CHAPTER – I

1. INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

Agriculture is the largest sector of economic activity in India. It has been a way of life and livelihood of the masses. Agriculture provides livelihood support to about two thirds of the country’s population and continues to be the back bone of the economy. Agricultural productivity is one of the key determinants of high and sustained agricultural growth, and in fact a key determinant of its growth over the longer term. Faster agricultural growth has put countries on the path of a much broader transformation process: rising farm incomes, raising demand for industrial goods; lowering food prices, curbing inflation and inducing non-farm growth, and creating an additional demand for workers.

Efficient agriculture, agro-processing industries, and related distribution and logistics chains are essential elements of human development. However in most developing and developed countries, agriculture and agricultural value chains are inefficient and unproductive. Production yields fall short of potential, and products are spoiled during storage and transport. Crops regularly fail for various reasons, even though risk management and mitigation strategies exist. Rural populations — which make up the majority in most developing countries — are characterized by income and food insecurity, poverty, malnutrition and poor health.

Farmers and rural populations, in general, in developing countries have always found it difficult to obtain credit financing. Indeed, the research underpinning this study reveals that most farmers in developing countries have no access to any kind of financial service (payments, safekeeping and saving, credit, insurance) which hampers the efficiency and
security of their operations. Many farmers struggle to pay their seasonal harvest inputs, and investing in agricultural technology and expansion is even more difficult. Lack of finance is one of the reasons why agricultural productivity in India is very low.

**Agricultural finance and reforms:**

Recent studies confirm that the lack of agricultural finance is as pressing as ever. In spite of Government programmes undertaken over the years, supply and demand for financial services continue to be mismatched, both in terms of the types and the volume of services. Past Government policies have not been able to remedy these shortcomings. Nevertheless, recent innovations in agricultural finance have created renewed interest in the sector. Such innovations include value chain finance approaches involving traders and processors, warehouse receipt finance, agricultural (index) insurance, (rural) microfinance, just to name a few.

Many empirical studies proved that there were many problems to Indian farmers due to financial requirements. The problems may be inability to own farm machinery, not capable to generate marketable surplus, dominated by low valued crops for want of resources, hesitation to adopt modern agricultural technology, lengthy procedure for getting assistance and much more. These kinds of problems could easily be solved when the financial constraints to the farmers is removed.

In 1969, All India Rural Credit Review Committee observed "Although much progress has been made in providing institutional credit available for financing investment in agriculture the provision of credit is still grossly inadequate". The second All India Rural Credit Review Committee (1989) had confirmed that the small and marginal farmers are still depending on institutional finance. It further remarked that “the agricultural credit fell short
of the right quantity, was not of the right type, did not serve the right purpose and often failed to go to the right people.”

The agricultural credit required may be short term, medium term and long term. The Reserve Bank of India has been playing a significant role to ensure a flow of financial credit to agriculture, by the way of Rashtria Krishi Bima Yojana, agricultural projects, special agricultural credit plans, priority lending for non-farm sector, rural planning and credit department.

To meet the credit requirements of Indian farmers in general, there were organized and unorganized agencies in providing finance for agriculture. In the unorganized sector are, the money lenders and indigenous bankers providing agricultural finance by charging exorbitant rate of interest. To remove the farmers from the clutches of money lenders and indigenous bankers, organized agencies have gradually been setup. At present the Agricultural Cooperative societies, Land Development Banks, National Co-operative Development Corporations, Commercial Banks, Regional Rural Banks, Agricultural Finance Corporation, Agricultural Refinance and Development Corporation, S.B.I, R.B.I. the Small Farmers Development Agency and National Bank for Agriculture and Rural Development (NABARD) are operating to provide finance to agriculture. The annual growth rates of institutional credit in rural areas were 7 percent and it exceeded the annual growth rate of GDP.

According to 1990-91 reforms at least 40 percent of the lending shall be for priority sector. The foreign banks were also insisted to provide at least 32 percent of their lending to

---

priority sector. For a greater flow of institutional credit reforms were needed in the banking sector since independence and the reforms made after 2010 are noteworthy and significant.

Institutional source comprising co-operative banks, scheduled commercial banks and RRBs has been followed for purveying credit to agricultural sector. The policy of agricultural credit is guided mainly by the considerations of ensuring adequate and timely availability of credit at reasonable rates through the expansion of institutional framework, its outreach and scale as also by way of directed lending. Over time, spectacular progress has been achieved in terms of the scale and outreach of institutional framework for agricultural credit. Accordingly, the Reserve Bank and NABARD issued necessary operational guidelines to banks. In the year 2010-2011 the flow of agricultural credit achievement was 119 percent of target. Agriculture credit flow increased from Rs. 86981 crore in 2003-04 to Rs. 5,11,029 crore in 2011-12. For 2013-14, agriculture credit flow target has been enhanced to Rs 7,00,000 crore.

The Kisan Credit Card (KCC) Scheme introduced in 1998 has since stabilized, with a major share of crop loans being routed through it. As on 31.3.2013, a total of 12.03 crore KCCs have been issued by the commercial banks, cooperative banks and Regional Rural Banks and the amount of loans sanctioned is Rs. 6,17, 232.33 crore.\(^2\) Initiative has been taken to provide Kisan Credit Cards (KCC) to all eligible and willing farmers in a time-bound manner. The scheme includes reasonable components of consumption credit and investment credit within the overall credit limit to provide adequate and timely credit support to farmers for their cultivation needs. About 10.78 crore KCCs had been issued up to October 2011.

\(^2\) [http://univisionin.blogspot.in/2012/04/agriculture-credit-reforms-in-india.html](http://univisionin.blogspot.in/2012/04/agriculture-credit-reforms-in-india.html)
Financial credit and agricultural productivity:

Since the mid-1990s, the growth of the agricultural sector has been low as well as volatile; the growth decelerated from an annual average of 4.7 per cent per annum during 1980s to 3.1 per cent during the 1990s and further to 2.2 per cent during the Tenth Plan period. Growth in agricultural production has decelerated during 2006-07 with the agriculture sector characterized by stagnation in output of major food grains. Per capita annual production of cereals declined from 192 kilogram (kg) during 1991-95 to 174 kg during 2004-07 and that of pulses from 15 kg to 12 kg over the same period.

Volatility in agricultural production has not only affected overall growth but also exerted persistence pressure on maintaining low and stable inflation. Demand-supply gaps were reflected in higher domestic food prices in recent years. All these evidences apparently point to the fact that higher credit to agriculture is not translated into commensurate increase in agricultural output.

India has systematically pursued a supply leading approach to increase agricultural credit. The objectives have been to replace moneylenders, relieve farmers of indebtedness and to achieve higher levels of agricultural credit, investment and agricultural output. The effect on crop output is not large, despite the fact that credit to agriculture has strongly increased fertilizer use and private investment in machines and livestock. High impact on inputs and modest impact on output clearly mean that the additional capital investment has been more important in substituting for agricultural labor than in increasing crop output.

1.2 Agricultural credit reforms in India:

A large proportion of the population about to 52 percent, in India is rural based and depends on agriculture for a living. Enhanced and stable growth of the agriculture sector is
important as it plays a vital role not only in generating purchasing power among the rural population by creating on-farm and off-farm employment opportunities but also through its contribution to price stability. In India, although the share of agriculture in real GDP has declined below one-fifth, As a result, slackening growth of agriculture during last decade has been a major policy concern.

Three main factors that contribute to agricultural growth are increased use of agricultural inputs, technological change and technical efficiency. With savings being negligible among the small farmers, agricultural credit appears to be an essential input along with modern technology for higher productivity. An important aspect that has emerged in last three decades is that the credit is not only obtained by the small and marginal farmers for survival but also by the large farmers for enhancing their income. Hence, since independence, credit has been occupying an important place in the strategy for development of agriculture. The agricultural credit system of India consists of informal and formal sources or institutional sources of credit supply. The informal sources include friends, relatives, commission agents, traders, private moneylenders, etc. Three major channels for disbursement of formal credit include commercial banks, cooperatives and micro-finance institutions (MFI) covering the whole length and breadth of the country.

The evolution of institutional credit to agriculture could be broadly classified into following:

1904-1969: Predominance of co-operatives and setting up of RBI

1969-1975: Nationalisation of commercial banks and setting up of Regional Rural Banks

1975-1990: Starting-NABARD

1991: Financial-reforms
The genesis of institutional sources appear in agricultural credit could be traced back to the enactment of the Cooperative Societies Act in 1904. The establishment of the RBI in 1935 reinforced the process of institutional development for agricultural credit. The demand for the agricultural credit arises due to

1. Lack of simultaneity between the realisation of income and act of expenditure
2. Lumpiness of investment in fixed capital formations.
3. Stochastic surges in capital needs and saving that accompany innovations.

Credit, as one of the critical non-land inputs, has two –dimensions for the viewpoint of its contribution to the augmentation of agricultural growth: availability of credit and the distribution of credit. Institutional source comprising co-operative banks, scheduled commercial banks and RRBs has been followed for purveying credit to agricultural sector. The policy of agricultural credit is guided mainly by the considerations of ensuring adequate and timely availability of credit at reasonable rates through the expansion of institutional framework, its outreach and scale as also by way of directed lending. Over time, spectacular progress has been achieved in terms of the scale and in terms of agricultural productivity.

Sources of agricultural credits
The various sources of agricultural credit can be classified in two groups.

1) Non Institutional Agencies
2) Institutional Agencies

Non institutional agencies include the local village money lender and their agents and landlords. Institutional agencies includes cooperatives societies, commercial banks regional rural banks and NABARD
Sources of agricultural credit (In %)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>3.3</td>
<td>2.6</td>
<td>3.6</td>
<td>4</td>
<td>6.1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Cooperative societies</td>
<td>3.1</td>
<td>15.5</td>
<td>22.7</td>
<td>28.6</td>
<td>21.6</td>
<td>26</td>
<td>24.9</td>
</tr>
<tr>
<td>Commercial banks</td>
<td>.9</td>
<td>.6</td>
<td>4.0</td>
<td>28</td>
<td>33.7</td>
<td>27</td>
<td>43.1</td>
</tr>
<tr>
<td>Moneylenders</td>
<td>90.9</td>
<td>67.4</td>
<td>68.4</td>
<td>38.8</td>
<td>32.7</td>
<td>41</td>
<td>21.9</td>
</tr>
<tr>
<td>Others</td>
<td>1.8</td>
<td>13.9</td>
<td>1.3</td>
<td>.6</td>
<td>5.9</td>
<td>3</td>
<td>6.1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Financial institutions and funding agencies:

After the new economic policy the financial assistance provided by the various agencies are not only for cultivation but also for various non-farming purposes. Though the financial assistance of various agencies are for different purposes of farming and non-farming, they are differently named by different agencies as crop loan, golden harvest scheme, mushroom cultivation, jewel loan, loan for plantation crops, mulberries and agricultural implements maintenance loans, etc.

The various financial assistance offered to Indian farmers is widely made known by means of many sources. A few banks had already taken initiatives in opening credit counselling center, such as ‘Abhay' Counselling Center (Bank of India), Disha Trust (ICICI
Bank Ltd) and Grameen Paramarsh Kendras (Bank of Baroda). The counsellors at these centers assist people on a face-to-face basis and also through other communication channels.

Customers facing credit problems arising out of multiple credit cards, personal loans, housing loans, approach the counselling centers for advice and guidance. The counsellors guide their customers and help them to take up the matter with the banks concerned for restructuring their loans. In addition, training and awareness camps are also being organized by some of these counselling centers to impart basic financial education and promote financial inclusion.

Now it is left to the option of the farmers to choose an agency and avail the credit for farming and non-farming purposes. Under the circumstances it may be meaningful and socially relevant to examine how far the Indian Farmers are benefitted by these agricultural financial facilities and will it help to solve their problems. It is also necessary to find whether the availability and non availability of these services have its impact on the agricultural productivity. Hence the study titled “A Study on the financial problems of Farmers and its Impact on Agricultural production with reference to Salem District” helps to anlayse this and throws light on the various aspects of agricultural finance facilities and its uses in Salem district.

1.3 STATEMENT OF THE PROBLEM

Agriculture sector, which is most important sector to our country, is undergoing several changes in its financial factors. There are many agencies which are complementary to each other and not competitive in nature in providing finance to small and marginal farmers. Besides the reforms made in the banking sector enable the banks and financial institutions to provide credit to the farmers for various purposes. These reforms have created various
changes in many aspects like deregulation of interest rates, formalities to be fulfilled for securing loans etc. The borrowers of farm credit may also be not uniform in terms of requirements of loans and the requirements also vary on the basis of community, gender, educational qualification and size of land holdings.

Though these schemes and reforms are framed for the benefit of farmers, it needs to be reviewed if; the farmers are able to use these financial services to their benefit. How actually the borrowers receive and perceive the information over the availability of loan also needs re-examination. It also needs to be analysed, whether the farming community responds positively to the different kinds of financial assistance offered for the upliftment of agriculture and agriculturists. Thus this study will help to fill this research gap and will help to identify the financial problems faced by the farmers and also how this is affecting the agricultural production.

1.4 SIGNIFICANCE OF THE STUDY

Agricultural finance is a major aspect for the improvement of agricultural productivity. Though a large number of research have been conducted to study the financial problems of various industries, there are many research gaps unfilled in the field of agriculture and farmers.

The All India Rural Credit Review Committee has viewed that provision of Institutional credit available for financing investment in agriculture was grossly inadequate. To provide credit for cultivation and for various non-farming activities the Government of India took measures to see that there was enough flow of credit to farming community. The Government asked the commercial banks to lend every year on a continuous basis to 100 new borrowers per branch in the rural sector. The object of the instruction was to double the
flow of institutional credit to the rural areas during the next three years. This object of the instruction cannot be achieved unless the farming community has come forwarded to respond to the efforts taken by the financial agencies. Therefore the study is considered significant in the following ways.

- How actually the farming community respond to the marketing of funds by the institutional agencies provide farming credit?
- What are the difficulties the farmers face while obtaining and repaying the loans?
- Which kind of credit financial agency is largely responded can be ascertained by means of a statistical survey research in Salem district of Tamil Nadu state?
- How are the financial facilities affecting the agricultural production?

The present study tries to answer these research questions and helps to provide insights into the requirements and problems of farmers and in turn will help to develop a very prominent sector of our economy.

1.5 IMPORTANCE OF THE STUDY

The policy of the Government of India and the Reserve Bank of India is to provide adequate credit to small and marginal farmers both for farming and non-farming activities with a view to boost agriculture vis-a-vis enhancing the standard of living of small and marginal farmers. As such both Co-operatives and commercial banks were geared up towards liberal lending on the basis of purpose of the loan. Before a prospective borrower there are many financial agencies and different kinds of loans to borrow. The proposed study is undertaken in Salem District of Tamil Nadu. There were around 2,50,000 farmers in Salem district during 2014-15. The study takes into consideration various kinds of farmers in the district. The financial facilities provided by various institutions ranging from public
sector banks, to district and central Co-operative bank branches were taken into consideration in the study.

The study analyses the presumption of the farmers over the features of the financial facilities provided by the credit institutions and also its impact on their agricultural productivity. The various factors which are analysed are

1. Processing formalities and requirements
2. Interest rates and charges
3. Repayment ability
4. Sufficiency of the credit amount
5. Lack of information about schemes and reforms.
6. Discrimination and political interference.
7. Timing and delay in the process.

Hence, there is a wider scope in taking the sample respondents and to measure their response towards these factors, so that the financial facilities to this sector can be improved and in turn there will be efficiency in agricultural productivity.

**1.6. OBJECTIVES OF THE STUDY**

The following are the objectives framed for the study:

1. To analyse the financial problems faced by the farmers regarding institutional credit.
2. To describe the features of the various kinds of loans of different agencies for agriculture.
3. To study the institutional arrangement and the role of various agencies in providing agricultural credit.
4. To examine the response of the borrowers, empirically, towards the financial facilities provided by the lending agencies.

5. To find the impact of financial problems on the agricultural productivity.

6. To provide suggestions to improvise the financial facilities and provide liberal lending to the farmers in order to develop their agricultural activities.

1.7 RESEARCH METHODOLOGY

Research Area of the study

This study has been conducted in Salem district of Tamil Nadu, India. The geographical area of the district is 5203.30 Sq kms. It has five agricultural divisions - Salem, Attur, Sankari, Mettur and Omalur. This place was chosen, in view of the fact that there is brisk agricultural activity. For the purpose of the study, only the areas in which there is huge number of farmers actively engaged in farming are concentrated.

Sampling Frame

**Universe:** The farmers of Salem district who undertake agricultural activities are the universe of the study.

**Sampling Unit:** The sampling unit was limited to selected areas of Salem district - 5 agricultural divisions namely Salem, Attur, Sankari, Mettur, and Omalur.
**Sample Size and Sample design:**

The sample size is calculated as 385 by the sample calculator with 95% confidence level and 5% level of significance. Each division has been treated on quota and respondents for each quota were selected by judgment sampling procedure. The details of the sample are given in the table below.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Agricultural divisions</th>
<th>NUMBER OF SAMPLES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(95 % confidence level and 5 % level of significance)</td>
</tr>
<tr>
<td>1</td>
<td>Salem</td>
<td>72</td>
</tr>
<tr>
<td>2</td>
<td>Attur</td>
<td>98</td>
</tr>
<tr>
<td>3</td>
<td>Sankari</td>
<td>85</td>
</tr>
<tr>
<td>4</td>
<td>Mettur</td>
<td>76</td>
</tr>
<tr>
<td>5</td>
<td>Omalur</td>
<td>54</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>385</strong></td>
</tr>
</tbody>
</table>

**1.8 DATA COLLECTION**

**Primary data**

The primary data were collected from the farmers from these agricultural divisions with the help of a questionnaire cum interview schedule. The Questionnaire-cum-Interview Schedule was prepared to know the various financial problems in varying degrees and its impact on the agricultural productivity. The researcher has elaborated to the respondents about the research and has obtained relevant information from the respondents using the questionnaire cum interview schedule.
Secondary data

Secondary data were collected from previous dissertations, Theses, Research papers, Journals, Magazines, News papers, Text books and websites, and from research institutes like Krishi Vigyan Kendra, Agricultural University etc.

Pilot Study

After the formulation of the Questionnaire-cum-Interview schedule, Pilot study was conducted. A sample of 50 respondents from the population was selected. Based on the Interview schedule and also based on the suggestions of the respondents, relevant modifications were done to the instrument. Then the schedule cum questionnaire instrument was finalized.

1.9 STATISTICAL TOOLS USED

The study results were analyzed by using various statistical tools. The data collected from the respondents were analyzed and presented in the form of tables. Bar charts are used at various places as a statistical tool. The results are compared and analyzed by using descriptive analysis and inferential analysis.

Descriptive analysis

Descriptive analysis, also termed as percentage analysis, was used for each question contained in the interview schedule mainly to ascertain the distribution of respondents under each category. Diagrams and charts are mainly used for clear understanding of the data collected in pictorial forms. Pie-charts and bar charts were used for this purpose.
Non Parametric Friedman Test

The Friedman test is a nonparametric alternative to the repeated measures of analysis of variance. It is the non parametric equivalent of a one-sample repeated measures design or a two-way analysis of variance with one observation per cell. Friedman tests the null hypothesis that k related variables come from the same population. In order to ascertain the risk factors that will influence the farmers was taken.

\[ G = \frac{12}{nK(K + 1)} \sum R_j^2 - 3n(K + 1) \]

Chi-square analysis

The Chi-square analysis is used to test the significance of association between two attributes. In other words, this technique is used to determine the level of influence on agricultural output. The risk components in farming were taken for analysis. All the tests were carried out at 5 percent level of significance. The chi-square statistic is

\[ \chi^2 = \sum \frac{(O - E)^2}{E} \]

Here O: Observed frequency E: Expected frequency

Average score analysis

After converting the qualitative information into a quantitative one using a five point scale, the average scores were obtained on various issues affecting agricultural farming was undertaken.

Parametric test of two sample t-Test and One way analysis of variance (Non parametric test of Kruskal-Wallis) for more than two groups are applied to for judging the significance of the difference between means scores of shared value, its impact on performance after testing the normality by Q-Q plot.
**Multiple Regression analysis:**

Linear regression is used to model the value of a dependent scale variable based on its linear relationship to one or more predictors. Linear Regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable. This relationship is described in the following formula.

\[ y = b_0 + b_1x_1 + b_2x_2 + \ldots + b_px_p + e \]

Where \( y \) is the dependent variable, \( p \) is the number of predictors

\( b_j \) is the value of the \( j \)th coefficient

\( x_j \) is the value of \( j \)th predictor

\( e \) is the error in the observed value

In this section multiple regression analysis is used to explain the variation in the Satisfaction score (dependent variable) based on the variation over the variables (independent variable).

**Factor Analysis**

Factor analysis is a statistical technique used to study the inter-relationships among the variables in an effort to find a new set of factors, fewer in number than the original variables so that the factors are common among the original variables. In factor analysis a small number of common factors are extracted so that these common factors are sufficient to study the relationships of original variables. Factor analysis helps the researcher to reduce the number of variables to be analysed, thereby making the analysis easier. Using Factor analysis, the researcher can reduce the large number of variables into a few dimensions called factors that summarize the available data. It aims at grouping the original input variables into factors which underlying the input variables.
**Henry Garrett Ranking**

This technique was used to rank the factors that influence the agriculture. In the Garret’s scoring technique, the respondents were asked to rank the factors and these ranks were converted into percent position by using the formula

\[
\text{Percent position} = 100\left(\frac{R_{ij}-0.5}{N_j}\right)
\]

Where

- \(R_{ij}\) = Rank given to the ith attribute by the jth individual
- \(N_j\) = Number of attributes ranked by the jth individual

By referring to the garret’s table, the present positions are estimated and are converted into scores. Thus for each factor, the scores of the various respondents were added and the mean score was estimated. The means thus obtained for each of the attributes were arranged in descending order. The attribute with the highest mean score was considered as the most important one and the others follow in order.

**1.10 PERIOD OF THE STUDY**

The study is confined to a period of two years since August 2013- till August 2015. Structured Questionnaire-cum-Interview Schedule was used to collect data from the farmers and it took around three months to collect data from the respondents. Collection of literature and other relevant materials related to the agricultural finance took almost one year. The preparation of table, data analysis and interpretation consumed another three months. To present the data in this form of report took another six months.

**1.11 SCOPE OF THE STUDY**

Indian agricultural industry is undergoing drastic changes in the wake of liberalization and globalization. Though the agricultural sector has shown remarkable
development in the past decade and the farmers in India are still facing problems in their effort to get financial assistance.

The Government and the funding agencies have brought several reforms for improving the financial status and provision of assistance for the farmers in rural agricultural arena, especially weaker section, consisting of small, medium and landless farmers. A study of this kind will facilitate in understanding whether the reforms and the changes are working to the benefit of the various levels of the farmers in our country.

The agriculture or farming is highly a riskier sector, which depends on the nature for its productivity. There are also financial and technological difficulties. No matter what the reforms made, and precautions taken, the financial problem and risks can’t be ruled out from the industry. Moreover the heterogeneity in the terms and conditions keep the farmers uninformed about the schemes and reform.

In the sample district there were around 70 public sector bank branches, 33 private sector bank branches, 25 district central Co-operative bank branches, 162 primary agricultural Co-operative banks, 2 lamps, one FSS, 7 PCARDB and the features of the loans offered by the above agencies were not the same. Each financial agency has its own terms and conditions. The terms and conditions also vary from loan to loan. Besides, the borrowers, may also vary according to their presumption over the features of the loan. Hence, there is a wider scope in taking the sample respondents and to measure their response towards kinds of loans, features of loans and the purpose for which the loan is granted to the farmers towards marketing of funds for agriculture by the financial agencies. Since it is not possible to avoid them, a proper risk redressal mechanism could at least minimise the impact. The high risk areas are the crucial ones and need to be addressed soon
while medium and low risk areas are not to be neglected at the same time. An efficient and effective financial service will in turn result in greater agricultural production. Hence the present study entitled “A Study on the financial problems of farmers and its Impact on Agricultural production with reference to Salem District” is undertaken to study the responses of farmers towards the new schemes and also to analyse their financial problems and its impact on agricultural productivity.

1.12 LIMITATIONS OF THE STUDY

The study has the following limitations.

1. The Universe being large, the study was restricted to the farmers in selected areas of Salem district only.

2. The target respondents were scattered in the study area. Meeting them and collecting data were difficult task.

3. Most of the respondents were illiterate and were unwilling to provide accurate data.

1.13 SCHEME OF CHAPTERS

The present empirical study has been divided into five chapters.

The first chapter deals with the Introduction and design of the study. This includes Introduction, Importance of the study, Statement of the Problem, Objectives of the study, Methodology of the study, Period of the study, Scope of the study, Limitations of the study and Scheme of Chapters.

The second chapter deals with the review of related concepts and the already existing literature on this research topic. This chapter also deals with the various empirical studies of various authors. It will be useful to have a comprehensive understanding of the research topic under discussion.
The third chapter briefly presents profile of the study area of this research inclusive of the profile of the agricultural industry along with the theoretical background about the financial requirements and problems.

The fourth chapter expresses the analysis and interpretation of the study. In this chapter attempts have been made to analyze the financial problems of farmers and its impact on the agricultural productivity.

In the fifth chapter the key findings and conclusion are recapitulated. Based on these findings, a few suggestions have been proposed for the effective lending to the benefit of farmers and the agricultural development.