CHAPTER - VII

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

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7.1 INTRODUCTION

Lead Bank finance is the best and the cheapest source of agricultural credit because loans are advanced for productive activities and also at very low rates of interest that pale into insignificance when compared to those charged by the money lenders and various other institutions. Lead Bank plays a crucial role in the rural areas in providing loans for the preparation of land and for the purchase of seeds, fertilizers, and the like. These are the important reasons for selecting the topic “Institutional Finance to Agricultural Development - A Study with Reference to Lead Bank Credit to Paddy Cultivation in Kanyakumari District, Tamil Nadu”.

The objectives of the present study are:

1. To study the trend and growth of the loans issued, recoveries of loans, outstanding loans and over dues of the Lead Bank in the Kanyakumari District.

2. To analyse the farm structure and the investment pattern of agricultural credit of the sample farmers in the study area.

3. To study the impact of credit on cost and returns of paddy cultivation.

4. To analyse the impact of credit on yield of paddy in the study area.

5. To study the problems faced by the beneficiaries in obtaining loans and

6. To suggest suitable remedial measures for reducing over dues.
Kanyakumari District is one of the predominant agricultural districts in Tamil Nadu. The district comprises four taluks. In this district, Lead Bank namely Indian Overseas Bank had been providing agricultural credit to the farmers, more particularly the paddy cultivators. In spite of the grant of loans recoveries made by the bank were found to be at a satisfactory level. A list of members was obtained from the records of the bank for the year 2009-10. Three hundred farmers were randomly selected by adopting the proportionate probability sampling technique for the purpose of the study.

Field survey was carried out during the period 2009-2010 for the collection of primary data. The sample farmers selected were further stratified into the beneficiaries and the non-beneficiaries. Out of the 300 sample farmers, 150 sample farmers belonged to the beneficiaries and the remaining 150 belonged to the non-beneficiaries. Further, in each group, the sample farmers were divided into two categories, namely the small and the large farmers, based on their areas of paddy cultivation. The farmers with less than 5 acres of cultivation were classified as the small farmers group and the farmers who had cultivated 5 acres and above were classified as the large farmers’ group. Out of the 150 sample farmers of the beneficiaries, 97 farmers (64.67 per cent) belonged to the small farmers’ group and the remaining 53 farmers (35.33 per cent) belonged to the category of
large farmers. In the non-beneficiaries, out of the 150 sample farmers, 94 farmers (62.67 per cent) belonged to the small sized category and the remaining 56 farmers (37.33 per cent) were under the category of the large sized group.

In the foregoing chapters, characteristics of the sample farmers, agricultural credit and the investment patterns in agriculture, costs, returns and the income distribution of the beneficiaries and the non-beneficiaries and the impact of agricultural credit on agricultural as also problems faced by the beneficiaries in obtaining credit had been discussed. The major findings along with the conclusions arrived at with a few suggestions, are presented in this chapter.

7.2 SUMMARY OF FINDINGS

It was observed from the analysis made that the loans issued by the Lead Banks had increased from Rs.99.66 crores in 1998-99 to Rs.115.11 crores in 2009-2010. The trend analysis carried out had shown that the trend coefficients of the loans issued were found to be statistically significant at the 5 per cent level. It could be inferred that the Lead Banks in the study area were performing well in issuing loans. The value of the compound growth rate had shown the positive growth rate (0.416 per cent). Regarding the recoveries made, outstanding dues and overdues, there was no change in the trend over a period of ten years. Thus it could be concluded from the analysis carried out that Lead Banks in the study area had issued considerable
amounts of loans to meet the ever growing financial requirements of the farmers in the study area.

It was found that the percentage of the area irrigated by the beneficiaries was higher compared to that of the farmers of the non-beneficiaries. Tanks were found to be the major source of irrigation followed by the channels in the study area. The analysis had revealed that the cropping intensity was found to be higher in the case of the beneficiaries compared to the non-beneficiaries. Thus it might be concluded that the higher cropping intensity for the beneficiaries had indicated a positive impact of the agricultural credit on the land use pattern.

A comparison of the data pertaining to the cropping patterns of the beneficiaries and the non-beneficiaries had shown that the beneficiaries had raised crops in a larger percentage of the irrigated area compared to the non-beneficiaries. They might have been motivated then to raise more crops by cultivating a larger area by utilizing the credit obtained by them. Regarding the relationship between the farm size and agricultural credit, the analysis revealed that the small farmers had comparatively availed themselves of more credit than the large farmers in the study area. Further there was found to be a positive relationship between the size of the holding and the per farm credit. There was found to be a negative relationship between the size of the holding and the per acre credit obtained.
An analysis of the impact of agricultural credit on capital formation i.e., farm investments on land and land improvements, on farm buildings, on irrigation structures, on minor and major implements and on livestock had shown that the highest percentage of amount was spent on livestock followed by the investments on irrigational structures, farm building and land improvements. The per acre investment analysis had shown that the investments made on land and improvements made on land, namely undertaking levelling operations, expenditure on irrigation channels and farming were found to be higher in the case of the small farmers compared to the large farmers, among the beneficiaries.

An analysis of the investment on assets had shown that the credit amount invested was found to be higher in the case of financial assets compared to investments on the physical assets such as on livestock, irrigation structures, farm buildings, agricultural implements and on land improvements.

An analysis of the costs and returns' structure had revealed that the average cost of production was found to be higher in the beneficiaries compared to that of the non-beneficiaries. It was also found that they had realised a relatively higher level of returns. The gross farm income and the net returns were found to be higher in the case of the small farmers in both the beneficiaries as well as the non-
beneficiaries. Thus it could be concluded from the analysis carried out that the beneficiaries had a higher level of monetary benefits compared to the non-beneficiaries.

Regarding the distribution of the net income per acre, a greater variation was observed towards the lower values of net income in the case of the beneficiaries, whereas, a greater variation was found towards the upper values of net income per acre in the case of the non-beneficiaries. Further, an analysis of inequality had revealed that the degree of inequality in the net income distribution was found to be higher in the non-beneficiaries compared to that of the beneficiaries.

A farm size analysis carried out by the researcher had revealed that there was a greater variation in the lower values of the net income in the given distribution. It implied that the given per acre net income distribution was negatively skewed for both the sizes of the farms in the beneficiaries of the study area. The values of the co-efficient of skewness had also confirmed this result. Lorenz curves and Gini ratios had shown that the inequality in the distribution was high for the group of larger farmers compared to the group of small farmers.

In the case of the non-beneficiaries, the net income distribution was found to be positively skewed in the case of the small farmers; whereas in the case of the large farmers, it was found to be negatively skewed. A higher inequality in the distribution of the net income per
acre was found in the case of the small farmers’ group compared to that of the large farmers’ group.

The estimated regression results revealed that the working capital had a greater impact on the per acre value of output for pooled category of farmers comprising both the beneficiaries and the non-beneficiaries. The sum of the coefficients along with the statistical test applied had confirmed the operation of the law of constant returns to scale in the farming operations in the study area.

In the case of the beneficiaries, the working capital, the cost of labour and the fixed capital were found to be statistically significant. Further, the regression results had shown that the fixed capital and the cost of labour had a significant influence on the per acre value of the output of paddy. The Chow’s F-test applied had shown that there were structural differences between the two groups of farmers in the study area.

The estimated results of the regression model with an intercept dummy for agricultural credit had revealed that the farmers of the beneficiaries were having a better and a more efficient utilization of the factor inputs which had resulted in an increase in the per acre value of output of paddy for them.

The computed results of the regression model with agricultural credit as independent variable revealed that the agricultural credit
had a greater influence on the per acre value of the output of paddy. Further, it could be inferred from an analysis of the data that per acre value of the output of paddy was highly responsive to the use of agricultural credit.

Regarding the problems faced by the beneficiaries it was found that the delay in the sanctioning of the loan was found to be a major constraint faced by both the small as well as the large farmers. In the case of the large farmers’ group it was felt that the short period of repayment that was imposed by the Lead Bank was the most serious bottleneck faced by them while getting loans from the bank.

7.3 SUGGESTIONS

1. The credit institutions are required to adopt more liberal and flexible credit procedures for supplying more credit to meet the total demand of the cultivators. For this, they are required to encourage and assist the cultivators to prepare and submit sound credit proposals. The policies of the institutional agencies need to be further streamlined to make them less security oriented. In this regard a credit card or pass book containing details of the farmers’ land holdings, class of land, location, valuation and state of irrigation and the like is to be issued by the revenue authority.
Firstly, it will help the financing institutions to know the security strength of the farmers and thereby not to insist on mortgage of land for any loan.

Secondly, financing institutions will know the credit position of the cultivators and will finance accordingly.

Thirdly, considering the position of irrigation of the land, the Banks will determine the scale of finance. For smooth working of financing institutions a free and frank atmosphere without any control, regulation and political interference is crucially required. Thus, it is rightly suggested for debureaucratisation, de-regulation, de-control and de-politicalisation of institutional credit agencies.

2. The cultivators face the problem of inadequate supply of input and raw materials, power and water. The developmental agencies and credit institutions should take steps to

- Supply of required seeds (raw materials)
- Make available the fertilizers at concessional rate.
- Provide power at concessional rate.

3. There appears to be a need for greater emphasis on qualitative improvement of the present institutional credit set up. The NABARD as an apex institution should emphasize on the economic prosperity of the cultivators.

4. The growing trend of overdues and the deteriorating trend of recovery can be checked by:
A recovery cell should be set up by each credit institution for monitoring the recovery process and undertaking suitable follow-up action to arrest further growth of overdues. The recovery cell should be entrusted with the job of collecting, compiling, tabulating and analysing the data by branch-wise or area-wise or purpose-wise.

It should also estimate the percentage of recovery of quantum of overdues in specific areas with reference to different agricultural seasons, agro-climatic conditions and natural calamities.

Then it has to identify the areas within the states or around specific branches where the recovery is posing a challenge, formulating suitable guidelines for effecting maximum recovery and to modify the policies of lending and recovery in the light of area-wise or branch-wise problems. The recovery cell would help credit lending agencies to plan their lending activities more accurately and systematically.

5. Simplification of procedure for the recovery of the dues of commercial banks appears more urgent and inevitable in the light of long and unusual delay normally associated with the recovery through legal process.

6. Extension of repayment period in times of successive crop failures due to natural calamities should be provided. Immediate legal action should be taken against willful defaulters.

7. Banks should streamline the lending policy and procedure, by fixing appropriate due dates in relation to crop calendar ensuring
timely disbursement and recovery of loans. Along with the production loans, consumer loans should be given to the needy farmers.

8. Charging of a higher penal rate of interest may be allowed on overdue dues for long period.

9. Commercial banks should introduce a scheme of pay incentive, and bonus to Branch Managers who show good performance in the recovery of overdues.

10. The bank may also introduce cash incentive to the farmers who repay the loan on due date.

11. Credit and marketing should be effectively integrated. This will facilitate the recovery of overdues and thereby reduce the incidence of overdues.

7.4 CONCLUSION

It may be concluded from an analysis that the beneficiaries had performed well not only in the prudent investments they had made on the financial and the physical assets but also in the better and more efficient utilization of the factor inputs in the study area. Agricultural credit, particularly Lead Bank credit, had promoted agricultural inputs to meet their various day to day agricultural expenses.
Besides it also motivated them to adopt intensive methods of cultivation. It could be inferred that the recovery performance which was found to be better in the study area, had in its turn induced the effective functioning of the Lead Bank in the study area.

The researcher has a great sense of joy and satisfaction as he completes this significant study. Since the problem is essentially a local one, it becomes a real problem too. It is often said, “Nothing is real unless it is also local”. The researcher is optimistic that the proper implementation of the suggestions offered shall pave the way for greater success.

7.5 SCOPE FOR FURTHER STUDY

1. A study on the problems faced by the farmers in marketing of agricultural products.

2. A study on the role of private money lenders in agricultural development.

3. A study on indebtedness of small farmers in Tamil Nadu.

4. A study on the problems and policy measures of rubber marketing in Kanyakumari District.

5. A study on the impact of micro finance on rural development.