CHAPTER VII

MAJOR OBSERVATIONS, FINDINGS AND SUGGESTIONS
A LAST LOOK

Forty years is a short time in the history of Indian Society which has faced ups and downs through millennia and yet succeeded in maintaining its culture and social identity. The development policies brought new institutions and personnel to village life and created new opportunities for people. The process of development also created new alignments in the social structure of the village. In the mid-sixties, when the country was passing through a serious food shortage, political tensions and regional strifes, the Green Revolution ushered in by the peasantry added to the prestige and self-confidence of the nation. Several studies deal with the relationship that the Green Revolution had with the process of restructuring rural India. The evidence on its contributing to the wealth and prosperity of middle and large farmers is conclusive, but its impact on marginal peasants and landless workers is a mixed picture.

In some regions, these sections too seem to have benefitted from the Green Revolution, in others, they have been relatively "immiserised". The Green Revolution has led to labour migration from less developed regions like eastern Uttar Pradesh, Bihar and Orissa to more developed ones such as Punjab, Haryana and Gujrat.
In order to properly appreciate the Banking habits and savings pattern of the farmers which are desirable and needed in India and the role which they will be called upon to play, it is necessary to know the irrigational needs of people in rural areas, total financial needs, different types of savings avenues etc. It is only against this background that proper study of the problems of rural banking can be made.

In the area under study, agriculture is carried on still largely in the traditional way. As stated earlier, it was decided in advance to restrict the coverage of the study to only two talukas namely Naragund and Navalgund in Dharwad district of Karnataka State. To secure a representative sample of the farmers, it was essential to distribute the sample as widely as possible. Hence the selection of 6 villages in Navalgund taluka and 10 villages in Naragund taluka. The number of selected villages varied from taluka to taluka depending upon the land availability of the desired cropping and the land holding pattern in different villages. (See Table 5 Operational land holdings).

Almost all the land cultivated by the sample agriculturists in the two talukas was their own land. Land leased in was quite negligible. What is more, most of the land also irrigated. In Navalgund taluka, the land owned was 85% and in Naragund taluka it was 90%. The high proportion of irrigated land in the sample was
not unexpected, since the sample farmers were deliberately chosen from the most prosperous farm household in each taluka. The table 5 operational land holding reveals that majority of the farmers selected from Navalgun taluka were holding more than 20 acres of land and this number was 31 in Naragund taluka. 123 farmers were selected from Navalgun taluka and 113 farmers from Naragund taluka, making a total of 236 farmers for interviewed. The average size of land holding among sample agriculturists was 4.4 hectares in Naragund taluka and 5.2 hectares in Navalgun taluka.

Although agriculture was the main stay of the sample households (after all, the sample was selected on that bases only), 75% of households in all the selected talukas were engaged in dairy forming for milk production and a few of them were also active in poultry farming.

The wide variations (Table-53) in income from cultivation among different villages of the same size of land holdings essentially reflect the differences in cropping preferences. Hence, agriculture incomes may vary for even the same size of land holdings with changes in soil climatic conditions. However, within a more homogenous soil climatic zone, like a village, the variations in agricultural household incomes are more directly related to the size of the land holdings.
As it is, family labour predominates in small farms, but hired labour becomes unavoidable for large farms. However it is uniformly agreed that the large scale farming is economically and socially more beneficial than small scale farming and generates overall larger incomes.

The study finds that the agricultural household incomes and savings have a strong positive correlation with the size of the land holdings. Savings emerge when the land holdings, mostly irrigated exceed four hectares. Thereafter agricultural savings grow almost at an equal pace, if not more rapidly with the size of land holdings. The investment portfolio of the prosperous farm households is a mixing bag. Agricultural assets including acquisition of additional land, also account for slightly more than half of their investments. Furthermore, the sample household in all the selected villages disclose very high liquidity preference with substantial investment in liquid bank and to some extent in post office and significant cash holdings to provide for the working capital needs of the agriculture.

The study also recommends that there seems to be a strong case for relaxing land ceiling and permitting the corporate sector i.e. the companies under the companies act 1956, to enter joint stock farming business, specially in commercial crops like - cotton which have failed to achieve a break through in production.
The profile of the sample households discloses that not only do the affluent agriculturists have large land holdings under irrigation, but their cropping pattern is essentially market oriented. They seem to have pioneered the necessary transformation in agriculture. For them, agriculture is no longer a way of life, but business. This fact also encourages most of them to pursue supplementary business activities like livestock farming. In Navalgund and Naragund talukas, the major crop being grown is cotton. They took as granted as profitable crop not only from the point of view of the income but from the point of the yield also.

Though precise qualitative data could not be obtained, all the selected talukas evinced widespread usage of modern scientific agricultural machinery and implements and such chemical inputs as fertilizers and pesticides. In addition, in Navalgund taluka, though the major thrust was canal irrigation, electric motors and oil engines were used extensively.

Tractors and other improved agricultural implements were also used by many cultivators in the selected villages of Naragund and Navalgund talukas. Nevertheless, even small farmers were also found to be hiring tractors. Along with these vehicles, the farmers are found using many other machines for sprinkling of pesticides, harvesting, etc.
4. In all the selected villages, improved hybrid seeds were distributed by the seed farms and other agencies. Despite of warnings there were some farmers who have been cheated by the duplicate seeds. Especially this incidence took place in case of cotton seeds. The farmers mistake of not verifying the seeds properly resulted heavy losses to them.

5. Farmers were also found to be using chemical fertilizers, manurs and pesticides with the spread of education, especially agricultural education through Radios, Televisions etc., many farmers have become quite enlightened and progressive.

6. The choice of diverse crops, particularly commercial crops like cotton, chillies etc. in most of the villages, clearly indicates the market conscientiousness of the agriculturists therein.

7. With the availability of extensive irrigation facilities, either surface or canal, most of the sample households were able to grow more than one crop on either the same or different parcels of their operational land holdings.

Evidently, most sample households prefer to grow different types of crops (cotton, groundnut, wheat) simultaneously in a year not so much with a view to raising their incomes as to reducing the inherent risks in the cultivation of different crops. True,
irrigation reduces uncertainty and risks in agriculture, but does not eliminate them altogether. Moreover, in the absence of adequate surface irrigation facilities, not a few sample households in Naragund and Navalgund talukas had to depend on rainfall, which often irregular and uncertain. Many times, even the monsoon rain has also failed. It also made the farmers to lose confidence in agriculture also. The conditions of the farmers, purely depending upon the agriculture, became quite miserable. Hence, they had to undergo many financial indebtedness. Therefore, given the soil conditions, farmers would prefer to grow different types of crops, requiring varying water and climatic intensities and soil fertility, so as to reduce the overall risk involved in any single crop production.

SAVINGS ATTITUDES:

There is widespread belief that while the farmers do not earn enough to save, the rich farmers, looked upon as feudal lords, mostly indulge in a vulgar display of extravagant expenditure on luxuries and other wasteful living styles. As saving is essentially an algebraic function of income and household expenditure, the survey attempted to obtain a detailed account on the savings of the sample households in 1986-87.

8. Firstly, it is noticed from the statistical data that except 21 farmers out of 236 farmers have saved out their income for the year.
1986-87. It constitutes about 9% of the agriculturists who were not able to save anything, whereas 91% of them do save. The majority fall in the first group itself being Rs.5,000 and less.

9. An attempt was made in the survey to ascertain the reasons for the inability to save by some of the sample households. Almost all the responses attributed their dis-savings to among other, high household expenditure, while only about 60% of them included 'low returns from cultivation' as one of the reasons.

10. That besides, consumption, investment was the main motivation for saving by the rich agricultural households is evident from Table 49 which summerises the reasons which induced the sample households to save. The reasons motivating the farmers to save are broadly classified into two - a) Reasons for savings (Long term) b) Reason for savings (Short term). The responses were tabulated, the following picture emerged.

The eight most important reasons, to which the respondent households in all the talukas attributed their motives for savings, were as follows in order of the proportion or responses received by each.

Motive for saving proportion of total responses -

1. For old age 21.25%
2. For children's marriage 24.49%
3. For acquiring assets 8.09%
4. For acquiring business 2.23%
5. For expanding business 5.87%
6. For improving agriculture 19.03%
7. For repayment of debt 11.94%
8. For earning additional income 7.10%
(By investing in gold, jewels)

Evidently the affluent farm households display a marked level of prudence in their saving habits and are influenced more by the expenses to be incurred on their children's marriage, for leading their old age life and spending for improving their agriculture. It does mean that the consumption needs of the future received a high priority. The only consumption requirement, which fetched a fairly large number of responses was marriage. It is traditional in India, as also all over the world, to celebrate marriages with great pomp and extravagance. After all, customs die hard.

11. Contrary to the popular urban belief, investment in gold and jewellery hardly figured as a motivation for saving among the respondents of this area. Only 7.10% responses were in favour of this motive.

12. The motivations for the short term requirements mainly include - (i) For emergencies, (ii) For festive expenses and (iii) For children's education.
Keeping reserved a part of the income for meeting the emergencies is a sign of prudent men. Whereas, reserving the income for festive expenses constitutes his religious mentality. However, they have given an equal importance to the children's education. Indeed it should be appreciated.

13. The savings behaviour of the respondents clearly discloses the fact that there are 44.06% who save regularly and there is equal percentage of the respondents who save occasionally. About 12% of the respondents did not take any trouble of saving their income.

14. It is found from analyses of the responses that a majority (44.92%) of them prefer to save for a period ranging from one year to three years followed by 19.92% preferring the period of 4 to 5 years.

15. Another interesting finding of the study is the factors which have motivated the agriculturists to go in for savings. The prominent being the self urge or desire (77.54%). It indicates that the savings will be always ensured since they are self motivated. Whereas it is alarming to the Government Officials to be aware of this fact.

16. It should also be suggested to the farmers that their savings should aim at only for the consumption expenses but some
production expenses also. Otherwise, the increased consumption expenses may contribute its mite in making the inflation problem still acute.

INVESTMENT PATTERN:

The choice among the available alternative avenues of investment by households whether agricultural or otherwise, is no doubt a reflection of the marginal efficiencies of the different capital assets vis-a-vis the real rate of interest. For both the talukas, the total investments some times exceeded the total savings. This could be possible by borrowing the money.

17. The respondents of Naragund and Navalgund talukas have given first preference to the Banking institutions. Nearly 88% of the agriculturists have opened one or other account in the Banks. Out of them Savings Bank Account attracted 52.54% of the farmers. In the second place, it is Fixed Deposit Account in which the respondents invested more (17.80%).

18. Contrary to the popular belief, the post office saving schemes are not popular among people of the rural areas. Hardly 17% of the sample in selected talukas had resorted to post office investments.

19. The study reveals that units of UTI are not so popular in these areas. 98.32% of the selected respondents have not purchased any units. Just 1.68% of them took interest in UTI.
20. Surprisingly, the Corporate Sector was not totally neglected. Nearly 3% of the respondents had invested a part of their savings in companies. Most of them had invested in shares (2.12%) rather than debentures.

21. Among the other avenues of financial investments, the chit fund companies have also been successful in attracting the funds of the farmers to the extent of 2.12%.

22. Other than the securities for the investment purposes, the farmers favoured to invest in productive assets like lands, farm assets etc. (See Table - 60).

RURAL SAVINGS AND CORPORATE INVESTMENTS:

23. As it is the corporate sector was not altogether ignored by the progressive farmers (3%). However, the survey revealed that there is no general awareness among almost all the respondents about the different forms of securities.

24. The reasons which can be attributed for the low preference for such corporate securities are - a) Low liquidity b) Lack of information c) Insufficient facilities in and around the rural areas for making such investments d) Lack of interest on the part of the corporate sector about the problems of rural areas in general and the needs of agriculturists in particular.
25. Nevertheless, most rich agricultural households do not averse to investment in companies, if appropriate steps are taken by the corporate managements to overcome some of the drawbacks faced by the rural people in making such investments.

26. Companies should also establish the Local Offices in prosperous area or appoint some agents to disseminate informations on different forms of company securities through local newspapers or radios.

27. Among the different forms of Corporate Securities, a large majority of the respondents showed preference for shares presumably because many of them already invested in the Co-operative Societies or Co-operative Mills.

FARMERS BORROWING:

28. Borrowing is the common feature of the Naragund and Navalgund farmers. The study reveals that it is only 11% of the total respondents who did not depend upon loans. Rest 89% of them were indebted during the year 1986. In addition, the majority of the borrowers fall in the highest group of loan i.e., Rs.15,000 and above (43.22%). It is also seen elsewhere in these chapters that some of the agriculturists borrowed money for the purpose of investing in some securities. But most of the loans took by the farmers are
to meet their productive and non-productive purposes. The marginal and small farmers have raised the loans for consumption purposes.

29. The study further reveals that the loans have become the burden on the part of the farmers, as 41.70% have not repaid the loans. It is only 16.60% of the respondents who found it easy and repaid the entire amount of loan. Whereas, there is an intermediary group which has partly been successful in relieving from the clutches of indebtedness.

30. The major sources of finance for the farmers of this region are the Banks, which clearly indicates that there has been positive impact on the agriculturists with regard to the banking habits. However, it should also noted that the second place is taken over by the money-lenders. Infact they were playing the predominant role in the rural finance. It is only after the establishment of the Regional Rural Bank, there has been a shift from the money-lenders to the Bank. Even then the money-lenders have not been completely stopped their dealings. In emergency cases, again it is the money-lenders only whose doors are often knocked. It is because of the easy lending policy adopted by them. As long as the farmers are not fully educated, these money-lenders will continue with their operation.

31. The savings policy of the agriculturists helped them in repaying the loans. About 72.98% of the respondents have made use of
their savings only in repaying their loans. For 20.85% of the respondents, it compelled to go in for other loans. Thus it resulted in the continuation of previous loans. In case of such farmers, only the quotation of 'Indian farmers born in debt, lives with debt and dies with debt' holds good.

32. The lands are the most common assets which have been offered as the security by the farmers. Invariably all the farmers found to have mortgaged their lands for one or other reasons.

33. The common phenomina of Indian Economy i.e., rising prices has also affected these farmers adversely. As a result, the household expenses have been increased and thereby the savings reduced.

- BANKING HABITS:

34. There has been public awareness about the banking business in the areas under study. After the establishment of the rural banks, the general thinking about the banks has been increased. It is 90% of the respondents found to have maintained the relations with the Banks.

35. Among the several banks functioning in this areas, the Grameena Banks seem to have secured the first place. In the towns like Navalgund and Naragund proper, it is seen that 4-5 banks are doing
their business. Whereas in the rural areas, it is only the Grameena Banks which provide the banking facilities. Hence, they stand in the first place.

36. Unlike the business people, the farmers are not interested in maintaining current accounts. But they often expressed their desire of making use of only the Savings Bank Accounts. A meagre percentage of the farmers have kept their money in Fixed Deposit also.

37. Not only getting themselves associated with the banks is the motive for opening the accounts with bank, but availing the several bank facilities is also a dominating reason. There were 75 farmers out of 236 who maintained several accounts in their names.

38. The composition of the loans of these farmers reveal that the crop loans are more popular than the other types of loans. In case of the crop loans the gestation period is also very short and the farmers expect that they would repay immediately after harvest. But for their long term requirements they took land based loans.

BANKERS VIEW:

39. The bankers have not been dissatisfied on the frequency of the transactions, which is only once a week. They are satisfied with the tendency of the farmers visiting their banks at least once a
week regularly. Out of 24 respondents, 11 have held this view.

40. There is not even a single voice against the view that the banking habits of the rural people have changed positively. The farmers are now coming forward to seek the help of the bankers for almost all their financial needs.

41. More or less, the same impact is seen in case of urban people also. Except two bankers out of 24 bankers surveyed in Naragund and Navalgund taluka, all are having the opinion that the banking habits have been changed positively. Two bankers did not notice any change.

42. The irrigation facilities have been increased with the financial assistance of the bankers. 23 bankers agree with the statement that the irrigation facilities have been improved as a result of establishing the banks in the rural areas.

43. Not only there is improvement in the irrigation, but there has been allround improvement in the agriculture itself.

44. There is no doubt about the knowledge of banking facilities being increased everywhere. In the rural areas the bankers have almost reached the needs of farmers invariably. The villagers have also came in touch with the bankers for several banking facilities.
45. About $\frac{2}{3}$% of the farmers did not face any difficulties in getting them financed and in enjoying the banking facilities. Still there is a scope for the bankers to change their attitudes. The banks being the service oriented institutions should not have any complaints from the public as such.

46. It is quite encouraging to note that the bankers support the view of the savings and deposits having a bright future. Because of the improved agriculture and increased irrigational facilities, the farmers are sure of increasing their income and thereby the savings and deposits also.

47. In order to improve the savings and investments of the farmers of these areas, the bankers suggest for imparting the knowledge about the importance of savings and investments. There should not be any forced savings. But the farmers should save their income whole-heartedly, for which they must be convinced about need for savings.

48. The mentality of the farmers also need a change. Instead of saving only for the short term requirements they should also start saving for the long term requirements.

49. The investments of the farmers should be aimed at a particular object. Otherwise if they go on investing just to associate with investment will not serve any purpose. Certain directions should be issued to the farmers inculcating the moral ideas for saving & investment.
50. In order to overcome the problems of carrying out scientific agriculture by the marginal farmers holding less than 4 hectares of land, it is suggested that the corporate sector should enter to undertake joint stock farming. Let the companies with the farming as their main business should come up in this area.

51. No doubt, providing the irrigational facilities has brought about corresponding changes in the social and economic condition of the rural farmers of the Naragund and Navalgund talukas. There are yet regional or even sub-regional variations in the conditions of development of these farmers, but a basic transformation in their cropping pattern, banking habits, saving attitudes and also their social psychology is universal. The benefits of increased irrigational facilities, improved agricultural operations etc. have accrued them by way of development measures and social protection is reflected in tremendous rise in their self image and social and political aspirations. On the contrary there has been a serious cry for not increasing the irrigation facilities further in these areas, since the lands are going to be useless after the expiry of say 10-12 years. The very characteristics of the land are not perfectly suitable for proper irrigation. The lands will not only be losing their fertility, but they will become salty also, rendering themselves to be useless for growing any crop on them. Hence there is an urgent necessary of undertaking
a study on the impact of the irrigation on the agricultural lands of these areas and to make recommendations for continuation or discontinuation of irrigation henceforth. The researcher hopes that this genuine cry of the many marginal farmers is heard by the concerned authority.