CONCLUSIONS

AND

SUGGESTIONS
In Chapter-I, the importance of Agriculture in Indian Economy and Development of Agriculture Sector are discussed on one hand. On the other hand, the Development of the commercial banks and the Financing of Agriculture by them are taken up for discussion.

To indicate the importance of Agriculture in the Indian Economy, the share of agriculture in National Income, occupational structure and Indian Exports are being analysed. To signify the agricultural development since 1950-51, the situation of agriculture, before and after Independence is critically analysed. The growth in area of the principal crops, output-growth rate and growth-rate in yield are taken to study the development of agriculture during the three periods 1949-50, 1964-65 and 1988-89.

The commencement of the Banks, their trends after nationalisation in respect of branch expansion in rural areas, growth in deposits and advances, the advances to the priority sector and agriculture and the problem of overdues are subjected to critical analysis.

Agriculture is the dominant sector in the Indian Economy. It has about 30 per cent share in our national
income now. It is more than twice as important as manufacturing sector as proportion of the National Product. In India, National Income is largely contributed by agriculture which is very much influenced by vagaries of weather. No other sector, taken individually, comes closer to it.

The share of agriculture in gross domestic product has steadily been decreasing. The share of agriculture which stood at 54.9 per cent during 1951-52 declined to 32.8 per cent during 1989-90. But the annual rate of growth rates of all the other sectors were larger than that of Agriculture.

With the economic development, the occupational structure of the country undergoes significant changes. In occupational structure, the dominance of Agriculture Sector declines and that of the other non-agricultural sectors increase as the development take place.

The occupational structure of India is like that of any under-developed country. In the first half of this century, there was no change in proportion of the work force on the land, constant at 70 per cent. The commercial policy of the British was responsible for this situation. The work force in agricultural sector was constant at 72 per cent
between 1951 and 1971; it was about 70 per cent in 1981. The only change was that the proportion of cultivators declined from 50 per cent in 1951 to 42 per cent in 1981; while that of agricultural labours increased from 20 per cent to 26 per cent during the same period.

The importance of agriculture arises from the place of agriculture in Indian Exports. Agriculture contributes a sizeable part of exports of India. Important items of exports are Coffee, Tea, Tobacco, Timber etc., The share of agriculture in India has been declining. The exports with the content of agriculture which occupied very dominant place by having share of 44 per cent in the total exports in 1960-61 declined to 18.68 per cent in 1991. The value of exports with agricultural content, which stood at mere Rs.284 crores in 1960-61, increased to Rs.8228 crores in 1991-92.

The Indian Agriculture is rich in resources but low in productivity with 2.5 per cent of the world surface area. There are monsoons, bright sunshine, all round the year by which two or more crops are raised in rotation or as inter crops. There is a very large scope for the development of Agriculture in India.
The development of Agriculture was stagnant during the pre-Independent period. The available agricultural statistics for the period are sketchy and defective. The increase in population has overtaken the increase in grains by considerable extent. There was belief at that time that the fertility of the soil had deteriorated and the efficiency of agricultural practices on the decline. This belief was clearly reflected in the conclusions of Indian Council of Agriculture Research (ICAR), and Grow More Food Committees.

The situation of agriculture got reversed after Independence. After Independence, especially during the pre-Green Revolution Period 1950-65, additional lands were brought under cultivation. The annual rate of growth area under crops during 1950-65 was quite impressive. All crops 1.6 per cent, food grains 1.4 per cent and non-food grains 2.5 per cent. The extension of cultivatable area before 1964-65 experienced by all crops without exception. The Potato cultivation was experienced the highest area-growth rate in this period (4.4 per cent), followed by Cotton. Food grains crops or wheat had recorded annual growth rate of 2.7 per cent per year followed by pulses.

After 1967-68, the possibilities of extension of cultivation declined. The annual area-growth rate was quite
low. All crops 0.3 per cent; food grains 0.2 per cent and non-food grains 0.4 per cent during the Post-Green Revolution Period.

The annual rate of growth of area under wheat was 2.5 per cent while it was mere 0.3 per cent for rice. The extension of area under wheat cultivation was clearly due to Green Revolution, but it was at the cost of coarse cereals and pulses. Under the non-food grains, spectacular progress was achieved by potato during the period.

The total production of any agricultural product reflects the combined effects of area under cultivation and yield per hectare. There is positive correlation between agricultural production and yield per hectare and area under cultivation.

During the pre-Green Revolution period, the production of all the food grains was increased from 55 million tonnes, indicating annual rate of growth of all food grains 3.2 per cent. Among the food grains production, the production of wheat had achieved the highest growth-rate of 3.5 per cent per annum, followed by rice. Cotton recorded the highest rate of growth among the non-food grains.
The annual growth rates of production of all the crops except wheat were considerably low in the second period as compared with the first period. Among the non-food grains, the production of potatoes had an increase at spectacular growth-rate of 6.7 per cent.

In India, there is not much scope for extensive cultivation. Increased production cannot be brought about by putting more and more land under crops. But the only way out is to raise productivity.

There was decline in agricultural productivity in general and food grains in particular before Independence and following three years of Independence. This situation of agriculture was reversed with the introduction of the economic planning. The field per hectare of food grains was raised from 5.3 quintals per hectare in 1949-50 to 7.6 quintals per hectare in 1964-65.

Among the foodgrains the productivity of rice cultivation had reached the impressive rate of growth of 2.1 per cent. The field-growth rate of wheat was modest as compared with that of rice. Among non-foodgrains, the field of cotton and sugarcane recorded modest growth rates.

During the second period, the most spectacular growth-rate was recorded by wheat (3.2 per cent) potato, too recorded an impressive growth-rate of 3.0 per cent per year.
The field of wheat is one over 22 Quintals as compared with only 1/2 Quintals increase of rice.

If comparison is made with respect to the yield per hectare in some selected crops in India with that in other countries of the world, it can safely be concluded that average yield per hectare in India is below the world-average in all crops.

For the development of agriculture, the States and the Union Government have introduced Agricultural Development Programmes, such as High Yielding varieties programme. The Governments have been striving to increase irrigation facilities and fertilizer consumption among the farmers to develop agricultural sector.

Due to the increased application of new science and technology, commercialisation of Agricultural products etc., farming is becoming costlier to the farmers. Outside assistances to the farmers has become quite necessary. The commercial Banks are important sources of credit to the farmers.

The earliest commercial banks are known as Agency Houses. They combined banking and trading functions.
were under the European Management. The Presidency Banks viz., The Bank of Bengal, The Bank of Bombay and The Bank of Madras were started with financial Participation by the Government.

The Commercial Banks experienced many ups and downs during the early stages of their development in India. To prevent bank failures, the Reserve Bank of India followed the policy of amalgamation of small banks with big ones. Due to the policy of mergers and amalgamations, the number of Banks declined from 430 to 73, between 1950-71. In 1960-61, there were 256 Non-Scheduled Commercial Banks; now there are only 3 such Banks.

On 19th July, 1969, fourteen major Commercial Banks and Six more Banks in August 1980, were nationalised. Before nationalisation, Indian Banks like the most of their peers abroad, had been conservative. It was against this back-ground, the Government introduced the policy of Social Control over the Commercial Banks in 1967. This policy compelled the Commercial Banks to supply credit to the neglected sectors. But later it was felt by the Government that social control over the Commercial Banks was not functioning as expected. Therefore, the Government of India

The nationalisation of the Commercial Banks has produced many changes in the Operations of the Commercial Banks. The number of Bank branches have increased very much after the nationalisation of the Banks. The number of branches were increased from 8,262 in June, 1969 to 61,248 in June, 1993 indicating annual growth-rate of 8.3 per cent during this period. The population, covered per branch, has drastically came down from around 70,000 at the time of the nationalisation to around 12,000 now.

More than 63 per cent Bank branches opened during this period were in the rural areas. The numbers of the Bank branches in rural areas were increased from 1,832 in 1969 to 35,406 in 1993. The numbers of the Bank branches located in semi-urban areas were increased from 3,322 in 1969 to 11,430 in 1993. The Bank branches situated in urban areas were increased from 8,262 in 1969 to 6,249 in 1993.

There has been substantial growth of deposits of Banks in India after nationalisation of the Commercial Banks. The growth of deposits is the result of improvement in the banking habits of the people and raise of their per
capita income. There is correlation between the growth of the bank deposits and that of Gross National Product. With the increase of Gross National Product, the deposits of the Banks also increased. It was found that since 1980-81 both the deposits and Gross National Product have been increasing. The deposits of the Banks increased from Rs.35,030 crores in 1980-81 to Rs.2,52,799 crores in 1992-93. The share of deposits in Gross National Product increased from 25.7 per cent in 1980-81 to 36.3 per cent in 1993.

The per capita deposits during the period 1956 to 1969 moved from Rs.29 to 96. But the same stood at Rs.3,000 in 1993.

Advances play an important role in the gross earnings and net profits of the Commercial Banks and promote the Economic Development of the country. Demand for credit arises because of the time-consuming nature of the productive and distributive processes. Commercial Banks fill the credit demand that are not accommodated by the saving processes and other Financial Institutions. The Bank credit has been increasing steadily and continuously since 1969. The Bank credit increased to Rs.3,467.40 crores in 1969; rose to Rs.1,44,702.00 crores in 1993.
The special attention was devoted to the sectors that had hitherto remained neglected; and which now have been given the status of the priority sector for bank credit at concessional rate of interest. The advances to the priority sector were increased from Rs.504 crores in 1969 to Rs.49,753 crores in 1993.

According to the latest report of the Standing Committee, of finance of 10th Lokhsabha, the real problem in priority-sector lending is the lack of availability of timely credit. All out efforts should be made ensuring timely availability of credit by strengthening the resource position of the banks of rural areas.

Agriculture was one of the sectors neglected by the Commercial Banks before the nationalisation of the Banks. The Government of India and the Reserve Bank of India compelled the banks to provide finance for agriculture sectors.

The credit to agriculture sector in 1969 was Rs.162.33 crores; it increased to Rs.19,774.00 crores in 1993. As the result, its share in bank credit rose from 4.7 per cent to 13.7 per cent during this period.
During the early stages, the commercial Banks faced two problems while undertaking provision of finance to agriculture. The first one was the lack of net work of branches in rural areas and the second was lack of expertise and experience in the field of financing of agriculture. Because of these two reasons, the Banks preferred to provide indirect finance to agriculture.

The Commercial Banks are entangled in the problem of overdue. The overdue of the commercial Banks constitute nearly 50 per cent of the demand.

In Anantapur District, there are 213 Bank branches of six types of Bank Group. The State Bank Group has 35 Bank Branches; SB has 33 in this District. The Nationalised Banks have 72 bank branches, Regional Rural Banks have 70 bank branches. The other bank branches, such as private commercial banks, co-operative banks, Andhra Pradesh State Finance Corporation are operating in this District.

Deposits are the single largest source of Bank funds. The Commercial Banks are striving to collect more and more deposits so as to channelise savings into socially important sectors. The deposits of the Commercial Banks
which stood at Rs.16,86,431 thousands in 1986 increased by increasing 2.28 times, to Rs.55,36,003 thousands in 1994.

The advances of the Commercial Banks promote the economic development of the region. So for the economic development of Anantapur District is concerned, the Commercial Banks have been providing finance to the various sectors of the economy. The advances of the Commercial Banks in Anantapur District which stood at Rs.13,69,824 thousands in 1986 increased to Rs.45,23,441 thousands in 1994.

From the deposits collected, the Commercial Banks provide finance to the various sectors of the economy. The credit-deposit ratio shows the measure of the amount of credit provided by the banks with regard to its deposits. The Credit-Deposits ratio has been fluctuating between 73 and 89 during 1986-1994.

Agriculture is the source of income to nearly 70 per cent of the population. This sector was one of the neglected one by Commercial Banks. But due to the Government of India and Reserve Bank of India's efforts the agriculture sector has got the priority-sector status. Now, to the agriculture sectors, the commercial Banks are
providing finance, directly and indirectly. They are preparing Annual Action plans to develop Agriculture and the other Priority-sectors.

Direct Finance provided by the Commercial Banks in Anantapur District was increased from Rs.6,22,065 thousands in 1986 to Rs.11,4,308 thousands in 1994. The share of Direct Finance has been declining in both the advance and the priority sectors advances. The share of Direct Finance declined from 45.41 per cent in the advances in 1986 to 29.65 per cent in 1994. In the case of the priority sectors, it got decreased from 52.43 per cent in 1986 to 33.80 per cent in 1994.

The priority sector holds the major position in the advances of Commercial Banks in Anantapur District. The priority sector advances increased from Rs.11,86,374 thousands in 1986 to Rs.32,96,440 thousands in 1994. But its share in the advances, has slightly declined.

Under the service-area approach scheme, the Lead Bank prepares the Annual Credit Plans. The Annual credit plan consists of the targets fixed for the various sectors of the economy. The banks in the District must strive to get the targets fulfilled. Under this scheme, the finance to this sector is available through crop-loans and term-loans.
The crop-loans cover the credit needs of agricultural season. They can be repaid from the sale-proceeds of harvested crops, Only in 1987 and 1988, the targets fixed under the crop loan were fully met. In 1990 and 1991 the performance of the Banks in respect of the crop-loan was very bad. In others years, the performance of the Banks was good enough. The amount of target has been gradually increasing.

The term-loans cover the investment other than investment working capital. The term-loans can be repaid only by the net surplus. It has to be spread over a term. The performance of the Commercial Banks in Anantapur District, in respect of giving term-loans, was satisfactory in 1982, 1986, 1988, 1991, 1992 and 1993 years. Only in two years, 1989 to 1990 it performance was weak. The amount of the target fixed for term-loans has been increasing. The amount of the target fixed for term-loans increased from Rs.1533.0 lakhs in 1986 to Rs.2824.98 lakhs in 1993. The amount sanctioned for Term-Loan was increased from as 1909.18 Lakhs in 1986 to Rs.2628.03 lakhs in 1994.

In the total agricultural finance provided under service Area Approach Scheme, crop-loans occupied major portion than term-loans. The share of crop-loans in the
total agricultural finance was about 60 per cent and that of term-loans below 30 per cent during the period under study.

The Reserve Bank of India prescribes guidelines which are to be followed by all the Commercial Banks. Certain guidelines with regard to agricultural finance are as follows.

1) Credit-Deposit rates must be above 60 per cent
2) The percentage of the priority sector to the advances must be 40
3) The share of Direct Finance in the advance must be 18 per cent.

All the Commercial Banks in Anantapur District have fulfilled the guidelines in providing finance to the sectors well above the stipulated figures.

The performance of the Commercial Banks is very satisfactory.

The massive expansion in the flow of bank credit to the agriculture sector has posed a number of crucial issues before the banking industry, during the last few years. The most pressing issue facing the banking industry is one of
overdues. The problem of poor recovery is a basic threat to the viability of bank operations in rural areas.

The overdues of the Commercial Banks are greater in magnitude. The overdues are more than 50 per cent. But in absolute terms, the overdues decreased from Rs.4,66,824 thousands in 1986 to Rs.2,05,795 thousands in 1993.

Deposits of the State Bank of India, Uravakonda Branch, has been increasing absolutely. The deposits of the branch decreased in 1993 as compared to previous year 1992. The deposits of the branch increased from Rs.20,689.134 thousands in 1988 to Rs.41,387 thousands in 1994 indicating the increase of deposits 1994 by 100 per cent.

The financial assistance are necessary for the economic development of any region. The State Bank of India Branch is providing finance to the development of areas of operation. The advances of the State Bank of India were increased from Rs.18,646 thousands in 1988 to 42,444 thousands in 1994. The advances were increased by 177 per cent during this period.

The credit-deposit ratio shows the production of deposits used for providing finance to the various sectors of the economy. The credit-deposit ratio of this branch
were for above the credit-report ratio prescribed by the R.B.I. In 1990, 1991, 1993 and 1994, the credit-deposit ratio was over and above 100 per cent. In 1988, the credit-deposit ratio was 90.33 per cent. But it was 102 per cent in 1994.

The priority sector advances have been steadily increasing year after year. The priority sector advances were increased to Rs.33,705 thousands in 1994 from Rs.15,880 thousands in 1988. The priority sector advances were increased 112.24 per cent during this period. But the proportion of priority sector advances was increased from 85.17 per cent in 1983 to 71.04 per cent in 1994.

Agriculture is the main occupation of the people living around its area of operation. Agriculture is in the most backward State. The Bank Branch has been trying its best to develop agriculture and improve the living standards of the people. The advances to agriculture were increased from Rs.2758 thousands in 1988 to Rs.28,335 thousands in 1994 indicating 122.10 per cent increase during the same period. But share of agricultural advances to the priority advance has been around 80 per cent.

Under the Service-Area Approach Scheme, the bank branch covers 15 Villages of the three Mandals: Uravakonda,
Vajrakarur and Vidapanakal Mandals. The Bank Branch is providing finance to agriculture under this scheme through crop-loans and term-loans. The crop-loans cover only operational expenses and working capital. The crop-loan can be repaid after completion of agricultural season. The term-loans cover expenses other than the operational expenses or other than working capital. The term-loans can be repaid during the term.

The Crop-loan covers the major share of agricultural advances. Under the Service-Area Approach Scheme, the share of the crop-loan was above 60 per cent during 1988-95. The finances provided for crop-loans was increased from Rs.84.24 lakhs in 1989-90 to Rs.87.00 lakhs whereas the finance provided for term-loan increased from Rs.14.09 lakhs to 17.28 lakhs during the same period.

Like the Commercial Bank Branches in India, in general, and in Anantapur, in particular, the State Bank of India, Uravakonda branch has been facing the problems, especially in providing finance to the agriculture sector. The main problem in providing finance to agriculture has been the problem of overdues. The overdues weaken the availability of funds in the Banking industry. During the period, 1988, 1992 and 1993 in which the magnitude of overdues was round 77.93 per cent. But in all the other
years overdues were around 40 per cent. The amount of overdues was decreased from Rs.61,67,000 in 1988 to Rs.26,99,827 in 1994.

The overdues both in crop-loans and term-loans have been occupied the same place during the period in State Bank of India, Uravakonda branch. The overdues have been 60 per cent in each category. Overdues in crop-loans were ranging to 40.95 per cent whereas in term-loans ranging 50.91 per cent. The amount of overdues in crop-loans were decreased from Rs.28,38,000 in 1988 to Rs.1868,519 in 1994, whereas the term-loans decreased from Rs.33,29,000 in 1988 to Rs.11,34,302 in 1994.

To assess the impact of the Loan provided by the Bank Branch to farmers on his income and employment, the farmers are divided into three categories namely the Marginal, Small and Others farmers, according to the size of the land owned by them. 40 farmers are selected randomly from each of the categories. The total number of farmers selected are 120.

To assess the impact of the loans on the farmers income, the incomes of the farmer during pre and post-loans periods are taken into account and compared. The impact of the loans on income is more in the case of the small
farmers, followed by the marginal farmers and the other farmers. It is found that there is 29.97 per cent increase of incomes in the case of the small farmers, whereas 15.11 per cent in the case of the marginal farmers.

In the same way, to assess the impact of the loans on employment generation, employment situation during pre-and post-loan periods is taken into account and compared. The impact to the loans on employment is more in the case of the marginal farmer, followed by the small farmers and the other farmers.

The impact of the loans on employment is 14.38 per cent in the case of the marginal farmers and 13.35 per cent in the case of the small farmers; whereas 7 per cent is recorded in the case of the other farmers.

SUGGESTIONS

In the light of the empirical study, the following suggestions, are made to improve the working of commercial banks so that they can effectively serve the credit needs of the small and marginal farmers and help them to raise their farm production and family incomes, and help the acceleration of agricultural development in general.
1. To the small and marginal farmers, the commercial banks should sanction adequate amount of credit and make them able to generate income sufficient for their subsistence and the repayment of loan instalments. For this purpose, a committee consisting of the representatives of the Bank, and the small and the marginal farmers and the technical experts should be established to consider the viability of the project in terms of subsistence and repayment.

2. Provision of adequate and timely credit helps the farmer in using it for the specific purposes which helps him in accruing the benefits, in the longrun. Otherwise, there is danger of diversion of Credit to other Channels. To solve the problem of over dues, the procedure to get the bank loan should be simplified so as to help the farmer to pay back the bank loan in easy instalments.

3. It is important to note that many a time teh finance advanced by the State Bank of India, Uravakonda branchis being diverted and made use of for consumption purposes. To avoid, this problem, consumption loans should also be sanctioned in genuine cases along with the agricultural credit for the specific purposes. This goes a long way in
preventing the borrowers diverting the loans from productive purposes to unproductive ones.

4. The Bank should fix the repayment schedule in such a way that the farmers who borrowed from the Bank would not shrink to pay the loan by instalments. The instalment amount fixed should be within the repaying capacity of the farmers. The State Bank Branch should announce specifically that those who clear the loan, according to the repayment schedule, will be given preference in the advancement of the loans in future.

5. Strict supervision and checking would prevent the farmers from diverting the loans to the other unproductive channels. It facilitates easy recovery of the loans as well. The Bank Staff should maintain close links with the borrowers. Such steps would minimise the problem of overdues of the Bank branch.

6. It was least from most of the sample borrowers were so illiterate that they had little knowledge as to how fill in the application forms for the financial assistance from the State Bank branch. Even the literate farmers have expressed such problems. This difficulty could be obviated by the establishment of
guidance and grievance cell to help those who stood in such a need.

7. Insurance coverage should be extended to all the activities for which the finance is provided by the Bank branch Crop Insurance scheme is a 'must' to protect the interests of the farmers in case of crop failure. This would help the farmers into make adequate investments on land.

8. Anantapur District is drought-prone area. The commercial banks in the District have to prepare plans to suit such an environment in the District. Such a step would help the farmer in meeting the credit requirements without delay. Differential rate of interest should be on a made available, liberal scale, to the variety of borrowers of the present study Area.

To conclude, rural bank branches and their working staff should dedicate their services in such a way so as to build up confidence in the farmer to seek their willing cooperation and help all the time, especially in time of need.

The bank staff should keep in branch with the borrower farmers regularly to know their problems and to suggest means of showing them.
The bank branches should go forward to educate the illiterate half-literate and other farmers about the new methods of scientific cultivation and the necessity of paying best the loans promptly. Above all, the bank staff should be strongly motivated to render whole-hearted service to the farmers to improve their production and earnings by suggesting and helping them to change their lifestyle to suit their needs.