Chapter 6
Conclusions & Recommendations
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Conclusions and Recommendations

The concept and practice of providing credit through institutional finance has now developed deep roots in many parts of the country because of the initiatives taken by the central government. Despite several studies it is hard to measure and quantify the effect that this Indian agriculture credit experience so far has had on the poverty situation in India. Without doubt a lot needs to be accomplished in terms of outreach of agriculture credit to make a serious dent on poverty. However, the logic and rationale of commercial banks based agriculture finance have been established firmly enough that credit has effectively graduated from an “experiment” to a widely-accepted paradigm of rural and developmental financing in India. This is no mean achievement.

Though several studies are available on how agriculturists live in the rural areas but there is dearth of study on the impact of government policies in the farming sector. The present study is an attempt in this direction. The impact of agriculture credit through commercial banks farming sector is discussed in detail in the previous chapters through the study of agriculture performance in the Etawah District. Based on this and through the general observation in the field and also through the analysis of various secondary data available, an attempt has been made in this chapter to provide some useful suggestion for further improvement in the priority sector through the availability of finance, especially in the rural areas.

NABARD has been playing a key role in the growth and development of agriculture in India. Through various means of providing and helping the priority sector. The RBI and NABARD have tried to encourage relationship banking, i.e., improving the existing relationship between the poor and bankers with the social intermediation of NGOs. Various credit delivery innovations such as Grameen Bank Replications, NGO networking, credit unions, and SHG federations have been encouraged by NABARD for increasing the outreach.

Since 1992, Institutional finance has become a regular element of the Indian financial system. Financing through LDBs, Cooperative societies, District Development Banks ensure several benefits such as: (1) an economically poor individual gains strength as
part of a group; (b) because of the group a poor get access to the required amount of appropriate credit at a relatively low interest rate which he might not got, if he is working as an individual; (c) financing through DDBs reduces transaction costs both for lenders and borrowers; (d) tremendous improvement in recovery (in some case recovery is recorded to be as high as above 90 per cent); and (e) remarkable empowerment of poor women (both socially and economically).

The study indicates that the availability of loans through commercial banks have helped the growth and development of non-farming activities in the surveyed groups. But these nonfarm activities are generally of traditional type and provide low returns. Findings of the study also indicate that Cooperatives in the rural areas has also helped the rural poor to achieve social rights. Responses from the beneficiaries suggests that social empowerment of agriculturists has increased over time since taking the help of banks in terms of credit. The study also found that the participation of agriculturists in agriculture related activities and decision making processes have considerably improved. One has to understand that the progress of any nation is inevitably linked with social and economical condition of farmers in rural areas that particular country. Rural population; due to the involvement in agriculture play a significant role in the domestic and socio-economic life of the society and therefore, holistic national development is not possible without developing this segment of the society. Empowerment by way of taking loans rather than money lenders can bring enviable changes and enhancement in the living conditions of rural poor and developing nations. What a small farmer cannot achieve as an individual because of scarcity of fund can be accomplished as an account holder in the banking institutions with sufficient understanding about his own rights, privileges, roles and responsibilities as a dignified member of his native village. When he becomes financially strong, his sense of public participation, enlarged horizon of social activities, high self-esteem, self-respect and fulfillment in life expands and enhances the quality of work done by him, decision makers and beneficiaries in the democratic, economic, social and cultural spheres of life. After examining growth and aspects of agriculture credit in Etawah District, various aspects come up. These are briefly summed up below:
6.1 Conclusions

- Loan requests are considered by groups and loans (usually small in amount) are provided for short duration and are mainly for conventional purposes. The rates of interest vary from group to group and it is generally higher than that of banks but lower than that of moneylenders.

- The role of credit is very important in livelihood promotion, as the viable economic activities require simultaneous expansion of the supply of quality credit. The commercial banks have proved to be successful in this aspect as it is found that the rate of growth of credit absorption of commercial banks is much higher than individual borrowers under the priority sector. Also bank's transaction cost of dealing with rural people is obviously lower.

- Banks have also been able to reduce the operating cost of forming and financing of agricultural activities through the involvement of NGO's and youths for their formation and nurturing, as found out during the visits to lead banks in Etawah District.

- With the help of cooperative banks an attempt has been made to evolve supplementary credit strategies for meeting the credit needs of the poor by combining the flexibility, sensitivity and responsiveness of the informal credit system with the technical and administrative capabilities and financial resources of formal financial institutions. An attempt has also been made to build mutual trust and confidence between bankers and the rural poor and to encourage banking activity in a segment of the population which is generally ignored by the formal financial institutions.

- The banking institutions develop their own management system and accountability for handling the problems faced by the rural poor at the time of account opening. The interaction among the office bearers and the village member is based on participatory mechanism in terms of decision-making.
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- The banking institutions provide bank credit on the basis of savings of the agriculturists. Small savings of rural peoples can generate the required resources, which can wean the people away from the exploitation of moneylenders. Thus, these voluntary small savings can constitute the key for economic progress.

- Through the funding by commercial banks rural poor's ability to save and access credit would give them an economic role, not only within the household but also outside it as well. Investment in the economic activities in agricultural related activities would improve their employment opportunities.

- Institution credit through various media can ensure wider coverage of poor families through bank credit, as it is very difficult for the banks to reach each and every poor.

- Commercial banks if properly governed by its higher institutions like NABARD and RBI and nurtured in a proper manner can go a long way in creating a unique, alternative need based credit delivery mechanism for poor by pooling their paltry resources for catering to their consumption and production requirements.

6.1.1 Key Findings

The data gathered from the office of the planning commission, Uttar Pradesh covers 8 blocks of Etawah District. The data including other blocks have sometime been eliminated for the purpose getting accurate results. The impact of agriculture credit on the social condition of rural poor about the various non-farm activities in which they are involved is based on the assessment of the detailed information obtained from secondary data. The people living in blocks of the district for the study are indulged in the number of activities other than farming like dairy works, small kirana shops, tailoring, pickle manufacturing, candle manufacturing, carpet weaving, vegetable selling and leaf plates manufacturing.
6.1.2 Key Findings of the accessibility of loans

- The average distance of the rural people from the link bank is around 3.5 kms. The average distance of the villages from the market to sell product is about 3.8 kms and the average distance is nearly 15.2 kms from the district.

- The study revealed that commercial banks provided loans to members for initiating various IGAs (Income Generating Activities), consumption purposes, settlement of old debt taken from money lenders and contingency purposes such as health related expenditure and other social functions like, marriage ceremonies and funeral, etc.

- As far as performance of Agricultural implements due to the credit delivered in Etawah district is concerned, it has been declined from the year 1982 to 2003.

- Wooden implements continuously declined during every five year of time span. From 1982 to 1988 the iron implements saw an improvable increase and after that it continuously declined and same is the case with advance harrow and cultivator.

- Only in case of tractors, it can be said that it registered a remarkable increase during last 10 years.

- As it can be seen that the impact of credit delivery is more or less negligible on rice production as total area and area under irrigation remains almost same.

- Same is the case with wheat except 93 to 98 as area decrease due to the separation of Auraiya district from Etawah.

- But the case of pulses differ from the case of rice and wheat, this is due to the culture and geographical condition of the Etawah district.

- Agriculture credit could not do much in case of sugarcane even though it is the main crop of Uttar Pradesh. Some very fertile area of sugarcane has been transferred to Auraiya district which used to be the part of Etawah before 1998.
As wheat is the main food Etawah district, it can be observed that the role of commercial banks in wheat production have shown a significant result in comparison of the other main crops.

Farmers utilized the credit given by the commercial banks in using fertilizers, as a result the production has gone up and this is the good sign for future.

As far as the use of land for agricultural purpose is concerned, it is lacking behind as most of the farmers are small and marginal and they are not aware of the schemes provided by the banks.

Increment in the number of banks its branches in UP and Etawah has been shown by the compounded annual growth rate. And shows significant improvement as far as the Uttar Pradesh state as a whole is concerned; in case of Etawah it shows a marginal improvement from the period 1995-2005 to 2005-2013.

Bank deposits do not show any noticeable improvement but still it has been maintained by the commercial banks very well.

The farmers and agriculturists in Etawah district have been very enthusiastic and keen to go for the agriculture related activities which is shown by the CAGR.

Credit delivery ratio has also been calculated.

Number of banks in Etawah district has shown rapid increase in the year 2006-07 and after 2012.

After the UPA government got second tenure, loans towards the agricultural related activities gone very high.

Correlation analysis of agriculture credit shows that it is positively correlated with all the main crops (irrigated area) except pulses. And sugarcane shows highly negative trend.

The analysis with crop production also shows positive relationship except pulses.

Agriculture Credit delivery highly and positively related with the use of fertilizers.
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- To a certain extent, the commercial banks have helped rural people to obtain loans. However, office bearer of the commercial banks are of the view that they require technical, financial and marketing skills particularly related to nonfarm activity in which they are hardly providing any assistance to the agriculturists.

- The commercial banks in Etawah district have come up with suggestions for changes in the activities of agriculturists to make them more independent. For instance, more time may possibly be fixed for training and group discussions. Moreover, only a very small percentage of villagers reportedly received support from financial institutions (FIs)/Banks in book keeping, as well as for financial activities. They are also not satisfied with the frequency of visits from the personnel of FIs/Banks.

- The data analysis on performance indicators of the various types of CBs suggest that all rural people seem to be performing better if they get timely and adequate assistance.

6.1.3 Findings on the Level of rural people and their Households

- According to the data available in the office of the lead bank in Etawah district generally the agriculturists were the ordinary members of their groups and they were motivated mostly by NGO workers and by other people from the same village. According to the official income generation, to get credit support, self-employment and to improve quality of life are the most important reasons for the loan asked.

- Before coming to the commercial banks for taking financial assistance the small farmers mainly used to depend upon the money lenders for their credit needs which have reduced up to a large extent after linkage with the commercial banks. Now majority of the rural poor depend upon their nearest financial institution for their credit needs.

- Most of the beneficiaries avail both internal loaning as well credit from the bank. Most of the beneficiaries reported that they used to take the loan both for personal and occupational use.
• The commercial banks realized that radio, TV ads, newspapers and magazines were the most influential sources for providing information regarding agricultural and non-farm loans. Generally family/relatives, friends and panchayat members were the most important people who help in taking the decision regarding the loan products.

• Rural people feel that low interest rate and easily availability of loan are the most important reasons which they thought about while deciding about a particular credit source.

• During the study of available data it was observed that the non-availability of easily availability of loans for the agriculture oriented activities initiated by small farmers was not satisfactory.

• No institutional arrangements for marketing of products were available in the case of selected areas of the village engaged in diverse activities.

6.2. Constraints and Problems in Non–Farming Activities

• The major constraints in the agriculture credit delivery activities according to analysis were fear of crops destruction and fear of getting into debt, lack of institutions for necessary training, lack of technical knowledge and illiteracy/poor education.

• Respondents pointed out that lack of capital/money and high interest rates are the biggest obstacles in starting a small business. Besides that lack of credit institutions, rigid banking process and non availability of timely credit are the other important financial constraints in starting a viable non- farm activity.

6.3 Recommendations

• Government related institutions need to recognize the potential of agricultural financial services to maintain investment and expansion in key economic sectors and hence to add significantly to national economic growth.
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- As a matter of fact poor do intensely use the limited knowledge and experience at their command without a sufficient return. If we want to bring about the significant change in the lives of the poor than we have to bring in significant inputs of a kind that the poor want but they don’t have. For this it is important to find out what they do know and have. It is only then, that schemes can be devised that can give right inputs in right quantities.

- A good regulatory framework for agricultural services is necessary to reduce the transaction costs and also to bring in much needed transparency and accountability. This will also help in bringing long-term sustainability. The safety of small savers, ensuring proper terms of credit, instilling financial discipline and having a proper reporting and supervision system should be put in place.

- Through proper guideline and supervision it must be ensured that financial institutions are run prudently and must help the poor people in increasing their income through the proper livelihood activities.

- Institutions which are involved in managing the functioning of commercial banks in the country like RBI, SIDBI (Small Industries Development Bank of India), NABARD and others must evolve proper means for monitoring, managing, directing and controlling of credit. State Government and Central Government agencies must also ensure proper monitoring of these fund providing agencies.

- Mass media must be used widely for the spread of functioning of commercial banks in rural areas. Through the mass media potential and benefits of banks can reach to a large section of people and subsequently it will help in further increase in the number of branches of these banks in the villages.

- In particular, the success and sustainability of commercial banks in the studies area depends significantly upon greater clarity about who is to play the key role of maintaining quality, and how the costs of doing so are to be met.

- The awareness of the Bank staff with the local issues and the local people will help in the success of commercial banks in a long way. For
the success of commercial banks close association of Bank staff with the agriculturists is necessary, right from identification of the viable non-farm economic activity to planning for all the elements of this non-farm economic activity. Post credit monitoring and loan recovery is also very much important for the success of commercial banks.

- The procedure for applying, seeking and releasing of credit from the banks must be simplified further. During the study it is observed that the procedural difficulties are one of the major stumbling block, which has denied rural people from taking the financial benefits of the banks.

- Efforts should be made to motivate banks to take active interest in the farming and the activities related to agriculture and rural people to spread the information of various schemes and financial needs of poor.

- The bank functionaries who deal with agriculture credit branch managers should be exposed to the local people's language and culture. Motivational training programmes should be organized for bank functionaries to generate in them a sense of cooperation and positive orientation towards rural people.

- Beside the agricultural related activities institutional credit must also be made available for consumption needs arising out of emergencies, crisis, as also for housing, sanitation and for provision of other basic amenities.

- Efforts must also be put in for the quick release of funds and its channelization to the related departments and agencies so that it can reach the targeted small farmers.

- Encouragement must be provided to commercial banks to work in an organized manner, as this will help in reaping economies of large scale production.

- Some random surveys can be done in the area of agriculture finance to the clearer picture of the rural poor of Etawah District

- This type of study can be done on primary data in Etawah as well as other districts of UP state.
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- Comparative studies can be done on the performance of commercial banks of different districts as well as different states.
- Studies regarding other aspects of commercial banks like loan to other industries can also be highlighted.
- Similar studies can be done on the agriculturists to highlight the purpose of getting institutional credit.
- Studies can be undertaken on the factors which motivate the farmers to get the benefits of different commercial banks.
- Studies can be done to analyze the role of government in promoting the agriculture credit through financial institutions.

The above mentioned interventions will help the commercial banks towards their evolution and growth and long term sustainability. Implementing the above recommendations will help the commercial banks in rising into sustainable financial institutions.