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An Evaluation of Pre-and Post Sanction Process in Agriculture Credit by Banks

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ABSTRACT

Agriculture occupies a prominent position in Indian as the major portion of the population carry out agriculture. The credit has played an important role by adoption of modern technology in agriculture activities. Commercial banks, cooperative banks and regional rural banks are part of formal credit delivery to farmers. This paper is an attempt to understand the difference in pre-and post-process of sanction of agriculture credit in Dakshina Kannada district of Karnataka state in India. The information for the study is collected from 1,160 borrowers and 80 lenders of Dakshina Kannada district. It is revealed that there is significant difference in pre-sanction of agriculture credit among the different types of banks in the study area and no significant difference in post sanction of agriculture credit among the different types of banks.

Keywords: Agriculture credit, banks, pre-and post-sanction, agricultural finance.

1. INTRODUCTION

The agriculture sector is important for food security, employment generation and economic growth. The agricultural sector provides employment to 52 per cent of the country's work force and livelihood to more than 620 million people (Kumbhar, V.M, 2011). The success of Green Revolution in Indian agriculture is also influenced by the credit support to agricultural sector for purchase of inputs like fertilizers, seeds and required equipments in right time. Agriculture also occupies a prominent position in Indian policy making as the large proportion of the population is dependent on the sector for its livelihood. The productivity

and efficiency of this sector depends on the timely availability of funds at reasonable cost. Financial support facilitates effective marketing and extension activities of farmers especially small farmers and tries to increase their productivity and income. The banking industry is a part of mechanism which governs the form, size and mode of accumulation and utilization of funds. Banks play a major role in providing finance (Patil. V.B, 2008). A review on performance of the agriculture credit in India revealed that the overall flow of institutional credit has increased over the years (Mohanan, M.K. 2006). In this context, an analysis on various dimensions of agriculture credit by banks in Dakshina Kannada district from lenders perspective is carried out.

The economic growth and development of India depends on the overall growth of the urban and rural area. The development of agriculture depends on various factors such as availability of fertilizers, seeds, use of technology, ready availability of market and financial support. Financial support facilitates effective marketing and extension activities of farmers especially small farmers and tries to increase their productivity and income. Timely availability of the funds also contributes in the sustained development of agriculture. In this context, it is essential to understand the process, problems and various other dimensions of agriculture credit by banks in Dakshina Kannada district from the perspective of borrowers and lenders.

The empirical findings of this study would pave the way for taking certain policy decisions for strengthening the agricultural credit base in the D.K. district. This study would be of help for different type of banks in formulating strategies to increase the agriculture credit disbursement and government for formulating the right policy about the agriculture credit.

2. LITERATURE REVIEW

Agriculture is the prime activity in the rural areas and the agriculture credit disbursement of banks has resulted in the increase of the farmer's income, farm production and improvement in the living conditions of poor Dashawant, J.B. (2007), Sial Hussain M *et. al.*, (2011). The banks have consistently achieved their targets of agriculture credit in India. Due to the nationalisation of the banks and reforms initiated by the RBI and the government, there is an increase in the share of the agriculture credit by the commercial banks Bhattacharya and Sivasubramanian (2005) and decrease in the share of the cooperative banks. The borrowers of the agriculture credit faced obstacles in accessing agriculture credit such as delay in processing and complicated procedures. The problems in accessing agriculture credit is more especially for the small farmers. The problems like strict conditions, complicated procedures and high credit costs made difficult for the poor farmers to access funds from the financial institutions Hussain Tanveer (2011). The productivity and success of agriculture credit depends the accessibility of credit to farmers especially marginal farmers and on the recovery management system in the banks. The purpose for which farmers use their credit also becomes questionable as they use funds for personal purposes. This leads in non-repayment of credit by borrowers. There can be genuine reason for the non-repayment of agriculture credit. The reasons like crop failure, low price for their crops, increased family expenditure affected farmers in repayment of credit. There was severe family pressure for the small and medium farmers and in case of large farmers it was reported that low price of the crops had come in their way of repayment Krishnamurthy (2008). As the success of agriculture credit depends on the utilization of funds and the repayment of credit by the borrowers, it is essential for banks to have effective recovery mechanism. The recovery procedure of the banks should

be strengthened by organizing recovery camps with the support of the local government Kaur and Silony (2011). The non-repayment of credit led to mounting problem of NPA in banks. But the stricter regulations on NPA reduced bad loans in the banks Jain *et. al.*, (2012).

3. OBJECTIVE AND HYPOTHESES

The objective of the paper is to examine the differences in pre-and post-process involved in the sanction of agriculture credit in public, private, cooperative and regional rural banks

The hypotheses are formulated and tested using Fishers exact test.

H₁: The process involved in pre-sanction of agriculture credit varies with respect to the types of banks.

H₂: The process involved in post sanction of agriculture credit varies with respect to the types of banks.

4. METHODOLOGY OF THE STUDY

The data for the study is collected from primary and secondary sources. The primary data is collected from 80 bank managers and 1167 borrowers of agriculture credit of Dakshina Kannada district. The bank managers are selected from 50 public sector, 11 private sector, 5 RRBs and 14 cooperative banks operating in Dakshina Kannada district. A pilot study was carried out with the lead bank manager (D.K) and five bank officials to understand the validity of the questionnaire used in the study. To test the reliability of the questionnaires Cronbach's alpha is applied and it showed 0.834 for questionnaire which means questionnaires are reliable.

To meet the objectives of the study, the researcher has collected information from the borrowers as well as the lenders. The Multi Stage Disproportionate Sampling method is used to get the information from both the borrowers and the lenders. The different stages of selection of respondents are given below:

4.1. Selection of Banks (Lenders)

To evaluate the agriculture credit from the lender's perspective, various banks such as commercial banks (public sector and private sector), cooperative banks and regional rural banks were selected. The process of selection of the banks (lenders) consists of five stages. They are:

Stage 1: Identification of banks operating in Dakshina Kannada district

Stage 2: Taluk wise division of number of banks in D.K. district

Stage 3: Selection of sample banks

Stage 4: Identification of rural and semi urban bank branches of sample banks in D.K district

Stage 5: Selection of sample bank branches in D.K. district

Stage 1: Identification of number of banks operating in Dakshina Kannada district

The process of selection of banks (lenders) started with the identification of the number of banks operating in the study area. Table 1 shows the number of public, private, cooperative and regional rural banks operating in Dakshina Kannada district.

Table 1
List of banks operating in Dakshina Kannada

<i>Public sector banks</i>	<i>Private sector banks</i>	<i>Cooperative banks</i>	<i>Regional rural banks</i>	<i>Total</i>
26	13	2	1	42

Source: Dakshina Kannada District Plan 2012-13.

Stage 2: Taluk wise division of number of banks in D.K. district

The taluk wise number of public sector, private sector, cooperative and regional rural banks is presented in Table 2.

Table 2
Taluk wise number of banks in study area

<i>Taluks</i>	<i>Mangaluru</i>	<i>Bantwal</i>	<i>Belthangady</i>	<i>Puttur</i>	<i>Sullia</i>
Public	26	6	5	8	8
Private	13	2	1	3	1
RRB (KVGB)	1	1	1	1	1
Cooperative	2	2	2	2	2

Source: D.K district credit plan-31st March 2013.

Mangalore taluk has twenty-six public sector banks, thirteen private sector banks, one Karnataka Vikasa Grameena bank (KVGB) and two cooperative banks. Bantwal taluk has six public sector banks, two private sector banks, one KVGB and two cooperative banks. Belthangady taluk has five public sector banks, one private sector bank, one KVGB and two cooperative banks. Puttur taluk has eight public sector banks, three private sector banks, one KVGB and two cooperative banks. Sullia taluk has eight public sector banks, one private sector bank, one KVGB and two cooperative banks.

Stage 3: Selection of sample banks

Table 3
Sample banks selected for the study

<i>S.No.</i>	<i>Public sector banks</i>	<i>Private sector banks</i>	<i>Cooperative banks</i>	<i>Regional rural banks</i>
1	Corporation Bank	Karnataka Bank Ltd	Primary Agriculture	Karnataka Vikasa
2	Syndicate bank		Credit Cooperative Bank	Grameena Bank
3	Vijaya Bank			(KVGB)

Source: Field survey

Table 3 shows the selected sample banks in the study area. Three banks (Syndicate, Vijaya and Corporation) out of 26 public sector banks (constituting 10 percent), one private sector bank (Karnataka) out of 13 private sector banks, One primary agriculture credit cooperative bank out of two cooperative banks and one regional rural bank (Karnataka Vikasa Grameena Bank) operating in Dakshina Kannada district were selected for the study based on the agriculture credit disbursed by them at the end of March 2013 and bank existence in all taluks of D.K. district.

4.1.1. Parameters in the Selection of Sample Banks

The banks were selected based on the agricultural credit disbursed in the district as on 31st March 2013 and their existence in all five taluks of the district.

Stage 4: Rural and semi urban bank branches of sample banks in D.K.

Table 4
Taluk wise number of rural and semi urban branches of sample banks

<i>Taluks</i>	<i>Mangaluru</i>	<i>Bantwal</i>	<i>Belthangady</i>	<i>Puttur</i>	<i>Sullia</i>	<i>Total</i>
Syndicate	15	8	12	8	7	50
Vijaya	17	10	6	11	7	51
Corporation	9	4	2	5	1	21
Karnataka	3	7	2	2	1	15
KVGB	4	3	3	2	3	15
PCARDB	1	1	1	1	1	5
Total	49	33	26	29	20	157

Source: D.K district credit plan-31st March 2013.

Table 4 presents the taluk wise rural and semi urban branches of the sample banks in the study. There are one hundred and fifty-seven rural and semi urban branches of the sample banks operating in Dakshina kannada district. Mangalore taluk has forty-nine rural and semi urban bank branches, Bantwal taluk has thirty-three rural and semi urban bank branches, Belthangady taluk has twenty-six rural and semi urban bank branches, Puttur taluk has twenty-nine rural and semi urban bank branches and Sullia taluk has twenty rural and semi urban bank branches.

Stage 5: Selection of sample bank branches in D.K. District.

Table 5
Taluk and bank wise sample bank branches

<i>Banks</i>	<i>Mangaluru</i>	<i>Bantwal</i>	<i>Belthangady</i>	<i>Puttur</i>	<i>Sullia</i>	<i>Total</i>
Syndicate	3	3	4	4	5	19
Vijaya	3	3	4	4	5	19
Corporation	3	3	2	3	1	12
Karnataka	3	3	2	2	1	11
KVGB	3	3	3	2	3	14
PCARDB	1	1	1	1	1	5
Total	16	16	16	16	16	80

Source: Field survey

Table 5 presents the sample bank (rural and semi urban) branches in the five taluks of the study area. The selection of bank branches was based on the number of banks in each taluk. 50 percent of the total sample bank branches were taken for the study (50% of 157). Sixteen banks are taken from each taluk which consist of public sector, private sector, regional rural and primary cooperative agricultural and rural development banks. One primary agriculture cooperative bank was selected in each taluk and remaining fifteen branches are equally divided among other sample banks. Nineteen branches are taken from Syndicate bank and Vijaya bank, twelve branches are taken from Corporation bank, eleven branches are taken from

Karnataka bank and fourteen branches of Karnataka Vikasa Grameena bank and five branches are taken from primary agriculture credit cooperative bank. The equal number of bank branches is selected from every taluk of the district as there are agricultural activities carried out in all five taluks.

The information regarding the total number of borrowers of agriculture credit are collected from the concerned bank as per the statistics as at the end of March 2013. The number of sample borrowers was derived using the formula or minimum 100 respondents in each type of bank

Table 6 presents the sample borrowers selected from the sample banks in Dakshina Kannada district.

Table 6
Bank wise borrowers sample details (as on March 31, 2013)

<i>Sector</i>	<i>Public</i>			<i>RRB</i>	<i>Cooperative</i>	<i>Private</i>	<i>Total</i>	<i>Sample for e = 0.03</i>
	<i>Bank</i>	<i>Syndicate</i>	<i>Corporation</i>	<i>Vijaya</i>	<i>KVGB</i>	<i>PSCARD</i>		
Borrow ers	17351	3747	6850	7782	15944	1053	52727	1088
		27948		7782	15944	1053	52727	1088
<i>Required sample size proportionate to population</i>								
Sample size		577		161	329		22	1088
Final sample	193	192	192	161	329		100	1167

Source: Primary data

One thousand one hundred sixty-seven respondents were selected in the case of borrowers in agriculture credit. Five hundred seventy-seven borrowers were selected from public sector banks (One hundred and ninety-three borrowers were selected from the Syndicate bank; one hundred ninety-two borrowers were selected from Corporation and Vijaya bank). One hundred and sixty-one borrowers were selected from Karnataka Vikasa Grameena Bank (KVGB) which is a regional rural bank in D.K district, three hundred twenty-nine borrowers were selected from the primary cooperative agricultural and rural development bank and one hundred borrowers were selected from Karnataka bank which belongs to the private sector.

The division of the sample of borrowers in public, private, cooperative and regional rural banks across all five taluks of Dakshina kannada district are shown in the Table 7. The borrowers were selected from Syndicate bank, Vijaya bank and Corporation bank of public sector, Karnataka bank of private sector, Karnataka Vikasa Grameena Bank (KVGB) of regional rural bank sector (RRB) and Primary cooperative agricultural and rural development bank (PCARDB) of cooperative sector in each taluk.

Table 7
Taluk and bank wise sample borrowers

<i>Banks</i>	<i>Mangaluru</i>	<i>Bantval</i>	<i>Belthangady</i>	<i>Puttur</i>	<i>Sullia</i>	<i>Total</i>	<i>Total</i>
Syndicate	38	39	39	39	38	193	577
Vijaya	38	38	39	39	38	192	
Corporation	38	38	39	39	38	192	
Karnataka	20	20	20	20	20	100	100
KVGB	32	32	32	33	32	161	161
PCARDB	65	66	66	66	66	329	329
Total	231	233	235	236	232	1167	1167

Source: Primary data

4.2. Sample Size

The borrowers (farmers) and bank branch managers (lenders) were constituted as respondents for the study. The present study has taken eighty bank branch managers (lenders) and one thousand one hundred and sixty-seven borrowers as a sample.

4.3. Profile of Study Area

The Dakshina Kannda is the southern coastal district of the state of Karnataka with an area of 4771 Sq. Kms. It occupies the 23rd position in the state in respect to the area. There are 5 taluks with 17 hoblis, 203 gram panchayaths and 354 inhabited villages. Karnataka is the 8th largest state in the country having an area of 191,791 Sq. Kms (6.25% of India's total area of 3,065,027 Sq. Kms). The State has thirty districts, one hundred seventy-six taluks and twenty-nine three hundred forty villages.

4.4. Agriculture Credit Disbursement in India

The cooperative banks, commercial banks, regional rural banks and informal lenders form a major part in the agricultural credit system in India (Umesh, 2000). Reserve Bank of India and Government of India have brought in several policies and institutional measures to promote the access of formal credit delivery to farmers (Gulathi, Bathla, 2002).

Table 8 shows that the target of agricultural credit is consistently achieved by the institutional agencies in India.

Table 8
Agricultural credit target and disbursement in India (Rupees in crores)

Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Target	3,75,000	4,75,000	5,75,000	7,00,000	8,00,000	8,50,000
Achievement	4,46,779	5,11,029	6,07,375	7,11,621	845,328.23	8,77,527

Source: RBI annual reports

The Government of India fix target for banks in disbursement of agriculture credit and the banks have performed considerably well by achievement of targets. This also shows the increased financial requirements of farmers in agriculture.

5. RESULTS AND DISCUSSION

The development of agriculture requires banks to meet the financial requirements of the farmers. Commercial banks, cooperative banks and regional rural banks provide institutional financial support to the farmers in India. Every farmer large or small must depend upon one or more sources of finance such as banks, cooperatives etc for the financial requirements. The researcher has given the brief demographic profile of borrowers in different type of banks.

5.1. Socio-economic Profile of Respondents

The socio-economic profile of borrowers presented in Table 9 and, it is found from the survey that 85.3 percent of the respondents were male and 14.7 percent of respondents were female. 85.3 percent of the respondents in public sector banks, 83 percent in private sector banks, 81 percent in Cooperative banks

and 95.7 percent in Regional Rural Banks (RRB) were male and rest of them were female. The age wise classification of respondents in different sectors are 33.9 percent of respondents belong to the age group of 46-50, 30.3 percent of respondents belong to the age group of above 50 and only 2.5 percent belong to the age group of 25-30. 72.7 percent of respondents of age group of above 46 years are from Cooperative banks, 69 percent of respondents of age group of above 46 years are from private banks, 64.5 percent of respondents of age group of above 46 years are from public banks and 43.5 percent of respondents of age group of above 46 years are from RRBs. Youngsters do not prefer (0.6% of <30 years prefer) Cooperative banks. 50.4 percent of the respondents have studied SSLC, 21.9 percent have studied PUC and 15.7 percent are graduates. 61 percent of the SSLC qualified respondents have taken credit from Private banks, 54.4 percent of the SSLC qualified respondents have taken credit from Cooperative banks, 50.4 percent of the SSLC qualified respondents have taken credit from public sector banks and only 35.4 percent of the SSLC qualified respondents have taken credit from RRBs. 90.8 percent of the respondents are married, 4.8 percent respondents are unmarried, 3.7 percent respondents are widower and 0.7 percent respondents are divorcee. 50(28/56) percent unmarried respondents have taken credit from RRBs and 17.4 percent of the RRB borrowers are unmarried where as in case of Public and Private unmarried respondents are 3.8 and 3.0 respectively and least 0.9 percent in case of Cooperative sector. From the income perspective of borrowers, 39.8 percent of the respondents had income of ₹50001 to ₹100000, 21.4 percent respondents had income of less than ₹50000, 20.6 percent respondents had income of ₹100001 to ₹200000 and less than 10 percent respondents had income ₹200001 to ₹300000 and above ₹200000. Majority of the respondents have annual income of less than ₹1,00,000. 69 percent respondents of Private banks, 68.7 percent respondents of Cooperative banks, 66.1 percent respondents of Public banks and 59 percent respondents of RRBs had have annual income of less than ₹1,00,000.

Table 9
Socio-economic profile of respondents

Factor	Type of Bank				Total
	Public	Private	Cooperative	RRB	
<i>SEX</i>					
Male	492	83	267	154	996
	85.3%	83.0%	81.2%	95.7%	85.3%
Female	85	17	62	7	171
	14.7%	17.0%	18.8%	4.3%	14.7%
<i>AGE</i>					
Below 25	10	2	2	37	51
	1.7%	2.0%	.6%	23.0%	4.4%
25-30	10	3	1	15	29
	1.7%	3.0%	.3%	9.3%	2.5%
31-35	32	2	6	7	47
	5.5%	2.0%	1.8%	4.3%	4.0%
36-40	64	12	28	9	113
	11.1%	12.0%	8.5%	5.6%	9.7%
41-45	89	12	53	23	177
	15.4%	12.0%	16.1%	14.3%	15.2%

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<i>Factor</i>	<i>Type of Bank</i>				<i>Total</i>
	<i>Public</i>	<i>Private</i>	<i>Cooperative</i>	<i>RRB</i>	
46-50	198 34.3%	37 37.0%	119 36.2%	42 26.1%	396 33.9%
Above 50	174 30.2%	32 32.0%	120 36.5%	28 17.4%	354 30.3%
<i>Education</i>					
No schooling	44 7.6%	8 8.0%	17 5.2%	16 9.9%	85 7.3%
SSLC	291 50.4%	61 61.0%	179 54.4%	57 35.4%	588 50.4%
PUC	153 26.5%	17 17.0%	65 19.8%	21 13.0%	256 21.9%
Graduate	57 9.9%	10 10.0%	56 17.0%	60 37.3%	183 15.7%
Post graduate	17 2.9%	4 4.0%	3 .9%	7 4.3%	31 2.7%
Diploma	9 1.6%	0 .0%	9 2.7%	0 .0%	18 1.5%
Any other	6 1.0%	0 .0%	0 .0%	0 .0%	6 .5%
<i>Marital Status</i>					
Married	540 93.6%	93 93.0%	301 91.5%	126 78.3%	1060 90.8%
Unmarried	22 3.8%	3 3.0%	3 .9%	28 17.4%	56 4.8%
Divorcee	5 .9%	3 3.0%	0 .0%	0 .0%	8 .7%
Widower	10 1.7%	1 1.0%	25 7.6%	7 4.3%	43 3.7%
<i>Annual Income</i>					
Less than 50000	107 18.5%	28 28.0%	78 23.7%	37 23.0%	250 21.4%
50001-100000	217 37.6%	41 41.0%	148 45.0%	58 36.0%	464 39.8%
100001-200000	134 23.2%	20 20.0%	70 21.3%	16 9.9%	240 20.6%
200001-300000	65 11.3%	8 8.0%	26 7.9%	15 9.3%	114 9.8%
Above 300000	54 9.4%	3 3.0%	7 2.1%	35 21.7%	99 8.5%
Total	577 100.0%	100 100.0%	329 100.0%	161 100.0%	1167 100.0%

Source: Primary data

5.2. Delay in Repayment

The effectiveness of agriculture credit system depends on the repayment of installments by the borrowers. In this connection information on repayment was taken from respondents and it is revealed that 83.3 per cent of the respondents repay the installments in time and remaining 16.7 per cent of the respondents delayed the repayment of installments.

Table 10
Reasons for delay in repayment of installments and type of banks

Reasons	Type of Banks				
	Public	Private	Cooperative	RRB	Total
No output	56 49.6%	10 31.3%	14 38.9%	0 .0%	80 41.0%
Decrease in prices of crops	9 8.0%	7 21.9%	1 2.8%	0 .0%	17 8.7%
Price policy of the Government	28 24.8%	3 9.4%	7 19.4%	0 .0%	38 19.5%
Used for personal purposes	15 13.3%	12 37.5%	14 38.9%	14 100.0%	55 28.2%
High family expenditure	5 4.4%	0 .0%	0 .0%	0 .0%	5 2.6%
Total	577 100%	100 100%	329 100%	161 100%	1167 100%

Source: Primary data

Further the reasons on delay of repayment of installments are analysed and presented in Table 10 and it is revealed that 41 per cent of the respondents' delay in repayment of installments due to no output, 28.2 per cent of the respondents' delay in repayment of installments due to use of returns for personal purpose and 19.5 per cent of the respondents' delay in repayment of installments due to price policy of government. 49.6 per cent respondents of public sector banks delay in repayment of installments due to no output. 100 per cent of the respondents of regional rural banks delay in repayment of installments due to use of money for personal purposes. 21.9 per cent respondents of private sector banks due to decrease in price of crops.

5.3. Information of Lenders (Banks)

The information was collected from 80 rural and semi urban branch managers were drawn from different category of institutional agencies of the study area in case of present study. They are analysed and showed in Table 11.

For the study, 62.5 percent of public sector branches, 13.8 percent of private sector bank branches, 6.3 percent of Primary Agriculture Credit Cooperative Banks and 17.5 percent of Regional Rural Banks (KVGB) were selected. The public-sector banks selected for the study were Syndicate bank, Vijaya bank, and Corporation bank, the private sector bank selected for the study was Karnataka bank, Karnataka Vikasa Grameena Bank was selected from Regional Rural Bank and Primary Agricultural Credit Cooperative bank from cooperative sector was selected for the study.

Table 11
Sample banks selected

<i>Type of banks</i>	<i>Frequency</i>	<i>Percentage</i>
Public	50	62.5
Private	11	13.8
Cooperative	5	6.3
RRB	14	17.4
Total	80	100

Source: Primary data

Further researchers have tried to analyse the variation among the public sector, private sector, cooperative and regional rural banks in sanction of agriculture credit. Fishers exact test is used to find out the difference in pre-and post-sanction of agriculture credit varies with respect to the types of banks. To find out the difference among banks in sanction of agriculture credit, hypothesis is formulated and tested using Fishers exact test.

H₁: The process involved in pre-sanction of agriculture credit varies with respect to the types of banks.

The various aspects in pre-sanction of agriculture credit consist of Steps taken by banks to create awareness on agriculture credit, Approach of beneficiaries to the branch, Average number of agriculture credit applications per day, Average duration time taken for sanction of credit, Reasons for delay in sanction of agriculture credit and Conduct of pre-sanction visit. The pre sanction process is showed in Table 12.

Table 12
Steps undertaken by banks in pre-sanction of agriculture credit

	<i>Type of Banks</i>					<i>p value</i>
	<i>Public</i>	<i>Private</i>	<i>Coop</i>	<i>RRB</i>	<i>Total</i>	
<i>Steps taken to create awareness on agriculture credit</i>						
TV/Radio shows	2 4.00%	0 0.00%	0 0.00%	2 14.30%	4 5.00%	0.00
Newspapers	5 10.00%	0 0.00%	2 40.00%	0 0.00%	7 8.80%	
Circulars to village institutions	0 0.00%	0 0.00%	0 0.00%	4 28.60%	4 5.00%	
Wall papers	12 24.00%	2 18.20%	0 0.00%	0 0.00%	14 17.50%	
Local leaders	0 0.00%	1 9.10%	1 20.00%	0 0.00%	2 2.50%	
Banners/Pamphlets	24 48.00%	7 63.60%	0 0.00%	1 7.10%	32 40.00%	
Group meetings	7 14.00%	1 9.10%	2 40.00%	7 50.00%	17 21.30%	

	<i>Type of Banks</i>					<i>p value</i>
	<i>Public</i>	<i>Private</i>	<i>Coop</i>	<i>RRB</i>	<i>Total</i>	
<i>Beneficiaries approach to the branch</i>						
Directly	38	3	4	13	58	0.02
	76.00%	27.30%	80.00%	92.90%	72.50%	
Friends & Relatives	7	7	1	1	16	
	14.00%	63.60%	20.00%	7.10%	20.00%	
Local leaders	3	0	0	0	3	
	6.00%	0.00%	0.00%	0.00%	3.80%	
Bank officials	2	1	0	0	3	
	4.00%	9.10%	0.00%	0.00%	3.80%	
<i>Average number of agriculture credit applications per day</i>						
<3	45	10	1	6	62	
	90.00%	90.90%	20.00%	42.90%	77.50%	
3-6	5	1	3	6	15	
	10.00%	9.10%	60.00%	42.90%	18.80%	
>6	0	0	1	2	3	
	0.00%	0.00%	20.00%	14.30%	3.80%	
<i>Average duration time taken for sanction of credit</i>						
<2 days	16	5	0	2	23	0.002
	32.00%	45.50%	0.00%	14.30%	28.80%	
2-5 days	20	4	0	4	28	
	40.00%	36.40%	0.00%	28.60%	35.00%	
6-8 days	8	1	2	1	12	
	16.00%	9.10%	40.00%	7.10%	15.00%	
>8 days	6	1	3	7	17	
	12.00%	9.10%	60.00%	50.00%	21.30%	
<i>Reasons for delay in sanction of agriculture credit</i>						
Technical appraisal	5		0	1	6	0.032
	45.50%		0.00%	25.00%	37.50%	
Lack of staff	5		0	0	5	
	45.50%		0.00%	0.00%	31.30%	
Poor documentation	1		1	3	5	
	9.10%		100.00%	75.00%	31.30%	
No Delay	39	11	4	10	64	
	78.00%	100.00%	80.00%	71.40%	80.00%	
<i>Information on conduct of pre-sanction visit</i>						
Yes	47	11	5	14	77	0.998
	94.0%	100.0%	100.0%	100.0%	96.3%	
No	3	0	0	0	3	
	6.0%	.0%	.0%	.0%	3.8%	
Total	50	11	5	14	80	
	100%	100%	100%	100%	100%	

Source: Primary data

Quartey Peter *et. al.*, (2012) suggested of giving awareness to the farmers on different forms of financial support available and the use of effective marketing techniques to make agriculture successful. Banks have taken several initiatives in creating awareness of agriculture credit schemes to the agriculturists. 40 per cent of the banks used banners/pamphlets, 21.3 per cent of the banks used group meetings, 17.5 per cent of the banks used wall papers, 8.8 per cent of the banks used newspapers to create awareness on agriculture credit. 63.6 per cent of private sector banks used banners/pamphlets to create awareness on agriculture credit. 50 per cent of regional rural banks (RRB) used group meetings to create awareness on agriculture credit. In case of approach of borrowers to the bank, 72.5 per cent of the banks stated that the beneficiaries approach the branch directly and 20 per cent of the banks stated that beneficiaries approach the banks through their friends and relatives for agriculture credit. 92.9 per cent of RRBs stated that beneficiaries approach the bank directly for agriculture credit. This is because 63.6 per cent of the private sector banks stated that beneficiaries approach the bank through their friends and relatives which are significantly higher compared to other types of banks. In case of number of applications of agriculture credit, 77.5 per cent of the banks received average of less than 3 agriculture credit applications per day. 90.9 per cent of private sector banks received average of less than 3 agriculture credit applications per day. 60 per cent of cooperative banks received average of 3-6 agriculture credit applications per day. In case of time taken to sanction, 35 per cent of the banks have taken average duration time of 2-5 days and 28.8 per cent of the banks have taken average duration time of less than 2 days for sanction of agriculture credit. 60 per cent of the cooperative banks have taken average duration time of more than 8 days for sanction of agriculture credit. 80 per cent of the banks did not delay in sanction of agriculture credit. Out of 20% banks, which delayed the sanction of agriculture credit, it is observed that 37.5 per cent of the banks delay in sanction of agriculture credit because of technical appraisal and 31.3 per cent of the banks delay in sanction of agriculture credit because of lack of staff and poor documentation. 100 per cent of cooperative banks delay in sanction of agriculture credit because of poor documentation. In all these aspects, there is significant difference among the different types of banks and steps in pre-sanction of agriculture credit as Fishers exact test p value is less than 0.05. Pre-sanction visit in case of agriculture credit ensures disbursement of credit to the right beneficiaries and it is found that 96.3 per cent of the banks conducted pre-sanction visit for agriculture credit. 100 per cent of cooperative banks, private sector banks and regional rural banks and 94 per cent of public sector banks conducted pre-sanction visit for agriculture credit. There is no significant difference among the different types of banks in pre-sanction visit for agriculture credit as Fishers exact test $p = 0.998 > 0.05$.

5.4. Post Sanction Process

It is not only essential for banks to disburse right amount of agriculture credit to farmers but also important to monitor the credit granted. The post sanction process includes inspections on agriculture loan sanctioned, Information on noticing of any misutilisation of credit funds and Action taken in case of misutilisation of credit funds. These aspects are compared in different type of banks to analyse the variation using Fishers exact test and it is presented in Table 13.

H₂: The process involved in post sanction of agriculture credit varies with respect to the types of banks.

Table 13
Steps in post sanction process

	<i>Type of Banks</i>				<i>Total</i>	
	<i>Public</i>	<i>Private</i>	<i>Cooperative bank</i>	<i>Rural Regional Bank</i>		
<i>Conduct of Inspections by banks</i>						
Yes	45	11	5	14	75	0.633
	90%	100%	100%	100%	93.80%	
No	5	0	0	0	5	
	10%	0.00%	0.00%	0.00%	6.30%	
<i>Notice of any misutilisation of credit funds</i>						
Yes	18	3	1	3	25	0.771
	36.00%	27.30%	20.00%	21.40%	31.30%	
No	32	8	4	11	55	
	64.00%	72.70%	80.00%	78.60%	68.80%	
<i>Action taken in case of misutilisation of credit funds</i>						
Notice	9	0	0	2	11	0.245
	50.00%	0.00%	0.00%	66.70%	44.00%	
Report to higher authorities	3	2	0	1	6	
	16.70%	66.70%	0.00%	33.30%	24.00%	
Immediate payment	3	1	0	0	4	
	16.70%	33.30%	0.00%	0.00%	16.00%	
Not bothered if repaid properly	3	0	1	0	4	
	16.70%	0.00%	100.00%	0.00%	16.00%	
Total	50	11	5	14	80	
	100%	100%	100%	100%	100%	

Source: Primary data

Continuous monitoring of agriculture credit ensures reduction in defaults by the borrowers. In this regard, 93.8 per cent of the banks conducted inspections of agriculture loan sanctioned. 100 per cent of the cooperative banks and private sector banks and regional rural banks. Misutilisation of credit must be handled carefully by the banks as it results in default of credit. It is observed that 68.8 per cent of the banks did not notice any misutilisation of agriculture credit by the borrowers. 80 per cent of cooperative banks, 78.6 per cent of RRBs, 72.7 per cent of private sector banks and 64 per cent of public sector banks did not notice any misutilisation of agriculture credit by the borrowers. Appropriate action in case of misutilisation of agriculture credit funds results in reduction of default in agriculture credit and it is found that 44 per cent of the banks serve notice, 24 per cent of the banks report to higher authorities and 16 per cent of the banks ask for immediate repayment and not bothered if repaid properly in case of misutilisation of agriculture credit funds. 100 per cent of cooperative banks and 16.7 per cent of public sector banks are not bothered if repaid properly in case of misutilisation of agriculture credit funds. 66.7 per cent of RRBs and 50 per cent of public sector banks serve notice in case of misutilisation of agriculture credit funds. 66.7 per cent of private sector banks report to higher authorities in case of misutilisation of agriculture credit funds. 33.3 per cent of private sector banks and 16.7 per cent of public sector banks ask immediate repayment

in case of misutilisation of agriculture credit funds. There is no significant difference among the different types of banks in actions taken for misutilisation of funds in agriculture credit funds by the borrowers as Fishers exact test $p = 0.245 > 0.05$.

6. CONCLUSION

The efficiency of agriculture depends on several factors and one of them is timely availability of credit for farmers. Commercial banks, cooperative and regional rural banks form the formal agency in providing agriculture credit to farmers in India. The present study focused on the formal agencies of lending agriculture credit in Dakshina Kannada district and brief profile of the borrowers. It can be concluded from the study that majority of the borrowers in agriculture credit in the study area are male with age group of 46 years and income level of less than 1 lakh rupees per annum. Majority of the borrowers pay installments on time. Further it is revealed that there is significant difference in pre-sanction of agriculture credit among the different types of banks in the study area and no significant difference in post sanction of agriculture credit among the different types of banks.

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