

AGRICULTURAL LENDING BY PUBLIC SECTOR COMMERCIAL BANKS WITH REFERENCE TO PERCEIVED OPINION OF THE BORROWERS IN CUDDALORE DISTRICT

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Abstract

From time immemorial, agriculture continues to hold the pride of place in Indian economy. In spite of big achievements in industrialization in the post-independence era, the country's economy is still mainly agrarian in character. But today it is one of the slowest growing sectors of our economy. This slow of agricultural growth has led to a decline in the overall growth of the economy. The farming community of the country is badly caught in the clutches of moneylenders. In spite of taking various measures to rejuvenate farm credit, the flow of credit to the agriculture sector remained inadequate. The banks are deliberately keeping off from agriculture sector because of the difficulties in handling the business and the easy returns they could get from industries. The present study has been devised to have in-depth knowledge about farmers' perception towards agricultural lending by the public sector commercial banks in Cuddalore district. The present study is confined to 3 public sector commercial banks, namely, Indian Bank, Indian Overseas Bank and Canara Bank. The sample size consists of 558 farmers. The study is empirical in nature based on survey method. The primary data are collected from the agricultural borrowers of the public sector commercial banks. On account of low level of education and poor comprehension of banking operations, schedule method is employed to collect primary data from the agricultural borrowers. The researcher suggests measures such as avoidance of political interference, objectivity of the bank officials, flexibility, regular monitoring, liberal formalities, adequate loan amount, quick loan sanction and reduced rate of interest for the effective agricultural lending by the public sector commercial banks.

Key words: Agricultural credit, rural development, agricultural economy, lending policies and practices, etc.

1. Introduction

From time immemorial, agriculture continues to hold the pride of place in Indian economy. In spite of big achievements in industrialization in the post-independence era, the country's economy is still mainly agrarian in character. In the context of the present pressing need for attaining self-sufficiency in food within the shortest possible span of time, the development of agricultural sector for optimizing returns from it, has assumed a crucial importance. Therefore, a high and orderly growth in agriculture is an essential prerequisite not only for the reasons of food security but also to accelerate the pace of industrial development by ensuring increased supply of raw materials for industries and wage-goods for the labourers to be employed in the industrial and tertiary sectors. One of the basic prerequisites for the rapid growth of agriculture is provision of credit facilities for farmers to enable them to adopt modern farm practices and utilize the new

technology in agriculture in their farms by applying inputs in required doses and proportions and adopting the necessary prophylactic measures.

2. Need for agricultural credit

A dynamic policy of agricultural development cannot succeed without a dynamic credit policy. Financing agricultural development through institutions aims at enabling the farmers and the agricultural sector to move on to a level of technology that would create the basis for a sustained increase in agricultural output, an increase in the number of mandays of employment and enhance productivity of land, labour and capital resulting in the economic well being of the farmers in general and small and marginal farmers in particular. Credit can contribute to the improvement of net farm income in several ways such as to create and maintain an adequate size. Besides, the substitution of physical capital for labour and the increased use of purchased inputs have created a need for substantial volume of funds of both in the aggregate and on a unit farm basis. Further profit margins in agriculture have been declining steadily, so farmers have become increasingly dependent on outside sources of funds. In recent years the new technology is introduced in Indian agriculture. It demands heavy doses of inputs like fertilizers, pesticides and irrigation as well as investment on power and machinery. Unless credit and other necessary inputs of agriculture are made available to the farmer, almost at his doorstep, at a cheap cost, the tempo of agricultural revolution cannot be stepped up. This calls for an efficient system to provide agricultural credit. Most concerned people believed that increases in the volume of cheap credit were necessary to boost agricultural production and that the rural poor could be brought into the main stream of development through directed credit programmes.

3. Statement of the problem

Agriculture is said to be the backbone of Indian economy. But today it is one of the slowest growing sectors of our economy. This slow of agricultural growth has led to a decline in the overall growth of the economy. Agriculture has now become a commercial venture as the technological breakthrough in agriculture has made it possible for the farmers to produce high yields. This leads to a great spurt in demand for agricultural credit. In the wake of the structural adjustment programme initiated in the early 1990's it is inevitable that the agriculture will experience the threats and opportunities. The severe effect of economic, financial and other policy changes in the agricultural sector will be felt in the areas of agricultural finance, credit and capital investment in agricultural activities. The problems of financing agriculture are not merely quantitative or organizational; they have qualitative and human aspects as well. Agriculture sector does involve special credit requirements due to dependence on nature and lumpiness as well as fixity of its resources. The farming community of the country is badly caught in the clutches of moneylenders. In spite of taking various measures to rejuvenate farm credit, the flow of credit to the agriculture

sector remained inadequate. The banks are deliberately keeping off from agriculture sector because of the difficulties in handling the business and the easy returns they could get from industries. Until recently, the commercial banks are fighting shy of entering this strategic field of agricultural lending. Commercial banks, perhaps, cannot show better results in the field of agricultural lending and suffered from the same problem of mounting overdues like co-operatives. It is therefore appropriate to examine the role which is assigned to the commercial banks after nationalization in agricultural lending. Therefore, the present study has been devised to have in-depth knowledge about farmers' perception towards agricultural lending by the public sector commercial banks in Cuddalore district.

4. Objectives of the study

The study has the following objectives:

1. To review the lending policies and practices of the select public sector commercial banks on agricultural credit in Cuddalore district.
2. To study the perception of the agricultural borrowers towards agricultural lending by the public sector commercial banks in Cuddalore district.
3. To offer suitable suggestions for the effective agricultural lending of the public sector commercial banks based on the findings of the study.

5. Testing of hypothesis

The study is based on the formulation of the following null hypothesis. H_{01} : There is no significant relationship among the satisfaction level of the agricultural borrowers towards lending policies and practices of the public sector commercial banks.

6. Scope of the study

The present study has been undertaken to examine the opinion of the agricultural borrowers towards agricultural lending by the public sector commercial banks. The present study is confined to 3 public sector commercial banks, namely, Indian Bank, Indian Overseas Bank and Canara Bank. The study focuses its main attention only on the agricultural lending.

7. Sampling design

In order to collect primary data for the purpose of the study, multi-stage sampling technique is adopted. At the first stage 3 public sector commercial banks which outnumber in number of branches are selected out of the 25 public sector commercial banks. In the second stage, 10 per cent of the branches i.e. 7 branches are selected out of the 3 selected public sector commercial banks. In the final stage, from each of the branches 3 per cent of the farmers are selected on the simple random basis. The sample size consists of 558 farmers. Table 1 shows the sampling distribution of the present study.

TABLE 1
Sampling Distribution

Banks	Branches		Borrowers	
	No. of Branches	Samples	No. of Borrowers	Samples
Indian Bank	30	3	11093	333
Indian Overseas Bank	18	2	2208	66
Canara Bank	16	2	5289	159
Total	64	7	18590	558

Source: Records of the select public select commercial banks

8. Data collection and analysis

The present study is empirical in nature based on survey method. The primary data are collected from the agricultural borrowers of the public sector commercial banks. On account of low level of education and poor comprehension of banking operations, schedule method is employed to collect primary data from the agricultural borrowers. The collected data are entered into a master table and tabulated to arrive at useful conclusions. The secondary data were mainly collected from books, journals and government reports. In order to study the perception of the agricultural borrowers towards agricultural lending of the public sector commercial banks, various statistical analyses such as student t test, analysis of variance, co-efficient of variation, multiple regression analysis, and percentage analysis are employed.

9. Findings

1. Easy accessibility, flexibility, less formalities and provision of adequate loan are the reasons of the borrowers to prefer agricultural loans from public sector commercial banks in Cuddalore district at 18.10%, 22.04%, 25.45% and 27.24% respectively. 30.82%, 35.12% and 38.17% of the respondents prefer public sector commercial banks for agricultural loan because of quick processing, easy to repay and low rate of interest respectively.
2. Out of 558 respondents, 17.02 per cent of the respondents have borrowed agricultural loans upto Rs.100000. About 26.42 per cent of the respondents have borrowed Rs.50001 to 100000. 39.96%, and 16.49% of the sample farmers have borrowed agricultural loans Rs.100001-150000 and above Rs.150000 respectively.
3. 40.86 per cent of the respondents borrowed crop/produce loan. 18.10% and 17.20% of the respondents borrowed loan for the purpose of farm development and minor irrigation respectively. 14.69% of the respondents borrowed loan for the purchase of farm machinery. 9.14% of the respondents borrowed loan for the purchase of bullock cart.
4. There is no significant relationship among the satisfaction level of the borrowers belong to different genders, age groups, educational status groups, term loan availed and varied amount of borrowings towards agricultural lending policies and practices of the public sector commercial banks in Cuddalore district. A significant relationship is found among the satisfaction level of the borrowers belong to different categories and banks towards agricultural lending policies and practices of the public sector commercial banks.
5. Male respondents, respondents in the age group above 55 years, respondents having degree and above qualification, big farmers, respondents who borrowed long-term loans, respondents who borrowed loan above Rs.150000 and borrowers of the Canara Bank are more satisfied with the agricultural lending policies and practices of the public sector commercial banks in Cuddalore district.
6. There is consistency in the satisfaction level of the male borrowers, borrowers in the age group above 55 years, illiterate borrowers, big farmers, respondents who borrowed loan above Rs.150000 and borrowers of the Indian Overseas Bank towards agricultural lending policies and practices.
7. Gender, age, educational status, annual family income, crop cultivated, term loan availed and amount of borrowing of the respondents have no significant effect on their satisfaction level towards lending policies and practices of the public sector commercial banks, whereas farmers' category has significant effect at 1% level on their satisfaction towards lending policies and practices of the public sector commercial banks in Cuddalore district.

8. Out of 558 respondents, 7.88%, 6.99%, 21.68%, 30.50% and 29.57% of the respondents are highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied and highly dissatisfied respectively towards lending policies and practices of the public sector commercial banks. The average satisfaction score reveals that the respondents are more satisfied with the loan disbursement (2.38), followed by the time taken to sanction the loan (2.37), and quantum of loan and period of loan. However, with regard to supervision of credit, the respondents have lower satisfaction score (2.13), followed by the rate of interest (2.16).
9. Respondents ranging from 19.17 per cent to 33.87 states that political interference, biases of the bank officials, absence of flexibility and absence of regular monitoring are the problems in agricultural borrowing from the public sector commercial banks. Strict formalities, inadequate loan amount, delay in loan sanction and higher rate of interest are also the problems of the borrowers with regard to agricultural borrowing in the public sector commercial banks at 33.87%, 35.48%, 36.02% and 37.99% respectively.

10. Suggestions

1. The bankers should consider factors such as family income, landholding and consumption expenditure while disbursing the credit. Thus, the pre-lending appraisal, post-lending supervision and approaching the borrower in the right time for repayment by the institutional lending agencies may avoid the misutilization of loan and may lead to better recovery performance.
2. Timely finance and technical guidance should be given not only in the interests of the farmer but also in the interest of the banker to maintain good public relations and thereby to tap the rural deposits.
3. Since the public sector commercial banks are operating on various constraints emanating from factors such as lack of technical staff, lack of knowledge and direct rapport with agriculturists, etc. the correct approach in the field of agricultural finance would be area or project approach in compact and operationally feasible area and on “concentrated basis”. The strategy for agricultural lending therefore should be designed for all-sided agricultural development in a particular area.
4. The macro-economic environment is by far the most important determinants of agricultural investment and output. For this reason, the Reserve Bank of India should find solution to the over-valued exchange rates and high real interest rates which have been a stumbling block to the commercial banks credit extension to agricultural sector.

5. If commercial banks need to operate efficiently in order to facilitate better performance of the economy and its growth through adequate credits to agricultural sector, then, the bank; interest rate should never be subsidize i.e. it should not be less than the market interest rate even if the credit is targeted.
6. Commercial banks should introduce agricultural saving schemes in their rural and urban branches. This would enable the banks to mobilize savings from the farmers, and as a policy, credits should be extended on the basis of savings of the farmers. Therefore, the bank: should design a small loans mechanism that would take care of small farm holders.
7. The select public sector commercial banks may open up separate setup through personnel professionally qualified preferably under social welfare or similar academic areas. This set up may provide counseling in other areas too like education, health, sanitation, civic rights, etc. which can enable small and other vulnerable segments of farming community look for, beyond financial inclusion, inclusive growth.

11. Conclusion

A review of performance of agricultural credit in India reveals that though the overall flow of institutional credit has increased over the years, there are several gaps in the system like inadequate provision of credit to small and marginal farmers, paucity of medium and long-term lending and limited deposit mobilization and heavy dependence on borrowed funds by major agricultural credit purveyors. These have major implications for agricultural development as also the well being of the farming community. In the changed scenario, strong and viable agricultural financial institutions are needed to cater to the requirements of finance for building the necessary institutional and marketing infrastructure. The researcher suggests measures such as avoidance of political interference, objectivity of the bank officials, flexibility, regular monitoring, liberal formalities, adequate loan amount, quick loan sanction and reduced rate of interest for the effective agricultural lending by the public sector commercial banks.

12. Reference

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