



Study of Agriculture NPA, reasons for growth in agriculture NPA's and strategies to reduce agriculture NPA's

Vipin Kumar Bagria, Research Scholar, Rajasthan University Jaipur, vkbagria02@gmail.com

Introduction : One of the main activities of the banking system is to grant credit for economic activities .For the purpose , apart from the fresh deposits and borrowings etc. recycling of found received back from borrowers constitutes a major part of credit Dispensation . Non recovery of dues negates the effectiveness of this process of

ISSN : 2348-5612 © URR



9 770234 856124

the credit cycle. Non recovery also affects the profitability of banks. This in turn impacts the capacity of banks to maintain owned funds by ways of capital and creation of reserves and provisions to act as cushion for the loan losses . Therefore , avoidance of loan losses is very important to the banks. While complete elimination of losses is not possible , bad bank managements aim to keep the losses at low level . in fact, it is the level of non-performing assets which, to a great extent differentiates between a good and bad bank . Besides, mounting NPAs also have widespread repercussions on market capitalization and also on reputation of the bank .

Key Words : NPA, Agriculture, Banks, Loans etc.

Agriculture finance

There is growing realization that the economic well being of the country is possible only when the agriculture sector is growing at a certain rate. The farmer with his frugal recourses is not in a position to follow modern farming practices which requires constant infusion of capital . The credit system through the banking channel is the most important factor in reaching the capital needs to the farmers . A large number of agencies, including cooperatives, regional rural banks ,



commercial banks, Non- Banking financial institution, self-help groups and a well spread informal credit outlets together represent Indian rural credit delivery system . These networks apart from working as financial intermediaries also play a key developmental role in the economy . As at the end of March 2013 (Last reporting Friday), the total credit made available to the sector by the Public Sector Banks was as under(No. of accounts in million and amount in “ billion).

It is also observed that the Indian agriculture sector is changing in line with the times. The share of allied sectors in agriculture, mainly dairying , fisheries and poultry is becoming more important . In fact, the share of livestock products in gross value of agriculture product (i.e. crop production plus livestock rearing) is progressively increasing . The main engine of growth for the allied sectors was the increase in income and consequent changes in the dietary pattern .

Banks	Total Agri Advances		Direct Agri Advances		Indirect Agri Advances	
	A/cs	Amt	A/cs	Amt	A/cs	Amt
SB Group (SBI)	15.25 (11.22)	1728 (1248)	15.12 (11.10)	1507 (1086)	0.13 (0.12)	221 (163)
Nationalized Banks	28.42	3578	27.77	2954	0.65	625
Total PSBs	43.67	5307	42.89	4461	0.78	846



Quality of is always a cause of concern for lending organizations. Resolving the spiraling NPAs has become the prime concern for GOI and RBI. The Banking Sector reforms initiated in the early 1990s had introduced a new paradigm in the way banking industry functioned, bringing about the convergence with international best practices, particularly in the field of NPAs and the way loans and advances are treated by the bank agri. Advances in SBI constitute about 10.82% for our bank as of 31 March 2013. Agriculture NPAs in our bank stood at 9.39% as of march 2013 (MIS DATA).

Position Agriculture NPA

YEAR	NPA AMOUNT (in crore)	NPA %
2009	1785.10	3.51
2010	2321.33	3.66
2011	4503.34	6.34
2012	7777.77	9.00
2013	10138.10	9.39

Reasons for growth in agriculture npas.

- More than 90% of the respondents feel that Agri debt waiver vitiated the recovery environment of Agri advances.
- About 62% of respondents feel that due to staff shortage effective follow up could not be made.



- While 35% feel that repayment schedule is not generally fixed properly to synchronies with harvest/ cash flows , others feel otherwise.
- Most of the respondents feel that lack of knowledge is **not** a hindrance on the recovery efforts.
- As regards the lack of knowledge of CBS technical matters, no clear inference could be drawn as the responses were spread across all options.
- Same is the case as regards the fact that reschedulements / replacements/ compromises could not be taken up.
- About 70% of the respondents strongly feel that Agri advance delinquency is willful.
- From the responses received, it appears that there is a lack of appreciation of desirability of bonding with farmers.

Strategies to reduce agriculture npas

- All staff involved in recovery process should be trained appropriately to update their recovery methods.
- Seminars to be conducted to share the success stories in recovery of NPAs and to discuss new methods of NPA recovery .
- Contract farming / Tie-up arrangements to be encouraged, to avoid distress sale and easy recovery of dues.
- Sufficient staff should be provided in RUSU branches and they should be incentivized for NPA recovery.
- Pre-sanction survey should be carried out meticulously to establish integrity, Genuineness, Purpose, Credibility, and property to be mortgaged.



- Due date and seasonality of cultivation should be correctly fed into CBS, so that system can auto generated Demand Notices immediately after due date .
- Operating functionaries should be explained in detail the importance of Holiday Concept in CBS, Gestation period, Cash flows, and exchange of repayment schedule with the borrowers to control NPAs.
- Timely conversion, replacement ,compromise to be taken up n an ongoing basis to contain NPAs.
- Bank may consider OTS scheme for agri . Borrowers and powers may be delegated to operating functionaries for quick settlement of NPAs.
- Farmers Meet ,Gram Sabha , SBI Ka Apna Gaon, to be used s a forums to recover dues, and to educate borrowers the benefits of prompt repayment.
- Operating functionaries should be explained in the benefits of Project Ganga ,AT@M ,ACTetc.
- Operating functionaries to be taught to input data relating to holiday in agriculture correctly with a date 90 days earlier to NPAs recon date with correct arrear condition . This will help in identifying probable NPAs at the earliest to follow-up and maintain Asset quality.
- Operating functionaries to set Review/ Renewal of KCC accounts with correct Review/ Renewal date, so that system can remind them by generating required reports . Much to be done in explaining finer details of system related issued to the operating functionaries to avoid technical NPAs.

Conclusion& suggestions:



- a. It is desirable to enhance investment credit to ensure sustainability in Agriculture .
- b. The State Government may be requested to invoke Revenue Recovery Act to improve recovery .
- c. Restriction imposed by district authorities to be brought to the notice of Branch.
- d. Commercial viability and Technical feasibility should be strictly adhered to while sanctioning agriculture projects.
- e. Regular follow-up to be ensured by providing dedicated Rural Recovery Teams.

References :

1. Rajkaran Barwar (2014), Study of impact of debtaiverscheme on agri. NPS, SBI Kanpur
2. Tarasankar das (2013), An evaluation of performance of the west bengal state co-operative bank ltd., International journal of research in commerce & management, ISSN 0976-2183, Volume no. 4 (2013), issue no. 02 (february)
3. Jyoti Gupta*, Suman Jain** (2013), A study on Cooperative Banks in India with special reference to Lending Practices, International Journal of Scientific and Research Publications, Volume 2, Issue 10, October 2012 , ISSN 2250-3153
4. Sumit Jain (2014), Rethinking Priority Sector Lending for Banks in India, IIBF Macro Research Paper for the Year 2014-15