CHAPTER VII

SUMMARY OF FINDINGS, CONCLUSIONS
AND SUGGESTIONS

7.1. INTRODUCTION

Agriculture is the base for industrial development in all developing countries. Indian economy is one of the world’s oldest agrarian economies. Well-developed agriculture makes a sizeable contribution to capital formation in agriculture as well as non-agricultural sectors, besides improving economy of the country as a whole. But it has received only a pittance of bank loan for a long while. Eastern rural lending was the monopoly of an unorganized sector involving moneylenders, landlords, commission agents, traders and the like. In course of time, as the demand for credit grew, the rural poor suffered a crippling and ignominious exploitation at the hands of this syndicate. This facilitated the entry of the government in the field in the form of Co-operative Banks. Later through the state controlled commercial banks and regional rural banks the government made its presence felt.

In the present globalisation era, agriculture can play a very important and pivotal role for long-term economic development. The only condition is that adequate and timely credit is made available for adopting modern and impressive inputs technology. The role of financial institutions is becoming significant for
lending support to the farmers in their gallant efforts to make agriculture truly fruitful.

Agricultural credit through Lead Banks is the best and the cheapest source because loans are advanced for productive activities and also at very low rates of interest as compared to those changed by the moneylenders and various other institutions. These were the important reasons for selecting the topic "The Role of Commercial Banks in providing Agricultural Credit - A Study with Reference to Virudhunagar District in Tamil Nadu".

The main objectives of the present study are:

1. To study the trend and growth of the loans issued, recoveries of loans, outstanding loans and overdues of commercial banks in Virudhunagar district.
2. To analyse the farm structure and the investment pattern of agricultural credit of sample farmers in the study area.
3. To analyse the level and extent of investment and the factors which influence investments in agriculture.
4. To study the impact of credit on farm income distribution
5. To analyse the factors responsible for overdues position of farmers and
6. To suggest suitable remedial measures for recovery of overdues.
The present study proposes to highlight the agricultural credit extended by the commercial banks in Virudhunagar District and analyse the repayment performance of borrowers.

The stratified multistage random sampling technique has been adopted for the study taking Virudhunagar district as the universe, block as the stratum, villages as the primary unit and the beneficiary farmers as the ultimate unit.

In Virudhunagar district, there are 248 commercial bank branches, which have been providing agricultural credit to the farmers under the Lead Bank Scheme namely Indian Overseas Bank. A list of the borrowers from each block was obtained from the records of Lead Bank for the year 2007-08. Three blocks namely Rajapalayam, Sattur and Aruppukottai and five villages in each block which have the highest number of beneficiaries are selected for primary data collection. A total of 600 beneficiary farmers are randomly selected from 15 villages by adopting the proportionate random sampling technique.

In the foregoing chapters, characteristics of the sample farmers agricultural credit and the investment patterns in agriculture, extent and factors influencing investment in agriculture and factors responsible for overdues of large and small beneficiary farmers are enlisted. The major findings along with the conclusions arrived at and along with a few suggestions are presented in this chapter.
7.2 SUMMARY OF FINDINGS

It was observed from the trend analysis made that the trend coefficients of the loans issued were found to be satisfactorily significant at the 5 per cent level. It could be noted that the commercial banks in the study area was performing well in issuing loans. The value of the compound growth rate had shown the positive growth rate (6.33 per cent). Regarding the recoveries made, outstandings and overdues, there was no change in the trend over a period. Thus it, could be concluded from the analysis carried out that the commercial banks in the study area had issued considerable amount of loans to meet the ever growing financial requirements of farmers in the study area.

It was also observed that the percentage of area irrigated by the large farmers was higher compared to that of the small farmers. Tanks were found to be the major source of irrigation followed by pumpsets and tubewells, in the study area. The analysis revealed that the cropping intensity was found to be higher in the case of large farmers compared to the small farmers. Thus it might be concluded that the higher cropping intensity for the large farmers had indicated a positive impact of agricultural credit on the land use pattern.

Regarding the relationship between farm size and agricultural credit, the analysis revealed that the large farmers had comparatively availed themselves more credit than the small farmers in the study area. Further, there was found to
be a positive relationship between the size of holding and the per farm credit. There was found to be a negative relationship between the size of holding and the per acre credit obtained.

While analysing the extent of capital investment and the factors influencing capital investment in agriculture, it was found that the number of farmers as well as their levels of capital investment were found to be more in the case of large and small farmers.

The personal factors that influenced the levels of capital investment in agriculture, namely educational qualifications and the size of family were found to have significantly influenced the levels of capital investment in agriculture. The other personal factors such as the farmers’ experience in farming operations, the use of the communication media and participation in the training programmes and camps have not significantly influenced the levels of capital investment in agriculture.

An analysis of the financial factors, such as the possession of one’s own farm lands, possession and ownership of one’s own irrigation wells, income from other family members, utilization of bank loans, making use of the incentives offered by the government and other various agencies and mechanization, disclosed that they had significantly influenced the level of capital investment made by the sample farmers.
It was found that there was very little scope for reinvestment of farm income in the case of large farmers because of their subsistence levels of farming. Further, the small farmers earned less income by cultivating their land than what they earned from livestock. Low levels of income and poverty were the major factors that hindered considerable investment in agriculture.

The exact amount of non-performing assets and overdues percentage-wise as well as absolute amount-wise are going on increasing. The bad and doubtful debts, funds blocked in suit-filed accounts and decreased debt and funds in the hands of willful defaulters are showing an upward trend. Most of the borrowers are non willful borrowers in selected areas.

7.3 CONCLUSIONS

Thus it could be concluded that the marginal farmers had performed well not only in the prudent investment they had made on the financial and physical assets, but also in the better and more efficient utilization of factors and inputs in the study area. Agricultural credit, particularly commercial bank credit, promoted agricultural inputs to meet their various day-to-day agricultural expenses. Besides it had also motivated them to adopt intensive methods of cultivation. It could also 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.

7.4 SUGGESTIONS

- Agriculture in India, viewed as a way of life, was not considered a productive proposition by the socially, economically and technologically backward population. The inter-sectoral mobility of personnel, resources and technology was very limited and it had created a vicious circle of technological isolation in the agricultural sector.

- It is suggested that there should be an increase in the levels of investment made by the farm households engaged in the agricultural sector and more particularly by the small farmers.

- It is suggested that steps should be taken to enhance the rate of public sector investment in the agricultural sector, which in its turn will motivate a higher level of private sector investment.

- It is suggested that farmers training camps and training programmes may be conducted at the village level, periodically or at regular intervals of time.
There is need for simplification of procedures for recovery of overdues of the commercial banks.

There is need for collecting, compiling, tabulation of data relating to recovery of overdues made from time to time.

Extension of repayment period in terms of successive crop failure due to natural calamities also is required.

Fixing appropriate due dates in relation to crop calendar ensuring timely disbursement and recovery of loans is advisable.

It is earnestly felt that the findings arrived at, and the valid suggestions made, in the wake of intensive study of agricultural credit with reference to commercial banks in the Virudhunagar district of Tamil Nadu carried out by the present writer will go a long way in enhancing the socio-economic level of farmers not only in the study area but all also over the entire country.