CHAPTER - VIII

SUMMARY OF FINDINGS AND SUGGESTIONS

Agriculture assumes a prime place in Indian Economy. It is aptly described as the edifice or the backbone of Indian economy. Inspite of the crucial role of Indian farmers, during the pre-nationalisation period, the Indian farmers were being exploited by the blood-sucking money-lenders who were charging exhorbitant rates of interest for the credit provided to the farmers. With a view to freeing the farmers from the clutches of money lenders, commercial banks were nationalised in 1969 and subsequently in 1980. Hence, the commercial banks in India expected to re-orient their leading policy in consonance with national priorities. They have an onerous responsibility of promoting socio-economic welfare of the farmers by providing the credit at the right time, at the right place, for the purpose, in right size, in the right form and at reasonable cost. No doubt, after nationalisation, the commercial have grown in terms of scale and scope with a wide network of branches spread at different places. There has been change in their focus i.e., from class-banking to mass-banking, commercial-oriented lending to social-welfare oriented lending and security-oriented lending to purpose-oriented lending. However, in recent years, the commercial banks have been suffering from different operational and managerial problems like poor credit planning, absence of environmental scanning for pre-sanction approach, lack of post-sanction follow-up, inter-regional imbalances in credit
flows, mainly overdues, etc. Several Committees and Commissions set up by the RBI and the Govt. of India have gone into the details of the working of the commercial banks in India. Several research studies at individual researchers' level have been undertaken. But most of the studies have focussed at Macro level. Such macro studies may not reveal the real problems behind the stockness or sickness in the working of the commercial banks at regional levels; because every region or district has its own socio-economic background. View from this angle, the present study, which aims at evaluating the performance of the commercial banks at micro level, assumes a special significance.

The present study is primarily based on secondary data. Analysis is based data collected for half-a-decade period i.e. from 1997-98 to 2001-02. The scope of the present study is confined to analysis of credit-mix and credit flow from the commercial banks for different agricultural operations (such as, crop loans, minor irrigation, land development, farm mechanisation, etc.) and also the allied activities to agriculture (such as dairy farming, poultry farming, animal husbandry, fisheries, forestry, etc.) in different blocks of the Dharwad district.

Main Findings of the Study :

The main findings of the present study are as follows :

a) Analysis of Credit Flow (Inter-bank Variations) :

1) Total credit for agriculture and allied activities extended by the commercial banks in Dharwad district has witnessed an increasing trend in absolute
terms over the study period. The credit expanded at an annual growth rate of 35.5 percentage but it alarmingly has come down to only 4.96% in 2001-2002.

2) There has been an increase in average credit for both agriculture and allied activities for farmer-borrower's account i.e. from Rs.6.10 thousands per account in 1997-98 to Rs.18.01 thousand in 2001-02.

3) Growth rate in the number of farmer-borrower's account has witnessed ups and downs over the study period. Hence, it may be inferred that there has been decline in the number of accounts i.e. from 69221 accounts in 1997-98 to 55456 accounts in 2001-02.

4) The main reason for the increase in the amount of bank credit per account is that the percentage change in the volume of bank credit has been more than that in the number of bank accounts except in 1998-99 and 2001-02.

5) The major portion of the total credit provided by the banks is constituted by the credit for agriculture. For all the years of study, the relative share of agricultural credit has been more than 91 percent and such share has witnessed an increasing trend, i.e. from 91.19 percent in 1996-97 to 97.27 percent in 2001-02. Therefore, it may be inferred that the commercial banks in Dharwad have been focussing more on credit for agricultural operations over the period.
6) The average credit for agricultural operation provided to farmer-borrowers has increased. It was Rs.7.74 thousands in 1997-98, but increased to Rs.18.02 thousands in 2001-02. Average credit per farmer-borrower has increased mainly because of successive increase in the absolute volume of bank credit and decline in the total number of bank accounts over the period. Hence, it may be inferred that the banks have been extending more credit to the same borrowers without expanding the coverage of farmer-borrowers.

7) The average credit per account has substantially gone-up from more Rs.1.91 thousands in 1997-98 to Rs.17.98 thousands in 2001-02. There has been alarming decline in the volume of credit expanded and the number of accounts over the study. Hence, it may be inferred that the average credit per account has stepped up mainly because of the fact that the proportionate decline in the volume of credit for allied activities has been relatively less when compared with the proportionate decline in the number of accounts.

8) Crop loans have witnessed on increasing trend not only in absolute terms but in relative terms. In the year 2001-02, it went up to the level of 87.10 percentage compared to 76.8 percent of 1997-98. Therefore, it may be inferred that the commercial banks have been providing more and more crop loans over the period.

9) Crop loans per account have increased over the study period mainly because of increase in both the volume of crop loans and the number of accounts.
The amount of crop loan provided by the banks has increased proportionately more than the increase in the number of accounts. The banks have been providing more and more crop loans to the increased number of farmer-borrowers.

10) The percentage of credit for minor irrigation has declined substantially i.e. from 4.42 percent in 1997-98 to 1.64 percent in 2001-02. Hence, the lending policy of the commercial banks is not oriented towards making a provision for minor irrigation.

11) There has been decline in both the volume of credit for minor irrigation and the number of accounts covered by the banks over the study period. However, there is marginal increase in the average credit for minor irrigation per account; which may be attributed to relatively lesser proportionate decline in the volume of credit when compared with the proportionate decline in the number of accounts.

12) The share of credit for land development is very meagre. It has declined ever the period. This may be attributed to relatively more increase in the total credit when compared with the increase in the credit for land development.

13) There has been an increase in the credit for land development activities over the study period mainly because of increase in the volume of credit.
for land development and the number of farmer-borrowers’ account.

14) The credit for farm mechanisation increased in absolute terms, from Rs.66567 thousand in 1997-98 to Rs.92554 thousands in 2001-02, registering an increase by about 50 percent but in relative terms, it went on declining because of more proportionate increase in the volume of total agricultural credit.

15) Average amount of banks' credit for farm mechanisation per farmer-borrower has witnessed an increased trend over the study period, due to increase in both the volume of credit for farm mechanisation and the number of farmer borrowers covered by the banks.

16) There has been successive increase in the volume of credit provided by the commercial banks over the study period i.e. from Rs.7863 thousand in 1997-98 to 12531 thousands. However, its share as a percentage of total agricultural credit witnessed ups and downs in view of variations mainly in the total volume of total credit provided for agriculture.

17) There has been successive increase in the total amount of finance provided for plantation and horticulture operations except in the year 2001-02. However, the average credit per account came down marginally because of more proportionate increase in the number of farmer-borrowers.

18) The share of banks credit for other farm activities is relatively less. But it is noted that there has been successive increase in the volume of credit
provided but also in the average credit provided to the farmers.

19) There has been successive increase in the average credit per account over the study period except in the last year. Hence, commercial banks in the study have been covering more and more farmers for financing their requirements for other farm activities.

20) The credit for dairy farming constitutes a lion's share in the total credit provided by the commercial banks for allied activities to agriculture.

21) There has been heavy decline in the volume of credit for forestry and the number of the beneficiaries.

22) There has been substantial decline in both the volume of credit and the percentage of such credit for poultry farming.

23) There has been downfall in the number of beneficiaries under poultry farming credit.

24) Credit for sheep and goat bearing has been losing ground over the period.

25) Percentage of credit for both fisheries and forestry has been very meagre when compared with the total credit for allied activities.

26) Analysis of inter-bank variations in the volume of credit for both agriculture and allied activities reveals that major portion of the credit was provided
by only SBI, Canara Bank, Corporation Bank, Vijaya Bank and Karnataka.

27) Major portion of the crop loans were again provided by again the same as mentioned above.

28) There has been downward trend in the volume of credit by majority of the banks.

29) Only SBI, Canara Bank, Syndicate Bank and Vijaya Bank could provide credit for farm mechanisation.

30) Only three out of 15 banks, viz., SBI, Canara Bank and Syndicate Bank paid due attention to the credit for horticulture and plantation.

31) All the sample banks in the district have not contributed uniformly for the Dairy development.

32) The poultry farming has not received the attention of the majority of the commercial banks. Big Banks like State Bank of Mysore and Punjab National Bank did not take active part in providing finance to poultry.

33) Only 7 to 9 out of 15 sample banks have financed the Sheep and Goat rearing.

34) Of the fifteen sample banks, only four have financed the fisheries.

35) Out of the 15 sample banks, only four have engaged in advancing for forestry.
36) The villages covered in each Block of the District are not uniform.

37) There have been wider inter-block variations in the quantum of the total credit flowed into the different regions of Dharwad district in providing credit for Agriculture and Allied activities.

38) As far as Agricultural credit is concerned, Dharwad and Hubli blocks together have shared more than 50% of the total credit.

39) There have been wide inter-block variations in providing credit to all Agricultural sub-sectors.

40) Similarly, wide variation are found in the credit provided for Agricultural Activities.

41) The performance of Banks' under credit plans in the district in providing credit for various Agricultural and Allied Activities is not uniform.

Suggestions :

In the light of findings based on the data analysis, the following suggestions have been for improving financing performance of the banks:-

1) Need-based Credit Planning :

Formulation of a credit plan by the commercial banks under the leadership of a lead bank in the district should not become as a routine matter.
Due weightage must be given to the nature of crop, land, creditworthiness of the borrower, etc., in order to determine the quantum of credit required for a particular farmer or for socio-economic development at a particular taluk or place. If credit plan is based on rationality, there will be no cases of default.

2) Integrated Approach for Credit Sanction:

Farmers need credit for diversified purposes. They need finance not only for routine agricultural operations but also for making some improvement on the land. Therefore, the commercial banks have introduced a scheme whereby the farmers would be able to get all types of financial requirements from the bank. There must be a provision for getting the required pesticides and insecticides by the farmers by way of paying money through the bankers. In fact, commercial banks have to act as friends, guide, and philosopher to the farmers. Such an integrated approach prevents the farmers from borrowing from multiple banks. Every bank would be able to have an integrated view of assets and liabilities of each farmer.

3) Pre-sanction Appraisal:

Before planning for the size of credit to a farmer, the banks have to examine each and every credit proposal in terms of socio-economic background of the borrower. Every credit proposal made by a farmer must be put to several cross verifications.
4) Coverage of more Village and Farmers:

It is found in the study that the growth rate in the farmer-borrower's accounts has not been satisfactory. Modern commercial banks have to act agents of social change. They are expected to cover more and more farmers so that the fruits of bank credit will be enjoyed by all. Instead of providing more credit to the same set of borrowers, it is fair on their part to cover all types of borrowers from the area adopted by a particular bank.

5) Exploration of opportunities for Credit Diversification:

It is found in the study that the share of the banks' credit in the total credit for allied activities has been very low. Hence, it is suggested that the banks have to channelise their source but costly funds from less or no productive areas to more profitable areas of bank business. They have to examine the feasibility of increasing the volume of credit to dairy farming, poultry farming, forestry, etc.

6) Maintenance of Data-base of the Current & Past Beneficiaries:

Banks' credit would be more effective if the banks maintain data-base of the villages adopted and the customers to be served therein. Such a data-base would help the commercial banks in taking a rational decision relating to credit sanction.
7) More Provision for Development Activities:

It is said that an Indian farmer is born in debt, lives in debt and dies in debt, because with his meagre income, he cannot offer to spend for the development activities like farm mechanisation, irrigation, etc. Hence, the banks have to make a provision for development finance.

8) Location of Bank Branches after Operational and Financial Feasibility Studies:

Commencement of a branch by a commercial bank should not become a matter of political decision. It should be based on technical and feasibility studies.

9) Periodical Performance Evaluation:

In order to improve operational efficiency and financial productivity, the banks have to set targets based on rationality, compare them with the actuals and thereby find out the reasons for adverse achievement for taking corrective actions.

10) Risk-return Trade-off for Credit Deployment:

No doubt, now-a-days, the banks are expected to act as social banks. But it does not mean that they are the charitable institutes. They have to see that the credit policy is governed by the risk-return trade-off.
11) **Coverage of Crop Insurance**:

In order to protect the farmers from the evils of unexpected natural calamities, the banks are expected to provide crop insurance facilities so that they are not worried about natural hazards.

12) **Identification of Variables for Inter-bank Credit Variations**:

As revealed by the study, there are wider variations in credit flow among different banks. Exact reasons for such inter-bank variations are to be explored and corrective measures must be taken for removing regional imbalances in the flow of bank credit.

13) **Identification of variables for Inter-block variations**:

In the study, it is also found that there are inter-block variations in credit flows. This may lead to regional imbalances in terms of economic growth and development. Hence, it is the duty of banks to see that corrective measures are undertaken to remove such disparities.

14) **Post-sanction Follow-up**:

In order to ensure frequent recycling of funds, the banks have to do post-sanction follow-up so that the credit made available by the bank is used for the purpose for which it would be sanctioned.
15) Establishment of Credit Planning and Monitoring cell:

In order to streamline the credit planning and delivery system of a bank, it is advisable to establish a credit planning and monetary cell which will decide about the direction, scale and scope of the agricultural finance.

16) Credit Management by a Band of Finance Professionals:

Credit management is merely a process of planning and disbursement of money. It requires the sound financial prudence. Hence, there is a need for professionalisation of credit management by employing a band of finance professional, for rationalising the credit management process.

Thus, it may be concluded by saying that effective and efficiency credit planning by a professional band of experts coupled with efficient credit follow-up and recovery would go a long way in streamlining the financing aspect of the agriculture by the commercial banks in Dharwad in particular and other commercial banks in Karnataka in general.