Chapter VIII

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The purpose of this study is to identify the beneficiaries of the agricultural credit schemes given by the Commercial Banks and to assess the impact of bank finances on the borrower farmers. The data are collected from a sample of 100 borrower farmers belonging to ten villages spread across the seven blocks of the Sonitpur district, of the twelve bank branches operating in these villages, eight branches of nationalised commercial banks, two branches of Pragjyotish Gaonlia Bank and two branches of the Assam Co-operative Apex Bank are taken for the survey purposes. Of the 100 sample farmers 65 had taken credit from different branches of Nationalised Commercial Banks, 20 farmers from the different branches of the Pragjyotish Gaonlia Bank and rest 15 from the Assam Co-operative Apex Bank.

For identification of the beneficiaries both economic and non-economic characteristics of the farmers are taken into consideration. The impact is measured in terms of the benefits derived by the borrowers. The specific parameters that have been used for this purpose are land utilisation, extent of irrigation, output pattern, yield variation, net farm income, etc. In addition to the identification and assessment of the benefits derived by the sample participants, an attempt is
also made to examine farmers' attitudes and expectations with respect to the banking schemes.

The survey has disclosed that the actual sizes of the holdings of the borrower farmers differ substantially from those recorded for the same set of farmers in the bank's record. Only 45 per cent of the personal reportings tally with those of the banks reportings. Of the 59 non-tallying accounts as many as 44 are found to be of under reporting type. Under reporting is positively associated with the holding size. The larger the amount of land a farmer holds greater is the incidence of under reporting.

The data indicate that over the years, mainly after the nationalisation of the Commercial Banks, dependence of the farmers on money-lenders has decreased considerably. Generally, at present the farmers of the Sonitpur district are enthusiastic to take agricultural loans from the Commercial Banks rather than from the money-lenders of the villages.

A good number of borrower farmers reported to have taken credit from more than one institutional agencies for the same purpose. Quite a few farmers seem to have taken credit from more than one commercial banks. The major two factors that help the farmer for the multiple agency approachment are - (a) the inadequate nature of the fixed financial scales, and (b) the non-existence of required checks at the banks' ends.
Though the survey report shows that small farmers in general are more conscious of timely repayment, but from the bank's report it is seen that big farmers as compared to small farmers are inclined to pay their loan instalment regularly and timely.

A scrutiny of the sources through which the farmers come to know about the bank credit shows that bank officials and neighbours who had already availed of the bank loans provided the ready information channels. On the whole, these farmers who are introduced through bank officials are found to be more regular in their repayment.

It is clear from the Survey Report that majority of the borrower farmers are not familiar with the real differences of the available alternative schemes. Even some of the farmers do not know the interest rates of the loans which they had already contracted. It is particularly found in the case of small farmers of Less Developed Regions of the district.

Analysis of the data on the time lag between the submission of the application and the receipt of the loan amount discloses a close association between the delay in receipt and the holding size, - the smaller the size of holding of the farmer the longer the waiting time for receiving the loan. Of the 43 farmers who are effected by late disbursement, 34 are prompt repayers. The data from the sample survey
further indicate an inverse relationship between the number of visits to be made to the branch office and the holding size.

The sample farmers remark that the interest rates charged by the banks are quite considerable, only some small farmers disagree with this view. The overdue rates of interest vary significantly across the banks.

Regarding the suggestions for the improvement of banking schemes with respect to crop loans is the introduction of pledge loans. On farm equipments loans the farmers are of the opinion that the repayment period should be extended from five to eight years, extension of instalment period, etc.

The data relating to the practices of the banks disclose that only a few managers are adhering to the stipulated procedures. Again the stipulated norms of advancing loans of different banks are also not the same. In majority of the cases, the village level officers are required to seek approval of higher level officers for both disbursement of loan amounts and the enforcement of action against defaulters. Also the financial scales and repayment schedules of all banks are not the same.

Turning to impact of bank credit the changes in land utilisation pattern disclose that more than 200 additional bighas of land have been brought under cultivation, during
the period under investigation. In terms of extension of irrigation facilities, additional 168 bighas are able to receive assured water supply.

The increased credit facilities have enabled a good number of farmers to improve their mode of production. Mainly borrower farmers have begun to use High Yielding Varieties of paddy in the Current Year (1988-89) who had used the local variety of paddy in the Reference Year (1987-88). The output pattern of the farmers has also changed perceptively after the credit facilities were given to them by the commercial banks.

The survey data also show that the average income of the farmers has increased by 73.89 per cent in the Current Year (1988-89) over the Reference Year (1987-88), i.e., from Rs. 14,980.00 in the Reference Year which has increased to Rs. 25,794.00 in the Current Year. The percentage increase across the size groups was lowest, i.e., 45.89 per cent for the small farmers, 77.88 per cent for medium sized and 88.22 per cent for the big farmers.

Again the survey data show that the total cost of production has also increased by 43.42 per cent in the Current Year over the Reference Year, i.e., Rs. 3,367.00 in the Reference Year which was increased by Rs. 4,829.00 in the Current Year. Though the cost of production has increased
in the Current Year over the Reference Year, the net farm income of the sample farmers has also increased by 80.53 per cent in 1988-89 over the year 1987-88.

Regarding other benefits, only 18 per cent of the borrowers seem to have set aside a part of their income as saving. The breakdown of the sample farmers into different size groups disclose a clear positive relationship between the holding size and the amount of savings. Again the farmers are now trying to supplement their incomes by investing their additional incomes on some other allied activities or on the improvement of their agriculture. Generally the big farmers are more anxious to invest their additional income on some other activities or on the purchase of land and agricultural equipments than the smaller farmers.

Policy Implications:

The sample data make it clear that banking facilities do not give a considerable help for meeting the credit requirements of the poor farmers of the village. The major benefits of different banking schemes have been monopolised by the medium and big farmers. This they could do because of their viable economic position. While the small farmers find it difficult to approach the Bank Offices for necessary loans for their agricultural pursuits, the lack of proper publicity
of the existence of different schemes of Banking institutions coupled with the procedural difficulties work well to discourage them from taking financial assistance. Moreover, the time duration in between the filing of the application and the disbursement of the loans also operates to discourage the small farmers to opt out for bank loans.

Besides providing credit at a cheaper cost, the banks should try by all possible means, for the inculcation of saving habits among the borrower farmers, for it contributes to the farmers' long run economic prosperity. The very provision of credit at lower interest rates would invariably result in some surplus to the borrower, if the amount borrowed is utilised for productive purposes. But the additional incomes would always have the tendency to tempt the farmer to use it for consumption or unproductive social expenditure. In such a case a borrower farmer is likely to become a permanent debtor. Further the extension of the facility to the same set of farmers year after year would not facilitate the extension of the services to a large amount of deserving farmers. So, the banking institutions should try to encourage the average farmers to build up his own source of investible funds. On this side the present day banking schemes may not prove to be effective.

Again the banks have to change from their present day consideration of treating the rural branch posting as a
punishment posting. The selection of a right person in a village branch can change the rural economic landscape by communicating or interpreting the real objectives of the banking schemes among the farmers.

The policy of crop loans require some changes in the period of disbursement and repayment of that loan. The discussions with the borrower farmers have revealed that quite in a good number of crop loan cases the borrowed amount of money has been used initially by the farmers for the consumption purposes and thereafter they have left with no option other than to go for additional loan to the village money-lenders in times of actual need. On this account the farmers remark that the sanction of loans by the banks is made mostly at inappropriate times and they are tempted to use the loan amount for non-productive purposes even against their own wish. A plausible way of removing this problem is to provide a facility which will enable the farmers to withdraw the loan amount as and when it is needed by them. Such method should also ensure to hold the farmers liable for interest payments on that part of the availed amount of loans only.

In general the bank loans are taken by the rich/big farmers. The small/marginal farmers do not look forward to take the bank loans for the improvement of their agriculture. Their land holdings are very small, ranging from 0 to 10 bighas. Their situation as agriculturists does not permit
them to take bank loans for the purchasing of farm equipments, HYV seeds, fertilizers, pesticides, etc. which are not economically viable for them. But from the field level survey conducted for this study, it becomes abundantly clear that the small and marginal farmers are equally in need of bank loans. As their land holding is too small mechanisation is quite impossible.

A positive effort to the solution of the vary many problems faced by the overwhelmingly large number of small and marginal farmers lies in the collectivisation of their cultivation followed by group loan system, the mechanisation of their cultivation, insurance of standing crops against natural calamities and damages and a sound procurement policy of the Government.

Introduction of Insurance Schemes for each farmers standing crops and the farmers who preferred collectivisation from the period of sowing to the harvesting against damages by natural calamities, such as floods and inundation, erosion of soil by rivers, draught and pests, etc. are an essential pre-requisite to help boost agricultural production. This scheme would give an additional incentive to the farmers to go for loans for their agricultural development and help maintain the input potential of the farmers to a great extent. The introduction and implementation of Insurance Schemes at the same time will cover the risk of agricultural loans contracted by
the farmers with the Commercial Banks. Only there after the
purpose of agricultural financing by the commercial banks
will be more fruitful in alleviating agricultural backwardness
as well as to cause the improvement of the material condition
of the majority of the cultivators.

The most problematic issue regarding the credit
facilities of the banking institutions is the non-repayment of
loans by some farmers. This seems to have emerged mainly
because of the absence of any strict controls at the banks'
ends to check the defaulters. They are not vested with the
powers similar to those given to the Co-operatives for reco-
vering the loans. Evidently the power to confiscate the
property in case of deliberate non-repayment will prove as an
effective tool for checking the apathy towards repayment. Now
that the Government has given powers to the banks to take
action in Civil Courts against deliberate non-repayment of
bank loans, it is expected that there will be no problem in
this regard in future.

The problem of multiple financing, which is a very
important problem of the banking institution, can be solved
by introducing the identity cards for all the cultivators.
This card should contain the details of land holding of the
cultivators, his credit transaction details such as purpose,
security, etc. and his production schedule so as to enable the
bank office to get ready information at the time of the
sanction of every loan. Whenever a banking or any financial institution makes an advance, it should affix its seal at the time of the sanction of the loan. This type of Card will be a great help both to the farmers as well as to the banking institution. With the help of this Card the banking institution can make themselves sure of the type of farmers for whom they are financing and on farmers side the introduction of this type of Card would minimise their incidental expenses.

In conclusion it can be safely said that the Commercial Banks in Assam are playing a very important role in the upliftment of the economy of the State. After the nationalisation of Commercial Banks they are providing liberal finance to the farmers leading to the development of the agricultural sector of the State. The banking schemes also help to provide adequate and timely credit facility to the farmers which assist them in term of adopting improved methods of cultivation. In the analysis of the survey report it is seen that rural credit facilities greatly help the farmers of the Sonitpur district by increasing their total amount of production as well as the mode of production itself. The survey data also reveal that all classes of farmers are able to augment more income by availing of bank loans. Many borrower farmers have begun to use HYV seeds, tractors, shallow tube-wells, pump-sets, etc. in recent years. But presently it cannot be denied that the major benefits of the banking schemes have
gone to the better off categories, viz., medium and big farmers.

In fine, it may be presumed that within a decade or two all the cultivators of the State will be able to mechanise their process of farm cultivation provided the terms and conditions of the bank loans are liberalised with the simultaneous introduction and encouragement of collectivisation in agricultural farming.