

Perception and Attitude of Banks towards Agricultural Credit: A Study on Select Commercial Banks in Kerala

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Abstract

Agriculture in India is the main primary sector which contributes a higher percentage for food security, nutritional security and sustainable development for poverty alleviation. Agricultural practices and advancements differ globally, though the advancement of agriculture sector gives a positive impact which is beneficial for everyone. Milestones in agricultural development in India include Green revolution, White revolution and Bio-technology revolution etc. The major problems faced by majority of agriculturists in India is rural indebtedness and over reliance on private money lenders. In the past, farming was carried out in a traditional way and the farmers mainly depended on money lenders, relatives and friends for financial requirement. Money lenders used to exploit the farmers in several ways like by charging higher rate of interest for their borrowings, false documents etc. After the introduction of green revolution agriculture entered the period of modernization and there was a remarkable increase in the credit needs of farmers. It finds steps to augment institutional credit by providing stimulus, such as the opening of new branches of commercial banks all over the country. Kisan credit card and the initiative taken to ensure appropriate access to financial products and services needed by the service sector have really been instrumental in the

awe-inspiring hike in agriculture credit. This study going to understand the initiatives of various commercial banks for promoting agricultural credit rural and urban area and so as to assist the country's economic development. It also review the policies introduced by the government in uplifting of the agriculture credit in rural and urban region for a balanced development.

Key Words: Agricultural credit, green revolution, white revolution, biotechnology revolution, e-Agriculture, kisan credit card.

1. Introduction

Agriculture sector has a very important role in the Indian economy. The agriculture sector would alone act as a catalyst in breaking the vicious circle of poverty. This sector constitutes for about 14% of GDP and about 48% of population is relying on agriculture sector for earning their livelihood. Moreover the agricultural sector accelerates overall economic development. The requirement of agriculture credit increased considerably, with the adaption of most modern methods of agriculture sector during post green revolution period. Till 1935 professional money lenders were the only helping hand for the agriculturists to meet their agricultural credit needs. The negative impact which the agriculturists faced was the exorbitant interest rates charged by them and also the nefarious actions followed while disbursing loans and in their recovery. Because of this, farmers were heavily burdened with debts. Agriculture development implies increased production and productivity of crops, generation of employment opportunities and there by improve standard of living of the peasants.

Agricultural credit is the base for conducting all agricultural development programmes. The pressing requirement for agricultural credit raised due to lack of simultaneity between the realization of income and act of expenditure and secondly because of the random probability of distribution pattern in capital needs and savings that accompany technological innovations. The development of institutional credit can be mainly categorized into four different stages. 1904-1969 exertion of control of co-operatives and setting up of RBI, 1969-1982 commercial banks were nationalized and regional rural banks were established, 1982-1990 setting up of NABARD and from 1999 onwards when the financial sector reforms came into being. The downshift in agricultural credit in the 1990's become visible to have been swapped in the period after 2000. Between 2002 and 2011, agricultural credit burst forth by 17.6% per annum, which was outstandingly higher than the growth rate recorded for the 1990's. The increase in the growth rate of agricultural credit in the 2000's was so material that the credit level reached in 2011 was a fair amount higher than it would have been if credit had grown in the 1990s and 2000s at the growth rate of the 1980s. Taking into consideration the period and purpose of the credit requirements of the farmers of the country agricultural credit has been categorized into three major types as: short term agricultural credit, medium term agricultural credit and long term agricultural credit.

In India nearly all of the agricultural policies have been gone through timely review to retain momentum with the changing conditions of the agriculture sector which forms a dominant slice of the priority sector lending of scheduled commercial banks (SCBs). National bank for agricultural and rural development meets the long term and short term credit needs of the lending institutions. Long term credit needs are also met by SCARD. As we know development is a process which asks couple of years to change the context of rural life by

creating a better path for rural development's-agriculture is a new area of knowledge emerging out of convergence of IT and farming techniques'-Agriculture focuses on the augmentation of agricultural and rural development via advanced information and communication processes. Moreover, e-Agriculture involves the action or process of forming a concept or idea of something, prototype, evolution, appraisal and implementation of ingenious ways to use information and communication technologies (IT) in the rural arena, with a cardinal emphasis on agriculture.

Objectives

1. To understand the attitude of commercial banks towards agricultural credit in rural and urban areas.
2. To know the various types of agriculture loan provided by different public and private sector commercial banks.
3. To study the role of technology in facilitating agricultural credit.

Scope of the Study

The present study is confined to certain banks in Kerala. It tries to analyse the attitude and perception of the banks towards agricultural credit in rural and urban areas.. It basically focuses on the terms and conditions with reference to the disbursement pattern and repayment of the loan amount respectively. An attempt has been also made to study the role of technology in facilitating agricultural credit. This study has been undertaken to know the support given by public sector and private sector banks to the farmers by various means in earning their livelihood.

2. Literature Review

Prof.Ratanlalgodara, Dr.Prathapsingh and Dr.Sanjaysingla-Agriculture credit in India: An analytical study – Agriculture is one of the strongest sectors of the Indian economy. In India 70% of the population depends upon agriculture. As a result of early cultivation of plants the Indian agriculture began by 9000 BC. There is a regional imbalance in agriculture growth. So agriculture needs a lot of tools and other implements which will support the farmers in agriculture. The farmers cannot sustain them. So it is better for them to apply for the agricultural loans. The basic facilities are supported by the agricultural loans. Sharma and Prasad 1971, they started the establishment of new and modern technology without credit provision would not have significant impact on the earnings of farmers. Agriculture credit has a positive relationship with the income level of farm productivity and agricultural development.

Shodhganga, chapter 12-need for agricultural credit – Our agriculture is exposed to low return and uncertainty due to its more reliance on nature. As most of the farmers are very poor, it has become more compulsory for them to borrow. In the developing country like India the true farmers will get only low income, when compared to others. Tarishis (1969) observes that the income of the farmers is not comparable to the income of the clerical workers in non agricultural activities. The low income of the agriculturists naturally results in

low savings, low investment and keep them in vicious circle of poverty. Another major drawback that farmers face is the uncertain income. In countries like India agriculture is susceptible to natural calamities and it is still depending upon the monsoon. There is always a risk in the form of bad weather, drought, flood, cyclone, pest attack; low prices etc have hampered agriculture. It is needful that the farmers must be made available with adequate and timely credit.

Dr.T.Bhargavirishikesh and Dr.G.Ramakrishna Reddy (May-June 2014) IOSR Journal of Economics and Finance (IOSR-JEF) – Retrospect's and prospects of agricultural finance by commercial banks in Kurnool district of Andhra Pradesh – Promotion of credit conservatives was the first effort in India while institutionalizing credit for rural areas. The sources consisted of government, commercial banks, co-operatives etc. The RRB does also play a very important role in satisfying the credit requirements of agriculturists. The co-operatives are the cheap and the best source of agricultural credit to farmers. There were enhancement and the agricultural credit received propulsion with the passing of Reserve bank of India Act 1934, district central co-operative banks Act and development banks Act. RBI played a predominant part in the mission of establishing the co-operative credit structure, which gently evolves two separate arms; one is for short term agricultural credit and the other for long term agricultural credit.

Poojagiri (July 2015) International Journal of Science Technology and Management – Agricultural credit in India – Comparing to a share of more than 50% in total GDP it is a key fact to be noticed that the agriculture sector occupies only 14% in GDP today, a matter of concern for the Indian economy. Commercial banks have played a very important role in providing financial help to meet the agricultural credit needs. Kisan credit card has been introduced as a newer credit delivery system to ensure effortless approach to credit banks like NABARD which has grown and developed over the last three decades from a unit-dimensional pinnacle financing agency in to a small dimensional institution for moulding and enacting the countries overall rural credit policy. The credit intensity of agriculture had a noticeable hike when measured with the ratio of agricultural GDP.

Gowhar Bashir Ahangar, Ashaq Hussain Ganie and MohdUmmer Jan Padder International Journal of Current Research and Academic Review– A study on institutional credit to agriculture sector in India – Financing agricultural sector in India was a challenge and many institutions played a very important role. There are many people who provide credit, from which the agriculturists can borrow money for meeting their needs. The main traditional sources are commercial banks, co-operatives and RRB's. The main non-formal sources are money lenders, input dealers and relatives/friends. Micro finance institutions has also been emerged so recently. Loans from traditional sources are regulated through purpose, duration and interest rates, though they may differ across

regions and among providers. Even though the non-formal source carry higher rates of interest, they are customized and have pliability in terms of loan amount, purpose, interest rates, collateral and maturity.

AnwarulHoda and PrernaTerway (June 2015) – Credit policy for agriculture in India – An Evaluation – Judal (1997) Zonal development banks allow the borrowers to upgrade the methods of agriculture by providing term loans. They grant term loans for the purchase of tractors, tillers and IP sets for minor irrigation.

3. Research Methodology

Descriptive research is used in this study to identify the attitude and perception in lending practices of bank. The method used for collecting data through a structured questionnaire and interview of the experienced bank officers in various public and private sector banks in Kerala. Primary data and secondary data were collected for the purpose of the study. The primary data have been collected directly from Bank officers by using the questionnaire and personal interview. The secondary data have been collected from the published journal, books, magazines and websites. The population included bank officers of various commercial banks in urban and rural area in Kerala. The sample size selected is 50 respondents. Percentage analysis was used for analysing the data collected.

4. Analysis and Interpretation

The data collected were strategically analysed by preparing suitable tables for the same. The raw data pooled in the form of scheduled questionnaire were tabulated and analysed through the statistical measure such as Percentage Analysis.

Types of Agriculture Loan

Type of Loans	No. of Respondents	Percentage
Crop Loan	9	18
Agri term loan	8	15
Agri machinery loan	6	11
Agri gold loan	19	38
Post-harvest loan	3	7
Land-purchase loan	2	4
Others	3	7
Total	50	100

Repayment of Loan by Agriculturists

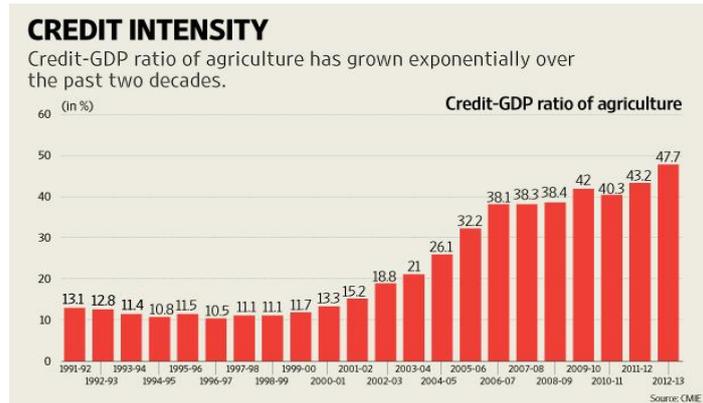
Options	No. of Respondents	Percentage
Yes	25	50
No	25	50
Total	50	100

Interest Subvention for Prompt Repayers

Options	No. of Respondents	Percentage
Yes	50	100
No	0	0
Total	50	100

Repayment Pattern of Loan by Way of Actions Taken by Bank

Actions	No. of Respondents	Percentage
Initiate RR	16	34
Recovery from guarantors	5	10
One time settlement	12	24
Others	17	32
Total	50	100



The agriculturists require credit to meet their short term, medium term and long term needs viz., purchasing of land, cultivation of crops, purchasing of machinery etc. A number of loan schemes are offered by both the public sector banks and private sector banks for agriculture. The main motive of banks is to assist farmers in raising their agricultural productivity and maximizing their income which is not in a exploitative manner as it was in earlier days. Nowadays banks are also advancing long term credit for 15-20 years to the farmers against the mortgage of their lands for its permanent improvement, purchasing agricultural implements and for repaying old debts. The Flow of agricultural credit has consistently exceeded while comparing the earlier situations. From the above graph it is well clear that the Credit-GDP ratio of agriculture has grown exponentially over the past two decades. Both public sector banks and private sector banks has startedinsuring Kisan Credit cards to farmers to draw cash for their production needs which has helped them a lot. Notwithstanding the astounding increase in the volume of overall agricultural credit, there is a far reaching problem of over-dues which has been hindering credit expansion on the one hand and economic feasibility of the lending institutions on the other hand. The waiver of agricultural loans has further aggravated the problem of recovery.

It is well clear that 50% of the agriculturists do not repay their loan on time and also some have not repaid any amount. And with case of the other 50% of total borrowers didn't find any problem in repayment. Banks are providing interest subvention of 3% for the prompt repayers which will further revitalize prompt repayment of bank loans, the Government will continue with the additional three per cent interest subvention scheme for farmers. Certain actions are taken

by the banks for recovering the loan amount from the agriculturists who doesn't make payments. The recovery of loan amount includes recovery of dues through legal action in civil court, initiate RR, recovery from guarantors, one time settlement etc. e-Agriculture services is an emerging trend in the group of various services provided by banks to the agriculturists. e-Agriculture is a promising area comprehending the agri value chain through the application of Internet and related modern technologies. It is identified from the table that 48% of the banks are providing e-Agriculture services and the rest 52% are not providing. IT has made its way into the agricultural sector, and with positive results. So it is a must that all the banks should start offering e-Agriculture services.

5. Inferences

1. Most of the Farmers those who approach the banks for agricultural credit are the young adulthood.
2. Comparing the different types of agricultural loans, agri-gold loan is the most commonly provided loan by all the banks.
3. Most of the banks do not insist any particular category of loan to the agriculturists. Very few insist them to take agri-gold loan as it has lower interest rates.
4. The duration taken by all the banks for sanctioning agricultural loan is less than 1 month.
5. Processing fee is the most common allied charges and fees levied by the banks for providing agricultural loans.
6. Most of the public sector banks do not insist collateral security for all category of loan amount while comparing to the private sector banks.
7. All the agriculturists do not repay their loan amount promptly. Around 50% of the agriculturists who take loans from both public and private sector banks do not repay the amount.-
8. Interest subvention is provided by banks for the prompt re-payers.
9. Certain actions like initiate RR, recovery from guarantors, one time settlement etc. are taken by bank for recovering the loan amount. Among the above mentioned initiate RR is the mostly taken action.
10. ID proof and Land ownership proof are the most commonly required documents by the banks for providing agricultural loan.
11. Gold property is the general collateral security preferred by banks for providing agricultural credit. Collateral securities differ on the basis of the various loans.
12. Banks are in aggressive in providing e-Agriculture services agriculturists. Private sector banks are the ones which provide e-Agriculture services more than the public sector banks.
13. The most common methods adopted by banks to encourage their customer to use e-Agriculture services are contacting every customer personally. Incentive to e-Agriculture loans, giving the technological knowledge to customers through seminars and providing 24/7 online support.

14. There is no particular terms and conditions for banks for lending loan amount to agriculturists. Loans are provided to all the agriculturists who satisfy the eligibility criteria. Eligibility criteria depend on the basis of the banks.

6. Suggestions

1. The Government should introduce the credit guarantee scheme so as to provide guarantee on behalf of the farmers for getting loans which would be a helping hand for the true agriculturists.
2. More supervision should be exercised on loan beneficiaries so as to encourage prompt payments of loan.
3. Public sector banks should take more initiative to provide e-Agriculture services and also should provide training package for the loan beneficiaries to improve their skill and knowledge.
4. Private banks should take initiative to reduce the agricultural loan interest rates, so as to encourage agricultural credit.
5. Bank officers should render necessary advisory services to the borrower. This post finance follow up action will act as a check on finance utilization.
6. Farmers should be provided guidance for improved farming techniques, balanced fertilization, use of water saving devices and proper plant protection measures.
7. The loan should be advanced only to the needy and deserving farmers who have high degree of integrity and are equipped with the honest sense of finance use.
8. The legal process being complicated, bank branch managers should be vested with powers for action without the court intervention whereby the recovery process will be speeded up at a low cost.
9. Government must motivate the farmers to cultivate the flower and vegetables plants which give more income throughout the year. Cultivation of medicinal plants should be encouraged in dry farming areas.
10. Government should award progressive farmers for sincere and on time repayment of agricultural finance borrowed from banks
11. Government should provide financial support on the basis of farmers' category basis.

7. Conclusion

Agriculture plays a dominant role in the economic development of India. Agriculture is the major source of livelihood of more than 65 per cent of the population in India. The agriculture sector contributes less than 20 per cent to GDP, with a sizable share of exports. Agriculture has to grow fast and get modernized to meet the requirements of growing population and the rapid developing economy. For the growth of agriculture sector a number of loan schemes are offered by both the public sector and private sector banks. In rural

areas due to the inadequate awareness of the various schemes and policies introduced by Government would drive them to borrow money from money lenders which despair the role of public sector and private sector banks in the area of agricultural finance and also the money lenders exploit the agriculturists by charging higher rate of interest. Even though there are some problems faced by the agricultural credit, the attitude and perception of banks towards agricultural finance has changed a lot. There are liberal terms and conditions introduced by both the state and central government gave more support for the agriculturists for initiating agricultural activities. The Government has introduced many policies, programmes and schemes for enhancing the priority sector. Comparing with the earlier situations, a remarkable change has been there in the area of agricultural credit by banks i.e., from a very pathetic situation to a prosperity state.

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