CHAPTER V

FINDINGS, SUGGESTIONS AND CONCLUSION
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INTRODUCTION

Rural economic development will, in future, require large funds for investments in projects and schemes. Such investment funds could flow uninterruptedly from the banking channel only if recoveries are forthcoming on due dates. Whereas it is accepted at all hands that the repayment of loans should be out of incremental income generated by the use of credit. The credit institutions will have to insist on beneficiary that loan instalments must be repaid in time and regularly so as to recycle credit. In this connection all the credit institutions including Governments will have to develop a system or philosophy of conduct and principle to be practiced jointly, through an agreed action programme.

PCARDBs occupy a dominant place in Indian economy regarding agricultural credit. The present study has been undertaken to study the utilization of PCARDBs by borrowers in Salem and Namakkal Districts.

The utilization of PCARDBs has been studied on the basis of

i) Socio economic factors

ii) Chi-square analysis to test the hypotheses stated in the introduction chapter.
iii) Comparison of small, medium and large farmers based on various factors, before and after credit utilization.

iv) Extent of non-defaulters and defaulters through discriminant function analysis.

The above areas are analysed in the fourth chapter in a detailed manner.

**FINDINGS:**

Based on the analysis, the following findings were made by the researcher.

- 36.3% of the respondents are in the age group of 31-40 years and only 49 are women.

- 137 respondents are having primary education only and majority of the respondents in the medium size family group.

- Only one person is a earning member in each of 177 respondents out of 300 respondents.

- The maximum range of agricultural income is Rs.30,000-40,000, forming 95 respondents and majority of the respondents are not earning any other income.

- The household expenses per month are Rs.2000-2500 representing 93 respondents (31%) and 25% of the respondents are not having any savings.
Majority (53.5%) of the respondents fall under small farmers group (less than 2.5 acres) and 93 respondents land holding value is in the range of Rs.2,00,001-3,00,000.

Majority of the respondents are of 2-4 Kms. range distance between bank and residence.

47% of the respondents are of 5-10 years experience in agriculture and 210 respondents are in the group of 1-3 acres cultivation area.

75% of the respondents follow traditional method of cultivation and 4-6 persons are working in the agricultural land, representing 44.7%.

Majority of the respondents are making use of PCARDBs and 71% of the respondents (213) received loan from PCARDB.

The loan amount utilized for the purpose it is taken comes to the extent of 50% and 68% of the respondents are of the opinion that the loan is partly sufficient.

Majority of the farmers repay their loan before due date and out of 300 respondents 164 are non-defaulters.

In the Select Districts, 166 respondents are not having any overdues.

Rigid loan procedure is ranked as first problem in getting loan from bank.
With regard to improvement of flexibility in loan procedure, PCARDBs come as first and followed by interest subsidy.

There is significant relationship between age of respondent and satisfaction regarding sanction of loan.

There is no significant relationship between sex of the respondents and satisfaction regarding sanction of loan.

There is significant relationship between education and satisfaction regarding sanction loan.

There is significant relationship between amount of loan received and level of satisfaction.

There is no significant relationship between type of farmers and satisfaction regarding sanction of loan.

There is significant relationship between age of respondents and amount of loan received.

There is no significant relationship between sex of respondents and amount of loan received.

There is no significant relationship between size of family of respondents and amount of loan received.

There is significant relationship between type of farmers and amount of loan received.

There is no significant effect between independent variables and dependent variables on percentage repayment of loan.
In case of medium farmers the loan amount is found to affect significantly the percentage of loan repaid, negatively.

There is no significant variation in the average number of labourers employed by small farmers, before and after credit utilization.

There is significant difference in the average agricultural income earned by small farmers, before and after credit utilization.

There is no significant variation in the average asset value of small farmers, before and after credit utilization.

There is significant increase in the average business income of small farmers, after credit utilization.

There is significant increase in the average amount of savings of small farmers, after credit utilization.

There is significant increase in the average amount of debts of small farmers, after credit utilization.

There is no significant difference in the average number of labourers employed by medium farmers, before and after credit utilization.

There is significant increase in the average agricultural income earned by medium farmers, before and after credit utilization.
- There is significant increase in the average asset values of medium farmers, before and after credit utilization.
- There is significant increase in the average amount of savings among medium farmers.
- There is significant increase in the average amount of debts of medium farmers, after credit utilization.
- There is no significant difference in the average number of labourers employed by large farmers, before and after credit utilization.
- There is significant increase in the average agricultural income earned by large farmers, after credit utilization.
- By using discriminant function analysis the researcher found that the number of earning members, household expense, distance, membership, political affiliation and loan amount differed significantly between defaulter and non-defaulter.
- 67% of the cases have been predicted in the non-defaulters group and 50.7% of the cases in the defaulters group by using discriminant function analysis.
- Loan amount is the maximum discriminating variable between defaulters and non-defaulters.
- There is significant relationship between type of borrower and purpose of loan regarding non-defaulter and defaulter.
➢ There is no significant relationship between type of borrower and type of farmer regarding non-defaulter and defaulter.

➢ There is significant relationship between amount of overdue and type of farmer regarding defaulter and non-defaulter.

➢ There is significant difference in the average amount of overdues by farmers who have received loans for different purposes.

➢ There is no significant difference in the average amount of overdues among borrowers from different banks.

REASONS FOR NOT UTILIZING PCARDBs PROPERLY

➢ It has been found that sometimes there is unusual delay in the sanction of loans.

➢ The most important defect is the rising amount of overdues. These banks are not taking adequate steps to realize these overdues.

➢ In some of the banks they advance loans even to the borrowers who have high overdues outstanding against them. This is a serious violation of norms prescribed by NABARD and Registrars.

➢ In some of the banks there is no adequate provision for bad and doubtful debts and their actual bad and doubtful debts exceed the provision for reserves under this head.
It has been observed that several PCARDBs have advanced loans for long periods to processing units without first ascertaining the economic and technical feasibility of the project. Loan granted without such examinations have become sticky.

In certain areas, improper and defective recruitment of staff has been done, at time with malpractices.

Supply of inadequate loans for limited purposes under fixed limit only.

Dissatisfactory management where favoritism is dominant.

High rate of interest is charged in actual practice at the time of recovery.

Rude behaviour of officials with borrowers at the time of loaning and recovery of loans.

SUGGESTIONS FOR IMPROVEMENT OF CREDIT UTILIZATION

Rationaliation of lending policies i.e. making further loans to borrowers if he has repaid 50% of the previous loan amount.

Better administrative steps to be taken so that timely follow-up actions could be taken.

Improved State assistance would help to improve the fund crisis in PCARDBs.
With regard to the overdues in the long term structure, the PCARDBs may be given the right of foreclosure of mortgage in the case of willful defaulters. This will substantially improve recovery position and pave the way for resecuritisation of mortgage loans to raise resources.

Fresh eligibility for borrowers should be considered on merits and not as a matter of rule, provided the default is not willful.

Bifurcation of PCARDBs region based on need, viability and administrative cost.

Debt Recovery Tribunals (DRT) may be made applicable to PCARDBs where loan size is more than Rs.1 lakh, so as to expedite recovery of chronic overdues.

Loan waivers have further vitiated the recovery climate. It is increasingly being recognized that such loan waiver penalizes the honest borrowers and reward defaulters. A decision needs to be taken at all levels that loan waiver/postponement of recoveries and granting of interest rate subsidies in future.

The most important suggestion would be to improve the overdue position. This requires concerted efforts not only on the part of the PCARDBs, but by the State Government also. Besides the efforts at the recovery of overdue loans, action is also necessary to ensure proper utilization of current loans to minimize the chances of overdues in future.
Lending procedures should be simplified to suit the poorest of the poor under the Integrated Rural Development Programme (IRDP). Undue delays in the scrutiny and sanction of loans should be eliminated.

Proper training of the staff engaged in the fixation of repayment schedule in accordance with the flow of incremental income will considerably improve the quality of lending and thereby help in the avoidance of overdues.

The PCARDBs should diversify their loaning operations especially for non-land based purposes like dairy, poultry, piggery, sheep rearing, rural and cottage industries etc.

While lending, the period, amount of loan, purpose of loan and repaying capacity of the borrowers should be assessed. Care should be taken to ascertain that the purposes for which loans are being taken are economically profitable.

The due dates for repayment of term loans may be so fixed by the PACRDBs so as to match with harvest of major crops or major source of income of the borrowers.

Repayment failures by borrowers may be reduced by proper insurance scheme, adequate medical treatment to the animals maintained by the borrowers.
Proper steps should be taken to utilize the loan amount for the purpose for which it is taken in order to reduce non-performing assets.

Nurture good relationship with the borrowers and help them to repay their loans by way of giving jewel loans.

Proceed against those non-farm sector loan borrowers whose overdue is more than Rs.5 lakhs.

Proceed with legal action on those borrowers who alienated their properties hypothecated to the bank and misutilised loans.

The borrower should have atleast 3 years experience in agriculture for which he is availing loan.

The field staff of PCARDBs should do verification of proper utilisation of loan amount periodically.

If overdue continues for a period exceeding six months or one year, One Time Settlement Scheme (OTS) can be introduced.

For repayment within due dates, the borrowers may be given a gift, offer scheme for future loans etc.

Necessary publicity and propaganda may be made for the recovery by way of medias like radio, television and newspaper.

Necessary steps may be taken for the avoidance of political interferences.
CONCLUSION

Co-operatives are distributing credit in many angles such as period wise, purpose wise, security wise at cheaper rate of interest and with certain consideration for the people of weaker section. They play a vital role in promoting agriculture, sericulture, handicrafts and poultry. In a wider sense, cooperative growth has thus become an effective stimulant to economic growth.

The PCARDBs is a symbol for the upliftment of rural masses in the rural economy of India. It creates employment opportunity in the rural sector by granting loans and advances for various purposes to increase agricultural productivity. It encourages the borrowers by providing non-farm sector loans in the rural areas to develop the small-scale industries. Hence the PCARDBs are committed to improve the life of the rural agriculturists by all means.