CHAPTER VII

SUMMARY OF FINDINGS AND SUGGESTIONS
SUMMARY, CONCLUSIONS, FINDINGS AND SUGGESTIONS

The present chapter deals with summary, conclusions, findings and suggestions of study "Agricultural Finance by Commercial Banks: A Case Study of Syndicate Bank in Anantapur District of Andhra Pradesh". It is divided into two sections, first section deals with summary, conclusions and findings of the study and the second section covered with some suitable suggestions in the light of the field experiences observations and findings of the researcher.

SUMMARY

Even after sixty years of Independence, poverty and unemployment continue to be the major problems plaguing our country demanding serious attention of planners and policy makers. Different approaches were spelt out in different Plans, but basic objectives have remained to be ensuring the growth with equity and social justice, self-reliance, improved efficiency and productivity. The focus has always been on the problems of poverty alleviation and expanding employment opportunities in rural areas.

More than seventy per cent of the population depend on agriculture and allied activities. Village industries in rural sector could hardly generate any surplus income to raise their standard of living. Among the factors responsible for this situation, lack of credit is the most important one. With the
advent of Green Revolution and breakthrough in agricultural technology, the credit needs in the rural areas have been on the increase. Nearly seventy per cent of the rural population belong to weaker sections, marginal, small, medium farmers and live in backward regions depending completely on agriculture and village crafts in spite of unfavourable natural conditions like scanty and erratic rainfall, infertile and fragmented lands etc. The task of Syndicate Bank is really challenging in these areas, more so, because most of the people have the potential inclination and willingness to work and generate income but do not possess the necessary wherewithal. Finance is an essential and important input for breaking the vicious circle of poverty.

The role of the commercial banks in rural/agricultural credit was negligible till the nationalization of banks in 1969. After two decades of independence, the commercial banks have entered in to this field to extend liberal credit to the farm sector. The nationalization of banks was major step for canalizing credit to various sectors of economy for which agriculture is a major sector. In spite of significant achievements by the banking industry, there is still scope to extend credit facilities to agriculture sector in a much greater measure. After the introduction of financial sector reforms in the nineties, the Reserve Bank of India (RBI) directed these banks to lend 30 per cent of net bank credit to agriculture.

Under these different geographical and economic conditions, various educational backgrounds, new institutional and economic approaches, the entry of Nationalized commercial banks to extend credit to the gross root levels in the district have different impact on the performance of the farm
sector compared to the earlier performance noticed by different studies. Hence, an attempt is made in the present research work to analyse the financing of agriculture by Syndicate Bank after nationalization in Anantapur district of Andhra Pradesh.

The present study in Anantapur district is purposefully selected, since it comprises various levels of irrigation, varying soils and other natural environment. Hence, the sample design of the study is multi-stage random sampling. Mandal is the first stage unit of sampling. Bank finance borrower household is the last stage unit of sampling. Of the 63 mandals in Anantapur district, three mandals namely Atmakur, Beluguppa, Mudigubba have been selected as the first stage units of sampling in three Revenue Divisions (i.e. Anantapur, Dharmavaram and Penukonda) by using random sampling procedure. In each mandal three villages have been selected i.e. 1. Atmakur, Mandal: Atmakur, Muttala and Sidharampuram. 2. Beluguppa mandal: Beluguppa, Yalagalavanka and Narasapuram. 3. Mudigubba mandal: Mudigubba, S. Bramhanapalli and Sankepalli. All the villages in the selected mandals have been considered for the selection of the second stage units of sampling. Altogether three villages from each mandal are selected for the study i.e. a total of 9 revenue villages are selected in the district.

All the farmers have been listed as borrowers of Syndicate Bank finance and also classified into various categories. The borrower households of bank finance have been classified into four different land holding categories namely, marginal, small, medium and large farmers depending upon the size of the landholdings possessed by the sample respondents. Finally 102
marginal farmers, 84 small farmers, 69 medium farmers and 45 large farmers were selected for the study from bank finance borrower households by using random sampling method. To make the comparison more meaningfully to take into account of their economic conditions of pre loan period and post loan period. Thus the study covers 300 sample households as the respondents.

REVIEW OF LITERATURE

The use of rural financial markets in the developing World has been a subject of considerable debate. The institutional credit delivery system in India has been well established. The flow of credit to the rural sector has increased continuously during the recent years. Since several institutional agencies are functioning in the area of agricultural credit, there is a need to study the role of these institutions in general and commercial banks in particular in financing Indian agriculture. The multi-agency approach enables the institutions to provide credit for various purposes in the rural area. The earlier studies on financing agriculture by institutional agencies in general, commercial (Syndicate) banks in particular both at the macro and micro levels were reviewed in this Chapter.

Rural people have gained good experience by availing credit for agriculture and other allied activities especially Syndicate Bank. Since the commercial banks had played significant role in financing agriculture, it has been evaluated by a number of organizations, individual researchers and the Government of India. It is desirable to review the relevant literature while handling a research problem. There is a plethora of literature on the subject and therefore it is not possible for any scholar to cover the entire literature.
Hence, an attempt is made in this study to examine some of the studies undertaken by the World Bank, Reserve Bank of India, NABARD, Food and Agricultural Organization, National Commission on Agriculture, Government of India, Several Commercial Banks, as well as individual scholars and other organizations. The selection of studies some time appears arbitrary though it is arranged in a chronological order (year-wise). These studies dealt with both the demand for supply of agricultural credit at different levels and underlined the significance of formal credit in modern agriculture.

Some of these studies indentified that the introduction of improved methods of agriculture, modern technology and highoff inputs resulted in increased credit requirements. It is also found that the small and marginal farmers have a little access to institutional credit. Some of the studies indicated the diversion of agricultural credit to unproductive purposes like family consumption, social and religious ceremonies etc., the recovery of credit was poor and resulted in mounting up of overdues. Besides the natural calamities, low levels of income, high consumption expenses are stated as the reasons for poor recovery of loans. Some of the studies also show that there is a positive impact of credit on production, income and employment. The review of literature examines these aspects at the aggregate and non-aggregate levels, due to the diversity in the agro-climatic, technological and institutional factors governing agricultural production.

FINANCING OF AGRICULTURE BY SYNDICATE BANK

Agriculture is the most important sector of the Indian economy and its development gives scope to alleviate poverty and generate employment. It
accounts for about 18.6 per cent of India’s national income at the present. Even after more than 60 years of Independence, agriculture continues to be the mainstay of the Indian economy. The green revolution has been the cornerstone of India’s agricultural achievement, transforming the country from food deficiency to self sufficiency through adoption of improved technology, increased public and private investments and certain institutional innovations that have augmented production and productivity gain.

The post-green revolution period has witnessed impressive structural changes taking place in Indian agriculture. Despite impressive growth performance, the agriculture sector in India continues to be inefficient and plagued by constraints resulting in sluggish farm sector growth. Plan outlay on agriculture and allied activities has been gradually increased from pre-reform period to post-reform period. The impact of GATT and globalization on agricultural production play a greater role in determination of cropping pattern, investment level, price structure, equality of production and level of international trade. The favourable terms of trade to agriculture, in the process of economic reforms, seemed to have helped in raising aggregate output and private investment in Indian agriculture.

Agriculture credit is the key factor to accelerate agricultural development in a developing country like India. The credit needs of the farmers are of three kinds. Firstly, farmers need short-term credit to finance agricultural inputs like purchase of seeds, pesticides and fertilizers. Secondly, farmers need medium-term credit for purchase of plough, agricultural equipments, tractors and other implements to cultivate their lands with the
help of modern implements. Thirdly, farmers need credit for long-term agricultural development such as improvement of land, construction of boundaries creation of on farm irrigation sources and horticulture.

The present system of agricultural credit sources in India consists of two sectors viz., the institutional and non-institutional agencies. The share of institutional agencies in the total borrowings of farmers have been increased from 7.3 per cent in 1951 to 61.1 per cent in 2008 and the share of non-institutional source of credit was 92.8 per cent in 1951, it declined to 38.9 per cent in 2008 due to the development of institutional credit facilities. The commercial banks are paying an important role in providing agriculture credit after nationalization. Among the institutional credit agencies, the contribution of commercial banks in the total borrowings of the cultivators increased from 0.9 per cent in 1951-52 to 28.8 per cent in 1981-82 further increased to 42.44 per cent in 2007-08. The contribution of commercial banks in the field of agricultural credit is many faceted.

The important institutional agencies supplying farm credit in India at the base level are co-operatives, government, commercial banks and regional rural banks. The share of institutional agencies in the disbursement of total agricultural credit in the year 1951 was only 7.3 per cent and rose to 18.7 per cent in 1961, 31.7 per cent in 1971 and fairly increased to 63.2 per cent by 1981. However, during 1981-91, it declined from 63.2 per cent to 59.8 per cent and then slightly increased to 73.5 per cent by 2009-2010. The share of co-operatives in the total agricultural credit was only 3.1 per cent in 1951 and rose to 15.5 per cent in 1961, 22 per cent in 1971, and 29.8 per cent in 1981.
and fairly increased to 37.8 per cent in 1991. After 1991, the share was decreased to 22.00 per cent in 2006-07.

The share of commercial banks in total agricultural credit increased considerably after nationalization. The non-institutional agencies have dominated in agricultural credit before nationalization of major commercial banks in 1969. After nationalization of Banks Institutional credit for Agriculture increased from Rs.7005 crores in 1985 to Rs.149349 crores in 2006-07. The rural branches increased from 1,833 in 1969 to 89,583 by 2010. Branch expansion in rural areas registered highest and significant growth rates while in respect of semi-urban branches the growth rates are slightly lower in pre-reform period. In the post-reform period, branch expansion has registered a high growth rate in metropolitan, where as semi-urban and urban areas the growth rates are slightly lower.

The credit deposit ratio of all scheduled commercial banks in India is 66.9 per cent in 1980, 61.9 per cent in 1991 and 63.35 per cent in 2009 respectively, which has decreased 3.5 per cent from pre-reform period to post-reform period. Since nationalization of major commercial banks, a stream of schemes have introduced by commercial banks as corrective steps to aid the weaker sections in rural areas, each focusing on a specific problem. They include lead bank scheme, integrated rural development scheme and service area approach scheme. The flow of commercial banks credit to agriculture has tremendously increased from 1991-92 (42.9%) to 2009-10 (73.5%) when compared to regional rural banks and cooperatives. Compound growth rates are 11.49 per cent, 22.82 per cent, 24.17 per cent, 22.00 per cent for
Loans issued and outstanding were continuously increased from pre-reform period to post-reform period given by cooperatives, commercial banks and regional rural banks. The total direct institutional credit of loans issued increased by 2.37 times and outstanding increased by 3.39 times in pre-reform period, while loans issued by scheduled commercial banks increased by 3.13 times compared to cooperatives, State Governments and regional rural banks from 1980 to 1991. The outstanding of commercial banks credit increased by 4.81 times. This clearly shows that outstanding loans are increasing more than loans issued in pre-reform period. In the post-reform period, loans issued are increasing by 3.63 times and loans outstanding are increasing by 2.52 times. Hence, the first hypothesis, i.e. there is no significant growth in the provision of bank credit to agriculture during the post-reform period in India holds not good as there is a significant growth of bank credit to agriculture during the post-reform period compared to the pre-reform period.

Sound banking system is the sine quo non of accelerated economic growth. The number of bank offices of scheduled commercial banks in Andhra Pradesh were 567 in 1969 (at the time of nationalization) gradually increased and stood at 6093 at the end of June, 2009. Per account credit given to agriculture by scheduled commercial banks across the region of Andhra Pradesh has noticed tremendous changes i.e. Rs.4178 in 1985 and Rs.31164 in 2010. These problems must be taken as a challenge and an opportunity.
and the banks must readjust their policies and operations to the requirements of economic growth. The share of Syndicate Bank in agriculture credit in Anantapur District increased from Rs.246.50 lakhs in 1990 to Rs.1684.40 lakhs in 2008-09. Where as all the commercial banks in the same period in the district is Rs.5969.82 lakhs to 129279 lakhs. This shows a major share for agriculture sector contributed by Syndicate Bank in the district.

PROFILE OF ANANTAPUR DISTRICT

The agricultural credit market in Anantapur distinct is no way different from other districts of the country. Its agricultural economy also has different stages of growth and its cropping pattern is some what diversified. Anantapur district purposefully selected because it is the most drought hit district in the state. The population of the district as per 2001 census is 36.40 lakhs (male – 18.59 lakhs and female – 17.80 lakhs), with a density of population at 190 per square kilometer. In the total workforce, 48.8 per cent are cultivators, 46.2 per cent are agricultural labours and 26.0 per cent are other workers. The literacy rate of Anantapur district is at 56.01 per cent, which is lower than the Andhra Pradesh at 61.11 per cent.

The normal annual rainfall of the district is 553.0 mms. The total geographical area of Anantapur district is 19.129.8 sq. kms The forest area accounts for 10.29 per cent and net area shown 11-81 lakh hectares during the 2008-09 of the total geographical area in the district. There are 4.88 lakhs cultivators of which small and marginal farmers are 2.98 lakhs with land holding of less than 2 hectares of land. Tube wells and dug wells are the major irrigation sources covering 95.00 per cent of the net irrigated area. Yield
of principle crops per hectar of rice, jowar and ragi in Anantapur district is lower than Andhra Pradesh and the yield of bajra, groundnut is higher in Anantapur district than Andhra Pradesh.

The total agency-wise ground level credit disbursement for agriculture and allied activities has increased from 10.33 crores in 1990-91 to 2003.00 crores in 2008-09 in Anantapur district. The disbursement of credit is higher in commercial banks, which is 62.00 per cent, cooperatives (13.39%) and regional rural banks (24.05%) in the district during the financial year 2009-10. The number of bank branches are 291 in the district, of which, 186 constitutes commercial banks, 86 regional rural banks 19 cooperative banks and one A.P. State Finance Corporation (APSFC) as on March 2010. It seems 63.69% Commercial Banks 29.45%, RRBs and 6.50 per cent of Cooperative banks are extending credit in the district. Percentages of agricultural advances to total advances extended in the district are 62.92 per cent by commercial banks and 15.65 by regional rural banks and 21.41 per cent by cooperatives among the Commercial Banks share of 62.92 per cent Syndicate Bank provide a major share i.e. 12.8 per cent in 2008-2009. It is observed that commercial banks have been provided more credit and played a significant role in the district.

Organized agricultural credit agencies have made rapid progress both in expansion of bank branches and granting loans. The share of agricultural advances to total advances was 78.91 per cent in 1980 has substantially increased to 86.88 per cent by 2009. The linear and compound growth rates of bank advances in Anantapur district are impressive. Sector-wise
comparative performance of annual credit is increased continuously from 1990-91 to 2008-09. Annual credit extended was 19.40 crores in 1980-81 and 2626.28 crore in 2009-10 with an increase of 2606.08 crores. The rural market of the district is getting integrated with the semi-urban and urban areas and thereby contributing to the integration of the credit agencies.

**IMPACT OF BANK FINANCE: COMPARATIVE ANALYSIS OF BORROWERS BEFORE – AFTER TAKING SYNDICATE BANK LOAN**

With a view to analyze the impact of bank finance on farm employment, production, income, savings and household assets, 300 households have been selected for the study spread over 9 revenue villages in three mandals. Out of 63 mandals, 3 mandals namely Atmakur, Beluguppa and Mudigubba (one from each revenue division) have randomly chosen. The profile of sample mandals revealed that Mudigubba occupies the first place in terms of population followed by Beluguppa and Atmakur. Literacy rate is also high in Mudigubba mandal. The major principal crops are paddy (HYV), Groundnut, fruits and vegetables. The total area under principal crops is higher in Beluguppa mandal (33836 hectares) followed by Mudigubba (29138 hectares) and Atmakur mandal (19610 hectares). The most important sources of irrigation are dug wells in all the three mandals. Mudigubba mandal stood first in total livestock (32156), followed by Beluguppa mandal (29574) and Atmakur mandal (28150).

The total number of loan accounts are 12314, of which majority of loan accounts are in Mudigubba mandal (46.47%) followed by Atmakur mandal (29.41%) and Beluguppa mandal (24.11%). The total agricultural credit has
been Rs.40,25,49,412 lakhs of which 46.08 per cent of credit is in Mudigubba, 29.39 per cent in Atmakur mandals and 24.52 per cent in Beguppa mandal. Out of the total loan amount of Rs.40,25,49,412 crop loans constitutes (34.31%), other loans (59.87%), loans for minor irrigation 2.08 per cent, land development 2.69 per cent and plantation and horticulture 1.03 per cent respectively.

To analyse the impact of bank credit on the growth of agriculture, the study has taken into consideration both male and female beneficiaries. Majority of them are males (81.33%) and 18.67 per cent are female borrowers. Nearly 72 per cent of the respondents are found in the age group of 30 to 60 years. The respondents who received primary and secondary education are 23.00 per cent while the respondents who received higher and technical education are only 14.67 per cent. It seems that illiterates (42.00%) are more in the case of the marginal and the small farmers followed by medium and large farmers respectively. By over all 58 per cent of borrowers are educated. This shows that literacy has a positive relation with access to and availing bank loan.

It is observed that the family size of the sample households is an average of 4 to 5 members. It is due to the joint family system prevailing in the developing economies which leads to bigger family size. In the traditional joint family system, only one or two participates actively participate in the cultivation and the remaining seems to be idle which forced them to engage hired labour, which leads hike in the input costs of cultivation. It reveals that
there is heavy dependency of the family size on the sample respondents so, the economic gains per family member are at low level.

There are three Syndicate bank branches in the study area. Out of the three branches, Mudigubba branch occupies primary place in extending loans to farmers. The total amount taken by borrowers is Rs.1,14,73,414/- and loan outstanding is Rs.5,33,44,442/-. Crop loans play significant role in agriculture development. Majority of the borrowers are taken crop loans which accounts for 62.00 per cent in the study area. The percentages of borrowings of crop loans to total amount borrowed are 23.03 per cent by medium farmers, 1798 per cent by small farmers and 11.99 per cent by marginal farmers. The source-wise distribution of net area irrigated indicates the dominance of tube and bore wells with 73.48 per cent before loan 74.47 per cent after taking bank loan. Net area irrigated of the borrowers has improved during post-loan period compared to pre-loan period as it is seen that there is an increase of 131.00 acres of net area irrigated among sample borrowers. The average net area irrigated for borrowers worked out to only 0.44 acres per household borrower in the pre-loan and post-loan periods respectively. This can be attributed to the impact of bank loan since the bank loans have assisted them to go for digging and deepening of new and old bore wells besides giving financial strength to purchase of pump sets and other related material for improving irrigation facilities.

Water is a major input to the cultivation and its economic use and scientific water management methods influence much on the crop yields. The district is very low per cent canal irrigation and the absence of major irrigation
project has forced the farmers to go for bore/well irrigation which incurs heavy capital investment on irrigation leading the farmer to involve in debt. The returns from the agriculture are not even enough to meet the capital costs involved in getting proper irrigation which finally resulting the scope to commit suicides. Some of the farmers with a zeal to get good water resource through bore wells have attempted for drilling new bores and failed to get water which led to the either the sale of landed property or committing suicides for not having proper source of repayments of loans either to formal or informal sectors of the financial assistance.

Total irrigated land is increased by 197.00 acres from pre-loan period to post-loan period of the total gross cropped area in the borrowers due to the increase in bank finance. The percentage increase of gross cropped area is more by 78 acres among the large farmers, 46 acres medium, small and marginal farmers. The pathetic condition of the famers in the district is that they are not getting expected yields due to frequent droughts and even though farmers get adequate yields during the normal rainfall years, they get low income due to fall in the market prices of the agricultural goods. This requires the attention of government to educate the farmers to go for alternative drought resistant commercial crops to get good returns and avail high prices for their commodities.

The total employment increased from 1,56,572 man days in pre-loan period to 1,97,135 man days in post-loan period, registering an increase of 40563 man days of employment. Per acre employment is increased from 92.97 man days in pre-loan period to 104.80 man days in post loan period. It
is noticed that 1 man days are increased from pre-loan period to post-loan period for the all crops. It is observed that in terms of employment, it is better in post-loan period than pre-loan period of borrowers and low employment is found in case of red gram crop when compared to post-loan period of all crops. The cost of cultivation is heavy in the district due to heavy involvement of capital for getting irrigation source where as less or nominal areas irrigated by canals. To balance the cost of cultivation, Government should extend the policy to provide loans at a nominal or free rate of interest to prospective farmers to go for new bore wells besides giving training to the farmers to go for cost minimization methods and to get new market channels for getting reasonable price for the agriculture production.

An average percentage increase of irrigated area is 11.69, total employment through all crops is 25.91 per cent and per acre employment is 11.83 from pre-loan to post-loan period in the study area. The crop-wise irrigated area, total employment and per acre employment have been increased between pre-loan period to post-loan period.

The category-wise total employment has increased from pre-loan period to post-loan period of sample borrowers. Per acre employment also increased from pre-loan period to post-loan period of all sample borrowers. The percentage increases relating to the per acre employment from pre-loan period to post-loan period are 20.41 per cent among the marginal farmers, 30.63 per cent in the case of small farmers, 22.35 per cent among the medium farmers and 27.21 per cent with regard to large farmers. It is inferred that the percentage increase of employment generation is the least among the
marginal and medium farmers compared to the small and large farmers. An average percentage increase of employment per acre was noticed at 25.9 per cent from pre-loan to post-loan period. Therefore, it reveals that the loans extended by the commercial banks to the borrowers have facilitated to bring more irrigated area under cultivation besides increasing man days of employment which finally leads to an increase in both volume of production and productivity and employment generation. Hence, the third hypothesis, i.e the impact of bank finance on the generation of employment is the same among the different categories of borrowers is not correct as it is observed that there are variations in employment among the different categories of borrowers.

In this study, the impact of bank finance on generation of additional employment is significant among the large and small farmers compared to marginal and medium farmers. Marginal and medium farmers had owned employment which is higher than the small and large farmers. But large farmers are depending on hired labour. The category-wise total employment has been increased from pre-loan period to post-loan period of sample borrowers. Per acre employment is also increased from pre-loan period to post-loan period among all sample borrowers. Therefore, it reveals that the loans extended by the commercial banks to the borrowers have facilitated to bring more irrigated area under cultivation besides increasing man days of employment which finally leads to increase both volume of production and productivity and employment generation. The results of category-wise borrower's irrigated area and per acre employment is increased between pre and post-loan period.
Bank finance in the post-loan period has contributed towards generation of employment and facilitated to adopt improved agricultural practices in farms. The share of family and hired labour in the total man days of employment has also increased among the borrowers. Change in mandays of employment by hired labour was more pronounced in sample selected mandals and villages. Between mandal, change in man days of employment by family and hired labour was more visible in Beluguppa mandal than Mudigubba and Atmakur mandals. Villages under sample households also showed remarkable improvement in generating more number of man days of employment only after the receipt of the loan and utilization of such loans for various types of agricultural activities. This shows that the financial assistance of the banks has facilitated to generate more mandays of employment among the borrowers. Borrowers have more financial strength to adopt improved methods of production which gives scope to increase not only production and productivity but also income with repayment capacity of the bank loan. Therefore, efforts should be made by Government to adopt proper policies to extend bank finance to all types of farmers at a very low rate of interest since the dependents in the primary sector is more than 50 per cent with low remunerations. Any effort to strengthen this sector gives additional stimulation to the economy for all round development.

Among the borrowers, the total production of all crops is 14180.72 quintals and per acre production is 8.42 quintals consisting of both food grain crops and commercial crops in the pre-loan period. In the post-loan period, the borrowers have succeeded in producing 19142.30 quintals of total production and 10.17 quintals per acre production. Farmers who have availed
the bank loan have the scope to purchase the improved variety of seeds, manures (both organic and in-organic), pesticides and adopt improved water management methods like sprinkle and drip irrigation which not only economize the water but also increase the yields. Therefore, the Government should educate and extend the training facilities to farmers to avail bank finance to adopt drought resistant crops with the intention to relieve them from the clutches of the money lenders and need to adopt dry farm techniques to reduce cost of cultivation and to strengthen the farm income.

Among all the categories of sample borrowers, the percentage increase of total production is higher among small farmers at 41.34 per cent than the other categories of farmers. Percentage increase of production per acre is higher among the large farmers at 26.48 per cent than the other farmers from pre-loan to post-loan period. Therefore, it reveals that there is an impact of Syndicate bank finance on production of sample borrowers. It is observed that there are variations in production among the different categories of borrowers. So, the third hypothesis is not correct. Per acre production and total production is also increase between pre-loan period and post-loan period of borrowers. The analysis noticed that there is an impact of Syndicate bank finance on production of sample borrowers. There is an increase in production of all food corps and commercial crops from pre-loan period to post-loan period. The production per acre is also greater in case of borrowers after taking bank loan.

Bank finance has facilitated to bring more area under cultivation and increased total volume of output besides increasing the productivity. The
impact of bank finance on productivity is highly noticed with a percentage increase by 20.68 which play a significant role in breaking the 'vicious circle of poverty' in the rural economy of the developing countries which is a root cause for all evils of development. Therefore, bank finance has increased the farm income in two ways i.e. by increasing the volume of output and productivity. An average percentage increase of production per acre from pre-loan to post-loan period of borrowers is 20.68 per cent. Therefore, there is an impact of Syndicate bank credit on crop-wise agriculture production of sample borrowers in the study area.

Crop-wise irrigated area under cultivation, per acre productivity is increased. However, it is important to observe that almost all types of borrowers witnessed increase in the value of output in post-loan period over pre-loan period. This change is the result of larger share of commercial crops in the total value of output than food crops. The value of output of the sericulture production of large farmers has risen due to enriched quality of output and good marketing facilities. On the other hand, such advantages are not available to the marginal and small farmers.

The supply of farm credit generally has positive relation with the farm income. The bank credit further facilitates the farmers to enhance their farm income. In order to ascertain the monetary benefits of all investments, it is necessary to estimate farm income. Per acre income is increased from pre-loan period to post-loan period at Rs.4032.00. It indicates that there is a definite improvement in income after the use of Syndicate bank loan. It is noticed that per acre cost of cultivation and per acre income are increased.
form pre-loan to post-loan periods of all categories of sample borrowers. The third hypothesis i.e. the impact of Syndicate bank finance on the generation of income is the same among the different categories of borrowers holds not good. In comparison of all farmers, the percentage increase in income between pre-loan to post-loan periods was increased. The supply of bank finance has encouraged medium and large farmers to undertake modernization of agriculture to adopt suitable cropping pattern and activities allied to agriculture that contributed for higher amount of income in the post-loan period compared to pre-loan period.

The percentage difference in increasing income per acre is at 11.56 compared to the cost of cultivation per acre. Therefore, the proportion of cost of cultivation and income per acre in the post-loan period consists of 1.00:2.68. In absolute terms, the impact of the loans on farm income is more in case of the large farmers, followed by medium, small and marginal farmers. This is quite natural because large farmers have the advantage of accruing economies of large scale due to the large scale operations in the agriculture.

The general economic conditions of the Indian farmer particularly in the drought prone areas like Anantapur district with very low percentage canal irrigation do not permit them to go for improved methods of agriculture. In addition to this, the frequent crop failures and family compulsions to involve in unproductive investments have minimize the capacity of the farmers to make investments in the cultivation. Category-wise area and per acre income, per acre cost of cultivation and total income level increased between pre-loan
period and post-loan period. It indicates that there is an impact of commercial banks finance on income of the sample borrowers.

The crop-wise total average increase of area, total cost of cultivation, per acre cost of cultivation, total income and per acre income from pre-loan period to post-loan period are 197.00 acres, Rs.38,30,906, Rs.803.00, Rs.1,13,68,359 and Rs.3850.00 respectively for all crops. The average percentage increase of irrigated area is at 11.69 per cent total cost of cultivation at 19.31 per cent and total income at 32.23 per cent from pre-loan to post-loan period but percentage increase of total income is higher than the total cost of cultivation. On an average, per acre cost of cultivation is increased by 681 per cent and per acre income is increased by 15.52 per cent from pre-loan to post-loan period. Crop-wise irrigated area, total cost of cultivation, per acre cost of cultivation, total income and per acre income is increase between pre-loan and post-loan periods. The analysis indicates that there is an impact of Syndicate bank finance on income of borrowers in the study area.

All the sample selected households had witnessed a positive change in income over the period 2007-08. In other words, Syndicate bank finance in these hitherto neglected area had positively assisted the borrowers to concentrate their efforts for the development of agriculture more in post-loan period compared to pre-loan period. With Syndicate bank finance, the borrowers could be able to utilize improved seeds, apply chemical fertilizers, undertake irrigational facilities and adopt activities allied to agriculture. In addition, it has raised the capacity of the farmer to withhold the output for
some time to get good market price and to tranship the goods to other areas to get better prices. The collected data reveals that the change in income is more pronounced due to the bank finance in these mandals where development is more assured and promising.

The value of assets of the sample farmers gives a fairly good indication of their economic status. Ownership of assets provides farmers to get an advantage in the credit market both in terms of the size and the cost of loans. An increase in the share of wealth with high signal and collateral value enables the farmers to go for large borrowings. Farm assets include land, farm buildings, farm machinery, livestock, irrigation resources etc. Acquisition of assets would encourage the borrowers to seek employment in agriculture for a major part of the year which was not possible in the absence of adequate assets in the pre-loan period. The performance of borrowers is better in acquiring the assets in the post-loan period.

The an average household assets value of total respondents has increased from pre-loan to post-loan period. Per household assets value has also increased from pre-loan to post-loan period. Among the borrowers, the percentage increase of per household assets value from pre-loan to post-loan period is at 1.83 per cent among the marginal farmers, 4.06 per cent small farmers, 6.81 per cent medium farmers and 7.74 per cent in case of large farmers. Large farmers have got income from multiple sources as they have more land holdings and involve in other income generating activities like real estate businesses and incomes on some fixed assets. So, the third
hypothesis i.e. the impact of Syndicate bank finance on the creation of assets is the same among the different categories of borrowers is not proved correct.

The foregoing analysis indicates the following findings:

First, change in the amount of assets has taken place on the part of almost all types of borrowers between pre-loan and post-loan periods. Secondly, almost all types of borrowers have witnessed an increase of a substantial percentage share of agricultural assets in post-loan period compared to pre-loan period. However, it is more pronounced in the case of medium and large farmers than in the case of marginal and small farmers between pre and post-loan periods. This has fulfilled one of the objectives of nationalization of banks which aims at helping the farmers in acquiring more of tangible assets out of bank loans. Further more, the percentage share of assets to the total has shown improvement in post-loan period over pre-loan period almost all farmers of the sample selected mandals, it is, however, more visible in all mandals of Anantapur district.

One of the main objectives of the Nationalized banks is to extend loans to the farming community to improve their economic well-being. This has given scope to the farmers to generate savings in order to provide economic security to them. Besides, more savings at their disposal, the farmers have more repayment capacity to clear the Syndicate bank loans which in turn would encourage them to borrow more loans for further promotion of their activities.

The total average savings are increased from pre-loan to post-loan period of all borrowers and total average of per household savings also
increased. In terms of absolute amount, the variation in the amount of savings between pre-loan and post-loan period is Rs.1881, per household savings of all categories of farmers. This indicates that after receiving the bank loan and using the same for agricultural improvement each borrower could generate an additional savings of 9.55 per cent between pre-loan and post-loan period.

Among the different categories of borrowers, savings are increased by 2.71 per cent in marginal farmers, 10.46 per cent in small farmers, 10.70 per cent in medium farmers and 14.40 per cent in large farmers respectively from pre-loan to post-loan period. Hence, the third hypothesis i.e. the impact of bank finance on the generation of savings is not the same among the different categories of borrowers not proved correct in the study area. The low percentage of savings has been found among the marginal and small farmers than the medium and large farmers as the total income of them is also low due to small holdings of land. According to the Engle’s law as the income of the individual increases less proportion of the increased income will be spent on consumption of food items. This Law is also holds good in case of medium and large farmers which gives much scope to have more savings than the marginal and small farmers whose major portion of income may go for consumption of food items and necessities.

The foregoing analysis on the generation of savings between pre-loan and post-loan periods of borrowers reveals the following facts.

First, almost all the borrowers have experienced increased percentage change in the amount of savings between pre and post-loan periods of all borrowers. Secondly, among the borrowers, increased percentage change in
the amount of savings has occurred in the case of medium and large borrowers, who have scope to earn more income than the marginal and small farmers whose major portion of earned income goes for consumption purposes. Finally, the study reveals that more savings have taken place in the post-loan period compared to pre-loan period.

The impact of agricultural loan taken by different categories of farmers on employment, production, income, savings and assets has been studied. The following observations are made among the marginal farmers, the loan had a marginal effect on production. The marginal increase in production due to loan was only 1.16 quintals, other things held constant. The average increase in production due to impact of loan is 1.75 quintals. Among the small farmers, the loan had a marginal effect on income only. The increase in income due to loan was only 1046 rupees, other things held constant. The average increase in income due to impact of loan is Rs.3850.00 rupees.

PROBLEMS OF REPAYMENT

The causes of overdues are complex and innumerable. They are classified under different categories and presented in the Chapter VI. Recovery position of commercial banks in India with respect to agricultural advances has improved over time. It has improved 57 per cent in 1994-1995 to 77 per cent in 2008-09. Recovery percentage is improving in the case of commercial banks and regional rural banks where as it is worsening in the case of cooperatives. The overall performance under priority sector advances in the district as on June 2009 is placed at 69 per cent. It is clear that there is a significant variation in the recovery performance between agriculture, small
scale industries and other priority sectors in Anantapur district from 1995 to 2009.

The category-wise repayment performance and overdues of sample borrowers have been observed that out of the total amount of RS.1,14,73,414 due from 300 borrowers, Rs.61,28,971 is paid which accounts for 53.42 per cent. It is clear that there is a significant variation between the different categories of farmers (marginal, small, medium and large farmers) with regard to total demand, recovery and overdues. Further, it is noticed that the repayment trend is higher in the case of large and medium farmers with 59.00 per cent and 57.52 per cent respectively than the small farmers with 43.12 per cent and marginal farmers with 39.11 per cent. Over dues of credit is higher in respect of marginal farmers (60.89%) followed by a small farmers (56.88%), medium farmers (42.48%) and large farmers (41.00%). Hence, the fifth hypothesis i.e. recovery of bank finance is not satisfactorily holds good based on the analysis of the study. Here, majority of the borrowers have repaid only interest and attempted for renewal or reschedule of loans due to drought conditions.

The study has analyzed the category-wise average amount borrowed, repaid and average amount per defaulters of sample respondents, out of 300 borrowers, there are 141 defaulters 47 per cent. The average amount borrowed and repaid had lower in marginal and small farmers when compared to medium and large farmers. The number of defaulters are more in the case of marginal and small farmers with 59 per cent and 42 per cent respectively followed by medium and large farmers with 39 per cent and 38 per cent. The
average amount per defaulter is lower in marginal (Rs.8212.84) and small farmers (Rs.13968.59) compared to medium (Rs.16266.95) and large farmers (Rs.49311.53). Hence, efforts should be made by the bank officials to get more recoveries from the medium and large farmers.

The amount defaulted increases with the size of the loan contracted increases. Nearly 14 per cent of defaulters account for only 15.67 per cent of amount defaulted in the loan amount of range of Rs.0 – 10000. About 18 per cent defaulters are in the range of Rs.10000 – 30000 defaulted which accounts for 21.95 per cent and 33 per cent defaulters are in the range of Rs.30000-50000 defaulted which accounts for 21.12 per cent. But in the last range of Rs.50000 and above constitutes 34.75 per cent of defaulters and defaulted amount accounted for 41.36 per cent. Average amount defaulted by 141 defaulters works out to Rs.37,903. It indicates that there is a skewed distribution in the amount defaulted. For defaulters, there is a positive relationship between quantum of borrowing and amount defaulted.

In selected mandals, among the three Syndicate Bank branches extended loans Rs.1,14,73,414 for 300 farmer borrowers. The recovery performance is 53.42 per cent and overdues is 46.58 per cent of all banks. It is clear that there is a variation among the borrowers of Syndicate bank with regard to total demand, recovery and overdues among the borrowers in the study area.

There is multiplicity of causes for loan default. The classification of causes is also quite varied. It seems 22.69 per cent of the defaulters account for 18.56 per cent of the amount defaulted and this is due to the defects in
farm production. Out of 32 defaulters under this category, 16 belong to marginal farmers whose farm size is non-viable and it is difficult for them to generate adequate farm income for repaying the loan. The common tendency is that these farmers are willing to repay but the circumstances prevailing in the agricultural activities do not permit them to repay the loan.

The second reason is variability in incomes caused by natural calamities (or) market fluctuations. It accounts for 21.13 per cent of the defaulters and 23.60 per cent of the amount defaulted. Out of a total of 30, 13 are marginal, 7 are small, 5 are medium and 5 are large farmers in this category. The default is due to the severe drought condition in the district.

Defects in credit organization are the third reason for default. It accounts for 8.5 per cent of the defaulters and 7.36 per cent of the total amount defaulted. The unethical support and encouragement given by the Syndicate bank staff to borrowers not to repay the loans and the lethargic tendency on the part of the managing committee in revenue collections is the main reason for the defaults under this category.

Attitudinal conditions of defaulters are moulded by several interacting socio-political factors. Borrowers consider loans as grants and expect them to be written off either in part or in full by the government following populistic policies. This category accounts for 21.25 per cent of default amount and involves 17.02 per cent of defaulters belonging to all farmer categories.

Misallocation occurs when the credit acquired is utilized for purposes other than those specified at the time of borrowing. Under this category, 17.73 per cent of the defaulters account for 18.55 per cent of the total defaulted
amount, this predicament is confined mainly to marginal and small farmers. Miscellaneous reasons have negligible impact on overdues, which account for 12.76 per cent of the total defaulters involving 10.64 per cent of the total overdues. Political alignments and malpractices are come under this category. The fourth hypothesis i.e. the reasons for non-repayment of the bank credit are not uniform for different categories of sample borrowers is proved correct as the study reveals that the reasons for non-repayment of the bank credit vary from borrower to borrower. The total number of defaulters are 141 and the out of them 43.26 per cent are marginal farmers, 25.53 per cent are small farmers, 19.14 per cent are medium farmers and 12.06 per cent are large farmers. Majority of the defaulter are marginal farmers. Amount defaulted is higher in large farmers (41.36%) followed by small, medium and marginal farmers.

The percentage of defaulters among forward castes worked out to 27.66 per cent. In the B.C. category, defaulters worked out to 49.64 per cent and 22.69 per cent in the SC/ST category. The aggregate defaulters among FCs, BCs and SC/STs are 39, 70 and 32 respectively. There is an inverse relationship between the caste category of the borrowers and the incidence of default. The average amount per defaulter is higher in forward caste (Rs.60974) followed by backward caste (Rs.34777) and scheduled caste/scheduled tribe (Rs.16627 of sample respondents).

Majority of the defaulters fall in the category of those who have got secondary education. The percentage of the defaulters under illiterate category represent 26.95 per cent, 36.17 per cent of the defaulters have
secondary education, 20.27 per cent of the defaulters have Intermediate education, 15.61 per cent of the defaulters have higher education and technical education. The number of defaulters are high in case of persons with secondary education followed by illiterates, intermediate and higher/technical education. The average amount borrowed per defaulter is higher in the case of illiterates followed by persons with secondary, intermediate and higher education.

The study observed that 7.80 per cent of defaulters had upto 3 members of family, 29.07 per cent of defaulters had upto 4 members of family, 31.20 per cent of defaulters had upto 5 members of family and 31.91 per cent of defaulters had above 6 members of family. It is noticed that if the family size increases, amount borrowed, amount defaulted and the average amount per defaulter also increase automatically. So that, there is a positive relationship between family size and average amount per defaulter in sample villages of Anantapur district. Hence, the study reveals that the higher the family size more will be defaulters as the family size increases more will be the scope to meet not only the unforeseen expenditure i.e. medical but also on education of their children, entertainment and other social ceremonies like marriages death funerals and rituals and festivals.

The paramount task of Syndicate Bank is to create a sense of responsibility among the borrowers with regard to the timely repayment of loans and to ensure repayment is necessary to consider the socio economic characteristics of the borrowers that influence their repayment of dues. This
will compel the lenders to chalk out new policies and strengthen the existing collection drive process very effectively.

In the study area, the difficulties as stated by 3 Syndicate Bank Managers in the selected mandals in the district have been analyzed under the following points. (i) Non-availability of documents, (ii) Inadequate infrastructure and marketing facilities, (iii) Inadequacy of staff in Syndicate bank branches, (iv) the problem of recovery of loans, (v) problem of working hours, (vi) Shy and reluctant attitudes of the farmers, (vii) Environmental problems, (viii), Social and political problems and (ix) Strong competition from other banking institutions.

The study has been collected opinions from the borrowers regarding loans. It identifies that 184 respondents (61.33%) have been faced with the problems to get loan and 116 respondents are not faced any problem to get loan, which accounts for 38.67 per cent of the total respondents. It is observed that there are eight types of problems faced by the borrowers. Among them 26 persons have expressed the problem of disbursement of loans un timely (8.67%), cumbersome procedure of bank loan by 9.33 per cent, security oriented loan by 4.67 per cent, high rate of interest field by 5.00 per cent, favoritisms of officials by 11.67 per cent, distant location of institutions by 5.33 per cent, lack of knowledge of rules and regulations by 10.00 per cent and other problems by 6.66 per cent of the respondents.

Borrowers are utilized the loan amount for different purposes. Only 23 per cent of the borrowers have utilized the loan amount for agricultural purpose. 20.00 per cent of respondents are used their loan amount for family
consumption expenditure, repayment of old loan by 16.33 per cent, family functions and social ceremonies by 20.00 Per cent, acquisition of property or other assets by 1.67 per cent, children’s education by 11.00 per cent and to meet other expenses by 8.00 per cent. Some respondents have expressed that they have spent their loan amount for two or three purposes. Out of 300 respondents, only 23.00 per cent of the respondents have utilized their loan amount for agricultural purpose alone and 77.00 per cent of the respondents have used their loan amount for other purposes.

Borrowers are repaying by getting the income from different sources like; sale of crop produce (20.33%), sale of livestock/milk selling (16.33%), income from other sources (8.33%), sale of properties (1.00%), renewal or rescheduled (51.67%) and other sources (2.33%). Majority of the respondents 51.67 per cent are used for renewal or rescheduled technique but they didn’t repay principal amount for longer time.

SUGGESTIONS

Based on the findings of the study, it would be useful to make some suggestions that would help to improve the performance of the bank and recovery of agricultural loans. The suggestions may be useful to policy makers, bank functioning and the farmers.

- From discussions of this study it is found that there is dissatisfaction among the borrowers who have repaid fully. The honest borrower who made repayment has reasons to feel cheated because they could not avail the benefit of debt relief for having paid the loan on time during 1990’s. Hence, the customers who observed credit discipline and
regularly repaying the loan should receive recognition by quoting like lower rates of interest and at times giving some mementos in the recovery camps. Wherever village-wise recovery is good, the village should be encouraged by some community service by Syndicate bankers. An appreciation is given to an official for mobilizing more deposits, increase in business and likewise improvement in recovery should have weightage in appraising performance of the officials. These cannot be any substitute for active involvement of the bank staff. The system of collecting cash at door steps of borrowers may be encouraged in the case of small loans.

• There are some people who are habituated not to repay the bank loan. Hence, there should be support from the Government to consider the possibility of coming out with laws to punish heavily the willful defaulters who motivate the others not to repay the bank loans.

• A publicity campaign to educate farmers about the need for repayment of bank dues should be launched by the banks in collaboration with Government through newspapers, radio/television net work as is being done in the case of family planning, health and conservation of energy etc.

• The existing laws are hardly conducive to the recovery of bank dues. The realization of bank dues through the court, besides being lengthy in procedure and is quite expensive too. Hence, special tribunals should be set up for recovery of agricultural loans. Narasimham Committee has also shown full agreement with the recommendations.
to Tiwari Committee for setting up of special tribunals which could expedite the recovery process.

• The willful default on the part of borrowers must be treated as an act of criminal offence and criminal proceedings may be initiated after a definite period, say three years.

• A common cause of overdues in the study area is the incidence of drought and result in heavy default in repayment of loans. An appropriate solution, it is felt, would be the crop insurance. The present crop insurance scheme which has been in operation since 1985, suffers from several short-comings. Firstly, the scheme is confined to a few crops viz. Groundnut paddy, wheat, millets, oil seeds and pulses in certain defined areas notified by the State Government. Secondly, State Government has been selecting only such crops and areas where crop yields are unstable, with the result that the cross-subsidization has not been possible in the study area because some of the crops which we grown have not been covered under existing crop insurance scheme. Hence, the scheme should cover and principal crops cultivated and should be compulsory at least to all borrowing farmers.

• It is time for the banks to think about agents for recovery, on the lines of agents for mobilization of deposits like Mutual Funds, National Savings Certificates, National Savings Scheme. At least it may be taken up on experiment as basis few centers.
• The strength of the supervisory staff engaged by the credit agencies is inadequate to ensure effective supervision over credit. This situation has to be corrected by strengthening the staff, if quality of lending is to be improved. It is, however, not sufficient to lay down precise and uniform norms with regard to the charge per supervisor. The basic criterion would be the work-load, which depends on the number of borrowing members, the volume of loan operations and non-credit business, number of villages under jurisdiction, their distance from one another, transport facilities available to the supervisors etc.

• The analysis on the repayment performance of the loans shows that the defaulters are higher in study area. The highest percentage of defaulters is noticed in the case of marginal and small farmers as against the medium and large farmers.

STRATEGIES TO STRENGTHEN OVERDUE RECOVERY

1. While making pre-lending appraisal, the repaying capacity of the borrowers is to be judged by the field officers of the bank carefully.

2. Similarly, post-lending supervision and approaching the borrower in right time for repayment may prove effective in early recovery of overdues.

3. Employees of the financial institutions should create a good climate of personal touch with borrowers by meeting and express demands instantly. Such an attitudinal change amongst bank employees may bring both borrowers and lenders close and this relationship motivates the borrowers to repay the dues in time.
4. The names of the defaulters should be displayed in the notice board of the institutions and at a central place of the village. So that, the sensitive defaulters may come forward to repay their dues immediately. In this regard, a compromise with borrowers for repayment of dues seems to be a pragmatic approach in the field of recovery.

5. The introduction of 'kisan credit card' to the farmers extended by the banks is a welcoming feature to relieve the farmers from the burden of cumbersome procedures getting credit. Therefore, the Government must take steps to implement the scheme effectively and efficiently to assist all types of farmers to enhance both productivity and production of agriculture.

6. The government desists from populist schemes such as loan melas and debt relief since they do more harm than good and weaken the credit system.

7. There is need for professionalization of management.

8. To reduce overdues a large number of Syndicate bank field staff are to be engaged for collection of dues.

9. An incentive schemes the borrowers should be introduced to encourage those who repay their loans in time by way of a rebate on interest rate charged on their loans. This will build up a positive recovery climate.

10. The incentive system should not only be instituted for borrowers but also to be extended to staff members to motivate good workers. Every worker should be entitled to profit based bonus plan.