Introduction:

In the previous chapter analysis of the data collected regarding institutional credit is made for drawing inferences. In this chapter, the researcher has attempted to draw attention to the major findings with an objective of providing guidelines that may be adopted for policy formulations applicable to improve the efficiency of institutions providing credit to agriculture in India. From the analysis and interpretation data, following findings are drawn by the researcher.

1. Although the number of cultivators increased from 99.6 million to 118.7 million but their percentage share in total decreased from 76% to 45% in last 50 years (i.e. from 1961). Non-availability of sufficient and timely credit might have made them difficult to conduct their farm operations. Increasing cost of credit has also lowered the profitability of cultivation. As a result, the number of agriculture labor increased faster from 31.5 million (24.0%) 144.3 million means about five time increase. Hence, percentage of agricultural labor in rural population has also increased from 24.0% to 54.9% during the same period.

2. Agriculture is the most significant sector in Indian economy. But the percentage share of agriculture in GDP has decreased from 16% to 11.6%. Less availability of affordable and adequate agricultural credit is one of the most significant reasons for the decline in the agricultural growth. As a result, Indian economy has to depend more on service and industrial sector for faster economic growth.

3. The Government of India took bold step of nationalizing commercial banks but agricultural growth as well as the growth of these financial institutes is not good in terms branches, memberships and specially growth in grass root rural sector.

4. Table No.1.3 shows the increasing space between demand for and supply of agricultural credit. Agricultural sector requires credit for improving productivity and conducting day to day farm operations. But, the gap between estimated agriculture demand and total supply of agricultural credit. During 2002-03 to 2007-08 the difference between demand and supply of credit has increased from 4% to 33.10 %. i.e. more than seven times in the span of five tears. This widening gap presents failure of credit institutions in fulfilling the
credit demand. It also necessitates the development credit institutions for supplying more and more credit.

5. The government spends less on agriculture than what it plans. This further intensifies the need for agricultural credit not only for producing crops but creating infrastructure. The gap between planned expenditure and actual expenditure is present in every plan period. Such maximum gap was equal to 31% means only 70% of the planned amount is spent on agriculture.

6. Share of agricultural Gross Capital Formation Capital in total GPF has remained stable to 7% to 8%. This adversely affects the investment in agriculture and ultimately agricultural productivity. Decline in agriculture adversely affects agricultural growth. So, institutional credit is required.

7. Public sector capital formation in agriculture was 21.27% in 2004-05 and declined to 16.44% in 2011-12. This also indicates that the private sector investment in agriculture is about 80%. Low public sector capital formation in agriculture demands credit availability for modern farm operations.

8. Growth rate in agriculture is always less than the growth rate in GDP. Maximum growth rate in GDP was 7.5% but maximum growth rate of agriculture sector was 3% only.

9. While assessing the sectoral growth rate, the researcher found that the growth rate in agriculture was much lower than the growth rate in other sectors. For example, in 2002-03 the growth rate in agriculture was 3.1% but in industry and service sector the growth rate was more than double. Inadequate supply of credit was one of the most significant causes for low growth rate in agriculture.

10. Since 1994/95, the commercial banks have been preparing the Special Agricultural Credit Plans (SACP). These banks have disbursed loans more than the targets fixed.

11. In 1989, NABARD introduced the Kisan Credit Card (KCC) Scheme for satisfying the short-term credit requirements. The KCC scheme has proved a commanding mechanism for curtailing the costs of credit. The co-operative banks have taken lead in issuing KCC.
12. The number of PACS in India was the highest (112309) in 2002-03 but lowest (91110) in 1994-95. There was marginal increase in number of PACS during 1993-94 to 2011-12.

13. For the convenience, membership of PACS in India is classified in to Scheduled Caste, Scheduled Tribe and Others. It is observed that in 1993-94, the percentage of Scheduled Caste and Scheduled Tribe members was 15.75% and 14.0% accordingly. The percentage of S/C members increased slightly to 24.40% but the percentage of S/T membership declined to 10.80% in 2011-12. Thus, the percentage of S/C and S/T members together was 30% in 1993-94 and researched to 35% in 2011-12.

14. Resources of PACS comprises of owned funds, deposits and borrowings. It is thought better that for good health, PACS should increases the proportion of owned funds in total resources. Though, in 1993-94 owned funds were of Rs. 269423 lakhs and increased to Rs. 1599587 lakhs but the proportion of owned funds in total resources was only 5% in 1993-94 and became 10.23% in 2011-12. Low percentage of owned funds indicates greater independence on loans which are to be paid in the future and becomes the solid cause for indebtedness of these institutions.

15. In 1993-94 the number of DCCBs was 359 and decreased to 371 in 2011-12. It indicates that non-viable DCCBs has been shut-down due to heavy losses. This might have badly affected the agriculture growth in the concerned districts. Though there is decline in the number of DCCBs but number of offices of these banks has increased from 11623 to 13495 during the given period.

16. It is observed that among the members of DCCBs, number of individual members always remained greater than societies. Generally, the percentage share of individual members remained to 80%.

17. Resources of DCCBs comprises of own funs deposits and borrowings. The proportion of owned funds in total resources was only 9% in 1993-94 and became 12% in 2011-12. Lower percentage of owned funds indicates greater dependence on loans which are to be paid in the future.
18. The number of SCBs was 28 and increased to 31 till 2011-12. It indicates that the increase in SCBs was due to the creation of new states. Offices of SCBs also increased from 717 to 1047 during the same period.

19. This membership of SCBs is classified into co-operative societies and individuals. It is further observed that the numbers of individual members always remained greater than societies. Generally, the percentage share of individual members remained to 80%.

20. Resources of SCBs comprises of owned funds deposits and borrowings. The proportion of owned funds in total resources was only 9% in 1993-94 and became 12% in 2011-12.

21. The SCARDBs in India are categorized into unitary and federal banks. During the study period the number of unitary SCARDBs remained stable to 7 but their branches increased from 735 to 777. But both the number and branches of Federal SCARDBs decreased from 12 to 10 and 7628 to 6641 respectively. Their staff also declined from 7628 to 6641.

22. The PCARDBs in India lend directly to farmers for long-term duration. They are categorized into unitary and federal banks. In India there are no unitary PCARDBs. Federal PCARDBs increased from 650 to 6641 but number of staff declined from 8022 to 6641.

23. The branches of commercial banks are classified as rural, urban and metropolitan branches. In 1990, the number of rural, semi-urban, urban and metropolitan branches was 34791, 11324, 8042 and 5595 respectively. This classification indicates that the number of rural branches were greater. It was the impact of nationalization of commercial banks.

24. The population per commercial bank branch declined slightly from 16.4 thousand to 11.6 thousand during the study period.

25. In 1975, the number of RRBs was only 06 and became maximum (196) in 1990. They remained stable till 2005 but declined 82 in 2010. During the same period, the branches of these banks increased from 17 to 15,480.

26. Institutional credit provided by Co-op banks to agriculture increased from Rs.5800 cr. to 87963 cr. This was 15 times more than in initial 1991. The average growth rate per year comes to 70%. But it is also clear that percentage
share of these banks declined from 52% to 23.89% during the study period and further to 19.37 in 2011-12.

27. During the study period, agricultural credit provided by Regional Rural banks increased from Rs.596 cr. to Rs. 53058 cr. which was 89 times more than initial 1991 credit. The percentage share of RRBs in total formal credit to agriculture increased from 5% to 11.68%. This was the welcome development in agricultural credit.

28. Institutional agricultural credit provided by Commercial banks not only increased steadily but the percentage share in farm credit also increased largely. The farm credit supplied by the Commercial banks in 1991-92 was Rs.4806 cr., and it increased to Rs. 312877 cr. in 2011-12 which was 65 times more than initial credit. The percentage share of commercial banks increased from 43% to 68.95%. The percentage share of commercial banks was greater than the share of RRBs in total formal credit.

29. Institutional agricultural credit provided by Commercial banks not only increased steadily but the percentage share of these banks also increases largely. The farm credit supplied by the Commercial banks in 1991-92 was Rs.4806 cr. and increased to Rs. 160690 cr. and further Rs.312877 cr. in 2011-12 which was 65 times more than initial 1991. The percentage share of Commercial banks in farm credit increased from 43% to 68.95% which was greater as compared to RRBs and Co-op. banks.

30. Overall ground level institutional credit to agriculture also increased steadily from Rs. 11202 cr. to Rs.245886 cr. during the study period. Then in 2011-12 it increased to Rs.453898 cr. This definitely helped the farmers to come out of the command of the informal credit sources especially money lenders.

31. While analyzing the short term and medium term credit provided by institutional sources, it is found that these institutions emphasized more on lending short-term or crop loans.

32. Long-term agricultural credit issued by the SCARDBS increased from Rs. 3.00 billion to Rs. 41.59 billion. Similarly, the credit of PCARDBs increased from Rs.6.51 billion to Rs. 33.41 billion during the study period. So, the loans outstanding of these banks also got increased.
33. Regional Rural Banks in India disbursed short-term or crop loans of Rs. 3.36 billion (52%) in 1989-90 and it reached to Rs. 470.11 billion (88%) in 2011-12. Long-term loans given by these banks were Rs. 3.12 billion (48%) in 1989-90 and increased to Rs. 60.45 billion (12%) in 2011-12. These trends indicate that the RRBs also favored more to lend their resources for short-term.

34. In 1989-90 the percentage share of these three banks was 61%, 30% and 9% accordingly in 2011-12. Thus the percentage share of co-operative banks declined from 61% to 23% and contrary the percentage share of commercial banks increased from 30% to 62%.

35. The percentage share of Regional Rural Banks in supplying long-term agricultural credit was much lower than the percentage share of co-operative banks and commercial banks. For example in 1989-90 the percentage share of Regional Rural Banks was only 7.55% and decreased to 6% in 2011-12. But, in 2011-12, the percentage share of co-operative banks and commercial banks was 88% and 6% respectively.

36. The percentage share of informal sources including landlords, agricultural moneylenders, professional moneylenders, traders and commission agents as well as relatives and friends was 1.5%, 24.9%, 44.8%, 5.4%, 14.2%, and 1.9% became 1.6%, 1.6%, 6.4%, 2.6%, 7.1% and 2.6% accordingly. The percentage share of informal sources in overall agricultural credit declined from 92.7% to 29.7%. So, it became possible for more and more farmers to be free from the clutches of non-institutional sources especially moneylenders.

37. The targets for agricultural credit were fixed on an increasing scale. In 2004-2005 target was Rs. 10,500 crore and it was revised to Rs. 8,00,000 crore for 2014-15.

38. Agricultural credit achievements were Rs. 1,25,309, Rs. 3,84,514 and Rs. 7,11,600 crore in 2004-05, 2009-10 and 2013-14 respectively.

39. Except 2008-09, every year achievements were more than 100%. These trends reveal that the credit institutions succeeded in lending more than the targets fixed.

40. Credit supply to agriculture by non-institutional sources declined from 92.7% to 29.7% during 1951 to 2010.
41. Percentage share of formal sources in farm credit increased from 7.3% to 70.3% during the study period.
42. Nationalized and private commercial banks, credit co-operatives and the RRBs are still the significant institutions providing credit to farm sector.

Summary:

Although, agriculture is still connected with human needs. Initially man invented this art to satisfy his essential need of food. Along with the physical inputs agriculture depends upon finances also. Continuously growing population in India has further increased the importance of agriculture. An improvement in agriculture leads to an economic development and economic development necessarily results in further improvements in agriculture. Generally, the overall advancement of a developed country depends upon the progress of an industrial sector but in developing countries like India, agriculture sector plays a predominant role in the overall development. Till the date agriculture has remained the main occupation of the majority population. Agriculture and industry are interdependent as agriculture provides raw material to industry and industry encourages agricultural growth. It is clear that overall development cannot be achieved without agricultural growth.

At the beginning development of every country is generally dependent on agriculture. Many developing countries have to develop agriculture first before they can be industrially developed. In the countries with mass poverty development of agriculture is considered as the means of an equal distribution of output. The industrially progressive countries have also to face shortages of agricultural output. Still, the prime objective of our economic plan is to increase the agricultural productivity by raising the farm productivity.

The traditional methods of farming in India consist of cultivating mostly with labour, animals and simple implements. The adoption of the “Green Revolution” in India during mid-sixties brought a change in above methods. This was initiated as, and all agriculture has undergone a drastic face-lift. Since then, various inputs such as chemical fertilizers, pesticides high yielding varieties as well as use of modern techniques have contributed to the overall agricultural development. It also brought change in agriculture from extensive agriculture to intensive agriculture. However, after persistent efforts, there are problems like continuously increasing over dues,
inadequate credit, high credit costs and regional imbalance which need immediate and careful attention

Use of both extensive and intensive agriculture became unavoidable. So, the use of all types of inputs became necessary to improve the productivity. This requires sufficient and well-timed agricultural credit. Agricultural credit is one of the important determinants of agricultural growth. 1 per cent increase in agricultural credit leads to 0.22 percent increase in GDP. The sharp decline in the percentage share of non-institutional sources of credit to agriculture as shown in table indicates that agricultural credit institutions have succeeded in making farmers free from the clutches of non-institutional lenders particularly money lenders. The Commercial banks have succeeded in increasing their percentage share in lending from 43% to 68.95%. This is a good sign for financial inclusion.

Thus this chapter includes various conclusions drawn after the analysis of the secondary data collected and complied for the convenience. In the next Chapter-VII Useful suggestions will be made to make the research policy oriented and applicable.