Chapter-VIII

SUMMARY

AND

CONCLUSION
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After having studied the problems of agricultural financing, this chapter contains the summary of the study and conclusion derived from it. The chapter is divided into two sections. Section one gives a brief summary of the main findings of the previous chapters. In section two suggestions are made for the further improvement of agricultural financing by commercial banks in the selected villages in particular and Goa in general.

Section-I
Main Findings

The main findings of the study are briefly given below:

1. The number of commercial banks are 257 in Goa and the average number of people served by each commercial bank is 3,968 which is much lower than the all-India level figure of 11,000. Similarly, the average rural population served by each commercial bank is 4,628 in Goa.

The average loan amount per agricultural borrower sanctioned by selected banks was Rs.5,260 in 1986 which increased to Rs.7,310 in 1990. The total amount of agricultural credit given to 180 sample beneficiaries was Rs.9,77,240. The average amount of loan received by a sample beneficiary was Rs.5,429. The banks have financed
for different farm purposes and have adopted several schemes to finance the farmers in Goa.

Thus, hypothesis number one that "There is a deficiency of agricultural credit in the state of Goa" is rejected.

The commercial banks are financing small and marginal farmers on a large scale. Out of 180 samples selected for the study, 45 samples (25%) were landless labourers, 108 were marginal farmers (60%), 23 were small farmers (12.78%) and only 4 (2.22%) were large farmers. Bank finance to these small and marginal farmers and landless agricultural labourers has helped them to take up subsidiary occupations such as dairy, fishery, poultry, piggery, etc. Out of a sample size of 180 borrowers, 56 borrowers (31.11%) had borrowed for dairy, 37 (20.56%) for fishery and 6 (3.33%) for poultry farming. This shows the interest of commercial banks to uplift the small and marginal farmers and landless agricultural labourers. That means there is a shift from "class banking" to "mass banking".

Thus, hypothesis number two that "the commercial banks have entered the field of agricultural financing on a greater scale and have increasingly taken up the financing of small and marginal farmers with a view to ensuring their viability and adding to agricultural productivity" is proved.
3. Total credit needed by the sample beneficiaries was Rs.9,98,750. And the total credit supplied to them by the banks was Rs.9,77,240. There was a credit gap of Rs.21,510. On an average the credit gap per borrower was Rs.119.5. Thus, hypothesis number three that "there is a credit gap in the state" is true. However, the gap is very negligible.

4. Bank finance has helped the farmers to adopt new technology such as pumpsets, sprinklers, nylon nets for fishing etc. In all 22 borrowers (12.22%) bought pumpsets and sprinklers, 30 borrowers (20.56%) purchased nylon fishing nets, one bought a motor boat and five bought refrigerators and cold storages, 31 borrowers used loans for the purchase of new seeds, chemical fertilizers and pesticides.

Thus hypothesis number four that "the bank financing of agriculture has led to the adoption of modern technology on a large scale" is correct.

5. The utilization of loans has brought about an increase in the income of the borrowers. A total of 159 borrowers (88.33%) realised an increase in their incomes, of whom 93 spent the increase on consumption items. The quality and quantity of their consumption has improved. Thus, a majority of the borrowers (88.33%) realised an increase in their standard of living.
Thus, hypothesis number five that "the bank financing has led to increase in the income and the standard of living of the farmers" is obvious.

6. Credit along with extension services has a greater impact on cropping pattern rather than the supply of credit without extension. Out of 135 cultivators only 28 farmers received extension. Of these 28 farmers, 17 changed their cropping pattern in favour of superior crops and high yielding varieties. And out of 107 cultivators who did not receive extension, only five changed their cropping pattern.

7. All the five selected banks are facing the problem of slow recovery and rising overdues. The overdues amount of selected banks increased from Rs.20,93,000 in 1986 to Rs.40,74,000 in 1990. Out of 180 sample beneficiaries 103 farmers were defaulters and 77 were regular repayers.

8. The percentage of defaulters was 58.33 for marginal farmers, 57.78 for landless borrowers, 56.52 for small farmers and 25 for large farmers. The main causes of non-wilful default are (i) natural calamities (ii) low yield (iii) low output prices (iv) sickness and accidents in the family etc. The main causes of wilful default are: (i) politicisation in the working of the credit system (ii) interference of social workers (iii) uncertainty of finance (iv) an element of fear about the future financial position
of the lending institutions (v) harassing the bank officials.

Further, it is found that the default and non-repayment of loans is the result of the government policy of "writing off agricultural loans" 1990. Some farmers are under the impression that they will get further concessions.

9 Besides some of the banks do not make serious efforts, probably because of shortage of staff, to recover the loans. It is observed that appointment of a specialized agricultural officer for field work helps the bank to get relieved its burden of "overdues". The Indian Overseas Bank, St.Estevam has experienced a fall in overdues from Rs.40,000 in 1986 to Rs.25,000 in 1990 since it has a trained field official for the task.

10. The credit plans prepared by Lead Banks under Service Area Approach have proved very effective in providing loans in rural areas.

11 Twelve borrowers misutilized the loans amounting to Rs.68,000, of which Rs.25,000 was used for consumption purpose i.e. to buy consumer single use and durable goods. The tendency of misutilizing the loans is more in joint families than in single families, probably because the percentage of working members is less in joint families than in single families.
12 The rate of capital formation is high in case of single families and low in joint families. Out of 164 single families, 68 (41.46%) invested in real capital like pumpsets, sprinklers, fishing nets etc. and out of 16 joint families, two (12.55%) invested on real capital i.e. one on pumpset and one on fishing net. Further, within these 68 single families who invested on capital, 55 families were having members in the range of 1-5. And 13 were having members in the range of 6-10, which reveals that smaller the size of the family, higher is the rate of capital formation.

13 Out of 159 borrowers who realised an increase in their incomes, 93 borrowers (58.49%) spent their increased income on consumption followed by 38 borrowers (23.90%) who invested the increased income for agricultural development. And 18 farmers (11.32%) deposited their incremental income with the banks.

14 There is a districtwise and talukawise disparity of banks in Goa. North Goa district has 152 commercial bank branches and South Goa district has 105 branches of the banks. Further, disparity is also obvious between the talukas of these two districts. For example, in the North Goa district Tiswadi and Bardez talukas have 69.74 per cent of branches and Satari and Pernem talukas have 9.21 per cent of branches. Similarly, in South Goa district, Salcete and Mormugao talukas gave 75.24 per cent of branches and Canacona and Quepem talukas have 13.33 per cent of branches.
15 The bank in the advanced village of the advanced taluka, namely Canara Bank, St.Cruz gave a larger amount of agricultural loan during 1986-90, the amount being Rs.1,02,00,000 whereas the bank in the advanced village of the backward taluka, namely the State Bank of India, Agonda gave less amount of agricultural loan during 1986-90, the amount being Rs.23,56,000.

16 Commercial banks are facing problems like inadequate staff, non-availability of documents from agriculturists while financing agricultural credit, low demand for agricultural credit, environmental problems, political and social problems, interference by local political leaders and social workers etc. which hinder providing smooth banking service to rural sector.

17 Farmers also face several problems such as delay in getting records from the Block Office, delay in Land Registration Office, lack of knowledge of rules and regulations, lack of sympathy of bank staff, inconvenient banking hours, complicated procedure of bank-lending, inadequate transport facilities, etc.

Section-II

Suggestions:

Following are the suggestions made visa-a-vis the banks' financing agriculture in Goa:
1) Educating the Borrowers on Repayment Ethics:

There is an urgent need for educating the borrower of the repayment ethics with a view to bringing home to him the fact that credit is a costly input, that he should keep his interest liability to the minimum to generate optimum income from his agricultural operations for maximising profits. This commercial discipline has to be inculcated in the farmer if he is to be expected to transform agriculture into a commercial proposition.

2) Assessment of Repaying Capacity:

A correct assessment of the repaying capacity of the farmer is essential before the sanction of a loan to him. There should be also proper end-use supervision of the loan. The banking institutions should verify the nature of the family, working and non-working members in the family, age of the applicant, capacity and talent of the applicant to run the activity, etc. while sanctioning the loan.

3) Appointment of Trained Field Staff in each Bank:

Every bank must have trained field staff to visit the borrowers' as well as the non-borrowers' houses. This will help the bank in three ways. (i) Increase in deposits, (ii) Increase in the demand for loans (iii) Timely repayment of loans. While appointing staff, local people should be given preference, people who will understand farmers' problems better.
4) Simplifying Lending Procedures:

The banks should try to follow simplified procedures with regard to their advances and recovery of loans. The banks may consider the following suggestions:

a) All the credit needs, short, medium and long term, of the farmers (in kind or in cash) should be met.

b) Credit should be given to the farmer as and when needed by him.

c) Credit should be given on the basis of requirements and not on the basis of the size of holdings.

5) Intimacy between the Bank and the Farmers:

In order to make proper and fullest use of bank financing schemes, the first essential step is to develop intimacy between the bank and the farmers. This bond of intimacy is possible if an agency is formed to bring them close. Some agents having requisite qualification and temperament may be employed on commission basis to operate between the farmers and the banks. The agents should complete all the formalities on behalf of the farmers so that the time-lag involved in the processing of loan application may be reduced to the minimum. These agents should be also given the responsibility of ensuring the recovery of the loan in due instalments when due. The commission to be paid to the agents should be shared by both
the parties, the banks and the farmers, but the banks should be made to bear the major share.

6) Training of the Bank Officials:

The commercial banks should provide suitable training for the bank's staff to re-orient them for effectively implementing the programme of Service Area Approach and other schemes in rural areas. The branch managers and staff working at the field level need to be fully acquainted with the aims and objectives of the various development programmes and the areas where their participation and involvement are called for.

7) Development of Banking and Saving Habits among the Farmers:

Most of the villagers are illiterate. As such publicity through brochures and similar other literature will not be of much use. Hence, the more desirable method would be for the field staff to contact such borrowers personally and explain to them the salient features of the new schemes for the development of agriculture and the villages. Open lectures and film shows during the time of village festivals and such other occasions should be arranged. Organising Gramasabha, Grama Vikas Kendra, Gramodaya Kendra, Krishimela will also be useful for this purpose. Preparing the district plan, preferably an annual plan for deposit mobilization and re-assessment of interest
rate policy will help to increase the deposits. Further, in order to attract deposits mobile bank offices should be set up.

8) Curtailing Wilful Default:

Wilful default will have to be strictly curtailed. Political interference and interference by local vested interests will have to be minimised for ensuring banks and for greater flow of bank credit to weaker sections. A dedicated cadre of bank field staff, safeguarded from politicians and local vested interests will have to be built up.

9) Provision of Agricultural Extension and Other Facilities along with Credit:

While financing the agriculturists, the commercial banks also should inform them about the availability of extension services for the productive and efficient utilization of the loans given. Proper training regarding the use of scientific agricultural practices, timely and adequate supply of inputs, servicing centres and storage as well as marketing facilities should also be made available as a package deal to the farmers. Such facilities would help the farmers in proper utilization of credit.
10) Rural Upliftment via Agricultural Development:

The commercial banker would have to play a more dynamic role in financing agricultural development and he should consider himself as the "Development Agency" for the particular village where he is working. In order to get full response from the farmers the banks should take resort to propaganda to the grass-root level. In rural areas newspaper advertisements may not be that effective, whereas documentaries, cinema slides and personal canvassing by the agent and his staff who should go round the villages and convey their message through a loud-speaker would be helpful. One should not overlook these methods as cheap. The fact is that they are effective and are found in practice to appeal to the uninitiated simple rural people.

11) Evaluation Cells:

Each commercial bank which has entered agricultural financing must have a permanent evaluation cell consisting of its officials including an agricultural officer of the bank to review periodically the progress made by the branch concerned in terms of advances made and the impact made upon the socio-economic conditions of the villages.

12) Provision of Better Amenities to the Bank Employees:

The bank employees in rural areas should be provided with better housing, medical facilities, safe drinking
water, sanitation, etc. so as to induce them to reside in rural areas. This will make them understand farmers' problems and farmers also will be at ease to approach the banks when needed.

13) Discretionary Power to Banks:

It is necessary to give the banks sufficient discretion so that credit decisions are taken within the overall framework of guidelines and for which they can be made accountable.

14) If commercial banks are to emerge as an efficient system of rural credit, they should tackle several issues such as:

1. increase in overdues,
2. motivation of lower staff,
3. reduced staff productivity, and
4. strengthening of their rural branches.

Conclusion:

The above suggestions should go a long way in remoulding and reshaping the attitudes and techniques of operations of banks. The banks have to realise their constructive role in the development of agriculture. Farmers, on the other hand, should learn to make the best use of the banking facilities and realise the fact that banks are ready to finance their bold and viable projects.
The existence of 'communidade' (Gaoncare) system in the selected villages in particular and Goa in general is a hindrance to agricultural development in the state. The members of 'communidade' retain the ownership rights and lease their lands to the tenants for cultivation. Naturally, the tenants are not interested in developing the land by taking loans from the banks and to the owners of the land (members of comunidade) agriculture is of secondary importance. Since most of them reside in urban areas and have other sources of income. That is why the demand for agricultural credit is low. The commercial banks in Goa are not to be blamed for slow agricultural development. The system of comunidade is the main cause of agricultural backwardness in Goa. It is high time that the Government of Goa realised this fact and abolished the existing comunidade system so that the tenants would become the owners and would take more interest in developing the land. Then only can the banks play an important role as an agency for agricultural development and prosperity in Goa.