CHAPTER SIX

FINDINGS AND CONCLUSIONS
6.1 Chikodi taluka has a large number of bank branches in Belgaum District. As on March 31, 1989, there were 42 bank branches in the taluka. Out of 42 branches, 15 branches belonged to M.G. Bank, sponsored by Syndicate Bank, 8 to the scheduled banks viz, Sangli Bank, (5) Ratnakar Bank, (3), and 19 branches to the Nationalised Commercial Banks like Vijaya Bank, Syndicate Bank, Union Bank, Bank of Baroda, Corporation Bank, Bank of Maharashtra, Indian Bank, Bank of India, Canara Bank and A.D.B's of S.B.I. This number assumes much importance as compared to the total number of 63 agricultural co-operative credit societies being located in various villages of the taluka and 210 service societies of the taluka. Of 42 branches, information pertaining to crop loan was furnished by 38 branches and other branches viz, A.D.B. Nipani, M.G. Bank Kurli, M.G. Bank Benadi, did not. One branch i.e. M.G. Bank Ingali provided with partial information about the crop loan. Among these branches, Syndicate Bank (Nipani) is the oldest one and M.G. Bank Borgaon is the youngest one (1988). Further maximum number of branches come under the age group of 10-15 years. These branches had a huge coverage of an area. For eg. 38 branches covered 396 villages (including hamlets) before S.A.A. and 102 villages (including hamlets) after the introduction of S.A.A., since 1-4-1989. The credit for covering more number of villages before and after S.A.A. goes to A.D.B. of S.B.I. Chikodi, viz 47 villages before
6.2 To find out the actual effect of crop loan on beneficiaries, 932 interview schedules were canvassed among 83 villages of the taluka. Other villages did not respond due to the fact that, in these villages agricultural credit societies had financed to the tune of 99 percent of the total requirements. Maximum respondents belonged to the age group of 31-40 and 41-50 years of age. 913 were males and the rest were females. Loanees of all castes were covered by the survey schedule. But majority of them i.e. 88.95 percent belonged to the General Group and the remaining to S.C. (9.55 percent) to S.T. (1.18 percent) and to B.C. (1.18 percent). Out of 932, 420 were illiterate, 300 semi-literate, 182 Matriculates, 11 Graduates and one Post-Graduate. Here much importance was given to those, whose main occupation was agriculture. For instance 684 persons who were interviewed were mainly agriculturists and the rest partial. Here 741 interviewed were possessing an income level varying from Rs. zero to Rs. 20,000. 1/3rd of them come under the income range of Rs. 5000/- to Rs. 10,000/-. The average number of members per family was 7. Out of them 5 are the earners and the rest non earners. This means that maximum number of interviewed have formed working class. Participation in the developmental activities at the village level was very less i.e. 3.85% (34 persons out of 932). This shows lack of dynamism in the villagers of the taluka.
6.3 Banking development of any area can be judged by the performance of banks in that area in regard to deposit mobilisation, total loans advanced and total amount of crop loan lent in that particular area viz a taluka. In this regard, a commendable progress is seen from Dec. 1985 to 1989. For instance, total deposits mobilised were Rs.4542-34 lacs as on March 31, 1989. Syndicate Bank (Nipani) mobilised a big sum of Rs.515 lacs whereas the M.G.B. Borgaon mobilised the smallest amount of deposit, i.e. Rs.6.25 lacs. This is due to its late commencement.

In the field of bank advances, Syndicate Bank (Nipani), Canara Bank Ankali and Syndicate Bank Chikodi did quite well. For eg. the total advances to various activities as on March 31, 1989 were Rs.430 lacs, 255 lacs and 2.38 lacs by Syndicate Bank (Nipani), Canara Bank Ankali and Syndicate Bank Chikodi, respectively. Others performance was normal. The aggregate advances advanced by 38 branches were Rs.2895.24 lacs. Besides this, total Number of borrowal accounts of 38 branches of crop loan have increased from 6577 in 1985 to 11,164 in Dec. 1988. The total amount of crop loan sanctioned (lent) has also gone up from Rs.383.42 lac in 1985 to Rs.766.38 lacs in Dec. 1988. This is really a magnificent achievement within a short span of just 4 years. In 1987, Syndicate Bank Chikodi lent the highest amount of crop loan worth Rs.78.00 lacs which increased to Rs.95.05 lacs in Dec. 1988. A.D.B. Chikodi ranked the top in 1988, lending Rs.107.24 lacs worth of crop
loan. With maximum number of A/cs of 1840. M.G.B. of Ingali secured the second number in lending crop loan in 1988, which sanctioned Rs.95.83 lacs to 1522 beneficiaries. In regard to percentage of crop loan in total loan, M.G. Bank Ingali tops the first with 78 percent, followed by M.G. Bank Kallol with 60 percent. Syndicate Bank Chikodi had lent 19.96 percent of total loan in terms of crop loan. The percentage of crop loan to total loan varied from one bank to another. However the average crop loan lent by each branch was quite more i.e. 16.21 percent. Still then other branches have to expand their lending to crops.

6.4 It is found that during a period under review from 1985 to 1989 the number of small and marginal farmers who were assisted by way of crop loan has been much more that of big farmers. For eg, total number of small farmers who were helped through crop loan has gone up from 3007 in Dec. 1985 to 4927 in Dec. 1988. So also of the marginal farmers from 1854 to 3553 during the same period. The actual amount lent to S.F’s and Marginal farmers has also shown a rise in the quantum of finance. For instance, the actual amount of crop loan lent to S.F.’s was Rs.198.2 lacs in 1985, which rose to Rs.354.25 lacs in 1988. Similarly to those of Marginal Farmers from 80.3 lacs to Rs.199.27 lacs during the same period. But the total number of big farmers financed by crop loan was small that is 849 in 1985, which also went up to 1663 in 1988 and the amount financed has increased.
from Rs.62.68 lacs to Rs.146.54 lacs in 1988. This reveals that commercial banks of the taluka have contributed much to S.F's and M.F's, in improving their economic condition, thereby reforming the agricultural sector of India in general.

6.5 It is seen through interview report of beneficiaries that, during a period under review, maximum number of beneficiaries are served by M.G.B's, A.D.B's and Syndicate Bank, throughout the taluka and the rest by Sangli Bank. For instance, out of 932 beneficiaries, 299 were served by 15 branches of M.G.B's, 217 by two A.D.B's of Chikodi and Nipani and 199 by four Syndicate Bank branches of Chikodi, Nipani, Sadalga, and Akkol, M.G.B's of the taluka and A.D.B's did a tremendous work in this direction.

FINANCING OF CROPS

6.6 It was observed that, the banks in the Chikodi taluka had concentrated more on financing those of cash crops, specially of sugarcane and Tobacco and less on food crops. This is supported by the report of the bankers as well as by the report of the beneficiaries. Banks themselves stated that 80 percent of the crop loan was lent against sugarcane and Tobacco and the rest against food crops. This is done so as to avoid the problem of overdue. 466 respondents borrowed for growing of Tobacco, 402 for growing sugarcane and just 8 for that of betelvine. Just 56 respondents borrowed for raising other food crops like...
those of Jawar, Paddy, Groundnut, Wheat, Chilly, and Soyabean. It shows that banks in the taluka financed more to these two crops, as they are the principal crops grown in the taluka and neglected those of food crops. Even some respondents of the Shiraguppi village complained that the banks are not even ready to accept their applications for crop loan to grow those of food crops, leave aside sanctioning. It reveals that banks have adopted a partial approach to crop loan of the farmers of the taluka.

CASH AND KIND COMPONENT

6.7 It has been seen through interview schedules of bankers as well as those of beneficiaries that there is no uniformity in the ratio of cash and kind component distributed among the loanees. According to the sources available from A.D.B’s the ratio of cash and kind component is 40:60 similar opinion is sought by other bankers except those of M.G.B’s of Chikodi taluka as the ratio of cash and kind component is 50:50. Most of the beneficiaries of the taluka i.e. 604 who form 64.81 percent, think that the ratio of cash component is 40 to 60 percent and the rest is kind component. Again most of the beneficiaries do not know the existence of these two components of crop loan, which is a serious lacuna of the system of the beneficiaries. This happens because entire amount of crop loan is paid only in cash rather than in kind by the banks. Further, almost all the bankers rejected to give the statistics of cash and kind
6.8 Almost all the banks have adopted uniform pattern of Rate of Interest for crop loan as per the Recommendations of NABARD. For eg., 'upto Rs.7500, they charge 10 percent, from Rs.7500-15000/- 11.5 percent, from Rs.15,000-25,000, 12 percent and above Rs.25,000/- 15.5 percent. This is really a favourable factor that impresses more on the side of the banks of the taluka. But on the other hand they have failed to make the beneficiaries to know the actual rate of interest on the crop loan. For eg. out of 932 respondents, 612 know actually the rate of interest charged on the loan but the remaining 320 persons do not know about the same. This indicates that there is a lack of awareness on the part of the borrowers about the rate at which they are borrowing crop loan. This is partly due to negligence of the banks and partly due to the irresponsibility and illiteracy of the borrowers.

SCALE OF FINANCE

6.9 Scale of Finance determines the yield of each crop. This is determined by the B.D.C.C. at the district level. The banks of the taluka have rigidly followed the scale of finance of B.D.C.C. for Belgaum District as a whole, which is reviewed on and often. For instance since February 1 1989, the scale of finance for various crops is as under.
SCALE OF FINANCE FOR VARIOUS CROPS

Paddy Rs.1540/- if the land is irrigated (per acre).
Jowar (Hybrid) 1050 in dry land Rs.1000/- for irrigated land
Sugarcane.

Fresh Rs.4000/-
Rotton 3000/-
Tobacco.
Local 1200/-
Hybrid Rs.1800/- (if irrigated.)

But majority of beneficiaries who were interviewed feel that the scale of finance is insufficient. For eg. 597 respondents (64 percent) feel that the amount lent for tobacco and sugarcane is insufficient due to rise in the cost of cultivation of these main cash crops. This is particularly the opinion of the small and marginal farmers of the taluka.

PROCEDURE OF CROP LOAN

6.10 The procedure adopted by banks to advance crop loan has been quite satisfactory. They adopted a very simple procedure of granting loan. First of all they demand all the necessary records of land, no due certificate of other financial institutions, consider the ownership of land, repaying capacity of the borrowers.
type of crop grown, genuineness of the borrowers and the size of the holding. If these are in favourable terms they lend a loan up to Rs.5000/- against the hypothecation of crops. If the amount of loan is above Rs.5000/- they demand third party guarantee but if it is above Rs.10,000/- a charge on land is created and a stamp duty of Rs.20 for every Rs.1000/- will be charged. These loans are generally lent in 2 instalments with some exceptions. Even though the method is very simple which speaks much of banks, still then we should not ignore the views of the beneficiaries. Some of the beneficiaries are particularly against the third party guarantee. Their argument is that, when all the necessary records of land are given to banks, then there is no necessity of another. This demand appears to be genuine on the part of the borrowers because after all banks hold all the records of land in their possession.

6.11 All the banks have followed the NABARD guidelines while classifying the farmers into SF's MF's and Big farmers. As a result a small farmer has possessed a land of 1.5 acres irrigated or 2.5 acres of dry land, a marginal farmer has a land of 2.5 acres of irrigated or 5 acres of dry land and a big farmer has possessed land above 5 acres. The present study covered the interview schedule of more of small farmers i.e. 492 (52.79%), less of marginal farmers, and big farmers i.e. 218 and 222 respectively. This indicates that the interview schedule
of beneficiaries consisted more than 75 percent, only those of small and marginal farmers.

6.12 One of the important feature of the banks in sanctioning crop loan is the actual time consumed for sanctioning the loan. There is a similarity of opinion of bankers as well as of beneficiaries regarding the actual time taken sanctioning the crop loan. For instance, the average time taken for sanctioning the crop loan is 15 days. But it also depends on the nature of the borrower. If he is a genuine borrower and also old, he may get sanctioned his loan within a week. In exceptional cases, it may also take a period of one month. But 15 days is also too long a period.

6.13 The amount spent by the borrower in getting a crop loan sanctioned, varies depending upon the quantum of loan amount. Generally banks charge 25 paise towards revenue stamp, inspection charges of Rs.2.50 per inspection and Rs.5 as service charges for every Rs.1000/-. So the total cost for getting a loan of Rs.1000/- will be Rs.10.35, for Rs.5000/- Rs.30.25. But the cost will be more for a loan of Rs.10,000/- and above. Because here a stamp duty of Rs.20 is charged for every Rs.1000/- if the loan amount is above Rs.10,000/-. So there is a uniformity of opinion both on the part of the bankers as well as those of borrowers of crop loan regarding the amount spent in sanctioning
the crop loan. But it is learnt that in some cases, a loanees have spent more than Rs.300/- for getting the loan sanctioned. This is an exception rather than a rule.

6.14 All the banks assert that there is no political pressure on the banks in sanctioning the crop loan. So also there is no interference by the politicians regarding these loans. This itself tells us that banks have a free role to play in these loans and take necessary and impartial decisions.

6.15 As per the views of bankers as well as those of beneficiaries, conversion of crop loan into term loan could be made in times of natural calamities like those of floods, or droughts or crop destruction due to pests and insects. But most of the banks of Chikodi taluka have not taken any initiative in the conversion, inspite of orders from District authorities of Belgaum. So far only six banks have converted crop loan into term loan. Syndicate bank Nipani has converted a big sum of Rs.2.50 lacs of 50 borrowers. The other banks who have converted are M.G.B's of Hirekudl, Bhoj, Kognoli and Nagarmunnoli. If other banks also have taken much initiative in this direction then probably most of the beneficiaries affected adversely by natural calamities might have been rescued from the problem of overdue.
Overdue problem is the most severe problem that puts heavy constraints on the transaction of the banks. Inspite of this, out of 42 branches located in Chikodi taluka, 34 have given the details about the problem, rest not. Out of 34 branches, 6 bank branches have not faced the problem of overdue from the last 5 years. These banks are (1) Sangli Bank (Bhoj) (2) Sangli Bank (Borgaon) (3) M.G. Bank (Borgaon) (4) M.G. Bank Kognoli and (5) Sangli Bank (Nipani). This is really a credit worthy functioning of the banks. It throws much light on the efficiency of the banking staff in recovering the loan amount. Ratnakar Bank Nipani, Shamanewadi and Ankali faced a partial overdue problem. But in the remaining, majority of branches, it was found that, the average overdue of each bank was more than 50 percent. This has restricted the flow of bank credit to further agriculture. This problem was aggravated due to various reasons such as droughts, shortage of water, no timely recovery of price of produce, (Viz. Tobacco) low income from land and also due to the existence of willful defaulters. But contrary to this, the percentage of loanees (Out of 932) who have repaid the loan amount regularly is fairly more i.e. 77.36 percent (721). 122 persons did not mention the reason, which shows that they were the willful defaulters. Others have failed to repay, as their crops were damaged due to shortage of water, or due to drought conditions or low yield of the crop, so also due to non receipt of their income from the sale of Tobacco. But in conclusion
it may be said that the maximum number of borrowers did well in repaying their dues in time. Banks of the taluka did finance a defaulter if he is a genuine defaulter. The concessions are in the form of rescheduling the date of repayment, charging simple interest and putting no pressure on the loanee for the quick repayment etc. If the amount of loan is not recovered in time during normal circumstances, the banks have resorted to filing a suit in the court of law. So far 16 banks have filed 358 recovery suits but the amount recovered by these recovery suits has not been mentioned by any branch. Incomplete information is given by the bankers, which should not happen.

6.17 Before sanctioning crop loan, the bank staff verifies the records of the borrowers. In this context 99.5% respondents of crop loan expressed favourable opinion about verification so also about the functioning of commercial banks in the Chikodi taluka. This is really a most significant point which brings maximum credit to the banking staff of the taluka. Again field staff of the banks undertake pre-sanction and post sanction inspection while sanctioning the crop loan. To this also, 99.5% percent of beneficiaries responded positively and the rest of 0.5 percent negatively. The reason for lack of proper supervision and post inspection on the part of the banks is solely due to shortage of the staff of the banks. For eg. one of the scheduled bank viz. Sangli Bank has 5 branches, throughout the taluka. These
are located at Nipani, Borgaon, Galataga, Examba and at Bhoj. The entire field management of crop loan including pre sanction and post sanction is undertaken only by one Rural Development Officer for all the five branches. He may be finding it very difficult as well. Because they are located at different places having a long distance to cover. The distance between one branch to another is more than 60 Kms. This itself has posed them with a big problem of management of crop loan. Similar is the case of R.B.I. located at Chikodi and Nipani having only one R.D.O.

6.18 There is no uniformity of opinion among the bankers regarding the type of competition that prevails between commercial banks, R.R.B's and Co-operative Societies. It is generally stated that there is no fundamental difference in financing between commercial banks and R.R.B's but there exists a wide difference between commercial banks and agricultural co-operative credit societies. These differences are in the form of difference in rate of interest, in lending procedure, difference in the nature of allotment of cash and kind component, etc. This is also the opinion of most of the respondents of crop loan of the taluka. But according to the views of most of the bankers, there exists an illegal competition between these institutions.

6.19 Another important finding is the misuse of crop loan by the borrowers. As per the interview report of the bankers,
out of 39 banks responded, 22 bankers answer that there is no such misuse. But 17 bankers consider that there are 15-20 percent loanees who have misused the loan amount. Further, the misused amount for unproductive purpose was ranging from 10 to 15 percent. But as against this, 921 respondents answer that there is no such misuse and only 11 respondents feel that there is misuse of the loan amount. But even though, majority of them say that there is no such misuse, still then it goes without saying that at least 20-25 percent of them have misused the loan amount, otherwise they could not have fallen in the debt trap of the private money lenders as such.

6.20 Service Area Approach which was implemented since April 1, 1989 has claimed much appreciation by bankers as well as by the beneficiaries as it avoids multiple financing, meets all requirements of villagers, ensures proper supervision, and vigilance of borrowers and which avoids diversification of funds. This has become a cornerstone for the effective functioning of the commercial banks throughout India.

6.21 Generally, utilisation of the production loan for its specific purpose helps in augmenting agricultural productivity, agricultural income, so also promotion of banking habit of the people of the country. The respondents of the taluka are not an exception to this. This is supported by the views of the
respondents. According to them average area under HYV seeds has gone up by 3 acres, average rise in fertiliser consumption has increased by 3 times. Besides this, the average yield of sugarcane has risen from 30 to 40 tonnes after the utilisation of the loan. In addition to this average income of the loanee which was Rs.12,000/- before crop loan, has also gone up to Rs.14,500 after the utilisation of the loan. All this shows that crop loan in Chikodi taluka has created a favourable effect on the agriculturists of the taluka, thereby caused for the improvement of the economic condition of most of the borrowers. This is really a satisfactory performance of crop loan scheme in the Chikodi taluka.

But increased income, if spent, then automatically it results into non-saving which is an exception rather than a rule.

6.22 Double financing is a disease of the banking industry particularly in the Chikodi taluka. Though every banker says that there is a single point finance, still then they finance the same individual, who has been financed simultaneously by other banks or societies. This is very well strengthened by the report of the respondents. For eg. out of 932 respondents, 623 have borrowed only from banks. But 309 persons have borrowed simultaneously from banks as well as from co-operative societies, resulting in double financing, which should not take place. Otherwise it endangers the very existence of the loanees in the future days to come.
PRIVATE FINANCING

6.23 Eventhough Commercial Banks and M.G. Banks of Chikodi taluka did well, in providing maximum finance in the form of crop loan, still then they have failed to free the farmers from the clutches of the private money lenders. This is made clear during the interview of the respondents. Out of 932 respondents 416 did not say anything. Out of the remaining, 302 were used to borrow, even before crop loan for agricultural operations. But those who borrowed even after getting crop loan stands to be 114 which shows the important role of money lenders. This is for the purpose of domestic expenses as well as for agricultural purpose. This is a special case of SF's and MF's of the taluka. Here these farmers can not be blamed for because of rise in the cost of cultivation per acre, inadequate amount of crop loan, and failure of monsoons from the last 5 years. They have been forced by circumstances to borrow from these money lenders. In conclusion it can be said that more than 50 percent of the farmers have been indebted to private money lenders of the taluka.

6.24 It is observed that there is a lack of co-ordination between banking authorities and Revenue authorities of the Chikodi taluka. This is made clear through the fact that, when charges on land is created while borrowing crop loan, the same charge on land has not been cancelled out by the Revenue authorities for a long period of time, inspite of repayment of crop loan.
This affects adversely their further borrowing. Further, respondents assert that Revenue authorities consume much time in providing them with requisite records of land. This should be stopped.

6.25 Majority of respondents i.e. 22.10% consider that the present rate of interest on crop loan is too heavy which should be brought down to 6 to 8 percent. This is a genuine demand. 133 demanded for write off of loan amount. But it is politically motivated than supported from economic angle. 59 respondents feel the inadequacy of crop loan, which should be increased.

6.26 Timely marketing of agricultural produce stimulates the agriculturists in producing more and increasing their income. But it is seen that there is a defective marketing system of agricultural produce particularly for cash crops that too of tobacco. Upto 1990 (April) tobacco was purchased by tobacco merchants from the farmers. But many malpractices were found in their purchase. For eg. they did not pay the amount in one lot. They demanded at a very low price, and also a concession of 5 Kgs for every one bag (Bodh) of tobacco. All this shows that private marketing of tobacco has made the growers poorer than the richer. That is due to monopoly of tobacco marketing particularly in Nipani and other parts of the taluka. Government has no control on this element. This is why maximum beneficiaries demanded for a higher price for their tobacco as well as for sugarcane supplied by them, to improve their economic status. Some other loanees have
demanded a fair price particularly for their tobacco and sugarcane. The present rate of Rs.10-15 per Kg. according to them is too low which should be increased to 35 per Kg. Similarly the price of sugarcane shall have to be increased to atleast Rs.600 per tonne instead of Rs.500 per tonne to meet out increased cost of production.

6.27 It is learnt that the crop insurance scheme of the Central Government has not been extended to the villagers of the Chikodi taluka. This has caused severe damage to the agriculturists when their crops were destroyed either due to too much rain or too less rain or destroyed by pests and insects or by fire. This should not happen.

6.28 It is also noticed that there exists monopoly sales of fertilisers, pesticides, etc in the taluka. This is caused by the banks, who authorise certain dealers for these goods. These dealers in course of time have become the monopolists and sell almost the inferior type of fertilisers and pesticides thereby causing a great loss to the agriculturists of the taluka. Again the loanees are not given any freedom to choose the type of fertilisers and pesticides. It shows that there is a misuse of the banks funds by the dealers.

6.29 Poverty of the respondents is partly the result of poor crushing of the sugarcane by the sugar factories of the taluka. Because there are some cases in which actually the farmers themselves had put fire
to their crop (sugarcane) as it had not been brought by the factories even after the completion of 12-13 months since its sowing. This is caused by shortage of water during the summer and inadequate rain.

6.30 To know the actual progress of banks specially in advancing crop loan to S.F's and M.F's and Big farmers of each and every village, bankers were enquired about. But none of the banks of the taluka except 6 banks responded to the question. The only banks which maintained systematic records of each village about crop loan lent to S.F's and M.F's and big farmers were M.G. Bank (Bhoj), Vijaya Bank (Chikodi), M.G. Bank (Kerur), M.G. Bank (Kallol) and M.G. Bank (Nagarmunnoli). The other banks openly rejected the appeal. This shows that, there is no proper keeping of records of crop loan of every village and of each category of farmers of the village which does not happen in practice. To that extent they have narrowed down their scope in the agricultural development of the taluka in particular and in India in General. Besides this all the banks have failed to provide the statistics pertaining to crop loan since their inception. This is the most serious problem noticed in the course of the interview of the bankers.

6.31 In addition to these, another notable finding of the survey report of the beneficiaries of the taluka is the total quantity of culti-
viable land, irrigated and un-irrigated land of 932 respondents. The average size of land holding was just 6 acres. The total cultivated land was less i.e. 5671.30 acres. Out of this 55.78 acre comes under dry land (Un-irrigated) and of hardly 93.30 acres under irrigated that too by seasonal irrigation methods like, from those of wells and rivers. More than 80 percent of land is rainfed land and to expect favourable impact of crop loan on farmers is simply a joke, unless provided with adequate irrigation facility.

HYPOTHESES TESTING

6.32  a) The hypotheses of the study that "Financing of crop loan by commercial banks in the study area is satisfactory and has helped in improving the standards of living of the rural poor" has been fully accepted.

b) The hypotheses that "crop loan financing by commercial banks has improved productivity of agriculture" has been partially accepted and.

c) "Crop Loan Scheme has benefited farming community and has significantly contributed to the development of the region" has been partially accepted.