

ANALYSIS OF DELAY IN AVAILING AGRICULTURAL CREDIT FROM BANKS IN THE STATE OF KERALA

Dr. Sujesh.C.P

Associate Professor of Commerce,
RSM SNDP Yogam College, Koyilandy, Kerala, India.

Abstract

The performance of the economy is highly influenced by the contribution of agricultural sector as majority population of the country is depended on it directly or indirectly. The agricultural credit flow has increased consistently over the years, exceeding the target set for each fiscal. An amount of Rs.11.68 lakh crore was given as credit to farmers in 2017-18, much higher than the Rs.10 lakh crore target set for that year. Therefore, this sector has to be sheltered in all respects in order to procure its benefits. As credit is an inevitable input to agriculture, ensuring them without delay is a critical element on the part of the Government, banks and other policy makers. The statistics reveal that there exists some sort of delay in disbursing credit to agriculture by banks in Kerala. In order to have a problem free agricultural credit delivery system, the identification and the analysis of the reasons of the problems is occupying a very significant role, which only can put forward various stringent measures. The major reasons identified for delay are unnecessary formalities and documentation, indifferent attitude of bank officials and lack of powers with the manager in sanctioning credit to the applicants. Therefore, it is suggested that some more initiatives are to be taken to wipe out these reasons so as to have a problem free credit delivery system.

Keywords: Agriculture, Bank, Borrower, Commercial Banks, Co-operative Banks, Credit, Delay, RRB.

INTRODUCTION

Agricultural credit assumes a great significance in the development of the sector not only on the reason that majority of the population is depended on it but also that majority of the agriculturists face the problem of shortage of funds for their agricultural operations. On account of the number of initiatives on the part of the Government and RBI, the credit flow to agriculture has increased tremendously. The agricultural credit flow has increased consistently over the years, exceeding the target set for each fiscal. Credit worth Rs.11.68 lakh crore was given to farmers in 2017-18, much higher than the Rs.10 lakh crore target set for that year. Despite the favourable condition prevailing in the flow of credit, the delivery system is not free from various kinds of issues faced by both the borrowers and lenders, of which one crucial issue faced by the borrowers is the timely availability of credit. The timely availability of credit without delay is a painstaking one as it will influence proper utilisation, repayment and profitability of the lenders and borrowers. On the other hand delayed disbursement will lead to improper utilisation, diversion, less productivity, default and overdues, and high level of NPA in agricultural credit. Therefore, the authorities concerned have to thoroughly examine the extent of delay in the disbursement system of credit and also the reasons of the same. The identification of them will give rise to the formulation of appropriate policies, programmes and strategies to wipe out the delay so as to ensure prompt delivery of credit. Against this background, an attempt is being made to examine the delay experienced by the borrowers with respect to agricultural credit disbursed by banks in the State of Kerala.

SIGNIFICANCE

The agricultural sector is facing number of problems and one crucial among them is the shortage of finance to invest. Hence, provision of agricultural credit becomes very crucial for policy makers as well as lenders. It is a common seen that credit system is not so effective due to the defects prevailing in it including delayed disbursement of credit. The adverse results and performance of the credit is backed by the delay in getting credit from banks and other financial institutions. Therefore proper care should be taken by the policy makers and lenders with regard to delay exist so as to have a prompt and timely credit delivery system, thereby the society can reap the benefit of agricultural sector.

OBJECTIVES

The study aims at achieving the following objectives.

1. To analyse the delay experienced by the borrowers in availing agricultural credit from banks,
2. To compare the delay experienced by the agricultural borrowers of different banks, regions and categories of borrowers, and
3. To analyse the reasons for delay in disbursing agricultural credit by bankers in the State of Kerala.

REVIEW OF LITERATURE

John Mathew (2010) made a study on agricultural financing by commercial banks in Kerala from borrowers as well as bankers level. The borrowers level analysis revealed that about one-third of the borrowers faced difficulty in getting agricultural credit from banks and 86 percent of the borrowers experienced delay in disbursing agricultural credit which have affected their agricultural operations.

Sasirekha (2011) in her study observed that there is inordinate delay in the sanction and disbursement of loans. This is because several formalities have to be fulfilled by the borrowers prior to sanction of the loan. The study suggests that the recovery performance of the rural branches can be improved by means of provision of timely and adequate finance for productive purposes. The rural borrowers are very much concerned about getting timely and adequate finance and they would be prepared to pay even a higher rate of interest.

Silony (2011) finds that it is not only the cost of credit that matters, but timeliness and adequacy of credit are equally important factors. Delay in loan disbursement and inadequacy of loan lead to diversion of loans towards unproductive spending and the borrowers would be forced to borrow the balance money from money lenders. The main reasons for the delayed disbursement were excessive documentation and lack of powers with the bank managers. To provide the loan in time, it is suggested that the bank should reduce their excessive documentation during the loaning process and sufficient powers should be given to managers at the branch level so that they can sanction the loan without any delay.

Omprakash and Kalaimohan (2013) reveal that agricultural loan is not disbursed in time to the farmers. The farmers have to fulfil so many formalities to get loans from the co-operative society. The study suggests that the conditions laid down by the co-operative societies must be relaxed and reformulated in such a way that ordinary farmers can profit by the co-operative societies. The loans must be sanctioned in time without any delay and the officials must be very sympathetic and understanding towards the farmers which are very lacking now.

METHODOLOGY

An analytical approach was adopted for the present study based mainly on primary data, which was collected from the borrowers of agricultural credit with the use of a structured interview schedule. A Stratified Random Sampling Technique was espoused for the selection of sample respondents. Initially, considering the geographical entity, the whole State of Kerala was divided in to three strata, namely, southern, central, and northern regions. From each stratum one district was selected at random and appropriate sample size was taken by giving equal representations to the three groups of banks selected for the study namely, commercial banks, co-operative banks and regional rural banks. A sample size of 450 agricultural borrowers was selected by giving equal representation to each region and each group of banks. Several mathematical and statistical tools like Percentage, Mean, Standard Deviation, Rank, Chi Square, ANOVA and Post hoc ANOVA tests were used for analysing the data.

HYPOTHESES

H₀₁: There is no significant association between the type of banks and the delay experienced by the borrowers in availing credit from banks,

H₀₂: There is no significant association between the regions and delay experienced by borrowers in disbursing the credit by banks,

H₀₃: There is no significant association between the category of farmers and the delay experienced in availing agricultural credit from banks.

RESULTS AND DISCUSSIONS

The following heads cover the analysis result of delay experienced by the borrowers in availing agricultural credit from banks.

1. Opinion of Borrowers as to Delay in Disbursal

The borrowers' opinion as to delay faced by them in availing the agricultural credit is analysed bank wise, region wise, and category wise as follows.

1.1. Bank Wise Opinion of Borrowers as to Delay in Disbursal

The borrowers were directed to share their experiences as to delay they faced in availing the credit from banks and the result of the same is depicted in Table 1. It reveals that about 17% of the borrowers experienced delay in getting credit from banks, of which huge percentage of delay is from co-operative banks (25.33%). However, the borrowers of commercial banks and RRBs faced delay in only 13.33% and 12% cases respectively. The result of Chi-square test shows a lower 'P' value (0.003) than 0.05, means that there is significant association between the type of banks and the delay experienced by the borrowers in availing credit from banks.

Table 1
Bank Wise Opinion of Borrowers as to Delay in Disbursal

Delay in Disbursal	Name of the Bank			Total	Chi Square	P Value
	Com. Bank	RRB	Co-op. Bank			
Delayed	20 (13.33%)	18 (12%)	38 (25.33%)	76 (16.89%)	11.525	0.003
Not Delayed	130 (86.67%)	132 (88%)	112 (74.67%)	374 (83.11%)		
Total	150 (100%)	150 (100%)	150 (100%)	450 (100%)		

Source: Primary Data

1.2. Region Wise Opinion of Borrowers as to Delay in Disbursal

The opinion of borrowers as to delay experienced by them is analysed region wise also and the details of the same are reported in Table 2. It is clear from the table that out of the delay experienced by the borrowers (16.89%), more delay is noted from central region (28%) than northern (10.67%) and southern (12%) regions. The Chi-square test also substantiates that there exists significant association between the regions and delay experienced by borrowers in disbursing the credit by banks since the 'P' value derived is less than 0.05 (zero).

Table 2
Region Wise Opinion of Borrowers as to Delay in Disbursal

Delay in Disbursal	Name of the Region			Total	Chi Square	P Value
	Northern	Central	Southern			
Delayed	16 (10.67%)	42 (28%)	18 (12%)	76 (16.89%)	19.885	0.000
Not Delayed	134 (89.33%)	108 (72%)	132 (88%)	374 (83.11%)		
Total	150 (100%)	150 (100%)	150 (100%)	450 (100%)		

Source: Primary Data

1.3. Category Wise Opinion of Borrowers as to Delay in Disbursal

In order to know the farmers' category wise delay experienced by the borrowers a proper analysis is made with the help of Chi-square and the result of the same is given in Table 3. It states that large farmers (43.94%) have experienced more delay in obtaining the credit than medium (16.5%) and small (10.68%) categories of farmers. The 'P' value (zero) arrived at as per Chi-square test also substantiates that there is significant association between the category of farmers and the delay experienced in availing agricultural credit from banks.

Table 3
Category Wise Opinion of Borrowers as to Delay in Disbursal

Delay in Disbursal	Category of Farmers			Total	Chi Square	P Value
	Small	Medium	Large			
Delayed	30 (10.68%)	17 (16.5%)	29 (43.94%)	76 (16.89%)	42.144	0.000
Not Delayed	251 (89.32%)	86 (83.5%)	37 (56.06%)	374 (83.11%)		
Total	281 (100%)	103 (100%)	66 (100%)	450 (100%)		

Source: Primary Data

2. Reasons for Delay in Availing Credit

The reasons backed by the delay in availing agricultural credit from banks are analysed rank as well as bank wise.

2.1. Rank Wise Reasons for Delay in Availing Credit

The respondents were required to mark their opinion as to the identified reasons for delay in availing the credit under five point scaling and the scores were assigned as 1, 2, 3, 4 and 5 respectively for 'strongly agree', 'agree', 'neutral', 'disagree' and 'strongly disagree'. Finally, they were totalled, averaged and ranked in the order of mean scores so obtained. Table 4 discloses the rank wise reasons. As per the table, 'Unnecessary Formalities and Documentation' is the main reason (Rank 1) for delay in availing credit by the borrowers followed by 'Indifferent Attitude of the Bank staff' (Rank 2) and 'Lack of Powers with the Manager' (Rank 3). 'Shortage of Bank Staff', 'Delay in Arranging Security', 'Delay in Raising Margin Money, and 'Other Reasons' occupy consecutive ranks (Rank 4 to 7).

Table 4
Rank Wise Reasons for Delay in Availing the Credit

Reasons	Mean	Std. Deviation	Rank
Unnecessary Formalities and Documentation	3.54	0.628	1
Shortage of Bank Staff	3.87	0.484	4
Lack of Powers with the Manager	3.85	0.536	3
Indifferent Attitude of the Bank Staff	3.83	0.597	2
Delay in Raising Margin Money	3.93	0.361	6
Delay in Arranging Security	3.89	0.482	5
Other Reasons	3.99	0.170	7

Source: Primary Data

2.2. Bank Wise Reason for Delay in Availing Credit (ANOVA)

The bank wise reasons for availing the credit is analysed with the help of ANOVA so as to establish whether there exists any significant difference as to the reasons for delay among the type of banks and the result of the same is incorporated in Table 5. From the table it is shown that the 'P' value for the reason 'Unnecessary Formalities and Documentation' is 0.008, which is less than 0.05, means that there is significant difference among banks as to this reason.

Table 5
Bank Wise Reason for Delay in Availing Credit (ANOVA)

Reasons	Mean Values			F value	P value	Action
	Com. Bank	RRB	Co-op. Bank			
Unnecessary Formalities and Documentation	3.53	3.72	3.35	4.859	0.008	Reject
Shortage of Bank Staff	3.84	3.88	3.89	0.407	0.666	Accept
Lack of Powers Vested with the Manager	3.88	3.93	3.74	5.304	0.005	Reject
Indifferent Attitude of the Bank Staff	3.81	3.91	3.77	2.038	0.131	Accept
Delay in Raising Margin Money	3.95	3.95	3.88	1.898	0.151	Accept
Delay in Arranging Security	3.92	3.87	3.81	1.565	0.210	Accept
Other Reasons	4.00	4.00	3.97	1.935	0.146	Accept

Source: Primary Data

The Post Hoc test to substantiate the difference between banks in detail as per Table 6 reveals that there exist no significant difference between commercial banks with RRBs ($P=0.252$) and co-operative banks ($P=0.278$) and difference exists only in between RRBs and co-operative banks as the 'P' value is more than 0.05 (0.006). It also reveals that the mean value of co-operative bank (3.35) is less than other banks; hence co-operative banks have more delay due to unnecessary formalities and documentation as compared to other banks.

Table 6
Banks and Unnecessary Formalities & Documentation -
Post Hoc Test (Tukey HSD)

(I) Name of the Bank	(J) Name of the Bank	Mean Difference (I- J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Lower Bound
Com. Bank	RRB	-.187	.118	.252	-.46	.09
	Co-op. Bank	.180	.118	.278	-.10	.46
RRB	Com. Bank	.187	.118	.252	-.09	.46
	Co-op. Bank	.367*	.118	.006	.09	.64
Co-op. Bank	Com. Bank	-.180	.118	.278	-.46	.10
	RRB	-.367*	.118	.006	-.64	-.09

*Significant at 5% level

With regard to the reason 'Lack of Powers with the Manager' also the 'P' value is less than 0.05 (0.005) and here also there exists significant difference among the type of banks. Here also Post Hoc test is applied to substantiate the difference between banks in detail and the result of the same is given in Table 7. It reveals that there exist no significant difference between commercial banks with RRBs (P=0.66) and co-operative banks (P=0.059) and difference exists only in between RRBs and co-operative banks (P=0.005). The mean value for the same of co-operative bank (3.74) is less than other banks, hence co-operative banks managers have very less power leading to delay, as compared to other banks. This is because of the fact that the managers have to wait for the decisions to be taken in the meetings concerned of them in order to grant credit to the applicants in certain cases of credit.

Table 7
Banks and Lack of Powers Vested with the Manager-
Post Hoc Test (Tukey HSD)

(I) Name of the Bank	(J) Name of the Bank	Mean Difference (I- J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Lower Bound
Com. Bank	RRB	-.053	.061	.660	-.20	.09
	Co-op. Bank	.140	.061	.059	.00	.28
RRB	Com. Bank	.053	.061	.660	-.09	.20
	Co-op. Bank	.193*	.061	.005	.05	.34
Co-op. Bank	Com. Bank	-.140	.061	.059	-.28	.00
	RRB	-.193*	.061	.005	-.34	-.05

*Significant at 5% level

For all other reasons for delay in availing credit, the 'P' values as stated in the table are more than 0.05. Therefore, it can be concluded that there exists no significant difference among the type of banks regarding these reasons for delay in availing the credit from banks.

CONCLUSION

The contribution of agricultural sector towards various spheres of the community is highly noteworthy. Therefore, this sector has to be protected as far as possible in all means. Ensuring credit to agriculture without

delay is a critical element on the part of the Government, banks and other policy makers. The study realised that there exists some delay in disbursing credit to agriculture by banks in Kerala. The major reasons of the same are unnecessary formalities and documentation, indifferent attitude of bank officials and lack of powers with the manager in sanctioning credit to the applicants. Therefore, it is suggested that some more initiatives are to be taken to wipe out these reasons for delay so as to have a problem free credit delivery system.

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