

THE CONTOURS OF INDIAN BANKING

Edited by

Prof. Philip Sabu

Director, MBA (ABM),

&

Dr. G. Veerakumaran

Associate Professor



Kerala Agricultural University

College of Co-operation, Banking and Management

A STUDY ON IMPACT OF SBI AGRICULTURAL LOANS

Miss. Ashitha H

*MBA student, College of Co-operation, Banking and Management, Kerala
Agricultural University, KAU Post, Thrissur-680656*

Dr.G.Veerakumaran

*Associate Professor, Department of Co-operative Management, Kerala Agricultural
University, KAU Post, Thrissur-680656*

Agriculture plays a vital role in the development of Indian economy. Rise of agriculture as the earliest form of mass production has influenced the need for marketing. Agriculture accounted for about 10 percent of total export earnings in 2012-13 and provided raw materials to a large number of industries. Recognizing the importance of agriculture sector in India's development, the Government and the Reserve Bank of India (RBI) have played a key role in creating broad based institutional framework for catering to the increasing credit needs of the sector.

A continuous decline in the share of agriculture in the GSDP and increasing cost of cultivation in the state calls for an efficient credit flow to agriculture for the development of agricultural sector of the state. Credit can be classified into two: production credit and investment credit. Out of the total credit disbursed, 82 per cent was for production purpose and 18 per cent for investment purpose. The credit requirements of the farmers are fulfilled by the various financial institutions such as Commercial Banks, Co-operative Banks, Regional Rural Banks and other private sector banks. So the banking sector has played a pivotal role in improving performance of the rural economy. From this, we can infer that banks not only expanded their reach, but also provided diverse products for developmental purposes and also to achieve and maintain a GDP growth rate over 8% in the next few years. Increasing investment is expected to result in higher share of agriculture in the economy.

Statement of the Problem

The development of agriculture depends upon the credit and non-credit services provided to the farmers. The finance is an important and very vital input in the process of agricultural production. All other inputs such as seeds, fertilizers, irrigation, technology, etc. can be obtained by the use of finance. So, there should be a systematic institutional set up to provide finance in terms of credit at the right time in right quantity.

Kissan Credit Card (KCC) scheme and agricultural term loan are pioneering attempts in the rural credit delivery system in India. The main objective of these schemes of State Bank of India (SBI) is to facilitate the farmers to avail credit on time and in adequate amount. As it includes credit to meet expenditure connected with allied and non-farm activities, there is flexibility in the implementation of these schemes. As a pioneering credit delivery innovation, it is relevant to examine the effectiveness of these two schemes, benefits of schemes to the farmers, and procedural formalities of the schemes.

It is important to verify whether the stated aims of KCC scheme and agricultural term loan have met the expectations of farmers. It is also important to understand the awareness about the credit provided under these schemes and the impact of the schemes of State Bank of India. Hence, this paper is an attempt to analyse the impact of SBI agricultural loans.

Objective

- i. The objective was to study the impact of agricultural loans with special reference to the Kisan Credit Card and agricultural term loans.

Methodology

The study depended on both primary data and secondary data. The primary data were collected from KCC and agricultural term loan borrowers through interview method by administering a structured schedule to each respondent. The sample size for the study was 60 which consisted of 30 KCC and 30 agricultural term loan holders of State Bank of India (Agricultural Development Branch), Palakkad. Sample respondents were selected

randomly from the list of borrowers in the inspection register of the bank. Secondary data were collected from journals, magazines, websites, etc. The survey was carried out at Meenakshipuram and Nalepully villages of Palakkad District. The data were collected during the month of June and July 2013.

Study variables

Impact of loan was studied by observing the income generation of farmers, farming practices adopted, productivity, area under cultivation, and purchase of agricultural items. Increase in use agricultural inputs by farmers before and after availing the loan from bank was studied by using paired sample t-test.

Statistical tools

Primary data were analyzed through percentages and t-test. Paired sample t-test (2 tailed) with <0.05 level of significance were used to analyse the use of agriculture inputs before and after availing the loan from bank.

Results and Discussions

State Bank of India caters to the needs of agriculturists and landless agricultural labourers through a network of rural and semi-urban branches. Apart from normal branches, there are Agricultural Development Branches (ADB) which also cater to agriculturists. SBI is the leader in agri finance in the country.

To give special focus to agriculture lending the bank has also appointed agri specialists in various disciplines to handle projects/ guide farmers in their agri ventures. Advances are given to borrowers for very small activities covering poorest of the poor to hitech activities involving large fund outlays.

The main intension was to find out how effective agriculture is, whether the farmers are utilizing the loan amount for the purpose for which it was availed or whether there was any diversion, prompt and timely repayment by the farmers and also to find out the overall impact of agriculture lending by State Bank of India (Agricultural Development Branch), Palakkad. The results are discussed under the domain of socio-economic status of respondents, land holding pattern of respondents, customer relations with bank and impact of SBI agricultural loan.

Table 1 Socio-Economic Profile of the Respondents

S.No	Variables	KCC holders	Agri-term loan borrowers	Percentage
1	Age			
	<35	0	0	0
	35-45	8(53.33) (26.67)	7(46.67) (23.33)	15(100) (25)
	45-55	18(51.43) (60)	17(48.57) (56.67)	35(100) (58.33)
	55-65	4(40) (13.33)	6(60) (20)	10(100) (16.67)
2	Gender			
	Male	14(58.33) (46.67)	10(41.67) (33.33)	24(100) (40)
	Female	16(44.44) (53.33)	20(55.56) (66.67)	36(100) (60)
3	Education			
	Illiterate	3(60) (10)	2(40) (6.67)	5(100) (8.33)
	Below SSLC	22(52.38) (73.33)	20(47.62) (66.67)	42(100) (70)
	Plus two	3(37.50) (10)	5(62.50) (16.67)	8(100) (13.33)
	Graduation	2(40) (6.67)	3(60) (10)	5(100) (8.33)
4	Primary Occupation			
	Agriculture	25(51.02) (83.33)	24(48.98) (80)	49(100) (81.67)
	Animal husbandry	1(33.33) (3.33)	2(66.67) (6.67)	3(100) (8.33)
	Government job	2(40) (6.67)	3(60) (10)	5(100) (8.33)
	Business	2(66.67) (6.67)	1(33.33) (3.33)	3(100) (5)
5	Category			
	APL	26(46.43) (86.67)	30(53.57) (100)	56(100) (93.33)
	BPL	4(100) (13.33)	0	4(100) (6.67)
6	Monthly income (Rs.)			
	5000 - 10000	3(60) (10)	2(40) (6.67)	5(100) (8.33)
	10000 - 20000	22(51.16) (73.33)	21(48.84) (70)	43(100) (71.67)
	> 20000	5(41.67) (16.67)	7(58.33) (23.33)	12(100) (20)
7	Major Source			
	Agriculture	25(51.02) (83.33)	24(48.98) (80)	49(100) (81.67)
	Non- agriculture	5(45.45) (16.67)	6(54.55) (20)	11(100) (18.33)

Table 1 reveals that youth are not engaged in farming activities or holding property rights to borrow loans from the bank. Majority of the agri-term loan borrowers were males whereas both males and females hold equally KCC. The farmers are brought to fields at their early age and so they could not complete their studies or otherwise the educated are not interested to take up farming as their occupation. Agriculture is the primary occupation for 81.6 percent of respondents surveyed. There are no respondents who were living in the hut, which shows an improved standard of living of people in the area covered by survey. APL is 93.33 percent and BPL 6.7 percent, which shows the credit worthiness of loan borrowers. There are no respondents whose annual income is less than Rs.5000. Agriculture is the primary source of income for 81.67 percent of respondents surveyed.

Table 2 Land holdings Pattern of Respondents

Sl. No.	Variables	KCC holders	Agri-term loan borrowers	Percentage
1	Land holdings			
	< 1 acre	1(33.33) (3.33)	2(66.67) (6.67)	3(100) (5)
	1 - 2.5 acre	8(44.44) (26.67)	10(55.56) (33.33)	18(100) (30)
	2.5 - 5 acre	15(60) (50)	10(40) (33.33)	25(100) (41.67)
	> 5 acre	6(42.86) (20)	8(57.14) (26.67)	14(100) (23.33)
2	Ownership of land			
	Freehold	30(50.85) (100)	29(49.15) (96.67)	59(100) (98.33)
	Both freehold and leasehold	0	1(100) (3.33)	1(100) (1.67)
3	Type of Land			
	Irrigated	28(49.12) (93.33)	29(50.88) (96.67)	57(100) (95)
	Rain fed	2(66.67) (6.67)	1(33.33) (3.33)	3(100) (5)
5	Cultivation Practice			
	Traditional	29(50.88) (96.67)	28(49.12) (93.33)	57(100) (95)
	Modern	0	0	0
	Both	1(33.33) (3.33)	2(66.67) (6.67)	3(100) (5)

Table 2 shows the land holdings pattern of respondents. Out of the total respondents 41.67 percent of respondents are having land between 2.5 and 5 acres which reflects that loan borrowers are small and marginal farmers. Only one out of 60 respondents is having both lease and freehold land and remaining all are cultivating in their own land. Majority of the respondents have irrigated land as it is under the catchment of Meenkara dam. The respondents are adopting traditional method of cultivation. It implies that the majority of the farmers were not using hybrid seeds and the study results show that the sowing of seeds and irrigation, weeding, harvesting are not modernized yet. 51.67 percent of respondents are engaged in mixed cropping pattern and only 11.67 percent of respondents engaged in single crop.

Table 3 Customer Relations with Bank

Sl. No.	Variables	KCC holders	Agri-term loan borrowers	Percentage
1	Loan Amount			
	< 50,000	8(100) (26.67)	0	8(100) (13.33)
	50,000-1,00,000	15(55.56) (50)	12(44.44) (40)	27(100) (45)
	1,00,000-1,50,000	5(33.33) (16.67)	10(66.67) (33.33)	15(100) (25)
	>1,50,000	2(20) (6.67)	8(80) (26.67)	10(100) (16.67)
2	Security			
	Personal Security	1(7.14) (3.33)	13(92.86) (43.33)	14(100) (23.33)
	Title deed	1(33.33) (3.33)	2(66.67) (6.67)	3(100) (5)
	Tax receipt	23(100) (76.67)	0	23(100) (38.33)
	Property	5(25) (16.67)	15(75) (50)	20(100) (33.33)
3	Interest Rate			
	4-8%	30(100) (100)	0	30(100) (50)
	8-12%	0	30(100) (100)	30(100) (50)
4	Crop wise utilization			
	Paddy	13(56.52) (43.33)	10(43.48) (33.33)	23(100) (38.33)

The Contours of Indian Banking

	Banana	3(100) (10)	0	3(100) (5)
	Coconut	7(100) (23.33)	0	7(100) (11.67)
	Areca nut	1(50) (3.33)	0	1(100) (1.67)
	Vegetables	6(100) (20)	0	6(100) (10)
	Animal husbandry	0	14(100) (46.67)	14(100) (23.33)
	Others	0	6(100) (20)	6(100) (10)
5	Diversion of Loan			
	Yes ,	0	0	0
	No	30(50) (100)	30(50) (100)	60(100) (100)
6	Frequency of Repayment			
	Quarterly	0	5(100) (16.67)	5(100) (8.33)
	Half yearly	0	25(100) (83.33)	25(100) (41.67)
	Annually	30(100) (50)	0	30(100) (50)
7	Overdues			
	10000-25000	4(66.67) (66.67)	2(33.33) (66.67)	6(100) (66.67)
	>25000	2(66.67) (33.33)	1(33.33) (33.33)	3(100) (33.33)
8	Reason for default			
	Crop failure	3(100) (50)	0	3(100) (33.33)
	Family problems	0	2(100) (66.67)	2(100) (22.22)
	Price fall	1(100) (16.67)	0	1(100) (11.11)
	Diversion of loan	0	0	0
	Low returns	2(66.67) (33.33)	1(33.33) (33.33)	3(100) (33.33)
9	Penal Interest			
	Yes	6(66.67) (20)	3(33.33) (10)	9(100) (15)
	No	24(47.06) (80)	27(52.94) (90)	51(100) (85)

Source: Primary data

Table 3 exhibits the customer relations with bank which reveals that 45 percent of the respondents have availed loan amount of Rs. 50000 - 100000. The bank lends to farmers on personal security, mortgage of title deed, simply on submission of tax receipts, mortgage of other properties and on fixed deposits. 76.67 percent of the KCC loans are dispersed on tax receipt. KCC holders have availed the loans at the rate of 4% but the actual rate of KCC scheme is 7%. The 3% interest is subvention to farmers upon the prompt payments of loans. Most of the KCC holders use their loan amount for cultivation of paddy, coconut, vegetables and banana and agri-term loan borrowers use their loan for animal husbandry. All the respondents have completely utilized their loan for agriculture which shows their loyalty towards bank. Among the defaulters 66.67 per cent were KCC holders and 33.33 percent were agri-term loan borrowers. Most of the KCC defaulters have reported reasons such as, crop failure (50%) and most of the agri-term loan defaulters have their reason as family problems (66.67%). Penal interest is being charged to the defaulters.

Table 4 Impact of SBI Agricultural Loan

Sl. No.	Variables	KCC holders	Agri-term loan borrowers	Total
1	Increase in Annual Income			
	5000-10000	12(50) (54.55)	12(50) (52.17)	24(100) (53.33)
	10000-15000	10(50) (45.45)	10(50) (43.48)	20(100) (44.44)
	>15000	0	1(100) (4.35)	1(100) (2.22)
2	Modern Methods of Farming Practices			
	Sowing by machine	0	0	0
	Use of weed cutter to destroy weeds	3(100) (100)	0	3(100) (60)
	Others	0	2(100) (100)	2(100) (40)
3	Increase in area under cultivation			
	< 50 cent	3(60) (75)	2(40) (28.57)	5(100) (45.45)
	50 cent - 1 acre	1(16.67) (25)	5(83.33) (71.43)	6(100) (54.55)

The Contours of Indian Banking

4	Increase in crop productivity			
	Paddy	6(54.55) (37.50)	5(45.45) (41.67)	11(100) (39.28)
	Banana	0	0	0
	Coconut	4(100) (25)	0	4(100) (14.29)
	Areca nut	0	0	0
	Vegetables	6(100) (37.50)	0	6(100) (21.43)
	Animal husbandry	0	7(100) (58.33)	7(100) (25)
5	Increase in use of agricultural inputs			
	Yes	20(100) (66.67)	0	20(100) (33.33)
	No	10(25) (33.33)	30(75) (100)	40(100) (66.67)

Source: Primary data

5.1 Increase in use of fertilizers

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Fer_Before	569.2125	20	339.16346	75.83925
	Fer_After	592.6875	20	337.62602	75.49547

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Pair 1 Fer_Before- Fer_After	23.47500	12.58155	2.81332	29.36335	17.58665	8.344	19	.000

Increase in use of pesticides

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Pes_Before	1017.4000	20	628.69752	140.58104
	Pes_After	1024.1000	20	627.97284	140.41900

Paired Samples Test									
		Paired Differences				t	df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Pes_Before - Pes_After	6.70000	8.84427	1.97764	-10.83924	-2.56076	3.388	19	.003

Increase in use of seeds

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Seeds_Before	210.5475	20	123.14361	27.53575
	Seeds_After	213.4500	20	122.84692	27.46941

Paired Samples Test									
		Paired Differences				T	Df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Seeds_Before - Seeds_After	2.90250	1.10292	.24662	-3.41868	-2.38632	11.769	19	.000

Table 4 shows the impact of loan. Out of the 60 respondents, about 75 percent of respondents have the ability to generate income. 53.33 percent of respondents have increased their agriculture income to the level of 5000 – 10000 annually. Only 5 out of 60 respondents have adopted the modern

farming practices like use of weed cutter to destroy weeds and others like snow sprayer in dairy farm. Out of 60 respondents 18.33 percent of respondents said that there was an increase in area under cultivation. They have increased their area under cultivation upto 1 acre.

From the total respondents 28 respondents said that there is an increase in productivity of crop. Out of 28 respondents 57.14 percent of KCC holders said that productivity of paddy, vegetables and coconut have increased and 12 agri-term loan borrowers said that there was an increase in milk production and productivity of paddy.

Out of 30 KCC holders 20 have said that their use of agriculture inputs like fertilizer, pesticides and seeds have increased but there is no increase in use of agriculture inputs in case of agri-term loan borrowers.

The t-test result shows that there is a significant difference between increase in use of fertilizer, pesticides and seeds before and after availing the loan, $t(19, n=20) = -8.344$, $t(19, n=20) = -3.388$, $t(19, n=20) = -11.769$, $p < 0.05$. It could be concluded that on an average the use of fertilizers, pesticides and seeds increased by 23.47 kg, 8.84 millilitre and 2.9 kg more after availing the loan from bank.

Conclusion

From the analysis it could be concluded that agriculture lending of SBI is proved as very effective and they are acting as a catalyst for the rural development. Farmers feel very much comfortable to deal with State Bank of India.

Hence, the bank should concentrate more on deployment of agricultural term loans and ensure proper repayment and encourage the females to avail the agricultural term loans. Bank should concentrate on enrolling youths as customers. Management should take note of influence being used and should provide services to credit worthy customers. Bank should welcome new ideas and views of customers, encourage farmers to avail loans by introducing new schemes for agriculture and they should target on productive loan i.e activity oriented loans.

Bank should force farmers to make repayment on correct time, they should encourage farmers to raise complaints so that they could understand those areas where bank want to develop. To meet the farmers entire cost of production bank should increase the credit for KCCs. The bank should increase the quality of their services in order to attain more customers and take necessary steps to increase the awareness by providing more advertisements, publishing pamphlets. So bank should take pre and post investigation before and after granting of loans.

Reference

- Khalid, M.B. and Memmod, Y. (2010), Institutional credit and rice productivity: a case study of district Lahore, Pakistan. *China Agric.Econ.Rev.*2 (4): 412-419.
- Nosiru, Marcus Omobolanle (2010), Micro credits and agricultural productivity in OgunState, Nigeria, *World Journal of Agricultural Sciences* 6 (3): Pp290-296, 1817-3047 © IDOSI Publications.
- Devaraja, T.S., (2011). An analysis of institutional financing and agricultural credit policy in India.
- Mhunzi, O., (2012), The role of microfinance institutions in poverty alleviation: The case of dar-es-salaam region, tanzania. LAP LAMBERT Academic Publishing.
- Arvind Sharma, Sandhya Choudhary, Swarnkar V.K., (2013). A Study on Impact of Kisan Credit Card Scheme among the Beneficiary Farmers in Sehore District of Madhya Pradesh, College of Agriculture, Indore, *International Journal of Science and Research (IJSR)*, Volume 2 Issue 1.
