

# Perception of Specialist Agriculture Officers towards Agricultural Credit- A Comparative Study between Public and Private Sector Banks in Tamil Nadu, India

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## Authors' contributions

*This work was carried out in collaboration among all authors. Author CM designed the study, performed the statistical analysis, wrote the protocol and wrote the first draft of the manuscript. Authors RSK, RG and RPS managed the analyses of the study. Author SS managed the literature searches. All authors read and approved the final manuscript.*

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## ABSTRACT

This paper attempts to analyse the perceptions of Specialist officers (Agriculture) towards Agriculture credit in public and private sector banks in Tamil Nadu. Among different zones in Tamil Nadu, Coimbatore zone was selected purposively for this study, because of its representation of maximum number of branches and credit activities. Purposive sampling of 150 Specialist officers (Agriculture) from various public sector banks and 51 Specialist officers (Agriculture) from private sector banks were selected for this study. In case of crop loan, about 91.35 per cent of Specialist Officers (Agriculture) from Public sector banks were satisfied with the disbursement of credit based on scale of finance as against 78.42 per cent in case of Private sector banks. About 70.27 per cent of Specialist Officers (Agriculture) from Public sector banks faced lot of hardships to recover agricultural loans. 84.96 per cent of Specialist Officer (Agriculture) employed from Public sector banks perceived that farmers never responded to bank notice and phone calls in case of Special

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Mentioned Accounts (SMA) and Non Performing Assets (NPA). However, 71.86 per cent of Specialist Officers (Agriculture) employed in Private sector banks perceived that farmers never responded to bank notice and phone calls in case of SMA and NPA. Thus from the above study, following policy implications may be arrived (i.e) Up-gradation of land records and delivery of documents through online and documentation of loan process such as mortgage, issuing of non-encumbrance certificate and verification of patta land can be published through online

**Keywords:** *Specialist officer (Agriculture); non performing asset; agriculture credit; public sector bank and private sector bank.*

## 1. INTRODUCTION

Agricultural credit is one of the most basic and vital inputs contributing to the success of all agricultural development programmes. The number of rural indebtedness is increasing over a period of time. According to Kelkar. V [1], after the introduction of the international capital adequacy and prudential norms (Basel II and Basel III), the perception of bankers towards agriculture suddenly underwent a change. Public sector bankers started perceiving agriculture as a 'high-risk' business and much of this was due to their high levels of nonperforming assets (NPAs). This perception was reflected in bankers shying away from lending to agriculture. Such a policy has done more harm to the banking system/ bankers because in a developing economy like India, it should be medium-term objective of monetary and credit policies to seek the risk profile of the agricultural sector itself [2-4]. Credit policies should become an important ingredient of the macro-economic management package designed to eventually change the risk profile of agriculture. Credit, both short term and long term, should be viewed both as a growth-enhancing instrument and a risk reducing instrument [5-7]. Keeping in view the important role in ensuring equitable economic development in India, there is an urgent need to emphasis on social banking rather than purely profit based banking by public sector banks.

### 1.1 Level of Agricultural NPAs

During the period 2004–12, the gross NPA ratio in agriculture was higher than the non-agricultural sector, except in the year 2009 and 2010. This was partly due to the implementation of the agricultural debt waiver and relief scheme. In 2011-12, agricultural NPAs rose by 47 per cent as against the NPAs in the non-agricultural sector which rose by 40 per cent. The rise in agricultural NPAs during 2011/12 could be due to the lagged effect of double-digit growth in agricultural credit during the last four years

(2006/07 to 2009/10), the general economic slowdown and also, possibly, the new system wide identification of NPAs.

### 1.2 Demand - Supply Gap

By far, the biggest challenge is the demand-supply gap in agricultural credit. Notwithstanding the expanded rural credit network and growth in quantum of credit, the demand-supply gap has been widening. Rough calculations showed that during the period 2002/03 to 2007/08, when agricultural GDP grew at an average rate of around 3 per cent per annum, the demand-supply gap in total institutional agricultural credit was estimated to be around 14 per cent (as a proportion of actual supply of agricultural credit). Clearly, if agricultural sector had grown faster than 3 per cent, the corresponding demand-supply gap in agricultural credit would have been much larger.

### 1.3 Credit for Promoting Agriculture

Nearly 65 per cent of agriculture in India is rain-fed, cultivated largely by small and marginal farmers. Evidently, improving productivity here is critical to overall agricultural growth. We cannot raise agricultural growth consistently to 4 per cent per annum without a focus on research and agricultural credit in rain-fed areas. There is also need for more robust weather insurance and agricultural extension services to target diversified livelihood options in the rain-fed areas. As appraisal and disbursement of credit for rain-fed agriculture requires a different orientation and approach, there is also a need to develop innovative credit products. Such products would help in building the confidence of bankers in rain-fed agriculture, and would also ensure the financial and economic inclusion of the vast majority of small and marginal farmers from these areas. For achieving the Agricultural targets in banks, the role of specialist officers (Agriculture) is very important. There was a supply side constraint too and the studies were

also limited. In the present study, the perceptions of Specialist officers (Agriculture) towards agriculture credit were discussed. In order to address the above, following objectives were framed.

- To document the job role of Specialist Officer (Agriculture) employed in public and private sector banks in Tamil Nadu
- The specific objective of this study was to analyse the perception of Specialist officers (Agriculture) towards agriculture credit.

## 2. MATERIALS AND METHOD

Western parts of Tamil Nadu was selected for this study, maximum number of branches in Tamil Nadu were situated in Coimbatore, Nilgiris, Erode and Salem districts. Among different zones in Tamil Nadu, Coimbatore zone was selected purposively for this study, because of its representation of maximum number of branches and credit activities. Among these districts, Coimbatore district has the maximum number of (513) branch outlets followed by Erode (269), Salem (262), Tiruppur (232) and Nilgiris (100). Purposive sampling of 150 Specialist officers (Agriculture) from various public sector banks and 51 Specialist officers (Agriculture) from private sector banks were selected for this study. Primary data were collected through personal interview using well structured pre-tested questionnaire and administered personally to Specialist officers (Agriculture) employed in public and private sector banks. In order to arrive better results and conclusions, simple tabular analysis technique was used.

## 3. RESULTS AND DISCUSSION

Volume of work in a rural branch is large, services of Rural Development Officer (RDO) are provided to make the work of the manager easy and smooth. Being technically qualified in the field of agriculture and/or other allied fields their main role will be, technical and recommendatory in nature. However, when the situation warrants, his role will be expanded to cover the entire gamut of rural lending.

The role of a Rural Development Officer will broadly cover the following areas: To conduct periodical survey of the branches covered by him in general regarding seasonality, cropping pattern, land utilisation, potentiality for agricultural development etc and prepare Branch credit plan (BCP).

To make an assessment of crop prospects and ascertain the extent of utilisation of bank credit and prospects for recovery etc. during his periodical village visits, to canvass for viable agricultural loan proposals/schemes conforming to the norms set by the corporate office from time to time. Such canvassing shall be done in consultation with Branch Managers concerned. Agricultural loan proposals both at branch level and at higher levels shall be appraised by Specialist officer (Agriculture) after carrying out field inspection wherever necessary and furnish inspection cum appraisal report, economic viability etc. Such reports shall include specific opinions/recommendations of such officer. The officers attached to branches should undertake field visits as often as necessary. Advance tour programme has to be drawn by him keeping in view the scope, necessity etc. The tour programme has to be submitted to the controlling office well in advance and got approved. During the course of his visit, any irregularities observed in regard to utilisation/conduct of any agricultural loan accounts, the Corporate Office/Zonal Office/Branch shall be apprised of the same immediately. The officers shall also help the branch managers in rectifying the irregularities. They have to ensure proper end-use of funds as it affects the success of projects and ultimately the recovery of advances.

Officers shall liaise the work of branches in contacting the outside agencies (State Government, Central Government, other banks, private, NGOs etc.) in regard to agricultural development activities as well as for non-credit activities. Officers shall help the Branch Managers/Controlling Offices to conduct/to participate in the lead bank meetings and District Consultative Committee meetings and attend to the work allotted to them in connection with formulation and implementation of District Credit Plan. They shall also formulate suitable area based schemes for availing refinance from NABARD. They should also take concerted measures to ground the schemes as per time schedule approved by NABARD/Corporate Office. However, claiming of refinance from NABARD will be decided by Corporate Office based on cost of funds from time to time.

Officers shall assist the Branch Managers in seasonal recovery of agricultural and other priority sector loans as well as over dues in SMAs/NPA accounts. This is very important function and should be given serious attention. He will also organise recovery camps with the participation of Government Departments

/farmers' clubs /contact farmers. He will also make use of his village visits for renewal of documents. Officers will counsel the farmers on latest technological improvements in the field of agriculture and allied sectors with a view to improving farm production and productivity. Officers shall, in co-ordination with Government Departments and Non-Government Organisations, organise counselling services in the nature of pre/mid season campaigns, field visits, field demonstrations, farmers' meet/seminars etc. Considering the fact that sustainable development is possible only with people's participation, officers will endeavour to organise farmers club in villages. The RDO will also endeavour to organise as many number of Self- Help Groups (SHGs) as possible and provide them with necessary credit with the approval of controlling office, so as to help the weaker sections of the society. Officers will ensure that there is no leakage of income with regard to agricultural advance accounts, particularly in respect of recovery of evaluation fee, inspection charges etc. Officers will assist the branches in marketing various Agri-structured products and other schemes like contract farming etc.

Wherever the Agricultural Assistants (AAs) are available the officer should also guide and supervise to ensure that their (AAs) services are effectively utilised for the purpose for which they are meant. To help branches in maintaining priority sector register correctly. By virtue of his close connection with majority of rural clientele, officers also shall assist the branches in tapping rural deposits. Thus the above listed were the job roles of specialist officers (Agriculture) employed in public and private sector banks.

### **3.1 Perception towards Agriculture Credit and Farmers**

Many studies have been done so far with regard to the perception and problems faced by farmers towards agriculture credit. *i.e.*, demand side of the agriculture credit. There was no study in the past, which dealt exclusively with the supply side *i.e.*, perception of Specialist Officers (Agriculture). Since the critical job description of these Officers in agriculture was to deliver credit to the farmers and agricultural sector, an analysis was done to understand the overall perception of these bank officers towards lending loans and other related issues. The details are presented in Tables 1 and 2.

Perception of Specialist Officers (Agriculture) towards agricultural credit indicated that majority (77.69%) of Specialist Officers (Agriculture) employed in Public sector banks reported that there was greater potential for agricultural loans in their area/branch. However, in case of Private sector banks, 88.02 per cent of Officers found more potential in the area where they were working. About 86.94 per cent of Specialist Officers (Agriculture) from Public sector banks perceived that it was very much essential to get proper mortgage before disbursing the loan and it was about 64.12 per cent in case of Private sector banks. The possible reason for the lower level of perception in case of Private sector banks was due to the fact that some of the prospective customers were provided advance credit because of customer trustworthiness.

In case of crop loan, about 91.35 per cent of Specialist Officers (Agriculture) from Public sector banks were satisfied with the disbursement of credit based on scale of finance. However, in case of Private sector banks, 78.42 per cent of them were satisfied with the scale of finance limit. Respondents attributed that scale of finance limit was calculated and approved by State level technical committee/ District level technical committee based on the cost of cultivation and it also includes the kind component. About 70.27 per cent of Specialist Officers (Agriculture) from Public sector banks faced lot of hardships to recover agricultural loans. In case of private sector banks, about 39.22 per cent of them faced lot of hardship to recover agriculture credit and this was due to the vertical system where a separate team of specialized experts were concentrating in the recovery portfolio and outsourcing were also followed. It was supported by Agarwal [8] that public sector banks tried to negotiate with the farmers for recovery of loans depending on their conditions such as crop failure due to erratic monsoon *etc.*, However, public sector bankers were adopting other private agencies for recovery.

About 61.49 per cent of Specialist Officers (Agriculture) from Public sector banks faced difficult to implement the Kisan Credit Card (KCC) scheme. The possible reason attributed was that lot of procedural formalities in the operation of KCC scheme, if the cash credit limit was above 3.0 lakhs. About 46.24 per cent of Specialist Officers (Agriculture) from Private sector banks faced difficult to implement the KCC scheme.

**Table 1. Perception of specialist officers (agriculture) towards agriculture credit**

S. No	Particulars	Public sector banks		Private sector banks		All banks	
		No	%	No	%	No	%
1	Greater potential for agriculture loans	117	77.69	44	88.02	161	80.09
2	Proper mortgage is essential before loan is disbursed	130	86.94	32	64.12	162	80.59
3	Scale of finance for crop loans are sufficient	137	91.35	39	78.42	176	87.56
4	Hardship to recover agricultural loans	105	70.27	20	39.22	125	62.18
5	Difficult to implement Kisan Credit Card (KCC) scheme	92	61.49	23	46.24	115	57.21

Source: Primary data, "No" represent Number

**Table 2. Perception of specialist officers (agriculture) towards farmers**

S. No	Particulars	Public sector banks		Private sector banks		All banks	
		No	%	No	%	No	%
1	Farmers expect agriculture debts/ loans to be waived	139	92.89	44	88.72	183	91.04
2	Farmers never respond to bank notice and phone calls regarding Special Mentioned Accounts (SMA) and Non Performing Asset (NPA)	127	84.96	36	71.86	163	81.09
3	Bank- Farmer relationship and repayment are good in case of farmers' club and SHG	118	78.92	37	74.24	155	77.11

Source: Primary data, "No" represent Number

In case of all banks, it was about 57.21 per cent of them faced difficult to implement the Kisan Credit Card (KCC) scheme.

It could be inferred from Table 2 that majority (92.89 %) of Specialist Officers (Agriculture) from Public sector banks perceived that farmers expect agriculture debts/ loans to be waived. However, in case of Private sector banks, 88.72 per cent of Specialist Officers (Agriculture) from Private sector banks perceived that farmers expect agriculture debts/loans to be waived. The Officers opined that the Agricultural debt waiver/relief scheme would de-motivate and create false belief amongst farmers. Sometimes it would also penalize the farmers who did prompt repayment. In case of all banks, it was 91.04 per cent of them perceived that farmers expect agriculture debts/ loans to be waived.

About 84.96 per cent of Specialist Officer (Agriculture) employed from Public sector banks perceived that farmers never responded to bank notice and phone calls in case of Special

Mentioned Accounts (SMA) and Non Performing Assets (NPA). However, 71.86 per cent of Specialist Officers (Agriculture) employed in Private sector banks perceived that farmers never responded to bank notice and phone calls in case of SMA and NPA. In case of all banks, 81.09 per cent of respondents never responded to bank notice and phone calls in case of SMA and NPA.

About 78.92 and 74.24 per cent of Specialist Officers (Agriculture) employed in Public and Private sector banks perceived that Bank-Farmer relationship and repayment were good in case of farmers' club and SHGs. The possible reason could be that all group members in the farmers' club and SHGs were liable for repayment of loan, and they followed team work and group cohesion which improved the functioning of the group activities. In case of all banks, 77.11 per cent of Specialist Officers (Agriculture) employed in both Public and Private sector banks perceived that Bank-Farmer relationship and repayment were good in case of farmers' club and SHGs.

#### 4. CONCLUSION

Thus from the above study, following policy implications may be arrived (i.e) Up-gradation of land records and delivery of documents through online could facilitate the bank officers to verify the customers land records through online so that processing of loan will be faster and it ensures the transparency and avoid the malpractices. Thus the implementation of kisan credit card scheme above three lakhs value could be made simple. Documentation of loan process such as mortgage, issuing of non-encumbrance certificate and verification of patta land can be published through online. Since revenue and registration department are separate and it takes longer time to verify the documents by the officers. Online facilities could ensure and identify the real beneficiaries and forging of documents can also be minimized.

#### CONSENT

As per international standard or university standard, respondents' written consent has been collected and preserved by the author(s).

#### COMPETING INTERESTS

Authors have declared that no competing interests exist.

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