

Impact of Agricultural Finance by Regional Rural Bank on Farmer

Dr. Rajiv Patel¹ & Dr. Dasharath Salunke²

Abstract

All farmers were paying credit amount. But only some farmers turned late to pay credit installment due to uncontrollable circumstances. Only few farmers were taking credit from bank without need due to cheaper credit. From those most of the farmers are doing services and business along with farming. Most of the farmers were satisfied with banks credit operation. Only some farmers are unsatisfied due to their own attitude. Bank was not responsible for it. Over all RRB is able to satisfy farmers agriculture credit need and creating positive impacts on farms business (agriculture), on farmers own property, on availability of basic facilities, sociological impact on farmer and on the farmer's employment should improved farmers economical condition and then living of standard.

Key word : Agricultural, Finance, Regional, Rural, Bank, Farmer

1. Agriculture and Agricultural Finance in India

After Independence, systematic plans were implemented to develop the fields of economy, social and cultural domestically in India. India is a country formed by villages. According to 2011 provisional population census of India, there are total 6,40,867 villages in India. In that 68.84% of total population is living in villages. As per 2011 provisional population census, the population of Gujarat is 6.04 crores. Out of which 3.47 crores population is belongs to rural area. They live in 18,225 villages. In the economy of India, agriculture has a major role. Because major population depends on agriculture. 7 out of 10 people earn their livelihood from agriculture. So agriculture development and reforms have very importance.

Importance of Agriculture in India

- | | |
|--|----------------------------------|
| 1. Contribution in National Income | 6. Contribution in Employment |
| 2. Contribution in Industry Development | 7. Contribution in Foreign Trade |
| 3. Contribution in Government Income | 8. Helpful in cattle rearing |
| 4. Helpful in Internal (Inter-state) Trade | 9. To control over Inflation |
| 5. For being self reliant of Food | |

Agriculture plays an important role in the development of country. That is why Indian Government and State Government, continually increasing the fund related to the Agriculture and its alliance sector in a Five year plan.

Agricultural Finance

India is country formed by numbers of villages. Village people are too poor, their income is also low. Due to low income they are not able to save money and invest in agriculture. In India, major portion of land is gifted by elder. Depletion is noted in utilized land due to decrease in the land given in hereditary. The productivity of land is decreased as the land is divided in small pieces. On the other hand, day by day population is increasing. Therefore, as time passes, land is being divided into pieces. As the land is limited, we must utilize it as much as we can. To utilize it properly, enough fertilizers, pesticides must be sprinkled and good quality seeds must be used. Technology plays an important role in agriculture. Scientific methods are needed. We must care of land is necessary to maintain fertility of land. We require capital for this. Small and marginal

¹ Director, Centre for studies in Rural Management, Gujarat Vidyapith, Randheja, Gandhinagar.

² Senior Analyst, SNL Financial (I) Pvt Ltd.

farmers are more in India and they have low income. They face problems in earning their livelihood. So they are unable to invest in agriculture. Many times they don't get enough money to buy necessary fertilizers, pesticides and good quality seeds. For that, Agriculture finance is necessary. So those farmers can be able to use fertilizers, pesticides and good quality seeds at proper time and in proper quantity. They will be able to use more and more technology. So that, agricultural production and productivity can be increased. And due to this income can be increased.

If organized agricultural finance won't be provided to farmer than they will use private finance. It has many disadvantages. Farmers could have many troubles after taking such types of finance. It is hard to them to come out from debt. Some time, Farmer may be physically panish also in some cases they will be lose their land. It can affect the agricultural production. If the production will reduce than inflation will be start occurring in the country.

Classification of Source of Agriculture finance

It can be classified in four ways.

1. Objective of finance
2. Time period of finance
3. According to mortgage of security
4. On the basis of the source of finance.

Classification according to time period of finance is more important. Organized sector (Banks) finance is mostly is giving on the basis of period like short term, medium term and long term finance.

2. Source of finance

There are two source of agriculture finance A. Unorganized (private) sector B. Organized sector (Institutional finance). It is more important that shares of institutional finance will be increase in agriculture finance. Because Government has control over it while less control on the private section finance.

Below persons are the part of private sector finance.

1. Money lenders, 2. Friends and relatives 3. Traders and Brokers 4. Land lords. In organized sector Government, RBI, NABARD, Commercial Banks, Co-operative banks and Regional Rural Banks are a part of it.

In the agriculture finance, the share of private section had declined. But still, the percentage of shares of in agriculture finance is notable. In year 1951 the share of unorganized sector in agriculture finance was 92.8%. In year 1961 it is decreased to 76.7%, it was 70.8% in year 1971 and 39.8% in year 1981. In year 1969, 14 banks were nationalized. After that shares of private sector totally declined. It was 70.80% in year 1971 which is reached to 36% in year 1991. According to experts, the contribution of private sector is 25% to 30% in India.

Agriculture finance by schedule banks in India

Public sector bank, Register Private sector bank, Foreign Bank, Co-operative bank and Regional Rural Bank, all are part of scheduled banks. Continuously increasing amount of Agriculture finance provided by scheduled banks, even though shares of each banks is not equal. Upto year 1969 shares of Co-operative banks in agriculture finance was high in compare to others scheduled banks. But after nationalization of banks, the share of public sector banks in agriculture finance was increased. Same as share of RRBs was increased while share of Co-operative banks was reduced. Outstanding of agriculture finance given by scheduled banks is given below.

Agriculture finance by scheduled banks in India (Rs. in crores)

Particular	2000	2001	2002	2003	2004	2005
Total No's a/c	205.3	198.4	203.5	208.4	213.0	266.6
Direct finance	202.1	195.6	197.4	202.0	207.2	260.1
Indirect finance	3.2	2.8	6.1	6.4	5.8	6.5
Total outstanding of Agri. finance	45638	51730	64009	75935	96245	124385
Direct finance	38561	43420	47430	59058	70099	94635
Indirect finance	7077	8310	16578	16878	26146	29750

Particular	2006	2007	2008	2009	2010
Total No's a/c	290.7	332.2	382.1	399.8	427.7
Direct finance	284.2	324.8	375.2	392.6	410.0
Indirect finance	6.5	7.3	6.9	7.2	17.7
Total Outstanding of Agri. finance	172684	230191	274141	309469	390298
Direct finance	124563	171497	212567	238703	296850
Indirect finance	48121	58694	61574	70767	93449

(Source: RBI)

In year of 2000 total numbers of a/c were 205.3 lakhs. In which, there was decreased in year 2001 and reached to 198.4. After that, there has been continuously increased from 2002 to 2010. In year 2000 total numbers of a/c were 205.3 lakhs and year 2010 it reached to 427.7 lakhs. From 2000 to 2010 total numbers of a/c were increased by 108.33%. In 2000 numbers of direct finance a/c were 202.1 lakhs, which were increased to 410 lakhs in year 2010. In percentage, numbers of direct finance a/c were increased by 102.87% from 2000 to 2010. In the year 2000 numbers of indirect finance a/c were 3.2 lacks which were increased to 17.7 lakhs. In percentage, numbers of indirect finance a/c were increased by 453.13% from 2000 to 2010. Thus numbers of indirect finance a/c were increased by 5 times more in compare to numbers of direct finance a/c. The growth of indirect finance a/c numbers was faster. In 2000, total outstanding of agriculture finance was Rs 45,638 crores, which was continuously increased. In the year of 2010, total outstanding of agriculture finance was Rs. 3,90,298 crores which was increased by 755% during 2000 to 2010. Outstanding of direct agriculture finance was Rs 38,561 crores in year 2000 which was increased up to Rs. 2,98,650 in year of 2010. In percentage, it was increased by 670% during 2000 to 2010. Outstanding of indirect agriculture finance was Rs 7,077 crores in the year 2000 which was increased up to Rs. 93,449 in the year of 2010. In percentage, it was increased by 1220% during 2000 to 2010. Thus the growth of indirect agriculture finance was much faster from 2000 to 2010 in comparison of direct agriculture finance. During the year 2000 to 2010, there has been increased in accounts of lenders, but indirect finance accounts have increased considerably.

Contribution in agriculture finance by Commercial banks in the Gujarat

In the Gujarat, contribution of commercial banks in agriculture finance is increasing. Development of banks and availability of agriculture finance also are the reasons behind the development of Agriculture in Gujarat. Agriculture finance given by Commercial banks in the Gujarat during the year 2007 to 2010 is given below.

Agriculture finance by Commercial banks in the Gujarat

Year	Direct finance		Indirect finance		Total finance	
	No's A/C	Rs. in crores	No's A/C	Rs. in crores	No's A/C	Rs. in crores
2007	11,73,315	8,931	14,950	3,258	11,88,265	12,189
2008	10,81,002	10,576	17,015	3,650	10,98,017	14,185
2009	14,68,435	13,063	15,215	4,839	14,83,650	17,902
2010	16,30,765	15,875	28,551	6,524	16,59,316	22,403

(Source: RBI)

During the year 2007 to 2010, numbers of direct finance a/c were increased by 39% while direct agriculture finance amount was increased by 78%. Thus in compare of direct finance a/c, direct finance amount was increased by twice times more. During the year 2007 to 2010, numbers of indirect finance a/c were increased by 91% while indirect agriculture finance amount was increased by more than 100%. Thus in compare of direct finance a/c, growth of direct finance amount was little high during the year 2007 to 2010.

Agriculture finance by Commercial banks in Gandhinagar District

Year	Direct finance		Indirect finance		Total finance	
	No's A/C	Rs. in crores	No's A/C	Rs. in crores	No's A/C	Rs. in crores
2007	21,648	298.48	742	581.76	22,390	872.25
2010	23,958	294.93	856	416.62	24,814	711.55

(Source: RBI)

During the year 2007 to 2010 numbers of total Agriculture finance a/c were increased by 11.83% while total of agriculture finance amount was decreased by 18.42%. Due to increase in urbanization in Gandhinagar, the quantum of agriculture land has decreased. Thus the growth of total Agriculture amount is lesser than in compare of total Agriculture finance a/c during the year 2007 to 2010.

During the year 2007 to 2010 numbers of direct agriculture finance a/c were increased by 10.63% while direct agriculture finance amount was decreased by 1.2%. Its shows that more numbers of farmers has taken finance. There is a no issue even amount is reduced because numbers of be beinifishary farmers were increased. During the year 2007 to 2010 numbers of indirect agriculture finance a/c were increased by 15.4% while amount of direct agriculture finance amount was decreased by 28.4%. Trend of indirect agriculture finance a/c was same as direct agriculture finance a/c. which shows more positive sign.

3. Regional Rural Banks (RRBs)

The Regional Rural Banks were inaugurated on 2nd October, 1975. RRBs are set up mainly with a view to develop rural economy by providing for the purposed of development of Agriculture, trade, commerce, industry and other productive activities in the rural areas. Credit and other facilities particularly to the small and marginal farmer, agricultural labour and small entrepreneurs for matters connected there with and incidental there to.

Agricultural Finance given by regional rural bank and its Contribution in it

Year	1975-76	1981-82	1991-92	1995-96	2000-01	2005-06
Agriculture finance (Rs. in crores)	4	168	596	1,381	4,219	15,223
Contribution in Agriculture finance (%)	0.2	4.7	5	6	8	8

Year	2006-07	2007-08	2008-09	2009-10	2010-11
Agriculture finance (Rs. in crores)	20,435	25,312	26,724	35,218	49,968
Contribution in Agriculture finance (%)	8.9	9.94	9.14	9.16	9.84

Source: NABARD

In the year of 1975-76, RRBs has given 4 crs finance, which is continuously increased. In year 1981-82 it was 168 cr, in 2005-06 Rs. 20,435 crs, and in year 2010-2011 it was Rs. 3,968 crs amount lended by Rural banks to agriculture sector. In year 2010-11 agriculture finance given by RRBs was Rs.15223 crs. Contribution of RRBs in Agricultural Finance was only 0.2% which was increased to 9.84% in year 2010-11. During the year 1975-76 to 2010-11 amount of agriculture finance was continuously increased, same as Contribution in Agriculture finance was continuously increasing excluding 2007-08 year. Farmers will get agriculture finance on time and easily, Government is providing agriculture finance target to RRBs. The details of it are given below.

Agricultural Finance given by regional rural bank in Gujarat (Rs. in crores)

Name of Bank	Year 2009-11		Year 2010-11	
	Targets	Achievements	Targets	Achievements
Baroda Gujarat Gramin Bank (BGGS)	180	111.48 (61.93%)	175	145.03 (82.87)
Dena Gujarat Gramin Bank (DGGB)	417.5	378.04 (90.55%)	536.94	471.91 (87.89)
Sourastra Gramin Bank (SGB)	511.79	487.07 (95.17%)	604.64	492.00 (81.37)
Total	1,109.29	976.59 (88.03%)	1,316.58	1,108.94 (84.23%)

(Source: NABARD, Gujarat Regional Office, Ahmadabad and Annual reports of DGGB bank)

As per the above information, we can analysis, agriculture credit is not satisfactory. No one bank had achieved targets which are given to them in both years. In the year 2009-2010 BGGB had given Rs 111.48 cr. credits against Rs 180cr. target. This is 61.93% which is lowest from three banks. 2nd number is of DGGB. Who had given 378.04cr. credits against its targets 417.5cr. Which is 90.55%. SGB bank had given 487.07crs. credit against his target 511.79 cr. Which is 95.17%. Three banks target is 1109.29crs. against which total credits given 976.59 crs. which is 88.03%.

In the year 2010-2011 BGGB had given 145.03 cr. agriculture credit against 175 cr. target which is 82.87%. BGGB had given 471.91 cr. against its target 536.94 cr. which is 87.89%. Where SGB bank had given 492 cr. against his target 604.64 cr. which is 81.37% no one bank is success in it target but one thing is good that is result in 2010-2011 is better than 2009-2010. In the year 2009-2010 target of bank is 1109.29crs. which is increased to 1316.58crs. In the year 2010-2011 in this way 2009-2010 total investment of 976.59crs. in agricultural area which is increased to 1108.94crs. in 2010-2011.

Dena Gujarat Gramin Bank (DGGB)

In 12-9-2005 DGGB is started. In 2005 Banaskantha, Mehsana gram in bank, Kutch gram in bank are amalgamated and DGGB starts its sponsor bank is Dena bank. Its h.o. is in gandhinagar. Which covers Banaskantha, Gandhinagar, Kutch, Mehsana, Patan, Saberkatha and Ahmedabad 7 district. Mr. G.K.PANERY is the chairman, Mr. M.K.JAIN is the general manager. DGGB bank's 143 branches are distributed in 7 districts in march 2010-2011. (These does not includes satellite branches)

DGGB and Agriculture credits**Details of branches and their credits**

Year	Outstanding of Agriculture finance		Targets Agriculture finance and Achievements during the Year		
	No's A/C	Amount	Targets	Achievements	Percentage of Achievements
2007-08	67,937	397.22	262.64	302.73	115.26
2008-09	77,834	338.17	334.17	338.59	101.3
2009-10	83,156	319.68	417.50	378.04	90.55
2010-11	86,941	338.21	536.94	471.91	87.9

(Source: Annual reports of DGGB bank)

(Rs. in crores)

There is a reduction of 14.86% in agriculture credit from 2008-2011 by DGGB. It means not there is reduction in distribution of credits. From 2008 year onwards there is continuous increase in lending to agriculture sector i.e. Rs. 302.73crs. to 471.91crs. in 2010-2011. In this way every year investment in agriculture area is increase.

Number of accounts with outstanding credits in 2008 was 67,937. Which increased to 86,921 in March-2011. It is increased by 87.97%. It's shows benefit of agriculture credit given to more farmer. Second important thing is that, the amount of outstanding credit in year 2007-2008 was Rs. 397.22crs, which reduced to Rs. 338.21crs in march 2011, which shows benefit of agriculture credit is given to small farmer also.

DGGB's annual report shows that, in 2008 & 2009 credits given to farmers are higher than targets. Where it is less in 2010 & 2011. So actually there is a reduction in targetable work from 2008-2011. In 2008 achievement is 115.26% which was in 2011 is 87.9%. in this way mixed picture of DGGB. But as per my observation, we can see in different way means target amount and credit amount trend of DGGB is really success. From 2008-2011 targeted and achievement was continually increased. In march 2008 actual agriculture credits Rs. 302.73crs., where in 2009 Rs. 338.50crs. It increases in 2010 upto Rs. 378.04crs. And in march 2011 increase up to Rs. 471.91crs. So in each year there has been increased in amount lended to agricultural sector.

4. Need of study

India is the nation of villages. 68.84% of total population is stay in villages, so for development of nation development of villages are important. 80% of village population and 62% of total national population is dependent on agriculture area, so primary need for development of nation is agriculture area. In India ratio of poverty is high and income of rural area is lower than average national income. In farmers, ratio of small and marginal farmers are high. Their income is so less that is way they cannot invest in farming activity sufficiently. Day by day lands are divided into small parts because of high population and so efficient use of land cannot be done. For development of agriculture area they have need of money. If banks does not provide credits then farmers have to face many problems and have to go to the private institutions. Because of private institution's credit they have to face the problem in repayment of credit and so they cannot come out debt. That is why government has planned that 40% of total credit is being given for primary area. In banks also Regional Rural Bank is a primary bank established for the economic development of farming, business, commerce, production and other productive activities and also gives credit for this purposes to farmers, farming labors, workers, and small organizers. That's why agriculture credits given by Regional Rural Bank. By considering below objective we are stepping ahead.

5. Objective of study**Main objective**

- It is believed that proper facility of lending is given to farmer it will lead to economic prosperity and high standard of living of farmers. By studying this it can be known that there business, overall wealth, social standard, their normal needs, awareness, there debt, children's education improved or not?

- If there is negative effect of credit then which are the reasonable causes? What care should be taken by the farmer in order to mitigate from such negative effect?

Alternative objective

- Regional rural branches gives credit in agriculture in which, for which type's purpose farmer should need more credit?
- Are the Regional Rural bank rates reasonable or unaffordable?
- Are Farmers utilizing the credit for different agriculture purpose? If not, then which are those avenues do they execute the credit amount?
- Are Regional Rural bank able to satisfy farmer's credit need, within their specified area limits?
- Is there any requirement to improve the credit process? if yes , then which are those prone areas?
- Is farmer paying regular installment? If not, then what are those reasons?
- Are farmers depending for credit other than Regional Rural bank?
- Are farmers taking credit because of actual need or because of getting cheaper rate & deploying those fund other way ie:- Apart from farming?
- Are farmers satisfied with RRB's credit operation or not?

6. Area selection

There is a vital role being played by RBBs in the development of rural sector. The main profession here is agriculture or based on it. However, with the course of passing time, this sector also needs capital and investments. At such point, role being played by RRBs is the important one.

I selected Gandhinagar region for the as an area of study. The reason behind it was as a capital of state as well as a good supporter of agriculture products along with technical and technological developments. Believing this fact, I selected all the tehsils of Gandhinagar for my research.

7. Selection of Sampling

The primary area of my information sampling is consisted of farmers. For selection of sample, I gave preference all branches of *Dena Gujarat Gramin Bank* situated in Gandhinagar. I selected four out of ten branches of *Dena Gujarat Gramin Bank* by random sampling method by dividing them according to tehsils in Dehgam, Kalol, Manasa and Gandhinagar. Credit is not disclosable information of the bank according to regulation, hence I was not able to get the details of farmers' credit facilities given to them. So, I selected 300 samples from four branches from the options which were available to me.

Numbers of Sample under each branch of Gramin Bank

Branch of Gramin Bank	Numbers of Sample
Dena Gujarat Gramin Bank, Vadodar	120
Dena Gujarat Gramin Bank, Dashela	100
Dena Gujarat Gramin Bank, Mansa	60
Dena Gujarat Gramin Bank, Kalol	20
Total	300

8. Methods of Data Collection

All the necessary information was collected from different sources where-ever available. As primary source of information, 300 samples of farmers who availed credit from four branches were used. However, before that, to set the ground, I used reference books, research papers, published and publicly available government data, bulletins, websites of Reserve Bank, NABARD, Dena Gramin Bank etc. Methods used to select primary sources are as follows:

Tools of data collection and methods**A. Formation and testing of questionnaire**

Different aspects related to research are classified in different sections while preparing the questionnaire. Necessary information was collected from farmers after pre-market research before finalizing questionnaire. The final draft was prepared which included removal of un-necessary questions after discussion & consultation with the research guide as well as concerned experts.

B. Planning of Field work and data collection

- **Visiting methods**

The primary data was collected by filling up questionnaire while visiting farmers directly. Although this included many difficulties in setting up meeting with them according to their convenience, setting up their trust for the research, but the discussions were fruitful as I was able to have answers to my questions asked to the correctness of the information collected on primary grounds. The discussions also included their work areas, issues & problems and also included their bad experiences with the profession and area of their work. Along with the research, I also gathered individual opinions and thoughts of the respondents.

- **Observation Methods**

I tried to observe the body language, facial expressions and way of answering, emotions etc. to check the correctness of the information while collecting primary data. Also, when I considered the family background of the respondent, living standards, family size etc., I was able to get more information with ease in interactions.

9. Method of analysis of data collection

Collected information related to research, I have used below different analytical methods to simplify and clear analysis.

1. Compiler of information
2. Classification of information
3. Summarization
4. Comparison and analysis
5. Use of computer

10. Findings

- Most of the time farmers are in need of short term finance. Out of 300 farmers only 4 farmers informed they have no need of finance. Out of remaining 296 farmers, 84.8% (251farmers) needs finance for one year.
- Out of 300 farmers 280 farmers, 93.3% in percentage, says that rate of interest on loan is reasonable. On the contrary 2 farmers (0.7%), says that rate of interest on loan is high while 18 farmers (6%), has given mixed response. They find rate of interest on agriculture loans is comparatively low against other loan.
- Most of the farmers are using funds taken from rural bank for specified purpose only. 97.7% farmers are using their funds for purpose specified by rural bank. Out of total 300 farmers only 7 farmers (2.3%) are using funds for other than specified purposes.
- Most of the finance needs of farmers are satisfied after taking credit from rural bank. Total 206 farmer's finance need is fully satisfied, 78 farmer's finance need is partly satisfied, 11 farmers finance need is little bit satisfied and 5 farmers finance need is not satisfied. Thus Rural bank is successfully satisfied most of financial needs of total 284 farmers which is 94.7%. Total 94 farmers whose financial needs are not fully satisfied by bank, out of from them 63 (67%) farmers have not utilizing other sources to satisfy their financial needs.
- Agriculture credit is become beneficially to farming business as well as allied businesses. Due to agriculture credit 89.07% of farmer's income increases, 87.7% farmers increased use of fertilizer and 85.7% increased use of quality seeds. While 85.3% farmers increases their farm fertility and 82.7 % farmers increases their crop production. Farmers who are in animal husbandry business from them

82.5% farmers can provide healthy food to animal. 50% farmers can increase the use of modern equipment for farming.

- After the use of this type of credit there is a positive effect on physical facilities of farmers. The major effect of this is on transportation facility. 60% farmers increased use of transportation vehicles, 49% farmers increased use of household electronic equipment, 47% farmers increased use of entertainment equipment. There is no negative impact found of credit in the studied area of farmers. Only positive effects are there.
- Credit directly affects bank/cash balance of farmers as well as live stock because credit increases bank/cash balance while credit taken for live stock increases live stock with farmers. 77.75% farmers said that credit affects cash/bank balance and 59% said that credit affects live stocks. Least effect of credit is on land, home and investment in shares. There is no direct and immediate effect of credit on land, home, gold, silver, investments etc. but indirect effect can be seen in long term (If there is no natural calamities).
- There is increase in basic facilities like toilet, bathroom, lights, water, etc after taking credits.
- Because of credits farmers becomes familiar with banking services, saving schemes and investment plans. According to 252 farmers, which is 84%, after taking credit, knowledge of banking services among farmers has increased significantly.
- Because of credit facility now farmers can satisfy their financial needs easily which keeps them free from mental stress. After taking credit 226 (75.3%) farmers becomes stress free as they don't need be dependent on others for farming, fertilizers seeds etc.
- Agriculture credit has positive effect on actual debt of farmers. Small farmer's economic condition has improved. 24.7%. Farmer's actual debt is decreased while 6.3%. Farmer's actual debt is increased and for that agricultural credit is not only reason. Credit has not any direct impact on increase in debt of farmers but if credit utilized in proper way than debt can be decreased.
- According to 236 farmers, 78.7% in percentage, these credits are very helpful for increasing employment. When credit facility was not available farmers has to spend time to arrange funds and that delay their work but now they can complete their work in time due to credit facility and that saves their time. Credit for purchase cattle direct affects their employment. Farmers can do animal husbandry by purchasing cattle which increases their income. Farmers can purchase jeep and tractors and can give them on rent to earn extra money when there is no personal use of it.
- Most of the farmers are paying their installment of credit regularly. 275 (91.7%) farmers are paying their installments of credit regularly while 22 farmers sometimes not paying their installment regularly. The main reason behind irregularity in payment of installments of credit is uncertain and low crop prices.
- Most of the farmers are not taking credits from other institution apart from rural bank. Farmers who are taking credit from other institutions are not for agriculture purpose. 272 (90.7%) farmers have taken credits from rural banks only not from any other sources and rural bank has successfully satisfied their financial needs. 28 farmers have taken credit from other institution and out of them only 6 farmers have taken credit for agriculture purpose. In this way only 2% farmers are depend on other institution while 98% are depend on rural bank for agriculture purpose.
- The ratio of farmers who are taking credit at low rate from rural bank without need is very low. It is not good to take credit from rural bank without need only due to low rate of interest. 292 farmers, 97.3% in percentage, are taking credit when they are in need while only 8 farmers, 2.7% in percentage, taking credit without need due to low interest rate.
- Farmers are satisfied with rural bank's facilities and services. 44% farmers are fully satisfied, 53% farmers are mostly satisfied. It means 97% are mostly satisfied. So we can say that bank's services are best and farmers are satisfied with that. Those who are not satisfied for that bank's services are not responsible.

11. Suggestions

After the research, I suggest following solutions which can help to reduce the troubles being faced by farmers, can shorten the negative effects of credit and also boost the effective uses of credit facilities. This can also serve as a guideline for deciding necessities while sanctioning credit facilities.

► **No. of Guarantor**

At present minimum two witnesses are require when take a credit. The credit in which the lands are mortgage one witness is enough instead of two witnesses.

► **Time limit of crop credit should be increase.**

Crop credit are very prevailing for farmers and are very important. Now a day's its time limit is 12 months. It is more useful for the farmer if the time limit increase by 18 months. Many times it seems that when the season are stated the products prices are decreased and when it complete the product prices are more increase. One side the farmer required more money for the payment of credit within 12 month. That's why they have to sell the product in less price. If the time limit increase by 6 months then the farmer has a time for sell of product at his price, therefore he pays the amount of credit.

► **Amount of credit per hectare, to increase total credit limit and per animal credit limit.**

The amount of credits is different in different states and on different crop product. Normally the amount of credit Rs 40,000/- per hectare to be taken to the farmer the time of crop credit are decided an past rate and present rate at present inflation rate are going up, due to this fertilizer, pesticide, seeds etc., prices drastically increased. Diesel cost, irrigation cost labor cost etc. expenses are going up on that basis credit amount is comparatively less than its actual requirement. The limit of credit decided on the basis of future price increment and safety of the crop. e.g. currently crop credit Rs 40000/- per hectare when new limit is going to decide, should consider the price changes for fertilizer price, pesticide, seed, diesel, electric bill etc. If 10% price increases then Rs.40000 (old price) + 10% of old price (40000*10%) Rs.4000 + Rs.1000/- time safety amount, which provides the hedge in future, so total credit amount should be Rs.45000

At present 7% rate of interest is charged on credit worth Rs, 3, 00,000. This limit should be increase up to 100% of Rs 3,00,000. There isn't any change in this limit since many years. During last 5 years fertilizer, seeds, electricity, pesticide all types of expenses increase by 100% therefore crop credit limit should be Rs 600000/- instead of Rs 300000.

Under animals finance, the funding amount for animals should be based on future value plus margin of safety. The Manager has some sort of authority in which he can increase the credit amount. Manager should be increase by this way issue of inefficient finance will be solve.

► If Government provides following facility it is helpful to farmer and reduce their problems.

- To improve distribution of crop.
- Sufficient warehouse facilities.
- Government should declare the support prices by taking into consideration the expenditures incurred by farmers, real expenditure, productivity of the crop, inflation rates and reasonable profits or margins a farmer should earn.
- The interest subsidy should also be given in the cases where credit was availed for the motives other than crop production. This would motivate the farmers' community and help the banks to align the installments from irregular payers.
- Suggestion of manager should be taken while determine the policies regularly time period, Installment etc. because they actually know situation.
- Today, valuation in the price of commodities is very high only because of speculation which is highly affecting the market. Government should take some step against it because when prices is going up at that time farmers are not able to get benefit of it but when price is reduce farmers are affecting more.

► **Non-productive Credit**

There are few credits which turns to be non-productive out of the set of credits sanctioned by RRB like Two-wheeler credit, Tractor credit, credit facilities given for Godowns etc. Two-wheeler is useful to framer for distribution of milk and transportation etc. However, if these instruments are used to motives other than specified ones, this would definitely increase the expenditures like petrol expense along with re-payment of credits. Similarly, the tractor purchased such way, if used for other purposes like farm or building construction, repairing of buildings etc. This affects the earning & repayment capabilities of farmers. Now, if expected earnings are not achieved, the farmers would not be able to repay the credits timely. As a result this would worsen the economic conditions of farmers rather than improving it. So, I believe, before taking credit, farmers should calculate & estimate their repayment capabilities along with interest, whether they would be able to fully utilize the motive of the credit etc. Such calculative risks should only be supported. A credit for specific purpose is a calculated risk, however can be avoided if aforesaid measures are implemented.

► **Guidance to Farmers for Monetary Issues**

Banks and rural development institutions should organize meets, rallies and public shows for guiding farmers for their monetary and economic issues. They should also make them aware of the things to be considered while taking credit, what to be done if any issue arises in the future after taking the credit facilities or credits, what they should do if the purpose for which credit was availed is not served, how a farmer can use his present income to use the installments along with interests etc. This should enable the farmers planning their monetary needs and organize the things accordingly.

12. Conclusion

Under the study “A study of Impact of Agriculture Finance by Regional Rural Bank on Farmer”, what type of problems faced by farmers after getting agricultural finance? This main concept taken consideration under this study. Along with this, for which purpose and for what time period agriculture finance more needed to farmers? Is Regional Rural Bank (RRB) successfully satisfying such financial need of farmers? Are farmers needed to take a finance (credit) rather than RRB for agriculture? If yes, than for what purpose? Is rate of interest is reasonable of agriculture finance? Are farmers using credit money for mentioned (suggested) purpose or not? If not than for which purpose farmers are using credit money? Are farmers paying credit installment on time or not? If not then why farmers are not paying credit installment on time? Are farmers taking finance from bank when it is actually needed or taking it due to cheaper rate? Are farmers satisfied with credit operation of bank or not? These objects are also considered under the study.

After taking agriculture finance from bank which impact happens on the farmer, those impacts are classified under below head.

In farming business, on availability of physical instruments (equipments) for transport, entertainment and house use electronic instruments etc., on farmers own property, on availability of basic facilities, on awareness of financial transaction, on social life of farmer, sociological impact on farmer and others impacts. Under the head impact on farming business, positive impact happen on income, usage of machinery in agriculture, usage of good quality seeds, fertilizer and pesticides, on agriculture production and productivity. After taking agriculture finance from bank, income of farmers was increased, usage of machinery in agriculture was increased. Farmer was able to use necessary seeds, fertilizers and pesticides in agriculture on time. Due to availability of agriculture finances, agriculture production and productivity was increased. Farmers were able to increase their physical instruments (equipments) like vehicle, house use electronic instruments, and entertainment instruments. Due to periodically taking finance from bank, awareness of farmers was increased regarding financial transactions (activities). Farmers has to pay credit installment on time to time, due to this practice farmer's saving habits was increased. Besides, psychological impact also improves on the farmer. Due to availability of finance, farmers problem has been resolved which was stopped for the reason of lack of (insufficient fund) money. Therefore, farmers were became stress less and increased piece of mind. Poor farmers needs to borrow money continuously but after availability of finance now farmers has no more need to take money from private sector.

Due to increase of income and cash/bank balance, farmers were become more capable to spend money behind their children's education. Also increased the employment, medical facility and healthy food of farmers. Those farmers who were poor has more Impact of finance rather than those farmers who were in sound position or whose economic condition is good. Positive impact agriculture finance will more possible when farmers will use money of credit for mentioned purposed. If farmers will not use credit for mentioned purposed then at least credit money should be use by in a way farmers income will increase or additional income will generate.

Under the study positive impacts were seeing on almost farmers under study area. There were not seeing a direct relation among negative impact and agriculture credit. Below reasons are more responsible for negative impact of credit. (1) If farmers were not using the credit money for mentioned purpose and use credit for such purposes where farmers will not able to generate additional income to pay interest and installment of credit then farmer's economical condition will become weaker. (2) If famers takes a credit for non-productive purpose (work) line farm building construction, house repairing/renovation, to build wear house etc. And if sufficient income will not earn than such finance will become burden for farmer. (3) If farmer take finance for productive work but due to natural calamities and un-controlling factored of farmers like

drastically reduce market price of crops, due to such uncontrollable factors farmers will not able to pay credit installment on time.

Under the study it shows that all farmers are in need of short term agriculture finance on periodically basis and RRB is able to satisfy this financial need of almost farmers. Some farmers (94) agriculture financial need was not completely satisfied. Out of such farmers almost (63) farmers were not taking finance from other places.

Rest of the farmers were taking credit from other places, among these farmers most of the farmers were taking credit from unorganized (private) sector for their non-agriculture purpose or to fulfill their social responsibilities, in illness and to repayment of credit (credit) installment etc. The farmers who were doing business along with farming, they were taking credit besides of RRB for their own business purpose. Due to easy and reasonable interest rate more and more farmers are choosing for credit. Only some of the farmers were using amount of credit for another purpose, mainly for celebrating festivals and to satisfy daily house use need.

On farming business, on availability of physical instruments (equipments) for transport, entertainment and house use electronic instruments etc., on farmers own property, on availability of basic facilities, on awareness of financial transaction, on social life of farmer, sociological impact on farmer and others impacts. Under the head impact on farming business, positive impact happen on income, usage of machinery in agriculture, usage of good quality seeds, fertilizer and pesticides, on agriculture production and productivity.

References

- M.H Ansari, Bank Financing and Agriculture Development, New Publishing Company, New Delhi, 2006.
- Dr. Shankar Adawal, Agricultural Finance by Commercial Banks, Academic Excellence Publisher and Distributor, New Delhi, 2008.
- Rustam Ali, Impact of Bank Financing on Agriculture Development, Vista International Publishing House, New Delhi, 2006.
- Naqi Uddin, Regional Rural Bank & Development, Mittal Publication, New Delhi, 2003.
- Pradeep Kumar Malviya (Assi. Prof.), Institutional Finance and Its impact on Agricultural Economy- A Case Study of Mandsaur District of M.P., Thesis submitted to the Vikram University, Ujjain, 1993.
- S. C. Bandyopadhyay, Rural Banking, Indian Institute of Banking & Finance Macmillan Publishers India Ltd., Chennai, 2010.
- Indai 2000 , 2005 & 2009, Compiled by Research Reference and Training Division Publications Division, Ministry of Information and Broadcasting, Government of India.
- <http://censusindia.gov.in/>
- <http://agri.gujarat.gov.in/>
- <http://portal.gujarat.gov.in/>
- <http://www.gandhinagar.gujarat.gov.in/>
- <http://www.rbi.org.in/home.aspx>
- <http://www.nabard.org/>
- <http://www.denabank.com/viewsection.jsp?lang=0&id=0,135,138>
- <http://www.dggb.co.in/corporate.html>