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## **CHAPTER-7**

### **CONCLUSION**

An effort has been made in this chapter to present the summarized version of the major findings of the study and offer some suggestive measures for the betterment of the role of Commercial Banks in agricultural development in India as well as in the Jalpaiguri District with the help of secondary data. We have tried to analyse the role, growth and performance of various commercial banks for providing credit to the agricultural sector in India as well as West Bengal from the period of 2001-02 to 2018-19. We have also examined the role of institutional credit for the improvement of agricultural infrastructure along with agricultural marketing infrastructure in India. The study also aimed to evaluate the socio-economic impact of the institutional credit on income and self-employment of the beneficiaries through self-help groups and financial cooperatives. This research work is based on a case study of the role of the Commercial Banks of Jalpaiguri District for providing credit to the agriculture sector from the period of 2009-10 to 2018-19.

The major findings of our study have been categorized broadly into three areas such as- i) major findings regarding the role of commercial banks in agricultural development in India, ii) major findings related to the institutional credit scenario for agricultural sector in West Bengal and iii) major findings about the role of commercial banks in agricultural development in Jalpaiguri District.

#### **7.1: Major Findings of the Study**

##### **7.1.1: Major findings regarding the role of Commercial Banks in agricultural development in India**

1. The agricultural and allied sectors are playing the most important role in economic development of India. Regarding the role of banking institutions, it considered the most essential parameter in promoting agricultural

development in India. It is found from our study that the share of institutional credit has increased from 7.3 % in 1951 to over 59 % in 2012 in India. On the other hand, there was a remarkable decline in the share of non-institutional credit from around 93 percent to 41 percent during the same period. It is also observed that the Commercial Banks are taking lead role over the Cooperative Banks towards the supply of institutional credit in India.

2. The institutional credit to agriculture sector has been classified in three categories such as-i) Farm Credit (Short-Term Crop Loan & Long-Term), ii) Agricultural Infrastructure and iii) Ancillary activities. The Compound Annual Growth Rate (CAGR) of total agricultural finance was 43.44 % during 2001-02 to 2018-19, which suggested that the flow of institutional credit to the agriculture and allied sectors has increased at a higher pace during the study period. The indirect agricultural credit is dominated by the direct agricultural finance throughout the above time period.
3. In terms of share of Ground Level Credit Flow (GLC) to agricultural sector, the Commercial Banks has played the dominant role during 2001-02 to 2018-19. At the same time the Cooperative Banks have lost their share in credit to agriculture. It is also found from our study that the Compound Annual Growth Rate (CAGR) was impressive for commercial banks and RRBs i.e. 66.31 % & 84.52 %, but for co-operative banks it was negative i.e. -61.50 %. The CAGR of total Ground Level Credit given by different credit institutions was quite impressive i.e. 19.16 %. Hence, the growth performance of institutional credit to agriculture in India is quite satisfactory during the period 2001-02 to 2018-19(P).
4. The annual growth rate of Crop Loan was followed the fluctuating trend with the CAGR of 9.29 % during the study period. On the other hand, the CAGR of Term Loan reached at 37.65% during the study period as the growth performance of Term Loan has started improving from 2012-13.
5. The Commercial Banks has played a dominant role by issuing 926.99 lakh KCCs i.e. 52.47% of the total as on 31<sup>st</sup> march 2018, followed by Co-

operative Banks 550.21 lakh KCCs (i.e. 31.14 %). On the other hand, only 289.49 lakh KCCs (i.e. 16.39 %) has been issued by RRBs.

6. In order to assess the progress of agricultural credit in India, we have selected some aspects of agricultural sectors. It is found that the growth performance of agricultural and allied sector was not satisfactory as Average Annual Growth Rate (AAGR) of agricultural and allied sectors in GVA at factor cost was quite low (2.6%).
7. It is also found that the Average Annual Growth Rate (AAGR) of production and productivity of major agricultural crops were not satisfactory during the study period.
8. The performance of share of private investment compared to public investment in GCF in agricultural and allied sector was satisfactory.
9. The performance of NABARD in terms of refinance facilities (Short Term & Long Term) to different RFIs was quite satisfactory during the study period.
10. In order to evaluate the agricultural infrastructure we have tried to examine the Rural Infrastructure Development Fund (RIDF) in our study. It is found that since inception RIDF has emerged as an important, dependable and timely source of funding for almost all the state governments for building up critical rural infrastructure in India.
11. In order to improve the post-harvesting agricultural infrastructure, the Warehouse Infrastructure Fund (WIF) has been created and cumulative disbursement of WIF reached at 78.57 % of drawables as per phasing up to 31<sup>st</sup> March 2019.
12. The Farmer Producers' Organizations have emerged as a useful instrument to transform small holding based agriculture into a viable agri-business enterprise and to generate the net income of farmers, particularly the small and marginal in India.
13. The methodology of SHGs is a unique approach in development of economics as a need-based financial cooperation and the SHG-Bank Linkage Programme (SHG-BLP) has become a successful instrument for promotion of livelihood and poverty alleviation in India. In order to evaluate the performance of

different credit institutions for SHG-Bank Linkage Programme, we have considered four parameters namely Savings, Loan Disbursed, Loan Outstanding and Non-Performing Assets (NPAs). It is found from our study that the Commercial Banks is taking lead role in terms of SHG-Savings with Banks, Loan Disbursement and Loan Outstanding since inception. But, Regarding Non Performing Assets (NPAs) of banks against SHGs loan outstanding the RRBs could reduced it upto 4.87 %, which is below the average of 5.19 %. But the Commercial Banks and Cooperative Banks have their NPAs 5.21 % and 6.69 % respectively. The average loan disbursed per SHG has reached at Rs. 2.16 lakh and around 12.23 crore members across India have come under this programme, which indicated that different credit institutions are injecting an adequate amount of credit facilities through the SHG-Bank Linkage Programme to generate self-employment.

#### **7.1.2: Major findings related to the institutional credit scenario for agricultural sector in West Bengal**

1. The agricultural and allied sectors have occupied a significant place in the state economy since long. It is found from the study that the Compound Growth Rate (CAGR) of institutional credit flow to agriculture over the period was 11.51 percent in the state compared to 19.16 percent growth in India. Hence, the growth performance of institutional credit flow to agriculture in West Bengal in absolute term is quite satisfactory with an increasing trend, but with compare to the growth rate of institutional credit flow to agriculture in India has not found impressive during the period 2001-02 to 2018-19.
2. In case of short term credit requirements of the cultivators, we have taken into consideration the Kishan Credit Card (KCC) scheme in West Bengal and found that in both cases (i.e. numbers of card issued and loan outstanding) there was an increasing trend and the commercial banks are taking lead role in the state. The Average Loan per KCC in West Bengal has also gradually increased from 2015-16 to 2018-19 and the intensity of KCCs among the cultivators was more or less same in the state as compared to India. So, it is concluded that the performance of

Kishan Credit Card (KCC) is found quite satisfactory in order to provide financial assistance to the farmers of the state of West Bengal with an increasing trend.

3. In order to examine the role of institutional credit for agricultural sector in West Bengal, we have selected the Net State Domestic Product (NSDP) at factor cost of agriculture (at constant prices) as a parameter to find the impact of institutional credit flow in West Bengal during the period 2001-02 to 2018-19. The Average Annual Growth Rate (AAGR) of NSDP at factor cost of agriculture over the period was 4.64% and the growth rate of Agriculture-Credit Vs. Agriculture-NSDP indicated that with the growth of Agriculture-Credit, Agriculture-NSDP increases but the marginal return of credit is low. Therefore, it is concluded that the impact of institutional credit flow to agriculture sector in West Bengal has been quite evident during the study period.
4. It is evident from our study that the AAGR of total foodgrains production was 2.83% in the state compared to 1.97 percent in India was found satisfactory during the period of 2010-11 to 2016-17. In West Bengal, the growth rate of agricultural credit Vs. total foodgrains production indicated that both the growth rates have increased in a same direction during 2001-02 to 2016-17. Hence, it is concluded that the institutional credit has made a satisfactory impact to the total foodgrains production in West Bengal.
5. With an aim to analyse the performance of institutional credit for the improvement of agricultural infrastructure, we have selected the Rural Infrastructure Development Fund (RIDF) in Tranche wise in West Bengal. We have found that the tranche-wise i.e. RIDF XVIII to RIDF XXIV sanctioned amount has not increased significantly but in terms of the parameter namely Percentage Utilization, the performance of RIDF is found quite satisfactory in West Bengal. The RIDF has made a great success in some parts of the agricultural infrastructure like roads, electrification, etc. but, some other parts like irrigation, storage & marketing infrastructure need to be developed in the state.
6. The performance of different credit institutions to generate self-employment through the SHG-Bank Linkage Programme have been analysed in our study and found that the Commercial Banks are taking the lead role to register number of

SHGs in both the cases of Savings with banks and loan outstanding. All the Scheduled Commercial Banks are performing better in the state than in Indian context in percentage of NPAs to loan outstanding of SHGs with banks. In addition to that the growth performance has tested against four parameters such as number of savings linked SHGs, loan outstanding, savings per account and loan per account and it is found that all the parameters have followed the increasing trend in West Bengal.

### **7.1.3: Major findings about the role of Commercial Banks in agricultural development in Jalpaiguri District**

1. The growth performance of different Commercial Banks has been evaluated in terms of Ground Level Credit (GLC) to agriculture sector in Jalpaiguri District during the period from 2009-10 to 2018-19. The Average Annual Growth Rate of Commercial Banks, RRB and Cooperative Banks were 14.95%, 11.36% and 4.36% respectively, which indicated that the Commercial Banks are playing the lead role in the Jalpaiguri District. The performance of Cooperative Banks has not found satisfactory, but the achievement percentage indicated that it has the potential in order to provide GLC to agriculture sector. The AAGR of overall GLC flow to agriculture in the district has found more or less same as compared to Indian context during 2009-10 to 2018-19, which helped us to derive the conclusion that the Scheduled Commercial Banks are performing quite satisfactory in order to provide institutional credit facilities to agriculture and allied sector in Jalpaiguri District.
2. In case of sector wise (i.e. Crop Loan & Term Loan) performance of Ground Level Credit (GLC) flow to agriculture and allied sector in Jalpaiguri District, it is observed in our study that the AAGR of Crop Loan in the district was quite higher as compared to India, which indicated that the performance of Crop Loan was quite satisfactory. On the other hand, the performance of Term Loan was not satisfactory in the district during 2009-10 to 2018-19.
3. There was an increasing trend in number of card issued through Kishan Credit Card (KCC) scheme to provide short term credit requirements of the farmers and

the Commercial Banks captured the lead position in the district. It is also observed that all the credit institutions acted well in order to reduce the dormant KCCs in the district.

4. The impact of institutional credit flow to agriculture sector has been examined with help of two parameters namely Productivity of three major Crops (i.e. Kgs./Hectare) namely Rice, Wheat & Potato and Scale of Finance (i.e. Rs./Acre) including Crop insurance in the district. It was quite evident that the institutional credit has made a significant impact to the agricultural production as well as productivity in Jalpaiguri district during the study period.
5. The RIDF has played an important role for the development of agricultural infrastructure in the district. The institutional credit flow has helped a lot to increase the agricultural marketing infrastructure in the district but still some areas (i.e. cold storages, market yards and rural godowns) have to be developed in order to fulfill the growing needs of better agricultural infrastructure in the Jalpaiguri District.
6. The performance of all the Scheduled Commercial Banks has witnessed an increasing trend in order to generate income and self-employment through FPOs, SHGs and JLGs in the Jalpaiguri District.

## **7.2: Suggestive Measures**

On the basis of major findings of our study, the following suggestive measures may be recommended for improving the role of Commercial Banks in agricultural development in India:

1. It is found from our study that the growth performance of Co-operative Banks was not satisfactory to serve the agricultural credit in India as well as Jalpaiguri during the study period. The Co-operative Banks should improve its efficiency through transparency of information, effective market discipline, minimizing political interference and improved management expertise etc. As it is believed that the Cooperative Banks are situated close enough to the grassroots level of rural economy, so it can play an integral role in agricultural development in India.

2. The growth performance of Crop Loan in India has not found quite satisfactory during the study period. The short-term credit needs should be improved by extending its area, cash limit and as well as its time limit.
3. In Jalpaiguri, the performance of Term Loan has not satisfactory during the study period. In order to provide the investment credit in agricultural sector in the district the Term Loan has to be improved.
4. With an aim to enlarge the scope of Kishan Credit Card (KCC) scheme among small and marginal farmers, all the credit institutions should come forward to provide short-term credit at the door steps of the farmers.
5. In order to accelerate the agricultural development through increasing agricultural production and productivity, the capital formation and investment in assets should be increased through all the Commercial Banks.
6. As the agricultural conditions are very much uncertain, the default of credit repayment can be reduced through crop insurance by the Commercial Banks and can provide more institutional finance to the farmers.
7. Our study pointed out that the share of public investment was not satisfactory as compared to private investment in Indian agriculture. So, the public investment is much needed in agricultural infrastructure and agro-businesses as it can push the private investment in agriculture.
8. The RIDF has made some commendable achievements in agricultural infrastructure in India. But, still significant gaps are there and it should be removed through injecting more institutional credit as well as more time bound projects.
9. With an aim to reduce the post harvest loss in agriculture, the agricultural marketing infrastructure should be more improved through establishment of cold storages, market yards and rural godowns with institutional credit supports.
10. The coordination among different credit institutions should be required to provide enough awareness of different credit facilities available to the farmers from institutional credit agencies.
11. In order to reduce the cost of lending (i.e. financial cost, transaction cost and risk cost) of financial institutions, the self-help groups and financial cooperatives can

play a great role to reduce its burden of credit subsidy. So, all the Commercial Banks should be encouraged to register more SHGs and JLGs to generate productivity, profitability and sustainability of agriculture in India.

12. In order to generate the net income of the small and marginal farmers through agri-business enterprises, the FPOs and FCs should be promoted more by the Commercial Banks in India.

### **7.3: Future Scope of Study**

Our present research topic encompasses a board spectrum of the role of Commercial Banks in agricultural development and it is not possible to capture all the areas associated with it. In order to make the institutional financing system more effective towards agricultural development, we have identified the following few prospective areas for future study:

1. Our present study has given higher attention over the economic appraisal of the Commercial Banks. Future researches may be directed towards analyzing the role of non-economic factors (i.e. social and political aspects) of the Commercial Banks towards the agricultural development.
2. The role of FPOs and FCs in agri-businesses is likely to be more dynamic sectors in the agriculture sector in the coming years. The future researches may be carried out to analyse the effectiveness of Commercial Banks towards the promotion of FPOs and FCs.
3. It is evident that the agricultural production not only depends agricultural financing but also on other factors (i.e. Technology, Farmer's efficiency, weather, Government Policy etc.). So, enquiries are to be made about the role of these factors on agricultural production in India.
4. This study mainly explores the overall role of all types of Commercial Banks in agricultural development in Jalpaiguri District. Future studies may be focused at micro level role of individual credit institution towards agricultural development in the Jalpaiguri District.