Chapter VI

CONCLUSIONS AND SUGGESTIONS

Conclusions

The importance of agriculture is maintaining and sustaining the economic infrastructure of India can not be overstressed. India is primarily an agricultural country, though, of late, it is making rapid strides in the industrial sector also. But the fact that seventy per cent of India's population is employed in agriculture or agro-based industries makes agriculture, even now, the backbone of Indian economy. However, the shortfalls in agricultural production, due to draught and lack of irrigation facilities and other institutional factors, calls for immediate remedial measures to tackle the grim situation.

Bank nationalisation was a landmark in the post-independence history of India. The banks which were mainly oriented towards urban development and industrialisation played a negligible role in the development of agriculture. Therefore, it was strongly felt that farming sector and small scale industries, should be adequately financed through an expanded network of banking operations. Consequently, many
leading banks were nationalised in July 1969 with a
view to provide more credit facilities to agricultural
sector to bring about rural development. India is
predominantly a land of small-size farmers and tillers.
It is, therefore, necessary that the small-size
landholders be brought out of their centuries-old
poverty, illiteracy and stagnation. More facilities
of agricultural credit should be extended to them by
the nationalised banks. In fact, there is a close
relation between the development of Indian economy and
Indian agriculture on the one hand and development of
Indian agriculture and the development of small-size
farmers, on the other hand, Indian economy cannot develop
without the development of Indian agriculture and
Indian agriculture cannot develop without the upward
mobility of small-size farmers.

The present study was undertaken with the
explicit objective of examining the pattern of financing
of small and medium sized farms by nationalised banks,
in some selected districts of U.P., identifying
the problems faced by small and medium sized farmers
in getting finance from nationalised banks, and
suggesting corrective measures to tackle the problems
faced by small and medium farmers who form the bulk
of the Indian farming community.
The methodology adopted for arriving at conclusions in this regard was to personally contact small and medium sized farmers in some selected districts of U.P. to collect information about the pattern of finance, impact of finance and problems faced the participant as well as non-participant farmers.

Nationalised banks have played a pivotal role in the development of agricultural sector in the recent past particularly in providing credit facilities to the down trodden sections of the society. Prior to nationalisation of banks, the lending policies of banks were mainly directed towards the industrial sector and the very approach of banking system was urban-oriented. It directly or indirectly militated against the interests of farming community. The banks were nationalised with the objectives of effective credit planning, greater mobilisation of resources, control over monopolies, more efficiency and better service to customers.

The performance of commercial banks in terms of branch expansion and advances to agriculture sector has been quite impressive. The number of
branches of these banks increased by 44,764 from 8,321 in July 1969 to 53,085 in March 1986. Of these, the nationalised banks, numbering 20, accounted for an increase of 21,008 branches followed by the Regional Rural Banks (12,629 branches) and State Bank Groups (8,326 branches).

As regards deployment of credit to agriculture, it is observed that there is a sizeable improvement in the performance of Commercial Banks. While in December 1969, the share of agricultural sector credit to total credit was 7.1 per cent it rose to 18.1 per cent in March, 1985.

However, notwithstanding the problems of implementation, the process of agricultural assistance has to be accelerated if the agricultural sector is to be set on the rails. Without a substantial increase in the assistance programmes farmers will not be able to meet the daily contingencies of agricultural profession, not to speak of facing the vagaries of weather and the lack of major infrastructural facilities like provision of fertilizers, manure, seeds and irrigation. Besides, it would be impossible especially for the small size farmers, to bring waste and fallow
land under cultivation or to protect the land under cultivation without substantial agricultural credit. Therefore, the problems of implementation should be resolved through evolving reasonable criteria based on the availability of data and administrative experience gathered so far. It has got to be a trial and error method. The resolution of these problems and the evolution of sound criteria for implementing agricultural financing programmes will be a significant contribution of our planners towards the establishment of a socialist pattern of society in India.

With the advent of new technology the need for advanced agricultural technology is increasing day by day. It entails chemicals, fertilizers, pesticides, and high-yielding varieties of seeds. Such infra-structural inputs cannot be arranged merely by the personal savings of farmers. That is why there is an increasing demand for agricultural credit. The agricultural credit facilities play a catalytic role in bringing about a revolutionary change. A proper dose of farm-credit introduces technological sophistication apart from giving a healthy, competitive
Agriculture financing consists of two types viz. direct and indirect. Direct finance includes short term loans to farmers for the purchase of production inputs, such as, seeds, fertilizers, pesticides, the cost of cultivation, labour charges, irrigation charges etc., medium/long term loans for development purposes like irrigation, purchase of tractors, improvement of land, development of plantations, construction of godowns and cold storage, purchase of pump sets etc. The indirect finance comprises loans to farmers through societies like PACS, FSS, LAMPS etc.

Among public sector banks, Nationalised Bank's share was 62.5 per cent and that of SBI Group 34.0 per cent in total agricultural lending in 1973 in U.P. As regards direct finance, Nationalised Banks share was 68.0% and SBI group. Share was only 29.2% in 1973. Out of the total short term agricultural loans advanced by the Commercial banks in March 1980, 27.7 per cent of the total beneficiaries belonged to small farmers but there share in total outstanding short
term loan was 25.4 per cent. By 1982, the percentage of small borrowers was increased to 29.5 per cent and their share in total outstanding was also increased to 27.7 per cent. As regards the medium farmer borrowers, the percentage of beneficiaries increased from 16.4 per cent to 19.5 per cent while their share in total amount of short term loans decreased from 26.8 per cent in 1980 to 25.0 per cent in 1982.

In June 1983, 39.4% of the total beneficiaries belonged to marginal farmers but their share was only 28.2%. By 1984, though the number of marginal borrowers remained nearly the same and their proportion to total borrowal accounts also remained almost same. As regards small farmer borrowers, their number increased from 29% to 35.5% and their share in total amount of short term loans also increased from 27.6% in 1983 to 31.5% in 1984. The average amount of short term loans per borrowal accounts of marginal farmers slightly increased Rs.805 in 1983 to Rs.873 in 1984 while that of small farmer rose from Rs.1,073 to Rs.1,222 during the same period.

As far as medium/large farmers are concerned, by June 1983, 31.6% of the total beneficiaries belonged
to the category of medium and large farmers but their share in total outstanding was 44.2%. By 1984, though the number of medium/large borrowers decreased from 31.6% to 30.3% and their proportion to total borrowal accounts also decreased from 44.2 to 39.6%.

The data show that much has been done in post-independent India with a view to uplift the small-size and marginal farmers and to provide necessary wherewithal to these sections of Indian society which form the bulk of its population. The nationalised banks have done well in meeting out the capital and current expenditure of farmers by providing them agricultural advances. However, much needs to be done to ameliorate the conditions of agriculturists if India is to emerge on the industrial and agricultural map of the world. These banks need to make intensive and extensive surveys of the credit-needs across the length and breadth of U.P. in order to formulate appropriate plans and programmes for the upliftment of small-size and marginal farmers. The banks will really be making a significant contribution in the rejuvenation of agriculture if they adequately plan viable policies.
of agricultural assistance, for the importance of agricultural sector in the overall economic map of India cannot be overstressed.

When we compare both classes of farmers borrower and non-borrower we find that although both had nearly identical cropping pattern in the base year 1980-81, the borrower's achievement were more than the non-borrowers. The borrower farmers were able to achieve the target of grow more by high yielding varieties of wheat, rice and hybrid maize by the use of fertilizer, irrigation etc. and the non-borrowers were left behind by the borrower farmers in this respect. It can, therefore, be concluded that nationalised banks have made a good contribution in increasing farm production by the use of high yielding varieties.

To facilitate comparison, the yield rates of crops grown were computed in the present work. It can be observed that the production of borrower farmer far exceeded the non-borrower one. In case of improved varieties, both the groups achieved a significant increase but the increase of borrower class is higher.
than the non-borrower.

It is, therefore, observed that the borrower secured substantial increase both in terms of productivity and net income per acre. The full impact of this increase can be measured and understood when we compare and contrast it with stagnation in crop productivity in the case of non-borrower farmers. In case of borrower farmers there was a significant improvement in irrigation facilities, in the use of fertilizers and other inputs which led to marked improvement in crop productivity. So it can be concluded that bank loans have significantly contributed towards the development of agricultural production in case of borrower farmers. It is, therefore, essential that a systematic and integrated agricultural development programme be devised and implemented throughout the length and breadth of Uttar Pradesh.

There are some General problems as well as specific problems faced by farmers in getting loans from nationalised banks. India is a country of poor farmers and most of them are unable to afford costly inputs such as high yielding varieties, fertilizers,
pesticides etc. There are various general problems such as lack of rainfall, flood, drought etc. which are devastative for the Indian farmers. The other natural calamities such as hailstorm, frost, storm and many kinds of insects also damage the crops and this costs the farmers heavily.

Most of the Indian farmers are illiterate and their outlook is orthodox. Thus, they do not avail the various banking facilities provided to them. Effective steps need to be taken to develop the banking habits among farmers so that they get adequate loans from banks to meet their expenses of farm operations.

In rural areas power supply is not adequate for irrigation purposes. In the absence of adequate irrigation facilities, a single crop system can be operated which is uneconomical and unprofitable. Modern agriculture techniques can not be used effectively without adequate power and water supply.

The price of agricultural products is not fixed by the farmers but by the government agencies or
traders while the industrialists fix the price of their products with sufficient margin of profit. Government should form a committee consisting of the representatives of trade, industry, government and farmers to examine the issue of price of agricultural products.

The size of land holdings in U.P. is generally small and fragmented due to which modern implements and machinery can not be used economically. The consolidation of holdings is urgently needed and efforts should be made to combine small and fragmented holdings into a complete large size plot. This will facilitate the use of modern agricultural implements, save time of the farmers in supervising the crops and will help in resorting to multiple cropping.

Finance is the critical constraint for Indian farmers. All productive activities like farming, programmes for the development of irrigation, soil conservation, mechanisation and increased use of inputs like fertilizers, seeds and pesticides, require substantial credit support and as such they must be substantially supported.
The other main problems of participant and non-participants farmers were: cumbersome process of getting loan, difficulty in having records from government offices, lack of knowledge about the availability of credit and compliance of too many rules and regulations regarding the availability of bank loans. Non-cooperation of bank staff is also a common problem faced by the participant as well as non-participant farmers.

Another problem of participant farmers was sanctioning of inadequate amount of loan. It is one of the striking problems which requires a modification of the scales for granting loans to individual farmers. Lack of knowledge about the availability of credit is also a problem for non-participant farmers. This shows that the development of banking habits in rural areas is not adequate in the state.

Suggestions

The process of providing agricultural credit needs to be streamlined. Deposit is the backbone of bank activities and bank should pay greater attention
towards mobilisation of deposit in order to make
the bank's business a success. The following steps
needs to be urgently taken in this regard.

1) All possible steps should be taken to motivate
villagers for greater savings. Deposits and credit
disbursement should be increasingly interlinked and
correlated. There should not be procedural impediments
in the allocation of agricultural assistance. Also
it is desirable that the business should mainly be
translated in vernacular or local language. This
will lead to a great appreciation and understanding
of the problems faced by farmers. The interest rates
should be rationalised. This will go a long way
in facilitating mobilisation of deposits and allocation
of credit facilities. In a developing country like
India, it will help in diverting resources from non-
organised sector to organised sector.

2) It will be in the fitness of things that each
customer should possess a credit card duly signed
and stamped by block and revenue authorities wherein
a proper account of the customer land, the irrigation
facilities available in the proposed land and his credit
worthiness are clearly mentioned. Such a mechanism will lead to minimisation of procedural delays and speedy disposal of agricultural credit.

3) There should be greater understanding between the farming community and the bank management to ensure optimum utilisation of credit facilities. There should be an organised effort in this direction. An agency on the pattern of an Insurance Company may be created with a view to bring about a greater measure of intimacy between the farmers and bank officials. The agents of the proposed agency should try to square out all the procedural problems that serve as dis-incentives to the prospective customers.

4) Sometimes it is observed that members of the farming community do not repay their loan instalments within the stipulated time. This does not necessarily mean that the defaulter is necessarily dishonest. It may be that he is not able to repay his dues on account of non-utilisation of credit. It is, therefore, important that farmers should be properly monitoring be done in respect of utilisation of
credits. They should be educated in scientific agricultural activities. Farmers should be provided adequate inputs, storage and marketing facilities. If necessary, an Agricultural Advisory Council should be set up for the scientific and planned monitoring of agricultural development process.

5) It is suggested that agricultural credit programme should be a trained and planned endeavour. Due to diversification of banking activities, it is difficult for the farmers to keep pace with changing technology for bringing about agricultural development. Therefore, facilities should be provided for proper training of credit-customers. Also the bank staff needs appropriate training to ensure their effective performance in various jobs assigned to them. The trainers must also possess the necessary skills and aptitude to carry out their responsibilities effectively.

6) All credit programmes should take an integrated view of the whole problem. The general conditions of Indian farmers are so appalling and pathetic that they utilise the productive credits toward off their day-to-day distress. So what was required to be invested in production is invested
in consumption. Therefore, any productive loan system should take into consideration the daily needs of farmers as well as their consumption pattern. Otherwise the whole production development system will lead farmers back into the net of traditional moneylenders.

7) There should be greater coordination among public sector banks in the disbursement of agricultural credit. Public sector banks should be managed by efficient personnel dedicated towards achieving the goal of socialist society based on economic growth with social justice.

8) Nationalised banks should establish in expanded network of branches in the rural areas. These branches should have a rural orientation and cater to the needs of small farmers. It is, therefore, imperative that banking activities should spread out into the length and breadth of the state so as to expand the agricultural assistance programme as widely as possible.

9) To make the agricultural development programme a success, there should be a vigorous propaganda machinery to propagate the aims and objectives of
governmental credit policies. In fact, the farming community is generally ignorant about the launching of new credit schemes by the banks. Therefore, suitable cinema slides and TV documentaries should be prepared with a view to educate and inform the prospective customers about credit schemes available to them.

10) The procedure for scrutinising the loan-application and other formalities should be simplified and standardised. The number of required documents should also be reduced to the minimum. The lending policies of banks should be uniformly implemented.

11) The banks should conduct surveys and studies concerning the impact of bank finance in selected towns and villages, so as to find out the number of people who are directly benefitted by the bank finance, in terms of increased earnings, standard of living etc.

It should, however, be stressed that no suggestions for effective implementation of any economic programme are fool-proof. There are many impediments, constraints and bottlenecks in the actual implementation of any development programme. Procedural delays and the problems of bureaucratisation and red-tapism may
be found. The ego-classes and vested interests will always conspire to make a nonsense of any developmental scheme formulated with best of the intentions. We are indeed conscious of these inherent difficulties, built into the very texture of any human endeavour.

However, it is hoped that the above suggestions, if properly implemented, will go a long way in minimising, if not eliminating the problems of implementation in the ongoing endeavour of agricultural development. Therefore, the nationalised banks, the Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD) and economic planners should take effective steps for the speedy and timely implementation of credit policies and for the simplication of procedural formalities. The banking sector should have a clear-cut policy-framework in order to make the credit operations a success. Otherwise, the farming community will go from bad to worse and this will ultimately affect the progress and economic performance of the entire nation.