SUMMARY
CHAPTER XII

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The present study, "role of farm financing institutions in the development of agriculture in district Etawah", was undertaken during the period 1979-80 and 1980-81. The main purpose of the investigation was to study the role of institutional finance on the production and income of the farm and to know whether adequate credit was supplied to the farmers or not.

The sampling design consisted of random selection of 100 farmers (50 borrowers and 50 non-borrowers) of 10 villages of Ajitmal block, district Etawah, U.P. A multi-stage sampling technique was used to select the block, villages and cultivators. The cultivators selected from the block were grouped under three sizes of holdings, viz. 0 - 2 hectare, 2 - 4 hectare and 4 - above hectare. The primary data were collected by survey method through personal interview with the respondents.

An economic analysis of the area, in which the holdings of the block and district were situated, was done for a correct appraisal of the problem. The study shows that total cultivated area formed 67.35 per cent of the total geographical area of the district of which 66 per cent was irrigated. The main sources of irrigation were canals and private tube wells. Paddy, bajra and wheat were the 3 main
cereal crops; gram, pea and arhar were main pulse crops and mustard was the main oilseed crop of the district.

There was a heavy dependence of the population on land. Farmers in the size group 0-3 hectares formed 92.5 per cent of the total cultivators and commanded 67.93 per cent of the total area. The remaining 7.5 per cent cultivators owning more than 3 hectare area commanded 33.58 per cent. Thus, bringing to fore the inequitable distribution of land among the farmers. There was also predominance of bullocks and he buffaloes in the district.

Ajitmal block consisted of 108 villages and has a net sown area of 25810 hectares comprising 80.52 per cent of the geographical area, of which 69.48 per cent area was irrigated. 45.35 per cent area was sown more than once. The bulk of irrigation came from canals (76 per cent) and tube-wells (23.46 per cent). Of the 10368 holdings in Ajitmal block 84.0 per cent were in 0 - 3 hectare size group. The remaining 16 per cent farmers belonged to 3 hectares and above holding sizes. Thus the block was dominated by small and marginal farmers. The principal crops grown in the block were, wheat, bajra, mustard, gram and pea.

Since the economic structure of the farms has a direct bearing on the levels of input use, output, net saving and credit need of the farmers, an analysis of farm size, employment of labour, input-output relationships etc. was done to depict the true economic situation and problems of the farmers. The analysis of the sample farms indicated
that the average size of holdings of borrowers came to 1.98 hectares and that of non-borrowers 1.74 hectares. The 0 - 2 hectare holdings formed 62 per cent of the total and occupied 26.67 per cent of the total area in the borrower group. The 4 hectare and above holdings making 16 per cent of the total covered 45.44 per cent of the total area.

Among non-borrowers the percentage of small holdings was still higher. The inequitable distribution of land among the sample farmers was glaringly visible. The area irrigated among borrowers was 79.52 per cent and among non-borrowers 75.01 per cent of the cultivated area.

The average number of agricultural workers per farm worked out to 3.20 and 3.90 on borrower and non-borrower farms respectively. The per hectare average being 1.62 and 2.26 respectively. There were more labourers on non-borrower farms as compared to borrower farms.

With regard to livestock position, the average number of draught animals per farm and per hectare was found to be 2.76 and 1.39 respectively on borrower farms and 1.94 and 1.11 respectively on non-borrower farms. The per farm number of animals showed an increasing trend with the increasing size of farms. A reverse trend was observed on per hectare basis.

The number of milch animals and dry animals on an average, on the borrower farms were found to be 2.12 and 0.70 respectively. The same on non-borrower farms came to
1.42 and 0.81 respectively. The per farm average of all the live stock was worked out to 4.55 on borrower farms and 4.48 on non-borrower farms. The borrowers had more milch animals while the non-borrowers kept more dry animals on their farms. The per hectare figures showed more animals on non-borrower farms.

The chief characteristic of the investment pattern was that land contributed lion's share in fixed investment being 74.31 per cent on average borrower farms and 80.74 per cent on non-borrower farms. It was further noticed that the value of assets, other than land, increased with the increase in size of the farms. Next to land, livestock occupied place of importance in the inventory—being 17.06 per cent on borrower farms and 13.69 per cent on non-borrower farms. The average value of fixed capital per farm was worked out to Rs. 71467.05 and Rs. 55,061.52 on borrower and non-borrower farms respectively. Moreover, borrowers invested more on livestock and irrigation structure than their non-borrower counterparts.

The analysis of cropping pattern revealed that major crops grown on borrower farms were bajra and HYV paddy in kharif and HYV wheat, mustard and pea in rabi season. Similar trend was observed among non-borrowers except for gram, which occupied the place of pea in their cropping scheme. A special feature of the cropping pattern was that all the farmers in the study area grew one variety or the other of high yielding crops. The average percentage of area
under bajra, paddy, wheat and mustard on borrower farms were 18.48, 11.79, 21.22 and 12.55 respectively. The same on non-borrower farms was found to be 24.48, 6.30, 19.15 and 12.38 respectively.

The average cropping intensity came to 185.18 per cent on borrower farms and 168.55 on non-borrower farms. The 2-4 hectare farms recorded highest percentage of intensity, being 195.45. The borrowings from financing institutions has helped the borrower farms in raising their intensity of cropping, to a large extent, in all size groups.

The economic analysis of individual crop enterprises showed that all the crops grown on the borrower farms gave higher net returns than crops on non-borrower farms. The highest net income of Rs.1375.06 per hectare was obtained in the production of paddy on borrower farms, against Rs.1218.57 on non-borrower farms. Gram followed paddy by yielding a net income of Rs.1238.71 on borrower farms and Rs.1026.24 on non-borrower farms. The lowest net income was obtained from bajra being Rs. 454.11 and Rs. 331.64 on borrower and non-borrower farm respectively.

The over all input cost per hectare was highest on wheat grown on borrower farms being Rs. 2610.55 as against Rs.2318.70 on non-borrower farms. Paddy followed closely with Rs.2388.53 on borrower farms and Rs.1989.16 on non-borrower farms. The lowest input cost per hectare was found on gram being Rs.1227.29 and Rs.1151.06 on borrower farms and non-borrower farms respectively.
The average value of output per hectare was found to be maximum in paddy being Rs. 3763.59 on borrower farms and Rs. 3207.73 on non-borrower farms; followed by wheat with an output value of Rs. 3681.70 and Rs. 3201.85 on borrower and non-borrower farms respectively. The lowest output was recorded in bajra, being Rs. 1726.93 on borrower farms and Rs. 1440.60 on non-borrower farms respectively.

The average cost of production per quintal of main product on borrower farms was lower on all crops except paddy which was marginally higher on borrower farms. The cost for bajra was Rs. 95.62 and Rs. 100.07, paddy Rs. 66.64 and Rs. 65.11; wheat Rs. 85.54 and Rs. 86.90; mustard Rs. 254.16 and Rs. 260.82, pea Rs. 122.10 and Rs. 129.61 and gram Rs. 99.54 and Rs. 105.73, respectively on borrower and non-borrower farms.

The average input-output ratio came to be in favour of the borrower except in the case of paddy. The highest ratio calculated was of gram being 1:2.01 on borrower farms and 1:1.89 on non-borrower farms. The lowest ratio was found in bajra being 1:1.36 on borrower farms and 1:1.30 on non-borrower farms.

The returns from major crops on borrower farms were much higher as compared to non-borrower farms, because of the fact that borrower could afford to make higher investment on modern farm inputs, which in turn resulted into higher output and net return per hectare. The relatively higher yield per unit of area and lower cost of production per
quintal revealed the better productivity of borrower farms over non-borrower farms.

Use of fertilisers, plant protection measures and irrigation was substantially higher on borrower farms. They (borrowers) some time tended to invest more than the optimum requirement as in case of paddy. Mustard and pea were important cash crops for the larger farmers, because the off season prices of these crops generally soar very high.

An analysis of farm economy depicted that the average input cost per hectare from crop production as a whole, came to ₹.3403.96 on borrower farms and ₹.2652.55 on non-borrower farms. It indicated that the cost per hectare in the borrower category was higher by approximately ₹.800.00 to ₹.875.00. Marked difference was observed in case of human and bullock labour use. Investment on seed, manures and fertilisers, and irrigation was also substantially higher on borrower farms. The rental value of land accounted for a higher percentage of total cost among non-borrowers. Its percentage in the total cost decreased with the increase in the value of total input.

The net income per hectare recorded on borrower farms was much higher in comparison to non-borrower farms being ₹.1649.36 against ₹.1137.81. The average family labour income and farm business income were also higher by about ₹.656.00 and ₹.725.00 respectively. The average per farm input, output and net income on borrower farms was worked to ₹.6739.84,
Rs.10005.57 and Rs.3265.73 respectively as against Rs.4615.44, Rs.6595.23 and Rs.1979.79 respectively, on non-borrower farms. The per farm business income of borrowers came to Rs.6406.59 and that of non-borrowers to Rs.4368.01.

The per farm costs and returns, on the basis of cost concepts, indicated that the values of average cost $A_1$, $B$ and $C$ on borrower farms amounted to Rs.1817.67, Rs.2796.06 and Rs.3403.96 respectively. These figures on non-borrower farms were worked out to Rs.1280.01, Rs.2189.12 and Rs.2652.55 respectively. The average net returns over cost $A_1$, $B$ and $C$ for borrowers came to Rs.3235.65, Rs.2257.26 and Rs.1649.36 respectively, which for non-borrowers was worked out to Rs.2510.35, Rs.1601.24 and Rs.1137.81 respectively. The average input-output ratio at cost $C$ was calculated to be 1:1.48 and 1:1.43 on borrower and non-borrower farms respectively. Borrowings from financing institutions helped the borrower farmers to invest more on variable modern farm inputs like those of quality seeds, fertilisers, irrigation, plant protection measures, which in turn resulted into higher yields and higher net returns for them.

The analysis of milk production as a whole, revealed that an average net income of Rs.729.00 per farm was obtained from this enterprise by borrowers as against Rs.261.33 by non-borrowers. The net income recorded from this enterprise was highest on medium sized borrower farms, being Rs.690.00 higher than their non-borrower counterparts. The input-output ratio was worked out to be 1:1.32 on the average borrower farm.
as against 1:1.25 on non-borrower farms. The borrowers with the help of borrowed capital, maintained better breeds of milch animals and made higher investments on fodder and concentrates - thereby reaping higher profits.

The combined cost and return analysis of crop and milk production as a whole, reveals, that, on an average, a net income of Rs.3995.08 per farm was obtained from the entire farm business on borrower farms and Rs.2241.12 on non-borrower farms. The per hectare net income figures were worked out to Rs.2017.72 and Rs.1288.00 respectively. The over all per farm, farm business income came to Rs.7761.13 on the borrower farms and Rs.4935.49 on non-borrower farms. The per hectare figures were calculated at Rs.3919.76 and Rs.2336.49 respectively. The input-output ratio also showed a higher return to investment in case of borrowers. Among the different size groups, the highest per hectare net income was recorded on medium sized borrower farms. The contribution of family labour was highest on small farms of both the categories. The credit made available by the farm financing institutions helped the borrower farmers to make use of more modern farm inputs in crop production on one hand and maintaining better quality milch animals with better feeding on the other. These in turn resulted into higher income and net returns from the entire farm business to them in contrast to non-borrowers.

The relative contribution of crop enterprise and milk enterprise in the total output was found to be 76.99 and 23.01
per cent respectively on borrowers farms; 83.44 and 16.56 per cent respectively on non-borrower farms. The ratio of these two major farm enterprises in the total input amounted to 74.88 and 25.12 per cent among borrowers and 82.11 and 17.89 per cent among non-borrowers. It was also observed that the percentage contribution through crop production decreased with the increase in the percentage returns from milk enterprise. The contribution to total farm income by milk production was higher on borrower farms because of the fact that the borrowings from farm financing institutions helped borrower farmers to adopt milk production as a subsidiary enterprise to supplement their farm income on relatively larger scale.

The return per family labour day on an overall basis was found to be Rs.18.27 among borrowers and Rs.16.99 among non-borrowers, revealing higher efficiency in the former category. The returns increased with increase in the size of farms. The analysis of available family labour and its utilisation, revealed, that more labour was available on non-borrower farms than on borrower farms, being 1182 days against 960 days. But the percentage utilisation figure was more on borrower farms, being 32.11 against 17.45 of non-borrowers. Thus borrowers could secure more self employment by following relatively modern farm technology and adopting milk production as subsidiary occupation on a large scale than non-borrowers.
Draught animals were found to be the main traction power in the area. The borrower farms had more available bullock labour days and they made better utilisation of this mobile power.

The analysis of income from different sources revealed that an average borrower earned a total income of Rs.10478.73 per annum from all sources which varied from Rs.5296.11 on small farms to Rs.22814.54 on large farms. The non-borrowers on an average earned Rs.7427.97 per annum from all sources varying from Rs.4520.05 on small farms to Rs.16764.64 on large farms.

The per capita income among average borrower came to Rs.1566.33 per annum against Rs.1010.20 per annum among non-borrowers. This was higher on all the size groups of borrowers than their non-borrower counterparts.

The consumption pattern of average borrower farmer and average non-borrower farmer, shows that the former spent proportionately less on food, more on health and education, housing, fuel and light. The consumption pattern, in the inter size groups, of both the categories were in consonance with Engel’s laws. The average consumption expenditure per household per annum was higher on borrower farms being Rs.6997.82 than on non-borrower households being Rs.6022.89. The repayment of loan by an average borrower amounted to Rs.1055.36, which varied from Rs.355.25 on small farms to Rs.2415.65 on large farms.
The savings arrived at, after meeting domestic expenses and loan repayment liabilities, was Rs.2425.55 on an average borrower farm and Rs.1402.29 on non-borrower farms. The small borrower farmer had no savings, the medium borrower saved Rs.3439.07 and the large borrower Rs.7027.89. The saving among non-borrower farmers varied from Rs.132.98 on small farms to Rs.5933.82 on large farms. The rate of saving of the borrowers at this rate of investment and production would be still higher after their loans have been paid up.

It may thus be concluded that the borrowings from financing institutions has not only helped in raising the level of incomes on borrower farms but has also helped in increasing the investible savings on these farms to a larger extent.

In the economic setting described above and the financial requirements of the farmers, the role of the financing agencies involved in the supply of credit has also been examined. The main financing institutions of the block under study for agricultural purposes were : Co-operative Banks, Land Development Banks, Commercial Banks and Regional Rural Banks. The Commercial Banks in operation were State Bank of India and Central Bank of India, S.B.I. had an Agricultural Development Bank branch in the block and C.B.I. was the 'lead' bank of the district and the study area.

Co-operatives played a very vital role in the financing of agriculture of district Etawah including Ajitmal
block. There were 16 branches of Co-operative banks in the district with one situated at Ajitmal. The number of primary agricultural co-operative societies in the district were 133 including 13 in Ajitmal. All the villages were covered by the co-operative banks through these co-operative societies.

The position of advance on 30.6.80 of Ajitmal Co-operative Bank was that it had supplied credit amounting to Rs. 20.16 lakh as short term and Rs. 13.77 lakh as medium term. The loan recovery on this date was 69.65 per cent, whereas the recovery percentage of Etawah district Co-operative bank recorded on 30.6.80 was 75.54. The per capita short term credit and medium term credit advanced by Ajitmal Co-operative Bank amounted to Rs. 353.50 and Rs. 827.03 respectively. The loaning procedure of Ajitmal Co-operative Bank seemed to be very simple - in as much as, the desirous farmers were required only to convey his needs to the Sachiva, orally. Rest of the formalities were completed by him in a very short period. In any case it did not take more than 15-25 days to get the loan sanctioned. The rate of interest charged on short term credit was 10.5 per cent and on medium term credit, 9.75 per cent. Thus, it was cheaper than any other institutional finance. The only lacunae was the personal bias of Sachiva of the P.A.C.S. and diversion of credit to non-productive purposes.

The scope of loaning by Land Development Banks has been widened after a series of discussions and decisions. The L.D.Bs now give 90 per cent finance for productive purposes.
There are four branches of L.D.B. in the district. Etawah district Land Development Bank advanced Rs.38.50 lakh (51.33 per cent of the target) and recovered Rs.42.08 lakhs (66.00 per cent of outstanding dues) as on 30.6.81. All the advances made by Land Development Banks in the district were either for tractors or for irrigation structure. About 85 per cent of the loan amount was advanced under Agricultural Refinance and Development Corporation Scheme and remaining 15 per cent under normal loaning scheme. The procedure of obtaining loan from Land Development Banks was quite tiresome and difficult which urgently needs to be simplified.

The commercial banks entered the agricultural finance market in a big way after their nationalisation. Etawah district at present has 43 branches of commercial banks spread all over, of which two are situated in Ajitmal block. The target set for these banks for loaning to agriculture sector was 267 lakhs (as on 30.6.81) and these banks nearly achieved 100 per cent success by loaning out Rs.265.89 lakhs to this sector. The loans sanctioned by Central Bank of India and State Bank of India as on 30.6.81 amounted to Rs.100.725 lakhs and the outstanding loan amount was Rs.76.973 lakhs, showing thereby the huge arrears of recovery from the borrowers.

The loaning procedure of commercial banks was quite cumbersome, as the borrower had to run from pillar to post to get one certificate or the other in order to get loan. The procedure was to be repeated every time he needed a loan.
It involved a lot of red tapism - resulting in corruption of many points. The period taken in getting a loan depended upon how fast an intending borrower could move his papers from village level to tehsil level and then to banks. Generally it was about a month. The documentation and stamp fees was an unnecessary burden on the borrowers. The cost of credit needs to be minimised and procedure simplified.

Loans were available for all productive purposes to the agriculturists on the security of assets, land and guarantors. However, the banks gave no loan for unproductive purposes. The rates of interest increased progressively with the increase in the loan amount in slabs. The weaker section of the society got concession in interest under Differential Rate of Interest (D.R.I.) scheme. The normal rates of interest were generally higher than that of Co-operatives. It was actually felt that loans should not be security based but need based and ability based.

The Regional Rural Bank was started on 18.3.80 at Etawah and its branches were established in Ajitmal in 1980-81 period. The progress of Etawah Kshetriya Gramin Bank as on 31.12.80 was praiseworthy. The deposits went up to Rs. 54.72 lakhs and the advances to agriculture went up to Rs.58.56 lakhs within a short span of 9 months only. Out of which small farmers got Rs.41.13 lakhs (70.24 per cent) and larger farmers got Rs.17.43 lakhs (29.76 per cent). The efficiency of these banks could not be measured due to their very late start. The bank managers of the R.R.B.Branches
have not been given powers to sanction agricultural loans so far. The Gramin Banks are also not allowed to grant loans under differential rate of interest. The procedure of loaning, security and rates of interest are just like those of commercial banks. To judge their success in helping farmers - performance for a period of at least 5 years is needed. Their procedure in loaning also need to be simplified and cost of credit minimised.

Analysis of the relative role played by various financial agencies in supplying credit to the farmers reveal that 48 per cent of the borrowers took loan from Co-operatives, 42 per cent from commercial banks, 4 per cent from Land Development Banks and only 2 per cent from Gramin Banks. The highest number of borrowers were in the 0 - 2 hectare category being 62 per cent. Of the total credit need on an average farm 28.12 per cent was met by Co-operative banks, 26.47 per cent by Commercial Banks, 14.02 per cent by L.D.Bs and 8.52 per cent by others including relatives and money lenders. A gap of 21.69 per cent remained unfulfilled.

Average per hectare investment gap was the highest in paddy being Rs.746.38 followed by Rs.682.10 in wheat and the lowest in gram Rs. 204.20. The over all per farm investment gap was Rs.1062.97 varying from Rs.605.05 on small farms to Rs.3043.14 on large farms. The per hectare investment gap was found to be higher on small farms and lowest on large farms - varying from Rs.308.53 to Rs.304.92.
Thus the inadequacy in credit supply needs to be minimised to increase the efficiency of financing institutions on one hand and that of borrower farmers on the other.

The investible savings on small farms was zero, that on medium farms Rs.1375.63 and on large farms Rs.2108.37. The short term, medium term and long term credit needs, on an overall basis came to Rs.864.13, Rs.1427.89 and Rs.1769.46 respectively. Size group wise the small farmers needed Rs. 1925.71, medium farmers needed Rs.6077.95 and large farmers Rs.5110.91. The per hectare short term credit need was highest on small sized farms; whereas the medium term and long term credit need were highest on medium sized farms.

The farm firm growth was estimated with the help of a growth model developed by Williamson and Walter (1966) and duly modified by Dr. S.P. Dhondyal (1977) to suit the conditions of Indian agriculture. The highest growth rate was estimated for the medium sized farms being 24.15 per cent followed by large farms - 12.35 per cent. It was lowest on small farms (6.57 per cent) due to their poor credit worthiness and lack of investible funds with them.

To increase the efficiency of farm financing institutions, the loaning procedure need to be simplified and post investment extension service introduced to supervise credit utilisation. For a higher growth rate on farms, particularly those of small farms, the supply of credit should be linked with the needs and ability of the farmer rather
than only the security offered by them. For a better recovery, a tie up arrangement between marketing and credit, need to be given a practical shape. It is equally important to avoid duplicacy and unnecessary competition among the financing institutions.