

EXECUTIVE SUMMARY OF THE MINOR RESEARCH PROJECT

A STUDY ON RISK PERCEPTION OF COMMERCIAL BANKS WITH SPECIAL REFERENCE TO ALAPPUZHA DISTRICT, KERALA

REF: Project file no.2331-MRP/15-16/KLKE018/UGC-SWRO (XII Plan)

dated 25-Apr-2016

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INTRODUCTION

Agriculture is the foundation of a country like India where Kerala especially Kuttanad in Alappuzha district is called the rice bowl of Indian economy. Most of the agricultural land in Kerala is dying due to the non-availability of finance to support farming activities and due to lack of interest of local community towards agrarian activities. Only 30% of local community approaches commercial banks and organised financial institutions to avail credit facilities, rest are still under the clutches of local money lenders. It is mainly because of lack of awareness of farmers towards various schemes of finance offered through banks or due to poor service of commercial banks. Banks always classify agricultural loans and credit under high risk category or Non-performing category from their experience of default in payment of interest and principal from the part of farmers. The present study is an attempt to study the risk perception of commercial banks towards agricultural finance and perception of farmers towards various finance related matters in connection with agriculture.

RESEARCH OBJECTIVES

1. To analyse the risk perception of commercial banks towards agricultural finance with reference to Alapuzha district.
2. To study the socio-economic condition of the farmers availing agricultural loans from banks through various schemes.
3. To analyze whether there is any difference in the perception of commercial banks regarding agricultural finance and other form of finance.
4. To identify the various credit schemes followed by the commercial banks and the loans sanctions under various schemes.
5. To understand the risk mitigation measures implemented by the Government.

METHODOLOGY

The following methodology is adopted for conducting the present study. The study is an analytical one based on primary as well as secondary sources of data

Sources of data

Both primary and secondary data are to be used for the study. Primary data is to be collected directly from commercial banks and farmers in Alappuzha district by using questionnaire and interview schedule. Secondary data is to be collected from published books, journals, magazines and websites.

Population

The population for the study consists of commercial banks and farmers of Alapuzhadistrict,kerala.

Sample

Random sampling method is adopted for selecting the sample population. There are 20 different kinds of commercial banks and around 122 branches in Alapuzha district.5 branches of 12 banks ie.60 banks have been selected, representing different kinds of banks and data have been collected from 240 respondents(12 banks*20farmers).

Tools for analysis

For the purpose of analyzing and interpreting the data, percentages are to be used.

RESULTS AND DISCUSSIONS

Data collected from the commercial banks were

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|-------------------------|-------------------------|
| 1. State bank of India | 2.Bank of India |
| 3. Canara Bank | 4.Corporation Bank |
| 5. Indian Overseas Bank | 6.Central Bank of India |
| 7. Bank of Baroda | 8.Punjab National Bank |
| 9. Syndicate bank | 10.Union Bank of India |
| 11. Oriental bank | 12.UCO bank |

MAJOR FINDINGS

1. 5 branches of SBI, Bank of India,Canara Bank, Corporation Bank, Indian Overseas Bank, Central Bank of India, Bank of Baroda, Syndicate Bank, Union Bank of India, Oriental Bank of Commerce,UCO bank, were selected for the study.

2. 50% of banks prefer to give Rs.100000-300000 as agricultural loan and 33% has given loan exceeding Rs.300000.
3. Medium term loans are preferred by most of the commercial banks to secure their loan amount.
4. 67% of banks charges below 5% interest for most of the agricultural credit schemes offered.
5. 67% of banks prefer collateral security at the time of availing loan, if loan amount exceeding Rs.50000 and sometimes it is not mandatory for those farmers who have good track record with the bank.
6. 83% of banks assess credit worthiness of borrowers before granting agricultural credit.
7. 83% of banks are of the opinion that farmers are well aware about various schemes offered by the banks, 17% thinks that awareness level is nil.
8. 70% of banks thinks that farmers are satisfied with the loan procedures followed in their banks it is because most of the banks offer 'Help Desk 'facility for ill-literate farmers.
9. 83% of banks think that Non-agricultural loans are much secured than agricultural credit and 50% of them thinks that agricultural loans are highly risky and the other half thinks that they have moderate risk.
10. In the opinion of banks, very less percentage of farmers makes full settlement of their dues in time.

UGGESTIONS.

From the findings drawn from the study, Followings suggestions are made.

Suggestion to Banks

1. The agriculture finance should be provided to fairly long period and it should be provided at lower rate of interest.
2. The finance should be granted against collateral security of borrowers.
3. Banks should make effort to establish a close relation with the borrowers.
4. Banks should conduct meeting in the villages of farmers to educate them regarding the various schemes offered by the banks.
5. Bank officers should render necessary advisory services to the borrowers. This post finance follow up action act as a check on finance utilisation.

6. Farmers should be provided guidance for improved farming techniques, balanced fertilisation, use of water saving devices and proper plant protection measures.
7. Viable schemes for soil and water conservation on water shed basis should be formulated and implemented through bank finance in order to bring more area under cultivation and to increase the productivity of land.
8. The loans should be advanced only to the needy and deserving farmers who have high degree of integrity and are equipped with honest sense of financial management.
9. Publicity of agricultural finance schemes should be arranged through media like radio, television. ..etc
10. Banks should take efforts to send reminders and notices to ensure the prompt payment of borrowers
11. 67 %farmers under study are traditional farmers.
12. 75 % are undertaking farming activities for more than 20 years.
13. Majority of farmers have leasehold land.
14. Most of the farmers undertake cultivation in 2.5-5 acres of land
Tenant farmers cultivates below 2.5 acres of land.
15. Most of the farmers are paddy cultivators Most of the farmers cultivates once in an year,21% cultivates twice in an year.
16. 33% have well with pump set for irrigation and 25 have filter point with pump set and 80 farmers gets government subcidised electricity
17. 58% are using their own sources of fertilisers and seeds,29 % depends on government shops.
18. 43% farmers thinks that political corruption is the main reason for not getting adequate fertilisers and seeds from government .
19. Most of the paddy cultivators require above Rs.100000 for their cultivation, most of the vegetable cultivators requires Rs.50000-100000 and which is same for tuberous cultivators also.
20. Most of the farmers earns Rs.50000-100000 from their activities.
21. Most of the farmers require above Rs.100000 for meeting their financial requirements.
22. 58% of farmers are not satisfied with the prevailing interest rate charged by banks.
23. Most of the farmers make default in loan repayment.
24. Most of the farmers gets reminders from banks to ensure prompt payment.

CONCLUSION

The present study on 'risk perception of commercial banks towards agricultural finance with special reference to Alappuzha district' draw attention on perception of banks and farmers towards agriculture. It is obviously clear that agriculture finance is much riskier than non-agriculture finance. From the opinion of banking officials, "even those who have the capacity to repay loan are not coming forward to pay their dues" About 30% farmers' accounts have turned irregular. Bankers warned borrowers that if their accounts continued to remain "irregular", then they might not be able to avail benefit of the interest subvention scheme and might have to pay high interest rate of 11-12%.

Finance is required by farmers not only for the production and marketing of crops but also to keep a stagnant agricultural economy alive. Most Indian farmers live near the brink of starvation. A bad monsoon, a poor harvest, an accident or illness in the family forces him to approach the moneylender for a loan. In India, there is the preponderance of such 'distress' or unproductive loans. Agricultural finance in India is not just one requirement of the agricultural business but a symptom of the distress prevailing among the majority of the farmers.

Rural credit includes not only credit provided to farmers but also credit extended to artisans, owners of small and medium industries in rural areas, small transport operators and so on. Two main sources of rural credit are private and institutional. The former includes private moneylenders, traders and commission agencies, relatives and- landlords.

The sources of institutional credit are rural co-operatives, commercial banks, particularly the State Bank of India (SBI). And, with the setting up of a specialised institution called the National Bank for Agricultural and Rural Development (NABARD) the Agricultural Refinance and Development Corporation (ARDC) has ceased to exist. Up to 1982 it was responsible for extending agricultural finance under guidance of the Reserve Bank of India.

It may also be noted that the short- and medium-term credit requirements of the farmers is met by indigenous bankers or village moneylenders, co-operative credit societies and commercial banks. Long-term credit needs are met by land development banks and NABARD.

The principal aim of institutional credit is to replace the widely prevalent money-lending at a very high rate of interest. Available data show that the rural credit institutions have succeeded to a considerable extent in achieving this aim.