Chapter V
Problems of Farmers (Survey Results)

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Chapter V
Problems of Farmers (Survey Results)

In this chapter attempt has been made to discuss the various problems faced by farmers in obtaining bank loans. This Chapter has been divided into two parts. In the first part, the general problems have been discussed and in the second part of this chapter, the specific problems faced by farmers in getting loans from banks have been identified with the help of a survey carried out.

Part I
General Problems

Agriculture is the backbone of our country. It not only helps to sustain the ever increasing population but it is capable of sustaining our national economy. There is no denying the fact that about 70% of the total population of our country is dependent upon agriculture and allied occupations but this large section of the population is poverty-striken. Serious efforts are needed to lift this section of population above the poverty line.

Majority of the farmers in our country are small farmers having small and marginal size of holdings.
Most of them can not afford costly inputs from their own savings nor do they get credit easily from the government or any other sources. Mostly they make their approach on non-institutional sources which are easy and quick to get but they do more harm than good to them in the long run.

Among the general problems, the main factors which come in the way of agricultural production in the country are discussed below:

(1) Natural Hazards

(a) Floods

We have a lot of experience of the grim situation arising out of floods in various parts of the country during monsoon season, many rivers overflow and damage the crops, houses and cattle. Also there is a heavy toll of human lives due to flood and drought. The flood affected area pose a serious challenge to the economy. As per the data collected by the government, more than 16 million acres of land is affected every year on account of flood in the country and the estimated losses come to about Rs.100 crores annually. Moreover, additional burden running into thousands of
crores is borne by a poor country like India in order to provide relief to the flood affected areas.

(b) **Drought**

This is a serious problem for the farmers because some times in some parts of the country there is rainfall at all and nearly 30% of the area receives only less than 75.0 mm of the rain which required additional irrigation supply for the agriculture. The lack of water is felt in the arid and semi-arid tracks of the country. Sometimes the variations in the rainfall in quantity and time also create problems for the Indian farmers and act as barriers in agricultural development in the country. It has also been experienced commonly that various parts of the country receive less than half of the normal rainfall and in some areas one forth of the normal. This creates a serious situation in the country resulting in the shortages of goods and an increase on the prices of inputs. This year too we are facing similar situation due to drought.

(c) **Frost**

In northern parts of the country, a serious change in the climate has been observed, i.e.
occurance of frost in winter which damages the crops of arhar, pea, gram and potato etc. and it reduces foodgrains production in a sizeable manner. However this problem may be solved by providing adequate supply of water for irrigation purpose.

(d) **Outbreak of Epidemics**

The pests and diseases also tend to damage the crops which occur almost every year. The main reason for this set back is the ignorance of the farmers as they consider it as God given and do not take the necessary precautions and prefer to remain as silent spectators. For the safeguard of the crops effective measures need to be taken by the farmers as well as the State Government. In this regard farmers must be educated and trained in the techniques of plant protection and eradication of pests and diseases from the agricultural land.

(e) **Soil Erosion**

This is also one of the major factor affecting agriculture and due to the soil erosion process many parts of the land every year are changed from fertile into marginal or sub-marginal land. Due to this problem, sometimes the land becomes uncultivable
and it has been experienced in the past in our country. Land is a valuable asset of the nation and in this regard it may be pointed out that soil conservation measures need to be adopted by the government. Of course, the government has taken certain steps in this direction but they are insufficient to deal with the problem and more efforts are needed to tackle the situation.

(f) Usar

This is another problem. Many portions of the land in our country are lying useless and unfertile and the government should find out ways to make it cultivable. As per the records of the agricultural department it is estimated that about 33% of such lands may be made cultivable by adopting the soil management practices. However, this is a long term plan and it takes time to achieve success.

(g) Hailstorms

Hailstorms also cause a great damage to the crops. They can tackled to a great extent by proper forecasting systems and prior warning which may lead to the protection of crops. In this way a serious damage to the crops may be averted.
2. **Lack of Irrigation Facilities**

It is an open fact that irrigation is the key to application of modern agricultural technology. According to one estimate, due to limited resources and measures about 48.5 per cent of gross cultivable land receives irrigation facilities in Uttar Pradesh in 1983-84. This requires considerable advance planning for devising programmes to irrigate all cultivable land in the state.

3. **Inadequate Power Supply**

Many rural areas do not get adequate power supply for irrigation purposes for setting up tubewells and pumping sets though this sector requires priority. Power supplies to the industrial areas and agricultural sector is inadequate. Keeping in view that agriculture is the backbone of the economy, top priority should be given to farmers in respect of power supply for agricultural purposes.

4. **Rotation of Crops**

This is another important aspect of the problem. With the adequate supply of water, and provision of various useful process for the farmers, the rotation
of crops is also necessary, so that the farmers may double their income through the rotation of crops. With the availability of irrigation facilities, the high value crops should be substituted for lower value crops and adoption of better technology should bring better returns per acre for the farmers.

5. **Inadequate Input Supply and Improper Use**

Agricultural production can be increased by the use of high yielding varieties of seeds, proper application of mixed fertilizers as well as new scientific techniques and rational use of means and material. In the past, crops were badly damaged by the pests and insects and the use of pesticides was not known to the farmers. Now-a-days the use of pesticides is extensively made by the farmers and all efforts must be made to supply basic inputs at reasonable prices to the farmers to ensure rapid growth in agricultural production.

6. **Mechanisation**

With the availability of modern techniques of production, the intensive cultivation practices are necessary and useful for multiple cropping but this practice should be adopted efficiently at the
the proper time. With growing industrialisation and migration of labour from rural to urban areas, the trend towards mechanisation has been increasing. The economic planners and policy makers have to pay attention to this important aspect which could solve many problems of the farmers. With the application of new technology, the Indian farmers could carry out the agricultural operations more effectively, timely and cheaply.

7. **Lack of Credit Facilities**

Money is the principal factor for all business operations. Likewise the capital constraint cripples the farmers and it checks input and output both. India is a country of small holdings (i.e. below five acres of land) and these small farmers can not provide full employment and generate resources. The majority of this class of farmers are either marginal or sub-marginal and this class is deprived of the resources so essential for the growth of production and their in production is the low value crop category. Due to the above mentioned problems credit facilities are not available to them in relation to their requirements for the production. Whatever credit facilities are available to them, they are inadequate in relation
to their demand. As a result they become permanent indebtors, sometimes small farmers avoid to take the risk of additional investment for the fear of natural hazards. Ultimately the economy gets stagnant and the general public suffers.

In practice it has been observed that when the poor farmer knocks the door of moneylenders they charge a high rate of interest and try to suck his blood and whatever they earn in the farming is paid to the moneylenders and they continue to remain poor and become poorer. The credit supplied by the cooperative societies and commercial banks is generally insufficient and they are compelled to borrow money from the moneylenders.

It is the task of planners of this country to consider all aspects of the problem and evolve an action plan which stimulates production. Besides, capital is also needed for making agricultural inputs available to farmers and also for creating infrastructure facilities. Ways of mobilising more capital for agriculture particularly from nationalised banks have to be fully exploited. Credit facilities and practices have to be improved so that farm credit is utilised for productive purposes.
8. Land Reforms & Consolidation of Holdings

Land reforms and consolidation of holdings are highly important. A farmer who has his holdings at one place can carry out his operations better than the one whose holdings are scattered all over the village. Therefore all efforts must be directed towards land reforms and consolidation of holdings.

9. Defective Marketing System and Storage

The defective marketing system and lack of storage facilities is another constraint faced by the poor farmers. The actual producer does not get the full benefit of his excess production which goes in the pocket of middlemen or traders who exploit them in many ways in the form of many irregular deductions and malpractices.

10. Price Support

This is another crucial issue. The price of the agricultural production is not fixed by the farmers but by the government agencies or traders. The state should adopt a fair price policy to encourage the farmers to produce more. Also efforts must be made to achieve increase in productivity through
intensive cultivation methods in assured irrigated areas by extending high yielding varieties programme. The principal aim is to maximise income per acre by adopting technological improvements and careful advance planning and to make optimal use of available resources. This would mean the introduction of more profiting and productive cropping method in order to raise the per acre output of the farmers. Besides the basic need of agriculture is supply of sufficient inputs like high yielding varieties of seed, fertilizers, pesticides, and adequate supply of power for intensive development.

Also the right technical advice and effective marketing arrangements essential along with the long term price support policy to encourage the small farmers who were neglected in the past. They must develop a sizeable marketable surplus by increasing the productivity of their land. This can go a long way to make the country prosperous and strong.
Part II
Specific Problems

In this part an attempt has been made to identify the various problems faced by farmers in getting loans from Banks with the help of questionnaire and interviews. As our study is mainly concentrated on Nationalised Banks, we have discussed the problems of those farmers who are getting loans from nationalised banks in Uttar Pradesh.

Finance is an essential requirement of every productive activity and agriculture is no exception. Since majority of our farmers have very small size of holdings and production frequently suffers from the vagaries of nature, the capacity of the farmers to save and invest in agriculture is very low. Programmes for the development of irrigation, soil conservation, mechanisation and increased use of inputs like fertilizers, seeds and pesticides, therefore, require substantial credit support and as such they must be substantially supported.

The need to carry on farming on modern lines becomes all the more important with the introduction of high yielding varieties which give best results when accomplished by adequate irrigation, power supply,
fertilizers and pesticides. This emphasises the need to provide fair and easy credit to farmers. The lending institutions must, therefore, identify the multifarious problems faced by farmers, so that the obstructions are removed and the flow of credit is improved. No economy is free from problems, only the magnitude of the problems vary. Although the policy-makers have realised the dynamic role of credit, the problems concerning evolving of effective credit policies and their implementation have yet to be solved. These policies can properly be evolved only if they are based on the knowledge and experience of the real situations regarding the farm credit.

The main aim of this chapter as earlier stated is to identify the problems of farm financing from the point of view of farmer (Participants and non-participants). For this purpose 300 participant borrowers and 300 non-participant borrowers were selected from the six sample districts of U.P. in the ratio of 3:2:1 for small, medium and large farmers respectively. To find out the problems of non-participants farmers, separate questionnaire was prepared and the farmers were asked to mark reasons why did they not avail any loan facility? In some cases personal interviews were also conducted.
Findings and Discussion

In this chapter an attempt has been made to highlight the identify of views among participants and non-participants. An analysis of table 5.2 may be of much use to the bankers for revamping their lending policies towards the farmers. To ensure their success, the banks will have to create a better image in the minds of farmers. The picture summed up below in table 5.1 and 5.2 may not be a complete catalogue of reasons for non-participants, but they do provide an idea about the image and operations of the banks from the viewpoint of farmers. By analysing table 5.1, it can be seen that only 20% of farmers have no problems in getting bank loan. It mean 80% of farmers in our sample do have some complaints regarding the bank loan.

The table also reveals that a large section of participating borrowers (28 average, 36% of small farmers) as well as non-participating borrowers (29.33% average, 38% of small farmers) reported that the process of getting loan is very cumbersome. The banks have evolved a clumsy procedure of lending. It is a tedious job to apply for loan and to pursue it till it is finally sanctioned. Frequent visits to
banks involve unwarranted expenditure and vexation which compel some of the farmers to leave the loan application half way. The late Prime Minister Smt. Indira Gandhi rightly remarked that "the procedure of getting agricultural credit is complicated one. There are so many forms and formalities which have to be fulfilled and I will also hesitate to fulfil these". This underlines the need for simplifying the procedure of bank lending.

The second main problem of participant borrowers (23% average, 24% of small farmers) is to obtain records from the government offices. Due to delaying procedures the farmers feel greatly harassed. It emphasises the need for efficient administration and strengthening the coordination between government agencies and the banks.

The other problem of participant farmers (15% average, 20% of small farmers) is sanctioning of inadequate amount of loan. It is also one of the striking problems which needs modification of the scale for granting loan to an individual farmer. Lack of knowledge of credit availability for non-participants (18.33% average, 30% of the small farmers) and of rules and regulations pertaining to credit for participants (13.67% average, 24% of small farmers)
Table 5.1
Problems Faced by Participating Farmers

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Items</th>
<th>No. of farmers</th>
<th>Percentage</th>
<th>Average of %age</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Small</td>
<td>Medium</td>
<td>Large</td>
</tr>
<tr>
<td>1.</td>
<td>No Problems</td>
<td>12</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>2.</td>
<td>Problems in taking record from Govt. offices</td>
<td>50</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>Lack of Security</td>
<td>23</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.</td>
<td>Lack of knowledge of rules &amp; regulation</td>
<td>36</td>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>5.</td>
<td>Cumbersome process of getting loan</td>
<td>55</td>
<td>28</td>
<td>10</td>
</tr>
<tr>
<td>6.</td>
<td>Registration of land</td>
<td>15</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>7.</td>
<td>Non-cooperation of bank staff</td>
<td>33</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>8.</td>
<td>Amount sanctioned for credit not adequate</td>
<td>30</td>
<td>17</td>
<td>4</td>
</tr>
<tr>
<td>9.</td>
<td>High rate of interest</td>
<td>15</td>
<td>9</td>
<td>2</td>
</tr>
</tbody>
</table>

Number of Small Farmers 150
Number of Medium Farmers 100
Number of large farmers 50
Total number of participant farmers 300
Table 5.2

Reasons for Non-Participation

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Items</th>
<th>No. of farmers</th>
<th>Percentage</th>
<th>Average of</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No need for loan</td>
<td>9</td>
<td>10</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>Lack of Security</td>
<td>24</td>
<td>5</td>
<td>16</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>Lack of knowledge credit availability</td>
<td>45</td>
<td>15</td>
<td>5</td>
<td>30</td>
</tr>
<tr>
<td>4</td>
<td>Cumbersome process of getting loans</td>
<td>57</td>
<td>30</td>
<td>10</td>
<td>38</td>
</tr>
<tr>
<td>5</td>
<td>Non-cooperation of bank staff</td>
<td>39</td>
<td>18</td>
<td>4</td>
<td>26</td>
</tr>
<tr>
<td>6</td>
<td>Long distance</td>
<td>24</td>
<td>7</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>7</td>
<td>High rate of interest</td>
<td>15</td>
<td>8</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>8</td>
<td>The repayment periodicity is too short</td>
<td>15</td>
<td>10</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>9</td>
<td>Others</td>
<td>9</td>
<td>5</td>
<td>2</td>
<td>6</td>
</tr>
</tbody>
</table>

| No. of small farmers | 150 |
| Number of Medium farmers | 100 |
| Number of large farmers | 50 |
| Total No. of non-participant farmers | 300 |
is also a common problem which shows that the development of banking habits in rural areas is not adequate in the state.

The need of the time is that more and more propaganda about the bank participation in agricultural development and various schemes launched by banks should reach the simple and innocent farmers in remote areas.

The next common problem faced by participants (12.67% average, 22% of small farmers) as well as non-participants (17.33% average, 26% of small farmers) is of non-cooperation of bank staff. This shows lack of adaptability and cooperation on the part of bank staff. There should be a complete change from urban outlook to rural outlook. This is the need of today. It is the matter of great satisfaction that government is paying adequate attention to this problem.

Table 5.2 shows that the only 15.33% of the non-participants do not have the need for credit. It means that 84.67% non-participants do feel the need for bank credit but due to their poor socio-economic conditions and the problems discussed above, they could not get any loan from banks. Therefore,
banks should take effective measures to encourage farmers for participation in rural banking activities.

The participant and non-participant borrowers were asked to specify about the rate of interest charged by banks. 7.67% participants (10% small and 9% medium) and 8% non-participants (10% small, 8% medium and 6% large farmers) complained about the high rate of interest charged by nationalised banks. It means, the farmers specially the small ones need Bank loans at a lower rate of interest.

Lack of security amongst the small farmers, participants as well as non-participants is also an important reason for slow pace of agricultural credit. Long distance and the short period of repayment are other problems of non-participants farmers. The Government should pay more attention towards expansion of branches in rural areas to mobilise savings and attract deposits from rural areas.

Considering all the aspects of the problems, the non-participants were asked to specify as to which source they preferred and why? Majority of the small farmers preferred moneylenders on account of
their traditional pattern and relationship. In order to meet their requirement, they approach the moneylenders easily and quickly. Though banks do provide credit facilities but they are insufficient and time bound and the moneylender is available when the need arises irrespective of the time and period. The money advanced by banks and cooperatives is bound to be spent on agricultural purposes only but the money borrowed from the moneylenders is free from such conditions.

**Conclusion**

The development of agriculture depends greatly upon the rainfall which is a gamble from various aspects. Sometimes there is famine and drought, sometimes insufficient rainfall, sometimes flood, these elements are devastative and ruinous. The other natural casualities such as hailstorm, storm, frost and many kind of insects also damage the crops. The increase in production under such conditions is not assured, but damage and devastation can occur expectedly which cripples the rural economy.

Efforts should be made to provide more and more irrigation facilities, improved seeds, scientific
means and methods to Indian farmers but despite that they are still far behind than their counterparts in other developed countries. The main reason behind this drawback is that some Indian farmers have not changed their outlook in respect of modern techniques and improved seeds. Though modern techniques can undoubtedly lead them to prosperity.

Indian farmers do not avail the opportunities provided to them due to their orthodox outlook and commercial mentality. In some cases it has been noticed that they resell the fertilizers provided to them at higher rates. Irrigation facilities are an essential pre-requisite along with improved seeds, fertilizers etc. In the absence of irrigation facilities a single crop system can be operated which is uneconomical and unprofitable.

The poor Indian farmer also needs a substantial amount of cash credit to meet his requirements of working capital, including part of the normal needs of his family in the pre-harvest season and unavoidable social obligations. Since the need for such working capital has not been fully met by the nationalised banks and other institutional credit agencies so far,
the small farmers have not been able to escape from
the clutches of the moneylenders. The commercial banks
should take firm measures in this respect. The need
for working capital will increase rapidly once the
small farmer starts modernising the process of
agriculture.

At the same time, effective steps need to
be taken to develop the banking habits among the small
farmers so that they keep bulk of their surpluses
in banks. And so that they get adequate loans from
the bank when they need it and make prompt repayments
as they fall due. This will lead to greater mobili-
sation of savings for the benefit of all concerned.

However, when we compare the participant
or borrower farmers with the non-participant or
non-borrowers farmers in the State of Uttar Pradesh,
we conclude that nationalised banks have not been
able to project themselves as the main institutions
offering agriculture assistance programmes. It is also
a fact that though there are some planned and well-
throughout lending schemes offered by various banks
but there is no proper response on the part of
potential loanees or farmers. The poor illiterate farmers must be educated by the banking agencies with regard to the purpose and benefits of loans as well as the extent to which they can offer various types of agricultural finance. The majority of the farmers are illiterate and they simply can not grasp the significance of various schemes offered to them. There should be earnest effort in terms of adult education programmes through which the importance and awareness of loan facilities to the farming sector can be projected and enhanced.

Besides the procedural bottlenecks should be simplified. Only then farmers can avail various facilities offered to them. The concerned government quarters and departments should supply relevant records and information promptly and without bureaucratic redtapism. The urban-oriented attitudes of governmental agencies and bank's staff is also responsible for this state of affairs. Such attitudes should be changed as far as possible for the larger interest of the society. What is needed is a rural oriented programme of agricultural credit which is planned, effectively implemented and brought to fruit
through committed staff who have first hand experience of rural population.

Hence, a coordinated effort is needed for the successful implementation of farming development programmes. The problems of the farmers should become the centre piece of the whole effort. The needs and capabilities of farmers need to be taken into consideration. The banks and the farmers should jointly carry out the implementation of different schemes. There cannot be a pre-conceived theorising of banking loans. The whole programme has to be pregnantly implemented, if we are really interested in agricultural transformation and bringing about a green revolution in the country.