Agricultural Financing by State Bank of India (SBI) and Its Impact on Borrowers - A Study on Karbi Anglong District of Assam

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Introduction

Agricultural credit is regarded as one of the most essential input for conducting all agricultural development in India. Agricultural finance is required as a very few agriculturists have capital of their own to invest in agriculture. Therefore, credit is like a weapon which can be used to encourage the tempo of agricultural production. Agricultural credit, thus, in a practical sense is the nucleus of the system of farm operations. Agricultural credit is the sign of development for agricultural as well as industry in our country. Further, if we look into the expenditure pattern of the farmer, they have hardly any saving to fall back on. So, credit is required for the farmers for using of HYV seeds, fertilizers, irrigation, machinery, etc. Thus, farmers always have to search for a source which supplies adequate and timely farm credit.

For a long time, there was no institutional agency in India for providing agricultural credit. Before Independence, Indian farming, being small scale and subsistence and the farmers, were borrowing only from non-institutional agencies like as moneylenders, indigenous bankers, friends and relatives etc. Institutional credit in India made a beginning in the year 1904 when the Co-operative Credit Societies were started to provide agricultural credit. The passing of the co-operative credit societies Act 1904 paved the way for starting co-operative credit societies in India. In the initial years, the impact of co-operatives was poor and the disbursement of credit by them was dismally insufficient and inadequate for the requirement of the farmers. In truth, during the first three decades of the 20th century, the village moneylender was the main source of finance for farmers. Several enquiries and studies such as Sir Malcolm Darling's Report (1935) and the preliminary and statutory reports of RBI (1936 and 1937) emphasized the fact that almost the whole of the farm finance was supplied by moneylenders. Even after Independence, since India's first Five year Plan, 1952 the farm credit structure was dominated by non-institutional agencies (Kalaichelvi 2009).

The professional moneylenders used to charge exorbitant rates of interest and follow serious practices while giving loans and recovering them. Therefore, the farmers were heavily burdened with debts and many of them are left with perpetuated debts. There were widespread discontents among farmers against these practices and there were instances of riots also (Basu 1979).

The RBI, being the Central Bank of India, wanted to strengthen institutional credit for agriculture sector. Therefore, RBI form an important committee called the All India Rural Credit Survey Committee (AIRCSC) which was established in 1951 to enquire in detail into the position of rural credit and the performance of institutional vis-à-vis non-institutional agencies. One of the major recommendations of this Committee was the creation of one strong integrated state-sponsored, state-patterned, commercial banking institution with an effective machinery of branch expansion all over India. In consequence of the recommendations of the AIRCSC, the Government of India attained the Imperial Bank of India which was converted into State Bank India on July 1, 1955 under the SBI Act, 1955. SBI was asked to expands its branches in rural areas within a given time-frame and provide credit for rural development. This was the first step in inducing the commercial banks into the field of rural credit (Kalaichelvi 2009).

During Third Five Year Plan it was felt that unless commercial banks entered the field of rural financing, the plan objectives could not be achieved. Therefore, commercial banks were brought under social control in 1969; with the main objective of achieving widely spread system of bank credit, preventing its misuse and directing a large volume of credit to the priority sector (Kalaichelvi 2009).

The All India Rural Credit Review Committee formed in July 1966, under the Chairmanship of B. Venkatappiah to review supply of rural credit in context of 4th Five Year Plan, asked to make recommendations to improve flow of agricultural credit. The committee submitted a massive report in 1969 on agricultural credit in India. The report had identified the wide gaps that plague the rural credit system. The report had also suggested a multi-agency approach to agricultural credit to meet the wide credit gap and the commercial banks including the SBI and its subsidiaries should come forward to finance agriculture in a large extent and play a complementary role with cooperatives (Rao & Narayana 1988).

Review of Literature:

Gupta, P. D. & Dey, N. B. (2015) in their study highlighted the physical and financial performance of KCC scheme in Hailakandi district of Assam. Their study indicates that in spite of the continuous efforts for mobilization of finance to agriculture sector, there exist a substantial gap between the necessity and supply of agricultural credit. In this study they found that despite the expansion of institutional agricultural credit networking system the volume of agricultural credit through KCC Scheme is unsatisfactory as the increase in the cost of inputs has increased the cost of cultivation which is higher than the net income from farming.

Das (2013) reviewed that the State Bank of India has set up the agri-business unit to give special focus on agriculture lending and there are agro-specialists in various disciplines to handle projects/guide farmers in their agri-ventures. In her study she found that the various banking schemes help to provide adequate and timely credit facilities to the farmers and assisting them in terms of adopting improved methods of cultivation. She also found that the rural credit facilities greatly help the farmers to increase their total amount of crop production as well as the mode of production itself.

Dhar (2013) explained that agricultural credit is considered as one of the fundamental inputs for conducting all agricultural development programmes in India. There is a huge need for timely and adequate agricultural credit as Indian famers are very poor. He also explained that from the very beginning the private moneylenders were the prime source of agricultural credit in India. After independence, the government of India adopted the institutional credit approach through various agencies like co-operatives, commercial banks, regional rural banks etc. to provide adequate and timely credit to framers at a cheaper rate of interest.

Devi (2012) analysed the impact of cooperative credit on the agricultural sector by taking East Godabory district of Andhra Pradesh for sample study. This study found that after cooperative credit there was an increase in the modernized inputs, usage of HYV seeds and fertilizers and pesticides from pre-loan to post-loan period. The use of improved methods of agriculture increased the yield per acre as well as income of the sample borrowers. She also found that the farmers have taken loans not only to increase the productivity, but also to develop the method of cultivation as a whole.

Begum (2002) attempted to analyze the priority sector lending by commercial banks in Assam. In her study she found that agricultural financing is faced with a number of problems like non-recovery, mis-utilization, negative attitude of beneficiaries etc. As a result, the credit deployment in agricultural sector is not up to expectation. She also found that credit in agricultural sector is not properly utilized by the borrower; therefore, repayment is not forthcoming as expected. Against such remarks farmers often alleged that banks are not willing to deploy sufficient amount of credit in time or according to the requirement.

Das (1991) found that institutional credit should be supplied to the peasants on easy term so that the poor peasants can purchase the capital inputs. He suggested that the proper handling and use of the modern implements should be demonstrated to them at the village or field level.

Objectives:

1. To examine the extent of Agricultural credit flow of State Bank of India in Karbi Anglong district of Assam.
2. To study the impact of agricultural credit on borrowers in Karbi Anglong District.

Methodology:

The present study is based on both primary and secondary data. The nature of the present study is descriptive and analytical. The study has been carried out in Karbi Anglong district of Assam only. On the basis of Judgement Sampling method out of 12 branches of State Bank of India in Karbi Anglong district four (4) branches viz. Diphu SBI, Howraghat SBI, Bokajan Bazaar SBI and Donkamokam SBI have been selected for the study and 360 sample beneficiaries have been selected for the respective bank branches on convenient basis. The study covers a period of ten (10) years, 2005-06 to 2014-15.

Profile of the Study Area:

The Karbi Anglong District is the biggest district of Assam and one of the two-hill districts of Assam and is situated between 92.8 degree east and 25.9 degree north longitude. This district is a blend of hills and plains with area of 10,434 sq. kms. For administrative convenience the district has been divided into four sub-divisions and 11 developments blocks are surrounded by Golaghat district and the state of Nagaland is on the east, the state of Meghalaya and Morigaon district in the west, Nagaon and Golaghat district in the north and to the south, it is bounded by N.C.Hills district and the state of Nagaland (Karbi Anglong District at a Glance).

The economy of the district is basically agrarian in nature and as such the economic development of the district is highly dependent on agriculture and allied activities. Industries of the district are underdeveloped. However, agro-based, agro-oriented and forest based non-farm sector activities are having good potential in the district. Agriculture is the main economic activity. About 84% of the total work force in the district is engaged in agriculture activities. The agriculture land, however, comprises only 14.6% of the total geographical area of the district. Due to predominance of Jhoom cultivation, which is practiced in the hills, the moisture retaining capacity being less, causing soil erosion. However, the district is still endowed with rich soil and favorable climate for various tropical and Sub-tropical plantations and fruit crops. Karbi Anglong has moderate abundance of a variety of minerals including beryl, coal, kaolin, fire clay, limestone, glass sand and quartz etc. Karbi Anglong is very rich in varieties of flora and fauna.

The district enjoys autonomy under the provisions of 6th Schedule of the Indian constitution. The Karbi Anglong Autonomous Council control over almost all development departments in the district and Diphu is the district Head Quarter and is connected by both road and rail.

Findings of the Study:

The Karbi Anglong district is having a network of 73 Bank branches up to December, 2015 of which 12 belongs to the State Bank of India (SBI). SBI is shouldering the responsibility of the Lead Bank of the District. SBI has been playing a significant role to finance the agriculture sector in the district.

Bank-wise Agricultural Annual Credit Plan in Karbi Anglong District:

Table 1.1 highlights the agricultural annual credit plan of the scheduled commercial banks and RRBs operating in the district for allotment of loan to the Agricultural sector during the period under study. It has seen that agency-wise flow of credit to agriculture sector for the study period from 2005-06 to 2014-15 has been showing an increased trend.

Table 1.1: Bank-wise Annual Credit Plan to Agricultural Sector in Karbi Anglong District of Assam during 2005-06 to 2014-15 (Rs. in lakh)

All Banks	years									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
State Bank of India	525.15	404.94	1074.92	1125.92	1352.00	1622.00	1947.00	3236.71	3883.00	7776.00
United Bank of India	24.87	32.44	96.14	105.14	122.00	146.00	175.00	310.00	372.00	750.00
Union Bank of India	24.95	28.13	70.38	39.38	58.00	71.00	85.00	187.00	224.00	425.00
Bank of Boroda	25.01	21.38	40.20	49.20	63.00	75.00	90.00	193.00	232.00	400.00
UCO Bank	50.53	44.33	169.92	188.92	223.00	267.00	320.00	634.00	761.00	1300.00
Central Bank of India	49.48	92.76	166.32	171.32	205.00	246.00	295.00	604.00	725.00	1200.00
Total CBs	**699.99**	**623.98**	**1619.88**	**1679.88**	**2023.00**	**2429.00**	**2912.00**	**5160.71**	**6197.00**	**11851.00**
LDRB	228.05	1172.48	970.34	1185.34	1426.00	1711.00	2053.00	2464.00	2956.00	8409.38
Grand Total	**928.04**	**1796.46**	**2590.22**	**2865.22**	**3449.00**	**4138.00**	**4965.00**	**7628.71**	**9153.00**	**20260.38**

Source: Compiled from various Annual Credit Plan, Karbi Anglong, Lead Bank, SBI
LDRB: Langpi Dehangi Rural Bank

Table 1.1 depicts the institutional credit flow for the agriculture and allied activities in Karbi Anglong District during 2005-06 to 2014-15. It reveals that loans allotment by all banks increased from ₹928.04 lakhs in 2005-06 to ₹20,260.38 lakhs in 2014-15. The highest increase in loans allotment was in the case of LDRBs. Loans allotments by all CBs have been increased from ₹699.99 lakh in 2005-06 to ₹11,851.00 in 2014-15.

Impact of Agricultural Loan on Borrowers:

The impact of agricultural loan on beneficiaries is analysed in terms of changes in the income, asset, productivity, facilities at home and food consumption of the respondents.

Impact of Loan on Income:

The effective and proper utilization of loan amount is one of the contributory factors that definitely transform the income of borrowings. The impact of agricultural loan on income is evaluated block-wise in table 1.2.

Table 1.2: Impact of Loan on Income –Block-wise

Impact of Loan on Income	Lumbajong Block		Howraghat Block		Rongkhang Block		Bokajan Block		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Improved	55	38.7	23	31.5	18	32.7	35	40.2	131	36.7
No Change	68	47.9	36	49.3	29	52.7	41	47.1	174	48.7
Lowered	19	13.4	14	19.2	8	14.5	11	12.7	52	14.6

Total	**142**	**100**	**73**	**100**	**55**	**100**	**87**	**100**	**357**	**100**

Source: Field Survey

The block-wise analysis shows that more improvement in income is reported in the Bokajan Block (40.2%) than the Lumbajong Block (38.7%), and 31.5% and 32.7% of each Howraghat Block and Rongkhang Block respectively. Of the total respondents, 36.7% reveals that the utilization of loan leads to improve in income, 48.7% opines that the loan has not made any change in their income. It is noted that 14.6% of respondents opines that the utilization of loan results in lowering in income.

Impact on Agricultural Assets:

The impact of loan on the agriculture assets (tools and implements) of the respondents is analysed block-wise in table 1.3.

Table 1.3: Impact of Loan on Agricultural Assets –Block-wise

Impact of Loan	**Lumbajong Block**		**Howraghat Block**		**Rongkhang Block**		**Bokajan Block**		**Total**	
	No.	%	No.	%	No.	%	No.	%	No.	%
Improved	56	39.4	32	43.8	20	36.4	40	46.0	148	41.5
No Change	79	55.6	37	50.7	29	52.7	40	46.0	185	51.8
Lowered	7	4.9	4	5.5	6	10.9	7	8.0	24	6.7
Total	**142**	**100**	**73**	**100**	**55**	**100**	**87**	**100**	**357**	**100**

Source: Field Survey

Majority (51.8%) of the borrowers opined that the loan has no impact on agricultural assets and 41.5% have the opinion that the loan leads to some improvement in the agricultural assets. The block-wise analysis shows that much improvement in agricultural assets is reported among the respondents of the Bokajan Block (46%) than the Howraghat Block (43.8%), Lumbajong Block (39.4%) and Rongkhang Block (36.4%).

Impact of Loan on Agricultural Productivity:

Agricultural credit is considered as an important input for the enhancement of the agricultural productivity. The improvement in the agricultural productivity can be considered as a tool for evaluating the effectiveness of the agricultural credit. The block-wise analysis of the impact on loan is shown in table 1.4.

Table 1.4: Impact of Loan on Agricultural Productivity

Impact on Productivity	**Lumbajong Block**		**Howraghat Block**		**Rongkhang Block**		**Bokajan Block**		**Total**	
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Improved	60	42.3	25	34.2	18	32.7	42	48.3	145	40.6
No Change	68	47.9	39	53.4	33	60.0	45	51.7	185	51.8
Lowered	14	9.8	9	12.3	4	7.3	-	0.0	27	7.6

Total	**142**	**100**	**73**	**100**	**55**	**100**	**87**	**100**	**357**	**100**

Source: Field Survey

The block-wise analysis shows that more improvement in productivity is reported in the Bokajan Block (48.3%) than the Lumbajong Block (42.3%), Howraghat Block (34.2%) and Rongkhang Block (32.7%). Of the total respondents, majority of borrowers (51.8%) have opined that the agricultural loan did not enhance the agricultural productivity. 40.6% of respondents states that the loan helped to improve the agricultural productivity. 7.6% of borrowers have opined that after agricultural loan lowered the agricultural productivity.

Impact on Housing Conditions:

The effective utilization of the loan certainly reflects in the income levels and the facilities at home. The change in facilities at home can be considered as a tool for evaluating the impact of the loan. Table 1.5 analyses the block-wise observations regarding impact of loan to the changes in facilities at home.

Table 1.5: Impact on Housing Conditions–Block-wise

Housing Condition	Lumbajong Block		Howraghat Block		Rongkhang Block		Bokajan Block		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Improved	59	41.5	25	34.3	17	30.9	36	41.4	137	38.4
No Change	76	53.5	39	53.4	31	56.4	51	58.6	197	55.2
Lowered	7	5.0	9	12.3	7	12.7	-	0.0	23	6.4
Total	**142**	**100**	**73**	**100**	**55**	**100**	**87**	**100**	**357**	**100**

Source: Field Survey

Of the total respondents, 38.4% opined that the loan amount leads to some improvement in housing conditions but the majority (55.2%) of the respondents opined that it has not improved housing conditions after availing agricultural loan. The Block-wise analysis (Table 1.5) shows that 41.4 percent of the Bokajan Block, 41.5 percent of the Lumbajong Block and 34.3 percent of the Howraghat Block opined that their facilities at home improved after availing agricultural loan, but it is only 27.8 percent in the Rongkhang Block.

All the findings show that the borrowings could not bring about any remarkable positive change in both the economic and social living conditions of the borrowers in the district. However, it has been noticed that in practice the availability of credit facilities has a little change on income, agricultural productivity, housing conditions and agricultural assets.

Suggestions:

1. It is found that more fund allocation is needed in the agriculture sector for meeting the operational expenses as well as investment purposes in the district.

2. Timely and adequate credit is important in agriculture sector because the agricultural activities are time specific and weather specific in the district. So, the delay in sanction and disbursement of loan amount should be avoided.
3. The present scale of agricultural financing followed by banks has some limitations. For some crops, the amount of credit is insufficient to cover even the cost of cultivation. So, the scale of finance must be enhanced further to cover the ever increasing cost of operations.
4. Sufficient value added services like project preparation, assistance in the development of marketing facilities, helps in acquisition of assets, advice on technology changes, advice for minimization of cost etc. will certainly enhance the involvement of more people in agriculture and related activities.
5. Mis-utilization of agricultural loan is very common among the borrowers in the district. So, it is recommended to take effective and corrective action penal on mis-utilization of agricultural loan by the borrowers.
6. The borrower should use the loan amount only for agricultural purpose to increase the output.

Conclusion:

The economy of the district is basically agriculture based and about 84% of the total workforce is engaged in agriculture activities. However, the agriculture land comprises only 14.6% of the total geographical area of the district. There is a network of 73 bank branches in the district to disburse credit to farmers. The performance of the RRB is better than the nationalized banks in disbursing agriculture credit. State Bank of India also playing a significant role to finance agriculture sector in the district but it is not sufficient to the credit needs of the farmers. However, financing to agriculture sector has been increasing gradually during the study period.

The main difficulties faced by the farmers in availing of credit facility are inaccessibility of transport and remoteness of the many areas, lack of knowledge about credit facilities, difficulty in obtaining proper land documents, improper linkage between bankers and farmers, etc. The main difficulties faced by the financial institutions in providing agriculture credit are low rate of recovery for disbursements towards food crops, uneconomical size of large proportion of land holdings, inadequate staff in the branches, etc.

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