Chapter V

Results and Recommendations
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Findings

The following are the important findings of the “study on sourcing, utilisation and management of funds by small and marginal framers”. The findings are presented in this study for each objective separately.

1. To study the sources of funds, borrowing practices and the problems of small and marginal farmers in obtaining finance.
   - Majority of (90%) respondents are male
   - 40.8% respondents are in the age group of below 25 years.
   - 48.4% respondents are illiterates.
   - 47.8% respondents are having above 10 members in their family.
   - 37% of respondents are using their own finance for their agricultural operation.
   - Majority of (55.25%) respondents are raising finance for their agricultural operation by selling their old stock and agricultural produces.
   - 47.86% of respondents are borrowing finance from the Primary Agricultural Cooperative bank for the agricultural activities
   - Majority (73.8%) of the farmers have not availed loan from bank under agricultural finance scheme, because of complicated procedures and non availability of loan in time.
   - Majority of (74%) respondents have faced problems while borrowing money from the banks.
   - Out of those who availed loans from banks, majority of (82%) of respondents have obtained crop loan.
   - Out of those who availed loans from banks, majority (58.8%) of respondents have stated that the loan availed from by the bank is adequate for their agricultural needs.
   - Out of those who availed loans from banks, majority of (70.2%) respondents stated that they have not availed loan from bank every year.
Majority of (73.6%) respondents avail loan for agricultural purpose with the duration less than 10 years.

Family income of the respondents alone has significant influence on the own money as the source of finance.

The respondents’ age, educational level, family size, number of earning members, number of non-earning members and family income have significant influence over the source of borrowed finance of small and marginal farmers.

The respondents’ family income have significant influence on the incentives getting from lender for prompt repayment of loan.

The main problem of the respondents in obtaining loan from banks is the delay in application process by the banks irrespective of various personal factors of the respondents.

The respondents’ age, educational level, family size, number of earning members and family income have significant influence on the sources of finance.

The respondents are giving higher priority to Primary Co-operative Bank for obtaining agricultural loan based on the problem experienced in getting loan from various financial institution irrespective of personal factors.

The respondents are giving top priority in selection of a particular financial institution when it has simple loan procedure, irrespective of their personal characteristics.

2. To study the asset position and cultivation practices of small and marginal farmers.

Majority of the (92.35%) farmers are cultivating 3 months period food crops and (51.48%) of farmers cultivating 6 months period cash crops.

The cultivation of Cotton, Turmeric, Toppica are profitable whereas Paddy and Groundnut are more expensive.

Majority (74.2%) of respondents are selling their produces immediately after the harvest.

Majority (78.8%) of respondents are receiving money from the buyer immediately after the sale.
> Majority (99.8%) of the respondents have not insured their crops to protect it from natural calamities, diseases.

> 39.6% of respondents have faced the problem of inadequate water for their agriculture operation.

> The respondents’ age, number of non earning members and the family income have significant influence over the place of sales of agricultural goods.

> The respondents’ family size has significant influence on the time of sale of agriculture produce.

> The respondents’ age, educational level, family size, earning members in family, number of non-earning members in family, have significant influence over problems in agriculture operations.

> The purchase of fertilizer and pesticides remain as an important purpose of borrowing irrespective of their educational level, size of the family, earning and non–earning members in the family and family annual income.

> The average wet land hold by the farmer is 2.04 acres and average dry land holding 1.64 acres with the average value per acre Rs. 244,950 and Rs. 92,730 respectively.

> Majority of (389) farmers are holding motor pumps / electrical / diesel and sprayers as farm equipment with the average value of Rs. 16380.

> Majority of (354) farmers owned an average cows of 2.3 with the average value of Rs. 12,040, followed by sheeps/ goats an average 3.31 with the average value of Rs.6250.

> Majority of (429) farmers owned an average 1.0 well with an average value of Rs. 80,040 followed by (110) farmers average cattle shed with the average value of Rs. 18,340.

> Among the variables selected, the live stock, the value of total farm equipments have been significant with high explanation on the dependent variable income.

> The amount of dues to banks have decreased at one point of time and increased during the other period and thus found fluctuating.
3. To study the factors that influence the small and marginal farmers in the utilization and management of funds.

- Out of those respondents who felt that the loan is adequate, 58 (44.3%) respondents have stated that the loan availed from the bank is adequate to some extent for their agricultural use.
- Majority of (97.5%) respondents utilized the loan for agricultural purpose.
- Majority (62.6%) of the respondents are repaying loan to banks and financial institutions regularly.
- Farmers are unable to get money in time for the goods sold due to the fact that buyer of the goods delay the payment for want of selling the same to another buyer. This was found almost in all cases irrespective of the personal factors of respondents.
- The main reasons for default in repayment of loan by the respondents due to more drought and flood irrespective of their personal factors.
- Among the various aspects, the factor “Cooperative farming is not encouraged by the government and as a result the cost of production increased” is considered as very important factor for agricultural financing by the farmers.

4. To study the income, expenditure, savings, and investment pattern of small and marginal farmers.

- 38% of respondents are having average family annual income of Rs 50,000 - 75,000.
- Majority (64%) of small and marginal farmers are not getting surplus money through their agricultural operation.
- Majority of (57.6%) respondents are selling their agricultural produces in their field itself.
- 32.6% of respondent opined that the marketing expenses for selling their produce is low because they are selling their produce in the field itself.
- The income of the respondents in agricultural is inadequate and they are shifting form existing crops to other crops as an alternative plan irrespective of their educational level, size of the family, earning and non earning members and Annual Income of the family.
The net income is fluctuating in the entire period of study due to various factors such as higher agricultural operation expenses, low rain fall and crop failure.

The expenses are showing fluctuating trend, but the total expense are showing increasing trend through out the period of the study. This is due to increase in the cost of various inputs.

The non agricultural income of the respondents shows the fluctuating trend during the study period.

The agricultural and other income of the respondents show fluctuating trend through out the period of the study.

The average investment is showing more fluctuating trend through out the period of the study.

The share of the agricultural income in the total income of the farmers are less. It is due to the farmers’ diversifying their agricultural activities to other activities.

The average account holding of all accounts such as Saving Bank, Recurring Deposit, Fixed Deposit accounts is in fluctuating trend through out the period of study. Further, it is also concluded that 99 respondents hold fixed deposit accounts followed by 97 saving accounts.

5. **To study the opinion of small and marginal farmers on finance related issues.**

- Majority (62.6%) of respondents are getting incentive from lender for their prompt repayment of loan.
- Majority (39.41%) of respondents got preference from the lender in getting the next loan as the incentive for prompt repayment.
- Majority (64.2%) of respondents have not availed any loan waiver benefit.
- Total credit availed by the respondents from 2002 – 2003 to 2006 – 2007, 9.59% on interest and (14.23%) principal amount are waived by the banks.
- The majority of (64.2%) respondents have expressed that the government did not waive their loan during the period of study.
- Majority (74.8%) of the respondents enjoyed free electricity as the assistance given by the Government.
- Majority of (92.8%) respondents are not members in the farmers’ organisation.
➢ Majority (61.6%) respondents are not members in the farmers’ organization due to unaware about this organisation.

➢ Majority (88.9%) of respondents have stated that the farmers’ associations have not helped the farmers

➢ Majority (65.2%) of the respondents strongly agree towards “The role of banks in the development of agriculture is not encouraging towards agricultural financing for small and marginal farmers” and 73.4% of the respondents agreed with the statement “corporative farming is not encouraged and as the result cost of production increased”.

➢ The respondents’ age, educational level, family size, family income have significant influence on the reasons for non-membership in the farmers organisation.

➢ The personal factors have no significant influence over the assistance provided by the farmers’ organization.

➢ The majority of the respondents’ based on the age, educational level, family size have high level of opinion on “The role of banks in the development of agriculture is not encouraging” followed by “Most of the farmers do not adopt modern cultivation.

6. To study the gap between the level of opinion farmers and the level of opinion of banks on the various finance related issues.

➢ In majority of 13 aspects, there is significant difference between the opinion of farmers and bankers.

➢ All the banks are giving loan to both small and marginal farmers.

➢ Majority of (83.3%) banks are providing short term loan.

➢ Majority of (94.4%) banks are conducting loan awareness programme to farmers.

➢ Majority of (66.7%) banks are creating awareness to farmers of the various loan scheme offered by them through old and the existing borrowers.

➢ Majority of (88.9%) banks are following strictly credit limit while sanctioning loan to farmers.

➢ Majority (59.13%) of short term loan is granted by the banks from 2002 -2003 to 2006 -2007.
The banks offered a maximum of (70%) crop loan issued in the year 2006-2007. The total loan issued by the bank from 2002 – 2003 to 2006 – 2007, Rs.32 crores, Rs. 19 crores, Rs. 23.5 crores, Rs. 25.5 crores and Rs.20 crores respectively which showed a decreasing trend when compared to the crop loan.

All the banks (100%) insists the small and marginal farmers to produce security while lending the loan.

Majority of (55.6%) banks are providing consultancy assistance to the small and marginal farmers.

Majority of (77.8%) have used various special plan to improve credit flow to small and marginal farmers.

Majority (55.6%) of banks expressed that they are adopting special plan to obtain refinancing facilities from apex bank.

Majority of (83.3%) banks lending loan to farmers after analysing the purpose of loan.

Majority of (55.6%) the banks are checking the loan usage of the small and marginal farmers once in 3 months.

Majority of the banks (88.9%) are adopting a mechanism to know the utility of the credit of small and marginal farmers.

Majority (77.8%) of banker stated that the small and marginal farmers have been utilizing the loan for the agriculture purpose only.

Majority of 72.2% (13 banks) are not giving loan for non-agricultural purpose.

The most of the banks (44.4%) are of the opinion that the loan recovery position is very poor.

The loan recovery and outstanding position are showing fluctuating trend throughout the period of the study. This may be due to fluctuation of income of the farmers and government policies towards the credit.

Majority of the banks (77.8%) are not giving any incentive to promote more recovery from small and marginal farmers.

Majority of (83.3%) of banks are sending reminder letters to small and marginal farmers if they fail to repay the loan.
Majority of (55.6%) banks stated that the apex banks are involved in promotional measures in providing loan to small and marginal farmers.

Majority (75%) granting fresh loan for small and marginal farmers.

Majority 15 (83.3%) of banks agree with “No adequate meeting among various forum and government representatives to ensure the adequate credit flow to agriculture sectors” followed by the statement “Subsidy and waiver of loan affect the farmers who are honestly repaying the loan” which is strongly agreed by 14 (77.8%) banks.

Recommendations

On the basis of results of the study and discussion held with farmers and banks, the following recommendation, are made.

Sources of Finance

The farmers are obtaining loans for their agricultural operation from their own sources, indigenous banks, commercial banks, financial institutions, friends and relatives. Majority (73.8%) of the farmers have availed finance from their own sources, indigenous bankers and friends and relatives. It means that only (26.2%) of farmers have utilized bank finance and out of which, 82 % of them, obtain only crop loan as short term loan(STL) and the remaining 18% of them obtain medium term loan(MTL) and long term loan(LTL) which is inadequate for the current agricultural needs. Hence, the farmers depend on informal sources which will force them to pay high interest rate. Hence, it is recommended to the banks and financial institutions to provide more MTL and LTL in addition to the crop loan (STL) to the small and marginal farmers.

Problem in obtaining bank Finance

For the purpose of obtaining funds, the farmers are selecting the banks and other financial institutions based on interest rate, speedy loan process, convenient repayment schedule etc. But in practice, out of 500 farmers, 163 (32.6%) farmers have obtained loan from banks and other institutions. Out of 163 farmers who availed loan from banks and other institutions, 120(70.0%) farmers find problem in obtaining loan. The problem is in the nature of delay in sanctioning the loan. The farmers are in need of timely loan for
their agricultural operation. Further, the farmers prefer to get loan from primary agriculture cooperative banks when compared with that of commercial banks. Hence, it is recommended to the commercial banks to take necessary steps to avoid the delay in sanctioning the loan. Also it is important that commercial banks shall bring more schemes of loans to the small and marginal farmers in order to compete with Primary Agricultural Co-operative Bank.

Credit flow to small and marginal farmers

It is found from the study that the banks have adopted various mechanism to ensure credit flow to small and marginal farmers for their agricultural needs. Also, it is known that the majority of the bankers provide agricultural loan as short term loan (STL). They are also of the opinion that no proper coordination exists between banks in order to ensure the adequate credit flow marginal farmers. Hence, it is recommended to the government to take necessary steps for bringing coordination among the banks and the government at higher level for ensuring smooth flow of credit to the farmers.

Problem in utilisation and management of fund

It is found from the study that out of total income of the farmers, non agriculture income forms major share than agriculture income. The agricultural income from the cultivation is very low (or) the farmers go to other sectors for earnings due to low employability in agriculture. This type of situation exhibits that agriculture is not a dependable occupation which is not desirable. Hence, it is recommended to the government to encourage the farmers by providing financial assistance, information assistance, market assistance for them to stick on to agricultural occupations. This will also facilitate the farmers not to migrate to other sectors/places for earnings which is otherwise possible in agricultural occupation itself.

Level of Education and farm Decision making

Sourcing, utilization and management of fund in agricultural operation require not only the dynamism of the farmers but also higher literary level. In this study, it is found that the literary level of both male and female almost is too low. In this context, collection of information and assessment of the same become difficult and therefore decision making becomes complex. Hence, it is suggested to Government to provide
necessary information and help the farmers apart from educating the adults. Further, the farmers should be educated to manage and utilize the available funds for higher earning in agriculture.

**Policy Changes**

To achieve higher production and full employment of farmers, the flow of credit plays vital role. Though various factors are responsible for successful farm activities, the farmers claim that the role of banks in the development of agriculture occupy key position. In this situation, they also observed that agricultural financing for small and marginal farmers by the bank is not at all encouraging. It means, the bank finance has not reached the small and marginal farmers but it goes elsewhere and hence there is a need for the government to introduce stable financial policy to enable free flow of credit to small and marginal farmers.

**Crop Insurance**

It is found that the coverage of crop insurance in the selected area for the study is too low i.e.0.02%. This is due to unawareness of farmers about crop insurance schemes which have been introduced to protect their crops from disease and natural disaster. In this context, it is also suggested to the government and banks to extend their support by creating awareness and funding for the same.

**Cooperative Farming**

It is found from the study that due to the increase of the cost of production, the income of the farmers have continuously decreased. In this situation, majority of the farmers are discontinuing the agricultural activities (or) shifting from the agriculture activities to other activities. In this context, 73.4% of farmers opined that the cost reduction is possible only through cooperative farming. Hence, it is recommended to the government to design appropriate policy and take necessary steps to implement cooperative farming.
Identification of small and marginal farmers

The Identification of correct small and marginal farmers is essential while rendering various support services like finance, input, subsidy etc to these farmers. But in practice, the real benefits have not reached the farmers, for the reason that some of the farmers are really big farmers but shown village record as small/marginal farmers and avail these benefits. This is possible where the farmers are having lands in two village or having two names for each area of the land and hence the misuse becomes deviously easy as the classification becomes difficult. Hence, it is recommend to the government to take effective steps to identify the real small and marginal farmers to enable them to avail the various support services rendered by the government and banks and eliminate the other farmers who are currently taking advantages and privileges of actual small and marginal farmers.

Modernization of Agricultural Practices

It is found from the study that majority of the farmers are adopting traditional methods of agriculture such as use of mono type of crops, traditional type of farm equipments etc. This method do not suit to the present situation where time, cost price etc play a crucial role. Hence, it is suggested to the farmers to use modern cultivation practices such as high yield verities (HYV), water saving sprinkler or drip irrigation, demand oriented crops, crop rotation etc to get better yield and thereby better income.

Problem in loan recovery

It is understood from the study that majority of the banks revealed that the loan recovery position is very poor. Out of 131 farmers who have obtained loan from banks, 77.7% have not paid the dues properly. Hence, it is suggested to the farmers to repay the loan promptly in order to have smooth flow of credit for agricultural loan. Though the farmers face problem of inadequate income, they are expected to adopt rational method of management of funds for proper repayment of loan and thereby enables them to avail bank loans without much difficulty.
Suggestion to Future Research

Future research may be conducted in the following views:

1. Impact of Bank Finance on generation of employment and income of the small and marginal farmers in two districts as a comparative study may be conducted.

2. Cost and income effectiveness of small and marginal farmers through modernisation of agricultural practice in a district.

3. The Effectiveness and coverage of crop insurance of small and marginal land holder in two States.

Conclusion

This study exhibits the current scenario of small and marginal farmers by covering the fund generation, problems associated with sourcing of funds, various components of assets and liabilities, farmers cultivation practices, analysis of cost and income, expenditure in farm operation and general opinion of farmers and bankers towards various financial issues. It is observed that the farmers have used their own and informal source of finance more than the sources of bank finance. In the limited use of bank finance, it is found that the farmers give more priority to get loan in Primary Agricultural Co-operative Banks than commercial banks due to delay in sanctioning the loan. As a result, many farmers are afraid to step into banks and they are forced to get finance from indigenous banks at high rates of interest. Further, the farmers’ assets holding is too low and on the other hand, the liability position is high. The farmers depend more on non-agricultural income than the agriculture income which indicates that the income from agriculture is declining. The awareness among the farmers about the availability of various loan schemes offered by the bank is too low and hence they fail to utilize the same. The low literary level in the family members of the farmers affect their decision making regarding investment in agriculture, innovations in operations, etc. As a result, they are unable to manage their family with limited means which leads to failure to repay the loan. Due to traditional agricultural activities and lower use of modern cultivation practices, the increase in cost of production could not be curbed. Hence, the small and marginal farmers need to be educated about modern agricultural operations in order to increase their productivity, income and savings to enjoy high standard of living.