CHAPTER- 4

REVIEW
OF
LITERATURE
Many studies have been conducted about financing of agriculture in the country. In the earlier studies, the learned researchers have tried to reveal some of the hitherto unrevealed aspects of the subject. It is but natural that their findings have paved the way for further studies and research. Every researcher is, therefore, deeply indebted to his/her predecessors in the field. An attempt has been made in this chapter to provide an overview of various aspects and issues of this study through the review of existing literature. Some of the main studies selected for review have been discussed below:

**Suryawansi (1978)** in his paper ‘Credit Requirements Availability and its Gaps’ observed that big farmers received a larger share of loan advanced by different financial agencies and the share of co-operatives was the maximum. It was also observed that private money lenders were, still playing an important role in supplying rural credit and the proportion of borrowings from this source was higher in case of small farmers.

**Kulkarni (1979)** in his study titled, “Development Responsibility and Profitability of Banks” stressed upon social responsibilities of the banking sector. He was of the view that looking for profit maximization only was not true profitability of banks as social benefits arising out of bank operations cannot be ignored. He observed that while fulfilling the social responsibility, banks should try to make the basic banking business as successful as possible, reduce cost, improve banking system and increase the overall profitability.

**Markand (1979),** in his book titled, “Social Priority Index of Public Sector Banks” evaluated the performance of public sector banks. With the help of performance index consisting six quantitative indicators, such as branch expansion, priority sector credit and wage cost, he concluded that the priority sector financing was essential. For better performance in this sector, he suggested that lending power should be delegated to the branch managers.

**Singh (1980)** in his unpublished PhD Thesis titled ‘The Role of Co-operation in Agricultural Finance in UP’ assessed the financial requirements for different purposes and studied the existing facilities for
the same. He found that co-operative credit played an important role in increasing the productivity of agriculture by providing financial assistance to the agriculturists. He found that the agriculturists needed credit for both agricultural and non-agricultural purposes. 

Muhammad and Shah (1981) in their study, ‘Agricultural Production Credit Requirements in D.I. Khan District’ concluded that the system of disbursement of loans of credit institution was not based on the actual needs of the farmers. He further stated that the structure of the society was such that resourceful farmers succeeded in securing loans more than their requirements while non-influential farmers failed to fulfill even their requirements.

Devi (1982) in her unpublished PhD Thesis ‘Bank Financing of Agriculture in Andhra Pradesh’ found that Andhra Bank emerged as the biggest of the private sector banks after the nationalization of the 14 major banks in 1969 which has fast moved towards rural banking as demonstrated by its performance in the rural branch expansion. She found that the bank was doing well in terms of disbursing credit to the agriculture and allied activities under various schemes.

Kalyankar (1983) in his study titled, “Willful Default in Loans of Co-operatives”, examined the trends in deposits, share capital, working capital, loans outstanding, advances, over dues and recoveries at the district level financing institutes. Socio-economic factors responsible in projecting and promoting future development in the operations and approaches of the co-operative credit organizations were also considered to examine the specific progress made by Central Co-operative Bank of Parbhani District. The study revealed that the cropping intensity, irrigation facility and working capital of the societies were the major factors for explaining over dues at primary agricultural credit societies’ level. The socio-economic factors were not responsible for increasing over dues at the borrowers’ level, but over dues were mainly mounted due to the non-economic factors in case of willful defaulters.

Kurulkar (1983) in his published work on the topic of ‘Agricultural Finance in Backward Region’ reported glaring defects in the set-up of co-
operative credit system. He pointed that out of the ten sample owners who obtained long-term credit from the co-operative banks, 30% could not secure short-term credit. Lack of short-term or production credit to the farmers who availed long-term credit resulted in lower output per acre, thereby resulting in over dues.

Reddy (1985) in his study titled, “Over dues Appraisal and Management in Banking” analyzed the relationship between the lending and recovery of an apex bank. His findings suggested that the lending and recovery of the apex bank had not been proportionate, i.e., either the apex bank could not meet the entire credit needs of the primary banks or the latter could not borrow the funds from the apex bank. The primary banks were constituted by people not for co-operative services but for their vested interests. With the help of coefficient of variation technique, he proved that there was a wide dispersion in lending followed by recovery. He finally concluded that the association between lending and recovery was not satisfactory.

Khan (1986) in his paper titled, ‘Strategy for Farm Planning and Agricultural Credit for Rural development’ analysed the credit needs for agro-based industries to generate rural employment which are particularly important for small farmers and women. It was further suggested that the crops and livestock insurance policies should be introduced in order to reduce the risk of borrowers and lenders.

Chopra (1987) in her book, ‘Managing Profits, Profitability and Productivity in Public Sector Banking’ studied operational efficiency of selected public sectors banks. She found the lack of professionalism in banking industry and stressed the introduction of scientific management practices to enhance profits and profitability of public sector banks. She recommended comprehensive management of costs as well as earning of the banks.

Devadas (1987) in his book titled, “Co-operative Banking and Economic Development” studied the role of Assam Co-operative Apex Bank Ltd. in the economy of the State. He found that apart from working as a commercial bank, it had to discharge three other functions, i.e., to finance
primary credit societies, to act as banking centre for primary societies, and to undertake supervision of primary societies. He found that bank had not been able to achieve much in these three fields due to lack of adequate support from the government of the state.

**Jugale (1992)** in his book ‘Co- Operative Credit in Indian Agriculture’ discussed the socio-economic impact of co-operative credit on agriculture sector. In his study, he found that the real success of cooperative credit depends on achievements of the Primary agriculture society (PACS) and Land Development banks (LDBs) at micro level. The PACS are entitled to disburse the short term and medium term loans while long term loans are being disbursed by LDBs. But most of the benefits of these credit facilities are being harnessed by rich class of agriculture sector. Not only this, but they have also have a major role to play in the governance of PACS. The study further concluded that these credit facilities are mainly responsible for transforming the cropping and land use patterns.

**Ramachandaran (1992)** in his paper titled, “Profit Planning as a Management Tool for Profit Maximization” tried to analyze profitability position of the banks. Increasing emphasis on goals, increase in establishment cost, NPAs, amount locked in sick units, unfavorable deposit mix, compliance to statutory requirements were some reasons, identified by him for the declining profitability. He suggested that measures like diversification of business, interest to be paid by RBI on CRR/SLR balances, opting utilization of scarce resources by asset management, better funds management, management of non-performing advances, professionalization of bank management, identification of loss centers, better role of government, and upgradation of skills and mechanism should be taken to redress the said problem.

**Mohiuddin (1993)** in his review report titled, ‘Credit Worthiness of Poor Women’ Compassion of Some Minimalist Credit Programs in Asia’ examined the recognition of credit as a powerful instrument for the alleviation of poverty in developing countries. He analyzed the factors affecting the loan repayment of both borrowers and institutions in
Pakistan. The results showed that no independent variables were significant in explaining variations in the default rate.

*Khan (1994)* in his report titled ‘Survey Report on Farm Credit Recovery of Problems in Pakistan and Possible Solution’ found that rural credit is very important for the society and Federal Bank for Cooperatives and other Commercial Banks have been meeting this need effectively. He concluded that banks need to be highly vigilant in screening of applicants before the disbursement of credit in order to reduce the non-payment and need to have strong pressures and checks after the disbursement in order to ensure the timely recovery.

*Singh and Vishwajit (1994)* conducted a study, titled, “A Study of Overdues of Loans in Agriculture”, to examine the repayment performance of defaulters in three blocks of Agra district in Uttar Pradesh. They found that well-to-do agriculture families accounted for a large share of over dues. They accounted for 37 per cent of total defaulters and 57 per cent of total overdues. Total amount of over dues and its relative share also increased during the period of study. Lack of proper supervision over the end use of loan was identified as a major reason for mis-utilization of credit which leads to increase in overdues.

*Hundekar (1995)* in his published work, titled, ‘Productivity in Banks’, suggested following points to improve the productivity of RRBs:
(a) Profit planning and cost control measures should be improved;
(b) Labour productivity improvement measures should be taken;
(c) Promotion of customer service by product development and diversification strategies;
(d) Market development strategies for mobilizing more savings should be initiated;
(e) Management audit for controlling other administrative costs should be conducted;
(f) Streamlining the recovery process; and
(g) The funds of banks should be effectively managed.

*Patel (1995)*, in his paper, “Viability of Rural Banking”, inferred that low volume of business per branch and per employee and high level of credit
deposit ratio were two major factors causing losses in rural banking system. He observed that relative share of non-farm sector loans in rural banks was going up.

**Murthi and Saraswati (1996)** in their paper titled, “Reducing Over-dues in Credit Co-operatives: Some Alternatives” evaluated the quantitative progress made in respect of supply of Institutional Credit. Using the secondary data made available by RBI in Statistical Statements relating to Co-operative Movement in India for a period of 6 years from 1978 to 1983 and assessing the loaning policies of Girijan Co-operative Corporation, Visakhapatnam, the study concluded that the progress in respect of supply of credit was phenomenal over the period of study but the progress becomes less significant if the magnitude of over-dues was considered. It pointed out that the most unnerving aspect of institutional credit was the alarmingly high percentage of over dues. The study suggested that making co-operatives as exclusive institutions of weaker sections, i.e., making them homogeneous would not result in decline in over-dues, as mere homogeneity was not a sufficient condition. Further, regarding the revamping of loaning policies, the results were quite impressive as it resulted in significant improvement in the Recovery Performance. It was finally concluded that the change of Loaning Policies like Induction of Liaison Workers, efforts of Elders Committee, Motivated Management would not have helped recovery of loans in the absence of homogeneity.

**Reddy and Reddy (1996),** in their study titled, “Nature and Dimensions of Willful and Non-Willful Default and Impact of Co-operative Credit Policy with Reference to Nellore District of Andhra Pradesh” used multi-stage sampling technique and various statistical tools to examine the reasons for over dues. They concluded that landholding, cropping pattern, income from agriculture, number of dependent family members and political interference had direct influence on recovery position of co-operative banks.

They suggested that management of these banks should adopt a co-operative friendly approach instead of market approach ‘as self-help is the
foundation stone of cooperative philosophy and peoples’ participation at all levels of management will improve working culture of the co-operatives. **Malhotra (1998)** in his book ‘Agricultural Finance in Jammu & Kashmir’ made an in-depth study of agricultural finance relating to institutional sources. It sought to examine in detail their role in providing agricultural finance. Problems faced by the agriculturists in obtaining finance and likewise the problems faced by the beneficiaries and institutions were also studied. The study revealed that the problems of the agriculturists relate to sureties and guarantors, insufficiency of credit, problem of cost and profitability, problem of using funds, ignorance as to terms and conditions of the loan taken, non-availability of credit in time, more credit to large cultivators, tight repayment schedule and corrupt practices of DRDA office. He also suggested suitable measures to overcome these problems. **Bhakta (1998)** in his study ‘Financing Agricultural Development and Mode of Production’ feels in the light of historical events that different stages of economic development is financed out of different sources. Under this theoretical background, he analyzed the capitalist, pre-capitalist and primitive accumulation financing of agricultural development of Saran district in north-west Bihar. It has been found that financing out of primitive accumulation is the dominant source. The capitalist approach of credit institutions of financing agricultural development needs to be changed to remove defects like *benami* transactions, over dues and checking of funds. **Deolalkar (1998)** in his study titled, “The Indian Banking Sector on Road to Progress” observed that NPAs in Public Sector Banks were recorded at about `457 billion in 1998. About 70% of gross NPAs were locked up in “Hard Core” doubtful and loss assets, accumulated over the years. He further added that the main cause of NPAs in the banking sector was the ‘Directed Loans System’, under which the commercial banks were required to supply a prescribed percentage of their credit (40%) to the Priority Sector. Such loans supplied to the micro sector were problematic of recoveries, especially when some of the units become sick or weak. These
loans had led the borrowers to expect that like a non-refundable state subsidy, bank loans need not be repaid.

Pathania and Singh (1998) in their study titled, “A Study of Performance of HP State Co-operative Bank” observed that the performance of the Himachal Pradesh State Co-operative Bank Ltd. in terms of membership drive, share capital, deposit mobilization, working capital and advances has improved over the period of five years, i.e., 1991-92 to 1995-96. However, recovery performance was unsatisfactory and over-dues had increased sharply. This was due to the after effects of loan waiver scheme. The analysis of per member and per branch performance of the bank revealed that there is a significant growth in share capital, deposits, borrowings, advances and profits. They suggested that in the context of globalization and liberalization of economy, cooperative banks should ensure their business on healthy lines by having professional manpower, training and a sense of competition.

Kapoor (1999) in his committee report on the agenda of ‘Revival of Cooperative Banks’ recognized the relevance and catalytic role of co-operative banks in the development of agriculture and non-agriculture sector of Indian rural economy. The main objective of the committee was to review the functioning of co-operative credit structure and suggest measures to make them member driven professional business enterprises. The committee suggested as under:

1. The licensing of DCCBs should be brought under the provision of Banking Regulation Act, 1949.
2. Bifurcation of DCCBs should be on the sole criterion of viability (not on political considerations).
3. DCCBs should be included in 2nd schedule of RBI Act.
4. Asset-liability management should be implemented in the SCBs and DCCBs.
5. NABARD should establish a co-operative development fund.
6. RBI/NABARD should issue guidelines for a common accounting system in SCBs and DCCBs.
Misra (1999) in his book ‘Commercial Banks and Agricultural Development’ analyzed the role played by commercial banks in promoting agricultural development in hilly and drought-prone areas of Orissa. He made an attempt to find answers to the questions like adequacy of present cropping pattern, desired changes in the cropping pattern to bring development of agriculture in such hitherto neglected area, sufficiency of banking services to meet the demand for credit by farmers, utilization of credit by the farmers for which it has been taken by the farmers from the banks, repayment of loans by the farmers on time or not, the bottlenecks that affect the role of banks and the performance by the farmers handling agricultural credit and the special measures that are needed to improve the involvement of banks in the hitherto neglected hilly and drought-prone areas. He found that farmer borrowers also generated certain amount of savings but they lagged behind the amount of savings generated by non-borrower farmers. He also observed that the farmer borrowers have a number of difficulties in respect of inadequate supply of inputs, lack of marketing facilities, lack of irrigation facilities and the problem of storage.

Niranjanraj and Chitanbaram (2000) in their study titled, “Measuring the Performance of DCCBs” observed that suitable models should be developed to evaluate the performance of co-operative banks. They considered 23 parameters falling into four major groups for measuring the performance of District Central Cooperative Banks and assigned appropriate weights to each parameter. They ranked 14 District Central Co-operative Banks of Kerala based on composite marks. They suggested that performance of co-operative banks should not be measured in terms of financial/ economic achievements only but their performance as co-operative organizations’ social achievements should also be evaluated.

Satyasai and Badatya (2000) in their paper, titled, ‘Restructuring Rural Credit Cooperative Institutions’ presented his findings regarding restructuring Rural Credit Co-operative Institutions. They analyzed performance of rural co-operative credit institutions on the basis of borrowings and lending operations, cost structure, financial viability, etc. and found that co-operative system, in general, had failed to perform its
functions properly. They advised the co-operative banks to diversify their business and also to overcome internal (rising transaction cost, declining business level, mismanagement of over-dues) and external (excessive bureaucratization, politicization) weaknesses.

**Verma and Reddy (2000)** in their paper titled, “Analysis of Causes of Over-dues in Cooperatives under SWOOD”, analyzed the causes of over-dues in Cooperatives under SWOOD, to assess recovery and NPAs position in these banks. Policy distortions in liberalized economy and inefficient management were identified as main reasons for poor recovery. Mis-utilization of credit, political interference at every level, successive crop failures, non-remunerative prices of agriculture produce, inadequate income and natural calamities were some other factors which affect the working culture of co-operative banks considerably. To improve the working of these banks, the study suggested that available credit size should be need-based and production-oriented. Effective supervision of loans to minimize mis-utilization and close social relations with loanee members were two other suggestions to improve the profitability and productivity of these banks.

**Das (2001)** in his study titled, “A Study on the Repayment Behaviour of Sample Borrowers of Arunachal Pradesh State Co-operative Apex Bank Limited”, examined the repayment behaviour of loanees, covering a period of 1994-95 to 1998-99. On the basis of primary data collected, researchers concluded that incidence of default was highest among borrowers for agriculture and allied activities loans. Agriculture loanees, horticulture loanees, small business loanees and service sector loanees were ranked 2nd, 3rd, 4th and 5th in a descending order on the basis of percentage defaulters. The study further revealed that the number of defaulter loanees was highest in government sponsored schemes.

**Viswanath (2001)** in his study titled, “An Analysis of Performance of Agricultural Credit Co-operatives and their Over-dues Problems in India” concluded that during the period 1950-51 to 1995-96, the total loans advanced by PACs increased from 24.34 crore to 14,201 crore i.e. 587 times, but unfortunately this increase was followed by a corresponding
increase in over dues. The results of Development Index in PACs of 16 states indicated that the performance of only 5 states, i.e., Karnataka, Gujarat, Tripura, Orissa, and Maharashtra was above the National average, while that of 11 states including Punjab were below average. He concluded that there was a direct and positive link between over dues and membership on the one hand, and over-dues and working capital, amount of loans advanced on the other.

**Anand (2001)** in her book titled ‘Co-Operative Agricultural and Rural Development Banks’ examined the role of the banks in meeting the long term credit requirements of the rural masses in the State of Kerala. It also examined the impact of lending, and the utilization and recovery pattern of the loans advanced. The study made a brilliant exposition of all these issues and highlighted the real problem prevailing at the beneficiary level.

**Lodha (2002)** in his study titled “Social Lending – Its Relevance in Deregulated Economy” studied how far the two extremities, viz. profit maximization and social lending will co-exist in the deregulated market, particularly in a developing economy like India. He concluded that-

1. Social lending should continue despite reforms;
2. Economic reforms should continue;
3. Target lending should be abolished;
4. Social lending should be confined to weaker sections only;
5. Time bound lending with least formalities should be ensured;
6. Lending decision should be based on cost benefit analysis;
7. Subsidy in social lending should be scrapped;
8. Loss making rural branches should be converted into satellite offices;
9. Self-help groups should be encouraged; and
10. Business hours and days should be changed to face competition.

**Nair (2004)** in his paper titled, “Village Co-operatives – A Century of Service to the Nation” observed that by 2004, the formal institutionalized co-operative sector completed a century of its service to the nation. Analyzing the progress of Primary Agricultural Co-operative Societies, he observed that during the half century spread over 1951-2001, the PACs made rapid strides in membership, owned funds, deposits, and in
channelizing the production credit for farmers. They were versatile in the sense that they can take up any type of rural financing and rural service activity at short notice and at lowest transaction cost. But besides excelling on all fronts, the co-operatives are feeling handicapped due to mounting NPAs. The overdue loans of PACs increased to Rs. 95,899.60 million in 2000-01 as compared to Rs. 63.79 million indicated in 1950-51, thereby subjecting them to a sustained and systematic process of reviews, reorganization and restructuring.

Veni and Sah (2005) in their paper ‘Direct Institutional Credit to Agriculture and Allied Activities-Changing Scenario’ concluded that the growth rate of Cooperative Banks is relatively lower than the SCBs and RRBs in terms of short-term, long-term and total credits. The RRBs have recorded the highest growth rates in terms of credit-both at aggregate and disaggregate level since their inception in 1975-76 till 2001-02. It is also evident from the study that the SCBs have maintained the second position in terms of short-term and long-term credits and aggregate credits during the study period. This study emphasizes that the credit to agriculture and allied activities has been slowly moving from Cooperatives to SCBs and RRBs during the period of study. This study suggests that there is an immense need to improve the institutional credit especially the share of Cooperative Banks to save the farmers from financial difficulties. Above all, integration between the institutions and the state governments is required to attend the financial needs of the rural sector.

NABARD (2005) conducted a study “Development in Co-operative Banking”, to evaluate the financial performance of 1872 urban co-operative banks and 1, 06,919 rural co-operative credit institutions. The findings of the study revealed that in all the financial institutions in the rural sector (SCBs, DCCBs, SCARDBS, and PCARDBS), percentage of NPAs in the substandard category declined, while it had increased in the doubtful category. NABARD was worried about deterioration in asset quality of these banks. However, all the institutions were able to meet the necessary provisioning requirements. It further highlighted that NPAs ratio in DCCBs varied significantly across the states from 5% to 68% at
the end March 2004. Only in four states (Haryana, Himachal Pradesh, Punjab and Uttranchal), the NPA ratio was less than 10%. NABARD suggested that co-operative banks should implement One Time Settlement system (OTS) and refer small value advances to Lok Adalats and high value advances to Debt Recovery Tribunals (DRTS). Further, State Governments were requested to help co-operative banks in reducing NPAs by taking special recovery derives.

**Prasad (2005)** in his research paper titled, “Co-operative Banking in a Competitive Business Environment” stated that the technology had made tremendous impact on the entire banking sector, which had thrown new challenges, due to which co-operative banks were constantly exposed to competition and risk management. Therefore, they needed a combination of new technologies and better processes of credit and risk appraisal, treasury management, product diversification, internal control and external regulation along with infusion of professionalism. In the present business environment, the co-operative banks should be backed by democratization, de-politicization & decentralization so as to make them competitive. He felt an urgent need for transformation in the mindset, identity, business operations, governance and systems & procedures, which will definitely boost the morale of co-operative banks to face environmental challenges.

**Suryan and Veluraj (2005)** in their study titled, “Profitability Analysis of the Pondicherry State Co-operative Bank”, analyzed the performance of the bank from 1998-99 to 2002-03. Various ratios, such as cost of management (total expenses) to working capital ratio, profit to working capital ratio, non-interest income to total income ratio, etc. were used to assess the general performance of the bank. Spread and burden positions of the bank were also analyzed. They concluded that the profitability performance of the bank was impressive and the bank was able to meet its obligations and norms. The cost of management and establishment expenses got reduced during the period of study which further strengthened the profitability position of the bank.
Bagchi (2006) in his study, ‘Agriculture and Rural Development are Synonymous in Reality- Suggested Role of CAs in Accelerating Process’ analyzed the performance of Primary Agriculture Credit Societies, and observed that PACS could not match up to the increasing requirements of growth dimensions in the agriculture /rural developments in the post Independence Period, although till the late 50”s, they were the only available source of institutional rural finance.

Singh and Singh (2006) in their study titled, “Funds Management in Central Cooperative Banks−Analysis of Financial Margin” attempted to estimate the impact of identified variables on the financial margin of the central co-operative banks in Punjab with the help of correlation and multiple step-wise regression approach. The ratio of own funds to working funds and the ratio of recovery to demand were observed to be having positive significant influence on financial margin, whereas over-dues to total loans were found to be negatively associated with the concerned parameter. A high percentage of own funds and timely recovery of previous loans outstanding, as a source of funding new loans by the bank, increased the financial margin in these banks.

Prasad and Shandilya (2006) in their book ‘Agricultural Credit and NABARD’ studied the importance of agriculture finance, the different credit agencies, functions, organizational set-up and refinance operations of NABARD. They found that though there are several credit institutions providing credit facilities to the agricultural sector but most of them are acting as credit shops disbursing credit and getting it back while the basic concept of development oriented financing is that credit is to be consciously used as a lever of development. However, NABARD was set-up on the recommendations of the Committee to review arrangements for institutional credit for agriculture and rural development (CRAFICARD) and it undertakes the functions of apex refinance for the promotion of agriculture and allied activities.

Shah Deepak (2007) has conducted a case study of Sangli and Buldana District Central Cooperative Banks titled, “Evaluating Financial Health of Credit Co-operatives in Maharashtra State of India” regarding the financial
health of credit cooperatives in Maharashtra and found NPA or over-dues as the main culprit for the deterioration in the health of these banks. The study revealed that both these banks showed a decline in their financial health and economic viability during the late nineties as against the early nineties period.

**Heiko and Cihak (2007)** in their working paper, titled, “Co-operative Banks and Financial Stability”, presented the findings of their study on co-operative banks and their financial stability. The study was based on individual bank data drawn from the Bank Scope Database for 29 major advanced economies and emerging markets that were members of the Organization for Economic Co-operation and Development (OCED).

They found that co-operative banks in advanced economies and emerging markets had higher scores than commercial banks, suggesting that co-operative banks were more stable. These findings, perhaps somewhat surprising at first, were due to the much lower volatility of co-operative banks’ returns, which offsets their relatively lower profitability and capitalization.

**Dhanappa (2009)** in his study titled, “Performance Evaluation of UCBs: A Case Study of Kallappanna Awade Ichalkaranji Janata Sahakari Bank Ltd. Ichalkaranji” made an attempt to examine the working and financial performance of UCBs. The objective of the study was to examine and analyze the trend, progress and problems of this bank, and to offer some important suggestions for improving the competency and efficiency of the bank. The related data had been collected for the period from 1995-96 to 2007-08. He used various statistical tools such as ratios, percentages, averages, and chi-square test to analyze the data, to know the performance of the UCBs in respect of share capital, deposits, reserve funds, loans and advances, investment, profit, and NPAs. He observed that the bank had maintained NPAs under control at the best stipulated level of RBI norms.

The bank should focus on non-interest income sources (commission based services) to increase the profit level and reduce the NPAs. CD ratio of the bank was declining continuously which was not a good signal. The
economic health of the bank was sound and the bank was able to compete with other banks. He further suggested that loans should be provided (at least to regular borrowers) on competitive rates of interest.

Singh and Singh (2010) in their study titled, “Technical and Scale Efficiency in District Central Co-operative Banks of Punjab – A Non-Parametric Analysis” had attempted to investigate the extent of technical efficiency across 20 DCCBs of Punjab with the help of Data Envelopment Analysis. They brought out that size of DCCBs and profits had been affecting the measures of technical efficiency significantly. The study further revealed that DCCBs of Punjab were suffering from the problems of managerial irregularities and improper production scale. Appropriate policy interventions by state government, RBI and NABARD have been suggested by the authors.

4.1 MAIN FINDINGS OF THE LITERATURE REVIEWED:

Findings of the related literature reviewed above can be summarized as under:

1. Credit plays a crucial part in development of agriculture, employment generation increasing the purchasing power of the farmers, ultimately leading to the prosperity of the area and economic growth of the nation.
2. Private money lenders were, and are still playing an important role in supplying rural credit and the proportion of borrowings from this source was higher in case of small farmers.
3. Priority sector financing is essential and while fulfilling the social responsibility, banks should try to make the basic banking business as successful as possible, reduce cost, improve banking system and increase the overall profitability. More lending powers need to be given to the Branch Manager.
4. Co-operative credit societies are playing a major role in rural credit, but there are glaring defects in the set up and working of the co-operative societies.
5. Problem of over-dues is common in case of all types of financial agencies engaged in Priority Sector Lending. They found that well-to-do agriculture families accounted for a large share of over-dues. More
pressure needs to be exercised on willful defaulters. Financing by the financial institutions should be need-based.

6. Due to the influence of money lenders and non institutional agencies, agricultural trade dominates agricultural production and hence overall agricultural development.

7. There is a remarkable increase in formal credit to agriculture. Relationship between agriculture credit and agriculture value added was found to be below the expectation. Moreover, relative share of non-farm sector loans in rural banks was going up.

8. Formal financial institutions lack the capacity to finance agriculture and rural development.

9. It has also been concluded in the literature reviewed that resourceful farmer received the loan more easily than the small farmers for their requirements. The credit scheme has enlarged the output of the economy nicely while it has made differences among the farmer community more glaring because small farmers benefited less than the influential farmers in the project area. Financing by the financial institutions should be need-based.

10. There are certain problems at the end of delivering credit by the banks to the farmers like corruption among bank officials. Delay in distribution of credit also contributes to making the environment unfavourable.

11. The political interference is also responsible for negatively impacting the whole scene.

4.2 GAPS IN LITERATURE:

Although various studies have been carried out to study the multi-dimensional aspects of institutional financing of agriculture, but not many attempts have been made to study bank financing of agriculture particularly in the state of Punjab. Moreover, the problems faced by farmers of the state in getting the finance and the problems faced by the banks in the state of Punjab in delivery system have also not been yet highlighted by any study. Hence, the present study titled ‘Bank Financing of Agriculture in Punjab’ has been undertaken.
The present study fills the gap of literature by evaluating the farmers’ access to agricultural credit and the impact of bank financing on the farmers in Punjab. The study further highlights the problems of farmers and banks in the process of distribution of credit for agriculture.
REFERENCES


