments and agricultural growth. The study has revealed that the supply of
production credit doubled and that of investment credit increased by about 80
per cent during the period 2001-02 to 2003-04. It took more than 15 years to
double from 1984-85 to 2000-01.

17. Mahadeva Murthy et. Al (2009) analyzed that the institutional finance for
agricultural activities, loan outstanding by institutional finance, correlation co-
efficient between institutional credit and loan outstanding by credit agencies.
Since the multi-agency approach to agricultural credit was accepted, four
agencies, consisting of (1) Government; (2) Co-operatives; (3) Commercial
Banks; and (4) Regional Rural Banks were financing. They cleared that
cooparatives are still dominating in the field of agricultural and allied credit
though the share of institutional credit reduced from 12.5 per cent to 43.5 per
cent during the period of 1969-70 to 2001-02. The share of Government was on
the declining trend from 8.3 per cent in 1969-70 to 1.1 per cent in 2001-02 to
compare the share of institutional credit. The share of commercial banks had
increased from 19.2 per cent in 1969-70 to 44.5 per cent in 2001-02. The credit
portion of RRBs had increased from 0.1 per cent in 1975-76 to 10.9 per cent in
2001-02. Loan outstanding of all institutional agencies records a quantum jump
up of 79.9 times between 1969-70 and 2001-02. They concluded that
institutional credit has played a vital role in supporting cultural production in
India and the amount of institutional credit for agriculture and allied activities
has increased over the years.
18. **Uppal (2009)** attempts to study the priority sector advances by the public, private and foreign bank groups. This study is based on the parameters, like lending to priority sector by public, private sector and foreign bank groups, targets achieved by public, private sector and foreign bank group NPAs (Non-performing assets), while lending to priority sector. That public sector banks have not achieved the target of 40% while private sector banks have achieved the overall target. No private sector bank could achieve the 10% target by lending to weaker section. NPAs of public sector banks have increased because of high priority sector advances. The paper also throws light on the problems or issues which arise due to priority sector advances and also suggest some strategies to sought out these issues. All the parameters have been analyzed for the period, 2006 - 2007.

19. **Muley(2010)** undertook to study the trends in agricultural advances by commercial and cooperative banks in the jalna district(Maharashtra state) during 1992-1993 to 2002-2003. The study found that the total crop loan of Rs44, 549, 58 lakh has been provided in this district during this period. Out of this Rs16, 624, 69 lakh (37.32%) has been supplied by commercial banks and Rs.21,575,81lakh (13.16%) by cooperative banks and total term loan out of 13.773.33 lakhs(71.69%) and 2.528.74 lakh (13.16%) by commercial and cooperative banks is respectively. It was observed that the share of commercial banks was provided the highest % of total term loan in this district

20. **Kumari, singh, and sinha( 2010)** examined the performance of agricultural credit flow, and identified the determinants of increased use of institutional credit at the farm house hold level in India. They revealed that the institutional
credit to agriculture in real term has increased tremendously during the past four decades. But, the declining share of investment credit in the total credit may constrain the sustainable agricultural growth. The quantum of institutional credit availed by the farming households have affected a number of socioeconomic factors which includes education, form size, family size, caffe, gender, occupation of households etc. And the study suggested that simplification of the procedure for a better access to agricultural credit of small holders and less educated farmers.

21. **Dr. Kuldip Singh, et.al (2011)** analyzed the flow of agriculture credit by commercial banks in post WTO periods in India, with the help of appropriate statistical techniques. The study indicated that the share of rural credit (proxy of agriculture credit) has significantly been reduced after post WTO period. Moreover, the disparities (in different regions and states) had been increased, and also informal sources of credit had again emerged as a dominant contributor to total rural credit in India. So, the government of India should take necessary steps in initial stage of this deprived situation of availability of credit in general and agriculture & rural in particular.

22. **Anil Kumar Soni (2012)** examined the role of cooperative banks credit to agriculture. Cooperative banks which belong to the oldest forms of the collective action in India, playing an essential role in the realization of the agricultural and in local development. They serve both rural and urban population, and are main banks in India for supporting the development of agriculture in rural areas. Their key role is to give credits of financing various rural based entrepreneurships. Agricultural credits play a number of significant functions of
which the primary include the intensification and growth of the agricultural production. In a developing State like Chhattisgarh with huge deficits in terms of quality and quantity, the State has to shoulder the primary responsibility of providing cooperative credit. Considering the low living standards of common man, incomplete and imperfect markets, and other socio political considerations, it is the primary duty of the government to ensure that its citizens have easy access to cooperative credit.

23. **Yasir Mehmood, et all (2011)** The productive use of agricultural credit in Pakistan is quite limited that affects the repayment behavior of the farmers and ultimately categorization of loans into default stages and finally auction of their lands. This paper attempts to analyze different factors which affecting the repayments of agricultural credit in district Kasur of Punjab province. For this purpose, the purposeive sampling was adopted and 60 respondents were selected after booting a list of defaulters from respective branches of UBL. The necessary information was collected from the respondents as well as from the bank employees regarding actual delay in repayments of these selected clients through well structured questionnaires. Finally, data were summarized using descriptive statistics and that sloppy supervision by the bank employees, miss-utilization of loans, high interest rate and change in business/residential place of the borrowers etc. caused delay in repayments of agricultural credit.

24. **Dr.P.Raman (2013)** analyzed performance priority sector advances by commercial banks in India. The target for aggregate to Priority sector is 40% of the Adjusted Net Bank Credit (ANBC) for domestic banks both public sector and private sector and 32% for foreign sector banks. While public sector and
private sector banks and foreign banks as a whole achieved their overall target, viz., 40% and 32% of net bank credit respectively over the study period starting from 2001 to 2010, The activity-wise performance of commercial banks in Tamil Nadu over 10 years starting from 2000-2010, agriculture advances grow over 18%, Education Loan and housing loan continued to grow over 30% and 8% respectively. It is evident that the result of the rate of change on advances to priority sector segment both planned as well as unplanned achievement, led the phenomenal growth in not only in quantity but also in qualitative. It is also evident that the non-performing asset in India has adversely affected the profitability and efficient functioning of the banks. So to improve the efficiency and profitability, the NPA has to be scheduled. Various steps have been taken by government to reduce the NPA. It is highly impossible to have zero percentage NPA. And expect to see a further improvement in the operating cost structure of public sector banks as they improve their scale of operations.

II) Recovery performance in lending by the banks and cooperative societies

1. Vaikunthe (1991) studied the agricultural credit utilization and recovery performance of KCC bank, Dharwad. The study pointed out that the percentage of repayment was more in the case of the farmers in the non-irrigated area compared to the irrigated area. The overdues were larger in the small farmers compared to medium and big farmers in the irrigated area.

2. Muturi, John (1991) the focus of this study was to investigate factors explaining the Agricultural Credit default among small scale farmers in Kenya.
This was on observation that while small scale farmers in Kenya have continued to appreciate loan facilities, repayment in most cases has been a problem.

3. **S.Ravi Verma (1992)** examined the that reasons to increased the overdues of cooperative banks loans and give the same suggestions for effective and efficient financing of agriculture by cooperative.

4. **S.K. Goyal, et.al (1993)** revealed that the non-defaulters were well off and better placed with respect to average yield of major crops, value of farm assets, total cash returns of the household and repayment capacity as compared to defaulter borrowers. The defaulter borrowers utilized a relatively larger proportion of their total earnings for consumption purposes and thereby leaving less for investment in production process. This resulted into low repaying capacity of the loan on the part of defaulter borrowers.

5. **Balishter, et.al (1994)** the large and medium farmers together accounted for about 37 percent of the total defaulters and for over 57 percent of the total overdue while the marginal and small farmers together account for about 63 percent of the total defaulter and about 42 percent of the total overdue. Out of 175 defaulters 67 or about 38 percent are willful defaulters. It is important here that willful defaulter is mainly confined to medium and large farmers to the extent of over 90 percent. Out of 175 defaulters 108 or about 62 percent are those who could not repay their loan due to lack of their repayment capacity. For these defaulters liberal measures such as extending the repayment period over a reasonable time and making adequate loans in available time. Besides, measures for improvement in crop yields remunerative prices for the crop products, crop insurance is also necessary to enhance the repayment capacity of
the farmers particularly marginal and small farmers.

6. **Shollapur (1995)** studied the recovery performance of Karnataka State Cooperative Apex Bank. He revealed that the percentage of recovery to demand has declined from 94 per cent to 55 per cent in total credit and from 95 per cent to 54 per cent in agricultural credit revealing the poor performance in credit collections. The total overdues have moved from Rs. 401.26 crores to Rs. 5059.32 crores establishing a rise by 13 times. He suggested that the bank should arrange training in recovery management involving central cooperative banks and other constituents.

7. **Dr. B veeresh (1996)** explained the reasons for barrowers’ non repayment of loans. He found that many reasons of defaults such as 1) increasing expenditure on social ceremonies, 2) inadequate surplus, 3) floods and other natural calamities. He suggested that the banks should extend the period of repayment of loans and improve the recovery performance of banks in encouraging the rural base to repay their loans regularly.

8. **Shiyani and Sima (1999)** while comparing the performance of credit institutions in promoting agricultural development in Gujarat opined that the total overdues of agriculture and allied activities in Gujarat was as high as Rs 421.52 crore. The situation of agriculture overdues in co-operative banks was warranted and needed immediate action, as its proportion in the total overdues of all banks in Gujarat was more than 65 per cent. On to this the share of cooperative banks in the total credit flows to the agricultural sectors by all the banks was only 36 percent.
9. **Dayanand and Shashikumar (1999)** undertook comparative analysis of District Central Co-operative (DCC) Banks in Kerala with the national level performance and revealed that the state level performance was behind the national level performance with regard to membership, old funds, borrowings, loan advanced etc., where as deposits was slightly higher than national level performance. But as long as there was no considerable decrease in rate of total loan overdue, profitability of the bank cannot be improved.

10. **Zeratsion (2002)** in his study on the performance of primary agricultural credit societies in Karnataka revealed that total loan recovered by primary agricultural credit societies in the state steadily increased recording a growth of 15.37 per cent. The ovedues increased at 3.15 percent during the study period from 1986.87 to 1997-98 annually and it was not significant.

11. **Bhaskaran and Josh (2000)** concluded that the recovery performance of co-operative credit institutions continues to be unsatisfactory which contributes to the growth of NPA even after the introduction of prudential regulations. They suggested legislative and policy prescriptions to make co-operative credit institutions more efficient, productive and profitable organization in tune with competitive commercial banking.

12. **Taslim sjah (2003)** analyzed that farmers behavior in the credit repayment was strongly influenced by their capability and character motivation. They suggested that repayment rates may be improved through education and extension activities such those farmers because awareness of the obligation associated with the borrowers. They suggested that the Government should provide similar benefits to the borrowers who have already paid all loan amount before implementing
loan waiver scheme

13. **Kallur (2005)** made a case study on impact of KCC on flow of credit and repayment rate in backward region, of agricultural development bank of Shorapur taluka, Gulbarga district in Karnataka State. The study revealed that minimum actual loan amount was Rs 5000 to maximum of Rs 3 lakhs and that there was no prompt repayment involved. The extent of repayment was limited to 35 per cent. He attributed, non remunerative price for their produce as the main cause of non repayment of their loan amount.

14. **Shivappa (2005)** made a study on agricultural credit utilization pattern and its repayment performance of borrowers of RRB in Karnataka. About 28 per cent sample beneficiaries have used the whole credit in farm expenditure, while the remaining 72per cent had partly used in farm expenditure and diverted partly for other purpose. Failure of the crop due to drought has reduced the credit recovery and it automatically it increased the overdues.

15. **Yale, et.al (2005)** in this study he attempts to estimate the critical requirement of the farmers and the availability of credit in western Maharashtra and he also examine the utilization and repayment pattern of credit borrowes and the major constraints inhibiting the lenders and the borrowers. The data in the list of villages were obtained from the District Central Cooperative Bank and the offices of the cooperative societies. It is observed that the per hectare requirement of loan went on increasing the size of holding. The average for family borrowings increased with the size of holdings. Misutilization of crop loan was more i.e. 30 percent especially among the small and medium group of the farmers.
16. **Hatai et al. (2005)** made a study on an economic analysis of agricultural credit and overdues in different regions of Uttra Pradesh. The results revealed that the reason for willful defaulter were slackness in timely recovery by banks, followed by diversion of income for purchasing land and other property and uncertainty about fresh loans. On the other hand, low crop yield, failure of crop, natural calamities, inadequate finance, was the main reasons of non willful default. The analysis further revealed that the amount of loan borrowings and unproductive use of loan have been the important responsible factors for overdues. They further identified that more than 80 per cent of credit was used for productive purpose and rest has been used for un productive purposes. In case of production credit the extent of unproductive use was higher among the large farmers. They also found that, in the investment of credit, there was no specific trend was observed.

17. **Chaudhari et. al. (2007)** they studied the utilization and repayment of crop loans by the cotton growers. It was observed that over one third of the respondents 35.34 per cent who had borrowed the crop loan for cultivation of cotton crop, were utilizing particularly for buying the farm inputs and partial amount of family consumption. This was followed by13.33 per cent of respondents, who had utilize the amount of crop loans were clearing their old debts borrowed from private money lenders and 12 per cent diverted their crop loan on education aspects of their children.

18. **Singh and Dularam (2007)** made a study on disbursement trend, recovery performance and overdues position of agricultural loans in Sriganaganagar district of Rajasthan. They identified that, recovery performance of all bank branches was recorded very high in the range 75 to 90 per cent of the total
advanced. The highest repayment Performance indicated the proper utilization borrowed funds by the farmers. The overdues borrowed amount from 19 to 27 per cent among the various borrowers. High expenditure on social and religious activities, repayment of past debts and high consumption expenditure were identified as the major constraints for the inability to repay the loan amount.

19. J. A. Afolabi (2008) The study examined that the loan repayment among small scale farmers in South Western Nigeria. It specifically identified the socio-economic characteristics that discriminate between loan defaulters and non defaulters. A multi stage sampling technique was used to select the respondents and structured questionnaire administrators on them. A linear discriminate function considering the socio-economic characteristics postulated for the loan defaulters and non defaulters. It showed that six variables i.e age of farmers, gross farm income non farm income, net farm income, interest rate charged and farming experience there were significant in discriminating between defaulters and non defaulters.

20. Lalitha chavadi (2010) in this present article analyzed that the recovery performance of the commercial banks in agriculture, industry and service sector. Finance is the lubricant in the process of economic growth. It is regarded as the potential power and life blood at various types of economic activities. Availability of long way improving productive capacity of the different sector of the economy, has equal importance in the adequate and time recovery of loan. He says that adequate and good recoveries of loans ensures quick recycling of the funds and ensure that fresh flow of credit. The recovery % is 51% in 2003; it is increased to 74 % in 2008. And overdue is 43% in 2001 it comes down to 26%
in 2008.

21. **Olekar (2011)** found that the only 26% of the sample borrowers are prompt repayars, while the balance 74% of them had not repaid, either a part or whole of the demand of defaulters. In the findings of the survey, it revealed that crop the failed is one of the factors to which 24% of the respondents attributed their defaults. And equal important factor cited by 12% of the respondents. The inadequate income generation, 8% misutilization, seems to be an important cause of non-repayment. However, the largest percentage of respondents i.e. 46% of the respondents did not indicate any specific reason or opinion that they ‘wilfully’ did not repay in the hope of writing off of dues by the Government. He suggested that the instituting a system of accountability, responsibility and incentive rewards for good performance in disbursement and recovery of loans. And repayment ethics amongst the borrowers we should organize organizing frequent training/ counseling camps, high-lighting the duties and responsibilities of both the prospective and existing borrowers.

22. **Dr. Sandeep Chahal (2011)** analyzed the source wise borrowings of agricultural credit and their utilization pattern by the sample borrowers in different purposes. Borrowing must be used in a productive way. Productive borrowing creates its own means of repayment. Diversion of credit or misuse of credit for other hand selective purposes creates undesirable problems. Out of total 82.02 percent of the institutional credit have been utilized for agricultural activities and 17.43 percent have been used for diversified purposes. In case of district Bhiwani, 83.64 percent credit has been used for agricultural activities and 15.86 percent credit has been used for diversified purposes. The percentage of diversification was found more in district Rohtak, in comparison to district
Bhiwani. In case of PACs 84.01 percent credit has been used for agricultural activities and 14.72 percent credit has been used for diversified purposes. In commercial banks 80.97 percent credit has been used for agricultural activities 18.75 percent credit has been used for diversified purposes. In case of Grameen Banks 81.85 percent and 17.80 percent credit have been used for agricultural activities and diversified activities respectively. Out of total non-productive loans Rs. 88.64 lacks or 85.16 percent has been diversified from short term loans, Rs. 13.92 lacks or 13.38 percent has been diversified from long term loans. Diversion of loan from medium term category is the least that is 1.46 percent only. Diversion of credit towards different activities out of total credit supply of Rs. 579.05 lacks, Rs. 104.08 lacks or 17.58 percent supply has been diversified by the sample borrowers in different activities. Out of this major share has been diverted for meeting education expenditure, it constitutes 36.31 percent. Out of total diverted amount 23.23 percent, 17 percent, 8.80 percent, 5.57 percent, 4.35 percent and 3.04 percent has been spent for meeting expenditure in marriages, construction of houses, health, repayment of old dues, liquor and pre-borrowing expenditure respectively. He suggested that there must be a vigorous attempt to educate the farmers the institutional loan is required to be repaid. It may be suggested that non-repayment of loan ultimately would turn bank into red affecting farmers’ interests. Such a mental shake-up is essential. So that farmers make productive use of the loan and get enough return to repay the loan

23. Yasir Mehmood.et.al (2012) attempts to analyze different factors affecting the repayments of agricultural credit in district Kasur of Punjab province. He found that sloppy supervision by the bank employees, miss-utilization of loans, high
interest rate and change in business/residential place of the borrowers etc. there caused delay in repayments of agricultural credit.

24. Ali AL-Sharafat et.al (2013) they were evaluating the loan-repayment performance of public agricultural credit agencies. The study revealed that the repayment rate of the investigated public credit agency (ACC) was 0.92, indicating a high level of repayment performance and a low default rate (0.08). The positive effects of the volume of loans borrowed, the number of borrowers, number of credit agency staff. And borrower experience was the most important factors which related to this result. Sufficient and strict controls as well as monitoring are required. and to avoid the burden of provisioning on agricultural credit agencies, legal actions and guarantees should be taken against loans defaulters. Introducing a reward system for those individuals who pay on time will be helpful in enhancing repayment performance.

III. Impact of institutional finance on agriculture

1. Vaikunthe (1991) studied the agricultural credit utilization and recovery performance of KCC bank, Dharwad. The study pointed out that the percentage repayment was more in the case of the farmers, in the non-irrigated area compared to the irrigated area. The overdues were larger in the small farmers, compared to medium and big farmers in the irrigated area.

2. Ajjan (1994) studied the performance of the three-tier structure of cooperative credit institution in Tamil Nadu and in terms of their deposits, borrowing working capital, loans issued, loans outstanding for a decade (1982-83 to 1991-92). He revealed that the deposits, borrowing and working capital have increased more than 20 per cent in all the short-term and
medium term cooperative credit institutions. The percentage of overdues has continuously declined from 46 to about 35 per cent during the study period reflecting the poor recovery performance. He suggested that the recovery performance should be improved by drawing suitable plans.

3. **Shollapur (1995)** studied that the recovery performance of Karnataka state cooperative apex bank. He revealed that the percentage of recovery demand has declined from 94 per cent to 55 per cent in total credit and from 95 per cent to 54 per cent in agricultural credit and is also revealing the poor performance in credit collections. The total overdues have moved from Rs. 401.26 crores to Rs. 5059.32 crores. He suggested that the bank should arrange training in recovery management involving central cooperative banks and other constituents.

4. **Shinde.P, Aiagusundram A. (1996)** analyzed that, the extent of borrowing, utilization and repayment behavior of cotton crop loan borrowers during the early part of 1990s in the district central cooperative bank and Gamin Bank in Akola District of Maharashtra. The interview of 140 farmers randomly selected, it revealed that the utilization of crop loans sanctioned was only about 60% due to the delay in timely sanctioning of loans and non-availability of inputs in time. Only 67% of farmer’s in the sample size repayed the loans. There was a definite positive co-relation with the size of land holding and annual income, cropping intensity and socio-economic status, loan borrowing, utilization and repayment behavior.

5. **Rajeev and Deb (1998)** during their study on institutional and non-institutional credit in agriculture, revealed that the recovery can be improved
by assuring quick renewal of credit after repayment. They also opined that, easy access of loans the previous loan plays an important role in loan recovery. Interestingly the manager of a co-operative bank, Kultighari Samabay Krishi Unnayan Samiti, Tarekeswar block Hooghli district, asserted that repayment of loans was almost 100 per cent (in spite of bad harvesting year). Once he had given an assurance that a fresh loan would be immediately disbursed faster repayment.

6. **Patil (2000)** who studied the performance of primary cooperative agriculture and rural development banks in Dharwad district, concluded that, opinion of the beneficiaries about primary co-operative agricultural and rural development bank, revealed that the procedure of getting loans was cumbersome and major proportion of borrowers of horticulture sector faced this problem. The respondents expressed their difficulty in getting the documents and even if they were able to get them, it is consumed lot of time and money. Some of respondents also opinioned that bankers do not give proper guidance about the required documents to produce along with loan applied. The cluster analysis revealed that the opinion of borrowers in all about 50 per cent borrowers expressed cumbersome loaning procedure. The favorable view point of the bank was the good staff treatment. However 80 per cent of the borrowers expressed that, there was delay in sanctioning of loans.

7. **Mishra (2005)** attempted to study the impact of institutional finance of farm income and productivity, a case study of Orissa. The study revealed that per hectare borrowings of marginal, small and large farmers of crop loan were as
Rs 2,251, Rs 2,066 and Rs 1,788 respectively and for long term credit it was Rs 859, Rs 952 and Rs 986 respectively. Thus large farmers borrowed less short term and more long term credit per hectare, as compared to the marginal farmers who borrowed more short term credit.

8. **Thanarathnam (2006)** while studying the working of primary agriculture co-operative bank, analyzed that the loan dispersed by the bank. He found that 24 per cent of the farmers stated easy accessibility and 76 per cent of the farmers stated low rate of interest where the reasons for borrowing from co-operatives, which was a good indicator of good performance of bank. He found that the difficulties in getting loans were due to the difficult procedures for 22 per cent, cost of availing loans for 16 per cent, security required for 24 per cent, untimely loans availability for 18 per cent of the farmers along with difficulties in providing documents for 20 per cent of the farmers. He opinioned short term loans were generally provided on personal security. Therefore, the problem of providing security as a problem could be easily remedied.

9. **Golait (2007)** attempted to analyse the issues in agricultural credit in India. The analysis revealed that the credit delivery of agriculture sector continues to be inadequate. It appeared that the banking system is still hesitant on various grounds to survey credit to small and marginal farmers. It was suggested that concerted efforts were required to argument the flow of credit to agriculture, alongside exploring new innovations in product design and methods of delivery, through better use of technology and related processes. To facilitating the credit system through processors, input dealers, NGOs,
etc., were vertically integrated with the farmers. It included contract farming, for providing them critical inputs or processing their produce, it may increase the credit flow of agriculture significantly.

10. **Dr. Mohd Izhar Ahmad et. al (2009)** The study attempts to assess the impact of institutional credit on agriculture production by estimating Cobb Douglas agricultural production function, for the pre reform (1972-91) and post reform (1992-2005) period in India using time series data. It is analyzed that trends and pattern of institutional credit during pre reform and post reform period. Annual average growth rate of institutional credit was lowest during the decade 1990-2000 and was highest during 1971-80. Institutional credit percentage of agricultural gross domestic product increases more rapidly, during the post reform period. This study also analyses sectoral share of total non food bank credit for the period 1980-2005. Study concludes that during post reform period the sectoral share agriculture sector declined and the growth rate of agricultural credit deteriorated. During post reform period institutional credit is not a significant determinant of agricultural production in India.

11. **Abhiman Das et. al (2009)** examined the role of direct and indirect agriculture credit in the agriculture production, is taking care of the regional disparities in agriculture, credit disbursement and agriculture production in an econometric framework using Dynamic Panel Data Analysis with Instrumental Variables using Arellano-Bond Regression. The analysis suggests that the direct agriculture credit amount has a positive and statistically significant impact on agriculture output and its effect is
immediate. The number of accounts of the indirect agriculture credit also has a positive significant impact on agricultural output, but with a year lag. These results reveal that, even though there are several gaps in the present institutional credit delivery system, like inadequate provision of credit to small and marginal farmers, paucity of medium and long-term lending and limited deposit mobilization and heavy dependence on borrowed funds by major agricultural credit purveyors. Agricultural credit is still playing a critical role in supporting agriculture production in India.

12. **Ramesh. O. Olekar (2011)** Studies relating to this supply of credit, generally have positive relations with the farm/business income. There is significant increase in the average total income of the respondents between the two periods i.e. pre-loan and post-loan periods. However, this high increase in the average income in post-investment period may not be resulting merely due to the new investment of bank loan because agricultural / production income is only a part of the total income. Hence, an attempt is made to find out the share of agricultural / production income in the total income in two periods i.e. pre-loan and post-loan period. A loan is considered feasible, generally when an increase return is generated from that investment and this return contributes significantly to the total income of the borrower and thereby improves his overall economic position. It is seen that after taking long term loan for agricultural activities there is considerable increase in the agricultural income of the respondents.

**IV Problems of Banks and Farmers**
1. **The All India Rural Credit Survey (1954)** concluded that agriculture credit in India fell short of the right quantity, but was not of the right type. It did not serve the right purpose and it often failed to go to the right people, even today this spells right rural credit with infrastructural requirements for production (input), processing, marketing, distribution, utilization, trade with value added service like technology transfer at single point to form the rural credit hubs or virtual integration by utilization of the information technology create new Indian sustainable agriculture for food security.

2. **All India Rural Credit Review Committee (1966)** - Under the chairmanship of B. Vendatappiah, and the Committee submitted its report in 1969. This recommended the entry of commercial banks into the rural credit system stated clearly that this was being done to “supplement” and not “supplant” the co-operative credit structure. According to the committee a large number of Primary Agricultural Credit Societies are neither viable nor even potentially viable and must be regulated as inadequate and unsatisfactory agencies for dispensing production oriented credit. The committee gave emphasis to integrity, efficiency and the sense of dedication, functioning based on democratic and egalitarian principles and effective supervision. The All India Rural Credit Review Committee had said, “The expanding area and scale of co-operative activity and its growing diversification made it necessary that co-operative banks should build up large resources by way of deposits”. The committee also prepared the ground for a multi-agency approach to agricultural finance.

3. **All India Rural Credit Review Committee (1969)** Government of India had appointed the committee under the chairmanship of B.Venkatappiah. the
main objective of the committee was to suggest measures for the reorganization of rural credit. The Committee found that there is marked increase in the co-operative credit between 1951-52 and 1967-68 i.e. from Rs.24 crore to 500 crore. However, there was a lag in dispersal of co-operative credit in the backward states of Assam, Bihar, Orissa, West Bengal, Rajasthan and Jammu & Kashmir. In other parts of the country too, there were weaknesses in co-operative banking system by way of low deposits, high overdue and general lack of business, management etc. Recognizing such weaknesses, the need for increased requirement of finance for agriculture in the wake of green revolution technology, the Committee suggested the following points and recommendations- a) The establishment of Agricultural Credit Board, b) Setting up of a Small Farmers Development Agency, c) Creation of Electrification Corporation for the benefit of underdeveloped areas, d) Formulation of a more active and much bigger role for ARDC, e) Adoption of various measures for ensuring the timely and adequate flow of credit for agriculture through co-operatives and through commercial banks. As per recommendations, small farmer’s development agencies were set up in selected districts as well as Rural Electrification Corporation was also established in 1969. Most of the recommendations of the committee were accepted by the government and included in the Fourth Five Year Plan i.e. SFDA, MFAL, were launched with active involvement of institutional credit agencies.

4. Chinnappa (1999) attempted the Sample of 100 irrigated farmers were selected at random, spread over in 20 villages of Channagiri and Honnali talukas of Shimoga district. Inadequacy of loans was not providing In time,
uncertainty and risk, are the problems faced by the farmers. He observed that large farmers are major beneficiaries of both short term and medium term loans. He opined that financial institutions are simply the procedure, for advancing loans and avoid undue delay.

5. **Mankad and bhairamkar (1999):** the present study was conducted in thane district of Maharastra state which has a largest scheduled tribe population in the konkan region. They say that most of problems situated in economic and communication related. Non availability of an adequate quality inputs and services support on time in the villages, as well as high cost inputs low price to produce the regarding credit and market availability these are major problems, like, lack of knowledge, irrigation information, and supply. They suggested that low rate of interest, providing the sufficient loan available, the materials, supplied at the low cost available, the markets facility in the village, give the knowledge about new technology etc,

6. **Gupta (2000)** deals with the problems of long term credit to the agricultural sector in an economically backward region like baduan district. The study observed that the state land development banks in India do not follow any special lending policy specifically meant for the economic backward region of the state. He suggests that cooperation between the short term and long term in cooperative credit system. Credit which is disbursed to cultivators through various agencies, should be routed through the village primary credit society.

7. **Sahu and Rajasekhar (2005)** analyzed the banking sector reforms and credit flow to agriculture. The share of agricultural credit in total net bank
credit was found to be declining, especially after the reforms. The situation was reported to be more grim in cooperatives. Better off farmers have improved their access to formal credit, while share of small farmers has declined. Credit flow to agriculture was more to be negatively associated with investment in government securities and positively with incidence of rural bank branches. Credit subsidy was adversely affecting the supply of agricultural credit. Reduction in lending cost was suggested as a measure to reduce the burden of credit subsidy.

8. **Krishaveni and asha narayasab (2005)** exposes that the growth rate if cooperative banks are related lower than SCBs and RRBs in terms of short term, long term and total credit. This study emphasizes that allied activities has been slowly moving from cooperative to SCBs and RRBs during the period of the study. They suggest that the improve of institutional credit especial the share of cooperative banks to save the farmers from financial difficulties.

9. **Joshi et. al. (2005)** studied the requirement and repayment of credit in Punjab agriculture. The results revealed that, the major components of the total loan were comprised of crop loan covering about three-fourth of the total loans taken in Punjab agriculture. As far as credit gap is concerned, about 29 per cent of the amounts fall short of loan requirement There is a direct relationship between loan required and farm size..

10. **Sidhu and Gill (2006)** discussed the issues related to agricultural credit and Indebtedness in India. The accessibility to institutional credit was found to be higher in the southern region and very poor in the north-eastern region. Also, it was highly related to level of agricultural development. The increase in
institutional credit was highest in the northern region while lowest in the central region.

11. **Banshree et al (2006)** discussed the problems and prospects of cooperative sector in India and examined that the causes of slow progress and highlight the emerging role and challenges of the cooperative sector. This paper focused on several pitfalls and shortcomings like; poor infrastructure, lack of quality management, over dependence on government, dominant membership, on conduct election, lack of strong human resources policy, absence of professional etc., They suggest that the developing strong communication and public relations strategies were promotes the concept of cooperation among the masses and push forward by developing effective strategies to overcome existing weakness for continuing growth of the sector. So cooperative should be considered an important key of development.

12. **Kumar et al (2007)** analyzed that the performance of rural credit in India. The access and distribution of rural credit was found to be skewed in favour of better endowed regions. The study revealed that the choice of a credit outlet was affected by a number of socio-demographic factors. The effect of education has indicated the need for capacity building of borrowers. Borrowers needed to be trained in procedural formalities, to increase their access to institutional credit. The need of reforms are to be initiated in case of margin money requirements and collaterals.

13. **Natarajan (2007)** attempted to study on PACS in Kerala- In search of profitability, the results concluded that though scheduled commercial banks have made tremendous improvement in its lending portfolios, Its effective recovery is not taking place, while leaving to mounting of overdues. The
position of overdues of SCBs in Kerala amounted to Rs148041 lakhs as against Indias position of Rs 16,29,517 lakhs recording 9.08 per cent of India’s average. The overdue amount of medium term loans of Kerala is comparatively higher amounting to Rs 51,780 lakhs which is the second highest in all Indian position.

14. **Jayaprada b. Dashawant (2007)** The study was conducted in Dharwad district during 2006-07. Majority of them expressed problems in borrowing loan, utilization of loan for nonagricultural purposes, delay and repayment. And the suggestions made by beneficiaries includes loan amount should be hiked (66.67%), procedure for loan should be simplified (59.02%), interest rate should be reduced (83.33%) and bank should consider the genuine reason for delay in repayment (55.50%).

15. **Pandit (2007)** made a study on financing agriculture, a study of Bihar and West Bengal potato cultivation. The results revealed that education is highly significant. it is indicating that the complex formalities and lack of information keeps away the less educated farmers from the source of institutional credit.

16. **Singh et. al (2007)** made a study on institutional agriculture credit, growth and inadequacies in Punjab. The results revealed that, about three fourth of the farmers opined that complicated and time consuming procedure to procure loans from the institutional agencies. As many as 25 per cent farmers reported that bribe is the common complaint. Similarly, the factors like illiteracy and availability of only collateral loans make farmers incapable in approaching the banks for loans
17. **Singh (2007)** studied the dynamics of agricultural credit in India, the contribution of co-operatives and public sector banks. The result concludes that the average, per farm crop loan requirement was worked out to Rs 5355 and term loan requirement was Rs 28,800. The availability of crop loan, from institutional sources worked out 72 per cent and term loan was 88 per cent respectively.

18. **Mulay S.S (2007)** discussed the problems cooperative banks. He says about the problems like, lack of necessary funds, delay in the sanctioning loans, effective supervision, verification of actual utilization of loans, political interference, unsatisfactory recovery performance, lack of adequate and trained staff, high cost of management etc.. And also he discussed the measures i.e. review of cooperative law adoption of new technologies, computerization, good communication network, lighten the supervision and monitoring of operations, removal of political interference, required training incentives of staff, etc., as well as measures for rehabilitation of cooperative credit.

19. **Dutta and Basak (2008)** suggested that Co-operative banks should improve their recovery performance, and adopt the new system of computerized monitoring of loans, implement proper prudential norms and organize regular workshops to sustain in the competitive banking environment.

20. **Kavita (2008)** the present study of comprehensive study on the cooperative movement in India with future perspective; as the paper discussed the drawbacks of cooperative i.e. poor infrastructure, lack of quality management, dominant membership, conducted election, lack of strong human resources policy, absence of professional etc.. Cooperative is also
unable the concept evolves strong communication and public relationship strategies, which can also promote the concept of cooperation among the masses. He suggested that, the development of effective strategies to overcome existing weaknesses which provides the basic needs, through public cooperative services.

21. **Sachin R. Agrawal and Dr. S.S.Solanke (2012)** they made on attempt to elaborate the problems and the relative perspective of co-operative banks in the Indian Economy. Suggestions of Khusro Committee that cooperative banks should work as a total system and develop self reliance. The higher authorities of the banking should help the lower authorities in the way of mother institutions. They should provide authority, leadership, guidance, supervision and control. There should be mutual support, help, accountability and responsibility in the system. So that there should be a good and effective relationship between there tiers. The deposit mobilization profit and reserves should be commonly shared. In fact the self reliance is the main theme on progress of cooperatives deposit mobilization. The mobilization of small savings from large number of peoples are desired the strategy for deposit mobilization, which is the key of success for cooperative banks. The modern practices should be co aided with some institutions to remain alive in the modern era. The computerization and improper leadership should be eliminated. They should improve themselves through the principles of cooperation.

22. **Sinasi Akdemir (2012)** In this research, credit using situation examined before 2000s in context of Seyhan Plain in Adana in Turkey. The purpose of this research is to study the needs and opportunities for agricultural credit in
the Adana region (675,000 ha including 223,000 irrigated). In this region farms have a very intensive production, with large input requirements and investments. In addition, prices and product yields fluctuate with weather conditions, market conditions, as well as farmers’ choices to certain specialized production, which causes a large fluctuation in farm income. This offset can cause additional problems. On the other hand, the expenses or traditional or modern in family is increasing because of urbanization. This phenomenon, coupled with a general increase in agricultural production costs, is causing a severe shortage of working capital to the farmer, who has seen the increase on its credit requirements. Normally, agricultural credit is mainly provided by the State agencies (Agricultural Bank, Agricultural Cooperatives). Indeed, this system is cheaper for farmers, because the interest rates are charged are well below the inflation rate but it requires guarantees, formality restrict the volume of loans actually granted, especially for small farmers. Thus, a parallel range of credit (loan shark, firms, non-agricultural banks, etc.) or the rate interest is, generally very high and the obtaining formalities are less painful.