



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS AND MANAGEMENT

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- Kelkar V. (2009): Towards a New Natural Gas Policy, Economic and Political Weekly, Viewed on February 17, 2011 <http://epw.in/epw/user/viewabstract.jsp>

AGRICULTURAL CREDIT: IMPACT ASSESSMENT

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ABSTRACT

Agriculture assumes greater importance in a developing country like India where the growth in national income has largely been determined by the trends in agricultural production. The reason is that it contributes the biggest share of percentage of NDP of India, provides employment and means of livelihood for over 60% of the population and contributes the country's total exports. Agriculture in a narrow sense is referred to crop production in its wider sense includes other allied activities where biological transformation is the process of production. Following the definition of National commission on Agriculture, 'It includes activities like cultivation of crops, cattle rearing & dairy farming, raising piggery and poultry and development of fishery and forestry and also activities connected with their improvements while 'maximisation of output through modernisation of agriculture and allied activities is termed as agriculture development. That in India lives in her villages is true even to this day. India is a country of 5.76 lakh villages & every four persons out of five are villagers and every five out of six persons depend on agriculture and allied activities. The All India Rural Credit Survey (AIRCS) has rightly remarked that India is rural India and that rural India is virtually the cultivator who lives in the village. Thus, any development in India is synonymous with the development of 'Rural India' which is 'Real India'. Therefore, agricultural development implies not only a growth in farm productivity, but also improvement in the general economic conditions of the rural masses. Rural development has gained wide importance along with agricultural development since the introduction of five year plans in the country. Rural development is a strategy designed to improve the economic and social life of a special group of people, the rural poor. It involves extending the benefits of development to the poorest among those who seek a livelihood in rural areas. This group includes small farmers, tenants, landless & people of low income & related activities. It has been widely accepted that agricultural development in rural areas contributes a great deal to rural development. Thus, it can be concluded that Agricultural development is a pre-requisite for rural development. Both can be said to be complimentary to each other, a fair combination of these two, contributes to the overall economic development. However, agricultural development alone in rural areas does not result in rural development. The National Bank for Agricultural & Rural Development (NABARD) after recognising the importance of developing the non-farm sectors as a means to enhance employment opportunities to the rural masses, has stressed the need "for providing credit for promotion of small scale industries, cottage and village industries, Handicrafts, & other allied activities along with agriculture in rural areas with a view to promoting integrated rural development.

KEYWORDS

Agriculture, Credit, Developing country, Production.

INTRODUCTION

Agriculture credit refers to credit provided to rural population it covers loans to agricultural as well as loans to non-agriculturists, artisans & landless who residing in rural areas.

Credit is a vital factor in Indian Agriculture since the majority of the rural farmers are poor. Technological transformation & rural development necessitates the provision of cheap finance.

The necessity of credit in India arose because majority of farmers and non-agricultural population suffer from financial anaemia at present and that the injection of sufficient quantities of finance tem could accelerate their pace and increase the value and volume of their production. The ideal agricultural credit scheme should aim at providing and ensuring adequate finance to every person in the countryside, who is engaged in or willing to in any economic activity.

The importance of agricultural credit in a country like India, which is essentially rural in nature hardly, needs elaboration. Economic Development of the countryside hinges upon availability of credit to rural economy. The burden of indebtedness in rural India is great, & falls mainly on the households of rural working people. The exploitation of this group in the credit market is one of the most pervasive and persistent features of rural life in India. Despite major structural changes in credit institutions and forms of agricultural credit, Darling statement (1925) that ' the India farmer is born in debt, lives in debt and bequeaths debt', still remains true for the great majority of agricultural households in the countryside. Rural households need credit for variety of reasons.

The rural economic activity is highly seasonal in nature and households need credit to smooth out seasonal fluctuations in earnings and expenditure. Credit is necessary both for meeting the short term requirements for working capital and for long term investment in agriculture & other income-bearing activities. Realisation of the gravity of the problem of agricultural credit by the government at different levels & at different periods is well reflected in appointment of several committees and commissions to examine the problem of agricultural credit.

SOURCES OF CREDIT

There are chiefly two sources of agricultural credit in India, namely Institutional and Non-institutional. Non-institutional sources include the private money-lenders, commission agents etc. who all are detrimental to the interest of rural people. In view of the evil effects of these non-financial institutional agencies, attempts were made from very beginning for the provision of cheap credit to the cultivators.

Agricultural credit is disbursed with the help of a multi-agency network consisting of commercial banks (CBs), Regional Rural Banks (RRBs) and Co-operatives. Approximately there are 100000 village level Primary Agricultural Credit Societies (PACS), 368 District Central Co-operative Banks (DCCBs) & 30 State Co-operative Banks (CBs). These are providing ST, MT agricultural credit. 19 State Co-operative Agricultural & Rural Development Banks and Primary Co-operative Agriculture & Rural Development Banks are providing LT agricultural credit.

OBJECTIVES OF THE STUDY

1. To measure the impact of bank finances on agriculture /production income & total income of the respondents.
2. To examine the extent of utilization of credit by borrowers & to find out the reasons for miss-utilization, if any
3. To study the repayment performance of the beneficiaries
4. To offer suggestions helpful in solving problems on the basis of conclusion drawn by the study

SOURCES OF DATA

The study is based on both primary & secondary data

Primary data with regard to agricultural / production income & income of other family members, credit utilization & recovery, opinion of the 50 sample beneficiaries on problems faced by them in getting credit, delay experience, interest rates etc are collected from the beneficiaries with the help of structured schedules designed and finalised after a pilot survey.

Secondary data includes information obtained from annual reports of Syndicate Bank, publications of NABARD & RBI, Hand books on co-operative movement, publications of the Lead bank, statistical department's reports, agricultural department reports etc. Moreover, the necessary details are collected from the files and ledgers of the Bank & by holds discussions with the officials of the bank. Secondary data also are obtained from books, journals, websites etc.

SAMPLE DESIGN OF STUDY

Random sampling technique is adopted for the selection of beneficiaries. Randomly 50 beneficiaries were selected, interviewed with the help of the structured schedule.

PERIOD OF STUDY

For analysing the impact of bank credit on the beneficiaries, borrowers who had availed themselves of loan during 2005-06 are selected. So that the impact of loan could be easily assessed after the necessary gestation period, at the time of field survey

DATA ANALYSIS

The performance of bank has been evaluated using secondary data from the annual reports of the bank. Important indicators like Membership, working capital, loans advanced profits etc. Which have a bearing on the banks working are analysed.

MEASUREMENT OF IMPACT

For the present study 'before' & 'after' approach is used. A comparison of the production/yield & income of the sample borrowers before & after availing financial assistance from bank are collected and the incremental income obtained is taken as a measure to quantify the impact of loan. Thus, though the comparison brought out by adopting this 'before' & 'after' loan' approach has its own limitations. The adequacy of credit supplied and utilization pattern of credit by the sample respondents (50) has also been collected during the field survey.

Tools for Analysis

The tools employ for analysing the data will include mathematical formula such as percentage, averages etc.

RESULTS AND DISCUSSION

A field survey was designed and conducted among the borrowers to measure the impact of lending and to examine the utilization and recovery pattern. Borrowers who have availed themselves of different categories of bank loan are selected for the survey. This chapter deals with the presentation of the survey data duly tabulated and analyzed with the help of appropriate statistical tools.

This is divided into five sections. Section A gives the profile of the sample borrowers who are selected for the study. Section B gives opinion of borrowers towards Syndicate Bank. Section C analyzes the impact of credit on the agriculture/ production income and on the total income of the borrowers. The utilization pattern of long term credit by the respondents is discussed in section D. The repayment behavior and overdue pattern of the sample borrowers are the subject matter of section E.

SOCIO-ECONOMIC PROFILE OF SAMPLE BORROWERS

In this section, an attempt is made to examine the socio-economic profile of the sample borrowers in the study area. Age, Sex, Composition, Education Level, Family size, Occupational pattern, the land distribution pattern etc of the sample borrowers are analyzed here.

AGE-WISE DISTRIBUTION OF BORROWERS

The detail of age-wise distribution of the sample borrowers is shown in Table-4.1. The majority of borrowers 50 % come under the age group of 35-50 years.

TABLE-4.1 AGE-WISE DISTRIBUTION OF BORROWERS

Age group (in Years)	No. of borrowers	%
Below 35	12	24
35-50	25	50
Above 50	13	26
Total	50	100

Source: Survey data

SEX-WISE DISTRIBUTION

Table 4.2 shows the sex-wise distribution of sample beneficiaries. It is seen that 70 percent of the borrowers are male as against 30 percent women. This trend of male outnumbering female is seen in the case of all types of loans. Thus, there is a domination of male beneficiaries in the case of the long term lending by syndicate bank.

TABLE 4.2 SEX-WISE DISTRIBUTION

Sex	No. of borrowers	%
Male	35	70
Female	15	30
Total	50	100

Source: Survey data

FAMILY SIZE-WISE DISTRIBUTION OF BORROWERS

The ideal family size as estimated by the family welfare association is five. In our classification, we have grouped the beneficiaries into to two groups, respondents with family size above five and the other, respondents with family size below five. Table 4.3 shows the family size-wise distribution of sample borrowers. 27(54%) borrowers have family size of less than five, while 23 (46%) borrowers have more than five members in their families.

4.3 FAMILY SIZE-WISE DISTRIBUTION OF SAMPLE BORROWERS

Family size	No. of borrowers	%
Less than 5	27	54
5 or more	23	46
Total	50	100

Source: Survey data

EDUCATIONAL LEVEL OF THE SAMPLE BORROWERS

As regards educational qualifications, what seems significant is that the borrowers with no formal education are few i.e. 30%. It is noted that the borrowers with college level education are only 5.

TABLE-4.4 EDUCATIONAL LEVEL OF THE SAMPLE BORROWERS

Education Level	No. of borrowers	%
No	35	70
Yes	15	30

Source: Survey data

OCCUPATIONAL CLASSIFICATION

A borrower who spends the major part of his time for a particular work or who is getting more than half of his total income from a particular source has been classified under that occupation. Table-4.5 exhibits such an occupation-wise classification of sample borrowers. Agriculture operations constitute the main occupation of the largest number of borrowers i.e. 36 % of the total borrowers selected in the study followed by laborers (28%), salaried employment (18%), village/small scale industries (14%) and others (4%). Thus, this analysis indicates that the occupational pattern is more or less a reflection of the general situation prevailing in the state.

TABLE-4.5 OCCUPATIONAL CLASSIFICATION

Main occupation	No. of borrowers	%
Agriculture	18	36
Laborers	14	28
Salaried employment	09	18
Village/SSI	07	14
Others	02	04
Total	50	100

Source: Survey data

LAND HOLDING PATTERN

The occupational analysis revealed that the majority of loanees are agriculturists/ laborers. Since land is that main factor to derive income, it would be better to know the landholding pattern of the beneficiaries. Table-4.6 reveals that majority of the farmers selected for the study are either marginal or small farmers. 72% of the sample borrowers are marginal farmers having less than 1 acre of land while small farmers (landholding 1 to 2 acres) account 18% of the total, medium farmers account for 8% while large farmers are only 2% of the total sample selected for the study.

TABLE-4.6

Land holding (Acres)	No. of borrowers	%
Below 1 Acre	36	72
1-2	09	18
2-4	04	08
4 and above	01	02
Total	50	100

Source: Survey data

EARNING MEMBERS IN FAMILY

The distribution of beneficiaries with respect to the number of earning members in the family is given in Table 4.7, 54% of the respondents are having two or more earning members in their family.

Earning members in the family	No. of borrowers	%
Only one	23	46
Two and more	27	54
Total	50	100

Source: Survey data

FINDINGS

From the foregoing analysis of the socio-economic profile of the sample borrowers, it can be concluded that the majority of respondents are male borrowers who are in the age of 35 to 50 years. None of them are illiterates, but the number of highly educated respondents is comparatively low and most of them are having only elementary school level education. Of the sample borrowers, 54% of them are having a family size of less than five members, while the others have five or more members in their family. Regarding the number of earning members, 54% of the selected borrowers are having two or more earning members in their family.

OPINION OF FARMERS TOWARDS SYNDICATE BANK CREDIT

The attitude of the respondents towards bank loan i.e. the problems and difficulties faced by them in getting finance are also collected. The collected information is presented in Table 4.8.

Regarding procedural formalities of the bank in getting the loan sanctioned, 70% of the borrowers opined that the bank had a number of unnecessary procedures and formalities to be complied with, which created a lot of inconvenience and delay. Borrowers had to produce Non-encumbrance certificate and other such documents, resulting in additional expenses.

A good number of respondents (64%) had to visit the bank five to six times in connection with the loan proposal. Only 10% of them opined that they could manage to get the loan in three visits mainly because they had some friends or relatives in the bank.

It is seen that on an average it took 2 to 3 months for getting the loan sanctioned. 62% of the respondents had to wait for 3 months while 32% of them could get the loan in one month. However, except for the unnecessary formalities, the borrowers did not experience any difficulty.

Respondents (84% of the total) complained of high interest rate charged along with the penal interest, even in adverse situations of natural calamities. They are of the opinion that at least the deserving farmers should be provided subsidy for agricultural development purposes since it is one of the priority areas of development.

TABLE- 4.8 BORROWERS OPINION IN RESPECT OF CREDIT FACILITIES FROM BANK

Opinions	No. of borrowers	%
1. Procedural formalities		
a. Easy	15	30
b. Difficult	35	70
2. Bank visit in connection with loan proposal		
a. 3 times	05	10
b. 5 times	32	64
c. More than 5 times	13	26
3. Time lag in processing applications		
a. 1 month	16	32
b. 3 months	31	62
c. More than 3 months	03	06
4. Rate of interest		
a. High	42	84
b. Low or Moderate	08	16
5. Repayment		
a. Satisfactory	02	04
b. Not satisfactory	48	96
6. Advisable to take loan from syndicate bank		
a. Yes	32	64
b. No	18	36

Source: Field data

96% of the total borrowers opined that the repayment installments payable once in a year created a lot of difficulties, particularly when the amount due is very large. All the respondents stressed that the repayment should be made half yearly or quarterly. However, in spite of all these problems and difficulties, 64% of the borrowers reported that it is advisable to take loan for agriculture development from the Syndicate Bank. However, 36% of the respondents are of the opinion that it is not advisable to take loan for this purpose from the bank.

IMPACT OF SYNDICATE BANK CREDIT ON FARM/BUSINESS INCOME

Supply of credit is said to be productive or fruitful only if additional income or return is generated out of the said investment. Studies relating to this supply of credit generally have positive relations with the farm/business income. Whatever investment the farmer makes would be fruitless, if it fails to augment their income. In order to ascertain the benefits of all investments, it is necessary to estimate the monetary benefits resulting from the investment.

Increase in farm income as a result of new investment is estimated either by following the 'with' or 'without' approach i.e. comparing the income of those who have availed themselves of loan, with the income of others who have not taken any bank credit in the same group or by following 'before' and 'after' approach to i.e. comparing the income of the loanees in the pre-loan and post-loan periods.

Here, the impact of long term credit on production/agricultural income of borrowers is assessed by the second method i.e. by comparing the Pre-loan and Post-loan income of the borrower for ascertaining the incremental income resulting from the bank loan. A gestation period of four years is given on the presumption that the yield from investment may be generated only after three to four years of investment. In Karwar Taluk, the farmers are usually following a mixed cropping pattern. Hence, the measurement of the impact of credit on all the crops cultivated by a farmer in an area seems difficult, particularly in this context because all the crops cultivated during the pre-loan period may not be there or some other crops not cultivated earlier might be grown in the post-loan period. Hence, an assessment of the monetary returns from all crops in the two periods would give a more meaningful comparison rather than the quantity of the yield.

A comparison of the agricultural/production income of the sample 50 borrowers between the pre-loan and post loan period shows that there is considerable increase in the income generated from the programmes/ financed investments.

TABLE 4.9

Mean of Pre-Total Income	Mean of Post-Total Income	Increase
6300	16000	9700

Source: Field data

To summarize, the long term credit granted by Syndicate bank has generated considerable income from the investment. In spite of inadequate credit supply complained by many respondents, the bank loan has helped in improving the economic status of the loaners.

IMPACT ON TOTAL INCOME

For analyzing the impact of Bank loan on the total income of beneficiaries, the average yearly income of respondents i.e. aggregate income from investment, income from other sources like salary, and income of other members in the family from different sources in the pre-loan and post-loan periods are compared and analyzed. While calculating the average income of the sample loanees in the two periods, only gross income is taken into account. The net income could not be worked out since the cost data available before four years was not realistic or could not be recollected properly by most of the respondents.

TABLE 4.10

Pre-Total Income (Mean)	Post-Total Income(Mean)	Increase
23500	40400	16900

Source: Field data

The above table shows that there is significant increase in the average total income of the respondents between the two periods i.e. pre-loan and post-loan periods. However, this high increase in the average income in post-investment period may not be merely due to the new investment resulting from bank loan because agricultural / production income is only a part of the total income. Hence, an attempt is made to find out the share of agricultural / production income in the total income in the two periods i.e. pre-loan and post-loan period.

TABLE- 4.11

Pre-loan Period		
a.	Pre-Agri Income	6300
b.	Pre-Total Income	23500
c.	% of Agri Income in Total Income	26.81
Post-loan Period		
a.	Post-Agri Income	16000
b.	Post-Total Income	40400
c.	% of Agri Income in Total Income	39.60
Increased share of Agri (%)		12.79

Source: Field data

A loan is considered feasible, generally when an increased return is generated from that investment and this return contributes significantly to the total income of the borrower and thereby improves his overall economic position. This is the basic idea behind any loan scheme. Here it is seen that after taking long term loan for agricultural activities there is considerable increase in the agricultural income of the respondents. This increase in agricultural/production income is reflected in the growth in the total income of the respondents. The bank has to keep an eye on the end use of loan and provide the necessary technical know-how, if the desired results are to be accomplished.

CREDIT UTILIZATION

Credit has become the sine qua non in the new strategy of agricultural development. The credit is said to be the life-blood of agriculture and rural development. However, credit alone is not the solution for all the problems, but a means to an end. Credit serves a useful purpose only when used for productive purposes. Credit may be easily compared to a sharp-edged knife, proper utilization of it generates usually higher productivity, thereby more prosperity, whereas its utilization deprives the borrowers of the extra income they could have earned by using it, besides retarding credit flow.

Utilization of loan is one of the prime factors in the field of rural finance to boost production. Anyhow, mis-utilization of credit has been identified as the most severe problem in rural financing. Keeping this in view, an attempt is made here to examine the credit utilization pattern of sample borrowers.

In Syndicate bank, the sanctioned loan amount is usually disbursed in installments. Hence, misuse of credit is less when compared with co-operatives. Even then, some of them were found to have diverted the installment or have influenced the field supervisors in obtaining second and subsequent installments with the result that the amount is put to unproductive purposes.

TABLE-4.12 UTILIZATION PATTERN OF LOANEEES

Utilization Pattern	No. of borrowers	%
Full utilization	33	66
Part misutilization	07	14
Full misutilization	10	20
Total	50	100

Source: Field data

An examination of the utilization of the Syndicate Bank credit by the sample borrowers(Table-4.12) reveals that out of 50 selected borrowers 66% of them utilized the credit in full, while 7 have utilized the credit partially only for the stated purposes. The remaining 20% of the borrowers misused completely the amount of bank loan.

REASONS FOR MISUTILIZATION

In addition to the above, enquiry was made to extract the reasons for misuse of Syndicate Bank credit among sample loanees. Table -4.13 shows that 59 % of the misusers had used the bank loan intentionally for other purposes, while 12 % of them opined that inadequate financing forced them to divert funds for other purposes rather than going in for an incomplete investment. However, 29 % of the borrowers diverted the loan amount to meet unexpected and urgent expenses. Thus, it can be concluded that the Bank should resort to lend only productive loans to minimize the misuse of long term credit.

TABLE-4.12

Reasons	No. of Borrowers	%
1. Unexpected Expenses		59
2. Took money for other purposes intentionally	2	12
3. Inadequacy of bank loan	5	29
Total	17	100

Source: Field data

OVER DUES

Repayments of loans are an important indicator of the management efficiency in terms of credit evaluation, specialized skills and follow up. The assumption while providing credit is that its application to production increases output generates enough income which in money terms would be sufficient to repay the loans together with interest and leave a reasonable surplus to the borrower. Credit is said to be effective only if this basic postulate is borne out.

A study on the recovery of loan amount essentially means an assessment of the overdue. The amount due from the borrower by certain date but not collected by that date is called overdue. The accepted standard of measurement of overdue is in relation to demand. The rationale for demand as the standard base for assessing the recovery position is that it is the quantum of loan which had fallen due and not those which are yet to become due for repayment. Here in Syndicate Bank the borrowers have to pay penal interest, if they fail to repay their dues in time.

TABLE-4.14 OVERDUE OF THE SAMPLE BORROWERS (AS A % TO DEMAND)

Over dues as a % to total demand	No. of beneficiaries	%
Nil	13	26
1-40%	09	18
40-75%	10	20
75-99%	08	16
100%	10	20
Total	50	100

Source: Field data

Table-4.14 shows that only 26 % of the sample borrowers are prompt repayers, while the balance 74% of them had not repaid either a part or whole of the demand or are defaulters. This figure throws light on the overdue situation existing in the Syndicate Bank.

TABLE-4.15 BORROWERS VIEW ON CAUSES FOR DEFAULT (IN PER CENT)

Particulars	No. of borrowers	%
1. Crop failure	12	24
2. Inadequate income generation	06	12
3. Installment of repayment too high	03	06
4. Repayment schedule not suitable	02	04
5. Misutilization	04	08
6. No specific reasons/ hope of writing off debts	23	46
Total	50	100

Source: Field data

With a view to ascertaining the borrower's perception of the causes of defaults, the following information is also collected from the respondents. The findings of the survey (Table-4.15) revealed that crop failed is one of the factors to which 24% of the respondents attributed their defaults. An equally important factor cited by 12% of the respondents is the inadequate income generation, 8% misutilization seems to be an important cause of non-repayment, however, the largest percentage of respondents i.e. 46% of the respondents did not indicate any specific reason or opined that they 'wilfully' did not repay in the hope of writing off of dues by the Government.

SUGGESTIONS

On the basis of the above findings, a few suggestions are made in this part of the report to improve the performance of Syndicate bank so as to enable the borrowers to derive maximum benefits.

1. It is observed that the quantum of assistance provided to the beneficiaries is insufficient for the proposed investment programme. This is because of the unscientific fixation of unit costs of various projects. This fixation of low unit cost leads to misutilization of bank credit.

So steps are to be taken for the scientific fixation of unit costs after taking into consideration various aspects of the scheme and the unit cost fixed should be flexible and capable of making changes to cope with the inflated prices.

2. No systematic attempts have been made to formulate schemes suitable for specific areas after making an inventory of local resources at the village, block and district level. For Example, though areca nut financed by syndicate bank could increase the income of the borrowers the marketing problems faced by the growers has dampened their enthusiasm resulting in low take off of credit from the bank.

Thus, there is a need for conducting feasibility study of new schemes in specific areas before their implementation.

3. It is observed that some borrowers take loan for unproductive purposes by influencing the field supervisors/ bank officers. This unhealthy practice by some supervisors should be strictly dealt with.

Again there is the need for strengthening of credit supervision. The bank should take steps to recover the loan amount immediately at a high rate of interest from misusers. The setting of a 'Monitoring and Evaluation Cell' in the bank will help in the systematic monitoring of the projects financed which can help in minimizing misuse of bank credit to a great extent.

4. Governments for their political advantages give moratorium on farm credit, waive off interest on agricultural loans, write off agricultural debts and disburse loans in loans melas, all these have contributed significantly to the misuse of credit and bad recovery of dues.

Agricultural credit should not be used as an instrument for achieving political purposes and hence writing off of agricultural debts should not be encouraged. The Government should take a stern and stable policy in this direction.

5. Accumulations of over dues constitute a major syndrome affecting the working of Syndicate Bank. The percentage of overdue to demand works out to be an alarmingly large future.

Thus, there is a need for long term recovery strategy envisaging annual recovery targets. Targets may be fixed for each bank officer and efforts should be taken to achieve them. Some sort of incentives like increment, cash prize etc. may be given to these officers. This measure can keep the overdue level within a controllable limit.

6. The target group-oriented approach in lending to small and marginal farmers due to pressure from Apex bank and NABARD has led to irregular lending and inaction against defaulters. Many small borrowers take the privilege of being in the target group and misuse it. In this study it is observed that the misutilization of the bank credit is at a higher rate among the small and marginal farmers/ borrowers.

Thus, the real task lies in identifying the real Borrower/farmer and not merely the small farmer / borrower.

7. Lack of technical assistance, particularly to the rural masses is a major drawback. There is no special cadre of officers to evaluate the proposals or prepare feasible and economically viable schemes suitable to the rural masses. Mere financing will in no way help the farmers/ artisans without evaluating the viability or feasibility of the investment proposal.

Thus, technical assistance is also important besides, financing. The bank should guide the borrowers and help them to choose the right agricultural activities.

8. Educating the borrowers towards true use of credit and watching the utilization of loans in accordance with the loan agreement.
9. Instituting a system of accountability, responsibility and incentive rewards for good performance in disbursement and recovery of loans.
10. To inculcate repayment ethics amongst the borrowers by organising frequent training/ counselling camps, high-lighting the duties and responsibilities of both the prospective and existing borrowers.

To sum up, credit alone is not the major determinant of agriculture growth. The establishment of adequate infrastructure, extension services, storage and processing facilities hold the key for the growth of the agriculture sector. However, bankers are ignorant of the fact that they can play a pivotal role in this segment. Commercial banks have to join hands with government agencies, local bodies/ organisations, and invest in the much needed rural infrastructure. The National Bank for Agriculture and the Rural Development should formulate a scheme and provide proper guidance to commercial banks for investing in rural infrastructure.

Banks should evolve a simple and effective credit delivery system for agriculture. This will enable them to achieve the target and facilitate the growth of the agriculture sector, which can in turn proper growth in other sectors of the economy.

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