CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY
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1. Introduction

India and Indian agriculture has a glorious past. Not only the art, culture, literature, religion and philosophy but also the economic wealth which was the result of agriculture and industry was proverbial (Golden bird).\(^1\) India has 6 percent of the world’s human population, 15 percent of world’s livestock, 2 percent of the geographical area, 1 percent of rain water, 1 percent of forest and 0.5 percent of pasture land. The country has over 7500 kilometer of coastline and about 2.1 million square kilometer of exclusive economic zone in the ocean.\(^2\) Agriculture sector continued to be the pivotal sector of the economy providing employment and livelihood to a majority of the population.\(^3\) It provides livelihood to about fifty nine percent of the country’s population and contributes around twenty-six percent of the national income.\(^4\) About 190 million hectares of cultivated area produces the bulk of food supplies, raw materials for a number of important industries, such as cotton, and jute textiles, sugar, vegetable oil, paper etc and products for export which account for about half of foreign exchange earnings. Agricultural development is regarded as the foundation of economic growth of India.\(^5\)

A flourishing agricultural sector is far more important for the development of Indian economy, since farming is less a business than a tradition in India. The share of agriculture in national income is a crucial indicator of the role that agriculture plays in the economic development of a country. As the country rides on the wheels of progress, the relative contribution of agriculture in national income declines with the country
becoming more and more prosperous. The expanding non-agricultural sector diverts surplus manpower from agriculture to industry and the improvements in agriculture enable a smaller number of people to produce for a larger population. Agriculture and allied industries contribute significantly a high share of the national income. Besides, agriculture also contributes to national savings and capital formation. "Sustainable agricultural growth has been a central theme of all development planning". Agriculture is the backbone of the Indian economy and development of this sector deserves to be accorded a very high priority in any schemes of resource utilisation for the general economic development. But after liberalization Indian agriculture has made much headway. Production declined and a number of institutional hurdles persist. Rural credit institutions are as important as land reforms.

2. Agricultural Credit

Finance plays a pivotal role in carrying out any economic activity and more so in agriculture. The new agricultural strategy, the higher prices for fertilizers, increased wages of labour and other cultivation expenses, low returns, and high rate of rent, a large number of cultivators can not manage the needed finance without recourse to borrowing. Sophisticated farm production technology, and scientific crop planning have also created a heavy demand for credit. Finance is required not only to meet the shortage arising in the production activity but it is also required to bolster up a chronically deficit agricultural economy, because farmer generally lives at the brink of starvation. Agricultural credit is a nucleus of the system of farm operation. Adequate and timely credit to the farmers is, therefore, vital and indispensable for the rehabilitation and
progress of agriculture. Credit of the right quantity and of the right kind immensely contributes to agricultural development—once the match-stick of credit ignites the flame better managerial skill sustain it and a holy process of one inducing the other and covering all comes into effect. Thus, the role of credit consist in laying foundation stone of farm revolution and maintaining structure built upon it.  

3. Sources of Agricultural Credit

Agricultural credit is supplied by several agencies. These could be broadly divided into two categories: i) institutional agencies and ii) non-institutional agencies. The commercial banks, the cooperative societies, Regional Rural Banks and the government are the institutional agencies, while non-intuitional agencies include moneylender, traders, commission agents, land lords, relatives and friends.

3.1 Non-institutional sources

Though commercial banks/co-operative banks are becoming important sources of credit in the villages, private sources are still dominating the scene.

3.1.1 Money lenders

This was the most important source of rural credit in the olden days. They became important in agricultural finance due to an attitude of indifference on the part of the government, the uncertain character of agriculture and lack of acceptable security with farmers. They are the main supplier of short and medium term credit to the farmers in all those countries of the world where agriculture is still traditional and carried out on a subsistence basis and where institutional sources are not yet fully developed. Two types of money lenders are mostly found in the rural areas; i) professional money lenders
whose main or only function is to grant loans to the farmers, and ii) agriculturist money lenders who combine money lending with farming. The methods of issuing credit by the moneylenders are full of malpractices. They have always exploited the farmers. These moneylenders charged them exorbitant rate of interest ranging from 15 percent to 50 percent. Some special features place them in a better position as compared to alternative agencies and enable them to supply special services to the agriculturist. They are flexible in method of work, no fixed working hours, advances made for any and every purpose, no particular type of security is insisted upon. But the importance of the money lender in the field of agricultural credit is not because of his satisfying the test of a sound agricultural credit agency, but because alternative agencies have still not been able to build up their organisation adequate to meet the demands for credit of modern agriculture, particularly if a large number of cultivators take to such agriculture.

3.1.2 Traders and Commission agents

Traders and commission agents provide short-term credit to farmers. They provide loans to the farmers for productive purpose before the harvest is ready on the condition that they will sell their produce to them at pre-determined prices, which are usually very low, compared to prevalent market prices at the time of harvest. Just like moneylenders, these agents also charge high rate of interest, in addition to charging heavy commission. Due to the unfavourable conditions of transaction for the farmers, this is also one other agency, which cannot be promoted for purposes of increasing the supply of credit.
3.1.3 Relatives and Friends

Borrowing from relatives and friends to meet temporary exigencies is a very common practice among farmers. Being informal in character, these loans need to be repaid soon after the harvest. A very low interest is charged; security is not insisted upon; the repayment is flexible. But this source cannot be depended upon, as there is no certainty of the availability of funds. It also cannot be expected to result in any considerable increase in the supply of credit. Being known people, they cannot insist upon the productive utilization of the loan. As a matter of fact, the loan could be taken to be more of help than actual credit in the real sense.

3.1.4 Landlords and others

These agencies are worse than professional moneylenders. They charge exorbitant rates of interest with rights on produce. They also reduce them to the level of bonded labour with claim from generation to generation. Besides, most of the loans taken from this source are used for unproductive consumption. The creditors care little for the welfare of the farming community. Hence this source cannot be assigned any place in a healthy scheme of agricultural finance.

3.2 Institutional sources

A number of institutional agencies are engaged in the task of providing finance in the rural sector. It includes co-operatives, Commercial Banks, Regional Rural Banks and Government. The diagrammatic representation of the structure of institutional arrangements of agricultural credit would be as follows.
3.2.1 Co-operative Banks

The best method of making available institutional credit for agriculture is through co-operatives. Co-operatives in India have made remarkable progress in the various segment of India. Co-operative organisations have been recognized as the best institution for providing rural credit to the farmers because they satisfy all the important criteria of sound agricultural credit. The co-operative organization satisfies the basic
condition of proximity. The society can also supervise the use of credit so that it is invested in improving the productivity of land. Further, the credits provided by the co-operative societies are bound to be cheap due to their low administrative cost. The credits provided by these societies are neither too rigid nor too elastic.

The co-operative credit agencies in India can be divided into two categories, that is, those dealing with short and medium term needs on one side and those serving long term needs on the other side. The structure of short and medium term credit is three tier, that is, State Co-operative Banks, District Central Co-operative Banks and Primary Agricultural Co-operative Banks. In the case of long-term credit, the structure is two tier, that is, State Co-operative Agricultural and Rural Development Banks (SCARDBs) and Primary Co-operative Agricultural and Rural Development Banks (PCARDBs). The Primary Agricultural Co-operative Bank (PACB) supplies the agriculturist with short term and medium term funds. These banks obtain their funds from membership fees, deposit from the public and from the State Co-operative Bank through the Central Co-operative Banks. There were about 0.99 lakhs PACBs with a membership of about 999 lakhs. They had advanced about Rs.950 crores by 1976 and Rs.25698 crores in 2000-01. Considerable progress has been made during the last 25 years particularly in Tamil Nadu, Andhra Pradesh, Punjab, Karnataka, Maharashtra and Himachala Pradesh. Agricultural credit co-operatives constitute the sheet anchor of co-operative policy and development in India. Agricultural and Rural Development Banks look after the long-term requirements of the farmers. The funds for these banks are obtained from share capital, reserves, deposits and issue of bonds and debentures. The State Government
generally guarantees the bonds of these banks. From 286 in 1950-51, the number of PCARDBs has increased to 896 by 1974-75 and decreased to 768 in 2001-02 while the number of SCARDBs increased from 5 to 19 and 20 during the same period. The quantum of credit sanctioned went up from Rs.3 crores in 1950-51 to Rs.193 crores in 1974-75 and further increased to Rs.14,841 crores in 2001-02.

The credit disbursed by the co-operative institution for agricultural purposes was Rs.9378 crores (62% of total share) in 1992-93 increased to Rs.24310 crores (34% of total share) in 2002-03, resulted an increase of Rs.14932 crores over a period of 11 years.

Co-operative credit is the most suitable system of agricultural credit for it is solely designed in the interest of the borrowers. It is their own organization and its object is not to deal in credit for the sake of profits, but to serve its members/patrons by meeting their needs.

3.2.2 Commercial Banks

Until late sixties, the commercial banks with the exception of State Bank of India were largely confined to urban areas. However, with the introduction of social control in 1967 and subsequently, the nationalization of major commercial banks in July 1969, these banks started playing a substantive role in dispensing rural credit and to this end began opening branches in rural areas. On account of the deliberate branch licensing policy adopted by RBI, the rural branches of the commercial bank now account for about 49 percent of the total branch network. Their rural branches increased from 1832 (22.4 % of the total bank offices) in June 1969 to a considerable figure of 9536 (38.4%) in June 1977 and increased to 32423 (49%) in March 2002.
The total agricultural advances both direct and indirect have increased from Rs.4960 crores (33% of total share) in March 1993 to Rs.41,033 crores (58% of total share) in March 2003, an increase of Rs.36,073 crores during a period of eleven years. Thus, the commercial banks have been aiding agricultural programmes on an increased scale during the post-nationalisation period. The change in their attitude, the rapid expansion of branches in the rural areas, their performance since 1969 and the rapidity with which the agricultural advances are made, have made this source very important.

3.2.3. Regional Rural Banks

One of the major steps taken by the Government of India with a view to improving the flow of credit into the rural economy during the recent years in the establishment of Regional Rural Banks (RRBs). Inspite of the rapid expansion programme undertaken by the commercial banks in the recent years, a large segment of the rural economy was still beyond the reach of the organized commercial banks. The RRBs have been set up under RRBs Act 1976. Rural bank should be located at strategic points in rural areas, where branches of commercial banks are not likely to be opened. The area of operation of a rural bank should not be rigidly visualized in terms of a given number of villages or population. The bank is controlled by a Board of Directors. The Chairman of the Rural bank of the district is the chairman of the Board. Three directors are nominated by the Central Government while two more are nominated by the State Government. The sponsoring bank nominates three directors. Each Regional rural bank is to be sponsored by a nationalized commercial bank to be known as the sponsoring bank. Every RRB is a body corporate with authorized capital of Rs.1 crore divided into
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Source: Rural Credit & NABARD 2002

Note: Disbursements through other agencies included in cooperatives

Figures in parenthesis indicate percentage share
one lakhs shares of Rs.100 each. The issued capital shall be Rs.25 lakhs out of which 50 percent is to be subscribed by the Central Government, 15 percent by the concerned state government and 35 percent by the sponsoring bank. RRBs mobilize deposits and grant short and long-term loans directly to the small and marginal farmers, agricultural labourers, rural artisans and small entrepreneurs only.

At the end of 1975, there existed 6 RRBs only. This figure increased to 85 in 1980 and reached 196 on 31st March 2002. The coverage of district had also increased from 12 in 1975 to 144 in 1980 and reached 351 by the end of 1986. The number of branches opened by RRBs has increased from 17 in 1975 to 3279 in 1980 and reached the level of 14390 on 31st March 2002 by registering a substantial growth since their establishment. The advances rose from Rs.831 crores (5% of total share) on 31st March 1993 to Rs.5467 crores (8% of total share) on 31st March 2003.

The RRBs have so far been able to achieve the main objective of helping the weaker section in the rural areas by purveying credit to suit their requirements despite the constraint of limited area of operation an unhelpful topography and an unenterprising clientele.\textsuperscript{14}

3.2.4 Government

The government has been another agency in the field for supply of credit to the agriculturists. In India, the state has been financing farmers from time immemorial and the arrangement was formalized by suitable legislation in the 1980's. Government provides “Taccavi” loans in the areas where the establishment or reactivizasion of the co-operative credit structure or promotion of supplementary credit arrangements by the institutional agencies is likely to take so long the current agricultural programmes might
suffer on account of the lack of credit support. Government grant long term loans for bringing about permanent improvement on land and these loans are granted generally for periods extending 25 years on the security of landed property at a relatively low rate of interest. The government for meeting current agricultural needs also grants short term and medium term loans. Such loans are payable mostly after the harvest. But the record of 'Taccavi' loans has been "a record of inadequacy of amount, inconvenience of timing and incidental delays, inefficiency of supervision and incompleteness of co-ordination". When compared to loans from other agencies, the government loans were insignificant, forming only 3.3 percent in 1951, 2.6 percent in 1961-62 and 3.9 percent in 1977-78.

3.3 Problems in Lending to agricultural sector

3.3.1. Problems of Multi-Agency Approach

The adoption of the multi-agency approach to agricultural financing has given rise to some problems in the efficient disbursal of credit. The Reserve Bank of India constituted a working group in August 1976 under the Chairmanship of C.E.Kamath in order to examine the various problems involved in the multi-agency approach. One of the major problems of multi-agency approach were identified by the working group is that the existence of a number of agencies retailing credit in a common area of operation and distributing credit in uncoordinated manner resulted in multiple financing, over financing, under financing, financial indiscipline and diversion of scarce resources to unproductive purposes. Another problem faced by the multi-agency approach is the inability of credit agencies to formulate and develop meaningful agricultural credit programmes on an area approach basis.
In view of the deficiencies experienced in the institutional system during the decade 1970-80, it is necessary to give a fresh thought to the policy frame that may be developed during 1980’s. The problem of multi-agency approach should relate to financing a solution as to whether the agricultural credit system should continue to place reliance on a number of financial agencies and if so what should be their respective roles and how the future expansion of the activities of these agencies is to be regulated to achieve the overall purpose in view.

3.3.2 Problems of PACBs

It is essential to workout and understand the problems hampering the growth and development of PACBs. So many co-operative organizations are facing problems mainly associated with internal and external environment. There are certain crucial problems hindering cooperative growth and development in India, namely (i) Low Productivity, (ii) Low Viability, (iii) Non-Sustainability and (iv) Low Profitability.

Another important but challenging task is to strengthen and streamline the working of primary co-operative societies. Similarly, there is an urgent need for improving the operational efficiency of co-operative credit agencies, especially at the grass root level.

3.3.3 Lack of co-ordination of institutions in the rural credit

Further the rural credit also has some problems. There is no proper understanding between co-operative banks, on the one hand, and the Commercial Banks and Regional Rural Banks, on the other. Commercial Banks have a feeling that co-operative banks are following a “dog-in the manager” policy while co-operative banks have a feeling that
Commercial Banks and Regional Rural Banks are ousting them. This atmosphere of distrust will have to be removed.

Perhaps the most important problem for the Bank would be how to reduce the levels of overdues, which are plaguing every type of credit agency, co-operative banks, commercial banks and regional rural banks.

Rural problems in this country are so numerous, so old and so complicated that one does not expect a single institution to do the work with in a short time.

In order to make a proper understanding among the various agencies in rural credit, strengthen and streamline the working of primary co-operative credit, to improve the operational efficiency of co-operative credit agency, and to reduce the levels of overdues, there should be an apex and co-ordinating institution in the rural credit.

3.4 Birth of NABARD

Keeping all these things in view, a separate financial institution to operate, as a Rural Reserve Bank had long been overdue. The Committee to Review the Arrangements for Institutional Credit for Agricultural and Rural Development (CRAFICARD) constituted by the Reserve Bank of India had suggested, among other things, the formation of the National Bank for Agriculture and Rural Development (NABARD) to serve as an apex body in the field of rural credit.

National Bank for Agriculture and Rural Development (NABARD)

NABARD was created under the Act of Parliament and came into existence on July 12, 1982. NABARD was, therefore, designed as an apex institution in the sphere of agriculture and rural development by merging together the Agriculture Credit Department of the RBI, which supervises agricultural credit and the Agricultural
Refinance and Development Corporation (ARDC). The Regional Rural Banks (RRBs) and the Co-operative sector would come under NABARD and NABARD will also provide finance to Commercial banks. Different institutions are providing credit facility to this sector under the umbrella of National Bank for Agriculture and Rural Development (NABARD).  

NABARD is an apex organization in respect of all matters relating to policy, planning, and operational aspects concerning flow of credit for the village activities both of agriculture and non-agriculture. It is a new single integrated agency for meeting the credit needs of rural development including industries. The three main functions of National Bank are refinancing, institutional development and inspection of client banks.

4. Review of Literature

This part is designed to present a review of existing literature in the field of agriculture credit and well-searched studies on the functioning of NABARD. The study makes a thorough search and review of existing literature. The studies were grouped as under

1. Credit utilisation
2. Impact of credit
3. Repayment of credit
4. NABARD and Refinance

4.1 Credit Utilisation

Jalal, R.S. and Bhist, L.S., (1985) analysed the role of co-operative credit in promoting agriculture in Kumaon Region of State of Uttar Pradesh. They stated in their study that there are so many reasons for failure of repayment of cooperative loans.
include misuse of credit, repayment of loans from other sources, inefficient cooperative marketing system and cumbersome cooperative credit policy. Utilisation of credit in productive activities certainly improves repayment of loans.\textsuperscript{16}

Sidhu, M.S., et al. (1985) studied the repayment position of beneficiaries of Agricultural Development Center of the Bank of India, Ludhiana. The study showed that only 30 percent of the agricultural labourer beneficiaries repaid their loan in time, whereas out of 38 small and marginal farmers, only about 45 percent had repaid their loan in time. Thus, it was observed that a greater percentage of small and marginal farmer loanees had repaid their loans than agricultural labourer loanees.\textsuperscript{17}

Patel R.H. et. al., (1987), examined the purposes and utilisation of credit among different categories of farmers. According to them, on an average about 70 percent of the available credit was used for productive purposes and about 30 percent was diverted to non-productive uses. The extent of use for unproductive purposes was the highest among large farmers and lowest in case of small farmers. They further added that among the productive purposes, crop loan, which accounted for the highest percentage of the total credit, was most dominant, whereas among the non-productive purposes, family expenses had the highest share in the total advances for all the cases except for the small farmers.\textsuperscript{18}

Punna Rao, P., and Satyanarayana, Ch., (1990) studied the credit utilisation pattern and its association with the personal, socio-economic and psychological characteristics of small and marginal farmers. Majority of small farmers (71.25\%) and marginal farmers (85\%) completely utilized the credit for the purpose for which it was sanctioned. 28.75 percent of small farmers and 15 percent of marginal farmers had
partially utilised the loan for other purposes. The results revealed that variables like age, family size socio economic motivation had positive and significant association with credit utilization pattern of both small and marginal farmers.  

Venkiteswaran, S. and Janarthan Pillai, B., (1991) examined the pattern of utilization of long-term loans by the borrowers of a Primary Agricultural Development Bank in Kerala. The analysis showed that 54 percent of defaulters, who availed of ordinary/scheme loans, diverted the amount for construction of residential building. Of the remaining defaulters who received ordinary loans, 30.9 percent utilized the same for the repayment of old debts, 3.8 percent each for business, marriage of children, medical treatment and purchase of land. In the category of borrowers of scheme loan, 33.3 percent contributed the amount to their business. Those who spent for the marriage of their children or purchase of land constituted 6.7 percent. They further stated that as lender, management of loans by the Primary Agricultural Development Bank involves assuring proper utilization of credit so as to have safe recovery. They criticized that once the loans were granted there existed no effective supervision or any follow up action from the bank regarding its utilization.

Vaikunthe, L.D., (1991) analysed the utilisation of co-operative credit in selected taluks. The study revealed that more than 50 percent of the credit in the irrigated area and 60 percent in the non-irrigated area was spent on fertilizer and only 5 to 6 percent of the credit was utilized for seeds in both the areas. He concluded that mis-utilisation of credit was more in the case of farmers in the non-irrigated area compared to the farmers in the irrigated area. Again in the non-irrigated area, the small and medium farmers misutilised credit more than the big farmers.
Mazumdar, D.K. and Baruah, H.K., (1999) analysed the credit utilisation pattern of borrowers from Khakarijan and Batadrowda blocks of Nagaon district in Assam. The study revealed that the overall level of misutilisation was 15.76 percent. The proportion of misutilisation did not vary much among the size groups and it ranged between 13 to 17 percent. The misutilisation of funds was mostly related to expenditure on domestic affairs, social ceremonies, litigation, medical care and others.\(^{22}\)

Singh, A.K., et al, (2003) estimated the extent of utilisation, diversion and repayment of crop loan of the borrowers of District Central Co-operative Bank (DCCB), Raipur of Chattisgarh State. The study observed that some of the farmers spent the borrowed capital for family liabilities. They found that Joint families utilised more percentage of crop loan for the purpose than individual families under non-defaulter group of borrowers. 60 percent of the crop loan by marginal and small farmers was diverted to consumption purposes. The illiterate farmers of both the groups of borrowers were observed to have maximum diversion of loan.\(^{23}\)

4.2 Impact of Credit

A study by Sidhu, M.S., et al. (1985) evaluated the impact of bank lending on the standard of living of agricultural labourers, marginal farmers and small farmers. They stated that loans brought about a qualitative change in the relative contribution of different sources of gross household income of sample beneficiaries and level of income of the loanees rose. The study revealed that there has been a considerable improvement in the consumption pattern of beneficiaries.\(^{24}\)
Mohana Rao, L.K., et al. (1985) examined the impact of bank finance on income and cropping pattern. They found that changes in the cropping pattern not only depended on the availability of loan but also other factors like irrigation, soil type, relative profitability of the competing crops. 25

Misra, J.P., et al. (1986) attempted to study the impact of farm credit on income and employment of the borrowers of selected block in Uttar Pradesh. The study reported that per hectare income of the small, medium and large size of groups of farmers among borrowers came to Rs.5203.41, Rs.5890.80 and Rs.7850.04 respectively the average being Rs.6381.42. The same on non-borrowers farm were worked out to be Rs.4423.41, Rs.4450.07 and Rs.6094.53 respectively the average being Rs.4989.33. The study also revealed that on an average the family labour employment on borrower’s farm was 132.18 days per hectare while the same figure came to only 100.65 day per hectare on non-borrowers. The study concluded that the level of investment and resource use has been higher on borrower’s farms resulting in higher productivity, income and employment. 26

A study carried out by Yadav, A.K, and Singh, B.N., (1996) on the impact of institutional credit on the levels of investment, income and employment on different groups of farms. The study indicated that income and employment levels were found to have increased with the increase in investment levels in farms. The overall average income and employment came to Rs.4120.10 and 138.85 days on borrower farms and Rs.3571.91 and 129.52 days on non-borrower farms, respectively. 27

Benson Kunjukunju (2000) conducted a study in Kerala to find out the impact of bank loans on the income of the respondents and found that the borrowers who availed
credit have improved their income in the post loan period compared to the pre-loan period. The rate of increase in income from the loan activity varied from a level of 79.9 percent in Eamakulam region to a level of 75.1 percent in Kannur. Among the different sectors, borrowers in the rural industrial sector received high incremental income (124.5%) in the post loan period.28

Chandrasekaran, T, (2001) examined the impact of bank lending on the economic status of the weaker sections of the society especially the Scheduled castes. In his study he found that among the 210 beneficiaries selected for the study 161 of them have created new assets with the help of the financial assistance. He found that the average household income of the beneficiaries assisted under agricultural sector was Rs.17,080 in the pre-loan period and it decreased to Rs.16,185 in the post-loan period while the position of assets of the beneficiary households increased marginally ranging from Rs.1,100 to Rs.6,600. He suggested that adequate steps must be taken to create an awareness and knowledge needed for the acquisition and retention of new income generating assets.29

4.3 Repayment of Credit

Rajagopal and Mohanan, N., (1986) studied the working and viability of Rural Credit Institutions in Bihar and found that 6.66 percent borrowers were indebted to traders and 13.33 percent to the moneylenders. They had taken loan at an interest rate ranging from 36 to 60 percent per annum. The proportion of small farmers repaying loans to all (small) families ranged from 19.28 to 22.5 percent. In the study area 26.67 percent borrowers could not repay the loan in time either due to the failure of crop or low
productivity, 13.33 percent of the borrowers were reported to be defaulters due to the heavy domestic expenses. 30

Patel, R.H., et al (1987) found that repayment on due dates was made by about 2/3rd farmers and 1/3rd were defaulters. Large proportions of defaulters were large farmers, the lowest being in case of small farmers. 31

The study of Vaikunthe, L.D., (1991) on Agricultural Co-operative Credit reported the fact that recovery of loan in time was primary factor of the bank in planning the loan system. Prompt repayment of loan indicated the proper credit utilization for productive ends and loanee’s loyalty to the credit agency. He further stated that repayment was more in case of the farmers in the non-irrigated area compared to the irrigated area. The overdue was more in case of small farmers compared to the medium and big farmers in the irrigated areas. The repayment capacity on the part of the medium and big farmers was more compared to the small farmers. 32

Rambabu, P, et al., (1991) conducted a study on “Repayment pattern of Agricultural Credit – A case study of Andhra Bank in Guntur District, AP” and indicated in their analysis that 26 percent of the borrowers were regular repayers, whereas 12 percent of them repaid partially and only 2 percent of them had not repaid at all. They also mentioned that Farm size, exposure to mass media, extension contact, socio economic status, credit orientation and innovativeness were found to have significant association with repayment behaviour of the borrowers. The results further revealed that other personal, socio economic and psychological characteristics of the borrowers namely age, education, social participation and economic motivation were found to have not associated with repayment behaviour. 33
The study of S. Krishnama Raju (1992) on Bank Finance and Rural Development analysed the repayment performance of loans to weaker section beneficiaries for agriculture, animal husbandry and tertiary purposes. The recovery performance of loans in priority sector and more so among weaker sections was a function of two variables i.e. incremental income and continuous supply of bank credit. The second dose of finance was likely to help the borrowers to continue the activity or scheme, so that they will be able not only to repay regularly but also to gain from the activity. 34

Sharma, A.K. & Kharmowphlang, M.D., (1995) made an attempt to shed some light on the various aspects of overdues of agricultural credit in the East Khasi Hill District of Megalaya State. None of the farmers in the area were found to have overdues against non-institutional agencies. Therefore, poor supervision of loan by the institutional agencies might be one amongst many causes of high institutional overdues in the area. Among the different institutional agencies supplying credit in the area, farmers were found more prone towards the overdue of rural banks (47.65% and 39.50% of the total overdues during 1988-89 and period ending 30th June 1989 respectively) and co-operatives (40.94% and 34.41%) than commercial banks (11.41% and 26.09%). 35

Dadhich, C.L., (1997) conducted a prospective study on “Overdues” in Farm Co-operative credit, A study in Rajasthan. It revealed that the larger the landholdings less will be the number of defaulters and borrowers with irrigated holdings default less than those borrowers with non-irrigated holding. The field study enquiries revealed that for 90 percent of the defaulters crop failure was the main cause of overdues. Other reasons for overdues were unsound lending policies, inadequate supervision and unsatisfactory management. 36
Mazmumdar, D.K. and Baruah, H.K., (1999) analysed the major socio economic factors affecting the borrowing and repayment performance of the borrowers. They found that problem of repayment arose due to misutilization of credit. It was observed that the repayment performance of farmers decreased with increase in farm size.\(^{37}\)

Lotoria S.K., et al. (2000) made a case study in Gwalior District, to find out the factors which were associated with repayment behaviour and overdues of agricultural credit users. The study disclosed that the amount of overdues had positive and significant relationship with the amount borrowed and family expenditure. They found that misutilization of loan amount was the major factor responsible for increasing overdues.\(^{38}\)

Another study by Debabrata Das (2001) reported that the repayment behaviour of loans by the beneficiaries was very discouraging. As much as 54 percent of the total beneficiaries were defaulters and had not repaid even a single installment.\(^{39}\)

Khodaskar, R.D., (2002) noted that the repayment performances are closely related to the farm size, size of the family and age distribution etc. He further added that the nature of loans advanced, amount of loan, terms of loan, mode of repayment and conditions thereof etc had an important bearing on the capacity generation and motivation towards repaying loan and on the repayment performance.\(^{40}\)

A study was conducted by Singh et al., (2003) to estimate the extent of repayment and to suggest the policy measures for strengthening the repaying capacity of the farmers. It was found that the total income from all sources was more in case of non-defaulters than that of defaulters. The consumption expenditure made by non-defaulters was nearly twice, that of defaulters. The repaying capacity of defaulters and non-
defaulters did not differ significantly on per farm basis and was found to be Rs.5492.23, Rs.5929 respectively, which was 26.13 and 15.34 percent of the total income of farm. 41

Dayanandan, R (2004) examined the performance of the borrowers with regard to repayment and overdues in relation to outstanding. He made an attempt to study the performance of borrowers of NABARD refinanced programmes. Number of times borrowed and extent of utilisation are the factors having high discriminating power according to his study. Timely issue of loan and post loan supervision by the lending institution were found to have motivated the borrowers and enabled prompt repayment. 42

4.4 NABARD and Refinace

Rayudu, C.S. (1986) examined the NABARD’s Rural Credit and Cooperatives. He analysed the NABARD’s Refinance and Schematic Assistance to Cooperatives. He disclosed the comparative position of credit sanction to Cooperatives and to other Agencies. He further emphasized the year-wise progress by the cooperative institutions like SLDBs and SCBs in the matters of disbursement of NABARD’s refinance schemes and comparative position of other agencies. He also reported that among the schemes, in the line with its importance in commitments, minor irrigation is the most important major investment for NABARD’s refinance. The amount of assistance provided by SLDBs up to June 1983 was Rs.283081 lakhs, the NABARDs commitment was Rs.248756 lakhs and the actual disbursements were Rs.163254 lakhs. The State Co-operative Banks sanctioned 423 schemes, and the amount of financial assistance was Rs.17565 lakhs. Out of which NABARDs commitment was Rs.15504 lakhs. The disbursements were Rs.8812 lakhs for various purposes. 43
Ram, D, and Mohar Singh, (1987) made a study on the working of NABARD. They described the objectives and genesis of NABARD. The loan operations of NABARD during 1981-82 to 1985-86 were analysed. They noted that the role of NABARD in the disbursement of long term agricultural credit during the period of study was noteworthy. They have also discussed about the poverty alleviation programmes like IRDP and 20-point economic programme. They concluded that the establishment of NABARD was a major step towards strengthening the rural credit structure, promoting rural development and securing prosperity of the rural areas.44

Sharma, G.R., (1989) discussed the role of NABARD in the Development of Informal Sector. He explained the salient features of the various schemes implemented by NABARD. He stated that as the apex development bank at the National level, National Bank for Agriculture and Rural Development, it was the paramount task of this bank to accelerate the process of development. He reviewed the term loan assistance by NABARD to Scheduled Commercial Banks and State/Central Co-operative Banks for production activities, Infrastructural and promotional support activities, short-term assistance for working capital and promotional and development assistance and soft loan assistance for margin money. Refinance by NABARD was between 70 and 100 percent of bank loan.45

Sharma, G.R., (1990) analysed the refinance assistance operations and agency wise disbursement of credit by NABARD during 1983-84 to 1988-89. From the analysis he found that the co-operatives had been considered as the most ideally suited institutions for dispensing rural credit in the Indian context. But it continued to be weak in most of the states at the base level. Thus, he suggested that the National Bank had to pay its
utmost attention to strengthening the cooperatives and the procedures for loaning so as to make them financially sound and operationally strong.  

Barde, S.D., (1991) analysed the genesis, objectives, functions, management, organizational setup and sources of funds of NABARD. He disclosed the quantum of refinance provided by NABARD to various projects and Schemes and basis or repayment schedules for refinance etc. He had also discussed about the Development and Regulatory functions, criteria for financing, period of loan, Non-farm refinance facility of NABARD and training institutional building offered by NABARD. 

Mohsen Shojakhani (1993) attempted to explain the needs for Agricultural Refinance and Development, birth of NABARD, objectives, functions, sources of finance, and role of NABARD. He found that Commercial Banks and Regional Rural Banks drew a large portion of the refinance provided by NABARD, leaving a meager share for co-operatives. He suggested that NABARD should launch a special fund viz., cooperative rehabilitation fund out of its profits. The fund would be utilized to advance the necessary finance, at only service charges. The sum credited to this fund could also be utilized to subsidise the salaries of paid secretaries to be employed on the advice of NABARD by those cooperatives, which could not afford to employ a full time paid secretary. 

Rudra Pratap Sing (1993) wrote a book on NABARD. He discussed about the genesis, objectives, functions and organizational set up, lending terms and conditions, eligibility criteria, purpose of refinance, eligible institutions for NABARD refinance. He made an in-depth analysis of refinance accommodations provided by NABARD between 1982-83 and 1989-90. He found that over period of 8 years, the amount of refinance by NABARD increased by approximately 2.4 times. He made quantitative analysis
creditwise, regionwise and statewise lending, disbursement by NABARD to less
developed and/or under developed states, purposewise and agencywise sanctions and
disbursements. Further he also discussed the development role, which included projects
with external aids, training and extension support, Vikas Volunteer Vahini (VVV) and
monitoring and evaluation by NABARD. He concluded that there had been phenomenal
increase in the quantity and quality of financial assistance by way of refinance by
NABARD for the development of agriculture and rural development during the 8 year
period. The NABARD had been successful in filling the credit gap. He had suggested
that NABARD should take special measures particularly, seeking to bring about better
functional co-ordination between state governments, banks and other concerned agencies
and prepare bankable projects and schemes.\textsuperscript{49}

Nanda, Y.C., (2001) presented an article on NABARD's programme on
sustainable Rural Development and discussed about the credit planning and water
resource programme of NABARD. He stated that the quantum of refinance for
investment in minor irrigation projects had been enhanced substantially from the earlier
level of 50 percent to 90 percent. He highlighted the various schemes implemented by
NABARD like VVV, SHG, RIDF and Wadi development programme. He also stressed
the importance given by NABARD for Animal Husbandry, fisheries, rural non-farm
sector and various gender development programmes like ARWIND and MAHIMA. He
concluded that NABARD was conscious that much more needed to be done in the
direction and hoped that with the help and co-ordination of all the stakeholders, including
the people themselves, NABARD would achieve it at accelerated speed.\textsuperscript{50}

Bhagrath Singh (2001) presented in his book about the genesis, functions,
organisation, management and role of NABARD. He analysed the forms of assistance
schemewise, industrywise, statewise and agencywise during 1994-95 to 1997-98. He suggested that NABARD should undertake a more effective role in institutional development particularly with regard to cooperative development. It should build up the capacity of its client banks so that the latter could satisfy themselves about the financial and technical viability of the schemes. He concluded that if NABARD had to fulfill its leadership role, it had necessarily to enlarge its activities much beyond those of refinance.\textsuperscript{51}

Laxminadhan, K (2001) studied the performance of selected NABARD scheme for weaker sections in selected districts of Andhra Pradesh. He observed that there was a gap between the amount of loan financed to weaker sections by the Commercial Banks and the amount of refinance raised from NABARD. The researcher also investigated the problems experienced by the commercial banks in financing weaker sections. He suggested that the present credit pattern would have to undergo radical changes so as to meet increasingly the credit needs of all the productive sectors and particularly those of agriculture, small industry and the weaker sections of the society. The selection of NABARD financing schemes should be economically and commercially viable based upon the availability of natural resources and potentiality of the area. He further suggested that Primary Agricultural Credit Societies and Farmers Service Centres should be covered under the ambit of refinance of NABARD.\textsuperscript{52}

Aravazhi, D & Selvanathan, V., (2005) have highlighted the credit activities, organizational setup, purpose of loan, criteria for refinance, quantum of refinance, rate of interest on refinance and different schemes implemented by NABARD. They further discussed about the special focus of NABARD like removal of regional / sectoral imbalance, monitoring and implementation of projects, high tech and export oriented
projects. They concluded that NABARD being the apex institution it acts as a guide and philosopher for many of other banks dealing agriculture. They are of the view that our country is going to take a lead role in agriculture in the near future under the guidance of NABARD. 53

Most of the studies were attempted to analyse the genesis, organizational set up, functions and refinance operation of NABARD at macro level. The studies had not reviewed the refinance operation at all India, Regional and state level. No studies had so far assessed the refinance operation during plan and reform periods. Further the earlier studies had only highlighted the schemes implemented by NABARD, besides refinance.

Moreover, studies were narrower on their perspective. They focused on particular aspects such as repayment behaviour, credit utilisation and impact of bank loan of the beneficiaries. Combined study on the growth of refinance operation of the NABARD and repayment, credit utilisation and impact of bank credit was not attempted so far.

These studies either concentrate on macro level or at the field level. No study had adopted both macro and micro-perspective. Therefore, a study of present kind which attempts to study the developments in the agricultural credit at the national, regional and state levels and also strives to assess the impact of the credit at the field level has become necessary.

5. Profile of the study area

The study is conducted in Dharmapuri district of Tamil Nadu. Dharmapuri district was carved out from the Salem District on October 2, 1965 with its headquarters
Map 1.1 Map Showing All India, Tamilnadu And Dharmapuri District
at Dharmapuri. The district with a geographical area of 9619.89 km is situated on northwestern corner of Tamil Nadu State. It is one of the backward and drought prone districts of the state. The district receives rainfall from both southwest monsoon and northeast monsoon and the maximum from the northeast monsoon. The gross and net irrigated area are 144543 hectares and 117883 hectares respectively. As per 1991 census the total population of the district is 24,28,596 (males 12,50,671 and females 11,77,925). The population density is 252/sq. km\(^5^4\). The district is bounded in the east by Thiruvannamalai district and Villupuram district and on the west Periyar district and North by Bangalore district of Karnataka State and Chittoor district of Andhra Pradesh and south by Salem district.

5.1 Banking Network in Dharmapuri District

The district has a network of banking institutions, which includes co-operative banks, public sector commercial banks and non-scheduled commercial banks. The ground level credit for short-term and medium-term is provided through 251 Primary Agricultural Co-operative Banks (PACBs). There are five Primary Co-operative Agriculture and Rural Development Banks (PCARDBs). The short-term and medium-term credit requirements of the district are met through these 251 PACBs and by DCCB with its 39 branches. There are 19 commercial banks with 127 branches in the district. Out of them 11 are public sector banks and 8 are private sector banks. The Adhiyaman Grama Bank in Dharmapuri district is extending credit to both the target and non-target groups. It has 25 branches in the district. In addition, there are 7 Urban Co-operative Banks and 2 branches of Tamil Nadu Industrial Investment Corporation (TIIC) providing credit facilities for the development of the district. There are 119 rural branches and 86 semi-urban branches. The credit agencies are actively involving themselves in the planning process initiated by NABARD. For the sake of administrative convenience, the district has been divided into 10 taluks and 18 blocks. The district level NABARD office is also located in the district headquarters.
Table 1.2
Banking Network in Dharmapuri District (As on 31st March 2002)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Banks</th>
<th>Rural</th>
<th>Semi-urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>DCCB</td>
<td>18</td>
<td>21</td>
<td>39</td>
</tr>
<tr>
<td>2.</td>
<td>PCARDDBs</td>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>RRBs</td>
<td>21</td>
<td>4</td>
<td>25</td>
</tr>
<tr>
<td>4.</td>
<td>CBs</td>
<td>78</td>
<td>49</td>
<td>127</td>
</tr>
<tr>
<td>5.</td>
<td>PACBs</td>
<td>--</td>
<td>--</td>
<td>251</td>
</tr>
<tr>
<td>6.</td>
<td>Urban Co-operative Banks</td>
<td>--</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>7.</td>
<td>TIIC</td>
<td>--</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>


6. Statement of the Problem

NABARD has a dual role to play: firstly it operates as an apex institution dealing with all matters concerning policy and operational aspects of rural credit and secondly it serves as a refinancing agency providing financial support to banks for increasing their credit facility in the rural areas. The National Bank formulates the policies, plans and organizes the rural banking activities for the promotion of agriculture, small-scale and cottage industries, handicrafts and other allied economic activities. The problems of agricultural credit and rural development in the country have been numerous, complex and chronic and despite various efforts made at different points of time during the last several decades, many of these problems are yet to be solved.
The dynamic agriculture industry moving towards higher levels of productivity and production facilitated by technological innovation requires increasing quantum of production and investment credit. Therefore, the major policy in the sphere of agricultural credit in India has been its progressive institutionalization for rural development programmes with a large flow of funds to assist weaker sections and less developed regions for ushering in well-balanced economic growth and development. The basic objective of the credit policy of the Government of India has been to set up institutions for provision of timely and adequate credit to farmers, particularly to small and marginal farmers. As a result, the Indian agricultural credit system has become one of the largest credit systems in the world. It covers Co-operatives, Commercial and Regional Rural Banks, ably supported with refinance facility by an apex bank established for the sole purpose. 

The National Bank as an apex institution at the national level provides refinance to the agencies such as Co-operatives, Commercial banks and RRBs. The main objective of refinance assistance is to ensure that the rural people especially farmers and artisans get timely credit so that it would enable them to get gainful employment, increase their income and ultimately enable them to lead a better life. It is with this motive NABARD was established. Almost two and half decades have passed now, a time sufficient to look back and assess the performance of the bank vis-à-vis its preamble. Therefore, It becomes necessary to study whether the NABARD has accomplished its stated objectives.

Adequate institutional credit to the rural poor is an important agenda in the rural development strategy of the Government. Provision of timely credit apart, the success of institutional credit depends on its proper utilization by the beneficiaries. Otherwise the credit is likely to become a liability and put the farmers in an institutional credit trap. Proper credit
utilization will have a direct bearing on the crop productivity, farm income and thus timely repayment of loan. Thus the question arises what are the factors influencing credit utilization by the beneficiaries. Therefore, it is proposed to study the association of selected variables with the credit utilization pattern of the beneficiaries at the farmers' level.

The bank finance to the rural poor in concessional terms has been primarily aimed at the removal of poverty by generating additional income and thereby increasing the standard of living. Both development and production credit provided to the farmers are expected to influence the farmers in their employment, occupation, income and asset position. Hence, there is a need for a study of this kind attempting to find out the impact of co-operative credit on the employment, occupation, income and asset position of the respondents.

The recovery of loan according to time schedule helps in recycling of funds and in the process it results in enlarging the coverage of clientele. More over NABARD also provides refinance to the lending institutions based on their recovery position. But studies at various levels have indicated that recovery position of bank loan in rural India has remained much to be desired. It is, therefore, pertinent to examine in this study about the performance of the borrowers with regard to repayment of credit. This study, therefore, makes a comprehensive attempt covering almost all aspects of bank finance for development in an agriculturally backward district in Tamil Nadu.

7. Objectives of the study

The study has the following objectives.

7.1 To study the genesis, constitution, objectives, functions and organization and management setup of NABARD.

7.2 To assess the resource structure and financial performance of NABARD.
7.3 To review the refinance operations of the NABARD at all India and Tamil Nadu levels.

7.4 To study the extent of credit utilization of the borrowers in the study area.

7.5 To assess the impact of bank credit on employment, asset creation, income generation and occupation of the beneficiaries in the study area.

7.6 To examine the major socio-economic factors influencing the repayment performance of the borrowers.

7.7 To offer suggestions for improving the repayment performance.

8. Hypotheses

The following hypotheses have been formulated in this study:

8.1 Utilization of loan amount is the same irrespective of the personal, social and economic status of the respondents.

8.2 There is no significant variation in the employment, asset, and income of the respondents between the pre- and post-loan periods.

8.3 There is no significant association between the repayment and personal, social and economic variables selected for the study.

9. Scope of the study

This study is made to assess the resource structure and financial performance of NABARD and to analyse the growth of refinance at all India, regionwise, Tamil Nadu, agencywise and purposewise. The study aims at estimating the extent of utilisation and repayment performance of the sample borrowers in the study area. The major socio-economic factors influencing the repayment and utilisation of credit of the borrowers are also
examined. Further this study also made an attempt to assessing the impact of bank credit on the farmers' employment, occupation, income and asset position.

10. Reference period

A period of twenty-one years (1981-82 to 2002-03) has been taken for the study of refinance operations of NABARD. To analyse the resource structure and financial performance of NABARD, 12 year period from 1991-92 to 2002-03 has been taken. In the case of borrower level assessment primary data from the farmers have been collected during 2003-04.

11. Operational definitions

11.1 Refinance

Refinance means financing 80 to 100 percent of the loan provided by any institution concerned with agriculture and rural development. 58

11.2 Short-term Seasonal Agricultural Operations (ST-SAO)

These loans are sanctioned by NABARD to support Seasonal Agricultural Operations of the farmers by the Co-operative banks and RRBs for not more than 18 months. 59

11.3 Short-term Other Seasonal Agricultural Operations (ST-OSAO)

These loans are disbursed to Co-operative banks for other seasonal agricultural operation of the farmers such as marketing of crops procurement, stocking and distribution of fertilizer and other inputs etc for a period of 6 months to 18 months. 60

11.4 Non-schematic Loan

This type of refinance provided by NABARD to SCBs and RRBs for financing farmers for acquiring productive assets for certain approved agricultural investment purposes for not more than 7 years. 61

36
11.5 Conversion Loan

Such loans are granted to SCBs, RRBs to enable them to convert the short-term loan into medium-term loans in case of natural calamities which affect the crop yield. These loans are granted for a period not exceeding 5 years.\textsuperscript{62}

11.6 Investment Credit

Such financial assistance provided by NABARD to SCARDs/ SCBs/ RRBs/ CBs/ Sch. PCBs for financing agriculture and allied sector, non-farm sector activities, rural industries, and rural loans for a period not exceeding 25 years.

11.7 Kissan Credit Card (KCC) Scheme

Kissan Credit Card is a card issued to farmers to enable them to get adequate and timely support from banking system for their cultivation needs.

11.8 Self-Help Groups (SHGs)

SHG is a homogenous group with a maximum of 20 rural poor persons, voluntarily formed to save what ever amount they can and mutually agreed upon to contribute to a common fund, to be lent to the members for meeting their different credit needs.

11.9 National Rural Credit (NRC) Fund

This fund created and maintained by NABARD for providing financial assistance by way of loans to artisans, small scale industries and others.

11.10 National Rural Credit (Stabilisation) Fund

This fund created and maintained by NABARD to provide loan and advances for conversion of loan to SCBs and RRBs on account of drought famine or any other natural calamities.
11.11 Impact of bank loan

Impact of bank loan means influence of bank credit on income, asset and occupation of the borrowers between pre- and post-loan periods.

12. Sampling Scheme

The study has adopted multi-stage sampling method. It consists of three stage sampling procedure namely, a) Selection of study area b) Selection of banks; and c) Selection of sample borrowers.

12.1. Selection of study area

The venue of the study is Dharmapuri district of Tamil Nadu. It has been taken for the study because it is a socially and economically backward district. Most of the people are small and marginal farmers, and landless labourers. They depend on agriculture for their employment, income and their lively-hood. The district is declared by the Govt. of Tamil Nadu as industrially backward district and a drought prone area. Dharmapuri district has been taken for the study because it is also easily accessible to the researcher as he is serving in Dharmapuri.

12.2. Selection of Banks

There are 251 Primary Agricultural Co-operative Banks (PACBs) in the district and the entire district has been divided into 10 circles as classified by DCCB. Among 251 PACBs in the district, 30 banks have been selected by adopting simple Random Sampling technique for each circle. The societies first arranged in the ascending order in terms of outstanding of loans by the PACBs to DCCB. 30 societies are selected proportionately from 10 circles as mentioned in Table 1.3. The details on the number of PACBs selected for the study is presented in Table 1.3 and Table 1.4.
Table 1.3
Proportionate selection of 30 PACBs from 251 PACBs

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Circle</th>
<th>No. of branches</th>
<th>Calculations</th>
<th>No. of PACBs selected for the study</th>
</tr>
</thead>
<tbody>
<tr>
<td>i</td>
<td>Dharmapuri</td>
<td>33</td>
<td>30/251x33</td>
<td>4</td>
</tr>
<tr>
<td>ii</td>
<td>Pennagaram</td>
<td>16</td>
<td>30/251x16</td>
<td>2</td>
</tr>
<tr>
<td>iii</td>
<td>Palacode</td>
<td>25</td>
<td>30/251x25</td>
<td>3</td>
</tr>
<tr>
<td>iv</td>
<td>Papireddipatti</td>
<td>27</td>
<td>30/251x27</td>
<td>3</td>
</tr>
<tr>
<td>v</td>
<td>Harur</td>
<td>26</td>
<td>30/251x26</td>
<td>3</td>
</tr>
<tr>
<td>vi</td>
<td>Uthangarai</td>
<td>21</td>
<td>30/251x21</td>
<td>3</td>
</tr>
<tr>
<td>vii</td>
<td>Kaveripattinam</td>
<td>27</td>
<td>30/251x27</td>
<td>3</td>
</tr>
<tr>
<td>viii</td>
<td>Krishnagiri</td>
<td>28</td>
<td>30/251x28</td>
<td>3</td>
</tr>
<tr>
<td>ix</td>
<td>Hosur</td>
<td>24</td>
<td>30/251x24</td>
<td>3</td>
</tr>
<tr>
<td>x</td>
<td>Denkanikottai</td>
<td>24</td>
<td>30/251x24</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>251</td>
<td></td>
<td>30</td>
</tr>
<tr>
<td>S.No.</td>
<td>Circle</td>
<td>S.No.</td>
<td>Branches of the PACB</td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>----------------</td>
<td>-------</td>
<td>---------------------------------</td>
<td></td>
</tr>
<tr>
<td>i</td>
<td>Dharmapuri</td>
<td>1</td>
<td>Adiaman kottai</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>Laligam</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>Mademangalam</td>
<td></td>
</tr>
<tr>
<td>ii</td>
<td>Pennagaram</td>
<td>4</td>
<td>Manithahalli</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td>A.Pauparapatti</td>
<td></td>
</tr>
<tr>
<td>iii</td>
<td>Palacode</td>
<td>6</td>
<td>Kadamadai</td>
<td></td>
</tr>
<tr>
<td>v</td>
<td>Harur</td>
<td>7</td>
<td>Erranahalli</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>8</td>
<td>Gendiganahalli</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>9</td>
<td>Papinaickanahalli</td>
<td></td>
</tr>
<tr>
<td>iv</td>
<td>Papireddipatti</td>
<td>10</td>
<td>Bairanatham</td>
<td></td>
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12.3. Selection of Sample borrowers

Ten members from each society are selected adopting simple random sampling technique and thus a total of 300 borrowers have been selected for the study.

13. Tools for Data Collection

The present study is an analytical exercise based on survey method. The study relied on both primary and secondary data. Primary data have been collected from the sample borrowers for the purpose of assessing the extent of credit utilization, repayment and impact using an interview schedule prepared for this purpose. The secondary data for the study have been collected from the records of Regional office of NABARD, Chennai, Office of the Asst. General Manager (DD), NABARD, Dharmapuri, Office of the Lead Bank of the district (Indian Bank), Dharmapuri district central co-operative bank, District Rural Development Agency (DRDA), the Annual Credit Plans of Dharmapuri district, Annual reports of NABARD, Report of Agricultural Credit Review Committee, Report of CRAFTICARD, research materials of National Co-operative Land Development Bank Federation Ltd, Bombay, National Bank News Review of NABARD and, research project of Economic Research Department, SBI, Mumbai. The secondary sources for information were collected from Vaikunth Metha National Institute of Co-operative Management, Pune, Indian Institute of Management, Bangalore, Gandhigram Rural Institute, Gandhigram and Natesan Co-operative Training College, Chennai.

14. Pilot Study

The researcher undertook a pilot study in August 2003 with a view to find out the suitability of information furnished in the interview schedule for the beneficiaries. The interview schedule was tested with 15 beneficiaries at Primary Agricultural Co-operative
Bank, Adhiamankottai. In the light of experience gained from the pilot study interview schedule has been perfected and improved.

15. Framework of Analysis

To examine the growth of refinance by the NABARD on different terms mean value and compound growth rate have been applied. The consistency in the disbursement of different types of loans has been found out applying the co-efficient of variation.

T-test has also been applied to find out the difference in disbursement of investment credit at all India, regional and state levels and among credit purpose-wise.

Statistical tools like mean, F-test, t-test and multiple regression have been applied to find out the variance, the degree and extent of influence of independent variables on the utilization of credit and the pattern and promptness of repayment by the borrowers.

To find out the impact of bank credit on employment, asset, income and occupation bi-polar approach, that is, comparing the pre- and post-loan periods has been adopted. Paired samples t-test and McNamar test have been applied to assess the impact on these selected variables.

Analysis of Variance (ANOVA)/ F-test is also applied to find out whether the average level of agreement on social, economic, and empowerment benefits differ significantly among the respondents with different levels of repayment.

16. Limitation of the study

The researcher has taken up the study on "Role of NABARD in promoting rural development-A case study in Dharmapuri district". The period between 1981-82 and 2002-03 covering twenty one years has been taken for the analysis of growth of refinance of NABARD. But the assessment of the resource structure and financial performance covers
only 12 years i.e. from 1991-92 to 2002-03 mainly because of non-availability of data. The growth of refinance was analyzed at the All India level, Regional and at Tamil Nadu level. District level refinance performance especially Dharmapuri district (case study area) has not been analyzed as the district level data from the NABARD office was not made available to the researcher. Though NABARD provides refinance facility to various agencies viz., Co-operative banks, Commercial banks and RRBs, the researcher has confined only to the beneficiaries of the Primary Agricultural Co-operative Banks (PACBs) for making beneficiary level study.

17. Chapter Scheme

The outcome of the study is presented in eight chapters. The following is the chapter scheme.

The first chapter, introduction and design of the study contains a discussion of the background of the study, review of literature, profile of the study area, statement of the problem, objectives, hypotheses, scope of the study, reference period, operational definitions, sampling schemes, Tools for data collection, pilot study, Framework of Analysis, limitations of the study and chapter scheme.

The second chapter focuses on the genesis, constitution, objectives, functions, organization and management set-up of the NABARD.

The third chapter deals with the resource structure and financial performance of the NABARD.

The fourth chapter analyses the refinance operations of the NABARD at the all India, regional and state-level.
The fifth chapter examines the extent of utilization of credit by the sample borrowers and variables associated with credit utilisation.

The impact of the institutional credit on the farmers’ employment, asset creation, income generation and occupation of the borrowers has been assessed and presented in the sixth chapter.

The seventh chapter deals with the repayment performance of the sample borrowers and the factors influencing the repayment behaviour.

The eighth chapter is a summary of the findings and conclusions of the study. The suggestions for improving credit utilisation and repayments are also been made in this final chapter.

References:


60. Ibid p.124.

