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## AGRICULTURAL FINANCE: A STUDY WITH A SPECIAL REFERENCE TO LENDING AND RECOVERY BY SBI AND OTHER BANKS IN MANHALLI BLOCK, TQ/DIST: BIDAR, KARNATAKA.

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### ABSTRACT:

The role of agricultural sector to national income, foreign exchange, industry and employment is a measure of the sector's importance in the overall economy of the country. Agriculture plays a main role in the Indian economy. By custom India is an agricultural country, which is gifted with plentiful natural wealth. The growth of agriculture to its fullest potential is therefore, the king in of Indian economy and the prosperity of India is exclusively dependent on agriculture. The general policy on agricultural credit has been one of progressive institutionalization aimed at providing timely and adequate credit to farmers for increasing agricultural production and productivity.

The Current study is involved with a survey of agriculturists and bankers in Manhalli Block, Bidar District and the data so collected were analyzed using statistical tools like bar diagram, pie diagram, percentage growth, , etc., to evaluate the performance of the SBI and other banks in farm credit, whether the credit requirement of the farmers are fully met, whether the credit influences the productivity and whether the loans given are properly recovered. The borrowers were also interviewed with regard to the banker's attitude in extending farm credit, their opinion about the institutional finance and the repayment of loan borrowed by them. The study identifies the causes of over dues and recommends the best practices for recovery of over dues. Thus the study helps to improve the agricultural credit situation in Manhalli Block, Bidar District.

**KEY WORDS:** *Agriculture Finance, State Bank of India, DCC Bank Ltd., Farmers .*

### INTRODUCTION

Agriculture acting a major role in the socio - economic foundation of India. Agriculture is the source of livelihood for over sixty percent of population in our country. To meet the requirements of the growing population and rapidly developing economy, agriculture has to grow fast and get modernized. This requires the use of high pay off inputs. Adoption of high yielding varieties requires large quantities of fertilizers, plant-protection chemicals, modernized equipments, and machineries, which in turn needs huge investment. The rural agricultural sector of the economy is labor-abundant, land-poor and



capital scarce. So it would be very difficult to get the benefits of modernization of agriculture without adequate and timely supply of credit to the farmers.

Agricultural growth is crucial for alleviating rural poverty. Access to institutional credit to more farmers and appropriate quantity and quality of agricultural credit are crucial for realizing the full potential of agriculture as a profitable activity.

In the present globalization era, agriculture can play a very important and pivotal role for long term economic development of India, if the needed adequate timely credit is made available for adopting scientific system of farming throughout the country on the pattern of developed countries. For spreading scientific system of farming, it is necessary that disbursement of credit in rural areas should be made available in huge quantity.

Notwithstanding the importance, agricultural sector did not get its due share of institutional credit for a long time. Until the year 1967, financing agriculture was considered to be the sole responsibility of the cooperative credit institution. However with the growing demand for credit for agriculture and allied activities on account of increasing emphasis laid on higher agricultural production as also the technological breakthrough achieved by Indian farmers, the resources of the cooperative sector turned out to be inadequate. Against this background, commercial banks were as a matter of national policy, called upon for the first time in 1967 to provide finance to agricultural sector. Their role in this direction assumed considerable significance after the nationalization of fourteen major commercial banks in July 1969. Again in 1980, six 3 more commercial banks were nationalized and the tempo of credit delivery of the commercial banks was continued. The importance of agricultural credit cannot be over-emphasized. Agricultural credit should reach the agriculturists at the right time, at the right quantity and at favorable terms.

#### **STATEMENT OF THE PROBLEM:**

There are two important institutions viz., the State Bank of India and the District cooperatives, lending to agriculturists in the area under enquiry viz., Manhalli Block Bidar District, Karnataka State, India.

The cooperatives and the commercial banks, put together are not able to eliminate moneylenders and indigenous bankers who are financing at usurious rates. But the commercial banks lending to agriculture has helped the agriculturists to reduce their borrowing from non institutional agencies. Though there has been steady progress in the performance of the commercial banks in farm credit, the important questions that arise in this context are,

- i) To what extent the credit supplied by these banks could meet the credit requirements of farmers?
- ii) Whether the loans given are properly recovered in time.

#### **OBJECTIVES:**

The objectives of the study are,

- i) To analyze the disbursement of agricultural credit by the commercial banks.
- ii) To analyze the farm credit over dues of the commercial banks.
- iii) To analyze the opinion of the borrowers and
- iv) To offer suitable suggestions for the improvement of agricultural credit situation.

#### **METHODOLOGY:**

For administrative convenience the entire Bidar District has been divided into five major revenue divisions (Talukas), which are further sub divided into a number of blocks. For this study one block (Manhalli) has taken.

Convenience sampling has been adopted to select 40 respondents, 20 each from selected banks .The total sample size covers 40 respondents (01 block x 2 bank x 20 respondents).

The database for the present study is both from primary and secondary data. The primary data have been collected from the borrowers (respondents) of the selected banks and secondary data have been collected from two sample banks. Published data from committee reports and government reports have also been used.

**LIMITATIONS OF THE STUDY:**

- The study is mainly concerned with agricultural lending (short term and term loans) and recovery .
- Jewel loan has not been considered.
- Though two main institutions, viz. Co-operative bank and Commercial (SBI) and PKGB banks are operate to provide agricultural loans in the area of study, only two banks have been chosen for the study purpose.
- The survey has been limited only to the Block of Bidar Taluka.

**CREDIT DISBURSEMENT :**

Agriculturists require both short term and long-term credit. Short term credit is needed for current agricultural operations. Such loans are obtained for purchase of seeds, manure, pesticides and for payment of wages. Short term credit is a recurring demand as the agriculturist requires the same for every agricultural operation. In fact, Short term credit is required for either twice or thrice a year depending on two crops or three crops that are raised. The long term credit or term credit is required for 7 to 10 years. The amount is comparatively larger, the purpose being farm machinery, erection of pump sets, undertaking digging operations etc. In between the medium and long term loan moderate amount for 3 to 5 years is required for minor improvement of land, minor irrigation works, purchase of cattle etc.

Jawar is the chief diet for the people of Bidar Taluka . Though Sugarcane is the most important farm crop raised other crops namely green gram,black gram, Jawar, soyabeen, ground nut and pulses are also raised in the area under enquiry viz., Manhalli Block . The reasons for the diversification are,

1. Higher returns for commercial crops.
2. The sugar factories in the district giving impetus for sugar cane growing.
3. The government policy of exporting sugar and subsequent higher prices fixed for sugarcane.
4. The policy of the agricultural development of the district in crop rotation and time management by introducing in some areas of this district with more irrigation facilities.

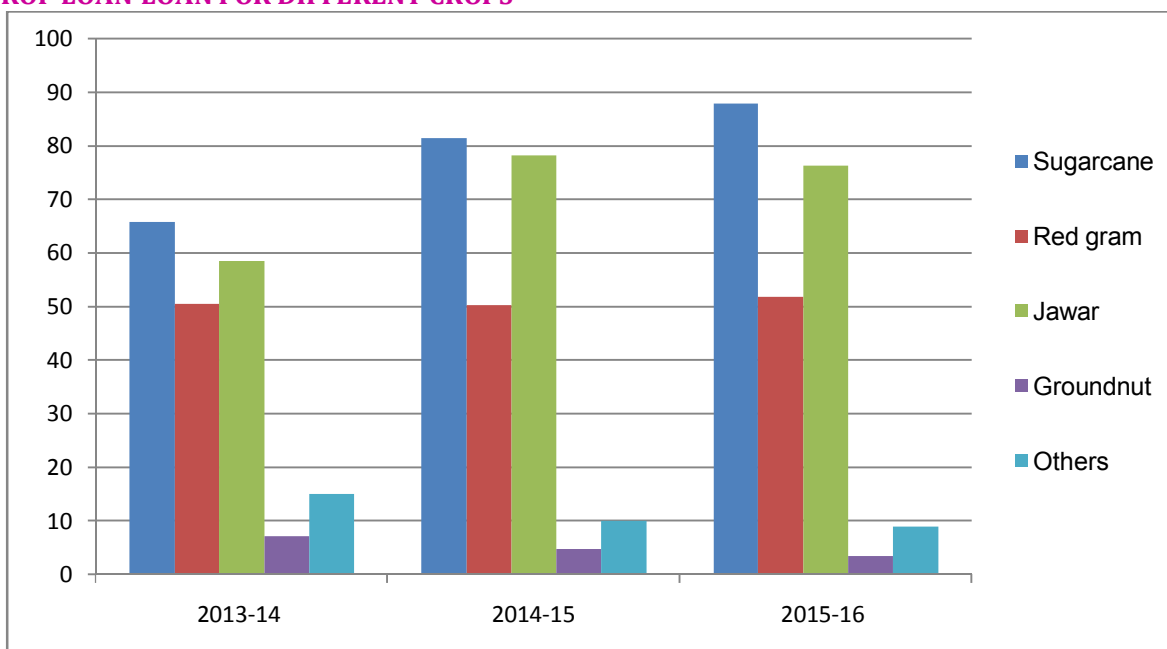
The foregoing reasons reveal why varieties of crops are grown and financed by the commercial banks for short term credit.

**Table -1 : Represents Short term loan lent for different crops  
Crop Loan-Loan for different crops**

Year	Sugarcane	Red gram	Jawar	Groundnut	Others	Total
2013-14	65.80	50.50	58.44	7.20	15	196.94
2014-15	81.35	50.31	78.25	4.70	10	224.61
2015-16	87.92	51.84	76.33	3.50	9	218.59

Table 1 presents the loans given for various crops by the chosen sample commercial banks for the period under enquiry. It may be seen that the total short term credit for the given period is in an increasing trend. Sugarcane continues to be the crop for which the maximum loans have been given.

**CROP LOAN-LOAN FOR DIFFERENT CROPS**



**Table 2 Indicates term loan for different purposes.  
Term loan**

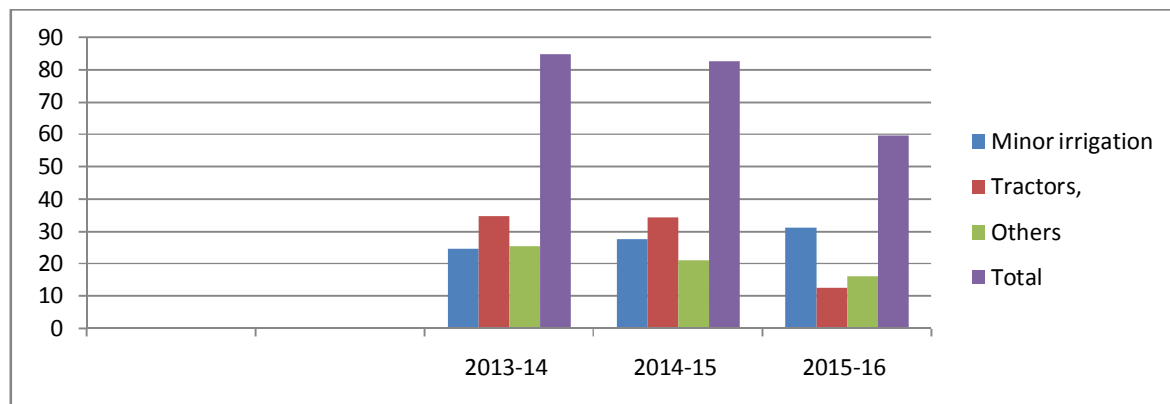
(Amt. in Lakhs) Year	Minor irrigation	Tractors, threshers	Others (purchase bullocks and bullock carts)	of	Total
2013-14	24.58	34.67	25.38		84.63
2014-15	27.44	34.13	21.00		82.57
2015-16	31.10	12.53	15.90		59.53

The purposes for which commercial banks extend term loan are presented in Table 2. The figures represent the amount extended to the tractors, threshers etc is the highest in the category followed by purchase of bullocks and bullock carts and minor irrigation.

Traditionally ploughing with iron ploughs was the order of agriculture. Some progress has been made in the last two decades and small tractors are used for ploughing. This is a welcome feature. Some big farmers own tractors and they also rent them to small farmers. This amount of use of tractor is made possible because of term loan from the banks.

Under minor irrigation, erection of pump sets and tapping of ground water have been made possible because of term loan extended by banks.

**TERM LOAN FOR DIFFERENT PURPOSES.**

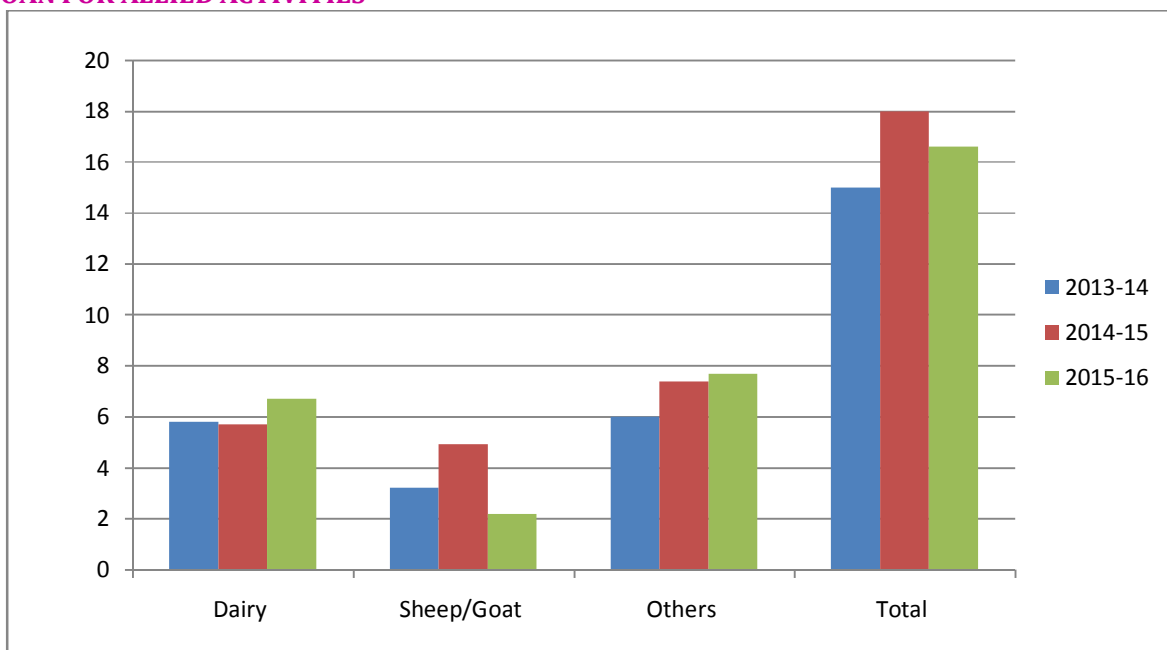


**Table 3 : Loan for allied activities**

(Rs. In lakhs) Year	Dairy	Sheep/Goat	Others	Total
2013-14	5.80	3.20	6.00	15.00
2014-15	5.70	4.90	7.40	18.00
2015-16	6.70	2.20	7.70	16.60

Table 3 gives the loan amount by the sample banks for allied activities during the review period. Such loans are given under NABARD. The NABARD programme attempts to bring rural development through higher income employment. In the year 2014-15, there is a substantial increase in the total amount lent.

**LOAN FOR ALLIED ACTIVITIES**

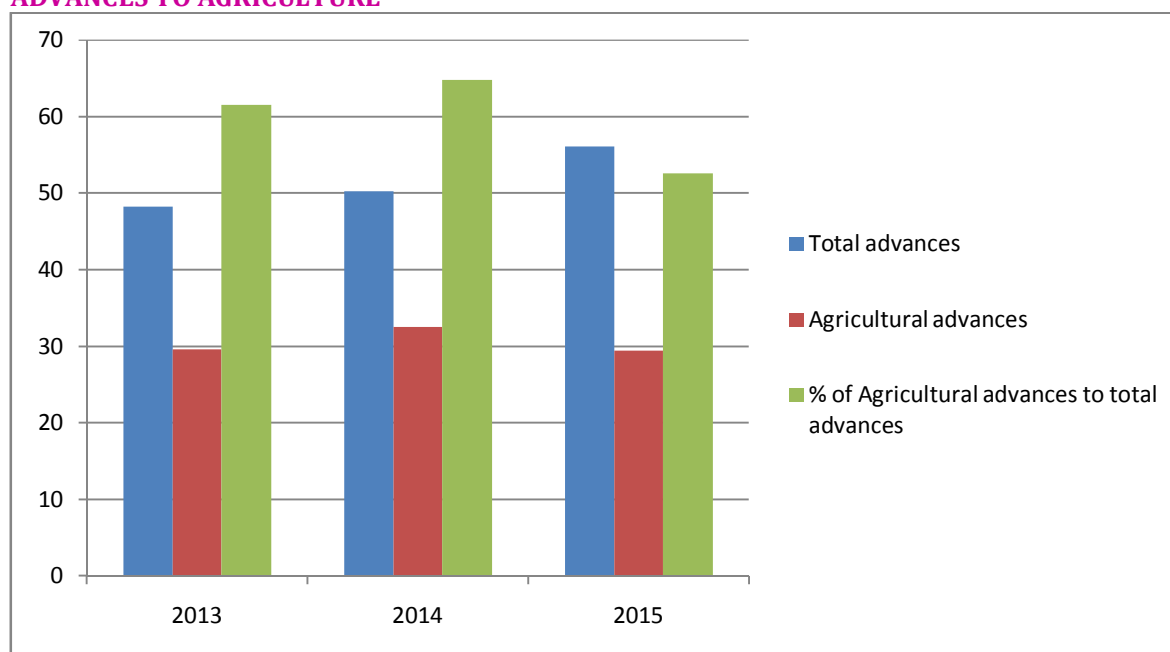


**Table 4 Advances to Agriculture**

(Rs. In lakhs) Year	Total advances	Agricultural advances	% of Agricultural advances to total advances
2013 -14	48.21	29.65	61.52
2014 -15	50.24	32.52	64.73
2015 -16	56.10	29.47	52.53

It may be seen that the total advances and advances to agriculture by the commercial banks in Bidar District’s Manhalli Block are given in Table 4. As per the direction of the RBI the commercial banks should provide 18 per cent direct finance to agriculture. Commercial banks have satisfied the target norms relating to the direct advances to agriculture during the above said period.

**ADVANCES TO AGRICULTURE**



**FINDINGS, SUGGESTIONS AND CONCLUSION:**

**FINDINGS:**

- Institutional finance for agricultural credit was started with the establishment of co-operative credit movement in 1904. But as per the findings of the All India Rural Credit Survey Committee Report 1954, the co-operatives were able to provide only 3.1 per cent of the rural credit, commercial banks were able to provide 0.9 per cent and supplemented by the government which was providing 3.3 per cent of the rural credit. Thus in 1954 there was a dismal picture of institutional finance for agriculture. The recommendation made by the committee, inter-alia state participation in the co-operatives at all levels strengthened the co-operative movement and the co-operatives have been a fillip in extending more agricultural credit. Commercial banks have emerged as an important institution for agricultural credit after nationalization of the major commercial banks in 1969.
- An analysis of the loan extended for various purposes reveal that 69.89 per cent constitutes short term loan, 24.76 per cent constitutes long term loan and 5.35 per cent for allied activities. Regarding the short term credit provided by the sample banks during the period under enquiry, the quantum of lending had been in the increasing trend. Sugar cane continues to be the crop for which the

maximum loan has been given. This is followed by Red gram and the amount lent to sugar cane growers has very much increased during the period 2013-2014 and 2015-2016. A lesser amount is lent for the cultivation of groundnut and pulses.

With reference to term loan, for the purchase of tractors and threshers are the maximum followed by amount lent for purchase of bullock and bullock carts and minor irrigation. It is to note that the quantum of term loan given during the period under enquiry showed a decreasing trend.

The big farmers owning above 5 acres are the biggest beneficiaries, followed by medium farmers. Small farmers account for only 15 per cent

- Most of the borrowers opined that the lending procedure was easy but the disbursement of loans and fertilizers are not in time. A major portion of the respondents feel that the scale of finance provided by the commercial banks was inadequate. Majority of them also opined that the follow-up action of the bankers regarding recovery were insufficient. The main reason for over dues as stated by the borrowers is the failure of monsoon rather than their willful default.

### **SUGGESTIONS:**

1. Though there has been a steady increase in the flow of agricultural credit by the banks, the total outflow of agricultural credit by the commercial banks seems to be inadequate compared to the greater demand generated by higher and improved methods of cultivation which have led to higher cost of cultivation. Substantial amount of loan is obtained from institutional agencies. There is a need for quantitative and qualitative improvement in the farm lending by the commercial banks.
2. The amount lent to allied activities by the banks can be increased resulting in generation of higher income which in turn increases the repaying capacity of the borrowers.
3. Firm measures to recover the agricultural loans should be taken by the commercial banks and the government; political parties should desist from the habit of periodically calling for and promising of writing off agricultural loans by institutional credit agencies.
4. The disbursement of loan, seed and fertilizers should be given in time to the farmers to increase the productivity and repayment.
5. There should be strict follow up action by the commercial banks for recovering the loan amount from the borrowers.
6. The borrowers should use the amount of loan only for agricultural purpose to increase the output. Stringent legal actions should be taken against the chronic defaulters such as to attach their land holdings and properties.
7. Effective recovery procedures should be instituted by creating a separate court for recovery.
8. The need for prompt recovery of agricultural loan should be accepted as a moral code not only by the borrowers but also by the lending institutions, government and political parties.
9. Positive incentives by marginal reduction in the interest rate may be given to prompt settlers of loan amount.
10. It has been revealed beyond reasonable doubt during the study that no serious follow up measures or monitoring is made by the lending DCC bank. Of course, the SBI bank is slightly better in this respect.
11. There is a need of co-ordination between various financial institutions in order to avoid multiple financing. Commercial banks and co-operative banks should avoid nothing at cross-proposes to prevent double financing and also should ensure that departing farmer of one institution might not get finance from another.
12. The banks should educate the farmers and get them into the habit of regular repayment.
13. The state Govt. should recognize the legal rights of tenant farmers and share croppers and enter them in official records, which provide them an access to credit.
14. The Central Govt. should fix the support prices that could be operative across a wide range of target crops to encourage crop diversification.

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**CONCLUSION:**

The over due position among all the credit institutions in the formal sector namely Banks has seriously vulnerable the expansion of agricultural credit. The reasons for poor loan recovery were largely attributed to lack of sufficient field staff to ensure follow-up after the sanction of loan and absence of statutory powers to induce prompt repayment by the borrowers as far as the banks are concerned. In addition, the government's populist policy of waiving off loan has created mass psychology in the rural areas to withhold repayment and wait for some type of loan waiver programme to come to their rescue. More importantly, the reasons for non payment of the loan amount by the borrowers were, frequent crop failure, diversion of the loan amount for purposes other than agriculture, farm investment turning out to be unproductive, the income from the crop yields was not sufficient to repay the loan while maintaining their families and priority given to the repayment of loans borrowed from the private moneylenders. Some of the suggestions for prompt recovery of loans includes continuous supervision and follow up action after the loan is dispersed, realistic assessment of loan requirement and providing technical support to the farmers to increase the productivity which will ensure better repayment by the borrowers.

**SCOPE FOR FUTURE RESEARCH:**

- a. The performance of co-operative banks and commercial banks with reference to agricultural finance can be studied comparatively
- b. Private sector commercial banks and public sector commercial banks performance regarding agricultural finance – A comparative study can be made.
- c. Over dues of public sector and private sector commercial banks can be studied comparatively.
- d. Repayment performance of beneficiaries under agricultural Finance by commercial banks can be studied.

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Banks financial statements like loan disbursement and loan recovery statements.