CHAPTER-III

SYNDICATE BANK AND AGRICULTURE & ALLIED ACTIVITIES

Agriculture, in India has the unique distinction of being the priority sector as well as the long neglected line of production. It provides about two third of our export efforts and in short, forms the basis of Indian economy. But it receives an insignificant portion of Bank credit in relation to its size, employment absorption, capacity and importance. In 1950's sector All India Rural Credit Survey Committee observed that the syndicate banks hardly contribute to one percent of the agriculturist's needs. With the nationalisation of Imperial Bank of India and its subsidiary banks and introduction of social control measures in the 1960's agriculture's share in total bank lending was only 5.5 per cent on the eve of bank's nationalisation.

The banks were with their conservative principles of financing aimed at low risk, easy profit and early liquidation of their loans, the cylindrical uncertainty of agricultural production, high levels of rural indebtedness growing up annually in the absence of surplus from uneconomic holdings, cultivated with a primitive technique of production and lack of organisational base for conducting on behalf of the farmers, need based purchases and profitable sales at appropriate
time and markets are the major reasons why the agriculture sector is treated as "untouchable" in the banking circles.

But precisely in the absence of institutional finance, private agencies, money lenders demand high interest and repayment in kind at a marked, contributing to increase in rural indebtedness. This is in short, a vicious circle, continuously acting against the material interest of agriculture and the bank.

Financial Need of Agriculture Sector in Meerut District

The backbone of the economy in the district Meerut is agriculture. Thus a major portion of plan outlay goes to agriculture sector. Before proceeding to examine the adequacy or otherwise of bank credit, two factors are required to be taken in consideration. (I) the need or requirement of credit of farmers and (II) The bank finance available in Meerut district. We may explain the each factor in detail as under:-

The need or requirement of credit of farmers:

The work of assessing the requirements of different sectors of the economy is a Herculean task. In fact, all farmers do not need credit. Some of them have their own resources, some of them are too small to make a gainful borrowings and a
large number of farmers do not or cannot use optimum inputs. Any field survey
made in this regard to estimate that credit requirements of Indian farmers is not
likely to give exact or accurate results. As has been pointed out by Mavinkurva
B.S. and Shesan, A. in their field study that most of the farmers could not
explain the basis for assessing the amount of loans applied.

Although it is very difficult to work out the total requirements of rural finance
in a district, one can always make a rough but reasonable estimate to find out, if
there exists any substantial credit gap which needs to be filled up by Syndicate
banks.

However, let us now attempt to estimate the demand for rural credit and its
supply in the district Meerut. There are two approaches that can be adopted in
this regard. The first one is that adopted by district Lead Bank office in its
Annual Action Plan. The experience of the District Lead Bank (Syndicate
Bank), Meerut is that normally 50 percent of the credit requirement as worked
out on the basis of costs of input etc. is raised by way of loans from institutions.
Syndicate Bank i.e. the district Lead Bank of Meerut district has computed the
estimate of demand for rural credit. The following Table 3.1 shows the demand
for rural credit in different sectors in different years.
### TABLE 3.1

*Sector-wise Credit Target/Demand in the District*

(Amount in Rs Crores)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Sectors</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Agriculture (Crop. loan)</td>
<td>206.5</td>
<td>258.2</td>
<td>303.1</td>
<td>330.3</td>
<td>375.3</td>
</tr>
<tr>
<td>2.</td>
<td>Total Agriculture</td>
<td>371.9</td>
<td>459.9</td>
<td>513.7</td>
<td>586.4</td>
<td>661.3</td>
</tr>
<tr>
<td>3.</td>
<td>S.S.I.</td>
<td>91.1</td>
<td>104.3</td>
<td>114.6</td>
<td>123.3</td>
<td>135.4</td>
</tr>
<tr>
<td>4.</td>
<td>Tertiary</td>
<td>93.5</td>
<td>88.3</td>
<td>54.0</td>
<td>51.3</td>
<td>63.2</td>
</tr>
<tr>
<td></td>
<td><strong>Total (2+3+4)</strong></td>
<td><strong>556.5</strong></td>
<td><strong>652.5</strong></td>
<td><strong>682.3</strong></td>
<td><strong>763.0</strong></td>
<td><strong>859.9</strong></td>
</tr>
</tbody>
</table>

**Source:** Annual Action Plan, Lead Bank Meerut.

Above Table 3.1 shows that for the years 2002, 2003, 2004, 2005 & 2006 the estimated rural credit demands as per the District Credit Plan prepared by District Lead Bank are of the order of Rs. 556.5 crores, Rs. 652.5 crores, Rs. 682.3 crores, Rs. 763.0 crores and Rs. 859.9 crores respectively.
These estimates show that the demand for rural credit is highest in the agriculture sector in the respective years.

**Bank finance available by Syndicate Bank in the district Meerut**

Deployment of funds of Syndicate Bank in the Meerut District has been in the following areas:-

1. Minor Irrigation
2. Farm Mechanism
3. Plant & Horticulture
4. Dairy Development & Poultry Farm
5. Other Allied Activities

As against the above estimated demands, the District Credit Plan has made a tentative proposed financial resources plan relating to availability of Banks. These banks are Regional Rural Banks, Land Development Banks, and District Co-operative Banks.

The resources can be broadly classified into the following categories:-
1. **Bank Deposits**: The total deposits of Meerut district for the five years are represented by the figures shown in the following Table 3.2.

**TABLE 3.2**

*The Position of Deposits and Advances in the Meerut District*

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Deposits</td>
<td>Advances</td>
<td>Deposits</td>
<td>Advances</td>
<td>Deposits</td>
<td>Advances</td>
</tr>
<tr>
<td>1.</td>
<td>Syndicate Bank</td>
<td>458510</td>
<td>139480</td>
<td>467000</td>
<td>248810</td>
<td>513370</td>
</tr>
<tr>
<td>2.</td>
<td>RRBs</td>
<td>6830</td>
<td>5480</td>
<td>8030</td>
<td>5700</td>
<td>10900</td>
</tr>
<tr>
<td>3.</td>
<td>LDBs</td>
<td>-</td>
<td>1880</td>
<td>-</td>
<td>3870</td>
<td>-</td>
</tr>
<tr>
<td>4.</td>
<td>DCBs</td>
<td>52970</td>
<td>38370</td>
<td>55790</td>
<td>17470</td>
<td>64240</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>518310</td>
<td>185210</td>
<td>530820</td>
<td>275850</td>
<td>588510</td>
</tr>
</tbody>
</table>

**Source**: Action Plan, Lead Bank, Meerut

The Table 3.2 shows that there was 2.41 percent growth in the year 2002-03 whereas it was 15.41 percent in the year 2005-06 that is a good sign of development. As regards the increase of deposits and advances bank-wise,
Syndicate Bank having highest deposits 13,976.01, 17,930.00 and 21,494.28 lacs in the year 2004, 2005, and 2006 respectively.

**Recycling of funds:**

Recovery of loans forms an important aspect of resources, as a proper recycling of funds, ensures continuous lending process. The percentage of recovery of Banks in Meerut has been 54.12 percent in 2003-04, 57.15 percent in 2004-05 and 55.02 percent in 2005-06. The percentage of recovery of Regional Rural Banks has been 56.60 percent, 60.80 percent and 70.14 percent in 2003-04, 2004-05 and 2005-06 respectively. Thus a handsome amount of recovery per year is available to the banking system as resources for recycling of funds.

2. **NABARD Refinance:**

The availability of refinance per year from NABARD is the source of Bank finance. The Table 3.3 shows that position of refinance from NABARD in Meerut District.
TABLE 3.3

Purpose-wise Refinance Disbursements in Meerut

(Rs. In Lacs)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Purpose</th>
<th>Refinance Disbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>31.3.03</td>
</tr>
<tr>
<td>1.</td>
<td>Minor Irrigation</td>
<td>180.625</td>
</tr>
<tr>
<td>2.</td>
<td>Farm Mechanisation</td>
<td>303.230</td>
</tr>
<tr>
<td>4.</td>
<td>Dairy Development</td>
<td>47.856</td>
</tr>
<tr>
<td>5.</td>
<td>Poultry</td>
<td>0.328</td>
</tr>
<tr>
<td>6.</td>
<td>Pig/Sheep/Goat</td>
<td>1.075</td>
</tr>
<tr>
<td>7.</td>
<td>Fisheries</td>
<td>0.171</td>
</tr>
<tr>
<td>8.</td>
<td>Forestry</td>
<td>15.469</td>
</tr>
<tr>
<td>9.</td>
<td>Bio-Gas</td>
<td>1.180</td>
</tr>
<tr>
<td>10.</td>
<td>Non-Farm Sector</td>
<td>0.500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>881.073</strong></td>
</tr>
</tbody>
</table>

Source: ICD NABARD, LKO, R.P.
This Table 3.3 reveals that Meerut district has received highest disbursement from NABARD for Farm Mechanisation followed by Minor Irrigation, Pig/Sheep/Goat and dairy development accounting for 91 percent of the total disbursement during 2005-06.

In this way the availability of resources, Banks in Meerut district are in comfortable position to meet their targets set under the Annual Action Plan but where the targets set for disbursing Credit to agriculture in the district Meerut, during the coming years are adequate to meet the demand of agriculturists-borrowers in the district is yet to be seen. The estimate of credit demand for agriculture is apparently low because the unit cost prescribed is much below the market rate.

**Direct Financing**

It was clearly conceded that Syndicate Bank did not have the necessary experience or the personnel to deal with the farmers directly, while the cooperatives had been specialisingly in rural credit since the beginning of the century. Even then, the nationalised banks were expected to go vigorously in support of the farmers in general and the small cultivators in particular. In the initial stages for obvious reasons, the nationalised banks have concentrated their
attention on large cultivators and other special category farmers such as those engaged in raising high-yielding varieties of food grains. At present short term crop loans amount for nearly 45 to 47 percent of the total loans has been disbursed by the Syndicate Banks. Syndicate Bank extends direct loans for such activities as dairying, poultry, farming, piggery, bee-keeping, fisheries and others. These loans come to 15 to 16 percent of the total agriculture financing.

In Meerut district, the Syndicate Banks are giving the direct finance to the borrowers in the agriculture sector. Yet the Syndicate Bank could not achieve the targets, since 2001-02 to 2002-03. Because achievements remained 81 percent in 2003-04, 73 percent in 2001-02, 98 percent in 2002-03, 96 percent in 2003-04 and 99 percent in 2004-05 that were less than the targets. Syndicate Banks are having 65 percent share in term lending. The performance of PNB under agriculture (Term Loan) tops the list followed by SBI. All other banks are far behind. The performance of PNB under agriculture has 69,957, 68753, 70493, 70686 and 71402 thousand since 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 respectively.

In block-wise distribution of agriculture loan, the share of Machhra block is the highest in 2001-02. After that Machhra’s share of agriculture loan remained the
highest 7.00 percent, 8.09 percent and 8.03 percent in 2003-04, 2004-05, and 2005-06. Rajpura block's share of agriculture loan remained the lowest 6.93 percent, 9.27 percent, 9.74 percent, 8.85 percent, 8.93 percent and 8.91 percent in 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06.

The agriculture activities like minor irrigation, land development, farm mechanisation and plant & horticulture position is good in Meerut district. There may be scope for more farm mechanisation in Rajpura, Rohta, Kharkhuda and Sardhana blocks. Situation regarding irrigation pump set is quite satisfactory except in case of Sardhana and Hastinapur block. There is not much scope for providing power threshers because number of large holding vis-a-vis number of power thresher is smaller in most of the blocks except in case of Sardhana, Machhra, and Hastinapur blocks.

The Syndicate Banks have given the loan under minor irrigation mainly for B. well. Under M.I. the disbursement was 97.78 percent, 97.12 percent, 97.28 percent, 96.94 percent, 93.86 percent, 92.73 percent, and 94.43 percent of total MI financing of Syndicate Banks to I.P. sets was .43 percent, .71 percent, .39 percent, .50 percent, .39 percent, 4.83 percent and 3.56 percent of total MI

Under Farm mechanisation the Syndicate Banks have disbursed the loan mainly for tractors. The percentage of tractor loan remained 80.28, 84.38, 85.32, 98.20, 97.93, 91.07 and 77.50 in 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 respectively while the percentage of others under FM is very low.

Under plant & Horticulture the loan disbursement position of commercial banks remained different in all the years.

Block-wise, the upward trend is in financing to M.I. and F.M. in Machhra while in Mawana block the downward trend is in FM. In Hastinapur block much higher disbursement under plant & Horticulture in 1993-94. Sharp decline in MI disbursement in Rohta block. In Parikshit Garh block the decreasing trend in MI disbursement.

The Syndicate Banks have given the short term and medium term loan for crop and allied activities respectively. While the long term loan are given to the agriculture activities like MI, FM etc. The Syndicate Banks have given the short term loan in a higher quantity 95 percent to 100 percent since 1997-98 to 2003-
04 while medium term loan have given only one percent to 5 percent since 1997-98 to 2003-04.

(A) **Crop loans & Syndicate Banks:** Crop loan is one of the corner stone of agriculture credit policy of the Govt. High yielding varieties programme comes under crop production. HUY programmes such as wheat, rice, sugarcane, potato, maize, bajara, pulses, and oil seeds are being under taken by agriculture department, sugarcane department and horticulture department. Varieties that are generally used in blocks are-

1. paddy
2. wheat and
3. sugarcane

It has been experienced that the share of crop loans of Syndicate Banks vis-a-vis District co-operative Banks are not satisfactory upto 2001-02 DCB fulfills around 75 percent of the crop loan requirements of the district. The highest contribution among Syndicate Banks in financing the crop loans is of Punjab National Bank followed by the State Bank of India. The following Table 3.4 shows the targets and achievements of crop loans in the Meerut district.
**Indirect Financing**

The syndicate banks are providing indirect finance for the distribution of fertilizers and other inputs to the intermediary agencies such as co-operative societies, fertilizer dealers etc.

The syndicate banks extend credit to manufacturing or distribution firms and agencies and co-operatives engaged in the supply of inputs, pump sets and other agricultural machinery on a hire-purchase basis or otherwise. They finance the operations of the Food Corporation of India, The State Governments and others in the procurement storage and distribution of food grain.

The syndicate banks increasingly subscribe to the debentures of the Control land development banks and also extend advances to the later. This enables land development banks to expand their medium and long-term advances to farmers for purposes of land improvement and land development.

(A) **Fertilizers & Inputs**:

Fertilizers are supplied in sufficient quantity through agriculture department, co-operative societies, Cane departments, U.P. Agro and Private dealers. Pesticides and chemicals are supplied through plant protection unit of the
district. This unit also provides equipments for plant protection on higher basis and undertakes demonstration programmes for their use. Pesticides and chemicals are also available in the market at Meerut and other semi-urban centres of the district.

Cow-dung and other Gobar are used for bio-gas which produces local manorial as a by-product.

There is no farm demonstration unit in the district but the demonstrations are carried out on cultivator’s field in the normal course. There is a scheme known as National Demonstration Programme of G.B. Pant University of Agriculture and Technology, Pant Nagar in which teams of the University conduct demonstration on cultivator’s field. In this way the syndicate banks does not finance to fertilizers & inputs directly.

(B) Seeds:

There is no such farm in the district. Seeds are taken from farms in other district. Seeds and plants are supplied by horticulture department, forest department, private agencies and Seed Corporation. At present, there is a one seed farm at Meerut. Training is provided at block level as well as at Panchayat
level. There are 14 cold storages with capacity of 35,120 MT. There is no processing centre. Marketing is done in private since there is no processing centre. Marketing is done in private since there is lot of demands in the district. Horticulture and fruit preservation department imparts training for cultivation of fruit plants, vegetable, spices and their processing. Therefore, the Banks do not finance to farmers for seeds directly. They finance through farms and private agencies.

Conclusion:

In the present chapter, we have studied about the Syndicate Bank financing to agriculture and allied activities for the development of rural sector directly or indirectly. But the finance has been provided directly to the rural sector more than the indirect finance. Under direct financing, the share of sugarcane and dairy development remained the highest share among the five areas i.e. Minor Irrigation, Farm Mechanism, Plant & Horticulture, Dairy Development & Poultry Farm. Still there is a need to finance to other activities also and there is a gap between targets and demands. If the gap is reduced by the financing on a large scale, the development of the rural sector is possible upto the mark.