Chapter – VII

SUMMARY OF FINDINGS AND CONCLUSIONS
The present chapter deals with a summary of findings on "Financing of Agriculture by Commercial Banks: A Study in the Post-Reform Period". It is divided into two sections, first section deals with the findings of the study and the second section makes an attempt to bring out some suitable suggestions in the light of the field experiences.

A. FINDINGS

7.1 INTRODUCTION AND METHODOLOGY

Attainment of higher rate of economic growth is a major goal of national policy in all the countries of the World irrespective of their level of development and differences in their political and social structure. For developing countries, such as those included in the Third World category, particularly a country with massive population and resource problems like India, a higher rate of economic development is more essential for breaking the vicious circle of poverty. For a developing country having a high propensity to consume, it is not possible to generate sufficient resources internally to sustain the process of economic development.

Finance and growth are intimately interlinked. As the economy grows and becomes more sophisticated, the banking sector has to develop pari passu in a manner that it supports and stimulates such growth. With increasing global integration, the Indian banking system and financial system has had to be as a whole strengthened so as to be able to
compete. The initiation of financial reform in the country during the early 1990's was to a large extent conditioned by the analysis and recommendation of various committees/working groups set up to address specific issues.

The major aim in the early phase of reforms, known as first generation of reforms (1991), was to create an efficient, productive and profitable financial service industry operating within the environment of operating flexibility and functional autonomy. The focus of the second phase of financial sector reforms starting from the second-half of the 1990's, therefore, has been the strengthening of the financial system and introduction of structural improvements.

The role of the commercial banks in rural/agricultural credit was negligible till the nationalization of banks in 1969. After two decades of independence, the commercial banks have entered this field to extend liberal credit to the farm sector. The nationalization of banks was major step for canalizing credit to various sectors of economy for which agriculture is a major sector. In spite of significant achievements by the banking industry, there is still scope to extend credit facilities to agriculture sector in a much greater measure. After the introduction of financial sector reforms in the nineties, the Reserve Bank of India (RBI) directed these banks to lend 30 per cent of net bank credit to agriculture.

Under these different geographical and economic conditions, various educational backgrounds, new institutional and economic approaches, the entry of commercial banks to extend credit to the
gross root levels in the district have different impact on the performance of the farm sector compared to the earlier studies. Hence, an attempt is made in the present research work to analyse the financing of agriculture by commercial banks during the post-reform period in Chittoor district.

The present study in Chittoor district is purposefully selected, since it comprises various levels of irrigation, varying soils and other natural environment. Hence, the sample design of the study is multi-stage random sampling. Mandal is the first stage units of sampling. Bank finance borrower household is the last stage unit of sampling. Of the 66 mandals in Chittoor district, three mandals namely Chandragiri, Puttur and Kuppam have been selected as the first stage unit of sampling in three Revenue Divisions (i.e. Tirupati, Chittoor and Madanapalli) by using random sampling procedure. In each mandal six villages have been selected i.e. 1. Chandragiri mandal: Chanambattla, Durgasamudram, Gungudupalli, Dwanakanmbala, Itepalli and Buchinayaudupalli, 2. Puttur mandal: Nesanuru, Torooru, Annuru, SBR puram, Battikandriga and Thaduku, 3. Kuppam mandal: Vasanadu, Gundlanainipalli, Thumsi, Sodiganipalli, Kothaindu and Chinnisettipalli. All the villages in the selected mandals have been considered for the selection of the second stage units of sampling. Altogether six villages from each mandal are selected for the study i.e. a total of 18 revenue villages are selected in the district. All the farmers have been listed as borrowers and non-borrowers
of bank finance and also classified into various categories. The borrower and non-borrower households of bank finance have been classified into four different occupational groups namely, marginal, small, medium and large farmers depending upon landholdings criteria. Finally 90 marginal farmers, 72 small farmers, 72 medium farmers and 36 large farmers were selected for the study from bank finance borrower households by using random sampling method. To make the comparison more meaningful, among the non-borrower households, 54 marginal farmers, 36 small farmers, 27 medium farmers and 18 large farmers have been selected at random for the study. Thus, the study covers 405 sample households, 270 representing bank finance borrowing households and the remaining 135 representing non-borrower households.

7.2 REVIEW OF LITERATURE

The use and abuse of rural financial markets in the developing World has been a subject of considerable debate. The institutional credit delivery system in India has been well established. The flow of credit to the rural sector has increased continuously during the recent years. Since several institutional agencies are function in the area of agricultural credit, there is a need to study the role of these institutions in general and commercial banks in particular in financing Indian agriculture. The multi-agency approach enables the institutions to provide credit for various purposes in the rural areas. The earlier studies on financing agriculture by institutional agencies in general, commercial banks in particular both at the macro and micro levels were reviewed in this Chapter.
Rural people have gained good experience by availing credit for agriculture and other allied activities especially by the commercial banks. Since the commercial banks had played significant role in financing agriculture, it has been evaluated by a number of organization, individual researchers and the Government of India. It is desirable to review the relevant literature while handling a research problem. There is a plethora of literature on the subject and therefore it is not possible for any scholar to cover the entire literature. Hence, an attempt is made in this study to examine some of the studies undertaken by the World Bank, Reserve Bank of India, NABARD, Food and Agricultural Organization, National Commission on Agriculture, Government of India, Several Commercial Banks, as well as individual scholars and other organizations. The selection of studies some times appears arbitrary though it is arranged in a chronological order (year-wise). These studies dealt with both the demand for on supply of agricultural credit at different levels and underlined the significance of formal credit in modern agriculture.

Some of these studies identified that the introduction of improved methods of agriculture, modern technology and high-off inputs resulted in increased credit requirements. It is also found that the small and marginal farmers have a little access to institutional credit. Some of the studies indicated the diversion of agricultural credit to unproductive purposes like family consumption, social and religious ceremonies etc., the recovery of credit was poor and resulted in mounting overdues. Besides the natural calamities, low levels of income, high consumption expenses are stated as the reasons for poor recovery. Some of the
studies also show that there is a positive impact of credit on production, income and employment. The review of literature examines these aspects at the aggregate and non-aggregate level, due to the diversity in the agro-climatic, technological and institutional factors governing agricultural production.

7.3 FINANCING OF AGRICULTURE by COMMERCIAL BANKS

Agriculture is the most important sector of the Indian economy and its development gives scope to alleviate poverty and generate employment. It accounts for about 18.6 per cent of India’s national income at the present. Even after 50 years of Independence, agriculture continues to be the mainstay of the Indian economy. The green revolution has been the cornerstone of India’s agricultural achievement, transforming the country from food deficiency to self sufficiency through enhanced technology adoption, increased public and private investments and certain institutional innovations that have augmented production and productivity gain.

The post-green revolution period has witnessed impressive structural changes taking place in Indian agriculture. Despite impressive growth performance, the agriculture sector in India continues to be inefficient and plagued by constraints resulting in sluggish farm sector growth. Plan outlay on agriculture and allied activities has been gradually declining from pre-reform period to post-reform period. The impact of GATT globalization of
Agricultural production will play a greater role in determination of cropping pattern, investment level, price structure, equality of production and level of international trade. The favourable terms of trade to agriculture, in the process of economic reforms, seemed to have helped in raising aggregate output and private investment in Indian agriculture.

Agriculture credit is the key factor to accelerate agricultural development in a developing country like India. The credit needs of the farmers are of three kinds. Firstly, farmers need short-term credit to finance agricultural inputs like purchase of seeds, pesticides and fertilizers. Secondly, farmers need medium-term credit for purchase of plough, agricultural equipments, tractors and other implements to cultivate their lands with the help of modern implements. Thirdly, farmers need credit for long-term agricultural development such as improvement of land, construction of boundaries and horticulture.

The present system of agricultural credit in India consists of two sectors viz., the institutional and non-institutional agencies. The share of institutional agencies in the total borrowings of farmers has been increased from 7.3 per cent in 1951 to 61.1 per cent in 2001 and the share of non-institutional agencies source of credit was 92.8 per cent in 1951, it declined to 38.9 per cent in 2001 due to the development of institutional credit facilities. The commercial banks played an important role in providing credit to agriculture after nationalization. Among the institutional agencies,
the contribution of commercial banks in the total borrowings of the cultivators increased from 0.9 per cent in 1951-52 to 28.8 per cent in 1981-82 but declined to 26.3 per cent in 2001. The contribution of commercial banks in the filed of agricultural credit is may faceted.

The important institutional agencies supplying farm credit in India at the base level are co-operative, government, commercial banks and regional rural banks. The share of institutional agencies in the disbursements of total agricultural credit in the year 1951 was only 7.3 per cent and rose to 18.7 per cent in 1961, 31.7 per cent in 1971 and fairly increased to 63.2 per cent by 1981. However, during 1981-91, it declined from 63.2 per cent to 59.8 per cent and then slightly increased 61.1 per cent by 2001. The share of co-operatives in the total agricultural credit was only 3.1 per cent in 1951 and rose to 15.5 per cent in 1961, 22 per cent in 1971, and 29.8 per cent in 1981 and fairly increased to 37.8 per cent in 1991. After 1991, the share was decreased to 30.2 per cent in 2001.

The share of commercial banks in total agricultural credit increased considerably after nationalization. The non-institutional agencies have dominated in agricultural credit before nationalization of major commercial banks in 1969. After nationalization of banks, branch expansion programmes made new strides in the country. The rural branches increased from 1,833 in 1969 to 32,200 by 2004, registering 17 fold increases.
Branch expansion in rural areas registered highest and significant growth rates while in respect of semi-urban branches the growth rates are slightly lower in pre-reform period. In the post-reform period, branch expansion has registered a high growth rate in metropolitan, where as semi-urban and urban areas the growth rates are slightly lower.

The credit-deposit ratio of all scheduled commercial banks in India is 66.9 per cent in 1980, 61.9 per cent in 1991 and 58.4 per cent in 2002 respectively, which has decreased 3.5 per cent from pre-reform period to post-reform period. Since nationalization of major commercial banks, a stream of schemes have introduced by commercial banks as corrective steps to aid the weaker sections in rural areas, each focusing on a specific problem. They include lead bank scheme, integrated rural development scheme and service area approach scheme. The flow of commercial banks credit to agriculture has tremendously increased from 1991-92 (42.9 per cent) to 2004-05 (71.8 per cent) when compared to regional rural banks and co-operatives. Compound growth rates are 11.49 per cent, 22.82 per cent, 24.17 per cent, 18.59 per cent for co-operative banks, regional rural banks, commercial banks and total credit respectively, which are significant at 1 per cent level.

Loans issued and outstanding were continuously increased from pre-reform period to post-reform period by cooperatives, commercial banks and regional rural banks. The total direct institutional credit of loans issued increased by 2.37 times and
outstanding increased by 3.39 times in pre-reform period, while scheduled commercial banks loans issued increased by 3.13 times compared to cooperatives, State governments and regional rural banks from 1980 to 1991. The outstanding of commercial banks credit increased by 4.81 times. This clearly shows that loans outstanding are increasing more than loans issued in pre-reform period. In the post-reform period, loans issued are increasing by 3.63 times and loans outstanding are increasing by 2.52 times. Hence, the first hypothesis i.e. there is no significant growth in the provision of bank credit to agriculture during the post-reform period in India holds not good as there is a significant growth of bank credit to agriculture during the post-reform period compared to the pre-reform period.

Sound banking system is the *sine quo non* of accelerated economic growth. The number of bank offices of scheduled commercial banks in Andhra Pradesh were 567 in 1969 (at the time of nationalization) gradually increased and stood at 5393 at the end of June, 2005. Per account credit given to agriculture by scheduled commercial banks/across the region of Andhra Pradesh has noticed tremendous changes i.e. Rs.4178 in 1985 and Rs.29267 in 2004, increased by seven times. These problems must be taken as a challenge and an opportunity and the banks must readjust their policies and operations to the requirements of economic growth.
1.4 PROFILE OF THE SELECTED DISTRICT – CHITTOOR

The agricultural credit market in Chittoor district is no different from that of the country. Its agricultural economy also has different stages of growth and its cropping pattern is somewhat diversified. Chittoor district purposefully selected because of considerations of proximity and convenience. The population of the district as per 2001 census is 37.37 lakhs (male – 18.85 lakhs and female – 18.52 lakhs), with a density of population at 247 per square kilometer. In the total workforce, 31.3 per cent are cultivators, 37.4 per cent are agricultural labours and 31.3 per cent are other workers. The literacy rate of Chittoor district is at 67.46 per cent, which is slightly higher than the Andhra Pradesh at 60.5 per cent.

The normal annual rainfall of the district is 934.0 mms. The total geographical area of Chittoor district is 14.98 lakhs hectares. The forest area accounts for 30.11 per cent and net area shown for 26.94 per cent during the 2004-05 of the total geographical area in the district. About 80 per cent of the land holders has less than 2 hectares of land. Tube wells and dug wells are the important irrigation sources covering 84.33 per cent of the net irrigated area. Yield of principle crops per hectar of rice, jowar and ragi in Chittoor district is lower than Andhra Pradesh and the yield of bajra, groundnut, horsegram and sugarcane is higher in Chittoor district than Andhra Pradesh.
The total agency-wise ground level credit disbursement for agriculture and allied activities has increased from 19074 lakhs in 1997-98 to 51797 lakhs in 2003-04 in Chittoor district. The disbursement of credit is higher in commercial banks, which is 46.67 per cent than co-operatives (32.03 per cent) and regional rural banks (21.30 per cent) in the district during the 2003-04. The number of bank branches are 288 in the district, of which, 188 constitutes commercial banks, 75 regional rural banks, 22 co-operatives and 1 Andhra Pradesh State Financial Corporation (APSFC) as on Mrach, 2005. It seems 65.27 per cent of commercial banks, 26.05 per cent of regional rural banks and 8.33 per cent of co-operative banks are extending credit in the district. Percentages of agricultural advances to total advances extended in the district are 82 per cent by commercial banks and regional rural banks and 58 per cent by co-operatives. It is observed that commercial banks have been provided more credit and played a significant role in the district.

Organized agricultural credit agencies have made rapid progress both in expansion of bank branches and granting loans. The share of agricultural advances to total advances was 72 per cent in 1985 has substantially increased to 81.3 per cent by 2005. The linear and compound growth rates of bank advances in Chittoor district are impressive and highly significant. Sector-wise comparative performance of annual credit is increased continuously from 1990-91 to 2005-06. Annual credit extended
was 9.82 crores in 1990-91 and 1027.85 crores in 2005-06 with an increase of 1018 crores. The rural credit market of the district is getting integrated with the semi-urban and urban areas and thereby contributing to the integration of the credit agencies.

7.5 IMPACT OF BANK FINANCE: COMPARATIVE ANALYSIS OF BORROWERS AND NON-BORROWERS

With a view to analysing the impact of bank finance on farm employment, production, income, savings and households assets, 405 households (270 borrowers and 135 non-borrowers) have been selected for the study spread over 18 villages in three mandals. Of the 66 madals, 3 mandals namely Chandragiri, Puttur and Kuppam (one from each Revenue division) have randomly chosen. The profile of sample mandals revealed that kuppam occupies the first place in terms of population followed by puttur and chandragiri. Literacy rate is high in Chandragiri mandal. The major principal crops are paddy (HYV), groundnut, sugarcane, fruits and vegetables and mango garden. The total area under principal crops is higher in Kuppam mandal (9740 hectares) followed by Puttur (6056 hectares) and Chandragiri mandal (5253 hectares). The most important sources of irrigation are dug wells in all the three mandals. Kuppam mandal stood first in total livestock (35696), followed by Chandragiri mandal (33018) and Puttur mandal (21445).

The total number of loan accounts is 7391, of which majority of loan accounts are in Kuppam mandal (47.77 per cent) followed by Chandragiri mandal (30.27 per cent) and Puttur mandal (21.96 per cent).
The total agricultural credit has been at Rs.1761.27 lakhs of which 42.73 per cent of credit is in Chandragiri, 33.67 per cent in Kuppam mandal and 23.60 per cent in Puttur mandal. The total loan (Rs.1761.27 lakhs) constitutes crop loans (28.80 per cent), other loans (58.25 per cent), loans for minor irrigation (8.08 per cent), farm mechanization (3.16 per cent), land development (1.39 per cent) and plantation and horticulture (0.32 per cent) respectively.

To analyse the impact of bank credit on the growth of agriculture, the study has taken into consideration both males and females' respondents. Most of the borrowers (72 per cent) and non-borrowers (70 per cent) are found in the age-group of 41 to 60 years. The respondents who received primary and secondary education are 59.01 per cent while the respondents who received higher and technical education are only 22.72 per cent. It seems that illiterates (18.27 per cent) are more in the case of the marginal and small farmers followed by medium and large farmers respectively. The study also brings out the differences between borrowers and non-borrowers clearly that a higher level of literacy is found among borrowers (10.37 per cent) and 34 per cent are illiterates among non-borrowers. This shows that literacy has a positive correlation with access to and availing bank loan.

It is observed that the family size of sample households is medium size (6-7) in both borrowers and non-borrowers households. It is due to the joint family system prevailing in the developing economies which leads to bigger family size. In the traditional joint family system, only one or two participates actively in the cultivation activities and the remaining
seems to be idle which forced them to engage hired labour, which leads to hike in the input costs of cultivation. It reveals that there is heavy dependency of the family size on the sample respondents so, the economic gains per family member are at low level. Majority of the population are mainly engaged in agricultural occupations both in borrower and non-borrower households. Farmers who rely more on agriculture alone have to bear more risks since the agricultural activities are heavily depending on monsoons which are erratic in nature that too the district is more prone to droughts and finally leading to frequent crop failures and low yields.

There are seven commercial bank branches in the study area. Out of seven branches, State Bank of India occupies primary place in extending loans to farmers. The total amount taken by borrowers is Rs.1,12,80,140/- and loan outstanding is Rs.61,66,790/- . Crop loans play significant role in agriculture development. Majority of borrowers are taken crop loans which accounts for 62.23 per cent in the study area. The percentages of borrowings of crop loans to total amount borrowed are 23.73 per cent by medium farmers, 17.43 per cent by small farmers and 12.91 per cent to marginal farmers. The source-wise distribution of net area irrigated indicates the dominance of tube and bore wells with 68.71 per cent and 76.53 per cent of the net area irrigated was found under these sources for both borrowers and non-borrowers respectively. Net area irrigated for borrowers has improved during post-loan period compared to pre-loan period as it is seen that there is an increase of 61.57 acres of net area irrigated among sample borrowers. The average
net area irrigated for non-borrowers worked out to only 1.32 acres per household, whereas it is 1.62 acres and 1.85 under borrowers in the pre-loan and post-loan periods respectively. This can be attributed to the impact of bank loan since the bank loans have assisted them to go for digging and deepening of new and old bore wells besides giving financial strength to purchase pumpsets and other related material for improving irrigation facilities.

Water is a major input to the cultivation and its economic use and scientific water management methods influence much on the yield. The district is denied with canal irrigation and the absence of major irrigation project has forced the farmers to go for bore/well irrigation which incurs heavy capital investment on irrigation leading the farmer to involve in debt. The returns from the agriculture are not even enough to meet the capital costs involved in getting proper irrigation which finally resulting the scope to committee suicides. Some of the farmers with a zeal to get good water resource through bore wells have attempted for drilling new bores and failed to get water which led to the either the sale of landed property or committing suicides for not having proper source of repayments of loans either to formal or informal sectors of the financial assistance.

Irrigated land is increased (67.62 acres) from pre-loan period to post-loan period of the total gross cropped area in the borrowers due to the increase in bank finance. The percentage increase of gross cropped area is more in large farmers than medium, small and marginal farmers. The pathetic condition of the farmers in the district is that they are not
getting expected yields due to frequent droughts and even though farmers get adequate yields during the normal rainfall years, they get low income due to fall in the market prices of the agricultural goods due to excess supply of the output. This requires the attention of government to educate the farmers to go for alternative drought resistant commercial crops to get good returns.

The total employment increased from 1,08,480 man days in pre-loan period to 1,43,783 man days in post-loan period, registering an increase of 35303 man days of employment. Per acre employment is increased from 147 man days in pre-loan period to 175 man days in post-loan period. It is noticed that 28 man days are increased from pre-loan period to post-loan period and the difference of borrowers to non-borrowers is 23 man days for all crops. It is observed that in terms of employment, it is better in post-loan period than the pre-loan period of borrowers and low employment is found in case of non-borrower when compared to post-loan period of borrowers for all crops. The cost of cultivation is heavy in the district due to heavy involvement of capital for getting irrigation source where as less or nominal areas irrigated by canals. To balance the cost of cultivation, Government should extend the policy to provide loans at a nominal or free rate of interest to prospective farmers to go for new bore wells besides giving training to the farmers to go for cost minimization methods and to get new market channels for getting reasonable prices for the agricultural goods.

An average percentage increase of irrigated area is 11.52, total employment of all crops is 32.54 and per acre employment of all crops is
19.05 from pre-loan to post-loan period and from non-borrowers to
borrowers the percentage increase of employment per acre is 15.13 in
the study area. The crop-wise irrigated area, total employment and per
acre employment are highly significant (p<0.01) between pre-loan period
to post-loan period.

The category-wise total employment has increased from pre-loan
period to post-loan period of sample borrowers. Per acre employment
also increased from pre-loan period to post-loan period of all sample
borrowers. The percentage increases relating to the per acre
employment from pre-loan period to post-loan period are 12.76 to
marginal farmers, 14.18 to small farmers, 17.02 to medium farmers and
23.23 to large farmers. It is inferred that the percentage increase of
employment generation is the least in the marginal and small farmers
compared to the medium and large farmers. An average percentage
increase of employment per acre was noticed at 19.05 from pre-loan to
post-loan period. In the case of non-borrowers to borrowers at 15.13.
Therefore, it reveals that the loans extended by the commercial banks to
the borrowers have facilitated to bring more irrigated area under
cultivation besides increasing man days of employment which finally leads
to an increase in both volume of production and productivity and
employment generation. Hence, the third hypothesis i.e. the impact of
bank finance on the generation of employment is the same among the
different categories of borrowers is not correct as it is observed that there
are variations in employment among the different categories of
borrowers.
In this study, the impact of bank finance on generation of additional employment is significant for large and medium farmers compared to marginal and small farmers. Marginal and small farmers had owned employment which is higher than the medium and large farmers. But, medium and large farmers are depending on hired labour. The category-wise total employment has increased from pre-loan period to post-loan period of sample borrowers. Per acre employment is also increased from pre-loan period to post-loan period of all sample borrowers. Therefore, it reveals that the loans extended by the commercial banks to the borrowers have facilitated to bring more irrigated area under cultivation besides increasing man days of employment which finally leads to increase both volume of production and productivity and employment generation. The results of category-wise borrower’s irrigated area and per acre employment had 1 per cent level of significant between pre and post-loan period. Per acre employment is at 5 per cent level of significance between borrowers and non-borrowers (p=0.041).

Bank finance in the post-loan period has contributed towards generation of employment and facilitated to adopt improved agricultural practices in farms. The share of family and hired labour in the total man days of employment has also increased among the borrowers. Change in mandays of employment by hired labour was more pronounced in sample selected mandals and villages. Between mandals, change in man days of employment by family and hired labour was more visible in Kuppam mandal than Chandragiri and Puttur mandals. Villages under sample
households also showed remarkable improvement in generating higher man days of employment only after the receipt of the loan and utilization of such loans for various types of agricultural activities. This shows that the financial assistance of the banks has facilitated to generate more mandays of employment among the borrowers than the non-borrowers. Borrowers have more financial strength to adopt improved methods of production which gives scope to increase not only production and productivity but also income with repayment capacity of the bank loan. Therefore, efforts should be made by Government to adopt proper policies to extend bank finance to all types of farmers at a very low rate of interest since the dependents in the primary sector is more than 50 per cent with low remunerations. Any effort to strengthen this sector gives additional stimulation to the economy for all round development.

Among the Borrowers, the total production of all crops is 53954.62 quintals and per acre production is 73.33 quintals consisting of both food crops and commercial crops in the pre-loan period. In the post-loan period, the borrowers have succeeded in producing 67754.86 quintals of total production and 82.58 quintals per acre production. Farmers who have availed the bank loan have the scope to purchase improved variety of seeds, manures (both organic and in-organic), pesticides and adopt improved water management methods like sprinkle and drip irrigation which not only economize the water but also increase the yields. Therefore, the Government should educate and extend the training facilities to farmers to avail bank finance to adopt drought resistant crops with the intention to relieve them from the clutches of the village money
lenders and need to adopt dry farm techniques to reduce cost of
cultivation and to strengthen the farm income.

Among all the category of sample borrowers, the percentage
increase of total production is higher among marginal farmers at 28.61
per cent than the other farmers. Percentage increase of production per
acre is higher among large farmers at 15.29 per cent than the other
farmers from pre-loan to post-loan period and the same trend is seen in
the case of non-borrowers to borrowers at 20.45 per cent. Therefore, it
reveals that there is an impact of commercial banks finance on production
of sample borrowers. It is observed that there are variations in production
among the different categories of borrowers. So, the third hypothesis is
not correct. Per acre production is highly significant at 1 per cent level
and total production is significant at 5 per cent level between pre-loan
period and post-loan period of borrowers. The analysis noticed that there
is an impact of commercial banks finance on production of sample
borrowers. There is an increase in production of all food corps and
commercial crops from pre-loan period to post-loan period. The
production per acre is greater in case of borrowers compared to non-
borrowers. Bank finance has facilitated to bring more area under
cultivation and increased total volume of output besides increasing the
productivity. The impact of bank finance on productivity is highly noticed
with a percentage increase by 12.62 which play a significant role in
breaking the 'vicious circle of poverty' in the rural economy of the
developing countries which is a root cause for all evils of development.
Therefore, bank finance has increased the farm income in two ways i.e.
by increasing the volume of output and productivity. An average percentage increase of production per acre from pre-loan to post-loan period of borrowers is 12.62 per cent and in the case of non-borrowers to borrowers is 13.42 per cent. Therefore, there is an impact of commercial banks credit on crop-wise agriculture production of sample borrowers in the study area.

Crop-wise irrigated area under cultivation is highly significant at 1 per cent level; per acre productivity is significant at 5 per cent level. It is, however, important to observe that almost all types of borrowers witnessed increase in the value of output in post-loan period over pre-loan period. This change is the result of larger share of commercial crops in the total value of output than food crops. The value of output of the mango production of large farmers has risen due to enriched quality of output and good marketing facilities. On the other hand, such advantages are not available to the marginal and small farmers.

The increased quantity and value of output in the post-loan period compared to pre-loan and non-borrowers was due to the following factors. Firstly, after receiving the loan, the borrowers are able to procure necessary inputs like seeds, fertilizers, pesticides and improved ploughs which they were unable to purchase before getting bank loans. Secondly, borrowers after receiving the loan have taken more interest in the production of commercial crops or cash crops. In the sample selected mandals, the borrowers have grown groundnuts, chillies, sugarcane, sericulture and mango. The higher market price for commercial crops also
encouraged the borrowers to gradually switch over to the production of these crops.

The supply of farm credit generally has a positive relation with the farm income. The bank credit further facilitates the farmers to enhance their farm income. In order to ascertain the monetary benefits of all investments, it is necessary to estimate farm income. Per acre income is increased from pre-loan period to post-loan period at Rs.4747.28, it is greater when compared to between borrowers to non-borrowers by increasing an amount of Rs.3472.31. It indicates a definite improvement of income after the use of commercial banks loans. It is noticed that per acre cost of cultivation and per acre income are increased form pre-loan to post-loan periods of all categories of sample borrowers. The third hypothesis i.e. the impact of bank finance on the generation of income is the same among the different categories of borrowers holds not good. In comparison of all farmers, the percentage increase in income between pre-loan to post-loan periods was significant. The supply of finance has encouraged marginal and small farmers to undertake modernization of agriculture to adopt suitable cropping pattern and activities allied to agriculture that contributed for higher amount of income in the post-loan period compared to pre-loan period. The percentage difference in increasing income per acre is at 8.36 compared to the cost of cultivation per acre. Therefore, the proportion of cost of cultivation and income per acre in the post-loan period consists of 1:1.54. In absolute terms, the impact of the loans on farm income is more in case of the large farmers, followed by medium, small and marginal farmers. This is quite natural
because large farmers have the advantage of accruing economies of scale due to the large scale operations in the agriculture. The general economic conditions of the Indian farmer particularly in the drought prone areas without any canal irrigation do not permit them to go for improved methods of production. In addition to this, the frequent crop failures and family compulsions to involve in unproductive investments minimize the capacity of the farmers to make investments in the cultivation. Category-wise area and per acre income are highly significant at 1 per cent level, per acre cost of cultivation and total income are significant at 5 per cent level between pre-loan period and post-loan period. Between borrowers to non-borrowers, per acre income is significant. It indicates that there is an impact of commercial banks finance on income of the sample borrowers.

The crop-wise total average increase of area, total cost of cultivation, per acre cost of cultivation, total income and per acre income from pre-loan period to post-loan period are 104.71 acres, Rs.23,08,876, Rs.1,686.01, Rs.55,84,892 and Rs.4747.28 respectively for all crops. The average percentage increase of irrigated area is at 11.52, total cost of cultivation at 28.72 and total income at 38.05 from pre-loan to post-loan period but percentage increase of total income is higher than the total cost of cultivation. On an average, per acre cost of cultivation is increased by 15.43 per cent and per acre income is increased by 23.79 per cent from pre-loan to post-loan period. In the case of non-borrowers to borrowers per acre percentage increase of cost of cultivation is at 8.26 per cent and per acre income is at 16.36 per cent. Crop-wise irrigated
area, total cost of cultivation, per acre cost of cultivation, total income and per acre income are highly significant at 1 per cent level (p<0.01) between pre-loan and post-loan periods. The analysis indicates that there is an impact of commercial banks finance on income of borrowers in the study area.

All the sample selected households had witnessed a positive change in income over the period (2003-04). In other words, commercial bank finance in these hitherto neglected areas had positively assisted the borrowers to concentrate their efforts for the development of agriculture more in post-loan period compared to pre-loan period and non-borrowers. With bank finance, the borrowers could be able to utilize improved seeds, apply chemical fertilizers, undertake irrigational facilities and adopt activities allied to agriculture. In addition, it has raised the capacity of the farmer to withhold the output for some time to get good market price and to tranship the goods to other areas to get higher prices. The collected data reveals that the change in income is more pronounced due to the bank finance in these mandals where development is more assured and promising.

The value of assets of the sample farmers gives a fairly good indication of their economic status. Ownership of assets provides farmers to get an advantage in the credit market both in terms of the size and the cost of loans. An increase in the share of wealth with high signal and collateral value enables the farmers to go for large borrowings. Farm assets include land, farm buildings, farm machinery, livestock, irrigation resources, etc. Acquisition of assets would encourage the borrowers to
seek employment in agriculture for a major part of the year which was not possible in the absence of adequate assets in the pre-loan period. The performance of borrowers is better in acquiring the assets in the post-loan period compared to pre-loan period and non-borrowers.

The entire farmer's total average household assets value has increased from pre-loan to post-loan period. Per household assets value has also increased from pre-loan to post-loan period. In the case of non-borrowers, per household assets value is lower than the post-loan period of borrowers. Among the borrowers, the percentage increase of per household assets value from pre-loan to post-loan period is at 11.72 to marginal farmers; 12.13 to small farmers, 10.72 to medium farmers and 19.29 to large farmers. Large farmers have got income from multiple sources as they have more land holdings and involve in other businesses like real estate, business and children’s incomes. So, the third hypothesis i.e. the impact of bank finance on the creation of assets is the same among the different categories of borrowers is not proved correct. The percentage increase from non-borrowers to borrowers is by 28.92 to marginal farmers, 35.16 to small farmers, 59.54 to medium farmers and 17.65 to large farmers.

The foregoing analysis indicates the following findings:

First, change in the amount of assets has taken place on the part of almost all types of borrowers between pre-loan and post-loan periods and non-borrowers. Secondly, almost all types of borrowers have witnessed an increase of a substantial percentage share of agricultural
assets in post-loan period compared to pre-loan period and non-borrowers. However, it is more pronounced in the case of marginal and small farmers than in the case of medium and large farmers between pre and post-loan periods. This has fulfilled one of the objectives of nationalization of banks which aims at helping the marginal and small farmers in acquiring more of tangible assets out of bank loans. Thirdly, change in the value of assets over all the borrowers has taken place more compared to the non-borrowers. Further more, the percentage share of assets to the total has shown improvement in post-loan period over pre-loan period and non-borrowers for almost all farmers of the sample selected mandals, it is, however, more visible in all mandals of Chittoor district.

One of the main objectives of the Nationalized banks is to extend loans to the farming community to improve their economic well-being. This has given scope to the farmers to generate savings in order to provide economic security to them. Besides, more savings at their disposal, the farmers have more repayment capacity to clear the bank loans which in turn would encourage them to borrow more loans for further promotion of their activities. The total average savings are increased from pre-loan to post-loan period of all borrowers and total average of per household savings also increased. In terms of absolute amount, the variation in the amount of savings between pre-loan and post-loan period is Rs.13,519.74, per household savings of all category farmers. This indicates that after receiving the bank loan and using the same for agricultural improvement each borrower could generate an
additional savings of 47.17 per cent between pre-loan and post-loan periods and 54.47 per cent between borrowers and non-borrowers.

Among different categories of borrowers, savings are increased by 33.78 per cent in marginal farmers, 41.51 per cent in small farmers, 47.78 per cent in medium farmers and 52.01 per cent in large farmers respectively from pre-loan to post-loan period. Hence, the third hypothesis i.e. the impact of bank finance on the generation of savings is not the same among the different categories of borrowers not proved correct in the study area. Non-borrowers to borrowers, savings also increased by 46.11 per cent in marginal farmers, 36.78 per cent in small farmers, 53.08 per cent in medium farmers and 40.38 per cent in large farmers. The low percentage of savings has been found among the marginal and small farmers than the medium and large farmers as the total income of them is also low due to small holdings of land. According to the **Engle's Law** as the income of the individual increases less proportion of the increased income will be spent on consumption of food items. This **Law** is also holds good in case of medium and large farmers which gives much scope to have more savings than the marginal and small farmers whose major portion of income may go for consumption of food items and necessaries.

The foregoing analysis on the generation of savings between pre-loan and post-loan periods by borrowers and non-borrowers reveals the following facts:
First, almost all the borrowers have experienced increased percentage change in the amount of savings between pre and post-loan periods and between borrowers and non-borrowers. Secondly, among the borrowers, increased percentage change in the amount of savings has occurred in the case of medium and large borrowers, who have scope to earn more income than the marginal and small borrowers whose major portion of earned income for goes for consumption purposes. Finally, the study reveals that more savings have taken place in the post-loan period compared to pre-loan period. Non-borrowers have low savings compared to post-loan period of borrowers.

The impact of agricultural loan taken by different category of farmers on employment, production, income, savings and assets has been studied with the help of regression analysis. The difference between pre and post-loan period values is considered as measure of impact of loan. The regression model is in the form of \( Y = a + bX \); The correlation values analyse the impact of bank loan. There is positive correlation in production and savings to small farmers, savings to medium farmers and assets to large farmers. The following observations are made; among the marginal farmers, the loan had a marginal effect on production. The marginal increase in production due to loan was only 0.001 quintals, other things held constant. The average increase in production due to impact of loan is 1.17 quintals. Among the small farmers, the loan had a marginal effect on income only. The increase in income due to loan was only 0.166 rupees, other things held constant. The average increase in income due to impact of loan is 9505.92 rupees. According to the
correlation and regression, the medium farmers are not affected by loan in their employment, production, income, savings and assets. Among the large farmers, the loan had effect on production, income and savings. The negative increase in production due to loan was 0.001 quintals (it indicates the large farmers are not used loan for agricultural purpose), income was 0.135 rupees and savings is 0.197 rupees, other things held constant. The average increase in production, income and savings due to the impact of loan was 283.77 quintals, 49093.89 rupees and 11588.02 rupees of borrowers.

7.6 PROBLEMS OF REPAYMENT

The causes of overdues are complex and innumerable. They are classified under different categories and presented in the Chapter VI. Recovery position of commercial banks in India with respect to agricultural advances has improved over time. It has improved 57 per cent in 1994-95 to 67 per cent in 1998-99. Recovery percentage is improving in the case of commercial banks and regional rural banks whereas it is worsening in the case of co-operatives. The overall performance under priority sector advances in the district as June, 2004 is placed at 48 per cent. ANOVA is clear that there is a significant variation in the recovery performance between agriculture, small scale industries and other priority sectors in Chittoor district from 1995 to 2004.

The category-wise repayment performance and overdues of sample borrowers, out of the total amount of Rs.1,12,80,140 due from 270 borrowers, Rs.51,13,350 are paid which accounts for
45.33 per cent. It is clear that there is a significant variation between the category of farmers (marginal, small, medium and large farmers) with regard to total demand, recovery and overdues. Further, it is noticed that the repayment trend is higher in the case of large and medium farmers with 51.03 per cent and 44.59 per cent respectively than the small farmers with 39.34 per cent and marginal farmers with 34.51 per cent. Over dues of credit is higher in respect of marginal farmers (65.49 per cent) followed by a small farmers (60.66 per cent), medium farmers (55.41 per cent) and large farmers (48.97 per cent). Hence, the fifth hypothesis i.e. recovery of bank finance is not satisfactory holds good based on the analysis of the study. Here, majority of borrowers are repaid only interest and attempted for renewal or reschedule of loans due to drought conditions.

The study has analysed that the category-wise average amount borrowed, repaid and average amount per defaulters of sample respondents, out of 270 borrowers, there are 160 defaulters (59 per cent). The average amount borrowed and repaid had lower in marginal and small farmers when compared to medium and large farmers. The numbers of defaulters are more in the case of marginal and small farmers (66 per cent and 61 per cent) followed by medium and large farmers (56 per cent and 47 per cent). The average amount per defaulter is lower in marginal (10595.44) and small farmers (16566.94) compared to medium (20595.55) and large farmers (70486.11). Hence, efforts should be made by the bank officials to get more recoveries from the medium and large farmers.
The amount defaulted increases with the size of the loan contracted increases.Nearly 14 per cent of defaulters account for only 5.26 per cent of amount defaulted in the size-group of Rs. 0 - 5000. About 21 per cent defaulters are in the size-group of Rs. 5000 - 10000 defaulted which accounts for 17.07 per cent and 27 per cent defaulters are in the size-group of Rs. 10000 - 20000 defaulted which accounts for 35.60 per cent. But in the last size-group of Rs. 20000 and above which constituted 38.1 per cent of defaulters and defaulted amount accounted for 42.07 per cent. Average amount defaulted by 160 defaulters works out to Rs.38,542. It indicates that there is a skewed distribution in the amount defaulted. For defaulters, there is a positive relationship between quantum of borrowing and amount defaulted.

In selected mandals, there are seven (7) commercial banks extended loans Rs. 11280140 for 270 farmer borrowers. The recovery performance is 45.33 per cent and overdues is 54.67 per cent of all banks. ANOVA is clear that there is a significant variation among commercial banks with regard to total demand, recovery and overdues among borrowers in the study area.

There is multiplicity of causes for loan default. The classification of causes is also quite varied. It seems 23.75 per cent of defaulters account for 13.35 per cent of the amount defaulted and this is due to the defects in farm production. Of the 38 defaulters under this category, 16 belong to marginal farmers whose farm size is non-viable and it is difficult for them to generate adequate farm income for repaying the loan. The common
tendency is that these farmers are willing to repay but the circumstances prevailing in the agricultural activities do not permit them to repay the loan.

The second reason is variability in incomes caused by natural calamities (or) market fluctuations. It accounts for 18.75 per cent of defaulters and 19.63 per cent of the amount defaulted. Out of a total of 30, 13 are marginal, 8 are small, 7 are medium and 2 are large farmers on this category. The default is due to the drought condition in the district.

Defects in credit organization are the third reason for default. It accounts for 10.63 per cent of the defaulters and 10.32 per cent of the total amount defaulted. The unethical support and encouragement given by the commercial banks staff to borrowers not to repay the loans and the lethargic tendency on the part of the managing committee in revenue collections is the main reason for the defaults under this category.

Attitudinal conditions of defaulters are moulded by several interacting socio-political factors. Borrowers consider loans as grants and expect them to be written off either in part or in full by the government following populist policies. This category accounts for 22.13 per cent of default amount and involves 15.62 per cent of defaulters belonging to all farmer categories.

Misallocation occurs when the credit acquired is utilized for purposes other than those specified at the time of borrowing. Under this category, 17.50 per cent of the defaulters account for 21.34 per cent of
the total defaulted amount, this predicament is confined mainly to large and medium farmers. Miscellaneous reasons have negligible impact on overdues, which account for 13.75 per cent of the total defaulters involving 13.32 per cent of the total overdues. Political alignments and malpractices are come under this category. The fourth hypothesis i.e. the reasons for non-repayment of the bank credit are not uniform for different categories of sample borrowers is proved correct as the study reveals that the reasons for non-repayment of the bank credit vary from borrower to borrower. The total number of defaulters is 160 and the number of defaulters is 38.87 per cent of marginal farmers, 27.50 per cent of small farmers, 25 per cent of medium farmers and 10.63 per cent of large farmers. Majority of defaulter are marginal farmers than the other farmers. Amount defaulted is higher in large farmers (41.15 per cent) followed by medium, small and marginal farmers respectively.

The percentage of defaulters among forward castes worked out to 26.25 per cent. In the B.C. category, defaulters worked out to 48.12 per cent and 25.63 per cent in the SC/ST category. The aggregate defaulters among FCs, BCs and SC/STs are 42, 77 and 41 respectively. There is an inverse relationship between caste and the incidence of default. The average amount per defaulter is higher in forward caste (Rs.66084.88) followed by backward caste (Rs.36180.06) and scheduled caste/scheduled tribe (Rs.14764.88) of sample respondents.

Majority of the defaulters fall in the category of those who have got secondary education. The percentages of the defaulters under illiterate category represent 11.25 per cent, 28.74 per cent of the defaulters have
primary education, 35.63 per cent of the defaulters have secondary education, 21.25 per cent of the defaulters have higher education and 3.13 per cent of the defaulters have technical education respectively. The number of defaulters is high in case of persons with secondary education followed by primary education, higher education, illiterates and technical education. The average amount borrowed per defaulter is higher in the case of illiterates followed by persons with primary, secondary and higher education. The least average amount per defaulter is found in case of technically educated persons.

The study observed that 6.87 per cent of defaulters had upto 3 members of family, 28.75 per cent of defaulters had upto 4 members of family, 30.63 per cent of defaulters had upto 5 members of family and 33.75 per cent of defaulters had above 6 members of family. It is noticed that if the family size increases, amount borrowed, amount defaulted and the average amount per defaulter also increase automatically. So that, there is a positive relationship between family size and average amount per defaulter in sample villages of Chittoor district. Hence, the study reveals that the higher the family size more will be defaulters as the family size increases more will be the scope to meet not only the unforeseen expenditure i.e. medical but also on education of their children, entertainment and other social ceremonies like marriages and customs.

The paramount task of commercial banks is to create a sense of responsibility among the borrowers in regard to the timely repayment of loans and to ensure repayment is necessary to consider the socio-
economic characteristics of the borrowers that influence their repayment of dues. This will compel the lenders to chalk out new policies and strengthen the existing collection drive process very effectively.

In the study area, the difficulties as stated by 10 bank managers in the selected mandals in the district have been analysed under the following points. (i) Non-availability of documents, (ii) Inadequate infrastructure and marketing facilities, (iii) Inadequacy of staff in commercial bank branches, (iv) The problem of recovery of loans, (v) problem of working hours, (vi) Shy and reluctant farmers, (vii) Environmental problems, (viii) Social and political problems and (ix) Strong competition from other banking institutions.

The study has been collected opinions from the borrowers regarding loans. It identifies that 175 respondents (65 per cent) have been faced with the problems to get loan, which accounts 64.82 per cent and 95 respondents are not faced any problem to get loan, which accounts for 35.18 per cent of the total respondents. It is observed that there are eight types of problems faced by the borrowers. They exten loans un-timely (6.67 per cent), cumbersome procedure of bank loan (10.75 per cent), security oriented loan (5.93 per cent), high rate of interest (6.67 per cent), favoritisms of officials (9.24 per cent), distant location of institutions (5.18 per cent), lack of knowledge of rules and regulations (12.96 per cent) and other problems (7.42 per cent).

Borrowers are utilized the loan amount for different purposes. The borrowers utilized the loan amount for agricultural purpose only consist of 20.74 per cent, 18.52 per cent of respondents are used their loan amount
to family consumption expenditure, repayment of old loan (14.07 per cent), family functions and social ceremonies (16.30 per cent), acquisition of property or other assets (5.18 per cent), children’s education (17.42 per cent) and others expenses (7.77 per cent). Some respondents have expressed that they have spent their loan amount for two or three purposes. Out of 270 respondents, only 20.74 per cent of the respondents have utilized their loan amount to agricultural purpose and 79.26 per cent of the respondents have used their loan amount to other purposes.

Borrowers are repaying by getting the income from different sources like; sale of crop produce (32.22 per cent), sale of livestock/milk selling (14.82 per cent), income from other sources (10.37 per cent), sale of properties (2.60 per cent), renewal or rescheduled (34.44 per cent) and other sources (5.55 per cent) to total respondents. Majority of the respondents (34.44 per cent) are used renewal or rescheduled technique but they didn’t repay principal amount for longer time.

The reasons of non-borrowers for not availing the bank loans are that the lack knowledge of the existence of bank (17.77 per cent), adequate self-finance (6.66 per cent), easy availability form money lenders (27.42 per cent), difficult process, untimely and inadequate bank credit (18.52 per cent), being defaulter (21.48 per cent) and other reasons (8.15 per cent). The non-borrowers who have adequate self-finance represent only 6.66 percent. This shows that out of 135 non-borrowers, only 6.66 per cent of them have adequate finance which reveals poor financial strength of the farmers in the study area. Majority
of respondents (37) expressed that the reason for not availing bank loan is easy availability from money lenders (27.42 per cent). They are under the opinion that, it is easy to get credit from money lenders in the same village but it is difficult to get loan from banks due to the cumbersome procedures and inordinate delays in getting loans.

There are reasons for non-repayment loans to the informal sector like; drought condition (29.63 per cent), high cost of cultivation (25.93 per cent), non-remunerative agricultural price (13.33 per cent), low agricultural income (14.07 per cent), and high interest charges (9.63 per cent) and other reasons (7.41 per cent). Frequent drought conditions, high cost of cultivation and low agricultural income are major reasons for non-repayment of loans. Both borrowers and non-borrowers have the same problems for non-repayment of loans in the sample villages of the district.

There are some reasons of non-borrowers for not getting bank loan like; not easy to get approval from bank officials (19.26 per cent), favoritism of bank officials (10.37 per cent), redtapism (17.77 per cent), insisting to submit 'no dues' from other banks (24.44 per cent), lack of interest on the part of the field officer (18.52 per cent) and other reasons (9.64 per cent). It is found that marginal and small farmers are not in a position to submit their 'no dues' from other banks because they have already borrowed from other banks.
7.7 SUGGESTIONS

On the basis of findings of the study, it would be useful to make some suggestions that would help to improve the recovery of agricultural loans.

> In this study, from discussions, it is found that there is dissatisfaction among the borrowers who have repaid fully. The honest borrower who made repayment has reasons to feel cheated because they could not avail the benefit of debt relief for having paid the loan on time during 1990's. Hence, the customers who observe credit discipline and regularly repaying the loan should receive recognition by quoting like lower rates of interest and at times giving some mementos in the recovery camps. Wherever village-wise recovery is good, the village should be encouraged by some community service by bankers. An appreciation is given to an official for mobilising deposits, increase in business and likewise improvement in recovery should have weightage in appraising performance of the officials. These cannot be any substitute for active involvement of the bank staff. The system of collecting cash at door steps of borrowers may be encouraged in the case of small loans.

> There are some people who are habituated not to repay the bank loan. Hence, there should be support from the Government to consider the possibility of coming out with
laws to punish heavily the willful defaulters who motivate the others not to repay the bank loans.

➢ A publicity campaign to educate farmers about the need for repayment of bank's dues should be launched by the Government through newspapers, radio/television network as is being done in the case of family planning, health and conservation of energy etc.

➢ The existing laws are hardly conducive to the recovery of bank dues. The realization of bank’s dues through the court, besides being lengthy in procedure and is quite expensive too. Hence, special tribunals should be set up for recovery of agricultural loans. Narasimham Committee has also shown full agreement with the recommendations to Tiwari Committee for setting up of special tribunals which could expedite the recovery process.

➢ The willful default on the part of borrowers must be treated as an act of criminal offence and criminal proceedings may be initiated after a definite period, say 3 years.

➢ A common cause of overdues in the study area is the incidence of drought and result in heavy default in repayment of loans. An appropriate solution, it is felt, would be the crop insurance. The present crop insurance scheme which has been in operation since 1985, suffers from
several short-comings. Firstly, the scheme is confined to a few crops viz., paddy, wheat, millets, oil seeds and pulses in certain defined areas notified by the State Government. Secondly, State Government has been selecting only such crops and areas where crop yields are unstable, with the result that the cross-subsidization has not been possible in the study area because some of the crops which were grown not covered under existing crop insurance scheme. Hence, the scheme should cover and principal crops cultivated and should be compulsory at least to all borrowing farmers.

➢ It is time for the banks to think about agents for recovery, on the lines of agents for mobilization of deposits like Mutual Funds, National Savings Certificates, National Savings Scheme. At least one experiment can be started on a trial basis at a few centers.

➢ The strength of the supervision staff engaged by the credit agencies is inadequate to ensure effective supervision over credit. This situation has to be corrected by strengthening the staff, if quality of lending is to be improved. It is, however, not sufficient to lay down precise and uniform norms with regard to the charge per supervisor. The basic criterion should be the work-load, which depends on the number of borrowing members, the volume of loan operations and non-credit business, number of villages
under jurisdiction, their distance form one another, transport facilities available to the supervisors etc.

➢ The analysis on the repayment performance of the loans shows that the defaulters are higher in study area. The highest percentage of defaulters is noticed in the case of marginal and small farmers as against of medium and large farmers. It is also observed from the analysis that the amount defaulted increased with the size of the loan contracted increases. The highest percentage of overdues is noticed among the marginal farmers. The high incidence of overdues in the agricultural credit system has become a major constraint to the expansion and smooth delivery of credit.

7.8 STRATEGIES TO STRENGTHEN OVERDUE RECOVERY

1. While making pre-lending appraisal, the repaying capacity of the borrowers is to be judged by the employees carefully.

2. Similarly, post-lending supervision and approaching the borrower in right time for repayment may prove effective in early recovery of overdues.

3. Employees of the financial institutions should create a good climate of personal touch with borrowers by meeting
express demands instantly. Such an attitudinal change amongst bank employees may bring both borrowers and lenders close and this relationship motivates the borrowers to repay the dues in time.

4. The names of the defaulters should be pasted on the notice board of the institution and at a central place of the village. So that, the sensitive defaulters may come forward to repay their dues immediately. In this regard, a compromise with borrowers for repayment of dues seems to be a pragmatic approach in the field of recovery.

5. The introduction of ‘kisan credit card’ to the farmers extended by the banks is a welcoming feature to relieve the farmers from the burden of cumbersome procedures involved in getting credit. Therefore, the Government must take steps to implement the scheme effectively and efficiently to assist all types of farmers to enhance both productivity and production of agriculture.

6. The government desists from populist schemes such as loan melas and debt relief since they do more harm than good and weaken the credit system.

7. There is need for professionalization of management.

8. To reduce overdues a large number of field staff are to be engaged for collection of dues.
9. An incentive scheme for borrowers should be introduced to encourage those who repay their loans in time by way of a rebate on interest rate charged on their loans. This will build up a positive recovery climate.

10. The incentive system should not only be instituted for borrowers but also be extended to staff members to motivate good workers. Every worker should be entitled to profit-based bonus plan.