

CHAPTER VI
SUMMARY AND CONCLUSIONS

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Agricultural sector plays an important role in the process of economic development. Agriculture supplies the food for the fast growing population. In the initial stages of development agricultural development will also lead to the development of secondary and tertiary sector of the economy. In spite of the importance of the agricultural sector, it was not given the needed support. It is only during planning era that several programmes have been initiated to create the necessary base for agricultural development. However, the main constraint for the farmer in adopting the new methods of cultivation is lack of finance. The finance from the non-institutional sources will prevent the farmer in achieving the desired success, because of its evil effects.

Institutional credit plays an important role in any programme of assistance aimed at the economic betterment of the farmers. Of all the inputs required for the development of agriculture, credit assumes vital importance. The progress in regard with the agriculture is taking place mainly because of the application of science and technology. As a result of the introduction

of several innovations in the production of agricultural commodities the (commercial) banks and other financial institutions are expected to help the farmers in obtaining agricultural finance.

Agricultural finance mainly comes from two sources viz., institutional and non-institutional sources. Institutional financing agencies comprises of cooperative banks, commercial banks, regional rural banks and other government departments. Non-institutional sources includes money-lenders, land lords, traders, commission agents, relatives, indigenous bankers, relatives and friends.

Institutional credit agencies play an important role in meeting credit requirements of the farmers. To start with the cooperatives emerged to finance the agriculturists. Unfortunately for various reasons cooperatives could not meet all the requirements of the agriculturists. Subsequently commercial banks entered the field of agricultural finance to facilitate the agricultural development. However, after the nationalisation of the fourteen banks, the commercial banks have started financing the agricultural sector in a big way. In 1969, they covered only 22.3 per cent of the rural population and by 1991 it covered 58.4 per cent of the rural population. The bank nationalisation led to branch expansion

with particular reference to unbanked, underbanked areas with a view to reduce the regional imbalances. Implementation of Differential Interest Scheme (DIR) is another important achievement of commercial banks. Among the commercial banks in India, the ^{SABIR} State Bank of India (SBI) is a pioneer in providing agricultural finance to different categories of farmers. ^(State Bank of India) has started functioning from ¹⁻¹¹⁻¹⁹⁷⁹ (1st July 1955 by Nationalisation of the Imperial Bank of India.)

After the Nationalisation of the banks, a sea change has been brought out in financing the agricultural sector by ^{FRB} the State Bank of India. It is important to note that now-a-days the ^{FRB} State Bank of India is not only financing agriculture (but also acting as sponsoring bank in the establishment of RRBs.)

^{FRB} State Bank deposits, credit disbursement has been increasing right from its inception. There were ^{FRB} 497 branches in 1955 and by ^{FRB} 1991 the figure stood at 8,462. ^{FRB} Agricultural finance also increased from Rs.117 crores in 1971 to Rs.4,404 crores in 1990. State Bank of India is the first bank to open separate branches for agricultural development called as Agricultural Development Branches (ADB). ADBs have been set up by the SBI in 1971 as specialised branches ^{FRB} to concentrate

on agricultural lending only within the specified area of the operation with focus on lending to location specific schemes to be handled by a group of technical staff and trained personnel. The main aim of the present study is to examine the working of SBI (ADB^Ss). The study is taken in with the following objectives ;

MAJOR OBJECTIVES OF THE STUDY :

The following are the major objectives of the study :

1. To examine the role of Commercial Banks in agricultural finance with special reference to State Bank of India (Agricultural Development Branches).
2. To analyse the impact of the finance on the sample borrowers cropping pattern, income and employment levels.
3. To examine the adequacy of credit provided for different schemes.
4. To examine the repayment performance of the sample borrower farmers.
5. To examine the opinions of the borrowers on the finance extended by the State Bank of India (Agricultural Development Branch), Kadiri.

6. To suggest ways and means for improving the operational efficiency of bank branches in financing the rural sector with special reference to State Bank of India (Agricultural Development Branch), Kadiri.

METHODOLOGY :

The investigator has chosen State Bank of India (ADB) Branch, Kadiri for the purpose of empirical study. Further, Kadiri Mandal in Anantapur district was chosen as the area of the study. This was done because of the limited time and references.

With a view to give representation to different categories of borrowers, 80 borrowers belonging to Kadiri Mandal and who have exclusively borrowed from State Bank of India (ADB), Kadiri Branch have been purposively selected for the present study.

The list of borrowers belonging to Kadiri Mandal were obtained from the office of the State Bank of India (ADB). The bank has provided finance for different purposes and we identified four categories of borrowers (according to the purpose of lending viz., pumpset & borewell, bullock & bullock cart, plantation and sericulture. Out of the total borrowers,

20 from each category making a total of 80 cases spread over in Kadiri mandal were selected based on the random sampling technique for the present study. While selecting the sample care was taken to include borrowers who have not made such an investment previously. For example, the farmers who have availed finance for pumpset must have installed and are using it. This will facilitate to assess the additional benefits accrued as a result of the finance exclusively provided by the SBI (ADB). Further, while selecting the sample sufficient time gap between the time of sanctioning the loan and for generating incremental income was allowed. For this purpose the farmers who have availed finance 5 years prior to the study period were selected.

Representation is given to different categories of borrowers i.e., forward caste, backward caste, scheduled caste and scheduled tribes and also covered big farmers, medium farmers, small farmers and marginal farmers. Since all the important schemes and all categories of borrowers selected for study represented the sample, it is a true representation of universe.

THE SCOPE AND LIMITATIONS OF THE STUDY :

The study is confined to only to the agricultural finance deployed to bullocks & bullock carts,

pumpset, borewell, sericulture, plantation by the State Bank of India (Agricultural Development Branch), Kadiri, Kadiri Mandal.

The period of study is limited to five years from 1985-87 to 1990-91. This may help in a detailed study of the State Bank of India (Agricultural Development Branch), Kadiri Branch. Further, it is also felt that a period of five years is sufficiently enough to understand the performance of State Bank of India (ADB), Kadiri Branch, Kadiri Mandal. The data collected from the borrower farmers refers to 1991-92 agricultural year. As the borrowers do not maintain records pertaining to the credit availed, collected from them may not reflect the exact situation.

CHAPTER SCHEME :

The study is divided into ~~five~~ chapters. The introductory chapter deals with the study design and the methodology, scope of the study, objectives adopted for the present study.

The second chapter discusses the role of Commercial Banks in agricultural finance. Nationalization of Commercial Banks and their working with special reference to State Bank of India is examined.

The third chapter deals with a brief socio-economic profile of Anantapur district with special reference to Kadiri Mandal. The chapter deals among other things, geographical conditions, population, land utilisation, climate and type of crops cultivated.

The fourth chapter deals with the performance of State Bank of India (ADB) in agricultural finance with special reference to Kadiri Branch.

The fifth chapter traces the extent of agricultural finance provided by the State Bank of India (Agricultural Development Branch) Branch in Kadiri mandal. For this purpose an empirical study was conducted covering 80 borrowers.

The sixth chapter contains summary of findings and conclusions. A few suggestions were made at the end for the effective functioning of State Bank of India Agricultural Development Branches (ADB) in general and State Bank of India (ADB), Kadiri in particular.)

State Bank of India (ADB) has been playing a significant role in agricultural development. In 1972, the bank has opened 90 branches, 379 branches in 1980 and by 1990 the number of branches increased to 427. Advances increased from Rs.5.2 crores in 1972, Rs. 237 crores in 1975, Rs.356 crores in 1980, Rs.851 crores in 1987.

In Andhra Pradesh, 71 Agricultural Development Branches (ADB) are operating in 1989. In Anantapur district first SBI (ADB) was started in 1974 at Anantapur followed by Hindupur (1976) and Kadiri (1978).

Anantapur district is a chronically drought prone area consisting of 63 mandals, 11 towns and 964 revenue villages. The rainfall recorded was 665.3 mm in 1989-90. As per 1991 census, the population was 31.79 lakhs. Gross cropping area is 23 lakh acres. 85 per cent of cropped area is under rainfed. The district is situated in an unfavourable climate zone.

Sericulture is an important commercial crop in the district, covering about 64,000 acres. The important food crops grown in the district are paddy and jowar, groundnut and sunflower are the major commercial crops produced in the district. There is ample scope for the development of dairy industry, yet it has not developed as per expectations. There are 216 bank branches in the district. As a result each bank has to serve a limited area and limited population, thereby providing ample possibilities for development. In Kadiri mandal, the study area, has a total population of 28,627; male population is 14,765; female population is 13,862 according to 1991 census. Total livestock

population is 47,754 according to 1985 census. Literate population is 29.02 per cent. There are ample marketing facilities in Kadiri, as Kadiri mandal is on Hyderabad and Madras State Highway.

Kadiri mandal has a network of 4 commercial bank branches; they are : one cooperative bank, 2 Regional Rural Banks and one Vysya Bank.

On 13th May 1978, State Bank of India (ADB) Kadiri Branch has started functioning. In all aspects the branch position is satisfactory.

The number of borrowers were 2,948 in 1986; 3,713 in 1990; 7,622 in the year 1993. In regard with the deposits also progress was registered from Rs.120.97 lakhs in 1986, to Rs.180.21 lakhs in 1990 and to Rs.320.64 lakhs in 1993.

In regard with the disbursement of the loans it appeared that State Bank of India (ADB) is giving much importance to the short-term loans when compared to the medium and long-term loans. Land and other assets are the collateral security to give loans. They give loans both in terms of cash and material. For crop loan they give cash. For tractor, bullock & bullock cart, motor and pumpset, they give in terms of

material. The ADB insist clearance certificate from other banks, to the effect that they have not borrowed from other banks.

State Bank of India, Kadiri branch has disbursed short-term loans Rs. 53.67 lakhs in 1986; Rs.92.14 lakhs in 1990; Rs. 348.49 lakhs in 1993, for medium-term loans it gave Rs.95.68 lakhs in 1986, Rs.84.35 lakhs in 1990, Rs.141.42 lakhs in 1993. Disbursement of the long-term loans are Rs.29.15 lakhs in 1986; Rs.30.62 lakhs in 1990; Rs.57.32 lakhs in 1993.

Total recovery of the loans are Rs.73.80 lakhs (41.34 per cent) in 1986, Rs.115.04 lakhs (55.5 per cent) in 1990, Rs.323.78 lakhs (59.2 per cent) in 1993. The recovery of short-term loans are 50.1 per cent (Rs.26.89 lakhs) in 1986; 61.29 per cent*(Rs.56.39 lakhs) in 1990, 60 per cent (Rs.20 lakhs) in 1993. Medium-term loan recovery was 39.94 per cent (Rs.38.21 lakhs) in 1986; 53.2 per cent (Rs.44.87 lakhs) in 1990; 62 per cent (Rs. 87.68 lakhs) in 1993. In case of long-term loans 29.86 per cent (Rs. 8.7 lakhs) in 1986; 45 per cent (Rs. 13.78 lakhs) in 1990; 47.3 per cent (Rs. 27.1 lakhs) in 1993. Overall recovery performance is high in the short term loans, when compared to medium and long-term loans. So there are giving much priority to the short-term loans in disbursement.

* percentage of recovery to the total demand.

Inspite of the progress recorded on several fronts by the SBI (ADB), Kadiri Branch, it is quite disappointing to note that the bank is not free from the problem of overdues which can be mainly attributed to wide coverage by the bank. As a result of this problem bank cannot have a proper assessment while lending the loans and also the staff has to supervise a wide area, which is said to be a formality. The important reasons for the low rate of recovery performance, are many. Important among them are heavy dependance on rainfed agriculture. The rainfall in our study area is quite uncertain and erratic, which has an important effect on the farmers income. Moreover, the farmers are not educated properly on the need for repayment of the instalments in the stipulated time. Unremunerative agricultural prices may reduce the farmers income, which again acts as an impedement in repayment of the loan instalments. Moreover, the recovery of the loans also depends upon the involvement of the bank staff. The overdues of the SBI (ADB) is negligible when compared to the overdues of the co-operatives and regional rural banks operating in the study area.

It is also important to note that SBI (ADB) Kadiri branch is said to be advancing farm credit by adhering to the principle of efficiency and equality.

Agro-climatic conditions, socio-economic conditions of the borrowers, the borrowing patterns, utilisation of credit, problems in availing finance from institutional agencies vary from place to place. Hence in the present study an attempt is made to study the impact of SBI (ADB) finance on its borrowers. For this purpose SBI (ADB), Kadiri Branch was purposively selected. Four categories of borrowers based on the purpose for which finance was obtained were identified for the study. A sample of eight borrowers i.e., 20 pumpset & borewell, 20 sericulture, 20 bullock & bullock cart, 20 plantation were selected for the purpose of an indepth study with a view to assess the impact on individual borrowers.

Of the total respondents, 40 per cent are found in the age group of 26-40 years and another 60 per cent are found in the age group of 40 to 70 years. Among the borrowers small size family consisting of 1 to 4 members are high. 69 per cent of the sample borrowers are literates and the remaining 31 per cent are illiterates.

Main source of the information in getting the bank finance SBI (ADB) is through Single Window President and Sarpanch (38.75 per cent). Even in selecting the scheme the beneficiaries were encouraged by the Single Window Presidents and Sarpanches (41.25 per cent). Another reason for choosing the scheme was said to be banker's advice.

SBI (ADB) has been showing interest in advancing finance for the development of minor irrigation. It was observed that the highest increase in net income compared to the pre-loan period was registered in the case of credit deployed for the pumpset & borewell borrowers. It appears that as a result of bank finance the beneficiaries could bring more area under irrigation, which helped them in growing remunerative crops. The increase was 47.90 per cent followed by plantation borrowers which 47.81 per cent, in sericulture it is 25.28 per cent borrowers and for bullock & bullock cart it is 15.8 per cent respectively. Of the four categories of beneficiaries the pumpset & borewell beneficiaries got benefited much as they could increase the irrigated cropped area.

Though the plantation activity employment generation has substantively increased to 15.41 per cent

when compared to the pre-loan period. While the bullock & bullock cart beneficiaries registered 11.70 per cent increase.

The repayment position shows that 48.75 per cent of the borrowed farmers have cleared the loan fully, 18.75 per cent paid partly, and 32.50 per cent are categorised as defaulters. Main reason for non-repayment are crop failure/low yielding (46.34 per cent), drought and heavy expences incurred on livestock (39.02 per cent), low price of the agricultural commodities (46.32 per cent).

The beneficiaries have reported that they possessed 757 acres of land before obtaining the loan during our study period the extent of land reported was 815 acres. This clearly shows that bank finance has resulted in higher increase and thereby acquiring/purchasing additional land. Irrigated land was 137 acres before acquiring loan and it was increased to 239 acres after utilising the loan. Unirrigated land is 620 acres before acquiring loan it is 576 acres after the loan period.

As a result of increase in the irrigated area the sample farmers could change the cropping pattern. They changed from groundnut crop to plantation and

mulberry. Further, it was found that the area under food crops is decreasing by 62.5 per cent and more area was brought under cultivation of commercial crops (10.04 per cent) by the pumpset & borewell beneficiaries. Commercial crops mean groundnut, mulberry, plantation, sun-flower, and vegetables. Food crops mean paddy, jowar, bajra and millets.

The sample farmers who have borrowed for the purpose of sericulture development have also benefitted. As a result of the investment made the area under commercial crops and food crops has gone up. When compared to the pre-loan period mulberry (63.63 per cent) area has increased by 63.63 per cent. 9.71 per cent of area has increased in commercial crops. 51.67 per cent area has increased in food crops.

It is also important to note that the impact of the credit extended by the ADB to bullock & bullock cart beneficiaries has been significant. The total commercial crop area (36.04 per cent) has increased as a result of the bank finance. This is evident from the data pertaining to pre-loan and post-loan periods. Food cropping area has decreased by 18.18 per cent. Decrease of the food cropping area is mainly because of the fact that they are not remunerative crops.

The position of plantation beneficiaries was different from other types of beneficiaries. Area under commercial crops has decreased by 2.32 per cent and the area under food crops has increased by 37.04 per cent. Plantation area has registered tremendous progress as it has increased by 71.81 per cent. There is also significant decrease in regard with the area under groundnut. This groundnut cropped area is converted to plantation. Now-a-days plantation is a remunerative crop. The Government is also encouraging to develop it. Farmers are also showing interest in plantation crop.

Opinion survey was conducted on the borrowers about the functioning of SBI (ADB) financing. 37.05 per cent of sample borrowers reported that identification of the borrower is unsatisfactory. 40 per cent of the borrowers expressed that procedural formalities are rigid and as such they could not obtain credit easily. 37.50 per cent felt that rate of interest is very high. Adequate finance is not being provided. Cost of the credit is high. It is important to note that though majority of the sample respondents felt that the rate of interest collected by ADB is reasonable, yet the money incurred on the administrative formalities is

very high. 31.25 per cent of the farmers felt that the subsidy allowed was very low. Too much delay in sanctioning of the loan was reported by 28.75 per cent. Fixing repayment schedule is satisfactory. Treatment of the bank staff is satisfactory. The overall opinion of the borrower on the functioning of the bank reveals that 33.75 per cent sample borrowers are unsatisfactory. The behaviour of the bank staff is sympathetic.

An important problem expressed by the borrowers about functioning is about the prolonged time-lag between the date of loan application and date of loan receiving. It was found in our study that 31.25 per cent of sample borrowers waiting for a period of four to six months to get their loan application sanctioned. On the whole, plantation beneficiaries had to wait for six months to get the applications processed and loan sanctioned.

Another important problem as revealed by the beneficiaries is the gap between the amount sanctioned by the bank and the amount they actually needed. If the amount sanctioned by the ADB is inadequate to meet the intended purpose, there is a danger of diverting credit for other unproductive purposes. In regard with the plantation beneficiaries 93.2 per cent of the amount required was sanctioned and 81.97 per cent amount for

pumpset & borewell was sanctioned and 81.62 per cent for bullock and bullock cart beneficiaries and 77.7 per cent for sericulture was sanctioned. The credit gap is found to be high in regard with sericulture borrowers. Most of these beneficiaries are of the opinion that government estimation for construction of sericulture shed is low. As a result, credit gap is high for sericulture beneficiaries. Credit gap is closed by borrowing money from money-lenders, traders, friends and relatives. However, the major share comes for money-lenders in filling the credit gap.

Sample farmers reported several problems in availing SBI (ADB) finance 31.25 per cent of the total sample farmers reported that they have no sufficient knowledge about the rules and procedures in obtaining the SBI finance. 27.5 per cent of the respondents reported under valuation of the land, non-availability of supporting credit and extension service and technical guidance are not provided by the bank.

Sample farmer borrowers have made a few suggestions for effective cultivation of SBI (ADB) finance. 27.5 per cent of the sample farmers suggested that adequate amount should be sanctioned, 25 per cent have suggested that credit should be sanctioned adequately.

Further 23.75 per cent of the borrower farmers of our study suggested that rate of interest should be reduced. 15 per cent of the farmers suggested that trained supervisory staff needs to be appointed.

SUGGESTIONS :

In the light of the study, a few important suggestions are made for the effective functioning of agricultural development branches of State Bank of India.

1. Supply of adequate and timely credit : Provision of adequate and timely credit helps the farmer in investing or using it for the specified purposes, which helps him in accruing benefits in the long run. Otherwise, there is a danger of the diversion of credit for other purposes which ultimately leads to the problem of overdues. Hence, credit should be supplied at the right time and it should be sanctioned adequately. Inordinate delay in sanctioning of the loans can be avoided by simplifying the bank procedures. Further, if the bank is provided with sufficient trained and committed office staff, the bank can not only lend the loan intime but also assess their requirements accurately.

2. Provision of consumption loans : It is important to note that many a time, the finance advanced by ADBs has been diverted for consumption purposes. To avoid this problem consumption loans should also be sanctioned for genuine cases along with the credit for the specified purpose. This prevents the borrowers diverting the loans from productive purposes to unproductive purposes.

3. Convenient Repayment Schedule : The banks should fix the repayment schedules in such a way that they are able to pay the loan instalment from the agricultural income that to the incremental income and it should be within the repaying capacity of the farmers. Moreover, the borrowers needs to be educated on the need for repayment of the instalments in time and also explain them through suitable methods how the lendings of ADBs comes to a stand still in the event of non-payment of due. Recovery camps should also be conducted by involving the officials and non-officials of the area. This facilitates on spot assessment of the situation and also the genuine reasons for the repayment can be found. ADBs should also announce that those farmers who clear the loan according to the repayment schedule, will be given preference in the advancing of the loans in future. Further, the farmers who clear the loans in time should also be given rebate in the payment.

4. Supervision on the Utilisation of Credit : Supervision will prevent the borrowers from diverting the loans for the unspecified and unproductive purposes. This facilitates easy recovery of the loan instalments. Supervision staff can also guide them in various aspects of agricultural production, so that bank can maintain close links with the borrowers. It is important to have a watch on the borrowers, so as to ascertain that the credit sanctioned is availed for intended purpose. This goes in a long way in increasing the loan recovery by the banks.

5. Guidance and Grievance Cell : During survey, it was found that most of the sample borrowers expressed that they have no knowledge even in filling the application form for getting financial assistance from the ADB. Even literate farmer have many problems to represent to the bank. Hence, there is a strong case for establishment of guidance and grievance cell. Guiding staff should also advise the farmers about the borrowing from ADB. If there is a separate cell of this nature, the borrowers can also get guidance about the possibility of taking up allied activities like dairying, poultry etc. Any grievance of the borrowers need to be attended instantly by the Grievance Cell.

6. Setting up of more number of agricultural Development

Branches of State Bank of India : For better performance of the ADBs it is necessary to start at least one branch covering 5 to 6 mandals. This enables the borrowers to have easy access to the bank. As a result the cost of credit can be reduced. Moreover, because of the proximity, the recovery of the loans will be easier for the bank staff.

7. Introduction of Comprehensive crop insurance scheme ;

Insurance coverage should be extended by the bank for all the activities for which the finance is provided. Crop insurance is important to protect the interests of the borrower farmers in the event of failure of crops. This may help the farmer inadequately investing, thereby reaping the benefits of new technology.

8. Simplification of procedures followed in sanctioning

the Loan : In addition to the introduction of pattadar pass-book system, the ADBs should adopt scientific methods of processing loan applications. The supervisory staff of the bank must be sufficient in number and they must be trained and committed. They should also make arrangements for obtaining the information pertaining to the availability of ground water level for sanctioning advances for the purpose of minor irrigation. In our

study the beneficiaries have reported that other than the interest charges mainly responsible for increasing the cost of credit. Hence, the bank must take measures to reduce the expenses (not-interest charges) incurred by the borrowers.

9. Introduction of Area Specific Lending Programme :

Anantapur district is frequently drought hit. Hence the ADBs have to prepare the plans to suit the said environment so that the credit requirements of the farmers can be met without taking consideration the general policies that are applicable to other areas. Differential Rate of Interest facility should be given on a large scale of the borrowers of the study area.

10. Provision of marketing infrastructure : As the ADBs main thrust is in providing agricultural finance, for the purpose of the agricultural development, the ADBs should also concentrate on marketing aspect which is a main component of the production programme. The recovery performance of the ADBs can also be improved if the farmers are helped in marketing their agricultural produce in a profitable manner.

If all these measures are taken in letter and spirit many of the problems coming in the way of effective functioning of SBI (ADB) can be eliminated. As a result the beneficiaries of the bank can avail the assistance without any difficulty.