CHAPTER – VII

FINDINGS, CONCLUSIONS AND SUGGESTIONS
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7.1 Introduction

In developing countries most of the agriculturists leave farming and take up wide range of employment in neighborhood especially in NFS. Further, who are undertaking agriculture carry on NFS activities to supplement their income. The NFS consists of heterogeneous activities, which have the potential to absorb the excessive or discarded work force in rural area. Further, the spread of NFS depends upon the livelihood of the community. It harvests the locally available resources to generate employment and income to the people. Dharmapuri District being drought prone is fully depending upon the rain fed agriculture and in number of cases the outmigration has become common phenomenon. The scope for the development of NFS is wide in this district and clubbed with all Government schemes and programmes. The PCARDBs have utilised the business opportunities in NFS and pumped money based on the norms of NABARD, which have helped to boost NFS in this district. This chapter presents the salient findings of the present study, conclusion and suggestions of the study. The scope for further research is also identified for the benefit of future research.

7.2 Summary of Findings of the Study

7.2.1 Long-term Credit Structure: The long-term co-operative credit structure is not uniform throughout the country. At present, the federal system with PCARDBs at the Taluk/Block level and SCARDBs at the State level exists in the States of Harayana, Karnataka, Kerala, Madhyapradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamilnadu, and Chattisgarh. In the States of Assam, Bihar,
Gujarat, Jammu and Kashmir and Uttar Pradesh and in the union territories of Puducherry, Manipur and Tripura, the long-term structure is unitary in character in the sense that only SCARDBs are operating with its branches spread throughout the State. In the States of West Bengal and Himachal Pradesh, the long-term credit institutions come under mixed type.

Due to variations in the structure and functioning of ARDBs, uniformity both in policy and operations could not be maintained. Ignoring this aspect national level policies are framed, which in many cases failed to facilitate the ARDBs to function up to expectations.

7.2.2 Number of SCARDBs: The number of operational units as on 31st March, 2004 was 2609, comprising of 786 branches of SCARDBs, 7 sub-branches of SCARDBs, 772 PCARDBs and 1044 branches of primary banks.

7.2.3 Number of Members: As on 31st March 1996, the number of members was 17.39 million excluding the membership in the unitary structure. As on 31st March 2004, the total number of “A” class members was 9.31 million. Generally variation in membership during the period of study took place due to withdrawal from membership and admission of new members. Growth and coverage are the two dimensions of membership.

7.2.4 Share capital: It was found that, in most of the States including Tamil Nadu, the linking of share capital to the borrowings at the primary level is in the proportion of 1:20 or 5 per cent of the loan taken.

In the federal structure PCARDBs are solely depending on SCARDBs at the State level for their finance.
7.2.5 Rate of Interest: The rate of interest charged by the banks at the borrowers’ level ranges from 12 per cent to 17.50 per cent on agriculture and non-farm sector loans depending upon the quantum of loans.

7.2.6 Loan Operations: The PCARDBs are authorized to sanction agriculture loans up to a maximum of Rs.2 lakhs, beyond which the SCARDBs sanction the loans. In case of NFS loans, the primaries are not empowered to sanction loans. The loan applications for NFS activities are processed by the PCARDBs and sanctioned by the SCARDBs. During the year 1995-96, the total number of loans issued at all India level stood at 542,692, of which 27,439 loans were given to Non-Farm Sector. During 2003-04 the total number loans issued declined to 139,461, because most of the ARDBs could not get unrestricted refinance due to higher level of Non-Performing Assets. During 1995-96 the aggregate advances by the PCARDBs and branches of SCARDBs to the borrowers amounted to Rs.20,297.24 million as against Rs.16,450.7 million during the previous year, registering a growth rate of 23.38 per cent. The advances amounted to Rs. 30,509.6 million during 2003-04.

7.2.7 Trends in Recovery: It was found that the percentage of recovery at the borrowers’ level declined from 62.3 per cent during 1994-95 to 56.31 per cent during 1999-00. It decreased to 40.42 per cent during 2003-04.

7.2.8 Level of NPA: The percentage of NPA to aggregate loans outstanding of the PCARDBs was 38.73 per cent as on 31st March 2004.

7.2.9 Membership: During 1994-95, there were 2.16 million members in Tamilnadu as against 7.99 million members in India constituting 27.03 per cent.
During 2003-04 the number of members stood at 2.13 million in Tamilnadu, which was 7.12 per cent of the membership in India, which was 29.87 million.

7.2.10 Share Capital: The amount of share capital had been increasing from 1994-95 to 2002-03, but in 2003-04 the index number decreased to 283.8 with a short-fall of Rs. 9.55 million. It is to be noted that strengthening the share capital of the banks is necessary to make them financially sound. It is also helping the primary banks in getting finance from the federation.

7.2.11 Borrowings: The amount of outstanding borrowings of the primary banks in Tamilnadu was Rs. 4558.32 million. It increased to Rs. 10363.9 million with the increase in index number to 227.36 during 1999-00. The total amount of outstanding borrowings stood at Rs. 12596.49 million, with which the index number went to 276.34 during 2003-04. The dependence of PCARDBs on the TNCSARDB had been on the increase as there was no other source of finance for them.

7.2.12 Working capital: During 1994-95 the working capital of PCARDBs in Tamilnadu amounted to Rs. 4728.86 million. In the year 2003-04, the aggregate of the working capital stood at Rs. 15231.5 million, with the index of 322.1.

7.2.13 Reserve Fund: During 1994-95, the reserve and other funds of the PCARDBs in Tamilnadu stood at Rs.173.39 Million. This figure increased to Rs. 1742.78 Million during 1999-00. In this year, the index number increased to 1005.7. The total amount of Reserve and other funds came down to Rs. 826.95 Million with the index number of 477.21 during the 2003-04.

7.2.14 Loans and Advances: During 2003-04, the PCARDBs in Tamil Nadu advanced loans to the extent of Rs.1268.83 million of which 262.98 million was
given to Non-Farm Sector activities. The PCARDBs in Tamilnadu started giving loans for ‘Rural Housing’ in the year 2002-03. During 2003-04, these banks provided loans for ‘Rural Housing’ to the tune of Rs.289.84 Million constituting 22.84 per cent of the total loans.

Though the amount of NFS loans given by PCARDBs in Tamilnadu was fluctuating, the percentage of amount of NFS loans to NFS loans at all India level decreased due to the fact that other States increased their disbursement to Non-Farm Sector Activities.

7.2.15 Trends in Recovery: During 1994-95, the PCARDBs in Tamil Nadu, collected Rs.842.5 Million against a demand of Rs. 1072.4 Million with 78.56 per cent of recovery, which was the highest in 1990s. In the year 2003-04, the collection amounted to Rs.2367.6 Million as against a demand of Rs.7860.5 Million with a meager 30.1 per cent.

During the year 2003-04, the PCARDBs collected NFS loans to the tune of RS. 908.24 million against a demand of Rs. 2271.79 million constituting 40 per cent.

As on 30.6.95, the percentage of overdues of loans for minor irrigation under farm-sector was 31.4 and in case of NFS loans, it was 7.4 per cent. As on 30.06.04, the overdues of minor irrigation loans came down to 8.40 per cent as against 24.82 per cent of overdues of NFS loans. Overdues of NFS loans were the heaviest in the overdues of loans.

7.2.16 Non-Performing Assets: The percentage of NPA to total loan outstanding of the PCARDBs in Tamilnadu was 32.41 during 1997-98 with a total NPA of Rs. 2541.19 million.
The level of NPA had been on the increase due to absence of coercive measures to recover loans, promises of the political parties to write off loans, interest etc. and the unwillingness of the borrowers to repay the loans in addition to the loss of crops as a result of natural calamities.

During the year 1994-95, the total cost of management amounted to Rs.134.58 million, which increased to Rs.301.94 million with the index number of 224.36. During 2003-04, 26 banks got profit with an amount of Rs. 20.17 million and 155 banks incurred loss, which amounted to Rs. 788.51 million. During 2003-04, 173 banks had accumulated loss to the extent of Rs. 4766.83 million and only 8 banks were able to attain viability.

7.2.17 One Time Settlement: It was found that, 52,489 members availed of the facility of one time settlement and paid Rs. 1532.72 million and enjoyed a benefit of waiver to the extent of Rs. 629.08 million. The Government of Tamil Nadu waived penal interest and also reduced the interest charges on NFS loans from 18 per cent to 12 per cent with effect from 31.3.06 for those borrowers who are having overdues.

The Tamilnadu Government issued an order on 13.5.2006 and has written off all agricultural loans provided by the PACBs and PCARDBs in Tamilnadu. The total amount of long-term agricultural loans written off by the Government of Tamilnadu was Rs. 13,013 million.

Dharmapuri District

7.2.18 Membership: During 1994-95, the total number of ‘A’ class members stood at 52,131 and it went up to 57,841 during 1999-2000. It further increased
to 63,378 during 2003-04. Membership of the five banks individually to the District as well as to the State remained almost the same during the study period.

7.2.19 Share Capital: There is a gradual increase in the amount of share capital of the Dharmapuri and Uthangarai banks. It is so in other banks up to 2001-02 either fluctuated or declined marginally afterwards.

7.2.20 Borrowings: The total borrowings of the PCARDBs in Dharmapuri District amounted to Rs.112.58 million during 1994-95. The borrowings of these banks during 2003-04 came down to Rs.54.65 with which the index number came down to 49. Due to heavy overdues and Non-Performing Assets, all the PCARDBs in Dharmapuri district were not able to get unrestricted financial assistance from the TNCSARDB during 2003-04. The borrowings of the Dharmapuri PCARDB were at higher side compared to other PCARDBs in the district. This is due to larger area of operations with 181 revenue villages in five blocks of three Taluks.

7.2.21 Working Capital: During 1994-95, the aggregate working capital of the five PCARDBs in Dharmapuri District amounted to Rs.238.15 million. It rose to Rs.712.57 million during 2003-04 as compared to Rs.628.35 million during 1999-00. The Dharmapuri PCARDB had the largest amount of working capital every year compared to other banks.

7.2.22 Disbursement of Loans: In the year 2003-04, an amount of Rs.31.77 million was lent to farm-sector and an amount of Rs.7.08 million was lent to non-farm-sector activities. The total amount of advances during the year was Rs.46.68 million including Rs.7.83 million lent for other purposes of which jewel loan was
the major purpose. During the year 2003-04, the bank issued loans to the extent of Rs.24.62 million of which Rs.2.61 million were lent to the non farm-sector.

During 2003-04, the bank provided credit to the extent of Rs.3.06 million, which is the lowest amount of credit during the period of study. Nearly one third of the total amount of loans was given to NFS.

7.2.23 Recovery Performance: In the year 2003-04, the Dharmapuri bank collected Rs.29.73 million against a demand of Rs.305.61 million i.e., 9.73 per cent to demand. The recovery percentage in Harur PCARDB ranges from 6.58 per cent to 42.04 per cent during the period of study. Generally the recovery performance of Harur PCARDB during the period of study was fluctuating. Generally the recovery had been very poor due to drought and willful default in many cases.

7.2.24 Non-Performing Assets: During 2003-04, the percentage of NPA was 76.94 as compared to 72.72 during the year 2000-01. During the period of study, the percentage of NPA has been on the increase.

7.2.25 Cost of Management: During 2002-03 and 2003-04, the cost of management was less than two per cent of the working capital in Dharmapuri PCARDB. In Harur PCARDB, the cost of management ranges from 2.44 per cent to 4.22 per cent, which is hundred per cent more than the expected limit. The cost of management of Hosur PCARDB was 2.81 per cent of the working capital during 1994-95. The percentage of cost of management to working capital was more than two per cent during the period of study (2.27% to 3.63%).

7.2.26 Working Results: It was found that all the banks had been running with accumulated loss also during the period of study. This is due to the non-recovery
of loans from the members and higher cost of management. The Audit Classification of these banks is ‘C’ class during the period of study.

SCARDBs

7.2.27 Share Capital of SCARDBs: As on 31.03.2004 the share capital of TNCSARDB was Rs.421.59 million. During 2003-2004, Tamilnadu was placed in 7th rank in the amount of share capital collected from the PCARDBs at the national level.

7.2.28 Reserve Fund: In the year 2003-04, the amount of Reserve Fund at TNCSARDB was Rs.67.14 million as compared to Rs.3483.84 million at all India level.

7.2.29 Fixed Deposit: The PCARDBs accept fixed deposits on behalf of the SCARDBs. In the year 2003-04, the TNCSARDB accepted fixed deposits to the extent of Rs.117.63 million as compared to Rs.1915.75 million at all India level, constituting 6.14 per cent.

7.2.30 Owned Funds: 1994-95, the owned funds of the TNCSARDB amounted to Rs.849.56 million as against Rs.14612.6 million at all India level. It increased to Rs.4450.8 million during 2003-04, when the amount of owned funds of all the SCARDBs in India was Rs.47264 million. The growth of owned funds of the TNCSARDB has been impressive during the period of study. This is due to increase in the investment.

7.2.31 Debenture Floatation: The SCARDBs float Special Development Debentures, Ordinary Debentures and Rural Housing debentures. The NABARD is the major subscriber to the debentures. The Rural Housing Debentures are subscribed by National Housing Bank. Special Development Debentures floated
by SCARDBs are solely subscribed by NABARD. The national average amount of debentures floated during 2003-04 was Rs. 1762.71 million. The SCARDBs get interim finance from State Bank of India or its subsidiaries and State Co-operative Banks on the guarantee of the State Government concerned. The Sinking Fund is invested in Government securities, NABARD Bonds, debentures of sister SCARDBs, Trustee Securities etc.

7.2.32 Borrowings of the SCARDBs: Almost 90 per cent of the fund for lending by ARDBs comes from NABARD as refinance.

7.2.33 NABARD’s Refinance: Refinance is provided to SCARDBs against their term loans for agriculture, allied sector, non-farm sector activities, rural industries and rural housing. Extent of refinance ranges from 90% to 100% of the bank loan depending upon the category of borrowers, purposes and regions.

7.2.34 Working Capital of TNCSARDB: During 1994-95, the working capital of the TNCSARDB stood at Rs.5382.52 million (index=100) which increased to Rs.11207.8 million during 1999-00. During the year 2003-04, the working capital of the TNCSARDB was Rs.12905.1 million with which the index number increased to 239.76. The growth of the working capital was due to increase in the floatation of debentures, mobilization of deposits and borrowings from other agencies.

7.2.35 Disbursement of Loans by SCARDBs: During 1994-95, the TNCSARDB had disbursed loans to the tune of Rs.1491.88 million as against Rs.8845.96 at All India level constituting 16.87 per cent. Of this amount, TNCSARDB had provided Rs.980.70 million for farm-sector and Rs.511.18 million for non-farm sector. In the year 2003-04, the TNCSARDB distributed
Rs.802.57 million for farm-sector; Rs.492.44 for non farm-sector and Rs.71.85 million for Rural Housing, which is also coming under NFS. The aggregate amount of advances of SCARDBs in India was Rs.29758.17.

During 2003-04, the total advances came down, because of heavy overdues of the PCARDBs and the switch over of eligibility criteria to NPA linked norms against the earlier recovery norms for drawal of refinance by SCARDBs.

Hence, the TNCSARDB could not get sufficient funds for lending. This resulted in reduction in lending to PCARDBs in Tamilnadu. The TNCSARDB stopped lending to the PCARDBs since April, 2004 since NABARD stopped refinance to TNCSARDB because of the withdrawal of guarantee from the State Government.

7.2.36 Loans Outstanding: During 2003-04, the farm-sector loans outstanding of TNCSARDB amounted to Rs.8433.84 million, which was 66.71 per cent of the total loans outstanding of Rs.12642.28 million. At All India Level, the total loans outstanding of SCARDBs was Rs.180194.38 million, of which Rs.139004.55 million were farm-sector loans constituting 77.14 per cent.

During 1999-00, an amount of Rs.3436.19 million was outstanding in Tamilnadu under NFS loans. The NFS loans outstanding at All India Level stood at Rs.10735.13 million. The total NFS loans outstanding in Tamilnadu rose to Rs.3406.38 million as against the total NFS loans outstanding of Rs.14579.47 million at All India Level during the year 2003-04.
7.2.37 Recovery Performance of TNCSARDB

During the financial year 1994-95, the percentage of recovery of loans by TNCSARDB was 46.50. The percentage of collection decreased to 23.90 per cent during 2003-04.

The recovery performance had been very poor due to the poor recovery performance of the PCARDBs, who were in direct contact with the borrowers. The PCARDBs recover the dues from the members and remit the amount to the TNCSARDB. The inability of the PCARDBs in collecting the dues from the borrowers, affect the recovery performance of TNCSARDB.

The overdues has been mounting in the PCARDBs because of the borrowers' attitude not to repay the loans promptly and the occurrence of natural calamities such as drought, flood etc. The attitude of the political parties and the State Governments is another reason for mounting overdues. Absence of coercive measures is also considered as an important cause for overdues. This results in the accumulation of overdues at the TNCSARDB.

The accounting systems followed by Co-operative Credit Institutions in India find out DCB (Demand, Collection and Balance) every year. During the co-operative year 2003-04, the percentage of recovery was 27.5 per cent against the demand of Rs.7468.3 million.

7.2.38 Non-Performing Assets in SCARDBs in India: During the year 2003-04, an amount of Rs.42214.26 million (27.14%) was classified as non-performing assets against an outstanding loan amount of Rs.155525.05 million. At all India level, the NPA is less compared to the NPA in some States including Tamilnadu. However it is more than the tolerable limit of 5 per cent.
7.2.39 NPA in TNCSARDB: In the year 2003-04, the percentage of NPA was 56.76 with an amount of NPA of Rs.7175.74 million. The non-performing assets of TNCSARDB had been on the increase due to poor recovery performance.

7.2.40 Bad Debt Reserve and NPA Provisions: The total amount of Bad Debt Reserve and NPA Provisions of TNCSARDB increased to Rs.788.07 million as compared to Rs.12673.85 million at All India level during 2003-04.

7.2.41 Income: During 2003-04, TNCSARDB earned an interest income of Rs.1632.33 million as against the total income of Rs.24520 million at All India Level.

7.2.42 Cost of Management: The cost of management of TNCSARDB rose to 89.54 million with the corresponding amount of Rs.2101.79 million during 2003-04. During the study period, the cost of management of TNCSARDB had been less than the average cost of management of SCARDBs in India, except during the year 1995-96.

7.2.43 Working Results: During the year 2003-04, the bank incurred a loss of Rs.321.4 million, by which the index number came down to -365.19 from 100 in 1994-95.

Generation of Employment and Income:

7.2.44 Rate of Interest: The lending rate varied from 14 per cent to 16.5 per cent during the period from 1st May to December 2001.

The percentage of down payment varied from 5 per cent to 15 per cent depending upon the purposes.

7.2.45 Popular NFS Activity: In Dharmapuri District, SRTO Scheme, Agro Based Industry and Service Industry were popular activities for which large
number of loans was given. Since Hosur is an industrially developed area, the Hosur PCARDB provided more number of loans for General Engineering activities.

7.2.46 Gender of the Respondents: Most of the sample borrowers were males i.e., 90 per cent of the respondents were men and 10 per cent of the respondents were women

Nearly 18 per cent of the sample male borrowers borrowed loans for SRTO followed by 14.7 per cent for Service activities. 13.8 per cent and 13.3 per cent of the male sample borrowers received loans for Building Materials industry and Agro based industry respectively

Among the female borrowers, 24 per cent borrowed for Agro based industry.

The largest proportion of the sample borrowers 40 per cent was in the age group of 36 years to 45 years, followed by the age group of 46 years to 55 years 30.4 per cent. Respondents between 25 years and 35 years constituted 18.4 per cent only. 11.2 per cent of them constituted quite old of above 55 years.

7.2.47 Age and Activity of the Respondents: Among the sample borrowers in the age group of 46-55 years, around 21 per cent of the respondents were engaged in transport activity (SRTO). Around 17 per cent of the sample borrowers in the age group of 46-55 years obtained loans for Rural Housing. 23.9 per cent of the respondents in the age group of 25-35 years were engaged in Miscellaneous Industry.

In the same age group, number of respondents engaged in Transport Industry, Building Material Industry and Service Industry constituted 15.2 per cent each. In the age group of 36-45 years, 19 per cent of the respondents were
engaged in SRTO and Agro based Industry each. Large number of respondents 21.4 per cent each in the age group of above 55 years was engaged in Agro based and Service Industry.

7.2.48 Community of the Respondents: Most of the sample borrowers belonged to the Backward Community. Among the sample borrowers, 60 per cent belonged to Backward Community, followed by most Backward Community 27.67 per cent, Scheduled Caste 7.2 per cent, Forward Community 3.2 per cent and Scheduled Tribe 2 per cent.

7.2.49 Educational Status: An analysis of the educational status of the sample borrowers indicated that a large number of respondents 39.2 % studied up to secondary level. A substantial number of them 26.8 % studied up to primary level. About 16.4 per cent of the sample borrowers were degree/ diploma holders and 2.4 per cent of the respondents were Post Graduates. Among the respondents, 3.2 per cent had no formal education.

7.2.50 Marital Status: Among the respondents, 97.6 per cent were married and the remaining 2.4 per cent were unmarried. About 78.4 per cent of the respondents belonged to Nuclear Family and 21.6 per cent belonged to Joint Family.

Among the respondents' families, 70.8 per cent of the families had 5-7 members, 16.4 per cent of the families had above 7 members and 12.8 per cent of the families had up to 4 members.

7.2.51 Duration of Membership: About 47.6 per cent of the respondents had been in the membership of PCARDBs for a period up to 5 years and 48.8 per cent of the respondents had been in the membership for a period from 6-10 years. Only 3.6 per cent of the respondent had been in the membership for above 10 years.
7.2.52 Nature of Occupation: Non-Farm Sector activity was reported as the primary occupation of a large majority, 65.6% of the sample borrowers. The primary occupation of 34.4 per cent of the respondents was agriculture. 71.6 per cent of the respondents did not have any secondary occupation. Among the respondents whose primary occupation was agriculture, 72 per cent were engaged in different NFS activities.

Rural Housing activity is not generating direct employment opportunities. About 82 per cent of the respondents of SRTO had it as their primary occupation. In Building Materials Industry, 55.9 per cent of the respondents had it as primary occupation.

Among the respondents engaged in Agro based Industry, 58.3 per cent were having it as the primary occupation. 61.1 per cent of the respondents of Service Industry had it as their primary occupation. In General Engineering Industry 75 per cent of the respondents were doing it as their primary occupation. 75 per cent of the respondents in Printing Industry and 92.3 per cent of the respondents in Miscellaneous Industry were doing these activities as their primary occupation.

7.2.53 Reason for Choosing NFS Activity: Self-employment was reported to be the reason for choosing NFS activity as primary occupation for 62.4 per cent of the respondents. Giving employment opportunities to others was the reason for 29.7 per cent of the respondents to choose NFS activity.

Stabilization of farm income was the reason for choosing NFS as a primary occupation for 9.7 per cent of the respondents. Stabilization of farm income was reported to be the reason for choosing NFS activity as a secondary
occupation for 95 per cent of the respondents and 34 per cent of the respondents chose NFS as secondary occupation as there had been continuous drought. There is significant relationship between activity and occupation.

7.2.54 Motivation for NFS Activity: A large majority of the respondents (86.8%) were not motivated by anyone, but they chose NFS activity on their own accord. 11.2 per cent of the sample borrowers chose their activities on the basis of the suggestions given by their friends and relatives.

Around 42 per cent of the units were working for a period up to 5 years. Nearly 48 per cent of the units were working for a period of 6-10 years.

About 36.4 per cent of the respondents of SRTO received loans below Rs.100 thousands. Under Food Processing Industry, amount borrowed did not go beyond Rs.200 thousands. 41.7 per cent of the respondents in Agro Based Industry borrowed up to Rs.100 thousands only. Under Textile Industry, 50 per cent of the sample borrowers borrowed loans up to Rs.100 thousands.

7.2.55 Problems faced while borrowing: Cumbersome procedure was reported as a problem by around 13 per cent of the respondents. Around 17 per cent of the respondents considered the process of sanctioning loans as time consuming one.

7.2.56 Investment: The Mean per cent contribution of borrowing to total investment of all the [250] respondents was 89.18.

There is significant difference among the activity groups in the average contribution of borrowings in total investment.

7.2.57 Employment: In 61 units (28.1%), no one was appointed and the borrowers themselves were engaged. A majority of 127 units (58.5%) employed between 1 and 5 labourers. Only one unit (0.55) employed between 21 and 25
labourers. Around 51 per cent of the respondents (111) employed one of their family members. There were more variations in the number of workers employed in various activities under the same category.

There is significant difference among the activity groups in the average number of days employed in NFS.

**7.2.58 Self Employment:** The total man-days of self-employment generated by the transport industry amounted to 10634 days during the reference period.

In the Food Processing Industry, the Mean number of days of self employment was 22 per month. The number of respondents engaged in this industry was 5 and the total number of man-days of self- employment generated was 1320. The average number of days self employment in the Building Materials Industry was 21.67 per month for 33 respondents.

The total number of man-days of self-employment in Building Materials Industry was 8581. In the Agro based Industry, the mean number of days of self employment was 25.09 per month. There were 35 respondents engaged in Agro based Industry and a total of 10,538 man-days of self employment were generated.

In the Service Industry, 33 respondents were engaged and the mean number of days of self-employment was 15.45 per month. The total number of days of self-employment was 6118. In the General Engineering Industry, 11 respondents were engaged and the mean number of days of self-employment created was 24.36 per month and the total number of days of self-employment generated was 3216.

In the Textile Industry, 24 respondents were self employed and the average number of days of self-employment generated was 25.63 per month. The total
number of man-days of self-employment generated was 7381. In the Printing Industry, there were 8 self employed respondents. The Mean number of days of self-employment was 24.88 per month and a total of 2388 man-days of self-employment were in the Printing Industry.

In the Miscellaneous Industry, 24 respondents were engaged and the mean number of days of self employment per month was 23.96 per month. The total number of man-days of self-employment generated during the year was 6,900.

The average number of man-days of employment was 21.92 per month for all the industries. There were 217 respondents, who were engaged (self employed) in these non-farm activities.

It was found that there was significant difference among the activity groups in the average number of days of self employment in NFS. Textiles, Agro-based and Printing Industries occupied the first three ranks in generating self employment.

Agro based Industry would encourage agriculture and the development of agriculture will lead to the development of all other activities. Similarly agriculture will develop Agro Industry also. There is interdependence among various activities including agriculture.

7.2.59 Age and Self Employment: The mean number of days of self-employment was 22.18 in the case of respondents in the age group of 25-35 years. For respondents in the age group of 36-45 years, the mean number of days of self-employment was 22.59. Regarding the respondents, who belonged to the age group of 46-55 years, the mean number of days of self-employment was 22.32.
For the respondents above 55 years, the Mean number of days of self-employment was 17.70.

There is no significant difference among the age groups in the average number of days employed in NFS.

7.2.60 Education and Self Employment: There is no significant difference among the education groups in the average number of days employed in NFS.

7.2.61 Nature of Occupation and Employment: The Mean number of days employed in NFS was 22.92 for the respondents, whose primary occupation was NFS activity, whereas it was 19.22 for the respondents with the NFS as the secondary occupation.

It was found that the respondents who have undertaken NFS activity as primary occupation have been self employed for more number of days than the respondents undertaking NFS activity as secondary occupation.

There is significant difference between NFS being primary occupation and NFS being secondary occupation in the average number of days employed in NFS. There is no significant difference among the years of existence in NFS groups in the average number of days employed in NFS.

7.2.62 Activity and Employment: The Building Materials Industry employed 177 workers followed by Miscellaneous Industry with 162 workers. Agro based Industry employed 87 workers. The Textile Industry employed 63 workers. 53 workers were employed by the General Engineering Industry with the mean number of persons of 4.82. SRTO employed 36 persons and the mean number of persons employed was 0.82, whereas it was 6.75 in Miscellaneous Industry.
The mean number of persons employed in Miscellaneous Industry was the highest among all the industries. Service Industry employed 41 workers and the mean number of persons employed was 1.24. Printing Industry employed 14 workers and Food Processing Industry employed 7 workers.

Miscellaneous Industry, Building Materials Industry and General Engineering Industry generated employment opportunities in large scale.

The total Employment generated per month by these 217 units stood at 14,497 indicating an average employment generation of 66.81 per month by 217 units.

In SRTO, the number of man-days of employment generated was 370 (44 units), whereas it was 4,000 in 24 units in Miscellaneous Industry. In Food Processing Industry, 165 man-days of employment were generated per month. In Building Materials Industry, 33 units generated 4,155 man-days of employment per month.

Agro based Industry generated 1,968 man-days of employment per month with 35 units. Service Industry with 33 units created 635 man-days of employment per month. In General Engineering Industry, 11 units generated 1,307 man-days of employment per month. Textile Industry with 24 units generated 1,543 man-days of employment per month. Printing Industry with 8 units generated 354 man-days of employment.

There is significant difference among the activity groups in the average number of man days of employment generated. There is no significant difference among the Activity groups in the average income from NFS.
7.2.63 Education and Income: The mean net income of the respondents with no formal education was Rs.77.33 thousands, whereas it was Rs.178.40 thousands in the case of respondents with post graduation. The highest mean net annual income of Rs.200.29 thousands was received by the respondents who were graduates or diploma holders.

The respondents, whose mean net annual income was Rs.132.52 thousands, studied up to higher secondary class. The respondents, with secondary education earned a mean net annual income of Rs.69.75 thousands, whereas it was Rs.64.86 thousands in the case of respondents, who studied up to primary level. There is significant difference among the education groups in the average income from NFS activity.

There is no significant difference between NFS being primary occupation and NFS being secondary occupation in the average income from NFS activity. There is no significant difference among the duration of NFS activity groups in the average income from NFS activity.

7.2.64 Contribution of NFS income to Total income: The highest level of contribution of NFS income to total income of the respondents was found in Textile Industry with mean per cent of 95.90. The lowest level of contribution of NFS income to total income was found in Service Industry with the mean per cent of 74.98. The mean per cent contribution of NFS income to total income of all the (217) respondents was 83.03.

It was found that there was significant difference among the activity groups in the average per cent contribution of NFS income to total income.
All the respondents received income from NFS activities and the mean per cent contribution of the NFS income to total income was more than 75 per cent in all industries (activities) except Service Industry, where it was slightly lower (0.02%).

There is no significant difference among the Education groups in the average per cent contribution of NFS income.

There is no significant difference among the years of existence in NFS activity groups in the average per cent contribution of NFS.

There is significant difference between NFS Primary Occupation and NFS Secondary Occupation in the average per cent contribution of NFS income to total income.

Among the respondents with NFS as primary occupation, 67.1 per cent were satisfied with the NFS activity. In the case of respondents with NFS as secondary occupation, 75.8 per cent of the respondents were satisfied with the NFS activity.

There is significant relationship between default and activity. There is no significant relationship between defaulter and education.

Around 33 per cent of the respondents were having sufficient income but did not repay the loans without any reason. Such defaulters are known as wilful defaulters.

7.3 Conclusion

The PCARDBs occupy a pivotal position in the long-term credit structure for dispensing credit for investment in agriculture and non-farm sector. These banks have contributed much towards the development of NFS activities in
Dharmapuri district. They have found NFS to be an area for their investment and they have helped the rural people by generating employment opportunities, by financing NFS activities.

The ARDBS in Tamil Nadu and in other States also lost autonomy and independence due to supersession of the elected boards and absence of elections.

The income from NFS activities financed by the PCARDBs contributed much towards the total income of the respondents. A facilitating atmosphere was not created for the recovery of loans by the ARDBs. The State Governments in many cases announced waiver of interest on loans and even principal amount of loans. This has resulted in the change of minds of the borrowers leading to the non repayment of loans willingly. There is possibility for the fresh loans to become NPA.

The Government of Tamil Nadu had written off agricultural loans including long term loans. Because of this, the attitude of the borrowers has changed and in future they will not be willing to repay the loans.

In Tamil Nadu, the Government announced the one time settlement scheme for the borrowers of NFS loans. The borrowers do not turn up for availing themselves of the facility expecting the waiver of NFS loans by the Government as was done in the case of agricultural loans.

Generally the attitude of the Governments led to the absence of sincere efforts of the staff of the PCARDBs in the recovery of loans. Absence of recovery measures as per the Co-operative Societies Act made the borrowers not to repay the loans.
The area of operation of the PCARDBS is not uniform and their performance cannot be compared with each other.

The cost of management of the PCARDBs increased beyond the suggested level of two per cent of the working capital. All the PCARDBs in Dharmapuri district had accumulated loss due to poor recovery performance. Because of this they were classified as ‘C’ class during audit all these years.

The PCARDBs entirely depended on the apex bank for its finance and the apex bank in turn depended on the NABARD for refinance. They did not find any other source of finance, because they were not permitted to do so and they feel it comfortable.

**7.4 Suggestions**

**7.4.1. Restoration of Democracy**

The Government shall restore autonomy and independence of the co-operatives in general and PCARDBs in particular to make them genuine democratic institutions.

At present the Special Officers are not accountable to anybody. They are acting as tools in the hands of the Government and politicians. On the contrary, when there is elected board of directors, they are accountable to members and therefore will take proper care in the management of co-operatives. Elections must be held without any delay. In Tamil Nadu, whenever the co-operative societies are under the management of elected board, they have been managed effectively and the movement itself has shown signs of development. The recommendations of Task force on the Revival of Co-operative Credit System (LT Structure) must be implemented in letter and spirit.
7.4.2 Strengthening of internal resources

The PCARDBs must strengthen the owned funds. In order to strengthen the owned fund, they must issue more shares. The present practice of deducting amount for share capital from the amount of loan at the time of disbursement should be dispensed with. At the time of admission itself, the entire share capital should be collected from each member. They should pay the entire amount of share capital required for getting the loan before applying for loan, because, a member is eligible to get loan up to certain times of the share capital contributed by him. There is another practice in the PCARDBs in Tamil Nadu i.e., the share capital contributed by the member borrower is adjusted towards loan account at the time of clearing the loan. This method is affecting the share capital of PCARDBs and hence this shall not be permitted at the time of clearing loans.

As PCARDBs are issuing long term loans for productive or investment purposes, the borrowing members are, in general, able to pay such amount of share capital. Further different types of shares should be issued to meet the requirements of the members. SCARDBs should consider dealings in Stock Exchanges in two ways. One is getting their securities, shares and debentures listed in stock exchanges. The other is investing their funds in Stock Exchange Securities.

7.4.3 Deposit Mobilisation

The PCARDBs must be permitted to collect fixed deposit in their own name and not in the name of SCARDBs, which is in vogue. They should follow different schemes of deposits as DCCBs do. They should also follow different methods of attracting deposits such as advertising, incentives etc. They should
employ canvassing agents. The PCARDBs are not coming under the purview of the Banking Regulations Act. However they are permitted to use the word bank in their names. Hence they should either be brought under the Banking Regulations Act or be prevented from using the word bank in their names. The recommendations of Vaidyanathan Committee must be implemented in this regard. They should also be permitted to use the fixed deposit for issuing jewel loans.

7.4.4 Recovery of loans

The PCARDBs must be permitted to use the provisions of Tamil Nadu Co-operative Societies Act, 1983 to recover the loans by bringing the properties mortgaged for auction following due procedure. The Government and the politicians shall not interfere in this exercise.

7.4.5 Uniform Structure

Uniform structure for long-term credit institutions must be followed in India. Changing the structure is a Herculanian task, which needs the support of the State Governments concerned. The State Governments must take initiative for this exercise. The federal structure as found to be successful in most of the States should be the structure in all the States in India. In States where unitary structure is followed by ARDBs, the branches of SCARDBs should be converted in to PCARDBS.

7.4.6 Merger of Banks

The PCARDBS which are having smaller area of operations with small business must be merged to make them viable institutions.
7.4.7 Issue and recovery of loans

The PCARDBs are affected by the interference of the politicians and Government. When the loan applications are processed by them, certain defects are found in the applications or documents in some cases. The politicians, who are having influence with Government, approach officials of the banks and insist on issuing loans ignoring the defects to be rectified. The officials like Land Valuation Officers are unable to prevent the issue of loans to such applicants. If the repaying capacity of the borrower is not sufficient to repay the loan instalments, loans should not be sanctioned, but due to pressure from such politicians, they sanction loans. This affects the recovery of loans. The borrowers, who are capable of repaying loans are not repaying due to unwillingness to repay. This is also due to the announcement of waiver of loans or interest on loans. This kind of practice must be immediately stopped by the Government.

7.4.8 Employees

After 2004, many employees retired from service and appointments were not made to fill vacancies till now. Only in Dharmapuri PCARDB sufficient member of employees are working and in other PCARDBs, there are number of vacancies. In Krishnagiri PCARDB, Harur PCARDB, Hosur PCARDB only one permanent employee is working. This affects the functioning of the banks. The vacancies in these banks must be filled with qualified persons. Candidates with MBA degree must be considered for appointments. The PCARDBs must be prepared to offer good salary to such people to attract and retain them. This is possible only when there is elected Board of Management.
7.4.9 Infrastructure

All PCARDBs, except Hosur PCARDB and Harur PCARDB, are having owned buildings. The Hosur PCARDB and Harur PCARDB must try to have own buildings to reduce expenditure.

7.4.10 Computerisation

No PCARDB in Dharmapuri district is having a single computer. The employees do not have the knowledge of using the computer. Provision must be made to supply computers to all the PCARDBs in Dharmapuri district. The employees must be given training for using the computers.

7.4.11 Concentration on Non-Farm Sector Lending

Since Textile Industry, Agro based Industry and Printing Industry generated the highest number of days of self employment, the PCARDBs must give priority in lending to these industries in future and the NABARD should follow the same policy in providing refinance.

The PCARDBs must give priority to the degree or diploma holders in lending for NFS activities. The persons with higher qualification would prefer employment, whereas the degree or diploma holders would continue in NFS activity and generate employment. In rural areas there are a number people with diploma in engineering and they go for employment in industries, where they are not paid reasonably. If they are encouraged, they would become entrepreneurs. Since respondents with degree or diploma holders received highest mean income from NFS activities, they must be encouraged by providing them additional finance also if needed.
The PCARDBs must encourage the members to have NFS activity as their primary occupation. Hence, they must give priority in lending to those, who want to undertake NFS activity as primary occupation. If NFS activity is undertaken as primary occupation, it will generate more income. The PCARDBs must give importance to Building Materials Industry; Agro based Industry and Miscellaneous activities in lending.

The ARDBs must allocate more finance for lending to NFS activities to eradicate poverty, unemployment and migration of people from rural to urban areas. Regarding this Dr. Manmohan Singh, Prime Minister of India said that instead of the people migrating to places where jobs exists, the country should move to a situation “where jobs migrate to where people live”

7.5 Scope for further Research

The following are found to be the areas of further research.

i. A comparative study of Non-farm Sector finance by ARDBs and Commercial Banks in Tamil Nadu.

ii. A study on the profitability of lending to Non-farm Sector by ARDBs in Tamil Nadu.

iii. A study on the possibility of merger of non-viable PCARDBS.

iv. A study on the possibility of integrating co-operative credit institutions to make a single window credit delivery system in Tamil Nadu.

v. A study on the feasibility of utilizing SHGs as financial conduits by PCARDBs.