

Assessing the Impact of the Chhattisgarh State Agricultural Debt Relief Program on Borrowers from the Chhattisgarh Rajya Gramin Bank

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Abstract

In an effort to alleviate the financial burden on farmers, the Chhattisgarh state government implemented the Short Term Agricultural Debt Relief Program in [2018]. This program aimed to waive a significant portion of agricultural loans outstanding to borrowers from various financial institutions, including the Chhattisgarh Rajya Gramin Bank. This research paper examines the impact of this program on borrowers from the Chhattisgarh Rajya Gramin Bank. Determine if the programme was successful in lowering the debt load of the agricultural borrowers of Chhattisgarh Rajya Gramin Bank. Find out how the programme affected the income, repayment habits, and creditworthiness of the borrowers. Consider the investment, productivity, and economic development that the programme may bring to Chhattisgarh's agricultural industry as a whole. The research will employ a descriptive approach. Quantitative data will be collected from secondary sources such as bank records and government reports to assess changes in loan balances, repayment rates, and borrower demographics. This research is expected to provide valuable insights into the effectiveness and potential drawbacks of the Chhattisgarh Agri Debt Relief Program, specifically for borrowers from the Chhattisgarh Rajya Gramin Bank. The findings will contribute to the ongoing debate on the efficacy of debt relief programs for farmers and inform future policy decisions aimed at supporting the agricultural sector in India.

Keywords: Agricultural Debt Relief, Chhattisgarh, Gramin Bank, Agricultural Loans, Economic Impact, Policy Analysis

Introduction

The agricultural sector remains the backbone of the Indian economy, supporting the livelihoods of millions of farmers and contributing significantly to the nation's food security. However, like their counterparts across the country, farmers in Chhattisgarh often face numerous challenges, including volatile weather patterns, fluctuating market prices, and limited access to resources. These factors can contribute to a vicious cycle of debt, hindering their ability to invest in their farms, improve productivity, and achieve sustainable livelihoods.

Recognizing these challenges, the Chhattisgarh state government implemented the Agri Debt Relief Program in [2018]. This program aimed to alleviate the financial burden on farmers by waiving a significant portion of their outstanding agricultural loans from various financial institutions, including the Chhattisgarh Rajya Gramin Bank, a leading provider of financial services to rural communities in the state. While the program's intentions were undoubtedly noble, its effectiveness and long-term implications remain debatable. Evaluating its impact on borrowers from the Chhattisgarh Rajya Gramin Bank is crucial for understanding its success in achieving its intended objectives and informing future policy decisions aimed at supporting the agricultural sector in Chhattisgarh and beyond.

This research paper undertakes a comprehensive assessment of the Chhattisgarh Agricultural Debt Relief Program's impact on borrowers from the Chhattisgarh Rajya Gramin Bank. It delves into various aspects, including:

The program's design and implementation: This section will provide an overview of the program's eligibility criteria, the extent of debt relief offered, and the process followed for loan waiver.

Changes in borrower debt burden: This section will analyze the program's effectiveness in reducing the outstanding loan balances of Chhattisgarh Rajya Gramin Bank's agricultural borrowers, drawing upon data from bank records and government reports.

Impact on borrower financial well-being: This section will assess the program's broader impact on the financial well-being of borrowers, considering factors such as changes in income, loan repayment behaviour, creditworthiness, and overall financial stability.

Implications for the agricultural sector: This section will evaluate the program's broader impact on the agricultural sector in Chhattisgarh, including potential changes in investment, production levels, and overall economic growth.

Unintended consequences: This section will identify and analyze potential unintended consequences of the program, such as moral hazard or reduced access to future credit for beneficiaries.

By examining these key aspects, this research aims to provide a nuanced understanding of the program's effectiveness and its implications for borrowers, the Chhattisgarh Rajya Gramin Bank, and the wider agricultural sector in Chhattisgarh. The findings will contribute to the ongoing debate on debt relief programs for farmers and inform future policy decisions aimed at promoting sustainable agricultural development in India.

Literature review

A research of commercial banks' financial performance was carried out by R.C. Dangwal and Reetu Kapoor (2020). This research ranked 19 different commercial banks as either outstanding, good, fair, or bad based on their financial performance relative to eight criteria.

The Malappurhaba Gramina Bank, an RRB in the Indian state of Karnataka, was the subject of research by Hosmani (2009). In order to get the necessary samples, a multistage stratified random sampling approach was used. The concentration level was determined by calculating the inequality index (Gini coefficient) and the pattern of credit flow was examined using Kendall's coefficient of concordance. The time between establishment and development has also been evaluated comparatively. The bank's liquidity and solvency were determined to be in good standing by his assessment. Significant Kendall's Coefficient of Concordance (0.90) and Gini Coefficient (0.12) showed that there was less disparity in the distribution of credits among beneficiaries, indicating that the pattern of credit flow to recipients stayed the same. Some of the suggestions provided to improve the efficiency of gramina banks included managing non-resident Indian accounts, providing funding for exports, streamlining procedures, strengthening credit, preparing for the future, and conducting regular evaluations. The effect of interest rate deregulation on RRBs' ability to earn a profit was investigated by Deshpande et al. (2019). In all, fifteen RRBs participated in the research, and data was collected from 2016 to 2017. They discovered that the effects of interest rate deregulation on profitability were more pronounced in advances (due to higher interest costs) than in deposits (due to higher interest income) or deposits (due to a potential decrease in interest costs), but that the combined effects of advances and deposits on profitability were minimal.

Although they mostly serve rural areas, RRBs are really scheduled commercial banks that have a business emphasis. From Haslem's ground breaking work on the subject, researchers

have identified two main categories of factors—those inside to the bank and those external to it—that affect bank performance. Micro or bank-specific drivers of profitability are the internal factors that come from the relevant bank's balance sheets and/or profit and loss accounts. The economic climate dictates how and where financial institutions may function, and these systemic influences are known as external determinants.

Rakesh Malhotra (2012) discusses the question of whether performance is affected by location at length. In his analysis of 22 factors affecting RRB performance in the year 2000, Malhotra concludes that RRBs' physical location is not a limiting factor. "It is the specific nourishment which each RRB receives from its sponsor bank, is cardinal to its performance," he adds. That is to say, RRB performance was impacted by the umbilical cord. The research has certain limitations, one of which is that the umbilical cord theory could not be immediately inferred from the sponsor bank's financial condition.

On a separate topic, Nitin Bhat and YSP Thorat (2014) provide an insightful study of how limitations in the institutional aspects have significantly hindered the RRBs' governance. Political leaders, policymakers, bank employees, and customers are all considered important stakeholders, and they have all claimed that their performance has been hindered by perverse institutional arrangements that have created conflicting incentive structures. The authors argue that the RRBs' lack of a focus on profit is a major factor in their dismal performance during the last 20 years. Finding out what went wrong with the RRBs so that they may fix them is the first step in developing a good plan for restructuring.

In a developing nation, namely India, Sathye Milind (Nov 2013) looked at the indicators of the productive efficiency of rural regional banks. The analysis suggests that the current strategy of cutting non-performing assets and streamlining departments and employees may be maintained in order to achieve efficiency benefits.

In March 2016, Reddy A. Amarender investigated RRBs' total factor productivity. The productivity growth of banks was much greater in areas with low banking density and economic development.

According to Pati A.P. (June 2020), several different banks are involved in rural lending in India. One notable institution among them is the Regional Rural Bank (RRB). The plan all along was to streamline services for rural areas so that their economies could contribute more effectively to the national one.

Research Objectives:

- Analyze the program's effectiveness in reducing the debt burden of Chhattisgarh Rajya Gramin Bank's agricultural borrowers.
- Assess the program's impact on borrowers' financial well-being, including income, loan repayment behaviour, and creditworthiness.
- Evaluate the program's broader implications for the agricultural sector in Chhattisgarh, such as investment, production, and overall economic growth.
- Identify potential unintended consequences of the program, such as moral hazard or reduced access to future credit.

Hypothesis of the study

H1: The program significantly reduced the average outstanding loan balance of Chhattisgarh Rajya Gramin Bank's agricultural borrowers compared to a control group or pre-program levels.

H2: The program's impact on debt reduction was greater for smaller farms, borrowers with higher pre-program debt levels, or specific crop types.

Methodology:

A descriptive technique will be used in the investigation. In order to evaluate changes in loan amounts, repayment rates, and borrower demographics, quantitative data will be retrieved from secondary sources such government reports and bank records.

Data analysis and interpretation

Credit to Agriculture:

(₹ in crore)

Agency	Agri & Allied		
	2018-19	2019-20	2020-21
PSBs	4456.5	5367	4805.9

Pvt. Bank	1649.8	1616	2812.5
Coop. Bank	3902.6	4602.3	5226.1
RRB	372.95	830.06	900.14
Total	10382	12415	13745

PSBs (Public Sector Banks): The total funds allocated to the Agri & Allied sector from PSBs increased from 4456.5 in 2018-19 to 5367 in 2019-20 but decreased to 4805.9 in 2020-21.

Pvt. Bank (Private Banks): There was a slight decrease in funds from private banks from 1649.8 in 2018-19 to 1616 in 2019-20, followed by a significant increase to 2812.5 in 2020-21.

Coop. Bank (Cooperative Banks): Funds from cooperative banks increased steadily from 3902.6 in 2018-19 to 4602.3 in 2019-20 and further increased to 5226.1 in 2020-21.

RRB (Regional Rural Banks): Funds from RRBs increased from 372.95 in 2018-19 to 830.06 in 2019-20 and further to 900.14 in 2020-21.

In interpretation, one could analyze trends, identify areas of growth or decline, and possibly make recommendations or predictions based on these trends. For example, the decrease in funds from PSBs in 2020-21 could prompt further investigation into the reasons behind this decline and whether it indicates any underlying issues within the sector. Similarly, the significant increase in funds from private banks in 2020-21 might suggest growing interest or investment opportunities in the Agri & Allied sector.

Position of Agri Debt Relief

(₹ in crore)

Agency	As on 31 March 2019		As on 31 March 2020		As on 31 March 2021	
	No. issued	Limit sanctioned	No. issued	Limit sanctioned	No. issued	Limit sanctioned
PSBs	252436	5151.8	219960	4191.9	216668	4890.9
Pvt. Bank	154547	2996.2	237185	3783.3	83801	2359.1
Coop. Bank	1450916	3208.9	1600383	5531.1	1662631	3170.5
RRB	169116	1969.1	159011	1759.5	135062	1936
Total	2027015	13326	2216539	15266	2098162	12356

PSBs (Public Sector Banks): The number of issued Agri Debt Relief increased from 252,436 in 2019 to 219,960 in 2020, and then to 216,668 in 2021. The limit sanctioned by PSBs decreased from 5,151.8 crore rupees in 2019 to 4,191.9 crore rupees in 2020, but then increased slightly to 4,890.9 crore rupees in 2021.

Pvt. Bank (Private Banks): The number of issued Agri Debt Relief by private banks increased from 154,547 in 2019 to 237,185 in 2020, and then decreased significantly to 83,801 in 2021. The limit sanctioned by private banks increased from 2,996.2 crore rupees in 2019 to 3,783.3 crore rupees in 2020, but then decreased to 2,359.1 crore rupees in 2021.

Coop. Bank (Cooperative Banks): The number of issued Agri Debt Relief by cooperative banks increased from 1,450,916 in 2019 to 1,600,383 in 2020, and then increased further to 1,662,631 in 2021. The limit sanctioned by cooperative banks increased from 3,208.9 crore rupees in 2019 to 5,531.1 crore rupees in 2020, but then decreased to 3,170.5 crore rupees in 2021.

RRB (Regional Rural Banks): The number of issued Agri Debt Relief by RRBs decreased from 169,116 in 2019 to 159,011 in 2020, and then further decreased to 135,062 in 2021. The limit sanctioned by RRBs decreased from 1,969.1 crore rupees in 2019 to 1,759.5 crore rupees in 2020, and then decreased slightly to 1,936 crore rupees in 2021.

This interpretation provides insight into the trends of Agri Debt Relief issuance and limit sanctioning across different types of banks over the three years. It's evident that there are fluctuations in both the number of issued Agri Debt Relief and the limit sanctioned, which could be influenced by various factors such as economic conditions, government policies, and banking regulations.

Discussion

Assessing the impact of the Chhattisgarh Agricultural Debt Relief Program on borrowers from the Chhattisgarh Rajya Gramin Bank involves evaluating various aspects to understand its effectiveness. Here's a discussion on assessing its impact:

Reduction in Debt Burden: The primary objective of debt relief programs is to alleviate the burden of debt on borrowers. Analyzing data on the amount of debt relief provided to borrowers from Chhattisgarh Rajya Gramin Bank can provide insights into whether the program has been successful in reducing their overall debt burden.

Improvement in Repayment Behaviour: Assessing whether the debt relief program has led to improvements in borrowers' repayment behaviour is crucial. Examining repayment rates and trends among borrowers post-implementation can indicate whether they have been able to manage their debts more effectively after receiving relief.

Enhanced Financial Inclusion: Debt relief programs often aim to promote financial inclusion by enabling borrowers to access credit more easily after their debts are alleviated. Evaluating whether borrowers from Chhattisgarh Rajya Gramin Bank have been able to access additional credit or financial services following the debt relief program can shed light on its impact on financial inclusion.

Impact on Agricultural Productivity: Since the program targets borrowers in the agriculture sector, assessing its impact on agricultural productivity is essential. Analyzing indicators such as crop yields, agricultural investment, and adoption of modern farming techniques among beneficiaries can help gauge whether the program has contributed to improving agricultural productivity.

Poverty Alleviation: Debt relief programs are often implemented as poverty alleviation measures. Assessing whether the program has led to improvements in the socio-economic status of borrowers from Chhattisgarh Rajya Gramin Bank, such as increased income levels, improved living standards, and reduced vulnerability to financial shocks, can provide insights into its effectiveness in alleviating poverty.

Long-term Sustainability: Evaluating the long-term sustainability of the debt relief program is crucial to determine its lasting impact. Assessing whether borrowers from Rajya Gramin Bank have been able to sustainably manage their finances and avoid falling back into debt traps over time can provide insights into the program's sustainability.

Challenges and Limitations: It's essential to acknowledge any challenges or limitations faced during the implementation of the debt relief program. Identifying factors such as bureaucratic hurdles, insufficient funding, or lack of awareness among beneficiaries can help identify areas for improvement in future interventions.

Qualitative Feedback: Gathering qualitative feedback from borrowers themselves through surveys, interviews, or focus group discussions can provide valuable insights into their experiences with the debt relief program. Understanding borrowers' perceptions, challenges faced, and suggestions for improvement can complement quantitative data analysis and provide a holistic assessment of the program's impact.

Assessing the impact of the Chhattisgarh Agri Debt Relief Program on borrowers from the Chhattisgarh Rajya Gramin Bank requires a comprehensive evaluation of various factors, including debt reduction, repayment behaviour, financial inclusion, agricultural productivity, poverty alleviation, long-term sustainability, challenges, and qualitative feedback from beneficiaries. Such assessment can provide valuable insights for policymakers and stakeholders to improve the effectiveness of similar interventions in the future.

Conclusion

In conclusion, evaluating the impact of the Chhattisgarh Agri Debt Relief Program on borrowers from the Chhattisgarh Rajya Gramin Bank requires a multifaceted approach encompassing quantitative analysis, qualitative feedback, and consideration of broader socio-economic indicators. Through this assessment, several key findings emerge: The program has likely succeeded in reducing the debt burden on borrowers, as evidenced by the relief provided to them. There may be improvements in borrowers' repayment behaviour post-implementation, indicating better financial management and reduced default rates. The program may have contributed to enhanced financial inclusion by enabling borrowers to access credit more easily after debt alleviation. There is potential for the program to positively impact agricultural productivity, as beneficiaries could invest freed-up resources into farming activities. While direct evidence is needed, the program likely plays a role in poverty alleviation by improving the financial standing of rural borrowers. Ensuring the long-term sustainability of the program is crucial to prevent beneficiaries from falling back into debt traps. Overall, the Chhattisgarh Agri Debt Relief Program appears to have positive impacts on borrowers from the Rajya Gramin Bank. However, ongoing monitoring, evaluation, and adaptation are essential to maximize its effectiveness and ensure sustainable outcomes for rural communities.

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