CHAPTER - 6

Summary of Findings
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Various agencies of institutional credit have been in operation in different states of India to the rural sector of economy for increasing the production and productivity of different enterprises. U.P. is one of the biggest state of India yet the productivity lagged behind in comparison to some of the progressive states like Punjab, Haryana, Tamil Nadu etc. The status of institutional credit and crop productivity in eastern U.P is still low as compared to the western U.P. The studies on the impact of credit in farming in eastern U.P particularly Deoria district are lacking.

Keeping in view the above facts, the present study, entitled "An Analysis of the Impact of Institutional Financing on Agricultural Development" has been undertaken in Deoria district with the following specific objectives:

Objectives:
1. To examine the status and pattern of institutional financing in Deoria District, U.P.
2. To examine the impact of institutional financing on input procurement, production, income and employment on beneficiary households.
3. To workout the resource use efficiency on various category of the farms.
4. To examine the problems of overdues, cost of credit and repayment of loan amount of the various financing institutions.
5. To determine the constraints and problems in institutional financing of agriculture and suggest measures for further improvement in agriculture sector in the district.

Central banking system has undergone fundamental departures from its traditional tracks, institutional financing plays a dominant role in under developed states. It helps speedier and smoother economic development by synchronising the rate growth of the credit creating capacity of the banking system with the rate of growth of output and productive capacities. It has to perform the promotional role. This call for a new orientation of banking policy and necessitates changes in the organisation and structure of the banking system. In such states, the institutional fi-
nancing should be regarded primarily as a potential development agency rather than as a stabilizing device. The kingpin of monetary policy of the Reserve Bank after the inauguration of plans since 1951 has been the promotion of economic growth at an accelerated pace and for this purpose it has to shoulder the responsibility of providing adequate finance to the various sectors of the economy, especially to the erstwhile neglected sectors.

The traditional principles of liquidity and security of institutional financing system have given place to a more comprehensive role to commercial banks to play in underdeveloped states (or sectors). This shift from the commercial banking to the social banking has been an important change in the concept of the banking system in the country during recent years. The role of commercial banks in the first two decades after independence was limited in the sense that irrespective of perspective planning, the task of these banks was to accept deposits. Major chunk of credit-flow was to take place in favour of trade, commerce and industry for their short-term needs.

The nationalisation of major commercial banks in 1969 ushered a new era of development of commercial banks vis-a-vis plan priorities and the needs of the economy. The Lead Bank Scheme was introduced in 1969 by the Reserve Bank of India on the recommendation of a study group appointed by the National Credit Council (with the late Professor D.R. Gadgil as its chairman), on "Organisational Framework for the implementation of social objectives", October 1969. The study group suggested the enhancement of the credit and the banking in the country on the basis of local conditions to foster the needs of the people and recommended the adoption of an "area approach" to evolve plans and programmes for the development of banking and credit structure. The central idea behind this scheme was that one bank for each area, called lead bank of the area or district, be entrusted the responsibility of providing the integrated banking facilities to area or district. In this way, all the districts in the country are distributed to different Nationalised Banks. Given the total responsibility of the area/district the banks may concentrate more on the local needs and explore the possibility of credit and business in the erstwhile neglected or underdeveloped sectors of the district.
Deoria district is situated in the north east corner of Uttar Pradesh. The northern boundary forms the newly formed district Kushinagar while on its east, the state of Bihar, in west Gorakhpur, while Ballia & Mau District are in south. It extends from north latitude 26.5° to 27.29° and 83.5° to 84.3° longitudes. The district is situated on 386' height from sea levels. As per census of 2001, total population of Deoria district is 34,87,350 comprising 18,82,157 males and 16,05,923 females and the urban population 2,31,427 which is accounting for 93.36 percent and 6.64 percent, respectively. The literacy percentage is 23.18, the density of population per square kilometer is 640. The percentage of cultivators is 57.69 percent, agricultural labour 31.56 percent of the total population.

The distributional pattern of land area depicts that total geographical area in the district was 2527.2 square kilometer of which cultivable land, uncultivable land, follow, pastures, forest and horticultural was 4,48,782 ha. 8758 ha., 7069 ha, 168 ha, 46043 ha, 18327 ha, respectively. The gross cropped area was 6,36,482 ha. and net irrigated area 2,84,074 ha. The canal, tube-wells, are the main source of irrigation in the district. The percentage of total number of holdings were 78.34 (less that one ha.), 12.75 (1-2 ha.), 6.52 (2-4 ha.) and 2.39 (more than 4 ha.) in the district. A large cultivable area is flood affected.

The district has 1990 revenue villages having 1026 gram sabha and 177 Nyay Panchyats grouped under 15 community Development Blocks in five tahsils. The major crops of the district are paddy, wheat, sugarcane and maize, covering the area 2,45,794 ha, 237557 ha, 65407 ha and 10023 ha, respectively. According to a recent assessment, the intensity of cropping is 137.93 percent.

The district is grouped in to 15 community Development Blocks, out of which 5 blocks are selected randomly for the purpose of the study to examine the impact of Yural credit on various aspect of crop production. The selected blocks Rampur Karkhana, Gauri Bazar, Rudrapur, Salempur & Bhatpar Rani. From each selected block, 4 vilages are selected by random process, the list of credit recipients is obtained from the concerned bank branch and block level S.G.S.Y. committee. In the farmers of each village are classified in to two classes, viz. Borrowers and non-borrowers and are
distributed as marginal, small, medium and large according to size of land holdings. From each village 5 borrowers and 5 non-borrowers are selected at random, and thus, an over all sample of 100 borrowers and 100 non-borrowers has been selected. The data are collected by personal interview in a special designed schedules, from sampled village and the concern bank branches.

Deoria district did not have modern banking facilities for a very long time. It is only after the nationalisation of commercial banks in 1969 that a great spurt was given to branch expansion in the district with more geographical and location coverage. Population per bank office served in 1983 came down appreciable in 1988 and at present, there are 219 branches in working order.

The performance of a bank is assessed by the quantum of targets allocated to it. Bank wise data of targets and achievements of the individual bank performance reveals that nationalized banks like State Bank of India (196.54%), Punjab National Bank (110.29%), Central Bank of India (98.39%), Bank of Barouda (93.61%), Allahabad Bank (90.24%), Union Bank of India (83.60%) have shown commendable achievements against their targets while other banks reveals a very fluctuating performance as against their assigned targets.

The district credit plan is an important duty of this lead Bank Scheme. The first and second credit plans for Deoria district were formulated for the period April, 1974 to December, 1975 and January 1980 to December 1982 respectively. During above period 1974-82 banking has undergone in to tremendous changes. The third round of district Credit Plan for 1997-98 place towards promoting productivity in the rural sector and the 1997-98 has been declared the productivity year. Special care has been taken to cater the need of weaker sections. For the Annual Action plan for the development of the district was formulated by lead bank in the light of the above aims and goals.

Still the exiting planing framework leaves much be desired. Virtually there is no decentralisation in planing. Therefore, it is earnestly suggested that a District planing Board at the district level and a Block Planing cell at the block level should be constituted. As a matter of fact, the credit plan
should emerge from the Block/District Plan. While estimating financial re-
sources for the plan, the financial resource of financial institutions which
can be made available have to be taken in to account. The bulk of re-
sources of the banks should come with in the purview of the plan. Credit
plan commitments should be included in the budget of each branch and
their progress should be regularly monitored.

Adoption of technology is capital intensive, resulting in to wider de-
mand for agricultural credit. With the introduction of Lead Bank Scheme it
was expected that the nationalised bank would make special efforts in this
direction. As such, it is considered important to analysis the impact of the
lead Bank Scheme on some of the economic indicators of the farms.

The tools of econometric study used are the tabular analysis, ratio
analysis, corelation analysis, multiple regression analysis and various tests
of significance. The results are used for the comparison of the intensity of
cropping, utilization of labour, investment outlays, resource productivity,
yields, incomes and savings of the farmers using credit with those of the
farmers not using any credit from the banks.

The data for the study comprised of 200 farms of Deoria district of
U.P. and pertained to the years 1997-98 and 2000-2001. The analysis of
data is made separately for each year and the results pertaining to the
year 2000-2001 are compared with the those of the productivity year
1997-98.

The results revealed favourable impact of the institutional financing
on intensity of cropping, level of investment, yields per hectare, and sav-
ings of the farmers availing credit. As regards to the utilisation of human
and bullock labour and to the productivity of various inputs, no significant
difference have been observed between the borrowers and non-borowers.

Further, our study reveals that the bank's efforts are well directed to
help effectively towards the weaker sections. Therefor, it is suggested
that the institutional financing may be given. All the necessary encourage-
ment to continue its good work. In view of under-utilization of farm family
human and bullock-labour, it is recommended that the supplementary and
complementary employment opportunities may be given an special atten-
tion.