

A Study on the Credit Pattern of A Nationalised Bank in Relation to the Credit Needs of Farmers

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A study on the credit pattern of Nationalised bank to farmers revealed a positive and significant relationship between the credit need of farmers and the extent of credit met by Commercial bank. For one unit increase in the quantum of credit needed, the extent of credit met increased by 0.42 unit. All the beneficiaries needed credit for purchase of seeds, fertilizers, pesticides and to meet cultivation charges and their need was met to the extent of 75 per cent by the Commercial bank.

An important constraint in the adoption of new technology by the average Indian farmer is the limitations in availability of credit in time and adequate to serve the purpose (Bedi and Sekara 1965). Dubhashi (1970) recognised that the State Bank of India took the lead among the commercial banks in providing agricultural credit to the farmers to help in their adoption of modern technology. Datey (1973) reviewed the role of nationalised banks stressed their vital function in transforming Indian agriculture and the extent to which these agencies provide coverage to the credit requirements influences the rate of adoption of new innovations. Sinha and Haque (1970) have found that non-adoption of improved practices by farmers is mainly a result of inadequate credit facilities while Sharma and Nair (1974) indicated that lack of finance impedes the use of high yielding varieties of rice in India.

An analysis of the existing pattern of agricultural credit by any nationalised bank in relation to the varied credit requirements would constitute a foundation on which policies and strategies could be evolved in regard to farm financing. The present study was therefore undertaken with State Bank of India with particular emphasis on the credit needs as well as the extent to which these are met by this bank.

MATERIAL AND METHODS

Studies were made adopting a multi range random sampling procedure. Coimbatore district with a cultivated area of nearly 25 million hectares under the Intensive Agricultural Area Programme was chosen for the present study and three blocks, viz., Sathiamangalam, Thookanaickanpalayam and Nambiyur were selected so as to cover the entire area under the banks financing scheme. Of fourteen groups

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TABLE I. Extent of credit needs met by Commercial Bank

Items for which credit was required	Extent of credit met					Overall percentage of credit met
	100%	75%	50%	25%	NIL	
Purchase of seed (n = 100)	51	11	30	3	5	75
Purchase of fertilizer (n = 100)	47	10	39	4	0	75
Purchase of pesticides (n = 100)	46	12	38	4	0	75
Cultivation charges (n = 100)	46	16	33	5	0	75
Purchase of implements (n = 22)	22	—	—	—	—	100
Purchase of work animals (n = 14)	—	—	—	—	14	0
For effecting permanent improvement (n = 65)	—	—	—	—	65	0

of villages in these area five groups were chosen at random and individual borrowers from the bank constituted the sample unit (Respondent) for this study. Sampling was so adjusted to accommodate twenty beneficiaries and ten non-beneficiaries from each village selected for the study. The choice of sampling villages was so made to provide a good range of villages around the agricultural development branch of the State Bank of India located at Sathiamangalam. An interview schedule was prepared in the vernacular language with necessary precautions so that the questions were unambiguous, clear, concise, complete and comprehensive. Pre-testing of the interview schedule enabled appropriate changes in the proforma. Relevant data were collected during February-March 1975 by personal interview.

RESULTS AND DISCUSSION

The extent of credit availability was grouped into five levels viz., full, 75 per cent, 50 per cent, 25 per cent and zero per cent and were allotted

values of 4, 3, 2, 1 and 0 respectively. Based on this score categories were made as low (0-10), medium (11-20) and high (21 and above). The data obtained were grouped and the extent of their utility assessed by appropriate statistical techniques.

The extent of credit met in relation to the credit needs of the farmers is summarised in Table I. The major purposes for which credit required by farmers were for the purchase of seeds, fertilizers, pesticides, implements and work animals, besides the cultivation expenses and investment on permanent improvements. These requirements were studied individually and the extent of credit met for each purpose is discussed below. All the farmers were in need of credit for the purchase of seeds, fertilizers, pesticides and meeting cultivation charges. Regarding purchase of seeds, 51 per cent of the beneficiaries had met their full requirement, 11 per cent three-fourths of their requirement, 30 per cent half of their requirement and 3 per cent one-fourth of what they

needed. Five per cent of farmers had not got any credit from the Bank. Based on the scores given to the extent to which credit was met, the overall credit utility worked out to 3 out of 4 on an average, indicating thereby, that 75 per cent of the requirements for purchase of seeds was met by the commercial bank.

On an average, the bank had met 75 per cent of credit requirement for purchase of fertilizers. For 10 per cent the bank had met three-fourths of the requirement, for 39 per cent, half of the requirement and in the remaining four per cent, one-fourth of the requirement.

The credit provided by the bank was helpful to 46 per cent of the beneficiaries to meet their full requirement for purchase of pesticides. Besides, the bank provided 75 per cent of credit need to 12 per cent of the farmers, 50 per cent of credit need to 38 per cent of the farmers and 25 per cent of credit need to four per cent of the farmers. On an average, 75 per cent of the expenditure on pesticides was met by the bank credit.

To meet the cultivation charges, for crops, the bank had extended full credit requirement to 46 per cent of farmers' three fourths of the requirement to 16 per cent of farmers, half of the requirement to 5 per cent of farmers. On an average, 75 per cent of credit need was met by bank credit.

Only 22 beneficiaries needed credit for the purchase of implements and for all of them the need was fully met by the bank. Fourteen per cent required credit for the purchase of work animals

and 65 per cent needed credit for effecting permanent improvements. For both these purposes no credit was provided by the bank.

The extent of financial assistance provided by various institutions for agricultural purposes in Tamil Nadu has been studied (Anonymous 1972) and all the institutions put together could meet only around 60 per cent of the requirements. It was gratifying to note, in the present study, that the commercial bank has been to meet about 75 per cent of the requirements for the major purposes.

It is equally important to note that the commercial bank has not met the requirements towards purchase of work animals as well as towards permanent improvement. The provision for the purchase of work animals, though available with the bank could not be availed of by the farmers, probably due to procedural difficulties. At present the commercial banks have been advised by the Government to refrain from extending credit for permanent improvement since this requirement is attended by the cooperative sector.

The correlation coefficient of +0.52 indicated that there is a positive and significant relationship between the credit needed and the credit met and the results are shown in Table II. Since the F value was highly significant, a linear regression equation was fitted in as :

$$Y = 30.87 + 0.42 x$$

The equation implies that for a unit increase in the quantum of credit needed, the corresponding increase in the extent of credit met is only 0.42 unit.

TABLE II. Analysis of variance

Sources	df	S.S.	M.S.	F.
Due to regression	1	337.90	337.90	37.84**
Deviation from regression	98	874.86	8.93	
Total	99	1212.76		

** Significant at 1% level.

In an earlier study (Anonymous 1972), it was found that commercial banks extended nearly one-third of the amount provided by private sources and one-fifth of that provided by other institutions. In contrast, the commercial banks are now the dominating agencies in providing agricultural credit in the same area. This has happened within a short span of four years. The main reason for such an impressive change seems to be the creation of branches exclusively for agricultural development.

The present study revealed that commercial bank did better than the other sources in meeting the credit requirements for purchase of inputs namely seeds, fertilizer, pesticides besides implements. Raju *et al.* (1972) observed that borrowing from commercial banks for investing in inputs helped in greater marginal returns to farmers. It can therefore be indicated that the far-

mers benefit more through the bank than other sources as revealed in this present study.

The senior author is thankful to the Tamil Nadu Agricultural University, for according permission to publish the data which formed a part of his M.Sc. (Ag.) thesis.

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