
CHAPTER – VII

*Summary
and
Suggestions*

Summary

In the foregoing chapters an attempt has been to study in detail the financing of agriculture by Pinkakini Gramscena Bank (Nellore District, Andhra Pradesh). The present chapter presents a summary of the argument developed. Finally, it makes a few viable suggestions to improve further the Bank's performance to meet its objectives. Agriculture occupies a key position in Indian Economy because of its contribution to the overall economy growth through supplies of food, raw materials and exports. Nearly about 25 per cent of India's national income and 24.4 per cent of Indian workforce depended upon agriculture during 2004-05. Indian farmers, especially the poorer ones are greatly exploited by informal moneylenders in rural areas and involve them in never ending indebtedness. It was in this context then the co-operative credit movement was started in India in the year 1904, as an institution to favour agriculturists and release them from the vicious hold of informal money-lenders. But the co-operatives by and large failed to achieve this objective. The realisation that the best hope for rural India lay in the success of co-operatives despite their deficiencies, the national policy envisaged the continuation of the co-operative agencies in the field of rural credit.

With the advent of the green revolution, the demand for agricultural credit increased substantially. The total credit requirements of the farmers, particularly the small and marginal were not adequately met by the institutional agencies. In order to protect the farmers from the clutches of informal lenders, institutional agencies were directed to provide credit to them at cheaper rates of interest on reasonable terms and conditions. The co-operative credit system necessitated the introduction of

the multi-agency approach in the field of farm credit. Subsequently 16 major Commercial Banks in 1969 and 6 more banks in 1980 were nationalised to streamline institutional credit to the rural poor. The new set of banks Regional Rural Banks (RRBs), were established in 1975 specially to meet the credit requirements of small and marginal farmers and rural artisans with low cost structure. The number of RRBs increased from 6 in 1975 to 196 in 2004. The number of states covered by them were 5 in 1975, and it rose to 23 in 2004. The number of districts covered increased from 12 in 1975 to 518 in 2004. The number of sponsoring banks also increased from 5 in 1975 to 29 in 1994, but decreased just by one to 28 in 2004. The total deposits increased from Rs. 0.20 crore in 1975 to Rs. 56356.08 crore in 2004 and the advances also increased from Rs. 0.10 crore in 1975 to Rs. 26113.86 crore in 2004.

Several studies have been undertaken to evaluate the role of institutional finance for agriculture at the national level by individual researchers, financial institutions and Government. But area specific studies are comparatively limited in number. Such studies are of great importance on account of the vast, inter-regional variations of bank credit in developing countries like India. Even bank specific studies do not seem to have gone into the different operations of branches located in remote areas. Therefore the present study of the financing of agriculture by Pinakini Grameena Bank in Nellore district was undertaken as a modest attempt towards filling the gap. A detailed analysis is made of the impact of Pinakini Grameena Bank finance on farm income, employment, asset creation and repayment performance.

By means of random sampling 10 per cent of the total branches (63 in all, 30 in the delta area and 33 in the non-delta area) namely 6 branches in all, 3 branches from each of the two areas were chosen for study.

200 farmers (100 from each area, from 6 sample branches) who borrowed loans from the bank during 2003-04 were selected randomly to form the study sample and pre-tested schedules were canvassed among them to collect relevant data.

As per the 2001 census the total population of Nellore district is 26.68 lakhs of which male population is 13.45 lakhs and female is 13.23 lakhs, rural population is 20.69 lakhs and urban population 5.99 lakhs. The literacy percentage of Nellore district is 65.08, which is higher than that of the state (60.47 per cent). The normal annual rain fall of the district is 1080 mm. During the year 2002-03, the actual rain fall received was 821.3 mm, 994.4 mm in 2003-04 and 935 mm during 2004-05. The forest cover in the district is 18.69 per cent and in the state it is 22.59 per cent. Barren and uncultivable land and land put to non-agricultural use in the district are 11.93 per cent, and 17.93 per cent respectively, higher than the state percentages which were 7.60 and 9.4 respectively.

The percentage of cultivators in the district is 13.25 which is lower than that of the state which is 21.11. The percentage of agricultural labours in the district is 33.56, which is higher than that of the state which is 28.15. The net irrigated area under canals in the district is 28.40, which is lower than that of the state which is 33.44. Rice tops first among the food crops in the district and occupies 57.5 per cent of the total area of the district and whereas it is 24.4 per cent in the state. The total area under food crops is 87.7 per cent in the district where as it is 68.3 per cent in the state.

Credit needs of the farming people in the district are met by both formal and informal agencies. The number of Primary Agricultural Credit Societies in the district decreased from 201 in 1992-93 to 198 in 2004-05. The share capital increased from Rs.374.00 lakhs in 1992-93 to Rs.1591.59 lakhs in 2004-05. The paid up share capital in Nellore District Cooperative Central Bank increased from Rs.714.00 lakhs 1996-97 to Rs.1655.23 lakhs in 2004-05, the increased percentage being 131.79. The number of branches of Commercial Banks increased from 114 in 1985-86 to 204 in 2004-05. The Credit Deposit Ratio increased from 79.05 per cent in 1985-86 to 984.08 per cent in 2004-05.

The Pinakini Grameena Bank with its headquarters in Nellore, has 101 branches in all. Nellore district has 63 branches, 2 extension counters and 7 satellite offices and Prakasam district has 38 branches and 3 satellite offices. The total branches of the Bank increased from 83 in the year 1995-96 to 101 in 2004-05.

The Bank raised its deposits from Rs.7272.72 lakhs in 1995-96 to Rs.39733.66 lakhs in 2004-05. The average deposit per account and average deposit per branch also increased. Total advances increased from Rs.7247.32 lakhs in 1995-96 to Rs.42393.35 lakhs in 2004-05. The advances per account and per branch also increased. The agriculture short-term advances are more in number than agricultural medium term advances, because majority of the farmers are small and marginal in need of working capital for short term agricultural requirements, like the purchase of seeds, fertilisers etc. The overall Credit Deposit Ratio increased from 100 per cent in 1995-96 to 106.69 percent in 2004-05. The recovery percentage of the bank has not increased steadily. Similarly the recovery percentage of the NPAs too has not shown steady growth. The

business per branch and business per employee show an increasing trend during the study period (1995-96 to 2004-05). The bank suffered losses during the years 1995-96 to 1996-97. But since 1997-98 onwards the bank has earned profits. In the delta area the sample branches provided finance to the farmers more than to those in the non-delta area, considered agewise, castewise, literacy-wise, landholding-wise and occupation-wise and also the cropping pattern-wise.

The male beneficiaries are more in number in both the delta and non-delta areas than female beneficiaries. In both areas there are more beneficiaries in the age group between 20 and 50 years than in the other age groups. Caste-wise those of the forward caste are 48 per cent in the delta area and 51 per cent in the non-delta area. The percentage of literacy level of sample beneficiaries is higher in the delta area than in the non-delta area. Those depending on cultivation are 59 per cent in the delta area and with 31 percent in the non-delta area.

The main objective of the Pinakini Grameena Bank is to assist the weaker sections in society in income generating activities by providing credit to them, so that they raise themselves above the poverty line. The percentage of incremental income is high in the age group of above 50 years and low below 20 years age group in both the delta and non-delta areas. The percentage of incremental income is low in Scheduled Castes and high in Forward Castes when compared to that of the other castes in both areas. The percentage of incremental income is low among illiterates and high among the college educated in both areas. Again, in both areas the percentage of incremental income is low among the marginal farmers and high among the large farmers.

Among the occupation categories or both the delta and non-delta areas, the percentage of incremental income is low among those engaged in cultivation and high among those engaged in both cultivation and business, when compared to those of other occupational categories. Landholding-wise, the percentage of incremental income is low among those with land below 2.5 acres and high among those with land above 10 acres in both the delta and non-delta areas.

One of the objectives of Pinakini Grameena Bank is to create more of self-employment rather than wage employment in rural areas. Viewed from this angle, the percentage of incremental mandays in both areas is low among those who are below 20 years in age and high among those whose age is between 20 and 50 years. Castewise, the percentage of incremental mandays is low among those of the Forward Caste and high among the Scheduled Castes in comparison with those of other castes in both areas. Education-wise, the percentage of incremental mandays is low among the college educated and high among the illiterate in both areas. The percentage of incremental mandays is low among large farmers and high among marginal farmers.

Occupation-wise in both areas, the percentage of incremental mandays is low among those engaged in both cultivation and business and high among those engaged in cultivation. Landholding-wise the percentage of incremental mandays in both areas is low among those who have above 10 acres and high among those who have less than 2.5 acres.

The major objective of Pinakini Grammena Bank is to provide finance to the rural poor in order to enable them to utilise the same in acquiring the productive assets.

Agewise, the percentage of incremental asset value in both the delta and non-delta areas is low among those who are below 20 years, and high among those who are above 50 years in age. Castewise, the percentage of incremental asset value is low among the Scheduled Castes and high among the Forward Castes. Educationwise, the percentage of incremental asset value is low among the illiterate, and high among the college educated. The percentage of incremental asset value is low among marginal farmers and high among large farmers in both areas. Occupation-wise, the percentage of incremental asset value is low among those engaged in cultivation and high among those engaged in both cultivation and business. From the point of view of landholding, the percentage of incremental asset value is low among those who have below 2.5 acres and high among those who have above 10 acres.

One of the most disquieting features of the agricultural credit structure in India is the incidence of ever increasing overdues. The high level of overdues restricts the capacity of lending institutions to recycle funds, besides threaten the prospect of continues flow of external credit for agricultural development. This problem persists virtually in all Rural Banks, inspite of the facilities made available by them. In Pinakini Grameena Bank, the percentage of overdue is more among marginal farmers (62 per cent) than among other farmers in both the delta and non delta areas. The percentage of repayment is high among large farmers with 75 per cent when compared to that of other farmers in both areas. The percentage of total defaulters is high in the non-delta area than in the delta area. In both the delta and non-delta areas the percentage of defaulters is high among marginal farmers in comparison with other farmers (42 percent). Their percentage is high among the Forward Castes

in the delta and non-delta areas. The percentage of defaulters is high among the illiterates in both areas.

These are a multiplicity of causes for being defaulter on loans. In the present study the defaulters among the sample beneficiaries are classified into six categories. In the delta area those in the defects in farm production category account for 21.43 per cent and those in the loan amount defaulted 11.50 per cent. In the non-delta areas, in the same category the percentage of defaulters is 23.68 and the percentage of loan amount defaulted is 21.48. In the variability in incomes category, in the delta area, defaulters account for 17.86 per cent and the loan amount defaulted accounts for 20.50 per cent. In the non-delta area, defaulters account for 15.80 per cent and the loan amount defaulted is 34.50 per cent. In the "defects in credit organisation" category in the delta area the defaulters account for 10.1 per cent and the loan amount defaulted accounts for 14.50 per cent. In the non-delta area the defaulters account for 7.89 per cent and the loan amount defaulted accounts for 10.50 per cent. In the attitudinal conditions category in the delta area, defaulters account for 14.28 per cent and the loan amount accounts for 8.95 per cent. In the non-delta area, the defaulters accounts for 15.80 per cent and the loan amount defaulted accounts for 8.49 per cent. In the misallocation category, in the delta area, the defaulted accounts for 17.86 per cents and the loan amount defaulters account for 24.99 per cent. In the non-delta area, the defaulters account for 15.80 per cent, and the loan amount defaulted accounts for 20.52 per cent. Finally in the miscellaneous category, in the delta area, the defaulters account for 17.86 per cent and the loan amount defaulted accounts for 19.58 per cent. In the non-delta-

area, the defaulters account for 21.05 per cent and the loan amount defaulted accounts for 4.50 per cent.

Suggestions

The foregoing study is a fact-finding, inductive and empirical investigation on the financing of agriculture by Pinakini Grameena Bank in Nellore District. A few suggestions are made in this study to improve the performance of the bank chosen for study, so that it may serve its objectives more satisfactorily. Further some of the suggestions deserve the attention and serious consideration of those who want to benefit by the bank.

1. The Pinakini Grameena Bank through persuasion and pressure should increase the recovery of loans it has given.
2. Through control of costs and efficient management decisions profits should be increased.
3. In order to strengthen the financial position of the bank and to increase the loan amount to all its beneficiaries additional deposits should be mobilised.
4. Income generation is very low in the case of the Scheduled Castes and the Scheduled Tribes who are among the very poor. To improve their income and that of others like them they must be made aware of income generating activities through awareness programmes conducted by the bank.
5. Illiterate farmers should be educated and encouraged to improve their income.

6. Marginal and small farmers should be encouraged to coordinate with each other to implement new agricultural technology. It would help to improve their incomes as well the yield of their land.
7. The cultivators should adopt in addition activities allied to agriculture to improve their incomes.
8. The beneficiaries, for the improvement of their working days, should invest bank loans to better their livelihood.
9. The banks should insist that those who approached them for loan purchase quality assets at reasonable prices and with insurance coverage for the loan amount.
10. The Banks should give out from time to time necessary information to their beneficiaries regarding the maintenance of their assets of value and provide training facilities to them in this regard.
11. The Bank should appoint an asset verification committee at the mandal level for better monitoring the loan assets.

In the present study six major causes are found for default in repayment. The following suggestions are made to remedy the malady of default in repayment of loan. They are made in the interests of the bank as well as the beneficiaries.

1. Loan should not be sanctioned to any one in a hurry or under pressure. Every application for loan should be properly and thoroughly scrutinised so that no loan is sanctioned to any ineligible applicant.

2. Cooperative societies, commercial banks, and Pinakini Grameena Bank should ensure that "No dues" certificate invariably produced by the applicant before the loan is sanctioned to him. Any lenience in this respect would be self-defeating.
3. Bank officials should strictly monitor the utilisation of the loan by frequent visits to the borrowers so that the loans are used by them for the purpose for which they are sanctioned.
4. Crop insurance scheme should be extended to the entire district and adequate supply of agricultural inputs are made available at reasonable prices to the farmers by both the state government and government of India.
5. Bank officials should convincingly explain to the borrowers the importance of prompt and timely repayment of loans, which would be to their advantage.
6. Proper procedure with a suitable repayment schedule should be adopted for the recovery of loans at the time when the farmers sell their produce. Efforts should be made well in advance to recover loan instalments by sending timely reminders and notices to the parties concerned before the due date.
7. Adequate incentives should be given to the farmers for prompt repayment of loans and to the employees of the bank for better recovery.
8. Political leaders should not be allowed interfere in the working of the bank and the sanction of loans in particular. The bank officials

must be left free to grant loans only to the deserving applications and to take suitable action against the defaulters.

9. The existing laws are hardly conducive to the recovery of bank loans. The realisation of bank dues through the court, besides being lengthy in procedure, and is quite expensive. Hence special tribunals, should be setup for the recovery of agricultural loans. The Narasimham committee recommended the setting up of special tribunals which could expedite the recovery process.
10. The legal process being cumbersome, branch manager of banks be vested with power to take suitable action without the intervention of courts whereby the recovery process will be speeded up and at a low cost.
11. A common cause for overdues in the study area is the incidence of cyclones and floods in the delta area and drought in the non-delta area. Heavy default in repayment of loans is often caused by these natural calamities. An appropriate solution would be the introduction of crop insurance scheme.

The above suggestions, if properly implemented, will go a long way in improving the recovery of agricultural loan and overcoming the problem of mounting overdues.