CHAPTER VI

CONCLUSION
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It was conceded by all concerned and those that matter that State Bank of India should be active partners in the sustenance and development of agriculture. But the magnitude and dimensions of the problems were such that it needed efforts which had to be much more purposive, much more effective, much more rational, much more dynamic and above all much more speedy. It is but natural, therefore, that one should look back at the performance of this Bank during the past years of its changed status and evaluate its effectiveness in achieving the objectives set out.

Before one goes on the area of evaluating the performance, it would be in the fitness of things to have a clear idea about the work that developed upon the State Bank and others and objectives that were set to be achieved. Despite efforts made by the major institutional agency that tried to serve the requirements of cultivators for well over half a century, viz. the cooperatives, the percentage of effective coverage of cultivators by cooperatives was found to be extremely low even now. As per estimates made by various agencies, the cooperatives may have met more than 25 to 30% of the requirements of cultivators for agricultural development. Furthermore, the credit dispensed, may not have been in all cases evenly spread out and may have been provided to cultivators who were good at credit risks or important otherwise. Therefore, it was felt that there were large gaps still to be filled and was scope for both the
cooperatives and the State Bank of India directly, to serve the requirements not only for crop raising, but also for developmental investment without treading on the toes of one another.

As per Venkatappiah Committee estimates, the total short-term requirements of agriculture during the Fourth Plan period would be of the order of Rs. 2000 crores, the medium-term requirements of the order of about Rs. 500 crores and the long-term development investment of the order of about Rs. 1500 crores. As against this, the total short-term and medium-term needs, serviced by the primary cooperatives at the village level, as at the end of January 1968 and the outstandings thereof were not more than Rs. 534 crores and the long-term outstandings were around Rs. 278 crores. It is apparent from the foregoing statement that tremendous has yet to be made and even with the advent of the commercial banks, it may perhaps not be possible to fully bridge the gap in the next 3-4 years. Hence the entry of the commercial banks to lend the instrumentality and sustain and boost up agricultural production was considered a national necessity but the entry would have to result in overall national gain. One would like to know whether, looking back over the performance of the State Bank during the last 17 years whether this national necessity has resulted in national gain or not. I believe it has helped in agricultural development to a considerable extent.

Provision of agricultural crop raising and development/investment by State Bank in high potential areas and to cultivators growing

cash crops who were sizably big landholders, by perhaps weaning them away from the co-operatives, or financing cultivators to carry on agricultural operations at the traditional plane, was not, what was contemplated when the commercial banks were nationalised. The idea was that the State Bank of India would add to the total quantum of disposable funds available at the grass roots level, for making short-term and development loans for increasing agricultural production, and they should achieve this by assisting the marginal cultivators and potentially viable cultivators to become surplus and viable cultivators by pushing them up to a higher technological plane of activity and also helping the viable cultivators to further increase their surpluses. Therefore, the credit to be provided by the State Bank of India was to be purposive credit and not profit motivated credit and should engulf the innovators, early adopters, late adopters are also the non-adopters in the continuum. It is not the profitability of the loan to the bank that matters but it is the profitable use of the loan by the borrower that is crucial. To be able to serve agricultural development, the State Bank of India must change its sights from the profit motivated, security based operations to production oriented system of financing, which should also have a developmental attitude attached to each transaction. The State Bank of India would be able to achieve this only when it learns the main characteristics of the agricultural production credit and also that credit should be the prime mover of resources and an essential tool of agricultural development.

If one were to judge the performance of the nationalised commercial banks and the State Bank of India from the point of view of what

they have been able to achieve in direct and indirect financing of agricultural development during the last one year, the performance cannot be considered to be commendable and encouraging. The banks had fixed for themselves an overall target of Rs. 120 crores for direct loan to farmers this year and as against this, the banks had reached a level of outstanding of Rs. 150 crores by the end of March 1970. The statement below would further elucidate the performance.

(Amounts in crores of rupees)

<table>
<thead>
<tr>
<th></th>
<th>At June 1969 end</th>
<th>At June 1970 end</th>
<th>Increase</th>
<th>Percentage of increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Accounts in</td>
<td>2.68,049</td>
<td>8.27,893</td>
<td>5.59,844</td>
<td>209</td>
</tr>
<tr>
<td>respect of limits in force</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of limits in force</td>
<td>95.52</td>
<td>259.98</td>
<td>164.46</td>
<td>172</td>
</tr>
<tr>
<td>No. of accounts in</td>
<td>2.57,398</td>
<td>8.18,069</td>
<td>5.60,671</td>
<td>218</td>
</tr>
<tr>
<td>respect of balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>outstanding</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of balance</td>
<td>53.61</td>
<td>183.08</td>
<td>130.37</td>
<td>243</td>
</tr>
<tr>
<td>outstanding</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source 1: (Currency and Finance Report 1970-71)

A comparative position as to the share of the nationalised banks and the State Bank of India groups in the total for agricultural credit (balance outstanding) as at the end of June 1969 and June 1970 are detailed below:
It would be seen from the foregoing table that the State Bank of India group increased their involvement from almost Rs. 100 crores at the end of June 1970. The nationalised banks which had an outstanding of Rs. 62.42 crores as at the end of June, 1969 recorded an increase of more than 100% in the outstandings and the outstandings stood at Rs. 159.73 crores as at the end of June 1970.

The performance in the next one year in terms of increase in absolute terms of quantum of loans made and outstanding would be judged on the basis, perhaps, of the quality of loan as also equitable distribution in the entire country. Their aim in the future would have to be to make inroads into the areas, where banking had not set its foot and while entering these areas, the banks should make all-out efforts to help the areas move up in their plan of economic activity. While doing so, one would like to know whether

the main characteristics of agricultural credit viz., timeliness, adequacy, adoptability and flexibility were kept in view while granting loans or not. The success of any agricultural development scheme is dependent upon the cultivators themselves. Therefore, the credit extended to the cultivators should be adopted and tailored to the cultivator's needs. The farming activity has definite characteristics, which a State banker must know, before farming his credit policies. The characteristics of agricultural operations could be enumerated as under:

1. Agricultural production is a biological process having fixed seasonality of operations.
2. Yields and costs are influenced by predictable hazards.
3. The farming business and the family business are so closely inter-related that it would be difficult to separate the two.
4. Farming business at the traditional plane is usually small and after providing for the personal expenses, may not leave much of a surplus for debt repayments.
5. The pattern of production in a given season once started cannot be changed.¹

Apart from these characteristics of agricultural operations certain general principles of sound banking—credit, both for the user and the lender will also have to be considered. It is said that soft credit drives out sound credit. Therefore, if the bankers have tax recovery polities and an ineffective recovery and supervisory machinery, the borrower may lose respect for them and this might...

¹. Annual Report of Reserve Bank of India.
engender a psychosis of default. The correct policy for the State Bank of India and for that matter, all the banks, should be supervision and recovery procedures which were fair but firm. Repayment schedules should be such as to coincide with the time when the cultivator is most fluid. The basic principle in agricultural economics is to keep the cultivator fluid right round the year, which means that the dispensation of credit for productive operations should start sufficiently before the season commenced and that the due date for the recovery of the loan should be at a time when the marketing season was at the optimum level and when most of the produce of the area was generally sold by the cultivators. The loan instalments of durable capital loans and development loans would also have to be recovered out of the incremental income resultant consequent upon the investment of the loan in developmental activity and this would also be around the same time as the recovery of short-term dues, because the same crop would have to repay both the loan instalments.

Production credit would have to be supervised credit. Supervision was implicit, to see that the credit was properly used so that the cultivator with the improved package of practices moves on to a higher technological plan and consequently the input-output co-efficient is much more favourable than what it was when he obtained the commercial banks loan. In a situation of scarce resources and competing demands, it was felt that the commercial banks would be in a better position to evaluate proposals and revolve their free and disposable resources as quickly as possible, with a view to

achieving maximum results. While making loans for agricultural production when they start operating at the grass roots level and meet the rural population, this should enable the State Bank of India to mop up resource surpluses that were available in the rural areas. An evaluation on these lines as to what has been the performance of, at least the intensive centres of agricultural activity of the State Bank of India in mopping up more rural deposits would be very useful. In some cases it was seen that the branches had attracted more deposits than the amounts that they had lent out, whereas in other centres one learnt, to one's dismay, that the liberalised financing by commercial banks has resulted in the land-holder-cum-money lender expanding his lending operations, as he had realised his funds which were used for crop raising by getting a bank loan. This is a situation which should be avoided and the State Bank of India agent should be more vigilant as this cuts across the very purpose for which the State Bank was required to come into the field of agricultural financing. One cannot escape from the fact that certain deficiencies may have crept in, due to the fast pace of expansion of these advances portfolio and the grass roots level staff not being fully geared up to handle this special work. There may be cases where some bank may have entered high potential areas only, where cash crops predominated and financed the operations of these cultivators. While doing so, there may be stray case, here and there, of some avoided cultivators having availed, of the facility from two or more agencies. There may have been cases where the scales of finance may have been pegged too high for a particular crop. There may also be cases where the operational methodology loan policy and procedure were such
that due dates for the recovery of loans had been fixed in an irrational manner, for instance, in the case of short-term loans 6 months from the date of advanced, which may fall at a time when the cultivator was the least fluid. There may be cases where durable capital loan for sinking of wells may have been given indiscriminately without getting an opinion from the Exploratory Tube Well Organisation or clearance from the Irrigation Department of the State concerned, on the basis of hydrographic studies about the availability of sub-soil water or recharge potential. Loans may have been given for purchase of pumps sets and/or tractors directly to the borrowers and the tractors/pump sets may not have been purchased. These are all defects which perhaps could be explained by the fact that the State Bank of India and other were entering the field of agricultural financing for the first time and at the grass roots level the branches were not fully equipped to handle this work. But this position cannot be permitted to continue and the banks would have to consolidate their positions as they expand further. Therefore, the need of the hour is to build-up the organisational set-up and get an effective supervisory machinery adequate and fully trained on the ground with a view to verifying disbursement, utilisation as also effecting timely and genuine recoveries. The weakest link of the whole operations as things stand today, seems to be the inadequacy if not absence of post credit supervision over the financing by the State Bank of India was to be supervised credit and supervision was of crucial significance as the repayment capacity of the incremental income was in direct correlation to the implementation of package of practices and developmental investment in a manner specified. If this was not supervised and the implementation of the
recommendations ensured, then the repayment capacity would not be what had been computed in the proposal. Clarifying the point, in case the package of practices which we had indicated in the proposal for implementation were not implemented in to, in case the dosage of fertilizer was not what was indicated or the strains of seeds used were not the hybrid/high yielding ones that had been indicated for use in the proposal, then the gross output would not be what would have been computed on the basis of the improved practices detailed in the proposal. On the basis of the actual performance on the field, his output may not be sufficient to take care of the short-term loan instalment, leave alone the investments on account of developmental outlay. It is, therefore, imperative that immediate thought be given by the State Bank of India it has an effective supervisory machinery, on the basis of norms that may be suitably worked out individually by the bank concerned. The ultimate objective should be to keep a tight watch on the proper utilisation of the loans, (a) purely from the banks' point of recovering the loan in time and (b) from the point of view of achieving the social objective, that would result in overall national gain by helping the cultivator to produce more. This would not only add to the capital formation at the cultivator's level and consequently add to the deposit accretions with the State Bank but would also help the nation achieve self-sufficiency in food. This is all to the ultimate good of the cultivators, the economy and the country. Therefore finance for the agricultural sector is the paramount need of the hour as well as a necessity to maintain the tempo of growth.
The 5% rate of growth for agricultural sector as envisaged in the Fourth Five Year Plan can be achieved only if the credit inflow into this sector is liberal and prompt.

A recent study conducted by the United Commercial Bank, after the introduction of their agricultural credit schemes, has showed that the credit provided by the Banks almost triples the net profit in monetary terms. The outcomes of the study are summarised in the Table below:

<table>
<thead>
<tr>
<th><strong>Table</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>The impact of Modern Methods of Cultivation on wheat Production in the IADP Areas</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>For local varieties with traditional methods of farming</th>
<th>For improved varieties with recommended practices of cultivation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of:</td>
<td>Per Acre</td>
<td>Per Acre</td>
</tr>
<tr>
<td>(i) Seeds</td>
<td>Rs.35</td>
<td>Rs.80</td>
</tr>
<tr>
<td>(ii) Manures and Fertilizers</td>
<td>Rs.28</td>
<td>Rs.190</td>
</tr>
<tr>
<td>(iii) Pesticides and Human and Non-Human Labour</td>
<td>Rs.232</td>
<td>Rs.456</td>
</tr>
<tr>
<td>Total</td>
<td>Rs.296</td>
<td>Rs.726</td>
</tr>
<tr>
<td>Anticipated Income</td>
<td>Rs.510</td>
<td>Rs.1360</td>
</tr>
<tr>
<td>Net Profits</td>
<td>Rs.215</td>
<td>Rs.634</td>
</tr>
</tbody>
</table>

The above table makes it clear that the income of the farmers will rise manifold as well as the productivity of the farms would increase if adequate credit is provided. As a matter of fact, the recent researches in the field of agriculture have shown that the productivity of agriculture is more of a function of the in-puts than being a function of the size of holdings. The smaller farmers can also produce more if they use better and more inputs and resort to 'Intensive Cultivation'.

Since, all the schemes of the State Bank of India to finance agriculture are of quite recent origin, therefore, it is quite difficult to separate the impacts of these schemes from those of the self investments made by the farmers in their farming business and the incentives provided by the Government. The only thing which can be said at present that because the farmers have welcomed the scheme of the Bank, therefore, the impacts of these schemes also should be quite encouraging and beneficial for the economy.

During my interview with some of the Field Officers of the Bank - who are concerned with agriculture - I was informed that the farmers have shown a very encouraging response to the agricultural schemes of the Bank and the number of the borrowers is increasing day by day.

However, some cases of misutilization of the Bank advances have also come to the notice of the Bank. This is really sad that the money provided for productive purposes should find its outlets in unproductive ways. I was told by the Bank Officers that the Bank is trying hard to curb the misutilisation of its funds and is
plugging those loop-holes which facilitated the misutilisation of the Bank-funds.

Another fact worth mentioning here is that the liberal schemes evolved by the Bank have had such an impact that the farmer has now developed an attraction for the Bank and prefers to get advances only from it rather than Co-operatives Government and other agencies. The Bank is snatching the pride from co-operatives of being the largest agency to supply institutional credit to the agricultural sector. Cooperatives are suffering due to paucity of funds and non-recoveries of funds from the borrowers and members. Apart from this their conditions of advance are very strict and thus, their credit becomes out of the reach of small farmers. But on the other hand, the Bank is bringing out its liberalised schemes at a very fast speed.

Therefore, the Bank should frame its future policies in the light of these two facts: that the loans provided by the Bank are not mis-utilised and secondly that the Bank should not replace the existing sources of credit, like the Co-operatives etc. but it should only supplement their resources. This is necessary from the point of a balanced development of the rural areas and to save the co-operatives from total extinction. Secondly it would also assure that the bank-finance will not be misutilised.

The existing schemes of commercial banks are mainly for financing owners cultivators. Very soon methods and procedures for financing tenant cultivators will have to be evolved. How the Bank finances a person who owns no asset, will be main obstacle. According to the
1964-65 Survey made in the State of Madras, total cultivable area was 6 million hectares and the total number of tenants were 6.4 million. More than 30 percent of the area may be under tenant cultivation. It is they who need the credit very much and on fair terms. To bring them under the fold of organised credit institution is posing a grave problem yet it cannot be felt unsolved for long. The Land Ceililing Laws do not seem to have found an answer to this problem. Perhaps the land on which they toil and suffer is within the prescribed ceiling limits fixed for a holder. However, the problems that remain 30 percent or more of the farm lands are owned by absentee landlords and cultivated by tenants who perhaps do not care very much to increase the yield. The owner is very much disinterested as improvement made by him is going to benefit him to the full extent of his investment. Similarly, the tenant may feel that the fruits of his labour efforts will not be enjoyed by him to the maximum extent. This anomalous position has made another important factor of production very much unproductive. Any effort made by the Government of even financing institutions to rectify this anomaly will increase production very much. In the context of increasing production by giving an incentive, a scheme for making the tenants the owner of the land they till, may be examined. It may not be an impossible task if we realise that the absentee small holder is today getting a very uneconomic return when compared to land values. He may be satisfied with a fair price based on the nominal return he is now getting. It may also not be very difficult for the tenant to pay off the amount borrowed by him to purchase the land, on the basis of 20 bags of paddy per acre, value of 40 or 50 percent of the produce should be quite sufficient to pay back the amount borrowed, over
a period of ten or twelve years. Loans allowed to tenants for purchase of lands, cultivated by them, may be refinanced by the Agricultural Refinance Corporation, preferably at a very concessional rate of interest. This scheme will help expediting the change in the social pattern of our society.

Therefore, it is very necessary that the present credit from being misutilised, some criteria must be fixed to select the centres for being provided agricultural - finance by the State Bank and other Commercial Banks. According to Dr. S.C. Jain of the U.P. Agricultural University, Pantnagar, there are eight variables which can suitably indicate the propriety of financing a particular area. These eight variables are: (1) availability of transport and communication facility, (2) progress of co-operative credit and small scale savings scheme, (3) extent of adoption of improved agricultural practices/inputs, (4) progress and profitability of existing agro - processing units, (5) land-use pattern and agronomical structure etc. (6) agricultural resources and practices, (7) output per capital/acre and its growth over time and (8) man-power potentiality and wage rate. For the purpose of analysing the data thus received, State averages for each variable should be treated

1. Financing of Agriculture by Commercial Banks', Report of a Seminar held on December 6 to 8, 1968, Reserve Bank of India, pp. 249.
as model values, while the performance of each area should be judged accordingly.

By the above suggestion, it does not mean that the under-developed areas should be neglected for all times to come, by the Commercial Banks; but what is implied is that in the initial stages the State Bank should try to restrict its scheme only to such areas as have vast potentialities of development and for the remaining areas, the Bank should jump into the field only when it is completely satisfied of the viability of the financing-schemes.

Though the State Bank of India is following the recommendations of the National Credit Council with regard to the diffusion of agricultural credit; still agricultural financing, as Shri B.N. Adarkar, Deputy Governor of the Reserve Bank in his introductory speech to the Seminar on Finance of Agriculture by Commercial Banks pointed out, ".........is an area which calls for a great deal of innovation and experimentation in policies, procedures and methods as well as in the matter of liaison and co-ordination with other agencies engaged in the field."

Mr. Adarkar further points out that "the banks must approach this task in the spirit of active partners in a promising enterprise rather than unwilling participants in an unrewarding experiment................. " Commercial banks must be ready to perform the dual function of acting as depositories for savings for a new, prosperous and growing sector of the community and of surveying credit for production and marketing requirements of agriculture."

2. Ibid, p. 51.
In the same seminar, Shri R.C. Saraiya remarked: "One of the lessons of co-operative financing has been that, just as a physician has to treat his patient in respect of all his ailments, the banker has to meet all the requirements of the farmer from production to marketing. Here, it is necessary that the banker should look after (i) improvement in the production and business of the farmer, (ii) mobilisation of the surplus generated by increased agricultural production and incomes (in the form of deposits), (iii) financing of small scale and cottage industries and (iv) co-ordination of the various services supplied by Governments so as to bring to bear their effort on the farmer."

In the context of the technological revolution in agriculture which has perceptibly begun, the need for building up and developing infrastructure has become acute. The infrastructure which needs to be developed in this context are ware-housing, regulated markets, agro-industries, means of transport and communication and rural-electrification. The experience of bumper harvest in 1967-68 has amply shown that the increased production could not be handled for want of ware-housing and transport facilities. Some studies have indicated that the distribution of inputs has not been proper at certain places because of the inadequacy of such facilities.

As a matter of fact, in building up of these social heads, lending agencies and especially the State Bank of India have an important role to play. The credit required to build these overhead should be provided in the nature of long-term credit by the State Bank of India. By doing thus, the Bank can serve as a lead bank and induce other commercial banks to follow suit and contribute

to the rural development. Since this is an un-explored field, therefore, there is much scope for the Bank to develop its business in this field.

As a part of building up infra-structure in the rural areas, it should provide incentives to educated persons to settle in the villages, so that these persons could serve as guides to the un-educated villagers and teach them to live in hygienic conditions. Such a scheme should include retired military and civil officers who should be given enough money by the Bank to start their farms at those places which are considered back-wards. When these people will employ modern methods of cultivation, the other farmers will automatically be fascinated by the new methods and the 'demonstration effect' will lead them to make efforts for their own development also. The Bank should also finance the schemes of opening up of 'Model-farms' by various agencies engaged in the task of rural reconstruction. These farms can be utilized for demonstrating to the farmers of a particular areas, the benefits of new techniques of agricultural production and the proper use of farm-inputs.

In those areas where the size of holdings is quite small say below 10 or 15 acres and the owning of heavy machinery by individual farmers is not profitable for individual farmers, the Bank should concentrate more on the opening of Custom Service Units. Under this scheme the Bank should finance the projects of a well-trained person or group of persons and help them in acquiring a number of tractors, mechanical harvesters, and other machinery etc. These persons should cater to the needs of the small farmers in the area and provide them
machinery on hire. These Custom-Service Units should also take up the spraying activities in the villages, to save the crops from pests and other diseases. But for this, finance on huge scale is required - which even other Commercial Banks will be reluctant to provide. Therefore, the State Bank should immediately take up such schemes to help the small farmers. In the initial stages the Bank should be the owner of these units and employ suitable technical personnel to work in these units. At the later stages, the Bank pass on the ownership of these units to the private-persons. These units will, to a large extent solve the problems of the small farmers about the big machines.

Just as the 'Custom Service Units' are meant to provide heavy agricultural machinery to be farmer, on the same lines the State Bank should issue 'Agri-Cards' or 'Passes' to the small farmers on which they should be able to get fertilizers, seeds, pesticides etc. on credit from various agencies located in their area. They can repay this money to the Bank at a later stage with proper interest charges. These 'Agri-Cards' should serve as Pass-Book on which the farmer should be allowed to buy things up to a maximum limit in every season. This system has already been successfully tried by the Syndicate Bank in the South India. Such a system would also reduce the complications as well as facilities for the farmer the purchase of inputs.

The State Bank should pursue its scheme of 'Village adoption' with more zeal and vigour. In the villages to be adopted by the Bank,

all the needs of the farmers (of course except consumption and un-productive needs) should be met by the Bank. To avoid delay, the Bank should with the co-operation of other agencies hold meetings of the Council at shorter intervals.

It is very easily found out that after the recent entry of the State Bank of India and other commercial banks in the field of agricultural-finance and the popularity of their schemes among the farmers have become a cause of anxiety for these persons. As a matter of fact, co-operatives have not got so much resources that they may grant credit to the farmers at so liberal terms as the State Bank can; therefore, the farmers now feel attracted towards the banks for getting the required amounts of credit. Some of them even expressed the doubts that the co-operatives may have to be wound up after some years if the banks continue to provide credit so liberally. Therefore, the State Bank should make a thorough investigation into the working of various credit institutions in the State.

After conducting such a study as mentioned above, the Bank should for the time leave alone those where the Co-operatives are working successfully and are providing credit to the best satisfaction of the farmers. At such place the State Bank should act as a 'Refinancing Agency' and it should provide liberal finance to the cooperative Banks on the same lines as are adopted by the 'Agricultural Refinance Corporation' in financing the activities of the commercial banks, which are engaged in the task of agricultural financing. In this way it should dispel the fears of co-operatives and also avoid the duplication of the work. It would be in the
interest of the Bank as well cooperatives that the Bank should act as a Supplementary agency to the co-operatives, rather than being a competing agency. It can still act in another way. In coor-

ordination with the cooperatives, the Bank can demarcate its own fields of activity and thus, can avoid over-lapping. For example, local agen-
cies have not proper resources, therefore, the State Bank should exclusively take up the responsibility of financing the long-term projects of the farmers, while the local agencies should be entrusted with the exclusive responsibility of catering for the needs of the farmers with respect to short term financing - though in this work a proper refinancing of these agencies from either the State Bank of India or the Agricultural Refinance Corporation is very necessary!
The State Bank of India should be the regulating authority when it provides refinance facilities to these local agencies and it should appoint its own supervisory staff even to check the mis-utilisation of the loans to the farmers. In such a case it should act on the same lines on which, at present, the Agricultural Refin-
ance Corporation is acting while refinancing the activities of other commercial banks engaged in the field of agricultural financing.

The State Bank should also finance such projects as may be helpful in bringing about a co-ordination between the activities the Co-operatives, Block-authorities, Agricultural Department, Soil Testing Laboratories and Agricultural Work-shops etc. and may help the farmer in adopting better techniques of production. For the services, which the Bank would provide in this direction, the Bank should collect money from the people of the area at a later date.

It should also liberally finance the schemes of ware-housing etc., which may be envisaged by the Co-operatives etc.

The Government and the Planning Commission feel definitely concerned about agricultural development. Our Fourth Five Year Plan also aims at a 53% p.a. increase in the agricultural production. A greater stress is now being laid on the adoption of scientific and progressive methods of farming. H.I.V. seeds along with chemical fertilizers and pesticides are being used on a higher and higher scale. The farms are also being mechanised vastly. This new strategy is more capital-intensive.

The State Bank of India, which among other things was constituted for "the extension of banking facilities - more particularly in rural and semi-urban areas," has been responsive to the needs of the agricultural sector. The objective which the Bank has chosen is that its financial assistance should result in increased agricultural production and not merely be used for substitution of any existing credit channels. The National Credit Council also envisaged a role in the same strain for the State Bank of India.

The State Bank decided to take the credit at the door-steps of the farmer, so that he could modernize his agricultural activities and help the nation in achieving self-sufficiency in food-production. Therefore, some pilot-schemes were initiated by the Bank as a first step in this direction. Under the pilot-schemes, the establishment of pilot-centres was envisaged i.e., each selected branch of the Bank was required to cover a number of villages around it and not merely the village or town in which it is situated.
The branch at the pilot-centre will implement the liberalised policy of agricultural finance apart from the normal banking business and deposit promotion.

The agents of these Pilot Centre branches would be expected to have personal contacts with the leading agriculturists in their jurisdiction. At these Centres, the Bank, if finds necessary in the context of the need for financing the production etc., may arrange for the construction or hiring of ware-houses etc., in which agricultural produce could be stored for the purpose of providing the pledge-finances to the farmer.

As has been stated earlier that those areas which are highly advanced in agricultural production are not being properly served by the commercial banks and have lesser facilities in this regard due to lesser number of branches of commercial banks in the rural areas. The State Bank of India - which is a public sector bank - can afford to open more branches in the rural areas in the initial stages. A branch expansion programme should be launched vigorously. If at present, due to some technical limitations it is not possible to open more branches, the Bank should start 'Mobile Banks' to serve many villages at one time. Such banks were started by the State Bank of Patiala - a subsidiary of the State Bank of India - in the first half of the 1950's, at the initiation of Sardar Bahadur Mohan Singh who was General Manager of that Bank at that time. Since such Mobile Banks

require lesser operational costs, so, in the near future the State Bank of India should also venture into such projects. Mobile Banks will go a long way in providing the commercial banking facilities to the rural people in this State.

So far, we have discussed various measures through which the Bank can provide better assistance to the rural areas in increasing their incomes and out-puts. Certain suggestions have been put-forth which could help the Bank in effectively implementing the schemes of agricultural finance. But the increased in-flows of credit into the agricultural sector would also increase the income in this sector. In all, the increased incomes go for the consumption purposes of the farmers, then there may arise many complications for economy and the process of growth might be retarded. Secondly, with the increased income the farmer will indulge into conspicuous consumption which will mean an increased demand for money-supply and consequently more inflationary pressures on our economy.

To avoid these repercussions, it is very necessary that the Bank takes proper steps to mop up the increase in the farmer's income. Effective incentive should be provided to rural people to deposit their savings with the Bank apart from opening branches in the rural areas. The agriculturists should also be allowed 'Over-draft' facilities on their accounts with the Bank.

In short, we may say that the State Bank of India should pursue its policies of agricultural finance with more vigour and zeal. The Bank should work in co-ordination with the other agencies engaged
in the task of agricultural finance and the Government should also provide due concession and facilities to the Bank to expand its schemes further. The credit schemes of the Bank should aim at an all-round and balanced development of the rural sector, and facilitate a sustained growth in this sector.