WORKABLE AND EFFECTIVE WAYS AND MEANS OF INCREASING AGRICULTURE ADVANCE

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ABSTRACT
It is estimated that India will have a population of about 137 crores by 2025 and about 400 million tonnes of food grains would be needed to feed this population. It would therefore be necessary to plan agriculture development on sustainable basis. India has about 100 million operational holdings and about 70% of farmers have land holdings less than 2 hac. It is therefore necessary to evolve a technology, which would increase the productivity of small holdings and maintain ecological balance. For agriculture to be successful, many inputs are required. These are quality seeds, fertilizers, pesticides, good management, and good rainfall at the right time OR availability of irrigation etc. In addition to the above, one of the important input for agriculture is the availability of financial assistance from formal financing institutions at the right time. Here the role of Bankers is very important. Lending to agriculture can be in rural, semi urban, urban and also in metro areas. Lot of scope and potentiality lies at all places and these have to be identified and capitalized particularly for investment credit. In order to boost agriculture productivity, farmers need access to affordable and timely credit facilities. Keeping in view of the importance of Agriculture Advance in the interest of the Bank as well as country as a whole, this project has come out with implementable and actionable approach to increase Agriculture advance in banks.

Keywords: Centralised Processing Centre (CPC); Cluster Approach; Agri-Tourism; Homestead Farming; Rseti; Agri-Value Chain; Tat; Integrated Credit Needs; Business Development Cell

INTRODUCTION
Agriculture sector occupies a key position in the Indian economy. It provides employment to about 65 percent of the working population of India. Agriculture is a dominant sector of our economy and it plays a major role in the growth of economy in India. The contribution of agriculture in the GDP of our country is 13.70 percent as of 2013 and it contributes more than 10 percent of our export earnings.

Contribution in GDP
Agriculture credit by institutions/banks has recorded an increasing trend year by year. In order to improve agriculture productivity, farmers need access to affordable and timely credit facilities. In June 2004, Government of India announced a credit package envisaging doubling of agriculture credit over a period of three years beginning from 2004-05 and 30 per cent growth of credit flow to agriculture every year thereafter.

OBJECTIVES
1. To analyse the reason for slow growth in Agriculture Lending in Bank
2. To suggest implementable strategies to cover the big ticket advances
3. To identify new avenues and new schemes for agriculture financing.
4. To suggest implementable strategies to increase Investment Credit

SCOPE
The ongoing importance of agriculture production in the Indian Economy and the credit need to meet such a production requirement on a continuous basis for the sustainable growth of the Bank & economy, timely and adequate credit requirement needs to be given focused approach. The productive sectors of the economy i.e. Retail, agriculture and MSME will continue to be the Bank’s focus area for the years to come.

The Bank is paying penalty in term of not only ‘Rural Infrastructure Development Fund’ (RIDF) but also the image & reputation due to non-achievement of the priority sector & agriculture credit targets as these also being the social commitments for the Bank.

The shortfall in the regulatory requirement of 18% of ANBC under this is directly affecting the Bank’s profitability. Therefore the Bank needs to focus on Agriculture Sector.

Reasons / Drawback in Increasing the Agriculture Lending
Despite Banks are having well structured organisational set up and various products for financing agriculture related activities to meet all the requirements of farmers, they fail to achieve the targets. From the interaction/discussions with Field Officers, Credit Officers, Branch Managers and others bankers, following outcome/points emerged as a constraints in increasing agriculture advances:

Lack of Awareness about the Bank’s Products & Services
Though Banks are having all financial products to meet the requirement of the customers but they (customers as well as staff/officers) are not aware about the same. This may be because of the fact that our Bank is not financing for the diversified agriculture activities and lack of our marketing & advertisement effort for the agricultural lending products.

Lack of Knowledge/Expertise In Carrying Out The Agricultural Project
Agricultural project needs special skill to be successful. Due to lack of skill and expertise in the agricultural project, farmers are not interested in taking up the new potential projects. There is a need of intensive capacity building programme for the farmers on continuous basis.

Poor Marketing and Infrastructure Facilities
Even if the potentials are there in the rural areas but because of poor marketing & infrastructure facilities, farmers are not able to get the price of their product. Agriculture sector faces the problem of marketing, storage, processing and transportation everywhere due to which farmers are not getting good price on their produce.

Fragmentation of Land
Due to fragmentation of land holding, it becomes economically unviable for commercial production which results into lesser demand for investment credit. The average land holding of farming household...
as per economic survey 2010-11 is 1.15 ha. These result into poor credit demand and less agricultural production.

Majority of the farmers are small and marginal farmers who are demotivated and less involved in farming practices because of the lower and seasonal income from the farming activities.

**Higher Demand of Short Term Credit & Comfort in Dealing with the Same**

Because of the interest subvention benefits and easy availability of crop loan from the Bank, farmers prefer to avail the benefits available to them. It requires comparatively lesser technical expertise to process & deliver the loan unlike the project/term loan.

**High Fluctuation in Farm Output & Prices**

In our country, Agricultural activities are affected by monsoon. Due to uncertainty of monsoon there is a huge fluctuation in agricultural production which is having direct impact on the prices of produce. It has to face the vagaries of natural calamity like flood, draught, earthquake, sunami, etc. Even in the good monsoon year, there is a glut in the market, they will not get the good price nor are they having facility to store it. Therefore, they are reluctant to take high risk with high investment.

**Higher Delinquency in Agriculture Advances**

Most of the field functionaries are facing higher delinquency rate under agriculture advances whatever may be the reason. Therefore, they avoid taking up new agricultural project having good potential.

Since the farmers are not having employment throughout the year as most of the farmers are doing subsistence farming and involved only in one activity. Due to lack of regular source of income, they default in repaying Bank’s loan resulting into higher delinquency ratio.

**Area Specific Schemes**

Most of the regions/areas are not having specific schemes to meet the specific requirements/needs of the people.

**Lack of Adherence to TAT**

“Everything else can wait, but not agriculture” – Jawahar Lal Nehru. It has been felt by our field functionaries that due to non adherence of TAT, farmers/Agri Entrepreneurs are not having confidence to get the credit in time. Timely credit affects the agricultural activities for timely sowing, timely application of inputs, harvesting, threshing, transportation, storage, processing, marketing etc resulting into higher productivity of crops.

**Lack of Connectivity with Farmers**

Because of the various reasons in branches, Field Officers/Branch Managers are not able to connect with the farmers as they are supposed to attend the meetings at various levels, identify the problems as well as provide them the probable solutions.

**Technology Related Issues**

The software used by the banks for processing proposals require updation on a continuous basis particularly for scale of finance related loan proposals which is not in place and processing through it should be made simple.

**Recommendations / Suggestions**

Keeping in view of the above bottlenecks in increasing the agricultural lending as well as agricultural production in our country, suggestions were sought from various concerned person to improve the same.

Based on the feedback received from the field functionaries such as senior branch managers, experienced Agricultural Field Officers and the interactions with various bankers from different Banks.
following points are suggested for the implementation to improve agriculture lending portfolio in Banks:

**Comprehensive Agricultural Loan Policy**

Though the Banks are issuing the circulars every year and manual is in place, a need is being felt by the field functionaries to have Agricultural Lending Policy for the Bank which will be including comprehensive guidelines, organisational set up of vertical, Agri Focused Branch, RSETI, etc in the line with the loan Policy. It will give a feel to staff members the importance of Agriculture Credit.

Field functionaries can always refer to this for the guidelines as well as area specific schemes & major agricultural loan products included in the policy.

**Focused Approach through Set up Of Centralized Processing Centre Like Union Loan Point For Agriculture Project Loan Or Alternatively Set Up Of Business Development Cell For Agricultural Advances Or A Mobile Team Of 2-3 Officers**

Most of the field functionaries are of the opinion that Centralised Processing Centre for Agriculture Project loan will give a better result as the same is very successful in some of the Banks like State Bank of India, Axis Bank, IDBI Bank, Canara Bank, etc.

The set up of CPC will be like Union Loan Point in Union Bank of India and Loan Factory of Bank of Baroda which may be headed by a Chief Manager having agricultural lending background and consisting of 2 – 3 specialist officers for Marketing, Lead Generation, follow up with branches and processing of the proposals. This team will also provide the advisory & counseling services to farmers. CPC may be set up in the Agri-Focused Region initially which will be processing project loan only.

Alternatively Bank may think of set up of Business Development Cell in Regional Office with the same structure. In this way Branches will be having more time for mobilization of credit proposals, monitoring & follow up.

Another option for speedier disposal of loan proposal with quality may be to form a Mobile Team of two-three dedicated officers whose responsibility will be to market, mobilize & process the project loan proposals of different branches of the Region.

**RSETIs Should Be Integrated With Training System of Bank and Should Be Controlled by the Training System for Effective Implementation of Objectives of RSETI**

RSETI is A Resource Organization Committed to Entrepreneurship Development through Motivation, Training and Facilitation. RSETI is to be established in every lead district as per the guidelines issued by government of India. It can be a very effective tool for the bank to enhance the agriculture credit and priority sector advances.

For its effective management and to impart effective training for the settlement of unemployed youth and farmers, RSETI should be integrated with training system of bank.

The in-charge of the RSETI should be having a very good track record & performance in his credit.

**Aggressive Advisory & Counseling Services to Farmers**

Lack of awareness among the farmers about the improved cultivation practices and latest technology is one of the biggest hurdles in the improvement of productivity of agriculture sector. This problem can be resolved by strengthening RSETI with right person at right place.

The role of RSETI is not only imparting training but also to see the post training activities of the participants for their settlement through credit linkage with Bank.

VKCs can play a very effective role in providing advisory & counseling services to the farmers.
Area Specific Schemes & Cluster Approach

It should be designed keeping in view of the Agro Climatic Zones. Our country is having diverse climatic zones and the agricultural activities depend upon weather & climatic condition of the locality.

Branches should focus on cluster development for different activities as it will be win-win situation for both farmer as well as Bank. The availability of inputs at reasonable price and marketing of the produce will no more be a problem as market will reach at the doorstep of farmers for the simple reason of assured supply. The cluster approach is very successful in Tamil Nadu & Karnataka.

This is possible through the formation of good number of Farmer’s Club, SHG/JLG and association of Farmers.

Integrated Credit Needs

The branches should be advised to focus more on project/Term Loan proposal along with the production credit/short term credit and emphasis should be for the cross selling of credit for other allied activities as these are interlinked with each other and there is symbiotic relation between them.

Every UGC holder should be approached and canvassed for one or more allied activities as this will not only enhance their income level but also provide them employment throughout the year. This will keep them motivated & involved in farming practices resulting into a better production and also a significant growth in agriculture loan portfolio of bank.

Entire credit needs of the farmers should be looked into while processing any proposals with a project approach from sowing to marketing of the produce.

Simplified Mortgage Loan for Farmers

This scheme should be remodeled for ease and comfort of availing loan by the farmer. Under the scheme, a limit should be fixed depending on the eligibility criteria i.e. 50% of the value of the land or 5 times of annual income or maximum Rs. 10.00 lacs whichever is less. This should be in the form of overdraft/cash credit running facility which can be operated by the farmer as per their need & requirement within the overall limit as per eligibility.

This limit should be given to creditworthy progressive farmers who are involved in the activity since last three years.

Some of the banks are having similar product in which limit is sanctioned as per the eligibility and farmers are using the same as per their convenience.

Focus on Emerging Trends & Techniques in Agriculture

Due to fragmentation of land holding, it becomes very uneconomical to operate and generate profits. With the changing scenario, farming sector is adopting the innovative cultivation practices which require capital investment along with technical skill. Following are the emerging trends & techniques in agriculture which need to be adopted to meet the food requirements of our country’s growing population.

1. Genetic Engineering
2. Tissue Culture
3. Green House Technology
4. Farm Mechanisation
5. Precision Farming
6. Super Critical Fluid Extraction
7. Cold Storages with Cobalt Unit, i.e. with irradiation facility
8. EM (Effective Microorganism) Technology
9. Organic Farming
10. Mushroom Cultivation
11. Bio-Pesticides, Organic Pesticides
12. Biological Control of Pests and Diseases of the Plants
13. Natural Sweeteners
14. Medicinal and Aromatic Plants
15. Bio-Fuel
16. Cultivation of Algae-Spirulina
17. Growing of Exotic Fruits and Vegetables
18. Extraction of Guar Gums
19. Vermicomposting
20. Water Storages-Farm Ponds/Tanks
21. Hi-Tech Dairy
22. Contract Farming
23. Hatchery Units
25. AEZ – Agri Export Zone

Monthly News Letter

Monthly News Letter should be published by the Banks in which along with the various updates the names of the top performer Branches, ROs, FGMOs, etc and the bottom 10 performers should be published which will keep the field functionaries motivated.

Success stories of the branches, BMs & RDOs may be published & circulated through this which acts as a motivational tool for them to continue the motto and the same can be replicated in other branches as well.

Advertisement

Generally bank’s major advertisements are for the retail loan products the result of which is seen in the form of increasing retail loan portfolio. Bank should also allocate the due share for marketing and advertisement of agricultural Loan product.

Advertisement of agriculture loan product should be increased through electronic, print, websites, radio, etc. A wide publicity campaign will give product visibility and will be helpful in getting good proposals. Publicity of Bank can also be through corporate tie-up model.

Farmer’s Meet / Farmer’s Club

Branches can organize the Farmer’s Meet/Villager’s Meet at least on quarterly basis in which a presentation on Bank’s products & services as well as benefits of availing the services can be given. This opportunity also can be utilized for various campaign related activities like credit camp, recovery camp, CASA campaign, third party products, etc.

Formation of Farmer’s Club/SHGs/JLGs can be explored and the meet can be organized in future with the help of these.
Corporate Tie-Up

We may think of having a good number of long term corporate tie-up with the manufacturers, dealers, agencies, departments, etc. for backward & forward linkages. Under corporate tie-up model entire Agri Value Chain can be financed and the model of channel financing can be implemented.

The opportunity of financing through contract farming model should be explored.

Duty Hours of Specialist Officers

The Banks may think of splitting the duty hours of Specialist Officers, who are involved in Agricultural Lending activities, in two shifts: First shift in the morning from 6:00 am to 10:00 am for the field visit on daily basis for inspection, mobilizing new proposals, monitoring, NPA recovery, attending meetings of Farmers Club, SHGs, JLGs, etc. The second shift from 2:00 pm to 6:00 pm for processing, documentation, etc. in the Branch.

Financing To MFIs / SHGs / JLGs

It is not economical for the Bank to disburse the micro credit. The MFIs are having good organizational set up and having expertise in delivering the micro credit. The MFIs are very successful in rural areas and having recovery percentage more than 95%.

Agri Tourism

At some of the selected potential centres where the Bank has adopted the village can be developed as Agri Tourism Centre. It will benefit all the surrounding villages where organic farming practices are adopted.

This is getting momentum in states like Goa, Kerala, Karnataka, etc. where there is a good scope of tourism. In these states, there is well established Agri-Tourism Associations which is very active in promoting the tourism. It is suggested to have tie-up with the associations to develop other villages in the similar lines.

Homestead Farming/Farm House/Green Gardening

A product/scheme should be designed for Homestead farming/Farm House/Green Gardening. A person who is having a small piece of land near residential house and is growing short duration crops/vegetables/nursery can be financed for the same may be jointly with spouse.

Adherence to TAT

The branches & regional offices should adhere to the TAT which will give confidence among the farmers/entrepreneurs to get it sanctioned within time.

Technology Related Issues

a. By enhancing the speed of software for processing the loan proposals and adopting the simplified procedure for processing the loan through it. RO should update the package on regular basis.

b. Intranet Web-Portal: It should be installed in every Rural Branch which will display the product features on real time basis.

c. Dedicated Call Centre for Farmers: Bank should have a separate call centre for agricultural activities which will be helpful in imparting counseling & advisory services also.

Capacity Building through Training and Financial Literacy

The Banks should organise the training program and Financial Literacy Camps for farmers to make them aware about the various latest technological practices which can be adopted and also Bank’s loan products & services.
The officers looking after the agricultural lending activities should be specialized and should have knowledge about the agricultural practices as well as Bank’s scheme for the speedier disposal of the proposals.

CONCLUSION

Agriculture is the largest sector of the economic activity and is having crucial role in the country’s economic development by providing food & employment to a very large sector of population, capital for its own development & surplus for national economy.

Agriculture credit is one of the most crucial inputs in all agricultural development programmes. Agriculture sector is having very good potential. With better focus and facilitation, India’s net earnings from agriculture trade can be higher than trade & services.

We can adopt a professional approach in providing timely credit to enhance production & productivity by exploring the vast untapped potential of the agriculture sector.

Our country is having very good network of Bank’s branches which are well spread across the country in all agro climatic zones with a good number of specialist officers and a separate vertical looking after the entire credit needs of the sector. We need to exploit the potentials we have for a better result with focused & professional approach.

It is hoped that the observations in this report and the suggestions made will to an extent help in achieving the above objectives.

“Of all things before us, agriculture comes first” – J L Nehru

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