OBJECTIVES AND RESEARCH DESIGN

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OBJECTIVES AND RESEARCH DESIGN

2.1 Introduction:

In this chapter an attempt has been made to state the objectives of the present research and the methodology followed for it. At the outset it would not be out of place to chalk out a general framework in which the researcher has analyzed the problem under study. Providing a general framework is necessary for the logical presentation of the subject matter. The present study is a descriptive study based on an empirical analysis, as a result the methodology adopted here is of such type as will suit the empirical study. Before explaining the methodology it is necessary to explain the nature of problem and its significance.

2.1.1 Statement and Significance of the Problem:

Agriculture is the largest and most important sector of the Indian Economy. Nearly 70 per cent of Indians are depending upon agriculture for their livelihood and employment. 75 per cent of the people living in villages are dependent upon agriculture. ¹ Those who live in cities are also dependent upon agriculture in one-way or other. They are related to agriculture by means of activities such as; selling agriculture products, working in agro-based industries, etc. In spite of this, agriculture is remained the most backward sector. Agriculture development is a foundation of the overall economic progress.
Agriculture by virtue of its size is a major determinant of employment. Farm and rural needs affect central and local budgets. On the income side, progress in agriculture has major impact on the rate of inflation, imports, exports, and distribution of national income.

An important aspect of its stature can be seen in the large contributions it has been making to the country's national income. This fact highlights the largeness of the proportion of agricultural products, which mark the profile of national income by industrial origin. No doubt without the faster development of non-agricultural sectors its share has fallen. Yet it continues at present to be significant at more than 30 per cent. No other sector taken separately comes closer to it.²

Agriculture plays important role in the economic development, such as providing of food to the nation; enlarging exports, transfer of manpower to non-agricultural sectors, contribution to capital formation and securing markets for industrialization.³

Improvement in agricultural productivity is key to the realization of each of these roles. Historical records have shown these roles and also recorded that the agricultural productivity is increasing due to introduction of modern technologies, commercialization of agriculture, capital deepening, factor shifts from agriculture to non-agricultural sectors, etc. This whole process could be called 'agricultural
transformation', to which the contribution of each of these factors has been quantified in the existing literature. 4

The need and significance of agriculture in the overall economic development has also been stressed at the national level. It has rightly been observed perhaps for the first time since the much talked about the green revolution, agriculture is beginning to get considerable attention both from the government as well as entrepreneurs. Having realized that attempts at increasing economic growth it would be futile to exercise without making the crucial farm sector vibrant and profit-oriented. The Government has made it clear that agriculture would be accorded special treatment in coming budget. 5

Then finance minister of India Shri. Yashwant Sinha has categorically stated that agriculture and rural development would be provided a major thrust by the Government on a high priority basis. He has also stressed the need for evolving a consensus among the state Governments on some of the issues for undertaking reforms in the agriculture sector in a speedy manner. 6

The development of the agricultural sector, as has been vision under the national policy, has been stressed by the World Bank report. These goals cannot be achieved without sufficient credit. The need for credit has repeatedly been stressed. The Agricultural Minister Ajit Singh stated, "The farm sector has so far been given lip service with
abysmally low level of investments and monetary allocation despite its enormous potential for growth. 7

Thus a point is very clear that agricultural development needs a sound financial support. The credit for agriculture in India is provided both by organized and unorganized agencies. The organized agencies consist of co-operative societies, commercial banks, regional rural banks, and government. The unorganized agency consists of professional moneylenders, teachers, relatives, and friends, landlords and others.

Moneylenders were the most important source of finance, of late, though their position is declining in non-institutional finances and since 1950-51. Their pre-dominance is still continuing in rural areas. They freely support credit for productive and non-productive purposes. Their methods of business are simple and elastic. But their activities are full of shortcomings. They charge exorbitant rate of interest. They commit many other malpractices, which are so well known. Besides moneylenders, the other institutional sources for agricultural finance are relatives, traders, commission agents, landlords and others. The loans from relatives are on soft terms. All other charge very high interest rates on loans. None among these care for the purpose for which the loans are used. Usually, these borrowings go into unproductive channels. These sources cannot, therefore, be assigned and placed in the credit profile of agriculture.
The Indian rural credit system has emerged as a product of the both evolution and intervention. Up to 1970, policy of rural credit of government of India was mostly confined to the co-operatives, which were considered as most suitable for supplying credit. The co-operatives are providing finance to agriculture substantially. These institutions have an intimate knowledge of villagers with whom they have to deal. The co-operative societies are meant for the farmers having small means for livelihood. These are given considerable help by the government. They have been receiving special treatment and guidance from the Reserve Bank of India (RBI). With the establishment of the National Bank of Agriculture and Rural Development (NABARD), the help and guidance to these institutions became more specialized and enlarged. The all India Rural Credit Review Committee pointed out that despite the support extended to co-operatives it had began to exhibit several weaknesses in the form of over-dues, and organizational ineffectiveness. After the nationalization of commercial banks in 1969, branch banking in the rural areas acquired a new momentum and the outreach of the commercial banking system was considerably enlarged within a short span of time. Indian economy has undergone a see change after 1991. Financial sector reforms initiated by the government of India have direct impact on the rural credit management. Under the present arrangement agriculture credit for all purposes relating to agricultural production and activities allied to
agriculture whether of short term, medium term or long term is provided by an extensive network of bank branches in the rural and semi urban areas. Credit requirements for raising crops and working capital expenses for agricultural and livestock operations are extended as short-term loans or cash credit facilities. The credit mechanism is operated through rural and semi urban branches of different banks within designated service areas. Agricultural credit management is a neglected subject from the point of view of agriculturist.\(^8\)

Considering the importance of the problem stated above, it is decided to study the agricultural credit management in Aurangabad district. The missing aspects in the process of agricultural credit management farming are highlighted which continues to be main stray of the people of Aurangabad district. The different operational issues in the management of rural credit were studied. Credit delivery system for agriculture through field level interaction with farmers and borrowers of banks and banks staff and analyze the constraints in the flow of such credit to the farm sector.

The multiple credit requirements of agriculturists could not be obvious reasons to be met by any single institutional agency. A multi-agency approach has therefore, been viewed as a better alternative. Recognizing this the Govt. has assigned the responsibility of farm development to three agencies namely, Co-operative Societies, Commercial Banks and Regional Rural Banks. Each of these is
presumed to function as a part of a ‘system’ having a close co-operation while planning credit provisions. Further, they together are visualized as the instruments for routing out the non-institutional (especially) the agricultural moneylenders) agents from the scene over a period of time.

This may be mainly because of the accumulated over dues with co-operatives and because of the imbalance between the demand and supply of credit channeled through the institutional agencies.

Though commercial banks, since nationalization, had made a commendable progress on their agricultural credit operation front exists a considerable leeway to credit facilities in the coming years. This follows from the observable imbalances that have emerged during the last six years of operations.

In post independence era there has been a growing demand for revitalizing commercial banking system so as to enable it to cater to the credit needs of the agricultural sector. Almost all banking commissions and enquiry committees emphasized the crucial role of the commercial banks in the reorganization of rural credit structure. With the nationalization of 14 major commercial banks in 1984, the Government of India extended the banking system to rural areas. It keenly felt the need for a scheme of “area approach” for tackling various problems of rural credit. The Lead Bank Scheme was an attempt in this direction.
The main thrust of the Lead Bank Scheme initially was to carry out impressionistic surveys for identifying growth areas for banking infrastructure, i.e. opening of branches and estimation of credit gaps on the basis of potential and actual levels of production in various sectors. This was doubtless a big task for the commercial banks, as it meant for complete departure from their earlier made of functioning. Nevertheless, the commercial bank, in a record time, produced impressionistic survey reports, restricted their organizational set-up, opened branches and commenced financing. The most important landmark was the establishment of District Consultative Committees in different districts with co-ordination at the state and zonal levels between the financing and the administrative agencies. Thus an era of participative planning was ushered in.

The banks had to operate against heavy odds—no worthwhile district development plans, no adequate database and, to make matters worse, major lack of trained personnel to carry out such studies. In spite of this, District Credit Plans were prepared. They differed in quality approach, and methodology as also in size. Some District Credit Plans were very ambitious, and some were highly conservative. In the formulation of the District Credit Plans also, the concept of participative planning was sought to introduce by involving district-planning officials along with the Lead Bank. Another important development was to aim at integrating District Credit Plans with the
National Plans by emphasizing on these aspects and target groups that had priority in the later. The Span of District Credit Plans was thus made co-terminus with the National Plans with separate Annual Action Plan so as to make it operative with identification and fixation of responsibilities. The second and third rounds of District Credit Plans formulated by the Lead Bank were definitely more refined and methodological coherent than the earlier ones.

Thus it can be seen that both co-operative system as well as the multi-agency approach have failed to cater the needs of agricultural credit. Therefore it can be said that there is an urgent need of evaluating the credit management system that has been adopted by financial institutions. The real issue is related not with the availability of funds and systems but how they are managed. Failure of ideologies is not because of their own inherent defects but because of management systems that have proved insufficient in materializing ideological goals. The real issue regarding agricultural credit is not of institutional development or support. Neither the issue is related to agricultural policy or agricultural credit policy. The major issue is of credit management performance in agricultural credit that depends upon effective credit management. It has rightly been remarked “Credit provided by an institutional agency has to be properly supervised in order to ensure that it is used for the purpose for which it is granted and in the approved manner. In the absence of proper supervision,
misuse of production credit for consumption or ceremonial purposes occurs. What exactly the term 'supervised credit indicates and what is its relevance in the agricultural credit so far as commercial banks in India are concerned with the points discussed in the article 'Supervisory Management in Agricultural Credit'. Present agricultural credit management is presented in Chart 2.1.

2.2 Objectives of the Study:

Following are the objectives of the present study namely “Agricultural Credit Management in Aurangabad District”.

1. To evaluate and analyze the present agricultural credit system.
2. To survey the organizational set up of credit agencies.
3. To assess the credit requirement of farmers and to study their socio-economic profile.
4. To appraise the performance of various agricultural credit agencies.
5. To examine the level and use of credit and its allocation between different factors of input.
6. To suggest suitable measures for effective agricultural credit management.

2.3 Statement of Hypothesis:

"The type of farmers influences on Agricultural Credit Management."
Chart 2.1
Present Status of Agricultural Credit Management

Agricultural Credit

Management by Organised Sector
- Co-operative Banks
- Commercial Banks
- Regional Rural Banks
- Government

Management by Unorganised Sector
- Money Lenders
- Traders
- Relatives and Friends
- Land Lords and Others
2.4 Terms Used in the Study:

The terms used in the study are defined as follows:

1. **Marginal Farmer:** A farmer who owns agricultural land up to 2.5 acres.
2. **Small Farmer:** A farmer who owns agricultural land from 2.5 to 5 acres.
3. **Big Farmer:** A farmer who owns agricultural land more than 5 acres.
4. **Dry Land:** Land which does not have any constant source of irrigation for the purpose of agriculture.
5. **Irrigated Land:** Land, which has some perennial source of water for the purpose of agriculture.
6. **Mechanization:** Use of automatic machinery for the purpose of agricultural operation, which are otherwise performed, with the help of man or animal.
7. **Credit:** Loans or any type of borrowing either from indigenous private or institutional sources.
8. **Management:** Overall administration and getting things have done related to agriculture for the purpose of obtaining profit/credit.
9. **Agricultural Credit Management:** The systems and procedure adopted by the credit institutions involved in the task of agricultural credit.

2.5 Research Methodology:

The present study aims at evaluating the work and management of the credit institutions of Aurangabad district relating to agricultural sector. Present study is an empirical cum explorative type of research model and has adopted a combination of survey method as well as logical analysis as the major tools of research.
2.5.1 Selection of Sample Villages:

Aurangabad district consisting eight talukas namely

1. Kannad,
2. Sillod,
3. Soigaon,
4. Khultabad,
5. Vaijapur,
6. Gangapur,
7. Aurangabad,
8. Paithan and

As the Fulambri block, is newly created its statistical information included in Aurangabad taluka. Performance data related to credit management with reference to agricultural sectors is collected from all the eight talukas. This data was collected from published sources.

2.5.2 Selection of Farmers:

Primary survey is conducted with the help of questionnaire and interview. Number of farmers selected is 100 for the present study by adopting random sampling technique. These farmers were from the different talukas of Aurangabad district in the Marathwada region of Maharashtra state.

As the beneficiaries of agricultural credit were distributed in different villages, number of cases of beneficiaries was not available in sufficient number from one village. The job of selection of sample was difficult in the present research. Considering the data of beneficiaries
available in lead or other banks, the random samples were selected from the various talukas of Aurangabad district as shown in table 2.1.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Taluka</th>
<th>Marginal Farmers</th>
<th>Small Farmers</th>
<th>Big Farmers</th>
<th>Total Farmers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aurangabad</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>2</td>
<td>Khultabad</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>3</td>
<td>Kannad</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>4</td>
<td>Soegaon</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>Sillod</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>6</td>
<td>Paithan</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>7</td>
<td>Gangapur</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>8</td>
<td>Vaijapur</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>30</td>
<td>32</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey.

2.5.3 Primary Data:

Primary data has been collected particularly from two major sources:

1. The sample of farmers as stated above,

2. The institutional agencies involved in agricultural credit.

Inquiries regarding the lending systems, methods, procedures and management approaches & techniques were made with the lending institutions by means of personnel interviews and discussions. Similar methods were adopted for enquiring sample farmers. The questionnaire used for this purpose is appended at the end of this thesis under Annexure- I.
During the course of enquiry opinions of the farmers were collected and commented upon regarding various aspects of agricultural credit management system.

2.5.4 Secondary Data:

The secondary data is obtained from sources such as:

1. Published reports
2. Published statistics
3. Annual Reports of the Credit Institutions.

The published data was available form annual reports of the financial institute, lead bank reports, service area annual credit plans, local bank reports, state government intermediaries reports, NABARD reports, journals, books and internet known as e-data, etc.

2.6 Statistical Tools:

The collected data is processed, analyzed and interpreted by means of various statistical methods such as classification, tabulation, graphic presentation, flow charting, etc. Statistical techniques like chi-square test and percentages are used for the analysis of data based on management techniques.
2.7 Scope and Limitations of the Study:

The scope and limitation of study are defined as follows:

1. The study is focused only on agricultural finance provided to the farmers by the organized banking sector of the Aurangabad district in Maharashtra State.

2. The study is confined to the period of 1991-2000. This obviously helps to study in detail the credit management in Aurangabad district.

3. The present study is based on primary as well as secondary data. It is an attempt towards understanding the socio-economic condition of the farmers and elicits certain information through a questionnaire from the farmers, as well as by discussions with bank managers & employees and government officials.

4. Adopting management techniques assesses the district agricultural credit. Secondary data includes census reports, government reports, evaluation reports, research papers, monograms and record sources and other unpublished work.

5. As to legal constraints it was not possible to get the list of borrowers from concerned organization so the source of secondary data that is annual reports was used for this study.

6. Similarly in some cases year wise reports and data were not available. Hence, in such cases records available are presented in the different tables.

The present study is confines to a specific geographic locale. Future researches in the area would throw more light on the understanding rural credit management as a whole.
Reference:


