ABSTRACT OF THE STUDY


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SYNOPSIS

"Financing of Small and Medium Sized Farms in Uttar Pradesh by Nationalised Banks since 1970".

1. **Introduction**: Agriculture and the national economy, Nationalisation of Commercial Banks, Importance of Finance in Agriculture, Classification of Farms: marginal holdings, small and semi-medium holdings; medium sized holdings, large holdings, Importance and Objectives of the Study, Methodology, Implications of Research.

2. **Role of Nationalised Banks in Financing Agriculture**: Historical Perspective, Banking after Independence, Need for Bank Nationalisation, Objectives of Bank Nationalisation, Performance of Nationalised Banks, Nationalised Banks and Agricultural financing: Direct finance; Indirect finance; Group-wise distribution of advances; Regional Rural Banks; Disbursement by NABARD. Some problems regarding agricultural financing, Summary.


4. Impact of Credit Supplies on the Productivity of Farms (Survey results) : Introduction, Sample Unit, Changes in Cropping Pattern, Changes in the level of Productivity, Per-acre net income of sample farmers, Utilisation of Incremental Income by Borrower farmers, Conclusion.


6. Conclusions and Suggestions

Appendices

Bibliography
ABSTRACT

Agriculture is the main occupation of the Indian people. The importance of agriculture in maintaining and sustaining the economic infrastructure of India cannot be overstressed. India is primarily an agricultural country. The fact that seventy per cent of India's population is employed in agriculture and allied activities makes agriculture the backbone of Indian economy. Agriculture provides raw-materials to the industries. At present, about 50 per cent of our exports consist of agricultural commodities.

Agriculture also brings about an increase in the Government's revenues. It provides the food for her 700 million people and 383 million livestock. Thus the significance of agriculture in our country arises from the fact that the development of agriculture is an essential condition for the development of the national economy.

It is in this background that the present study assumes special significance. The present study aims to examine the plight of small and medium-sized farmers who constitute the bulk of rural households. An attempt has been made to identify the needs and problems of
small farmers and to suggest measures to tackle these problems. The importance of the present study can not be over-emphasised in a country like India where about 70 per cent of the work force is engaged in agricultural and allied occupations.

We can not overlook the needs of rural development because it has its impact on the economic development of our country. If we want to achieve a notable progress on the rural front. The banking industry will have to come up on the forefront with new packages to farmers like high yielding varieties of crops, new fertilizer combination, plant protection devices, use of modern and efficient implements as well as measures for land reforms, credit and marketing facilities and reduce protection risks as well as price uncertainties. This is an uphill task for the banks with the advance technical know how, marketing and financial assistance.

Bank nationalisation was a land mark in the post-independence history of India. Banks in the beginning were mainly oriented towards urban development and industrialisation of the country. Therefore, it was strongly felt that farming sector
and small scale industries should be adequately financed through an expanded network of banking operations. Consequently, many leading banks were nationalised in July 1969 with a view to provide more credit facilities to agricultural sector to bring out rural development.

The government has introduced new programmes and policies for the development of agriculture. But it is unfortunate that the farmers are still destined to suffer due to certain impediments in the agricultural development. The present survey revealed that problems such as floods, droughts, hailstorm, frost, inadequate and untimely supply of farm inputs, lack of credit facilities, fragmentation of holdings, improper arrangements for storage and lack of marketing facilities and so on are the main barriers for farmers for developing their farms.

India is predominantly a land of small size farmers and tillers. It is, therefore, necessary that the small size land holders be brought out their centuries old poverty, illiteracy and stagnation. More facilities of agricultural credit should be extended to them by nationalised banks. In fact,
there is a close relation between the development of Indian economy and Indian agriculture on the one hand and development of Indian agriculture and the development of small size farmers, on the other hand. Indian economy can not develop without the development of Indian agriculture and Indian agriculture cannot develop without the upward mobility of small size farmers.

Objectives of the Study

The objectives of the present study are:

i) To examine the pattern of financing of small and medium sized farms by nationalised banks with reference to some selected districts in U.P.;

ii) To assess the impact of credit supplies on the productivity of farms.

iii) To identify the problems faced by small farmers in getting finance from nationalised banks; and

iv) To suggest remedial measures to tackle the problems faced by small and medium farmers who form the majority of operational holdings in our country.

Apart from the main objectives of the thesis discussed above there were certain secondary objectives of this study which are given below:
i) to study the importance of agriculture in the national economy;

ii) to study the historical development of the banking industry in India, its structural set up, and to examine the performance of nationalised banks in financing agriculture including farm operations; and

iii) to examine the role of nationalised banks in financing agriculture in the context of high priority accorded to this sector by the government.

**Methodology**

The analysis of the pattern of financing of small and medium sized farms by nationalised banks in based on secondary data collected from reports, publications, bulletins of R.B.I. and nationalised banks. For the purpose of conducting a survey to find out the problems of some selected small and medium sized farms in Uttar Pradesh. We have prepared two different questionnaires to collect information from the borrower and non-borrower farmers.

Uttar Pradesh has been divided into three regions western, central and eastern. The six representative districts, namely, Saharanpur and Muzaffarnagar from Western region, Badaun and Aligarh
from Central region, Basti and Faizabad from eastern region have been selected for the purpose of this study.

The list of 300 borrower farmers was collected from nationalised banks of sample districts by which they were financed. This sample unit has been further stratified into small, medium and large farmers in the ratio of 3:2:1 respectively. An equal number of non-borrower farmers has been selected randomly from the sample areas, thus, forming a total of 600 sample farmers. These farmers were asked questions with the help of two different questionnaires prepared separately for participant and non-participant farmers. The farmers thus selected were contacted personally and they were interviewed to find out the problems faced by them in getting finance from the branches of nationalised banks situated in their respective areas.

**Importance of the Study**

The suggestions made on the basis of present work, it is hoped, would be useful for the banks in restructuring their financial operations and to improve their lending practices towards the farmers. Not only the financial aspect is covered under the present study but also several non-financial factors like new technology, high yielding varieties, small
irrigation, farm reforms have been briefly discussed and corrective measures have been suggested. Therefore, it is likely that if these corrective steps are taken by the banks at the right time, the small and medium sized farms will prosper at a comparatively faster rate.

The present study assumes special significance for it examines the plight of small farmers who constitute the bulk of holdings in U.P. The constraints faced by the small and medium-sized farmers must be looked into by the economic planners and policy makers in this country. To meet these challenges effectively the present study suggests strategies and policies to be pursued by nationalised banks for rural development.

It is hoped that the findings of this study will go a long way in revamping the financial systems of nationalised banks to streamline the flow of credit to small and medium sized farmers in Uttar Pradesh.

Summary

Agriculture in India occupies a place of prime importance in the economic life of the country. Modern agriculture requires a proper dose of high yielding varieties seeds, chemicals, fertilizers irrigation etc. The requirements of modern agriculture can not be met by the Indian farmers from their own
savings. So there is an increasing demand for agricultural credit. The agricultural credit facilities play a catalytic role in bringing about a revolutionary change. A proper dose of farm credit introduces technological sophistication apart from giving a healthy, competitive and commercial turn to agricultural production.

The data show that much has been done in post-independent India with a view to uplift the small size and marginal size farmers and to provide necessary wherewithal to these sections of Indian society which form the bulk of its population. The nationalised banks have done well in meeting out the capital and current expenditure of farmers by providing them agricultural advances. However, much needs to be done to ameliorate the conditions of agriculturists if India is to emerge on the industrial and agricultural map of the world. These banks need to make intensive and extensive surveys of the credit needs across the length and breadth of U.P. in order to formulate appropriate plans and programmes for the upliftment of small size and marginal farmers. The survey data show that those farmers who utilised the bank facilities in obtaining loan for their agricultural
purposes where found better off than those who did not utilise the bank facilities. Those who sought the help of the banks were able to develop their farms by the use of modern techniques.

The study concludes that although nationalised banks have played a significant role in providing agricultural credit but more needs to be done in this sphere. The regular and proper supply of credit can be instrumental in increasing the production and income per acre of borrower farmers. The survey data discover many obstacles that come in the way of farmers in getting loans from the nationalised banks. The nationalised banks should simplify their lending procedure and establish an expanded network of branches in the rural areas. These branches should have a rural orientation and cater to the needs of small farmers.

The focus of this study is financing pattern of small and medium sized farms in U.P. by nationalised banks. The study contains 6 chapters. Besides the first introductory chapter, five other chapters have been planned.
Chapter 2 describes the role of commercial banks in financing agriculture. Historical perspective, growth of nationalised banks and groupwise distribution of advances to agricultural sector are dealt with in this chapter.

Chapter 3 contains an analysis of the pattern of financing of small and medium sized farms in Uttar Pradesh by the nationalised banks.

Chapter 4 examines the impact of credit supplies on the productivity of farms in respect of changes in cropping pattern and per acre net income of farmers.

Chapter 5 identifies the general problems as well as specific problems of farmers. The data for specific problems is obtained with the help of questionnaires.

Chapter 6 contains the conclusions and suggestions of the study.