



PROBLEMS OF BANKERS REGARDING AGRICULTURAL CREDIT IN THE STATE OF KERALA

Dr. Sujesh.C.P

Associate Professor, Department of Commerce,
RSM SNDP Yogam College, Koyilandy, Kerala, India

Abstract

Agriculture is considered as the major sector and hence it has to be given top most priority while arriving at decisions and policies by the Government and other authorities concerned. In view of the significant contribution of the agricultural sector for the development of the economy as a whole, the Government at national and state level, NABARD and RBI have played a dynamic role in creating a broad based institutional framework for catering to the increasing credit requirements of the sector. In India Banks, co-operatives and other financial institutions occupy a very prominent role in the agricultural credit system and for its better performance. In spite of the disbursal performance of agricultural credit is getting more and more positive; the system is not free from all the defects of which one crucial party affected is the lenders or bankers disbursing agricultural credit. The problem of less repayment performance due to low income from agriculture and natural calamities and other related problems is a major seen in the credit delivery system. The detailed analysis of these problems will only be the means to annihilate the same to a large extent. It is also a very need on the part of the policy makers as well as the society at large to make, implement and ensure sufficient initiatives so as to be free from the distress prevailing in agricultural sector.

Keywords: Agricultural Credit, Bank, Borrower, Commercial Banks, Co-operative Banks. Problems, and RRB.

Introduction

Agriculture has always been considered as the major sector due to its significant contributions towards various spheres of the economy. Considering the significance of agriculture sector in India's development, the Government, NABARD and RBI have played a dynamic role in creating a broad based institutional framework for catering to the increasing credit requirements of the sector. In India agricultural credit is performed under a multi-agency approach comprising Co-operatives Banks, Commercial Banks and Regional Rural Banks. Consequently huge amount of credits have been disbursed by banks at national and state level backed by the clear cut stipulations framed by the Government. However, the credit delivery system is not free from defects of varied nature. The bankers are facing the problems of mis-utilisation, default in repayment, heavy overdues, high level of NPA and other related problems with respect to agricultural credit delivery system. In order to have proper channelisation of agricultural credit, the bankers as mediators have to be free from all kinds of defects linked with it. The problems may be directly linked with agricultural credit system influencing bankers or with the agricultural operations influencing agricultural borrowers. Therefore, the planners have to frame and implement appropriate programmes and policies considering these issues confronted with the agriculturists.

Significance

Credit is an essential ingredient in the agricultural sector due to the problem of lack or shortage of funds on the part of agriculturists. Hence the role on the part of the Government, RBI, NABARD, banks and other financial institutions became highly noteworthy. As a result large numbers of initiatives have been framed to enrich the agricultural credit delivery system. Owing to this credit flow of credit by banks to agricultural sector is tremendously increasing year after year. Even though, the disbursal performance shows a positive sign, the lenders are not free from the defects associated with in it. They face the problem of less repayment performance due to low income from agriculture and natural calamities and other related problems. Proper analysis for identifying these problems will only be the medium to wipe out the same to a large extent. Against this background an in-depth analysis is being attempted as to the problems faced by the bankers with respect to agricultural credit delivery in the State of Kerala.

Objectives

The main objectives of the study are noted below

1. To identify the problems of bankers with regard to the credit disbursed to the agricultural borrowers,
2. To analyse the rank wise problems faced by the lenders of agricultural credit, and
3. To compare the major problems with respect to agricultural credit faced by the commercial banks, co-operative banks and RRBs.

Review of Literature

John Mathew (2010) made a study on agricultural financing by commercial banks in Kerala from borrowers as well as bankers level. It revealed that; (a) about one-third of the borrowers faced difficulty in getting agricultural credit from banks, (b) 86 percent of the borrowers experienced delay in disbursing agricultural credit which have affected their agricultural operations, and (c) the credit amount availed was inadequate for 41 percent of the borrowers,

Biju John (2016) identified certain problems of financial inclusion among farmers in Kerala, of which the prominent problem is the insufficient income of the farmers. The other important problems reported by most of the farmers are requirement of securities for availing the credit, documentation and procedural formalities to be fulfilled, lack of awareness as to credit, delay in imparting financial services, etc.

Lavanya (2016) in her study on agricultural indebtedness disclosed that all the farmers revealed that adverse seasonal conditions such as delayed monsoon were the major reason for crop failure leading to indebtedness. It also revealed that; (i) about 96 percent of small, 87 percent of medium, 86 percent of large, and 91 percent of pooled farmers stated that high cost of cultivation was the reason for debt accumulation.

Methodology

The study is analytical in nature and is made mainly with the use of primary data, which was collected from the bankers issuing agricultural credit with the use of a structured interview schedule. The technique of Stratified Random Sampling was depended for the selection of sample bankers. Initially, the whole State of Kerala is divided in to three strata, namely, northern, central, and southern regions. From each strata appropriate sample size is taken for the respondent group by giving equal representations to the three categories of banks. The sample size of the borrowers of agricultural credit was determined by using appropriate formula. The banks selected for the study includes commercial banks, co-operative banks and regional rural banks. Accordingly a total of 153 bankers were identified for the present study by giving equal representation to all the three regions and the three groups of banks under study. The banks selected for the study includes commercial banks, co-operative banks and regional rural banks. Several mathematical and statistical tools like Percentage, Mean, Standard Deviation, Ranks, ANOVA and Post hoc ANOVA were used for data analysis.

Hypotheses

H0₁: There is no significant difference among the type of banks under study with respect to the problem of crop failure or natural calamities.

H0₂: There is no significant difference among the type of banks regarding the problem of low yield or income from the project of the borrowers.

H0₃: There is no significant difference among the type of banks as to the problem of less genuine applicants.

H0₄: There is no significant difference among the type of banks regarding the overall problem faced by the lenders of agricultural credit.

Results and Discussions

The analysis of the problems of agricultural credit faced by the agricultural lenders is described under the following heads.

1. Analysis of the Problems of Bankers

The bankers are having numerous of problems with regard to the functioning of agricultural credit at varying levels. The opinion of the bank officials with regard to the problems faced by the bankers with respect to agricultural credit are listed rank wise with mean score and standard deviation in Table 1. The ranks for the problems are assigned on the basis of mean scores obtained to each problem giving one to last ranks respectively from lower mean score to the highest. It is clear from the table that the foremost two problems faced by the bankers are 'Crop Failure or Natural Calamities' (Rank 1) and 'Low Yield or Income from the Project' (Rank 2), for which the banks have no direct control. The third problem is 'Less Genuine Applicants' and the problem next to it is 'Shortage of Bank Staff' with fourth rank. The other rank wise problems include 'Heavy Default and Overdues' (Rank 5), 'Burden of Past Debt of the Borrower' (Rank 6), 'Huge Personal Expense' of the Borrower (Rank 7), 'Recovery of Debt' (Rank 8), 'Lack of Awareness as to Credit' (Rank 9), 'Diversion of Credit' (Rank 10), 'Large Number of Applicants' (Rank 11), 'Obtaining Security from the Borrowers' (Rank 12), 'Lack of Supervision of Credit Disbursed' (Rank 13), 'Huge Amount of Target' (Rank 14), 'Inadequate Amount of Credit' (Rank 15), 'Inconvenient Utilisation Norms' (Rank 16), 'Complex Formalities and Documentation' (Rank 17), 'Inadequate Assistance from Government' (Rank 18), 'Lack of Power Vested with the Manager' (Rank 19), 'High Rate of Interest' (Rank 20), 'Obtaining Margin Money from the Borrowers' (Rank 21), and 'Inconvenient Repayment Terms' (Rank 22).

Table 1

Rank Wise Problems Faced by Bankers

Sl. No.	Problems	Mean Score	Std. Deviation	Rank
1	Lack of Awareness as to Credit	2.42	0.798	IX
2	Complex Formalities & Documentation	2.93	0.801	XVII
3	Large Number of Applicants	2.49	0.786	XI
4	Less Genuine Applicants	2.13	0.870	III
5	Huge Amount of Target	2.72	0.771	XIV
6	Shortage of Bank Staff	2.21	0.892	IV
7	Lack of Power Vested with the Manager	3.10	0.836	XIX
8	Obtaining Security from the Borrowers	2.63	0.815	XII
9	Obtaining Margin Money from the Borrowers	3.15	0.806	XXI
10	Inadequate Amount of Credit	2.79	0.767	XV
11	Inconvenient Utilisation Norms	2.87	0.788	XVI
12	Diversion of Credit	2.47	0.781	X
13	High Rate of Interest	3.13	0.835	XX
14	Inconvenient Repayment Terms	3.34	0.849	XXII
15	Lack of Supervision of Credit Disbursed	2.69	0.956	XIII
16	Low Yield or Income from the Project	2.09	0.858	II
17	Crop Failure or Natural Calamities	2.04	0.842	I
18	Huge Personal Expense	2.34	0.783	VII
19	Heavy Default and Overdues	2.28	0.869	V
20	Recovery of Debt	2.36	0.784	VIII
21	Inadequate Assistance from Government	2.97	0.809	XVIII
22	Burden of Past debt of the Borrowers	2.29	0.789	VI

Source: Primary data

2. Analysis of Major Problems

In this head, a bank wise detailed analysis is made with regard to the first three problems identified by the bankers with the use of ANOVA.

2.1. Crop Failure or Natural Calamities

The repayment performance of the borrowers is highly influenced by the problem of crop failure or natural calamities. The crop failure or natural calamities as a problem of bankers is analysed with the use of mean scores and it is tested with ANOVA and the results are noted in Table 2 and Table 3 respectively. It is evident from the tables that despite the mean values of banks differ in small respects, the 'P' value arrived as per ANOVA ($P = 0.114$) establishes that there exists no significant difference statistically among the type of banks under study with respect to the problem of crop failure or natural calamities. The co-operative bank is having the least mean value (1.86 with SD

0.816), and it can be concluded that they have more opinion of crop failure or natural calamities as a problem than RRBs and commercial banks. Moreover, as the total mean value is 2.04 (with SD 0.842), it can be inferred that the problem of crop failure or natural calamities is rated at 'High' level.

Table 2**Bank Wise Problem of Crop Failure or Natural Calamities**

Bank	N	Mean	Std. Deviation
RRB	51	2.05	0.862
Commercial Bank	51	2.20	0.921
Co-operative Bank	51	1.86	0.816
Total	153	2.04	0.842

Source: Primary data

Table 3**Bank Wise Problem of Crop Failure or Natural Calamities (ANOVA)**

	Sum of Squares	DF	Mean Square	F Value	P Value
Between Groups	3.079	2	1.539	2.204	0.114
Within Groups	104.78	150	0.699		
Total	107.859	152			

2.2. Problem of Low Yield or Income from the Project

The problem of low yield or income from the project of the borrowers is also analysed at bankers' level with the mean scores and the result of the same is given in Table 4. It reveals that the commercial bank is least affected by the said problem as it has the highest mean score (2.27 with SD 0.927). However, the co-operative bank is highly affected by this problem as the mean score is the lowest for them (1.93 with SD 0.746). As the total mean value is 2.09 (with SD 0.858), it can be concluded that the level of the problem of low yield or income from the project is reflected as 'High'.

Table 4**Bank wise Problem of Low Yield or Income from the Project**

Bank	N	Mean	Std. Deviation
RRB	51	2.09	0.703
Commercial Bank	51	2.27	0.927
Co-operative Bank	51	1.93	0.746
Total	153	2.09	0.858

Source: Primary data

The ANOVA result as per Table 5 brings to the light that the 'P' value is more than 0.05 (0.137) and hence the hypothesis is accepted at 5% level of significance. Therefore it can be established that there exists no significant difference among the type of banks regarding the problem of low yield or income from the project of the borrowers.

Table 5

Bank wise Problem of Low Yield or Income from the Project (ANOVA)

	Sum of Squares	DF	Mean Square	F Value	P Value
Between Groups	2.929	2	1.465	2.015	0.137
Within Groups	109.028	150	0.727		
Total	111.958	152			

2.3. Problem of Less Genuine Applicants

Another problem confronted by the bankers while considering credit to agriculture is the problem of less genuine applicants. The opinion of the bank officials regarding the problem is analysed bank wise and the result is depicted in Table 6. It reveals the mean values of the three type of banks, in which the mean value of RRB is little bit higher (2.33 with SD 0.822). It brings to the light that the problem of less genuine applicants is quite lower for RRBs than other banks. As the total mean score arrived at is 2.13 (with SD 0.870), it can be inferred that the problem of less genuine applicant is coming under 'High' level.

Table 6

Bank Wise Problem of Less Genuine Applicants

Bank	N	Mean	Std. Deviation
RRB	51	2.33	0.822
Commercial Bank	51	2.07	0.898
Co-operative Bank	51	1.98	0.911
Total	153	2.13	0.870

Source: Primary data

However, the ANOVA test (Table 7) finds a higher 'P' value than 0.05 (0.119) and hence the hypothesis is accepted at 5% level of significance. Therefore it can be inferred that there is no significant difference among the officials of the type of banks as to the problem of less genuine applicants.

Table 7

Bank Wise Problem of Less Genuine Applicants (ANOVA)

	Sum of Squares	DF	Mean Square	F Value	P Value
Between Groups	3.223	2	1.611	2.161	0.119
Within Groups	111.854	150	0.746		
Total	115.077	152			

3. Overall Problem of Agricultural Credit

The overall problem faced by the bankers regarding agricultural credit is measured on the basis of combined mean scores of all the problems and the result of the same is given in Table 8. The overall problem of agricultural credit is higher for co-operative banks as the mean value is lower (2.45 with SD 0.845) for them, whereas, it is lower for commercial bank since the mean score (2.74 with SD 0.831) is higher in this case. Despite the overall problem is rated as 'High' for co-operative bank (mean 2.45 with SD 0.845), the total mean score of 2.62 (with 0.820) depicts that overall problem of agricultural credit is at 'Average' level as a whole.

Table 8

Bank Wise Overall Problem of Agricultural Credit

Bank	N	Mean	Std. Deviation
RRB	51	2.66	0.828
Commercial Bank	51	2.74	0.831
Co-operative Bank	51	2.45	0.845
Total	153	2.62	0.820

Source: Primary data

As the ANOVA result as per Table 9 reveals a lesser 'P' value (0.001) than 0.05, the hypothesis is rejected at 5% level of significance. Hence it can be concluded that there exist significant difference among the type of banks regarding overall problem faced by the lenders of agricultural credit.

Table 9

Bank wise Overall Problem of Agricultural Credit (ANOVA)

	Sum of Squares	DF	Mean Square	F Value	P Value
Between Groups	2.419	2	1.209	7.437	0.001
Within Groups	24.395	150	.163		
Total	26.814	152			

As ANOVA signifies statistical difference in the mean overall problem of agricultural credit among bankers as a whole, is appropriate to find the significance of difference in the problem among the type of banks. Hence Post Hoc test is conducted and the result of the same is noted in Table 10. It reveals that there exists significant differences at 5% level of significance in the mean overall problem of co-operative banks with RRB (P=0.031) and commercial banks (P=0.001) and no difference is found between RRB and commercial banks (P=0.562).

Table 10

Overall Problems and Banks - Post Hoc ANOVA (Tukey HSD)

(I) Name of the Bank	(J) Name of the Bank	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
RRB	Com. Bank	-.086	.080	.562	-.28	.11
	Co-op. Bank	.213*	.080	.031	.02	.41
Com. Bank	RRB	.086	.080	.562	-.11	.28
	Co-op. Bank	.299*	.080	.001	.10	.50
Co-op. Bank	RRB	-.213*	.080	.031	-.41	-.02
	Com. Bank	-.299*	.080	.001	-.50	-.10

*Significant at 5% level

Conclusion

The problems faced by the lenders of agricultural credit are plenty in number at varying levels. The study reveals that numerous problems exist in the credit system of which the most two significant issues are crop failure or natural calamities and low yield or income from agriculture. It is clear from these findings that the problems faced by the borrowers of agricultural credit are out of the purview of the lenders instead it is a major concern of the society at large. More over most of the applicants are not genuine, which will also hinder the bankers to have a better performance in agricultural credit delivery system. It can also be concluded that there exist significant difference among the type of banks regarding overall problem faced by the lenders of agricultural credit. So sufficient measures have to be imparted in this sector so as to reap the benefit of agricultural sector.

References:

1. Abdul Hadi., and Kanak Kanti Bagchi. (2006). *Performance of Regional Rural Banks in West Bengal- An Evaluation*. Serials Publications, New Delhi.
2. Anand Anupam., and Manmeet Kaur. (2017). Perceived Impact of the Stakeholders Regarding Agricultural Subsidies in Punjab. *Indian Journal of Economics and Development*, 13(2a).
3. *Annual Report, RBI, 2008 to 2018*.
4. Biju John, M. (2016). Financial Inclusion of the Small and Marginal Farmers by the Banking Sector in Kerala. Thesis, Cochin University of Science and Technology.
5. *Economic Review, Kerala, 2007 to 2018*.
6. Hatai, L. D., Singh, S. P., Sen, C., and Dixit, R. S. (2005). An Economic Analysis of Agricultural Credit and Overdues in Different Regions of Uttar Pradesh. *Indian Journal of Agricultural Economics*, 70 (3).
7. John, K. Mathew. (2010). A Study on Agricultural Financing by Commercial Banks in Kerala, Thesis, Mahatma Gandhi University, Kottayam.
8. Lavanya, T. (2016). Agricultural Indebtedness in Andhra Pradesh, *Indian Journal of Economics and Development*, 12(1a).
9. Ramesh Golait. (2007). Current Issues in Agriculture Credit in India: An Assessment. *Reserve Bank of India Occasional Paper*, 28 (1).
10. Ratanlal Godara., Pratap Singh., and Sanjay Singla. (2014). Agricultural Credit in India: An Analytical Study. *International Journal of Latest Trends in Engineering and Technology*. 3 (3).
11. Sharmishtha Matkar., and Anil Keshav Jadhoo. (2015). Agricultural Credit in India: Status and Problems. *Research Front*, 3 (2).
12. State Level Bankers Committee, Kerala.
13. Swaminathan, M. S. (1999). *A Century of Hope, Harmony with the Nature and Freedom from Hunger*, East West Books Pvt. Ltd., Chennai.
14. Vanitha, J. (2011). Agrarian Distress and Need for Reforms. *Southern Economist*, Feb 15, 2011.