CHAPTER XI
DISCUSSION

In the present chapter an attempt has been made to discuss the main findings presented in previous chapters, as well as the important emerging problems of the sampled farms and related farm financing institutions, which were mainly concerned with changes in cropping pattern, level of investment in fixed and variable capital, levels of yield, farm business income, savings and consumption, investible savings and inadequacy of credit supply and the efficacy of the farm financing institutions in Ajitmal block of district Btawah and suggest ways and means to tackle them.

It was noted that borrowers had a tendency to grow fertiliser and irrigation intensive crops. Crops that were rain fed or drought resistant were being gradually given up. Bajra and gram occupied a place of prime importance in the cropping pattern of non-borrowers, while borrowers’ attention was concentrated on growing paddy, wheat and pea (table VI-8). The intensity of cropping on borrower farms clearly showed that with improved infra-structure they were making more intensive use of land in comparison to the non-borrowers (table VI-9). The lower intensity on non-borrower farms clearly brought out the untapped potential of agricultural development, which needs to be tapped by providing proper infra-structure.
The levels of investment on variable and fixed inputs were examined in detail and it was found that investment on fixed capital as well as the values of variable inputs on borrower farms was substantially higher. The average per farm and per hectare figures proved the point (Rs. 71467.05 and Rs. 36094.47 were invested by borrowers and Rs. 55061.52 and Rs. 31644.55 by non-borrowers respectively on per farm and per hectare basis – (Table VI-6 and VI-7). The per farm values of variable inputs amounted to Rs. 4545.89 and Rs. 3254.62 on borrower and non-borrower farms respectively (Table VIII-7). The difference was marked in the use of manures and fertilisers, irrigation facility, and plant protection measures. The use of human labour and bullock labour was also substantially higher. The credit facility not only increased the values of investment on the farm but also made better use of available resources. A cautious approach to check 'irrational' increase in the levels of investment is needed here. Economic optimum levels of input under varying degrees of technology need to be worked out for recommendation to the farmers.

The yields of all the important kharif and rabi crops were found to be higher on borrower farms. Marked increase in per hectare yields was noticeable in fertiliser and water intensive crops. Wheat and paddy per hectare yielded 13.88 and 22.79 per cent more on borrower farms (Table VII-19).

The net returns on the farm, taking crop and milk production as a whole, showed that borrowers earned 78.3 per
cent more than non-borrowers. Similarly their farm business income on an average was higher by 57.3 per cent than their non-borrower counterparts. No size group among non-borrowers matched the farm business income of any size group of borrowers (Table VIII-7). This factor alone justified the use of borrowed capital in farming operations.

The income from all sources, of an average borrower family amounted to Rs. 10,478.73 while that of the non-borrowers amounted to Rs. 7424.97 (Table IX-1). The per capita income of these two families on an average was worked out to be Rs. 1566.33 and Rs. 1010.20 respectively (Table IX-2). The average consumption expenditure amounted to Rs. 6997.82 and Rs.6022.68 for borrowers and non-borrowers respectively. Expenditure on food declined by 4 per cent, while all other expenses recorded marginal increase. The increase being more pronounced on health and education expenses (Table IX-3). The savings were directly related to the net returns on the farms and the size of business. The borrowers had a higher net saving even after making allowance for the repayment of debts. The small borrower farmer could not save because of loan liabilities. Thus, the borrowed capital generated more savings and capital formation through higher family earnings (Table IX-4).

The credit need, investible savings and credit gap were based on certain assumptions as mentioned in Chapter X. The total credit need of the borrower farms, on an average, was found to be Rs. 4061.48 after deducting the investible
savings (Table X-6). The farm financing institutions could meet only 69.79 per cent of total credit need (Table X-7). The balance was either procured from relatives and money-lenders or remained unfulfilled. This suggests that more credit is to be supplied to the borrowers and the credit benefit must cast wider to cover larger number of farmers.

Coming to the growth of the farms of different sizes, it was observed that borrowed capital had a positive impact, which was the highest on the medium size group of farms being 24.15 per cent. The lower growth rate on small farms, due to poor investible savings, can be made up with the help of increased amount of borrowed money through farm financing institutions.

A close examination of the various farm financing institutions revealed that the co-operative society through their co-operative banks, provided, cheaper and easier credit to the farmers. Their field of specialisation was crop loans and term loans. These banks, on an average, advanced Rs. 554.65, Rs. 1864.00 and Rs. 2425.74 to small, medium and large farmers respectively (Table X-7). The recovery of loan was nearly 70 per cent. These banks did not advance consumption or unproductive loans. Co-operatives can better their performance if they raise their limits of credit and relax capital asset security requirements.

The Land Development Banks, due to their limited number of branches and policy of granting long term loans for purchase of tractors, irrigation structure etc., were beyond
the reach of small farmers. The average medium and larger farmer received Rs. 1327.24 and Rs. 1733.76 respectively from these banks (Table X-7). Their loan recovery was 66 per cent of the outstanding dues (Table V-10). The LDBs could give better results if they worked in close liaison with co-operative banks and primary agricultural co-operative societies.

The deposits, advances and branch expansion programme of the commercial banks have been praiseworthy (Table V-12). They almost matched co-operative banks in disbursing loans (Table X-7). Recovery of loans was lowest being approximately 33 per cent (Table V-15).

Their procedure of loaning was very lengthy and difficult for the illiterate and ignorant farmer. Stamp fees, documentation fees, and contingency expenses raised the cost of credit. The strict adherence to the security based credit advance either deprived many farmers from getting adequate loans or forced them to adopt shady means. Besides, making the loaning procedure easy, these banks should evolve methods on giving need based credit to the farmers.

The role of regional rural banks or Kshetriya gramin banks, needs to be watched for a longer period. Meanwhile they should be allowed to provide loans on interest rates comparable to co-operative banks. They should also evolve simplified and convenient procedures of loaning - different from that of commercial banks.
In the light of foregoing discussions, it is suggested that to decide the quantum of loan to borrowers for specific purposes, economic-optimas for various degrees of technology of agricultural production needs to be worked out. To narrow down the credit gap the banks should give more advances to larger number of farmers. Loan for a second milch animal, shortly before the first one goes dry, will keep the project going. Besides this, loan, for maintenance of animals, for repairs to heavy and costly machinery, was also required by farmers. Crop and livestock insurance has inevitably, to be done, for the success of farm credit expansion programme. A tie up arrangement between marketing and credit, has to be given a practical shape for recovery of loan from the borrower.

Further, it would be better if short term/crop loans are channelled through co-operatives and regional rural banks. Need and ability based credit, not security based credit, is the need of the day. Effective and regular supervision to check loan diversion besides simplification in loaning procedure and reduction in the cost of credit, occupy an important place in the scheme of agricultural finance. Strengthening of Bank Extension service and credit utilisation workshops in the post investment techno-economic survey was acutely felt.

On the basis of experiences gathered, during the study, it was felt that some central agency on the lines of
Industrial Development Bank of India, should be created, to bring under its orbit, all the institutions related directly or indirectly with agricultural finance to avoid duplicacy and disco-ordination. It is heartening to know, that the Government of India has already taken steps to establish such a bank - which will be the future hope for agriculture in India.

Test of Hypotheses:

(i) In the end we can conclude that the first hypothesis that institutional finance helped in raising the intensity of cropping, investment in farming, yields per hectare of major crops and consequently the net farm business returns is proved beyond doubt as evident from the findings given in chapters VI and VII.

(ii) The second hypothesis that the availability of bank finance has increased the level of income, consumption and savings on the borrower farms has also been substantiated by the findings presented in chapter IX.

(iii) The third hypothesis that the supply of institutional finance to the sampled farms was inadequate has also been justified in the ultimate analysis made in chapter X.

The limitations of time and man power could not permit the researcher to undertake a thorough economic analysis of all the aspects of bank finance, which would have helped in the over all analysis of the topic.