Chapter VII

Summary of Findings, Conclusions and Suggestions
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Agriculture in India has the unique feature of being the priority sector as well as the long neglected line of production. It provides food grains for human consumption and supplies essential raw material to major industries. But it received only a pittance of bank loan for a long while. Eastern rural lending was the monopoly of an unorganised sector involving money lenders, 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.

Co-operative 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 as compared to those charged by the money lenders and various other institutions. Co-operative banks play 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 were the important reasons for selecting the topic “A Study of Primary Agricultural Co-operative Banks with Special Reference to Agricultural Credit to Farmers in Thoothukudi District”.

The main objectives of the present study are:

1. To study the trend and growth of the loans issued, recoveries of loans, outstanding of loans and over dues of the co-operative bank in the Thoothukudi District.

2. To analyse the farm structure and the investment pattern of the agricultural credit of the sample farmers in the study area.
3. To measure and compare the costs and the returns of the beneficiary and the non-beneficiary groups of farmers cultivating plantain.

4. To examine the nature and the extent of the inequalities in the distribution of the per acre value of the net incomes of the different size groups of the beneficiary and the non-beneficiary.

5. To study the impact of the agricultural credit on agricultural production.

6. To examine the structural differences between the beneficiary and the non-beneficiary groups of farmers through the impact of agricultural credit.

7. To analyse the problems faced by the beneficiary for obtaining agricultural credit from the co-operative banks.

Thoothukudi District is one of the predominant agricultural districts in Tamil Nadu. The district comprises eight taluks. In this district, there were 157 primary Agriculture Co-operative Banks which had been providing agricultural credit to the farmers; more particularly for the banana cultivators. In spite of the grant of loans and recoveries made the co-operatives were found to be at a satisfactory level. A list of members
from each of these banks was obtained from the records of the banks for the year 2001-02. The first 25 banks were selected for the present study. Three hundred farmers who were members of the co-operative bank were randomly selected by adopting the proportionate probability sampling technique for the purpose of the study.

Field survey was carried out during the period 2001-02 for the collection of primary data. The sample farmers selected were further stratified into the beneficiaries’ group and the non-beneficiaries’ group. Out of the 300 sample farmers, 192 sample farmers belonged to the beneficiaries’ group and the remaining 108 belonged to the non-beneficiaries’ group. Further, in each group, the sample farmers were divided into two categories, namely the small and the large farmers, based on their areas of banana 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 192 sample farmers of the beneficiaries’ group, 131 farmers (68.23 per cent) belonged to the small farmers’ group and the remaining 61 farmers (31.77 per cent) belonged to the category of large farmers. In the non-beneficiaries’ group, out of the 108 sample farmers, 72 farmers (66.67
per cent) belonged to the small sized category and the remaining 36 farmers (33.33 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’ groups 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 and along with a few suggestions are presented in this chapter.

7.1 SUMMARY OF FINDINGS

It was observed from the analysis made that the loans issued by the co-operative banks had increased from Rs.104.72 crores in 1990-91 to Rs.117.28 crores in 2000-02. The trend analysis carried out had shown that the trend coefficients of the loans issued were found to be satisfactorily significant at the 5 per cent level. It could be inferred that the co-operative banks in the study area were performing well in issuing loans. The value of the compound growth rated had shown the positive growth rate (0.412 per cent). Regarding the recoveries made, outstandings 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 co-operative 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 area irrigated by the beneficiaries’ group of farmers was higher compared to that of the farmers of the non-beneficiaries’ group. Tanks were found to be the major source of irrigation followed by the pumpsets and the tubewells, in the study area. The analysis had revealed that the cropping intensity was found to be higher in the case of the beneficiaries’ group of farmers compared to the non-beneficiaries’ group. Thus it might be concluded that the higher cropping intensity for the beneficiaries’ group 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’ group, had shown that the beneficiaries’ group had raised crops in a larger percentage of the irrigated area compared to the non-beneficiaries’ group. They might have been motivated then to raise more crops by cultivating a larger area by utilising
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 land 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’ group of farmers.
An analysis of the investments 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’ group compared to that of the non-beneficiaries’ group. 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’ groups. Thus it could be concluded from the analysis carried out that the beneficiaries’ group had a higher level of monetary benefits compared to the non-beneficiaries’ group of farmers.

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’ group, whereas, a greater variation was found towards the upper values of net income per acre in the case of the non-beneficiaries’
group. 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’ group compared to that of the beneficiaries’ group.

A farm size analysis carried out by the researcher had revealed that there was a greater variation in the lower values of the net incomes 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’ group in the study area. The values of the co-efficients 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’ group, 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 had 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’ group. 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’ group of farmers, 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 banana. The Chow’s 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’ group were having a better and a more efficient utilisation of the factor inputs which had resulted in an increase in the per acre value of output of banana for them.
The computed results of the regression model with agricultural credit as independent variable had revealed that the agricultural credit has had a greater influence on the per acre value of the output of banana. Further, it could be inferred from an analysis of the data that the per acre value of the output of banana was highly responsive to the use of agricultural credit.

Regarding the problems faced by the beneficiaries' group 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 co-operative bank was the most serious bottleneck faced by them while getting loans from the bank.

7.2 CONCLUSION

Thus it could be concluded, from an analysis that the beneficiaries' group of farmers 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 utilisation of the factor inputs in the study area. Agricultural credit, particularly co-operative bank credit, had 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 co-operative bank in the study area.

7.3 SUGGESTIONS

The study thus forces one to come to an irresistible conclusion that Agricultural Credit, particularly co-operative bank credit, has come to stay. It has already played a signal role in the economic uplift of the rural society. If the government, the bureaucrats and the elected representatives of the people join hands, the financial support offered is a farmer-friendly atmosphere by the co-operative banks could transform magically the length and breadth of India’s countryside.

The researcher would feel amply rewarded if this work has, in its small way, fortified the sagging morale of the down-trodden farmers who have been waging a valiant battle against odds with a never-say-die spirit. The researcher is reminded of the words of poet Newman,

"Lead kindly light,
Amidst the encircling gloom,
Lead thou me on!"