CHAPTER - VII
CHAPTER VII

SUMMARY OF FINDINGS AND SUGGESTIONS

7.1 Introduction
7.2 Findings of the Study
7.3 Policy Implications
7.4 Conclusion
7.1 Introduction

The importance of agriculture in the Indian economy needs no emphasis. It is the source of livelihood for over 70 per cent of the country’s total population, when compared with the corresponding world averages is staggeringly high. The share contribution of agriculture to the national income of India is about 40 per cent. Agriculture is no other developing country in the world accounting for so huge a volume of its Gross National Product. Nearly one third of the export trade of India is an agriculture and allied products. To be more precise, agriculture and allied products constitute about 30 per cent of the country’s total exports. The well said maxim, “Produce more or perish” is, therefore more appropriate to the agricultural sector of India than to any other sector of the nation’s economy.

The produce more, agriculture needs inputs. Among all other inputs, finance in the form of credit is the most essential because it is the medium through which other inputs like seeds, implements, fertilizers, pesticides, etc., can be obtained. Agricultural credit is therefore, central to agricultural development and to increase agricultural production. Agriculture is by its very nature, seasonal and therefore, there are time when agricultural credit has to be made available without which agricultural production will suffer either by the misuse of the given credit or by the untimely purchase and
application of fertilizers and pesticides. Timely availability of credit is of utmost importance for agricultural development and increased agricultural production. This is all the most crucial in the Indian agricultural sector where the vast majority of cultivators are small and marginal farmers with no other resource than credit.

The sources of credit available to the agriculturists are institutional and non-institutional credit. Non-institutional credit is profit-oriented and therefore exploitative. Institutional credit, on the other hand, charges low rate of interest, can be utilised for larger periods of time, and is repayable, not as lump, as is non-institutional credit, but in instalments. The characteristics of easiness and convenience associated with institutional credit, relieve the farmers from the hold of indigenous ‘loan-sharks’ and save them from the payment of usurious interest rates.

Institutional sources of credit include co-operatives, commercial banks etc. Institutional credit by co-operatives and is integrated with other needs than finance of agriculturists. Co-operative form of credit links finance with seeds, fertilizers, pesticides, etc., which are needed for agricultural operations and the institutions which render such credit impart to the agriculturists information an advanced methods of cultivation to raise agricultural output. Co-operative credit thus comprehends the basic needs of agriculturists which phenomenon distinguishes it from other forms of credit.
In India co-operatives have emerged as one of the main institutional agencies for agricultural credit because of the multifarious services they can render to Indian agriculture, besides disbursing credit. Co-operative credit is more available for short-term, medium term and for long term periods. Short term and medium term credits are made available through Primary Agricultural Co-operative Banks (PACBs) and long term credit through Agricultural Development Banks. PACBs are generally granting short-term agricultural loans to farmers to meet their working capital requirements such as purchase of seeds, fertilizers and pesticides and to pay wages for labourers employed. The object is an all round increase in the agricultural output, income, employment, savings and standard of living of borrowers.

The extent to which the PACBs in Kanniyakumari district have been able to achieve this economic development in each of its variables seems a significant subject to be analysed and evaluated in the interest of the district’s agricultural community as well as agricultural progress. This study is an attempt in that direction and aims to analyse and assess the impact of short term agricultural credit from PACBs on agricultural production, income, employment, savings and standard of living of borrowers. Primary data were obtained from the farmers with the help of a field survey using pre-structured schedule and sampling technique is adapted for the selection of respondents
(150 borrowers and 150 non-borrowers). Respondents were interviewed by the researcher directly to assess their agricultural production, income, number of man-days of employment, savings and standard of living. Secondary data relevant to the study were collected from the records of PACBs, journals, books and reports. The collected data were analysed by using statistical techniques such as ratios, percentages, averages, co-efficient of correlation and tests of significance like ‘t’ test and ‘chi-square’ test.

The sample borrowers and non-borrowers selected for the study are almost similar in their socio-economic conditions without significant differences. To analyse the socio-economic features of both the group, the variables used are age, educational status, main occupation, land holdings, irrigation facilities, average annual income etc.

7.2 Findings of the Study

The chapter wise findings of the study are presented below.

7.2.1 Growth and Recovery Performance of Agricultural Credit

Growth and recovery performance of agricultural credit has been analysed using Compound Growth Rate (CGR) and the study revealed the following.
PACBs provide short-term credit for purchase of seeds, fertilizers, pesticides, processing of agricultural products etc. Over the past 10 years, short-term credit by PACBs has increased by 15.93 per cent, which indicates that PACBs are functioning effectively in the disbursement of short-term agricultural credit. Recovery performance also shows a positive growth rate of 16.78 per cent. However, there is an overdue of Rs.933.76 lakhs which indicates that there is deficiency in recovery of short-term agricultural credit.

Regarding medium term agricultural credit there is a slow growth rate of 0.46 per cent only from 1997-98 to 2007-08. Since most of the farmers have only small holdings they need only short-term loan rather than medium term loan for purchasing assets. Recovery performance regarding medium-term agricultural credit shows an increase of 1.5 per cent.

Jewel loan by PACBs in Kanniyakumari district has increased from Rs.562 lakhs in 1997-98 to Rs.2450 lakhs in 2007-08 i.e. a growth rate of 14.32 per cent which indicates a sound position in the disbursement of jewel loan. Recovery performance of jewel loan shows a positive growth of 13.67 per cent.

Short-term agricultural credit were also given through Kisan Credit Cards (KCC). KCC loans increased from Rs.92.73 lakhs in 1997-98 to Rs.30941 lakhs in 2007-08. Overall KCC loans growth rate for the study
period increased by 2.56 per cent. The recovery performance shows a marginal growth rate of 4.03 per cent.

Loans issued under Self-Help Group loan (SHG loan) has increased from Rs.191.1 lakhs in 2001-02 to Rs.1398.14 lakhs in 2007-08. Recovery growth rate for SHG loan is 23.02 per cent.

Overall performance indicates that PACBs have reduced the medium term loans and KCC loan but increased the short-term loans, SHG loan and jewel loans. Loan collections also shows a positive growth rate.

7.2.2 Overdues in Relation to Loans granted

Overdues are considered to be a serious problem to the short-term co-operative credit structure. The study revealed that, on an average 30 per cent of the loans advanced remains as overdues. There is negative correlation between loan repayment and overdues in all the blocks, except the Kurunthencode block. This shows that overdues are increasing while loan repayment is decreasing. This is not a healthy sign. Perhaps, this may be one of the reasons for the failure of many of the PACBs in Kanniyakumari district.

7.2.3 Deposits in Relation to Loans Advanced

The study revealed that deposits mobilised by PACBs in Kanniyakumari district were inadequate when compared to the loans advanced
by them. PACBs mainly depends upon borrowings from KDCC Bank for agricultural credit.

7.2.4 Problems encountered in Agricultural Credit

Problems faced by PACBs while granting agricultural credit has been analysed using Garett’s mean score and the study revealed the following.

The major problem encountered in securing crop loan is ‘compulsion is buying fertilizers’ which has the mean score of 68.79 followed by ‘inadequate amount of loan’ with the mean score of 56.82. ‘Government Policy’ is only the least problem concerned with securing crop loan since it has a mean score of only 29.01.

Major problem in sanctioning of loan is ‘slow processing’ and ‘complicated formalities’ with 64.30 and 58.03 as mean scores. ‘Improper records’ and ‘lesser number of staff’ were not the major problems in sanctioning loans since it has the mean score of 41.84 and 37.35.

With regard to seeds, ‘inadequate supply of seeds’ is the major problem which has the mean score of 61.35. The seeds ‘supplied are not suitable for all types of soil’ is the second major problem which has the mean score of 60.16. However, inadequate quantity of seeds and non-tested quality seeds were only least problems for the beneficiaries.
While granting loans PACBs face problems in getting security for loans. They find it 'difficult to verify the land physically' which ranked first with the mean score of 70.21, followed by difficulty of valuation of ownerships with the mean score of 63.47.

Recovery of loans is another problem faced by the PACBs. 'Lack of willingness to repay the loan' is the major reason for non-repayment, followed by 'misguided by political leaders' since they have the mean scores of 63.67 and 60.49. It is interesting to note that 'poor repaying capacity' and 'drought and famine' were the least reasons for non-repayment since they have the mean scores of 33.81 and 49.98.

Environmental problems revealed that 'old system of cultivation' is the major problem followed by 'losses from forest animals' since they have the mean scores of 76.16 and 54.98. 'Flood' and 'heavy storms' were considered only as the least problems since they have the mean scores of 27.61 and 34.88.

Social and political problems faced by PACBs are 'pressure from politicians to sanction loan for their friends and relatives' which has the highest mean score of 75.95. 'Promise by politicians that debt relief will be given to farmers' is the second major problem faced by PACBs since it has the
mean score of 65.98. However, caste and language were not the major social and political problem since their mean score are 33.82 and 37.46.

PACBs also face problems from other banks. ‘Easy approachability of other banks’, ‘low rate of interest by other banks’ were the major problem faced by PACBs which have the mean score of 55.95 and 54.51.

With regard to staff related problems, ‘lack of interest and motivation for the staff’, ‘lack of team work’ were the major problems with the mean scores of 69.79 and 54.60. However, ‘lack of technical staff’ and ‘heavy workload’ were only the least problems associated with staff.

Marketing problems, ignorance of pricing and no storage facilities were the major problems faced by PACBs in identification of yield since their mean score are 74.98, 63.49 and 57.98.

7.2.5 Socio-economic Status of Borrowers and Non-borrowers

The socio-economic status of the sample respondents revealed that the mean age of borrowers and non-borrowers is relatively 46.8 and 45.3. The sample borrowers and non-borrowers does not show much difference in their land holdings. The percentage of borrowers having irrigation facilities is 88 while that of non-borrowers is only 75. 83 per cent of the borrowers have
used their money to purchase modern tools for irrigation as compared to 79 per cent of non-borrowers. The average income of borrowers is Rs.97273.40 while that of non-borrowers is Rs.96085.67. Thus the borrowers are comparatively better placed in relation to their income than non-borrowers.

7.2.6 Impact on Agriculture Production

To examine the impact of credit on agricultural production, the production of four major crops of the district is subjected to detailed analysis. The crops selected were paddy which is the staple food of the entire population of the district, tapioca, banana and coconut.

The data on output of paddy shows that there is no impact of credit on production of paddy. The average output of paddy per acre of borrowers is 13.98 per cent (1.4 quintals) less than that of non-borrowers. By applying the ‘t’ test this difference in average output is statistically not significant at 5 per cent level as the table value (1.96) is higher than the calculated value (0.42).

Contrary to the production of paddy on which credit shows an impact when measured statistically in taluk wise, the production of tapioca exhibits positive results. The average production of tapioca per acre of borrowers is more than the average output of tapioca of non-borrowers. The average output of borrowers is 33.72 per cent more than the output of non-
borrowers. But this positive difference in the mean output of tapioca is statistically not significant as the Table value (1.96) is higher than the calculated value 1.10.

As regards to the production of banana, the average output is more by non-borrowers than by borrowers. The average output of banana produced by non-borrowers is 52.11 quintals per acre, while it is 38.46 by borrowers, which is 35.50 per cent higher than the production of borrowers. This numerical increase is not statistically significant as the table value (1.96) is higher than the calculated value (1.08).

Among perennial crops the product taken into consideration for intensive study in respect of its impact on production is coconut. From the data on production of coconut, it is seen that the production of coconut by the borrowers is more than by non-borrowers. The mean output of borrowers is 4647 coconut per acre as against 3986 coconut per acre in the case of non-borrowers. This shows a positive difference of 14.22 per cent which is around 661 coconut more than non-borrowers. The positive difference in mean output of coconut is statistically not significant, as the tabular value of 1.96 is higher than the calculated value of 0.48.

From the above analysis it is seen that among the four crops selected for detailed investigation, the output of borrowers of paddy and
banana is quantitatively less than the output of non-borrowers. But the output of tapioca and coconut of borrowers is slightly more than the output of non-borrowers. However these positive difference in output is not statistically significant. So it is safer to conclude that, in general short-term agricultural credit granted by PACB to the agriculturists has not made any significant impact on agricultural production.

7.2.7 Impact on Income

The access of the impact of credit on income, the total annual income from agricultural operation of borrowers and non-borrowers selected are taken separately for analysis. There is no significant impact of credit on the annual income of the borrowers. The average annual income of the borrowers is 1.46 per cent higher than the non-borrowers. Even though there is positive impact on income among the borrowers in Thovalai and Kalkulam taluk, it is not statistically significant. Land holding-wise analysis of average annual income reveals that the average income of borrowers belonging to marginal and small farmers whose landholdings are less than two acres have less income than that of the corresponding non-borrowing groups. Even in the case of big farmers, the positive differences of 8.02 per cent is also not statistically significant. The analysis leads to the conclusion that credit and
other inputs disbursed by the PACBs have not made any significant impact on the income of the borrowers.

7.2.8 Impact on Employment

To examine the impact of credit on employment, average annual man-days employment of borrowers and non-borrowers are analysed. Eight hours of work in a day per worker is computed as one manday. While analysing the day on the number of days of employment, it was found that short term agricultural credit disbursed by PACBs did not increase the days of employment of borrowers in a significant manner. The average mandays of employment of borrowers in a year was 149.06 while it was 151.91 in the case of non-borrowers. From the above figures it is inferred that credit from PACBs has not made any significant impact on employment of borrowers.

Taluk-wise distribution of average mandays of employment (Table 6.16) shows that in all four taluks i.e. Agasteeswaram, Vilavancode, Thovalai and Kalkulam there is shortage of mandays of borrowers by 2.17 per cent, 1.74 per cent, 1.57 per cent and 2.17 per cent respectively as compared with the mandays of employment of non-borrowers. This negative impact is statistically not significant as the calculated ‘t’ test value is 0.964 is less than the tabular value of 1.96 at 5 per cent level of significant.
Land holding-wise analysis reveals that there is no impact of credit on the days of employment of borrowers of any group. Even though there is no impact of credit on employment in general, the non-borrowers of all the taluks have increased their days of employment. This is the result of not better utilisation of credit by the borrowers of all the four taluks in this district.

7.2.9 Impact on Savings

Wide difference is found in the savings of borrowers and non-borrowers. The savings of borrowers amount to Rs.9776 while that of non-borrowers amount to Rs.9247. This means that the average annual savings of borrowers is 5.41 per cent higher than the savings of non-borrowers. However, this difference is not statistically significant.

7.2.10 Impact on Standard of Living

For analysing the impact of credit on the standard of living of the borrowers, four variables are selected and the data on each variable are analysed by using scoring technique. The four variables are (i) aspiration to educate children, (ii) social participation, (iii) consumption pattern and (iv) entertainment.
The data on the level of aspirations of farmers to educate their children reveal significant differences between both the groups of farmers (borrowers and non-borrowers). In the borrowers group about 40 per cent of the farmers have a high degree of educational desire, 32 per cent have medium level and 28 per cent low level. The corresponding percentages among the non-borrowers are 57 per cent, 24 per cent and 19 per cent respectively. The difference is also statistically significant. The conclusion is that the non-borrowers of the PACBs has succeeded in influencing to get their children educated.

Significant differences are not found between borrowers and non-borrowers in the case of the other variables selected to measure the impact of credit on the standard of living. While analysing, the level of social participation is slightly more among the borrowers than among the non-borrowers. 65 per cent of the borrowers have high level participation in social cultural activities, 13 per cent have medium level participation and 21 per cent low level participation. At the same time 13 per cent of the non-borrowers have high level of social participation, 11 per cent have medium level and 11 per cent low level. But these differences are not statistically significant. However, the level of social participation among all farmers in both the group is reasonably good. This may be due to the high rate of literacy among people.
and the utilisation nature of activities undertaken by social and cultural organisation in the district.

The level of consumption is another variable considered to measure the impact of credit on the standard of living of borrowers. In the borrower group 84 per cent of the farmers have high consumption level. 10 per cent have medium level and 6 per cent low level. The corresponding figures among the non-borrowers group are 74 per cent, 10 per cent and 16 per cent respectively. These differences are statistically significant. The findings that the consumption level of farmers of the borrowers category have increased indicate that their income has increased due to the availability of credit. Looking from the angle of PACBs this means that the credit granted by them has been able to increase the income level vis-à-vis the consumption level of their borrowing members.

The level of entertainment is the fourth variable considered for measuring the impact of credit on the standard of living of the borrowers of PACBs. The level of entertainment of the borrowers and non-borrowers reveals that the borrowers have a level lower than that of the non-borrowers. Among the borrowers 59 per cent enjoy high level of entertainment, 21 per cent medium level and 21 per cent low level. The corresponding percentages of non-borrowers are 67 per cent, 17 per cent and 16 per cent respectively. However, the difference is not statistically significant.
Thus the percentage of credit together with other inputs supplied by PACBs has not made any positive impact on the income, employment, savings and standard of living of beneficiaries is accepted.

7.2.11 Correlation between Credit and Agricultural Income and Credit and Employment

The relationship between credit and agricultural income and credit and employment is measured in terms of co-efficient of correlation.

Positive correlation exists between credit and agricultural income which is statistically significant at 5 per cent level. Taluk wise analysis reveals that high positive correlation can be seen in all the four taluks namely Agasteeswaram, Kalkulam, Thovalai and Vilavancode and positive correlation is seen in all the selected societies. Landholding wise analysis of correlation between credit and agricultural income shows that positive correlation exists among marginal and small farmers. Significant correlation is seen among medium farmers.

Negative correlation exists between credit and employment and it is statistically significant at 5 per cent level. Positive correlation is seen in the Agasteeswaram taluk and negative correlation in the Kalkulam, Thovalai and Vilavancode taluk. Positive and negative correlation is found between credit and employment in all the selected societies. Landholding wise analysis
shows that negative correlation is found between credit and employment in small and marginal farmers and it is statistically significant.

7.3 Policy Implications

On the basis of the above findings the following suggestions are made to improve the workings of the PACBs to the level capable of maximising the output, income, savings, employment and standard of living of borrowers or to a level at least equal to or a little above that of non-borrowers.

7.3.1 Timely Credit

The study revealed that there is considerable delay in getting agricultural credit. Most of the farmers are getting credit one month after applying for loan. Because of the absence in timely credit, many of the farmers, even though otherwise willing, are unable to go in for improved seeds and manures or to introduce better methods of techniques. It is therefore, of the almost importance that the financial requirements of the farmers are timely met. Provision of timely credit is therefore to be considered as an integral part of agricultural development.

7.3.2 Providing Sufficient Credit at fair rates of Interest

Farmers were not able to come out of the clutches of money lenders even after getting agricultural credit. This indicates that the
agricultural credit given is not enough to meet their expenses. They are forced to depend on money lenders for heavy rate of interest. Hence, sufficient credit should be given so that their financial requirements are adequately met. This alone will relieve them from the clutches of money lenders and helps in avoiding suicides committed by farmers.

7.3.3 Credit based on Anticipated Agricultural Production rather than tangible Assets

The agricultural credit should be provided on increased income which would occur due to the use of credit rather than on tangible security. It will help the small farmers to avoid the credit and implement their own plan of cultivation. The cost of handling credit and services should be lower. In the absence of this, most of the farmers will reject credit which may cause burden beyond their repaying capacity.

7.3.4 Encouraging Farmers to Adopt New Technologies

The borrower should be encouraged to adopt new techniques without which sufficient capital cannot be generated to repay loans. PACBs can inter link the farmers with marketing agencies to ensure full recovery of credit.
7.3.5 Provision for Continuous Evaluation of Credit Programmes

To ensure good and sound system of agricultural credit there should be a provision for continuous evaluation of the credit programmes. They will assist to estimate quantitatively the impact on implement in respect of farm production, cropping pattern, cropping intensity, farm output, employment opportunity and actual farm income. Guidance can be given to farmers in this regard from time to time.

7.3.6 Transforming PACBs into Multi Purpose Co-operative Society

PACBs should be transformed into multi-purpose co-operatives. Such a multi-purpose co-operative society will not only finance the agricultural needs of farmers but will help them inselling the produce, storing crops, purchasing manure and implements and supplying consumer goods like cloth, salt, kerosene, matches etc. This will bring the whole life of the cultivators within their control, who can be assisted in the proper utilisation and repayment of agricultural credit.

7.3.7 Increasing the Deposit

The study revealed that in recent years there is decline in agricultural credit provided by PACBs. There is decrease in short term loan, medium term loan, loan through KCC and SHG loan. This is mainly because
of the insufficient deposits of PACBs to provide agricultural credit. Hence PACBs must take necessary steps to collect more deposits, so that more agricultural credit can be given to farmers.

7.3.8 Security

The rules regarding the security to be offered should be liberalised. Now the security for loan is insisted either by mortgage deeds or by personal sureties. Considerable amount will have to be spent for executing mortgages in order to avail of the loan. This has rendered monetary loss or other inconveniences to borrowers. For instance, to avail short term agricultural credit from PACBs for the first time, the borrowers will have to spent about Rs.500 to Rs.750 including share capital. But a maximum of Rs.25 alone has to be spend to obtain the amount of short-term credit from commercial banks. Therefore, it is suggested that the system of pledging document as adopted in commercial banks should be introduced in PACBs also.

7.3.9 Crop wise Distribution of Credit

At present loans for various crops are disbursed by PACBs in particular seasons only. Since there is not much shortage of rainfall and irrigation facilities in the district, the system of granting short-term production
credit only during seasons fixed by custom and usage should be done away with. Short-term production credit has to be disbursed at all time so that intending cultivators can pick up crops of their choice and cultivate them as and when conditions seem favourable. Urgent attention is warranted in this matter, especially because of the continuing shortage of very many agricultural produces and the continuous decline in the total agricultural production in the district year by year.

7.3.10 Share Linking

Now loans are disbursed to the agriculturists in proportion to their share in PACBs. Loanees are compelled to spend a considerable amount towards share contribution in order to avail the loan. The share linking should be dispensing with so that the loanee can avail of the required amount by taking no single share.

7.3.11 Utilization

There is at present no effective machinery to supervise the utilisation of loans. In order to avoid misutilisation of loans a ‘Field Officer’ each may be appointed in all societies. Loans should be granted as per the report of the field officer. The field officers should fix the credit limit to the agriculturists after estimating their requirements. They can supervise the
utilisation of loans and if the loans are used for other purposes than agriculture, they should report the matter to their societies and the societies should take the immediate action of compelling the borrowers to refund immediately the misused portion of the loan amount. The expenses of maintaining the field officer may be reimbursed by the government.

7.3.12 Overdues and Recovery

It has been found during the survey that most of the PACBs are following the practice of renewing short-term loans either after part repayment or non-payment. This practice of renewal of short-term agricultural loans should be done away with because it facilitates misutilisation of funds and gives a misleading picture of the overdue position of PACBs. To reduce overdue, granting of loans should be limited to one member in a family. Before granting loans the repaying capacity of the borrowers may be assessed. Short-term agricultural loans may be granted only to agriculturists. Incentives like interest, subsidy to those who repay the loan in time may be reintroduced. The board members as well as the staff of PACBs may have constant contact with the loanees and insist on them to repay the loan in time. The consequences of legal action in case of default should be brought to the notice to the loanees.
7.3.13 General

The PACBs in Kanniyakumaridistrict are not properly supplying agricultural requisites, mainly seeds, implements, pesticides and fertilizers to farmers. It is suggested that the facilities should be extended by all societies to their member-beneficiaries.

Arrangements may also be made for the procurement to all the agricultural products by the government at reasonable prices so as to ensure fair price to the agriculturists for their products. Such an arrangement will eliminate middlemen who are prone to exploit small and medium farmers who, are, by the large, ignorant of the prevailing market prices of their products.

Steps may be taken to co-ordinate the activities of PACBs and the agricultural department. To make the farmers aware of the advantages of modern methods of cultivation, timely application of fertilizers and pesticides, improved variety of seeds etc., regular conferences and seminars on the different aspects of agricultural production should be conducted under the joint auspices of the Department of Agriculture and the PACBs.

7.4 Conclusion

This study has been undertaken mainly to help the Government to take up policy decisions and formulate suitable schemes and program to
ameliorate the socio-economic conditions of the agricultural farmers who mostly reside in rural areas. This study gives a comprehensive idea of the various problems, which the PACBs face and which are forming as a hurdle for the effective implementation of the schemes introduced by the Government. The suggestions made in the study will serve as a decision support in solving many problems of the farmers and PACBs which find practical difficulties in executing these plans and projects.

The researcher present this study with the hope that it will draw the attention of researchers to pursue their future research on the following issues.

1. A study on the difficulties in short-term agricultural operational plans and projects.

2. A study on fund mobilization in co-operative banking.

3. Long-term financing and profitability of the Primary Agricultural Co-operative Bank and Rural Development Bank.

4. The present trends in co-operative credit.