3.1 CONCEPT

Agricultural Bank

A bank specially established to assist agricultural development by granting loans of longer duration.

Agricultural Credit

Agricultural credit as the amount of which the farmer had to borrow from other agencies other than owned resources to meet their expenses.

Agricultural Sector

The sector or part of a population that is involved in agricultural work, providing food; or other raw materials such as cotton or timber home consumption or export.

Agricultural Subsidies

Payments made to farmers for the purpose of encouraging food production and supporting the incomes of the farmers.

Assets

An item of property, such as land, capital, money, a share in ownership or a claim on others for future payment such as a bond or a bank deposit.

Borrow

Have (money) on a loan from a person or a Bank.
Credit

Credit refers to loans and advances which have been advanced by the society for its members.

Credit Supply

Supply of credit as the amount received by the farmers from various sources such as institutions and private agencies.

Debit

A book keeping entry recording an amount owing.

Deposit Account

An account with a bank from which deposits are repayable only to the depositor, who is required to give notice in advance if he requires repayment.

Institutional Finance

It refers to credit made available by financial institutions such as banks, insurance companies and corporations.

Installment

It refers to the amount due by a particular date i.e. due date. The number and amount of installment, depends upon the amount of loan, the purpose of the income flow etc.
**Installments, Delivery and Payment**

If according to a contract, delivery or payment is to be by installments; problems crop up from a failure of one-installment discharges the other party. The court will generally ascertain the intention of the defaulting party in case of delivery.

**Investment Spending**

The total amount of spending during some period of time on capital goods.

**Liability**

It refers to an obligation to pay money. The amounts of money that a firm owes to others, usually classified as current liabilities and long-term liabilities.

**Medium Term Credit**

The duration for repayment of medium term credit ranges from one year to three years.

**Moneylender**

Moneylenders may be defined as these, “whose primary business is not banking but money-lending”.

**Over Due**

Any item that remains unpaid after the due date for payment. Overdue as non-repayment of the credit installment within the due date taken by a member of co-operative society or a borrower of commercial bank.
Recovery Value

In accounting estimated revenue from a resale or scrapping of a fixed asset.

Security

A document given by a corporation or government called the “issuer” and acknowledging that the issuer has received money or some other valuable consideration for issuing the security that some specified person is in return, entitled to certain rights against the issuer.

Security Reserves

A Proposal that bank required holding a certain amount government securities in addition to their other reserves.

Share Capital

It refers to contribute capital of a company that reckons investors’ interests in terms of shares.

Short-Term Credit

The duration for repayment of short-term credit ranges from three months to one year.

Subsidy

A payment by government, perhaps implicit, to the private sector in return for some activity that it wants to reward, encourage or assist.
Working Capital

An accounting term usually defined as the difference between current assets and current liabilities. It is also sometimes referred to as circulation capital, because assets and liabilities are continually circulated or turned over in the normal course of business. This distinguishes it from fixed capital, which comprises fixed assets.

3.2 Methodology

3.2.1 Period of Study

This study was conducted during the period from April 2006 to March 2007.

3.2.2 Area of the Study

The area selected for this study is Sebathaiahpuram, one of the important village in Sawyerpuram town panchayat, Thoothukudi District. The main occupations of the households are agriculture and business. This study area was purposefully selected for two reasons. First, in the Sebathaiahpuram village and surroundings a large number of farmers are working in the field. The second reason is that the researcher is familiar with the area and so was able to get the cooperation of the officials and the respondents.
3.2.3 Scope of the Study

Study of the demand for and supply of credit will help the bank to allocate more funds for major purposes for which they require funds and also provide adequate amount of funds at the right time.

Study of causes of default will provide lessons to the farmers on how to use credit in a better way for productive purposes so that they can repay the loan within the specific period.

Examining the performance of the banks will help in identifying the difficulties involved in advancing and recovery of loans. This will enable the bank to alter their lending procedures and the repayment schedule.

3.2.4 Collection of Data

The data collected for the study are of both primary as well as secondary in nature. The primary data were collected through personal interview method with the help of a specially structured pre-tested schedule. To elicit information, the beneficiary respondents belonging to different socio economic background were approached at different points of time personally to suit their convenience. On completion of answering the schedule each respondent is interviewed informally on several issues and their views were recorded. The specimen of the schedule is appended in the Appendix section of this report.

The secondary data were collected from the records of PACS Sebathaiahpuram, economic surveys, publications of other relevant sources.
3.2.5 Sample Design

The study was carried out in the area of operation of Sebathaiahpuram PACS in block of Thoothukudi District. The interview method is followed for selecting 60 beneficiaries and 60 non-beneficiaries. Personal interview through proper questionnaire is followed to collect the required data (primary data).

3.2.6 Tools of Analysis

The study uses statistical tools to analyse and interpret the collected data. Analytical tools such as percentage, average, are used besides different graphs and charts. The information collected is processed, tabulated and analysed quantitatively by using percentages. Chi-square test was applied to study the association between variables.

*Application of Chi-square Test*

Chi-square test was applied to find out whether various influencing factors are dependent upon variables like, age, sex and size of the family.

\( \chi^2 \) is useful to establish and measure the existence of the association between any two attributes. This \( \chi^2 \) takes only positive values and is given by the formula,

\[
\chi^2 = \sum_{i-j} \frac{(O_{ij} - E_{ij})^2}{E_{ij}}
\]

where

- \( O_{ij} \) - Observed value in the \((ij)^{th}\) cell
- \( E_{ij} \) - Expected value in the \((ij)^{th}\) cell
On the assumption of independence of attributes

\[ E_{ij} = \frac{(A_i)(B_j)}{N} \]

where,

- \( A_i \) - Total of \( i^{th} \) row
- \( B_j \) - Total of \( j^{th} \) column
- \( N \) - Total number of observation

If \( \chi^2_{\text{calc}} < \chi^2 \) for \((r-1)(c-1)\) degrees of freedom, then it is accepted that the two attributes A and B are independent or there is insignificant association between them at 5 per cent level. But if \( \chi^2_{\text{calc}} > \chi^2_{0.05} \) then it is accepted that, there is significant association between them at 5 per cent.

**3.2.7 Limitations of the Study**

The research work is based on field survey made in the specific areas; therefore generalizations must be made with caution when applied to a large universe. The respondents were unable to give accurate figures regarding their income and consumption expenditure, debt, asset value including land and expenses incurred on agricultural activities. Attempts were made to arrive at correct figures by repeated questioning and by cross with similar information provided by other well-informed respondents of the study area.