INTRODUCTION
Agriculture is the largest and the most important sector of the Indian Economy. Nearly 70 per cent of Indians are depending upon agriculture for their livelihood and employment. 75 per cent of the people living in villages depend on agriculture. Those who live outside villages also depend in one way or another on agriculture; selling agricultural products, working in agro-based industries, etc. Inspite of it, this sector remains the most backward one. Agricultural development is essential to overall economic progress. Agriculture by virtue of its size is the major determinant of employment. Farm and rural needs affect Central and local budgets. On the income side, progress in agriculture has major impact on the rate of inflation, imports, exports and distribution of National Income\(^1\)

An important aspect of its stature can be seen in the large contributions it has been making to the country's national income. This fact highlights the largeness of the proportion of agricultural products which mark the profile of national income by industrial origin. No doubt with the faster development of the non-agricultural sectors, its

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share has fallen. Yet it continues at present to be significant at more than 30 per cent. No other sector taken separately comes closer to it.

A very high proportion of working population in India is engaged in agriculture. According to India's 1991 census figures, between 67 to 69 per cent of India's population is engaged in agriculture. The large number of people live by working in occupation dependant upon agriculture, like storage, processing, trade and transport of agricultural products. In villages, more than 75 per cent of the people earn from cultivation and allied agro-industries. A considerable part of the labour force in town and cities also finds jobs in marketing, export and other activities connected with agriculture.

In the field of International Trade, agricultural products like tea, sugar, oil seeds, spices, etc., constitute the main items of exports of India. The agricultural commodities may form 50 per cent of the exports. The manufactures with agricultural content (jute, cloth, and sugar) contribute about 20 per cent; and the total comes to 70 per cent of Indian exports. This is of much significance for economic development.
Directly or indirectly, agriculture has been the source of supply of raw material to the leading Indian industries. Cotton, jute and sugar Industries etc., are example of those industries which depend directly upon agriculture. Many small scale and cottage Industries like handloom industries also depend indirectly upon agriculture.

The Indian transport system (Railways & Roadways) depends on the prosperity of agriculture. Railways and roadways are getting bulk of their profit (income) from the transportation of agricultural goods from one place to another.

The budgets of the Government of both the states and the Central have been considerably affected by the land revenues on the one hand and expenditure on its development on the other. In India, the prosperity of agriculture is necessary for successful implementation of the successive Five year plans.

At the International level too, Indian agriculture has a fairly high ranking in certain respects. In the sphere of total production of certain agricultural goods, it enjoys a fairly high position. For instance, in jute production, India contributes nearly two-fifths of World
production. In tea, its share is nearly one-third. The contribution of agricultural sector to national income, foreign exchange and employment is a measure of that sectors importance in the overall economic situation.

To day, agriculture requires intensive application of Science and Technology through capitalisation and mechanisation. Under the impact of new developments in agricultural Science and Technology, and increasing commercialization of farming, agriculture is becoming costlier to the cultivator. The demand for modern inputs has increased considerably; consequently the credit requirements of the cultivator have gone up substantially. Viewed from the perspective of what determines agricultural prosperity, the role of non-rural factors seems to be critical. Among the key variables are development of technology the amount of resources invested in agriculture and its related infrastructure and agri-business, and more generally the office with which the Indian economy is managed. The linkages between the agriculture and the rest of economy are now so extensive that it is not possible to envision a major advance in either sector in which the other did not participate.


The credit for agriculture in India is provided both by organized and un-organized agencies. The organized agencies consist of co-operatives, commercial Banks, Regional Rural Banks, and Government. The unorganized agency consists of professional money-lenders, traders, relatives and friends, land lords and others.

Money lenders are the most important source, of late, though their position is declining in non-institutional finance. Since 1950-51, their predominance is still continuing in rural areas. They freely supply credit for productive and non-productive purposes. Their methods of business are simple and elastic. But their activities are full of shortcomings. They charge very high interest rates. They commit many other malpractices which are so well known. Besides money lenders, the other non-institutional sources for agricultural finance are relatives, traders, commission agents, land lords and others. The loans from relatives are on soft terms. All others charge very high interest rates. None among these care for the purpose for which the loans are used. Usually these borrowings go into unproductive channels. These sources cannot, therefore, be assigned and place in the credit-profile of agriculture.
Among organised institutions, the co-operatives are providing finance to agriculture substantially. These institutions have an intimate knowledge of villagers with whom they have to deal. The co-operatives are these particularly for the farmers with small means. These are given considerable help by the Government. They have been receiving special treatment and guidance from the Reserve Bank of India. With the establishment of the National Bank of Agriculture and Rural Development, the help and guidance of these Institutions would become more specialised and enlarged.

The help of Government is in the form of provision of Taccavi loans. These loans are usually granted during the distress time. These are given at low interest rate and their repayment conditions are easy. However, the red-tapism attendant on the sanction of these loans is not of much encouragement to the Farmers.

Only recently the Commercial Banks have entered this field. They have been financing agriculture since the Nationalisation of big banks in 1969. Before 1969 these banks were serving primarily the needs of cities and big

toms. Using of Commercial Bank credit to help small Farmers holds rich potential. Agriculture appeared to the Commercial Banks as an unattractive sector owing to certain characteristics of agricultural sector, namely limited amount of money involved, inadequate securities for loans etc.

Regional Rural Banks were established in 1976 in pursuance of the old 20-point economic programme. Initially, five regional rural banks were set-up on October 2, 1975 at Moradabad and Gorakhpur in Uttar pradesh; Bihwani in Haryana, Jaipur in Rajasthan and Malda in West Bengal. These were sponsored by commercial Banks. These, like Commercial Banks, receive deposits from customers and lend to borrowers. They provide finance for specified classes, namely the small marginal farmers, artisans, etc., in rural areas.

SIGNIFICANCE OF THE PROBLEM

Dryland farming continues to be the main stay of the people of the Anantapur district. Total geographical area of this district is 47,28,334 acres. The Anantapur District has the largest gross cropped area (23 Lakh acres) in Andhra Pradesh and about 85 per cent of the cropped area is rainfed.
Nearly 80 per cent of the population of Anantapur district depends upon agriculture, directly and indirectly. The agriculture sector is the most backward one. It depends mainly on rain fall. The agricultural practices are largely in traditional way. The application of science and technology is limited in agriculture sector due to lack of resources in the hands of the farmers in Anantapur District. For the development of agriculture sector, the financial institutions like the Commercial Banks, Regional Rural banks, Co-operative Banks etc. are trying their best. The Commercial Banks can contribute more to this sector because of their large resources at their command.

OBJECTIVES

This study is made keeping in view of the following objectives.

1) To assess the progress and performance of the Commercial Banks in Anantapur District.

2) To assess the progress and performance of State Bank of India Uravakonda branch with respect to financing of agriculture.

3) To analyse the problems of State Bank of India, Uravakonda branch in financing agriculture.
4) To assess the impact of the agricultural loans, provided by the Bank branch on income and employment of the farmers.

THE SCOPE AND LIMITATIONS OF THE STUDY

The study is confined only to the agricultural finance provided to the farmers by the Commercial banks in Anantapur District in general and State Bank of India Uravakonda branch in particular.

The period of this study is limited to 1988-1994. This obviously helps to study in detail the impact of the State Bank Branch at Uravakonda. It is also felt that this period of seven years would do well to understand the performance of the State Bank Branch. The data collected from the borrowers refers to 1991-1992 agricultural year. As the borrowers generally do not maintain the records particularly the credit they availed of and other allied aspects of agriculture, the data collected from them may or may not reflect the real situation.

METHODOLOGY

The investigator has chosen State Bank of India in Anantapur District for the purpose of the study. Further
State Bank of India, Uravakonda Branch was chosen as the area of the study. This was done due to limited time and reference.

With a view to give representation to different categories of borrowers, 120 borrowers who belong to the area of operation of State Bank of India, Uravakonda Branch, and who have exclusively borrowed from the State Bank of India Uravakonda Branch, have been purposely selected for the present study.

The list of the borrowers belonging to the area of operation of State Bank of India, Uravakonda branch, has been obtained from the office of the State Bank of India branch. The Bank has provided finance for different category farmers, we defined the three categories of borrowers according to the size of the land owned by them. 40 from each category, making total 120 cases, spread over the area of operation to the Bank Branch have been selected by the random sampling technique, for the present study. While selecting the sample, care was taken to include the borrowers who have not made such investment previously, that is, the farmers who wanted the finance from the Bank branch and made investment in agriculture only. This facilitates to assess the additional benefit accrued to as the result of the finance exclusively provided by this
S.B.I, Uravakonda branch. Further, while selecting the sample, sufficient time gap, between the time of sanction of the loan and the generation of incremental income was duly allowed for this purpose. The farmers who have availed finance 3 years before to the study period were selected. Representation is given to different categories of borrowers like marginal small, and other category of farmer come under this study.

REVIEW OF LITERATURE

All India Rural Credit Survey Committee examined the various credit agencies, private as well as State or State-associated. It assessed the past performance and drew a suitable programme for future. The survey found that non-institutional agencies had occupied dominant position sharing 93 per cent of rural credit market. The Committee found the contribution of Commercial Banks was hardly one per cent of the total credit requirements of agriculture in 1951-52. The Committee after careful survey came to the conclusion that "co-operatives had failed but they must succeed". The Committee suggested the implementation of Integrated credit scheme to create healthy atmosphere for the co-operatives.

5. All India Rural Credit Survey Committee, Bombay, 1954.
All India Rural Credit Review Committee reviewed the progress made by institutional agencies in respect of short-term credit, medium-term credit and long-term credit. It examined the implementation of the Integrated credit scheme which was recommended by the All India Rural Credit Survey Committee, 1954. The committee after taking into account the nature and dimensions of the demand for agricultural credit, felt that a single agency like co-operative alone can not meet the changes in agriculture. The committee suggested the entry of Commercial Banks into agricultural finance because of the inability of the co-operatives in meeting the challenges of agriculture. The committee recommended that an attempt should be made to plan the entire business of the borrowers.

The study Group was headed by Gadgil. The Group examined the credit gaps in various sectors of the economy. It assessed the credit requirements of major sectors of the economy viz., agriculture, industry and trade, during the period 1967-68. The Group called for setting up of single

6. Reserve Bank of India "All India Rural Credit Review" Bombay, 1969.

institutional organisation to provide all the three types of credit.

The All India Debt and Investment Survey has made a detailed appraisal of progress and performance of commercial banks in financing of agriculture through primary agricultural credit societies during 1970-75. The Report pointed out that there are certain shortcomings in the working of the scheme, such as incidence of overdues, low volume of medium-term loans etc.

The National Council of Applied Economic Research (NCAER) study on "Credit Requirements of Agriculture" is a comprehensive study based on sample survey. The study pointed out the existence of major gap in the sphere of investment credit for agriculture. The average cost of borrowing was 16 per cent for small farmers. The average cost of borrowing for the big farmers was less than that of the small farmers. The study pointed out that the co-operatives were not playing significant role with regard to the long-term development finance. The study also

pointed out that the rate of interest was declining due to availability of institutional credit. The NCAER recommended that the long term credit to agriculture must be provided through the institutional agencies.

The National Commission on Agriculture examined the requirements of institutional credit. 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. The commission also suggested that the share of the Commercial Banks be increased from 8.8 per cent in 1974 to 15 per cent in 1988 and greater weightage must be given to the needs of small and marginal farmers; Credit be provided to them on preferential terms in respect of both interest rates and quantum of advances to enable them to modernize agriculture. The Commission also made suggestions for the improvement of Farmer's Services Societies in the light of their record of performance.

Shetty's study seeks to juxtapose the amount of


institutional credit used by individual sectors and industries against their output and price trends relevant to them. The commercial Banks credit and other institutional credit have some relationship with real output in any sector or industry.

Subratha Ghatak¹², in his study of the Indian Rural Credit Market, made an attempt to study the nature, composition and working of the organised 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. On the demand-side, the agricultural credit was determined by rural interest rates. He considered the working of primary Agricultural Credit Societies on the supply side of Institutional Credit and concluded that they generally failed to satisfy the different criteria of financial viability and loan operations.

The Reserve Bank of India's Report on Multi-Agency Approach in Agricultural Finance¹³ highlighted the need for evolving nation's institutional agricultural credit system

¹² Ghatak, Subratha, Rural Money Markets in India, Bombay, Macmillan Company is limited, 1976.
evolving nation's institutional agricultural credit system to fill the growing gaps in agricultural credit. As per this approach, the Commercial Banks are to play supplementary/supporting role to the co-operatives 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 co-operatives 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 credit needs effectively. 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 an integrated 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 Region 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. Further, Regression models are used to explain inter-district variations in bank credit and deposit on the basis of observations of 233 districts. An attempt was made to distinguish land concentration and rural asset concentration, and assess their pattern of influence they exert on bank lending to agriculture. It is observed that agricultural credit from Commercial Banks brings together all possible factors influencing agriculture. These factors include factors influencing growth of Commercial Banking in general, socio-economic factors as also those reflecting variations in agricultural productivity.

Padhy's Commercial Banks and Rural Development is a critical study of the rural development experiment of the Indian Commercial Banks. It examines the theory of their association with the most important, of Indian economy yet underdeveloped, in all its ramifications. It analysed the problems of developing their presence in rural areas and the possible solutions from different angles for the much needed development and modernisation of rural India.

The Report of the Committee to Review the Arrangements for Institutional credit for Agriculture and Rural Development (CRAFICRD)\textsuperscript{16} reviewed the earlier committees. The Administrative Reforms Committee, the Banking Commission (1972) and the National Commission of Agriculture (1976). It recommended the establishment of national Bank of Agriculture and Rural Development (NABARD) which came into existence in 1982. The Committee preferred to have more than one organisation instead of integration of different credit structures. In view of the lack of consensus on the matters of co-operative movement, it was agreed that a beginning may be made at the primary level for integration of credit on a selective basis with the support and guidance of the Reserve Bank of India.

Ray Kishore Pany's study on "Institutional credit for Agricultural in India"\textsuperscript{17} focuses attentions on the inter-and-intra-regional 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 gap was

\textsuperscript{16} Reserve Bank of India, Report of the Committee to review Arrangements for Institutional credit for Agriculture and Rural Development, Bombay, 1981.

\textsuperscript{17} Pany, Raj Kishor; Institutional Credit for Agriculture in India, Asia Publishing House, New Delhi, 1985.
higher in irrigated areas than in un-irrigated areas. The study showed the mounting overdues made the institutional financing agencies weak and made them provide inadequate supply of credit. Among the operational weakness of the institutional agencies, the loan procedures of term loans were found to be cumbersome and costly.

Gupta's study on "Development Banking for Rural Development" studied 270 sample households in rural areas of the union territory of Delhi. The study reveals that the institutional credit agencies have been fairly successful in reducing the dominance of the village money lenders who are said to be exploitative. The author suggested measures for streamlining the rural credit societies with a view to help the poor farmers in a better way.

Singh, R.K.P, Singh R.P.N., and Singh, B.B., in their study "Financial performance of commercial and Regional Rural Banks in Bihar. A case study" have made an attempt to compare the performance of the commercial banks rural branches and Regional Rural Bank branches in Bihar State.


In the study, it was revealed that Commercial Bank branches need to increase their loan business and keep more stringent control over expenses for improving the financial efficiency of the branch. To minimise the losses in banking industry as a whole, the Government, as a policy measure, should give priority to Regional Rural Banks (RRBs) for opening their branches in rural areas.

Purah Chand and Singh R.P. in their study "An Economic appraisal of Farm Credit for The Farms of Haryana State", have evaluated the different purposes for which the farmers are borrowing and the sources of borrowing are critically examined. The impact of credit on the earnings of borrowers (farmers) in selecting districts of Haryana State are also studied. It focuses on the fact that there is ample scope for increasing the production level of non-viable marginal and small farmers through re-allocation and acquisition of resources supplemented by ancillary enterprises, credit supplied by credit Institutions.

Sunil Kumar has conducted a study to examine the


impact of Commercial Banks finance in rural development. He has pointed out the problems of both the bankers and the farmers, and has made some suggestions to overcome the problems. His study is confined to Bihar State.

Uma Mahesh Patnaik K. and Sundara Rao's papers deal with the major achievements of the nationalised banks between 1969-1988. Hence 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 bank branches is worth mentioning.

The Datey Committee, appointed by the Reserve Bank on co-operative overdues in 1974, has observed that political patronage to defaulters, faulty scales of finance, lack of supervision over the end-use of credit, laxity on


23. Reserve Bank of India; Report of the Study team on over-due of Co-operative Credit Institutions, Bombay, 1974 P.213.
the part of co-operative organisation etc., were the prime causes of overdues.

Dadhich\textsuperscript{24}, in his micro-level study on overdues of co-operative sector, has observed that (1) default in repayment is less where irrigations facilities are available. Further, he has observed that the causes of overdues in case of Commercial Banks may be mainly of two categories (1) Those relating to willingness to re-pay and those relating to ability to repay. It was revealed that the will to repay is more important than the ability to repay. In his study, Dadhich found that willful default is more common among large farmers as compared to marginal and small farmers.

Mishra and Sharma\textsuperscript{25}, in their book, "Problems and Prospects of Rural Development in India" have described different aspects of rural development, taking into account new approaches and concepts adopted by academics, policy makers and practitioners of rural development.

\textsuperscript{24} Dadhich.C.C : Over-due inform Co-operative Credit A study of Rajasthan : Bombay popular prakashan Private Limited, p-216.

National Bank for Agriculture and Rural Development (NABARD) launched field studies in nine states to gain insight into problems of delinquency in loan repayment from demand side. The demand side studies were carried out in two states; Punjab and Kerala, with good recovery performance, and seven states; Bihar, Gujarat, Karnataka, Madhya Pradesh, Maharastra, Tamilanadu and West Bengal, with poor recoveries. The study side studies, carried out in five States, examined the impact of faulty lending and recovery procedures, followed by land development banks.

Gupta S.K., Awasthi P.K. and Yadau K.S. in their study on "Non-Repayment of Agricultural loans; causes and Remedial Measures - A study of State Bank of India (ADB)" attempted to focus on recovery problems of agricultural loans. They analysed the causes for non-repayment of loans. Among others, they suggested for improving the recovery performance of banks.
