

# Performance of Agricultural Development Branches of State Bank of India in Assam with special reference to Barpeta District

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## Abstract:

Indian economy is predominantly a rural economy with an agricultural base. Therefore, agricultural financing assumes an important in the development of village economy. Finance makes villages more liveable and village occupations more viable. Financial powers serve a great variety of needs in rural activities such as agricultural, agro-allied, industrial, etc. In agro-industrial and industrial sector finance hastens the introduction of industries, creates employment opportunities and helps in better utilization of resources. It provides modern amenities of life and thereby introduces urbanism in rural life. The government and other functionaries such as doctors, bank managers, and teachers can be attracted and retained in villages. The purpose of this study is to identify the beneficiaries of the agricultural credit schemes given by the commercial banks especially for ADB of State Bank of India. The data were collected from a sample of 200 beneficiaries belonging to 40 villages spread across the 4 blocks of the Barpeta District. For identification of the beneficiaries both economic and non-economic characteristics of the farmers are taken into consideration. The impact is measured in terms of the benefits derived by the borrowers. The specific parameters that have been used for this purpose are land utilisation, cropping pattern (output) yield rate of variation, extent of irrigation facilities, income and expenditures of borrowers etc. In addition to the identification and assessment to the benefits derived by the sample particulars an attempt is being made to examine farmer's attitudes and expectations with respect to the banking schemes. The data indicate that the agricultural credit in the survey area has been marked by predominance of non-institutional credit. However, at present the farmers of the Barpeta district are enthusiastic to take agricultural loan from the commercial banks rather than from the money lenders of the villages.

**Key words: Agriculture, State Bank of India (SBI), Institutional Credit, Agriculture Development Branch (ADB)**

## Introduction:

Agriculture is the key sector of the Indian economy, which is still employing about 70% of our population. In order to supplement the required financial help for the agricultural sector, certain institutions have been nationalized in India in post independence era. The Commercial banks flow of credit to this sector was very negligible before nationalization of fourteen major banks and the cooperative institutions credit support to the peasants was also the minimum; therefore the peasants were and are still under the clutches of the village moneylenders who have been extorting the peasants to the hilt. To alleviate the sufferings of the peasants and to make agriculture a viable sector, institutions for rural credit have been built up.

With a view to providing credit to farmers on an intensive area basis the SBI and its associate bank have opened Agricultural Development Branch (ADB) at certain selected centres throughout the country. The SBI has formulated the Village Adoption Scheme (area approach) in 1973-74. Since then innovative banking has been initiated by the SBI throughout the country. As a part of the branch expansion programme, the SBI established few branches all over India including Barpeta district of Assam.

As per the act of 1955, the Imperial Bank was nationalized and came into existence from 1<sup>st</sup> July 1955. Subsequently, with the passing of the SBI (subsidiary bank) act 1959, the State Bank took over as its subsidiaries the following seven associated states Banks.

1. State Bank of Bikaner and Jaipur.
2. State Bank of Patiala
3. State Bank of Saurashtra
4. State Bank of Indore
5. State Bank of Hyderabad
6. State Bank of Mysore and
7. State Bank of Travancore

There has been a proposal to merge all the associate banks into SBI to create a 'mega bank' and streamline operations. The first step towards unification occurred on 13 August 2008 when State Bank of Saurashtra was merged with SBI, reducing the number of State banks from seven to six. Then on 19 June 2009 the SBI board approved the merger of its subsidiary, State Bank of Indore, with itself. The process of merging of State Bank of Indore was completed by April 2010 and the SBI Indore branches functioning as SBI branches on 26 August 2010.

The primary aim of the bank is to extend banking facilities in the rural areas throughout the country. The State Bank of India is run purely a commercial bank. It represents in a liberal way to the financial needs of the cooperative and small-scale institutions in the country. Though the SBI since its nationalization have played an important role for the development of the agricultural sector, yet there seems to be great imbalance in respect of development of this sector in some areas of the state.

### **Statement of the Problem and Significance of the Study:**

The State Bank of India in general and the Agricultural Development Branch of State Bank of India in particular is taken as the area of study. The State of Assam as in the case of other North Eastern State of India poses a few problems in the path of economic development. The backwardness of the state is also due to the non-adaptability of new technology, to the traditional method of shifting cultivation, non-existing of too many industries, big or small, low level of consciousness among the rural people and above all non-acceptance of the banking facilities in the rural areas.

Since the nationalization of State Bank of India has played a commendable role for the development of the agricultural sector, yet there seems to be great imbalance in respect of development of this sector in some areas of the state. So, the question generally crops up in the mind that the agriculturist of the interior villages could receive the facilities of the banks scheme. In coming years what are the expectations and feeling of the farmers regarding the banking schemes. Hence, an attempt is being made in the present study to examine the operational aspects of the existing banking schemes at grass root level as well as to know the real beneficiaries and non-beneficiaries under the various schemes of banking institutions. For this reason the Barpeta District has been selected as the area of field investigation.

### **Utility of the Research Study:**

The findings of the study are expected to go a long way in determining the required managerial skill for Agricultural Development Branch of State Bank of India in rural development. The proposed study are likely be helpful to the SBI itself for taking steps in policy making, decision making and successful performance of its activities in near future especially in agricultural finance.

### **Objectives of the Study: The objectives are as follows:-**

- To study the nature and extent of credit flow of the Agricultural Development Branch of SBI in the study area;
- To study the principles of granting assistance by Agriculture Development Branch for developing the region. (study area);
- To analyse the achievement indicators such as outreach, impact, asset creation and increase of production under various schemes of Agricultural Development Branch of SBI in the study area;
- To suggest measures to improve institutional framework of Agricultural Development Branch of SBI considering the needs of the rural society.

## Methodology of the Study:

The study is based on both primary and secondary data collection. The primary data were collected from the Agricultural Development Branch of SBI, respective Block Development Offices and direct field survey in the study area.

The secondary information were collected from Action Plan/ Credit Plans of the respective branches, published reports, journals, various committee reports, recommendations and internet.

The methodology for the present research work is descriptive, analytical and factual in nature. The study covered the past ten years i.e. 2001-2002 to 2010-2011. The study is confined to the 04 blocks out of 12 blocks i.e. four blocks from one sub division (i.e. Barpeta Sub division) of the Barpeta district to have an empirical analysis of beneficiaries of the branch. In this regard, 300 samples have been taken into consideration. Out of 300, 200 samples have been taken as beneficiaries randomly (50 from each block) from the list of beneficiaries collected from the SBI, Howly ADB and 100 non-beneficiaries sample were randomly selected (25 from each block) during the time of field survey. For this purpose a schedule has been served for collecting relevant data from the concerned bank as well as the beneficiaries and non beneficiaries of the bank. After collecting all the relevant facts, data have been analyzed to arrive at the objectives for which study is undertaken.

## Queries investigated:

To achieve these objectives, the following research queries have been established—

- Whether the Agricultural Development Branch of State Bank of India has provided adequate financial support or not to the persons engaged in agriculture and allied activities in the study district;
- Whether the rules and formalities for advancing loan to farmers ultimately force the agriculturist to depend more on costlier non-institutional sources of credit or not;
- Whether there is console atmosphere from the lenders side as well as the borrower's side for promoting lending to rural indebtedness.

## Sampling Procedure and Size:

The Agricultural Development Branch of SBI is set up in different districts of Assam and at present 09 Agricultural Development Branches of SBI have been working in Assam and there is only one ADB of SBI has been working in Barpeta District. Hence, in this case census method has been applied as the number of variables is limited. However, in case of beneficiaries of ADB of SBI sampling method has been applied as the number of variables are large. The sample size 200 beneficiaries are divided equally as 50 from four blocks of the Barpeta district and 100 non beneficiaries are divided equally as 25 from each block. To achieve this objective, special attention has been given in collection of primary data from the beneficiaries and at the same time enquiry has been made in the bank whether they are applicant for agricultural finance or not. Again confirming all these, enquiry has been made in the bank about the authenticity of their approach in the respective years.

## Limitations of the Study:

The study contained some unavoidable limitations-

- Since the data are obtained from more than one source, there may be some discrepancies between these two sources about the same variable.
- There may be slight discrepancies between the sum of constituent items and the totals because of rounding off.
- During the conduct of field survey some members of the respondents refused to give information out of fear or other personal problems. Some of the respondents had a tendency to conceal their borrowing part for their false prestige and pride.

## Findings:

Agricultural credit in the survey area has been marked by predominance of non-institutional credit. However, at present the farmers of the Barpeta district are enthusiastic to take agricultural loan from the commercial banks rather than from the money lenders of the villages.

It can be mentioned that gradually the cultivate land of sample area became reduced due to utilization of cultivable land completely for different uses, viz. for Brick Killen as well as for other purposes. Moreover, cultivable land is not properly utilized for shortage of finances and other technical know-how.

Through the field study it became evident that small farmers in general are more conscious of timely repayment of their borrowed money. But from the banks report it seems that big farmers are more inclined to pay their loan instalment regularly and timely as compared to small farmers.

There also seems to be less awareness amongst the borrowers as it is clear from the field survey that majority of the borrower farmers happens to be not familiar with the real differences of the available alternatives scheme. Even some of the farmers do not possess the knowledge as regards to the loans which they had already contracted. This is more so particularly in the case of small farmers where our study took place.

Analysis of the data on the receipt of the loan amount presents a close association between the delay in receipt and the holding size. It came to the picture that the smaller the size of holding of the farmer, the longer the waiting time for receiving the loan. The field work further indicates an inverse relationship between the number of visit required to be made to branch office and the holding size.

On the analysis of data upon different types of loan disbursement by commercial banks in the sample area, it is clear that usually the bank place more priority for sanction of short term as well as medium term loans for farmers.

The farmers are of the opinion that the repayment period should be extended from the present five years to eight years period. However it has been noticed in practice that the incurred credit facilities have enabled a good number of farmers to improve their mode of production. The output pattern of the farmers has changed perceptively after the credit facilities were giving to them by the commercial banks.

### **Suggestions:**

- 1) Rural Branch offices should be operated by trained staff resident in the rural or semi urban areas so that they can easily mix with the folk and understand their needs and problems.
- 2) RBI has instructed the banks not to provide credit to the defaulters. However, a distinction should be made between willful default and default due to crop loss, death of animal and natural calamities. Unless the small borrowers, who may be defaulters due to circumstances beyond their control, are made eligible for bank assistance, it will be difficult to find adequate number of potential beneficiaries who are the weakest among the weaker sections.
- 3) Rural offices of the banks should adopt a criterion on innovative banking in the sense that it should provide technical assistance and other guidance to the weaker sections for their gainful employment with the help of bank finance. There is a need for the integration of rural credit with supporting services.
- 4) The financial institutions should be given free choice so that they can participate with a greater sense of involvement. There is need for clarity as to the concept of 'cluster' and choice of cluster among the staff responsible for the allocation of the assistance.
- 5) The high level of overdues of banks has become a matter of concern. So, banks should make all possible efforts to reduce their overdues. This also required that no loan should be given without proper identification and address of the deserving rural poor.

- 6) Credit camps should be organized not only to identify beneficiaries, but also for collection of loan application as also to collect overdues. It should function as a credit - cum - recovery workshop. The beneficiaries should be educated on the proper use of credit and the need for making timely repayment and consequences of overdues.
- 7) It is gross inadequate to measure the success of banks achievements in rural financing simply in terms of quantitative variables like the number of rural branches, growth of deposits and advances, credit deposit ratio etc. The terms of increased earnings, improvement in the standard of living, uplifting the rural population above the poverty line as an impact of bank finance directed towards the poorest among the rural poor. Therefore, data on economic status of the rural beneficiaries in the pre and post sanction period of the bank loans should also be collected and evaluated.
- 8) There is a need to streamline the credit flow of banks in the rural sector to make it more effective in the process of rural development as well as agricultural development.
- 9) It should not be overlooked that greater risks are involved in atomistic lending to the unorganized weaker sections in rural areas. Hence politically motivated loan melas should be stopped immediately. Banking legislation should be enacted by parliament to stop such things which may not only lend the banks into difficulties but also vitiate the very purpose of helping the weaker sections.
- 10) Bank staff should take adequate precaution and interest in guiding the borrowers regarding successful completion of financed activity and tell them the importance of recovery by making them understand that the timely repayment of loan is in their own interest. It is not so significant that how many persons have been advanced loans, but what is more important that how many of them use the banks funds properly, so that they could become gainfully employed, earn a livelihood and repay the dues timely.
- 11) To prevent multiple borrowing the bank should not be allowed to lend to a person who is beyond the limits of bank areas. It is desirable to select schemes relevant to the background of the beneficiaries and with reference to the possible demand of services from the proposed schemes and as far as possible in accordance with the beneficiaries' preference. The tendency of the beneficiaries to rush for a particular category of scheme for enjoying higher subsidy should be discouraged.
- 12) There is a need for proper interaction between the blocks and the concerned bank officials at grass root level, so that joint inspection and common approach between them can be made. An atmosphere should be created where the financing units and Government department should feel that it is their duty to assist the poor. The beneficiaries are made to know that the banks are for assistance and guidance for their development.

### Conclusion:

The study discerns that rural credit facilities greatly help the farmers of the Barpeta District by increasing their total amount of crop production as well as the mode of production itself. The study further reveals that all classes of farmers are being able to augment more income by availing bank loan facilities. The most problematic issue regarding the credit facilities of the banking institutions is the non repayment of loans by some farmers. An impression has been created by local leaders in the minds of villagers that the loans by banks are in the nature of government support and therefore need not be repaid. At present the Government has given powers to the banks to take action in civil courts against deliberate non repayment of bank loans. However, it may safely be concluded that within a decade or so all the agriculturists of Barpeta District as well as of the state will be in a position to mechanise their process of farm activities provided the terms and conditions of the bank loans are liberalized.

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