

CHAPTER-II

Review of Literature

The review of literature in any scientific research is essential to know about the direction and the nature of different researches made on different views of the problem under investigation. Thus, the various informations collected from various reviews act as an indicator like research guide in the present research work. The review of related literature is considered as indispensable part of research to examine the relevance of the present study and to discover the research gap. From previous research works, different individual researchers have made studies in connection with agricultural finance and have recommended for the development of agricultural credit system among which the following thinkings are considered notable:

2.1: Theoretical/Development Perspectives on the Research Problem

Capital Formation

Capital formation is considered one of the major factors of economic development. Productivity of agricultural sector to sufficient level is possible only through the accumulation of capital. According to classical economists, capital plays an important role in economic development. They mention that profit is an incentive of investment and larger profit induces to capital formation.

Smith (1904)¹ gave more importance on capital to increase labour productivity and power of labourers.

According to Keynes (1936)² investments is the outcome of marginal efficiency of capital. Keynes gave importance on the rate of investment as one of the main factors of economic growth and development

R. Nurkse (1953)³ said, “society does not apply the whole of its current productive activity to the needs and desires of immediate consumption, but directs a part of it to the making of capital goods: tools and instruments, machines and transport facilities, plant and equipment- all the various forms of real capital that can so greatly increase the efficacy of productive effort. The term is sometimes used to cover human as well

as material capital; it can be made to include investment in skills, education and health—a very important form of investment”.

Baran (1958)⁴ does not agree with foreign investment for capital formation and economic development because foreign investors may exploit the natural resources.

Georgescu Roegen (1960)⁵ discussed underdeveloped economies on the ground of scarcity of capital and advocates two alternative strategies for economic growth, viz, foreign investment and workers must work without rest for long period of time.

Marxian writing (1975)⁶ gave importance on longer working days of entrepreneurs to create surplus labour for capital formation.

McKinnon (1971)⁷ observes about the requirement of domestic capital for rapid economic development and sufficient finance is essential for real growth in developing countries.

2.2: Financial Need and Economic Development

Hymer and Resnik (1969)⁸ discussed thoroughly the various sources of development in an agrarian economy and to finance development activities, domestic surplus and expansion of non agricultural activities must be accelerated, They thought that through exchange of goods, innovation and change in technology, net value of domestic goods can be increased and by starting international trade of domestic goods, a surplus fund can be generated.

Vicente Galbis (1977)⁹ shows that in a fragmented economy, it is possible to shift resources from traditional low productive areas to modern productive areas through the intermediation of sound financial institutions which may again result in rapid economic development.

Patrick (1983)¹⁰ thought that in developing countries maximum people make their savings unproductively and these savings can be mobilized in productive field only through the intervention of financial institutions which increases public confidence on financial system and helps in promoting economic development.

Padmanabhan (1988)¹¹ explains the intermediary function of financial institutions that resources of a country can be transferred from one section of people to another through saving and lending activities of financial institutions.

Kusum (1993)¹² explains that expansion of banking branches and sound financial intermediation can reduce regional income disparities and increase saving, investment, productivity of capital and gross domestic income.

R. P. Christen (2010)¹³ has conducted a study on “Banking Services for the Poor: managing for Financial Success.” The study reveals that micro finance plays a significant role in the development of rural sector in comparison with other banking institution in the present context.

2.3: Credit and development of agricultural sector

Belshaw (1931)¹⁴ observes that agricultural credit plays an important role in development of agricultural sector Thus, credit should be available at cheaper rate of interest and development oriented.

Schultz(1964)¹⁵ has noted that poor farmers need to use sufficient credit facilities and apply modern techniques of production in agricultural sector and for that reason modification of financial institution is required in proper way.

Rajagopalan (1968)¹⁶ has made an attempt that improvement of agricultural sector is an essential condition for overall economic development and to reach this objective, sufficient capital should be supplied to agriculturists.

Lewis (1970)¹⁷ explored that farmers need to invest sufficient capital to improve and raise the productivity of agricultural sector. Hence, credit is an important factor for agricultural development.

V. Tyagi (2010)¹⁸ has conducted a study on “Role of Regional Rural Banks in Indian Economy and Rural Development.” The researcher examined that RRBs play a significant role in mobilizing resources and provided loans specially to small and marginal farmers, agricultural labourers and rural artisans. RRBs performed a tremendous result in case of expanding agricultural credit. It was Rs-12,404 crores in

2004-05 and Rs-15,223 crores in 2005-06. RRBs have achieved the target of agricultural credit in two years. RRBs were able to finance 18.58 lakh new farmers in 2004-05 and another 17.03 lakh new farmers in 2005-06. The study is limited only in case of RRBs and has ignored other financial institutions.

2.4: Credit Distribution

Lele (1974)¹⁹ explained that marginal farmers are at far distance from borrowing institutional credit because credit policies are linked with land holding.

Griffin (1976)²⁰ criticized government policies on the ground that government policies regarding credit are in favour of politically strong groups. To him, institutional credit policies are prepared for landlord.

C. Sing, A. Ananth and C. L. Dadhich (2017)²¹ have conducted a study on “Credit as a Contributor to Doubling of Farmers’ Income.” The study observed that agriculture is the main sector of generating income and create maximum employment opportunities for the rural people. Thus, it is essential to increase income of farmers for transforming and improving agriculture sector. Credit plays an important role in this regard. But land owners are enjoying the benefits from various Government Schemes including credit flows at subsidied rate and tenants to cultivate land borrowed from unorganized sources at higher rate of interest, As a result, cost of production of crops increases at an alarming rate. The study fails to analyse all the issues related to agricultural credit.

2.5: Credit and transaction cost

Schultz (1964)²² observed that there is no cheap credit. From the experience of many farmers, he noted that there is high transaction cost of getting credit from formal sector though low rate of interest prevails. On the other hand, high rate of interest in the informal sector but low transaction cost, yet the farmers are not able to get cheap credit.

Padmanabhan (1988)²³ examined that there is inverse relationship between confidence and transaction cost. There is high transaction cost where there is no confidence

between lender and borrower owing to lack of information. Proper information increases confidence between borrowers and lenders and reduces transaction cost.

Yotopoulos and Sagrenio (1992)²⁴ explained the economic reasons for transaction cost in developing countries. The credit market fragmentation and economic rent are the byproduct of low level of wealth and pattern of distribution.

2.6: Directly Related Studies in the Literature

2.6.1: Need of credits to Agricultural Sector

B. R. Deka (1984)²⁵ has conducted a study on “Agricultural Credit in Assam-A Study of Institutional Sources from 1951-74.” He included in his study about the role and trend of finance by commercial Banks and Cooperative Banks and found out that cooperative Banks are playing very crucial role than commercial Banks in the field of agricultural credit. He also discussed the credit utilisation system by the marginal farmers. In this study, the researcher completely excluded the non institutional sources of credit in the rural areas.

R. K. Panda (1985)²⁶ in his book “Agricultural indebtedness and institutional finance” discussed the position of indebtedness in irrigated and non-irrigated areas of Orissa by taking 202 samples of co-operative banks and commercial banks for the purpose of the study. In this study, Panda did not include all the financial institutions and village money lenders. But the present research study has focussed on those areas.

J.P.Singh, M.L. Chakravarty and H.N. Atibudhi (1988)²⁷ discussed the need of institutional credit for the development of rural economy. The study has undertaken various multi agencies for supplying rural credit as encouraged by the Reserve Bank of India in taking different rural credit policies. The RRBs along with commercial banks play an important role in the rural credit system. The RRBs provide credit to farmers, rural artisans and agricultural labourers. The study has not included all the sources of rural credit.

Ranjit Tamuli (1989)²⁸ made an attempt to discuss the role of institutional finance in rural development. But the scope of the study was limited as he studied only one Regional Rural Bank (Subansiri Gaonlia Bank) and one district (Kamrup district of Assam) to analyse the problems and prospects of agricultural credit.

C.S. Rayudu (1991)²⁹ made an attempt to study the rural credit in India with special reference to Andhra Pradesh. In this study, he discussed the co-operative movement of Andhra Pradesh and its activities for rural development. He also talked about the role of Land development bank by lending credit to rural societies.

S.S.M Desai (1993)³⁰ in his book “Agriculture and Rural banking in India” made an attempt to analyse the agricultural credit supplied by different banking institutions in rural areas. He critically assessed the role played by various organized and unorganized banking and financial institutions in rural areas of India.

Veerashankarappa (1997)³¹ conducted a study on financial institution and its contributions in the field of development of all the sectors of the rural economy. Agricultural sector cannot be improved without sufficient finance. So sufficient credit facilities is an essential pre-requisite for the development of agricultural sector. Financial institutions are the major sources of credit. In this study, he tried to analyse and review the credit delivery system in India and specially in the Hassan district of Karnataka. The study attempted to study about the utilisation of credit and its impact on the rural economy. It also included the various causes of overdues and concept of default but no any non institutional sources were brought to the study.

Sheetal Kapoor (2002)³² conducted a study about the structure and culture of Indian families and analysed the decision taken to purchase durable assets which is generally taken by husband, wife and their children. The banks and other financial institutions have played an important role in purchasing durable assets and rural development activities.

Naqi Uddin (2003)³³endeavoured to highlight the working and performance of regional rural bank in the development of rural economy in the newly formed state Uttarakhand. He also made a brief study on the socio economic profile of the state which was limited only to the scope of RRBs and the remaining sources of credit were excluded from the study area.

B. T. Barman (2003)³⁴ studied regarding institutional sources of rural credit in Assam particularly Rangia Sub-Division. She listed all the financing institutions in the field of agriculture and allied activities. In the study, she gave more importance on RRBs and found out that RRBs are the highest providers of credit for the development of

agriculture sector. The study had limited scope only in institutional sources and non institutional sources of agricultural credit were excluded.

Sanjai Sing Rathore (2004)³⁵ made an attempt in his book “Rural Banking in India” about the development of rural banks in India and the present position of the banks. He conducted a study on Avadh Gramin Bank in Lucknow. Mobilisation of savings and deposit system were also included in the study. Utilisation of deposits, management of costs and profits, loan recovery and problems associated with repayment of loan were also discussed in the study. The study covered the entire structure and performance of Avadh Gramin Bank in Lucknow as a Regional Rural Bank of India but the study had limited scope as only one RRBs Avadh Gramin Bank was included in the study and other sources of rural credit were excluded.

N. Lalitha and R. Dayanandan (2005)³⁶ conducted a study on “NABARD and Rural Transformation” in Tamilnadu. The study reveals that Banking institutions play an important role in rural development. The study covered the refinance facilities of NABARD and disbursement of credit at grass root level. The researchers tried to find out the impact and utilization of rural credit. In this study, NABARD is the only subject matter and other sources of credit are excluded.

K. Patro (2007)³⁷ has attempted a study on “Role of Institutional Finance in Agriculture: A Study in India” and reveals that credit is essential for both agricultural and industrial sector. Both agriculture and industrial sectors are complementary to each other. Development of agricultural sector is the pre requisit for industrial development. To accelerate the development of agricultural sector, the sufficient financial help from institutional and non institutional agencies in the course of time are highly essential.

P.L. Bisoyi and R .N. Misra (2007)³⁸ conducted a study on “ Agricultural Credit and Economic Development in India.” The study reveals that Indian farmers are very poor and agricultural credit is considered basic need of the farmers to maintain the cost of production. Non institutional agencies still remain as major sources of agricultural credit in the rural area due to lack of sufficient facilities of institutional credit. Lending institutions are facing another problem of huge amount of overdue ranking between 40 percent and 47 percent which is very unhealthy practices of Indian farmers.

D. Barman(2008)³⁹ made an attempt to study about the problems of agricultural financing in Assam, particularly in Nalbari district and explained various sources of credit and various problems associated with it. But he did not pay much importance on new form of RRBs Assam Gramin Vikash Bank which reaches almost all areas of Assam.

S.Chatterjee(2008)⁴⁰ conducted a study about the role of Uttarbanga Kshetriya Gramin Bank(UBKGB) in lending agricultural credit and the flow of credit in agricultural sector in Jalpaiguri district, West Bengal. The study tries to find out the requirements of credit and credit gap. It also includes disbursement of credit, cost of getting credit, time lag, repayment performance and impact of credit on the borrowers. The study is limited only to one Regional Rural Bank, UBKGB and other sources of credit are excluded from the study area.

A. Kumar, K.M. Sing, and S. Sinha (2010)⁴¹ conducted a study on

“Institutional Credit to Agriculture Sector in India: Status, Performance and Determinants”. The study reveals that the institutional credit plays a pivotal role in the development of agricultural sector. The study observes that though the private money lender is still considered a major source of rural credit, yet, the role of institutions in the field of rural credit sector is increasing now-a-days. The rural credit structure has changed and commercial banks have emerged as the main source of institutional credit in the rural areas. The study also explains the changing portfolio structure of agriculture sector and the share of investment credit in the total credit has declined overtime. The decreasing share of investment may constrain the agriculture sector to realize its full potential.

S. Shandilya and R. K. Mishra (2010)⁴² in their study explained that Indian economy is an agrarian economy. Agriculture is the main occupation of more than half of the total population of India. But still this sector remains in underdeveloped and pathetic condition because of lack of fund. In this regard, RRBs play a significant role in improving socio-economic conditions of the weaker sections of the rural community by providing sufficient credit facilities and help in eradication of rural poverty by increasing per capita income of rural poor.

Gupta and Gupta (2010)⁴³ have discussed the workings of Regional Rural Banks for the development of agricultural sector of Janpad Muzaffarnagar (Uttarpradesh) by providing agricultural credit for fast development of rural society. The RRBs can provide rural credit at the door step of agriculturists for improving the agricultural sector which, in turn, support the entire economic development.

N. Bindra (2010)⁴⁴ has observed that Indian farmers are exploited by village money lenders through charging high rate of interest which is possible due to lack of institutional credit facilities in the rural areas. Insufficient fund is one of the main hindrances of development of agriculture sector. The RRBs provide available credit facilities to agricultural sector and allied activities and banking services to the remote areas by opening number of branches.

Lata and Lipi (2010)⁴⁵ has examined the role of the RRBs in the development of socio-economic conditions of marginalized section by providing available finance for the development of agriculture, trade, industry and other productive activities in the rural areas. RRBs have become an indispensable part of rural financing system for the improvement of socio-economic conditions of rural masses.

D. Sharma and M. Khangta (2012)⁴⁶ in their study, "Rural Credit Disparities in Himachal Pradesh." made an attempt to study the rural credit disparities existing in different credit based on demand condition in the state and rural credit structure with reference to Himachal Pradesh. The agriculture and allied activities are most important for the development of backward region. But still this sector remains backward owing to poor financial facilities to the weaker section of the societies and infrastructure backwardness. There are huge credit disparities in rural areas so as to meet the required demand of credit.

V. K. Maan and A. Sing (2013)⁴⁷ undertook a study on "Role of NABARD and RBI in Agricultural Sector Growth." The study exposed the role of the National Bank for Agriculture and Rural Development (NABARD) and RBI (Reserve Bank of India) in the development of rural areas in India. The study observed that NABARD is the principal institution in respect of formation of all policies regarding the agricultural credit and allied activities in rural areas. NABARD is a refinance institution to all the banks for their lending operations for the purpose of agriculture and rural

development. It has got refinancing power from RBI for State Cooperative Banks and RRBs.

K. K. Tripathi (2015)⁴⁸ examined the trend and flow of agricultural credit and financial facilities in rural India. The study also tried to explore the rural credit flow through the financial inclusion. The flow of institutional credit to agriculture and allied activities was increased from Rs-883 crores in 1971-72 to Rs-4, 53,898 crores in 2011-12. The total share of institutional credit has increased in comparison to informal credit during the period of 1951 to 2013. This is due to efforts of central Government to register and regulate professional money lenders. But still dependency of rural household on informal sources for credit is in an increasing trend. This is actually a great challenge before the Government to ensure rural financial inclusion. The study observed that big farmers are largely benefited from credit flow of commercial Banks in comparison to marginal farmers. This means that there is a need to review the existing agricultural credit policy of the Government. PMJDY was introduced to provide comprehensive and inclusive growth. The study did not explain all the problems and prospect relating to agricultural credit in the rural society.

A. K. Soni and H. P. S.Saluja (2016)⁴⁹ conducted a study on cooperative banking institutions. The researchers examined that cooperative bank is playing the main role in the development of rural economy through providing sufficient credit to agricultural sector. The study mentioned that Primary Agricultural Credit Societies provided 30 percent microfinance to small and marginal farmers for the development of their agriculture sector. The study had limited scope because it covered only cooperative bank and other sources of credit were excluded.

2.6.2 Literature Related to Credit Delivery System

U.S.Singh and D. Jha (1971)⁵⁰ pointed out that sufficient and timely credit is more important and the cost of credit does not play a main role. They reached this conclusion by taking sample size of three villages and 43 households around Delhi.

A.Pal (2004)⁵¹ undertook a study about rural credit delivery system through the co-operative Bank, Commercial Bank and Regional Rural Banks. He also discussed the

role of S.H.Gs in providing finance to members for socio- economic development as well as meeting their urgent consumption needs.

J.Gandhi (2004)⁵² conducted a study on the structural changes in rural credit delivery system and analyzed the deficiency of institutional credit to agricultural sector directly and loan recovery problems of agriculturists. He also suggested some positive steps to improve the rural credit delivery cum repayment system

2.6.3: Literature Related to Repayment and Overdues

S.Subrahmanyam (2004)⁵³ has discussed in the field of co-existence of organized and unorganized sectors to provide rural credit in India. During the four and half decades of planned development, the share of rural credit by unorganized sector has declined due to the intervention of institutional financial sector and Govt. Policy. The rural financial institutions have got a position of stagnation due to heavy overdues and losses and it has become a factor of threat for their existence.

K.C. John(2004)⁵⁴ has conducted a study on the performance of co-operative and Regional Rural Banks in case of rural transformation of Karnataka and problems of overdues of loans in time. But the scope of the study is limited as it includes only two banks and excludes other sources of agricultural credit.

R. K. Mishra (2012)⁵⁵ attempted a study on “Overdue in Agricultural credit: A Case Study.” The study reveals that farmers remain in defaulters without paying interest and without repayment of loan due to crop failure and unproductive utilization of loan. In this study, the researcher made a field work in three villages of Bargarh district of Orissa to find out the flow of credit from financial institutions to farmers and their overdue problems of loan with the farmers across the villages and farms. The study included only overdue problems and excluded other problems associated with agricultural credit in rural areas.

2.7: Conceptually Related Studies in the Literature

Abdur Razzaque (1969)⁵⁶ has conducted a study on the role of financial institutions in relation to rural development in backward district like Malda since 1969. In this

study, the researcher has covered all sectoral developments through the nationalization of commercial banks.

G. C. Panda and S. Tripathy (2007)⁵⁷ undertook a study on financing tribal women for empowerment through S.H.Gs in Kandhamal district of Orissa. They selected 80 tribal S.H.Gs on the basis of simple random sampling method of 12 G.Ps of Tikabali block. 160 rural tribal women were taken as respondents. It is seen from the study that 38 SHGs (47.5 percent) mostly utilised the loan for consumption purposes and 34 SHGs have utilized their loans for agricultural development purposes.

S.S. Nayak, R.N. Misra and A. K. Sahu (2007)⁵⁸ have conducted a study to highlight the role played by the financial institution in Ganjam district of Orissa in rural development under PMRY scheme. The study finds out that the importance of the rural economy cannot be neglected. During the years of study from 2000-2001 to 2003-04, the target has not been achieved. During this time, 3205 number of cases have been sanctioned but 1735 number of cases were disbursed. In the year 1993-94 the scheme was implemented only in urban areas. But gradually it has been extended to rural areas also. From the study, it is known that there is a wide gap between target and sanction and disbursement against sanction. Out of 18 branches of bank, only two SBI and Andhra Bank achieved the target in comparison to other banks.

B.N.Sethi (2007)⁵⁹ has examined in his study that unemployment problem of rural masses is a big challenge to policy makers in India. Therefore, rural sector should be self-reliant. For that purpose, self employment schemes are very much important to increase self employment of rural people and increase productive capacity of the various target groups in rural areas like- TRYSEM which are mostly institutional credit linkage schemes.

S. Shandilya and R.K.Mishra(2010)⁶⁰ have undertaken a study on rural development through RRBs and find out that agriculture is labour intensive sector and this character of agricultural sector can solve the problem of unemployment. The share of this sector in the GDP has declined from 36.4% in 1982-83 to 18.5 % in 2006-07 and provides employment to 52% of total workforce in India.

P. Chhabra and P. Mittal (2010)⁶¹ reveal that the present production rate of agricultural sector is not sufficient for food security of ever increasing population.

The RRBs are the main providers of funds for the development of different sectors in the rural economy.

A. Sing (2010)⁶² conducted a study on “Working of Regional Banks for the Rural Society.” The study examined that agriculture is the main sector of Indian economy. Majority of people are engaged in agricultural sector. But this sector is very backward and farmers are living below poverty line (BPL). This is because of lack of fund. Credit is an important instrument for the development of rural areas. RRBs play a crucial role in the upliftment of rural economy.

S. K. Das (2011)⁶³ has attempted a study about micro credit institutions and rural development of Assam. NABARD is the main institution of Self Help Groups (SHGs) bank linkage model. Micro finance is not only the provider of loans but also related with the rural economy. Micro finance can improve the standard of living of rural poor by providing small funds through SHGs. The main financing institutions for the SHGs are commercial banks and RRBs.

A. Pattanaik (2012)⁶⁴ conducted a study on capital and money market, its practical and theoretical approach. He explained all the financial institutions in relation to rural development. The study also included the performance and structure of Regional Rural Banks and Commercial Banks of India.

M. Pal (2016)⁶⁵ has made an attempt to study the several new initiatives taken by the Government of India for improving farmers’ welfare and development of agriculture and allied activities. Keeping an eye on the importance of agricultural sector for the development of rural economy, the Government has announced different schemes for the development of agricultural sector and has taken several steps to improving the real income of farmers by way of establishing research centre for improving seeds, soil, fertilizers, sufficient irrigation facilities and insurance schemes. These are the basic needs for increasing crop production. This study had limited scope in Govt. initiatives only and neglected the helping hand of financial institutions.

S.Bathla, S. Thorat, P. K. Joshi and Vingxivyu (1917)⁶⁶ conducted a study on “Where to Invest to Accelerate Agricultural Growth and Poverty Reduction.” The study tried to explore the way of poverty alleviation from the rural society. Poverty is one of the main characteristic of backwardness of an economy. Agriculture is the main source of

livelihood of the rural poor. So, this sector should be developed through increasing investment and set up different Government Scheme. It is pre- requisite of development of the agricultural sector to develop the industrial sector. The study did not include KCC loan to this sector.

2.8: The Reports of Different Committees and Working Groups

a) All India Rural Credit Review Committee (1966)⁶⁷

The Reserve Bank of India (RBI) set the All India Rural Credit Review Committee in July, 1966 to undertake a review regarding the obstacles which have emerged in the course of the implementation of the recommendations of the Rural Credit Survey Committee to point out the remedial measures regarding the problems. The committee headed by Venkatappiah, reviewed the performance of various institutional credit agencies and made several recommendations for enabling them to play in this sphere. It also adopted various measures for ensuring timely and adequate flow of credit to agriculture through co-operatives and commercial banks.

b) M. Narasimham Working Group (1975)⁶⁸

The Banking Commission, 1972, gave birth to the Regional Rural Banks (RRBs) in 1975 to overcome the shortcomings of commercial banks and co-operatives. To make a detailed study about the establishment of RRBs in India, the Govt. of India appointed a working group under the chairmanship of Mr. M. Narsimham in 1975. The working group recommended establishing 5 RRBs on a pilot basis. The bank deals in money through deposits and lending. The area of operation is specified. The region served by a RRB is normally cluster of two or five districts. One criteria adopted in establishing the branch is that the banking facilities either co-operatives or commercial banks should be absent.

c) M.L. Dantwala Review Committee on RRBs (1978)⁶⁹

The Reserve Bank of India (RBI) appointed a committee in 1977 under the chairmanship of Prof. M. L. Dantwala to review the working of Regional Rural Banks. The committee recommended the extension of experiment to such of those districts where district central co-operative banks were weak. While the Narasimham

Group recommended it to be institution mainly for rural poor, but it did not want the non poor to be administratively debarred from getting its services. The committee observed that with a few modifications in their organizational functional structure, the RRBs could become a very useful component in the totality of rural credit structure.

d) CRAFICARD: Sibaraman Committee (1979)⁷⁰

The RBI set up a committee to Review Arrangement for Institutional Credit for Agriculture and Rural Development (CRAFICARD) in 30 March, 1979. The Committee submitted its interim report on 28 November, 1979. The major outcome of the CRAFICARD's recommendations was the separation of the Agricultural Credit Development (ACD) from the RBI. As a result, National Bank for Agriculture and Rural Development (NABARD) came to be set up in July, 1982.

e) The Senior Expert Group (1986)⁷¹

The RBI, in consultation with government and the World Bank, constituted a Senior Expert Group in 1986 under the chairmanship of Prof. A.M. Khusro and other six members including three foreign specialists. The tasks, before the SEG which was renamed as Agricultural Credit Review Committee, were set out as the terms of reference required to evaluate the major problems and issues currently affecting the agricultural credit system and to prepare an integrated report setting out their recommendation to strengthen the agricultural credit system together with a time frame for their implementation.

Narasimham Committee (1991)⁷²

After nationalisation of Banks in 1976, Indian Government expanded Banking branches and services in different areas. But resource mobilization and credit flows were not impressive. As a result, some public sector financial institutions had become weak and even incurred losses year after year. Their service capacity to customer, management, working technology was poor. They were not able to challenge the new changing competitive environment. To examine this situation, Government of India appointed a high level committee with the chairmanship of Mr. Narsimham, former Governor of RBI. The committee submitted its report by examining the entire situation on the Financial System.

Agricultural credit is an important instrument for the development of agriculture and allied activities. Now, there is availability of agricultural credit facilities supplied by the organised financial institutions which are generally asset oriented. In the field of institutional agricultural credit, illiterate farmers are facing problems in case of taking loans from financial institutions due to many hard and fast rules and structural and managerial problems of banking institutions. Some farmers are also not able to submit securities against their loans. Hence, farmers are bound to go to the village money lenders for meeting their requirement of credit. The unorganised sector is still playing a vital role in meeting credit requirement in rural areas. The insufficiency and untimely credit were also examined by some researchers. Another problem associated with agricultural credit is that some farmers are unable to repay loan in time to the financial institutions because of unproductive utilisation and failures of crop production during natural calamities. The financial institutions are facing a great challenge to overcome the problem of overdues recovery from both willing and unwilling defaulters. It is essential to find out current problems associated with agricultural credit in a dynamic economy to help policy makers. This study tried to explore many problems and made an effort in this direction.

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