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REVIEW OF LITERATURE
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The institutional credit delivery system in India has been established very well since long back and it is more so after nationalization of commercial banks in 1969. The flow of credit to the rural sector has increasing sturdily in the recent years. The multi-agency approach enables the institutions to provide credit for various purposes in the rural areas mainly for agriculture and allied activities. Rural people have gained good experience in availing loans for agriculture and other allied activities particularly from the commercial banks. Since the commercial banks have been playing significant role in financing agriculture, the performance of these banks have been evaluated by a number of organizations individual researchers and the Government of India time to time. Hence this study requires to review the relevant literature while handling this research problem. A brief review of select literature is presented hereunder in support of this research topic. In addition to this, some specific studies on agricultural credit are also reviewed collectively.

The All India Rural Credit Survey examined the records of various credit agencies private as well as State and State associated in order to assess the past performance and draw a suitable programme for future. The survey found that the non-institutional agencies (with a share of 93 per cent in the total borrowings) occupies the dominant position in rural credit market. The report also found that the commercial banks have contributed hardly one percent of the total credit requirements of agriculture in 1951-52. After an exhaustive study of the rural credit situation, the Rural Credit Survey
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Committee came to the conclusion that "cooperatives have failed but they must succeed". In order to create conditions for success of the cooperatives, the committee suggested the integrated credit scheme.

The Reserve Bank of India’s, ‘Report of the Agricultural Finance Sub Committee’ indicated that in the rural credit system to be really useful and effective e must take into account and pay attention to the entire gamut of credit requirements of the farming community for three-fold purposes of consumption, production and social compulsions.

Rajagopalan (1968:25.30) observed that the supply of credit will depend upon the level of saving and capital formation, degree of risk and uncertainties in lending and perspectives of financial institutions. He has also stated that the institutional credit is traditionally provided by the co-operatives and Government. The share of other institutions in institutional credit is negligible.

All India Rural Credit Review Committee reviewed the progress made by institutional lending in the form of short-term, medium-term and long-term credit. The Committee suggested the entry of commercial banks into agricultural finance because of the inability of the co-operatives in meeting the credit needs of agriculture.

The Study Group headed by Gadgil examined the credit gaps that prevailed in various sectors of Indian economy and made suitable recommendations. In order to estimate the quantum credit requirement of various sectors viz., agriculture, industry, trade etc., the study group suggested the preparation of ‘District Credit Plans’ under which credit

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programmes are prepared for the district. Lead Bank Scheme was introduced on the recommendations of the Study Group to formulate and co-ordinate the various programmes of the credit institutions in the district. It also made suggestions regarding integration of short-term, medium-term and long-term credit requirements of agriculture and provide a single way and suggested single window system to provide all the three types of credit through single financial institution.

In 1972, the All India Debt and Investment Survey\(^6\) made a study on the progress and performance of the commercial banks in financing of agriculture through Primary Agricultural Credit Societies (PACS) during 1970-71. The Report enlisted certain shortcomings in the working of the scheme, such as incidence of overdues, no volume of medium term loans, persistence of operational weaknesses, inadequate credit advanced to the small farmers.

The World Conference on Credit for Farmers in Developing Countries (1975)\(^7\), after a careful reconsideration of the developments in agricultural credit in developing economies and after discussing issues connected with the role of agricultural and co-operative banks, commercial banks and central banks and the problems of small farmers, strongly recommended that urgent steps should be taken to access the small farmers to institutional credit at satisfactory levels to facilitate their development and reduce the burden of chronic debt owed to non-institutional agencies and the financial burden caused by natural calamities. It was also felt by Conference that the cooperative credit institutions and other lending agencies should develop loan policies and procedures so as to meet the legitimate credit requirements of
small farmers and co-ordinate their credit programmes with the national programmes for rural development.

The National Commission on Agriculture\(^8\) examined the requirement of institutional credit by the commercial banks. The commission covered the new strategy of agricultural development and all aspects of rural development including production, marketing, transport and processing. The commission suggested that the commercial banks should be involved in the financing of agriculture.

Shetty's\(^9\) study emphasized the amount of institutional credit used by individual sectors and industries against their output and price trends relevant to them. The quantum credit by the commercial banks and other institutional have some relationship with real output in any sector.

Subratha Ghatak\(^10\), in his study on the Indian Rural Credit Market (1976) examined the nature, composition and working of the organized and un-organised money markets in the rural economy of India. He examined the factors affecting both the demand-side and supply-side of agricultural credit.

The report submitted by Reserve Bank of India on Multi-Agency Approach in Agricultural Finance (1978)\(^11\) highlighted the need for evolving nation's institutional credit system to fill the growing gaps in agricultural credit. As per this approach, the commercial banks are to play supplementary and supporting role to the cooperatives in providing agricultural credit. The future expansion of commercial banks and Regional Rural Banks should strictly be regulated to prevent unnecessary proliferation/multiplication of branches in the rural/semi-urban areas where the network of the cooperatives is fairly
adequate. The working group suggested that in areas where lending agencies are inefficient in meeting the credit gaps, either regional rural banks or commercial banks should be strengthened to meet the credit needs. In addition, under multi-agency approach, the report advocated the adaptation of uniform pattern of interest rates, with concessional interest rate applicable to all small and marginal farmers. In the context of evolving and integrating agricultural credit system under multi-agency approach, it is suggested to have uniform security norms.

The study on "Commercial Banks and Agricultural Credit: A Study in Regional Disparity in India", edited by Basu deals with the political economy of banking. It explains how the banking system of the economy acts as a siphon for transferring economic surplus from one sector to another and one region to another.

Rao and Paramjitmalya reported that there was no change in land utilization patterns and revealed that all classes of farmers were able to augment their income by availing institutional credit.

The Report of the Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARDE), after a careful review of the views of earlier committees, the Administrative Reforms Committee, the Banking Commission (1972) and the National Commission on Agriculture (1976) recommended for the establishment of NABARD which was subsequently set up in 1982. The Committee preferred to have more than one organization for different purposes and arrange for co-ordination of those organizations instead of integration of different credit structures. In view of
lack of consensus on the working of the co-operative movement, it was agreed that a beginning might be made at the primary level for integration of credit on a selective basis with the support and guidance of the RBI and NABARD.

Arvind Virmani\textsuperscript{15} in his paper on "The Nature of Credit Markets in Developing Countries" analyses various forms of government intervention in the loan market in terms of their effect on efficiency.

NABARD\textsuperscript{16} launched some field studies in nine states to get insight into the problems of delinquency in loan repayment from the demand side. The demand side studies were carried out in two States (Punjab, Kerala) with good recovery performance and seven States (Bihar, Gujarat, Karnataka, Madya Pradesh, Maharashtra, Tamil Nadu and West Bengal) with poor recoveries. The magnitude of overdues was higher in the case of investment credit (term loans) than in the case of crop loans (short-term credit). A considerable proportion (30 to 40 per cent) of the default in the case of investment credit extended by Primary Land Development Banks (PLDBs) was over five years old whereas, in respect of crop loans borrowed from Primary Agricultural Credit Societies (PACs) were less than two years old. The supply-side studies carried out in five Status examined the impact of faulty lending and recovery procedures followed by land development banks.

Ray Kishore Pany's study on "Institutional Credit for Agricultural in India"\textsuperscript{17} focuses attention on the inter-and-intraregional variations in the flow of credit in Orissa. The study has revealed that the credit gaps were found to be higher in the least developed regions than in the developed regions. It was
found that the credit gaps were higher in irrigated areas than in un-irrigated areas. The study showed that the mounting overdues made the institutional financing agencies weak and made them provide inadequate supply of credit.

World Development Report\textsuperscript{18} dealing with the trade and pricing policies in World agriculture in the context of developing countries, reviews the special programmes for providing credit to farmers generally at low interest rates. Subsidized credit programmes usually have harmful side effects on financial institutions and rural financial markets in particular and the economy in general. Cheap loans are, therefore, unsuccessful in redistributing income among the rural poor. The value of the subsidy is proportional to the size of the loan and therefore, small farmers tend to receive small loans and thereby small amounts of subsidy. Studies in this area revealed that the typical pattern is for large amounts of low-interest agricultural credit to be concentrated in the hands of a relatively few borrowers who are better off and politically influenced. Many rural credit programmes with differential interest rate and subsidies to encourage farmers to use particular inputs or to grow specific crops. But subsidized credit is widely diverted to other purposes. Close supervision can limit the diversion, but it is costly and difficult because farmers' can reallocate other funds. Credit diversion indicates that farmers own judgments on the best investments do not coincide with the priorities set in credit programmes.

The Report of the Agricultural Credit Review Committee\textsuperscript{19} has made another attempt under the chairmanship of Khusro to go into the entire gamut of rural credit in India. The coverage of the Review Committee includes
agricultural credit system, effectiveness of lending institutions and functioning of the apex level agricultural credit institutions, lending costs and margins and organization as aspects and management of NABARD. The report throws light on agricultural scenario in the country during the last decade of the century. The present position of the various streams of credit delivery system viz., commercial banks, regional rural banks, co-operative credit structure and the need for co-operative bank as the national level apex bank to agriculture credit through co-operative institutions. The committee felt that recovery of Agricultural credit over the years became an intractable problem affecting adversely all the streams of agricultural credit system.

The Committee reviewed the strategies of rural development programmes implemented since the beginning of the planned era. The Committee felt that the implementation of these poverty alleviation programmes have a bearing on the credit system. Hence, it emphasized: (a) the extent of involvement of bank credit for poverty alleviation programmes; (b) the impact of these programmes on the participating credit institution; (c) method of improving the effectiveness, monitoring and control of these programmes and (d) the role of the credit system in these programmes in future.

Mehrotra's study²⁰, "Institutional Credit to the Needs of Small Farmers" (1987) in Rajasthan found a significant correlation between co-operative credit per hectare and food grains production per agricultural worker from pre-green revolution period to green revolution period. The correlation between agricultural credit disbursed by the credit institutions and other indices of
agricultural growth was found to be positive. The study through light on the tardiness of Small Farmers Development Agency/Marginal Farmers and Agricultural Labourers Agency projects to stimulate the flow of institutional credit to target groups, heavy reliance of small farmers of all regions of the State on non-institutional agencies for providing credit.

A field level study was undertaken by Adinarayana and Lakshmi Narayana\textsuperscript{21} to assess the productivity of crop loan. Since the production loan advances are maximum in study area of Kosimkota Panchayat Samithi of Visakhapatnam District of Andhra Pradesh during 1983-84. It focuses attention on the relative advantages of raising a loan either from co-operatives or commercial banks. To assess the productivity of crop-loan, tabular and Cobb-Douglas production function analyses were employed. The result of tabular analysis indicate higher productivity of crop loan both at per hectare as well as per farm level under commercial banks for all sizes of farmers over that of co-operatives. The functional analysis showed that the quantum of loan in the case of small farmers under co-operatives was not adequate while in all other categories, it was just sufficient. The marginal analysis also revealed that it was not adequate in the case of small farms. While the same was in excess in the case of large farms under co-operatives. So the loan amount has to be revised in favour of small farms even by relaxing lending regulations in order to increase the farm credit significantly.

In August 1986, the RBI appointed Agricultural Credit Review Committee which submitted its report in August, 1989 (Khusro Committee)\textsuperscript{22}. It was pointed out that the experience of commercial banks and RRBs has
shown that the weaknesses which were earlier considered as those peculiar to the co-operative system in fact, arise from such deficiencies as related to the structure of agricultural production itself.

The World Development Report (1989)\textsuperscript{23} dealing with financial systems and development, reviews the direct credit programmes of Development Finance Institutions (DFIs) and the differential interest rate policies in the developing countries. The report reveals that the financial systems of most developing countries in the 1950s and 1960s could not adequately support a process of agricultural modernization. In recent years, governments of developing countries have been playing a crucial role in credit allocation to agriculture. In India, about one-half of bank assets had to be placed in reserve requirements of government bonds and 40 per cent for priority sectors at controlled interest rates. It was felt that the performance of agricultural DFIs has been poor. Studies in this area reveal that the default rate is increasing, ranging from 30 to 95 per cent for subsidized agricultural credit programmes. Agricultural DFIs have suffered from many problems, such as, (i) too much government intervention, (ii) over reliance on governments and official creditors for funding, and (iii) inappropriate lending criteria. Regarding small farmers, it was opined that lending to small farmers is relatively risky and has high transaction cost, especially if combined with technical assistance. Government have often been unwilling to foreclose of the loans taken by small farmers, which have seriously eroded financial discipline.

Krishnan's study (1990)\textsuperscript{24} reveals that before nationalization of commercial banks, agriculture, small scale industries and weaker sections
which formed part of priority sector did not receive required attention by banking institutions.

Report of the Committee on Financial Systems (1991)\textsuperscript{25}, commonly known as Narasimham Committee has gone through many aspects of priority sector lending to make financial sector more competitive, efficient, productive, profitable and transparent. The main findings are: (a) to bring down Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR); (b) to phase out the directed credit programmes; (c) to phase out the concessional rates; and (d) to abolish licensing regarding the branch expansion. Some other recommendations relate to organization and management of the bank system. These recommendations are in line with the policy of globalization, liberalization and privatization. The Committee suggested that the priority sector should be redefined and the targeted credit for priority sector should be brought down from 40 to 10 per cent of total bank credit. The new definition of priority sector excludes the medium and large farmers and small scale industries.

Uma Mahesh Patnak and Sundara Rao's\textsuperscript{26} paper deals with the major achievements of nationalized banks between 1969-1988. It is found that there is a substantial increase in the branches of commercial banks in rural areas. During the period of study, the proportion of rural branches was more than 50 per cent of the newly opened branches. However, the commercial banks were constrained to open branches vigorously in the urban areas. The suggestion of establishment of mobile and satellite officers by the banks branches is worth mentioning.
Ghosh\textsuperscript{27} revealed that the curtailment of the target of priority sector lending to 10 per cent, as urged by the committee on the financial system, will send an unfortunate signal to the dispensers of credit that the basic objective for which priority lending was developed two decades ago is being diluted.

Narayanad\textsuperscript{28} stated that one of the major achievements of commercial banking in general and the directed credit programme in particular has been the extension of the outreach of the banking sector to the small and marginal farmers and the weaker sections of society.

Hanumantha Rao\textsuperscript{29} highlights the growth and expansion of institutional credit, particularly through commercial banking. Rao raises the policy issues relating to the viability of credit institutions, equitable access to credit, redefinition of priority sector and enhanced the role of rural banking institutions to cope up with the emerging challenges. It is necessary for the developmental role of institutional credit that the institutional credit should be complemented by infrastructure and technology. In the credit plans more emphasis should be on non-farm and allied-agricultural activities.

Dandekar\textsuperscript{30} has traced the development of agricultural credit in India during the 20\textsuperscript{th} century. This study emphasized the development of co-operative finance and supply of agricultural credit by commercial banks.

Balishter and Pankaj Kumar\textsuperscript{31} in their study they examined the extent of credit available to different categories of farmers from the institutional and no-institutional sources and overdues of loans, which were availed by the farmers from the institutional sources. The study is based on the primary data collected from 75 marginal, small, medium farmers from Bishpuri village of
development block Bichpuri (Agra) and selected purposively on the basis of intensive financing of agriculture by the institutional agencies-commercial banks, co-operative societies and land development banks during the agricultural year 1991-92. The result of the study indicates that in areas where commercial banks have extended their operations, they constitute the major source of financing agriculture in the case of marginal and small farmers while the share of the co-operative society is larger in the case of medium and large farmers. This indicates that the co-operatives continue to be conservative and security oriented in their lending operations. The commercial banks have to finance the marginal and small farmers as part of the Government policy. Of the total credit made available to the farmers, about 76 per cent was provided from commercial banks, about 8 per cent from the co-operative society and about 6 per cent from land development bank. The availability of credit per hectare was higher in the case of marginal and small farmers as compared to the medium and large farmers. This implies that the marginal and small farmers are no worse than the medium and large farmers which are due to the deliberate policy of the Government to redirect the flow of institutional credit in favour of marginal and small farmers.

On an average, about 54 per cent of the available credit was used for productive purposes and about 46 per cent was diverted for un-productive purposes. Of the total overdues, about 50 per cent of the farmers are old loan and overdues for over three years and about 50 per cent are current overdues for less than three years. Category-wise analysis shows the total overdues, old overdues accounted for about 54 per cent in the case of marginal farmers and 50 per cent in the case of small farmers. This indicates that the problem
of overdues of bank finance is quite serious in the case of marginal and small farmers.

Dixt and Chakrabory have done an in-depth study on NABARD’s activities from different angles, such as agency-wise and purpose-wise. They feel quite satisfied with the performance of NABARD’s activities and are hopeful of its bright prospects in the near future. They viewed that NABARD has to pay more attention on issues, which are paralyzing the financial discipline through mounting overdues such as political interference, willful defaults of credit agencies etc.

Shete, stated that the commercial banks in India have already started financing proposals involving hi-tech agriculture such as tissue culture, aquaculture, controlled environment agriculture, floriculture, seed production, biofertilisers, biopesticides, mushroom cultivation, food processing, biomass utilization, post-harvest and processing of fruits and vegetables, etc. The term lending and refinance institutions like IDBI, NABARD, ICICI have initiated investments in hi-tech agriculture as high focused areas and have earmarked specific budget besides coming out with novel scheme like venture capital. Biotechnological Consortium India Ltd. (BCIL) has been promoted by All India Financial Institutions mainly for commercialization of biotechnology ventures through institutional finance.

A study by Anita Gill explains that interlinkages among agrarian credit markets are a rather complicated phenomenon. An interlinked transaction involves trade in atleast in two markets, where all the terms of trade are jointly determined. In agriculture, interlinkage occurs when credit is linked with any
one (or more) of the factor market(s). This phenomenon is peculiar to the rural informal credit market, whose pervasiveness has been established beyond doubt.

Pondey\textsuperscript{35} explained that the post-nationalization period of about two decades has witnessed phenomenal increase in the operations of commercial banks (CBs) in India. There has not been lonely qualitative progress in the operations of CBs but also a considerable change in the policies and procedures. It has now changed from 'class banking to mass banking' and hitherto neglected sectors such as agriculture, small and cottage industries, export, self employed persons, small traders, transport operators, small and marginal farmers, agricultural labourers, SC/ST, which are termed as priority sector are now receiving greater attention and about forty per cent of the bank credit was supposed to be given to this sector. This target has been achieved. In this context, it is necessary to review the progress of CBs in financing priority sectors particularly in the recent past.

The Committee on Banking Sector Reforms 1998\textsuperscript{36} under the Chairmanship of M. Narasimham has reviewed the progress in respect of reforms in the banking sector over the past six years with particular reference to the recommendations made by the Committee on Financial Systems in 1991. Regarding agricultural credit, the committee noted down that the observations relating to credit procedures directed by the Committee on Financial System, 1991 have not been accepted in toto. In some cases, while the problem in credit has been recognized, the approach adopted has differed as in the case of non-performing assets (NPAs). According to the Committee,
the second generation of reformers could be looked at in terms of three broad inter-related issues: (1) to strengthen the foundation of the banking system; (2) to streamlining procedures, upgrading technology and human resource development and (3) to make structural changes in the system.

The Reserve Bank of India set up the Gupta Committee\(^{37}\) in December, 1997 to give an impetus to the flow of rural credit particularly agricultural credit from commercial banks. The Committee's recommendations were released in April, 1998.

A field level study was undertaken by Singh, Pandey and Singh\(^{38}\) to analyse the structure of rural credit and agencies, credit utilization pattern, extent of repayment and indebtedness of farmers. The study was conducted among 96 tribal farmers. They were belonging to marginal, small and medium size farmers. The respondents were randomly selected from two tribal population dominated villages in Kanke block of Ranchi district of Bihar State. The primary data pertained to the calendar year 1996. The findings of the study revealed that out of 96 selected tribal farmers, 88 of them were directly associated with credit financing agencies operating in the sample villages. It was observed that the share of institutional credit agencies in total farm credit was as high as 85 per cent while it was as low as 15 per cent in the case of non-institutional credit agencies.

In the total farm credit, the share of irrigation loan was the highest at 71 per cent, followed by fertilizer loan (8.30 per cent) and the amount of production loan per farm was high on marginal and small size-groups, indicating that resource poor farmers are willing to boost production and
productivity by increasing irrigation facilities and increased dose of fertilizers and high yielding varieties of seeds (HYV) seed on the farms. More than 85 per cent of the total outstanding loan advanced by institutional agencies was overdues as against about 30 per cent in the case of non-institutional agencies. The overall repayment performance by the selected farmers with regard to institutional loan was quite poor as compared to non-institutional loan. The economic analysis of the study showed that the average annual income of small and marginal farmers was far less than their annual expenditure leading to heavy financial deficit. It is concluded from the analysis that institutional agencies are functioning well compared to informal credit agencies based on the observations the study team has suggested that. Special attention is also required to improve the recovery performance through effective implementation of policy measures.

Rajput and Varma\textsuperscript{39} have made an attempt to know the flow of institutional credit for agriculture based on their study regarding the flow of institutional credit for agriculture in Indore district of Madya Pradesh. The enlisted the following findings. The findings of the study are based on an intensive enquiry of 200 farmers, 100 borrowers and 100 non-borrowers selected randomly from five villages in the Sanwer tehsil of Indore district. This study was conducted during 1994-95. The respondents were grouped into three categories viz; small, medium and large. It is found that the average intensity of cropping on borrowers was higher at 140 per cent as against 122 per cent on non-borrowers. The input-output, net income per hectare of small, medium and large farms were significantly higher on the farms of borrowers than on non-borrowers. Similarly the cost-benefit ratio on the farms of
borrowers was higher than on the farms of non-borrowers. The higher use of modern farm inputs in the form of high-yielding varieties, manures and fertilizers, irrigation and adoption of intensive farming systems by borrowers contributed to significant additional profit over those of the non-borrowers. The study revealed that the term and total crop loan extended by the State Bank of India for the sample farms per hectare was not adequate to meet the credit requirements. The total outstanding debt of medium farmers was higher at 30.80 per cent followed by large farmers (11.93%) and small farmers (4.77%). The crop loan outstanding was higher on large farms, followed by medium and small farms while term loan outstanding was the highest in the case of medium farms followed by large and small farms. The slow rate of repayment was due to unplanned borrowing and untimely supply of credit. The main difficulties faced by the borrowers in obtaining credit in the study area were the security formalities in availing credit and its unplanned disbursement, complicated and lengthy procedure of borrowing, lack of proper guidance and delay in the disbursement of credit.

Puhazhendi and Mohan Doss (1998) made an attempt to evaluate the performance of the institutional credit structure and its impact on agricultural development. Estimated values of credit demand through different approaches were compared with resource position and the emerging issues and strategies relevant for the 21st century were enumerated. The study concluded that it is difficult to establish a direct relationship between credit and output as the farmers act as facilitators for adoption of commercial practices which directly influence the crop production performance. The
increased flow of term credit significantly contributed to the growth of private capital formation.

Lakshmi Narasaiah and Venkatesulu\textsuperscript{41}, chose the villages from the three mandals to study the Area Approach Programme of the State Bank of India, Uravkonda branch of Anantapur district in Andhra Pradesh. The study covered 15 villages. In all these fifteen villages, except in Uravkonda, nearly 95 per cent of the population depends on agriculture. It has analysed the overdues of crop-loan and terms-loan, and the impact of the advances of the State Bank of India branch on farmers' income and employment.

The study conducted by Misra (1999)\textsuperscript{42}, observed that the farmer borrowers in two sample districts had not fully utilized the credit for the purposes for which the credit was sanctioned by commercial banks. The utilization gap in the case of farmers borrower was 26.2 per cent. However, the position with regard to farmer non-borrowers was somewhat different. They claimed to have utilized their own resources and borrowed loans from informal agencies for the purpose of which they intended to use. The shortfall in the utilization of credit by farmer borrowers was ascribed to non-availability of consumption loans from banks, inadequate and irregular supply of inputs, and decline in agricultural production due to severe drought conditions between the districts, utilization of loans was larger in Ganjam district than in Phulbani district by farmer borrowers.

It observed that the impact of bank finance is more felt by the farmer borrowers. The farmer borrowers experienced a higher percentage of change in output, income and employment between pre-loan and post-loan periods.
During the corresponding period, the farmer non-borrowers, on the other hand, experienced a lower percentage of variation in output, income and employment between pre 1991 and post 1991 periods.

Choudhary, Makhija, Laharia and Sube Singh, conducted a study in Bandrana village of Kaital district in Haryana State to find out the utilization and repayment behavior of borrowers. A total number of 100 randomly selected borrower farmers constituted the respondents for the study, the data collected with the help of a well structured interview schedule. Various background variables were the base for this study and appropriate statistical tools were also used for the analysis of the date.

Kumar (1991), Nikhade (1994) and Choudhary and Makhija (1999) also reported similar results, which provide strength to the findings of this study. The studies have indentified the problems faced by the farmers in repayment of loan. There are a number of factors that affect the repayment of the loans. Among them, poverty or lack of income from the farm production was reported as the most serious factor. Natural calamities like floods, droughts, attack of diseases and insect-pest were also reported by a majority of the farmers constituting (67.24 per cent) of the sample respondents have expressed that the crop production very severely effected. About one-fourth of the respondents reported the problems of low market prices and high rate price fluctuation. Expenditure on domestic activities viz., marriage was also considered as the main reason for non-repayment of the loan in time. Other reasons for non-repayment of the loan in time were on expenditure on 'sickness of family members', 'construction and repairs', 'household

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expenses', 'promise for exemption of loan' by the politicians', etc. were also reported by some respondents in this study.

Mittal\textsuperscript{44}, observed from the performance of RRBs that after the introduction of comprehensive restructuring initiatives from the year 1994-95 onwards, their financial performance has improved significantly. There is a need for hasten the process of turn around of RRBs by further strengthening their capital base and making them more proactive in approach.

Patel\textsuperscript{45}, in his study "Rural Credit" revealed that India is one of the very few countries in the world which has introduced several policies in the spheres of agriculture and rural development through assigning the pivotal role to the banking system. Rural credit institutions in India have been providing for production and investment credit to agricultural and rural development sectors. There is a need for them to play a catalytic role in these fields by way of responding to the changing needs immediately and favourably.

The study carried out by Abdullah\textsuperscript{AI} Mamum, Ms. Abdul Momen Miah, Farid Ahmed, A.F.M. Mahfuzul Haque\textsuperscript{46}, with regard to "Credit Use Efficiency of BRAC (Bangladesh Rural Advancement Committee) Agricultural Credit Programme in a Selected Areas of Bangladesh", has covered four unions, namely Babkhali, Boyra, Aqua and Ghagra under Sadar thana of Mymensingh district of Bangladesh. Twenty seven villages of these unions were covered under the activities of BRAC. Out of them nine villages were selected randomly for the study.
It concluded that the study indicates that less than half (48.76%) of the total amount of credit has been properly utilized by the borrowers. This leads to the conclusion that the credit utilization pattern was discouraging and frustrating. This might be due to inadequate supervision and monitoring the credit distribution, utilization and management.

The utilization trend of BRAC agricultural credit for non-agricultural purposes has been found to be more than half (51.24%) of the amount disbursed. Among the non-agricultural purposes, a good amount of credit has been spent by the borrowers in repayment of their credit borrowed from BRAC and other sources. They also spent credit amount in other areas such as small business, food purchasing and other non-agricultural purposes. On the basis of such findings, it is concluded that the management of credit programme of BRAC is not scientific and effective enough to check improper utilization of agricultural credit.

With regards to achievement of economic development as perceived by the borrowers through the utilization of BRAC credit, it was found that vast majority (85%) of the respondents achieved very low economic development which was contrary to the objectives/purposes of BRAC credit programme. This might be due to the reason that unavailability of sufficient credit for agricultural purposes, inadequate supervision and ineffective agricultural credit policy of BRAC.

The findings of the study indicates that 95.16 per cent of the total amount of agricultural credit has been realized in the immediate past year. This means that the borrowers and credit giving agency were very much
concerned about credit realization. The existing status of repayment of agricultural credit leads to the conclusion that the realization of agricultural credit disbursed by BRAC was very encouraging and enthusiastic in comparison to other loan giving agencies.

The expert Committee on "Rural Credit" was appointed by NABARD in the year 2000 has recommended in its report dated July 23, 2001 that a review of the mandate of 18 per cent of credit outstanding for agricultural loans and 40 per cent for priority sector loans be made after five years, as it believed that Indian agriculture was likely to experience substantial structural and other changes in this period of five years and the experiences of this period would provide a base for a more realistic reappraisal.

The Committee also recommended for substantial reduction in the RIDF interest rates to levels just enough to cover the interest cost of deposits. This would spur the banks to achieve the agricultural lending targets; since their margins in lending would normally cover their transaction costs and provide reasonable profits.

The Committee recommended that the maximum limit of 4.5 per cent on indirect credit should be maintained while obtaining the achievement of 18 per cent target for agricultural lending. The entire indirect credit may, however, be reckoned for meeting the obligation of allocation for priority sector lending in view of the importance of items listed under indirect advances.

The study by Sarbajit Chaudhuri, Jayantha Kumar Dwibedi (2002) revealed that in general, agricultural credit is available to the farmers through
formal and informal credit sectors. It focused on a comparative analysis between the horizontal and vertical linkages between the formal and informal credit markets. The traditional policy of horizontal linkage is plagued by the timeliness problem of formal credit, loan recovery problem etc. However, the most serious allegation made against this policy, is that the small and Marginal farmers have been almost completely left out from its purview and the group of large farmers has reaped the benefits of the credit subsidization policy. As an alternative to the traditional policy there emerged the policy of forging a vertical linkage between the formal and informal credit markets. The basic tenet of this policy is to encourage the informal sector lenders by enhancing their credit worthiness with adequate supply of subsidized credit. It is believed that the supply of subsidized formal credit to these lenders will increase the degree of competitiveness among them which helps to improve the borrowing terms faced by the small and marginal farmers who do not have access to formal credit.

Standing Committee on Agricultural (2002)\(^{49}\) was of the opinion that credit plays an important role in making agricultural operations successfully. As per the instructions of the Reserve Bank of India, every commercial bank has to give minimum 18 per cent of the total credit to agriculture. But, many banks had not been able to reach even 18 per cent. It was informed that the average credit by banks to the agriculture sector is between 14 and 15 per cent. The Committee had desired that RBI should go into non-adherence of their instructions by the commercial banks and ensure that this stipulation was met by all the banks. The Committee was unhappy to note that banks have charged high rate of interest on the loans given to the farmers. The
Committee had desired that the rate of interest charged from farmers should not be more than 2 per cent of rate of interest on which NABARD is giving refinance.

Anita Gill's study (2003)\textsuperscript{50} revealed that Punjab State is a classic example of a fast developing economy with agriculture as its base. The State which ushered in the Green Revolution has been rightly given the name of 'grain bowl' of India.

The study is based on a survey of two districts of Patiala and Amritsar in Punjab. The field investigation in the district of Patiala was carried out in 1994-95 and pertains to the two crop seasons of 1993-94. In Amritsar, the field investigation was conducted during 2001 and the data pertains to the year 1999-2000.

The field survey brought to light several interesting and important observations. One of such observations was that maximum number of households borrowed from private sources in both the districts. A total of 156 (86.2\%) households (out of 181) borrowed from private sources in Patiala. The number was 103 (57.2\%) for Amritsar. From the formal sources, the cooperatives found favour with the borrowers. Commercial banks did not find favour with the borrowers. The reasons varied from the cumbersome process involved in getting a loan from such agencies, and the more important one of the demands for a collateral (mainly in the form of a fixed asset such as land) by these agencies. Landless households in both the districts relied heavily on private lenders (58.33\% in Patiala, 70.59\% in Amritsar).
The study confirmed not only the existence of linked credit transactions in the informal credit market, but also that the majority of borrowers obtained credit through these transactions. In both the districts, the linkage of credit to output was found to be the strongest, although it was much more pronounced in Patiala (65.19%) than in Amritsar (36.67%). The commission agent, or arhtiyas as they are commonly called, was the most dominant source of informal credit in the study region. All categories of farmers borrowed from this source.

It is clear that informal lenders prefer crop as collateral than any other form of surety. Recovery has thus been made easier, because it will be done at the time of sale of crop. In Patiala, the interlinked borrowers constituted 83.98 per cent of the sample households of 181, while for Amritsar, the figure was lower at 50.56 per cent. The percentages will be much higher if non-borrowers and households borrowing only from formal sources are excluded from the total number of sample households. It is interesting to note that the most interlinked borrowers were also availing formal loans, while the number of non-linked borrowers getting formal loans was very less. This was mainly because the credit needs of such households, for one reason or the other, was less/negligible, which could be met from formal sources alone.

In the study region, rates of interest were varied from 24 per cent to 36 per cent per annum for the landowning households. In general, the rate of interest charged declined (although slightly) as the amount of loan borrowed increased. This can be understood if the two main activities of the lenders in the survey area are considered together – that of acting as a commission
agent and that of a money lender. The greater the amount of loan 
borrowed/lent, greater will be the quantity of crop that will be put up for sale 
(or, if it is less, the sale of next crop to the lender is ensured) and greater the 
commission that will be earned. So a slightly lower rate of interest is an 
incentive for borrowers to borrow high quantum of loan amount. Marginal and 
small farmers borrowed at more or less the same rate 29-30 per cent. The 
rate was slightly lower for the medium and large farmers (27-28%). The rates 
of interest charged in less developed villages were normally found to be 
higher than those charged in developed villages. Higher income and higher 
linkage also led to lower rates of interest.

It is at once obvious that formal credit is not able to meet the demand 
of quantum of credit. In both study districts total supply of formal credit for 
sample households was not even 50 per cent of total credit demand. The 
landless households' demand was the least satisfied by formal institutions, 
irrespective of the fact whether they were landless labourers or pure tenants. 
Organized credit typically tends to elude the poorest people. Formal lenders 
need to show on paper what the borrower's permanent address is, what 
collateral the borrower is able to offer and other evidence of the loan being 
safe.

An Advisory Committee on Flow of Credit to Agriculture and Related 
Activities from the Banking System was constituted by RBI\textsuperscript{51} under the 
Chairmanship of Prof. V.S. Vyas. In its mid-term review the Committee made 
several recommendations including those relating to the target for direct and 
indirect lending for agriculture under priority sector lending, negotiable
warehousing receipt system, setting up of rural development and self-employment institutes, agri-risk fund and micro-finance cells, computerization of land records, permitting access to granting autonomy to NABARD are being examined by Government of India and NABARD. Other recommendations of the Committee have been accepted and implemented by RBI.

The RBI constituted an Advisory Committee on flow of Credit to Agriculture and Related Activities from the Banking System (Chairman: Prof. V.S. Vyas)\textsuperscript{52}. The Committee submitted its interim report in April, 2004 and the final report in June, 2004. The committee made the following recommendations:

- A review of mandatory lending to agriculture by commercial banks to enlarge direct lending programmes.

- Public and private sectors banks to increase their direct agricultural lending to 12 per cent of net bank credit in the next two years and to 13.5 per cent two years thereafter, within the overall limit of 18.0 per cent of total agricultural lending.

- Banks to increase their disbursements to small and marginal farmers under Special Agricultural Credit Plan (SACP) to 40 per cent by March, 2007.

- SACP to be restricted to direct lending and extended to private sector banks.

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• Reduction in cost of agricultural credit by enhancing the cost effectiveness of agricultural loans.

• NPA norms for agricultural credit to be aligned with crop seasons. Loans for allied activities to be classified as NPA after 180 days of default.

• Credit flow to small borrowers to be improved through reduction in cost of borrowing, revolving credit packages, procedural simplification, involvement of Panchayati Raj institutions and micro-finance.

• The Service Area Approaches (SAA) to be modified to remove rigidities. SAA to be mandatory only for Government sponsored programmes and the format of village surveys to be changed in view of current realities.

In conclusion, it was observed that the strengthening of the agricultural credit institutions is indispensable for a sustainable agricultural development.

CONCLUSION

Several studies have been undertaken to evaluate the role of institutional and non-institutional finance for agriculture at the national level by individual researchers, financial intuitions, NABARD, RBI, Committees, Commissions and Government. But area specific studies are comparatively limited in number. A few studies conducted so far have not made an in-depth inquiry into the comparison of pre and post-loan periods and borrowers and non-borrowers. In a vast country like India with varying agro-climate and
socio-economic conditions, location specific studies are required. Such types of studies are of great significance on account of the vast, inter-regional variation of bank credit in developing countries like India. Even bank specific studies also not being evaluated adequately. The impact of bank finance on employment, production, productivity, income, savings and assets in different categories of farmers and overdues, problems of borrowers and commercial banks have not been analyzed sufficiently. In this background the present study is intended to fill the gap at micro level to examine the role of commercial banks in financing agriculture in Anantapur district of Andhra Pradesh with special reference to Syndicate Bank.
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