INSTITUTIONAL CREDIT TO AGRICULTURE SECTOR IN THENI DISTRICT – A STUDY WITH REFERENCE TO PUBLIC, PRIVATE AND CO-OPERATIVE SECTOR BANKS

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SYNOPSIS

1.1 INTRODUCTION

Agriculture is described as the backbone of Indian economic as it constitutes longest share of country's national income and it gives direct and indirect employment opportunity to the country's vast majority of workforce. Further, the growth of economy depends on performance of agriculture to a considerable extended. It also plays an important role in the country's foreign trade. Since independence, the government of India's objectives in agricultural policy have changed from time to time, depending on both internal and external factors. Agricultural policy on the supply side included those relating to land reform and land use, development and diffusion of new technologies, public investments in irrigation and rural infrastructure and also agriculture price support. On the other hand, demand side includes state interventions in agricultural market as well as operation of public distribution system. In order to strengthen its agricultural sector, government of India has taken various measures that included (a). Introduction of high yielding verities of seeds like wheat and rice by supporting research and extension activities, (b). To increase the supply of agricultural inputs such as chemical and fertilizers (c). Expansion of major and minor irrigation facilities. (d). announcement of minimum support prices for major crops and (e). the provision of agricultural credit on priority based)[1].

Understanding the importance of this sector, the Government of India has been allocating more and more funds for agriculture through different Plan periods.

- The First Plan (1951 – 1956)

After independence, India faced two major problems namely, food crisis, and shortage of industrial raw materials. The main objective of this Plan was to allot more funds to the agriculture sector. Around 31 per cent of total Plan outlay was devoted to agriculture.

- The Second Plan (1956 - !961)

The object of this Plan was to have the smooth performance of agriculture during the first plan period. Outlay for agriculture was reduced to 20 per cent of the total plan.

- The Third Plan (1962 – 1966)

The Government of India allocated Rs.1745 crores for agriculture development. The main objective of the plan was to achieve the self-sufficiency in food and to meet the industrial requirement.

- The Fourth Plan (1969 -1974)

Twenty one per cent of the total plan outlay was channelised toward agriculture in the Fourth Plan.

- The Fifth Plan (1974 -1979)

The growth target in the agriculture and the allied sector had been fixed at 3.94 per cent. As in the Fourth Plan, outlay the agriculture was 21 per cent of total fifth plan outlay.

- The Sixth Plan (1980 – 1985)

Fifth Plan using the appropriate package of technologies, services, and public policies were the main objectives in the Sixth Plan.

- The Seventh Plan (1985 – 1990)

The total outlay on agriculture, irrigation and rural development was Rs. 48.100 crores or 21 per cent of total plan outlay.

- The Eight Plan (1992 – 1997)

The Government of India increases 22 per cent total investment towards the development of agriculture and rural development.

- The Ninth Plan (1997 – 2002)

The thrust of Ninth plan was to achieve agriculture-led growth and agricultural alone get a whopping 19.4 per cent of the total outlay.

- The Tenth Plan (2002 – 2007)

The tenth plan allocation for agriculture amounted to Rs. 305055 crores, which was an increase of 51.4 per cent over the Ninth Plan.

- The Eleventh Plan (2007 – 2012)

This plan aimed to ensure food security.

- The twelfth Plan (2012 – 2017)

Under this plan period agriculture sector grows by an average 1.65 per cent per annum. Investment in agriculture and allied sector stood at Rs. 256495 crores 2014-2015 fiscal[2].

Finance in agriculture is as necessary as development of technologies. Technical inputs are often purchased and utilized by the farmers providing they need money. However their own money is usually scarce and they want outside finance or credit. The fundamental needs for the event of agriculture are the infusion of the much-needed credit at reasonable rates of interest. The demand for capital in agricultural arises as a result of:

- Need for land and its improvement.
- Need for agricultural equipment, machines, and livestock.
- Essential inputs like seeds, fertilizers, irrigation, and pesticides.
- Need for food, clothing, and asylum to keep up the farmer and his family.
- Need to meet emergency needs[3].

The availability of adequate credit has been one among the main handicaps of Indian agriculture. Indian agriculture is going through a significant crisis due to the emergence of second generation problems related to the revolution such as global economic recession and lack of crop diversification. At an equivalent time, several new opportunities are rising during this sector due to the opening up of the global market. The modern technologies just like the recombinant DNA technology, the inexperienced house mode cultivation and food processing have additionally are available in to force, with the potential to remodel the Indian agriculture forever. However, all this needs large capital investment that a median farmer can't afford.

Any credit system promoted for the event of agricultural sector should fulfill the following minimum demand thus on attain the required objectives.

- It should be granted for a sufficiently while, adequate for the length of operation that it's desired,
- It should be obtainable at rates on a par with those paid by different industries,

- It should be adequately secured so as to avoid any abuse of credit facilities however they protection should not necessarily be material,

- It should lend not only on security of land and different usual varieties of security however additionally on the protection of expected crops,

- It should be an efficient substitute for the non-public agencies of credit,

- It should facilitate within the effective augmentation and progress of beneficiaries,

- It should effectively supervise the employment of credit and perpetually bear in mind the borrower's rightful needs and well-being,

- Provisions for the delivery of all the three types of credit required by the framers specifically long term, medium term and short term credit,

- The loans advanced to the farmers should be enough for the aim that they are needed,

- The loan should be obtainable at short notice,

- The credit system should be resilient, i.e. it should be capable of growth throughout the busy seasons,

- It should protect the interest of the farmers within the event of his being declared as insolvent, and

- A good agricultural credit system should have the capability to act as a cushion[4].

In India the credit disbursements to agriculture are created by the formal and informal agencies. The informal agencies include moneylenders, commission agents and traders and that they still have a distinguished role in rural economy. The formal establishments comprise the Co- operatives, Commercial Banks and Regional Rural Banks. Even supposing the formal agencies expand their disposal to agriculture manifold, the wants of the farmers don't seem to be totally met. The commercial banks doubled the quantum of disposal to the agriculture throughout the previous few years; still the wants, particularly of the small and marginal farmers, were not totally met. The institutional disposal to agriculture has some bottlenecks, which need be round-faced each by the borrowers and lenders. During this background, the present study tries to evaluate the views of the borrowers regarding accessibility, cost, and impact of credit and repayment of loan.

1.2 STATEMENT OF THE PROBLEM

India crossed the first and second green revolution the using of modern technology and scientific ways of cultivation are mandatory for enhancing agricultural production. Many a time timely agricultural operation could to not be undertaken due to inferior reline of farmers of Theni District. They could not carry agricultural operations effectively, Because of they face financial crisis for seed, working capital and post-harvest expenses. There are connotation that the Indian farmers are born in debt, lives in debt and dies in debt. It means most of the farmers are struggling due to lack of funds though they have fewer acreage of land for cultivation. They badly need credit facilities from government and other financial institutions. This state of affair prevails in India in general and Theni District in particular. The socio-economic conditions of farmers are not appreciable in the district because of the frequent monsoon failure, low selling price and lack of proper marketing center. There are problems on the part of small as well as large land holders in accessing agricultural finance. Instances of deferential cost for loan borrowed but deferent persons and other relating problems are always considered as matter of great concerns. Finding ways and means by proper analysis to address those problems in a proper manner will effectively encourage people to venture into agriculture. Hence the present study.

1.3 OBJECTIVES OF THE STUDY

The study is pursued with the following specific objectives:

1. To study and highlight the institutional credit offered to agricultural sector.

2. To bring out the profile of the study area and to analysis the socio economic characteristics of the sample respondents.

3. To analyze the perceptions of borrowers on accessing agricultural credit;

4. To study and analyse the perception of respondents on cost of borrowings and its impact on borrowers;

5. To study and analyse the problems encountered by borrowers in repaying the agriculture credit

6. To offer suitable suggestions based on the findings of the study.

1.4 HYPOTHESES

To have disciplined guidance to the inquiry, the following hypotheses were formulated based on the objectives of the study:

1. There is no significant category, region and the sector-wise difference in the perceptions of borrowers on accessing agricultural credit extended by commercial banks in Theni District.

2. The cost of the agricultural loan is moderate and there is no significant variation across different categories, regions, and sectors.

3. The agricultural credit includes a positive impact on borrowers and there is no significant variation across completely different categories, regions, and sectors.

4. The borrowers face a mess of problems in repayment of loans. There is no variation within the extent of problems across completely different sectors and regions.

1.5 OPERATIONAL DEFINITION OF CONCEPTS

Conceptualisation is an important step in the direction and guiding the researcher in data collection, processing, and analysis to draw meaningful inferences. The following are alternative descriptions of concepts used in the present study.

Financial Institutions

Financial Institutions are confined to public sector banks, private sector banks and co-operative sector banks.

Public Sector Banks

Public sector banks are government owned (nationalized) commercial banks mending state bank of India. The located in study areas.

Private Sector Banks

Private sector banks are the non-nationalized private banks established in the study area for lending agricultural and other purposes.

Co-operative Sector Banks

Co-operative sector banks are banks established by the state Government under the Tamilnadu co-operative societies Act.

Marginal Farmers

They are farmers holding owned or leased agricultural land less than one acre.

Small Farmers

They are farmers holding either owned, leased or both agricultural land between one acre and 2.5 acres.

Medium Farmer

They are farmers holding more than 2.5 acres but less than 10 acres on ether ownership or lease hold pattern or both.

1.6 METHODOLOGY

Both primary and secondary information were used for the study. However, the study is based mainly on primary data collected from the sample beneficiaries by using a well-structured Interview schedule from the borrower beneficiaries. Interview schedule was prepared and administered on borrower beneficiaries for collection of relevant information.

1.7 SAMPLE DESIGN

Multi-stage random sampling technique has been adopted in selection of borrower-beneficiaries. Classifications were made by taking Theni District as the universe and the block as the stratum, financial institutions as a primary unit and borrower beneficiaries as the ultimate unit.

Theni District is divided into eight blocks of which three blocks were selected based on geographical entity. From each region one block having more agricultural lending was selected as a sample block. Accordingly, Periyakulam block from the North Chinnamannur block from the Center and Cumbum block from the South were selected.

According to the information available with these institutions there were 7122 borrowers. Further while discussing with officers of the lead bank, it is understood that around 1000 of them were from the same families. Therefore, the total population for the present study has been determined as 6000. A study made by the NABARD stated that a sample size of 10 to 15 percent is found sufficient for obtaing

reliable and meaningful inferences in social science research. Therefore, the researcher has chosen 600 sample farmers which form 10 per cent of the total. Since the list of borrowers is evenly spread in all the blocks, 200 respondents were selected from each block making total sample of 600.

1.8 TOOLS OF ANALYSIS

Both statistical and mathematical tools were used for the analysis of the collected data, Percentages, Simple and compound growth rate were used for analysis of the secondary data. Chi-square test was applied to examine the signification of variations among different categories of borrowers, regions, and sector. Data were tabulated analysed and interpreted based on the category of borrowers, region, and sectors. In order to study the problems encountered by borrower beneficiaries, Garrett's Ranking Technique was used.

1.9 PERIOD OF STUDY

The present study covers a period of 10 years from 2007 to 2018. The survey for collecting primary data was undertaken during the month of January to March 2018.

1.10 LIMITATIONS OF THE STUDY

The study is confined to marginal, small and medium farmers in the study area. Larger farmers are not included for the present study. Data were collected from the sample respondents, many of whom were not maintaining proper books of accounts. Hence the respondents were subject to recall bias. The results arrived in this study area may not be generalized to other places.

1.11 CHAPTER SCHEME

The following is the scheme for the arrangement of chapters.

The first chapter deals with the Introduction, statement of the problems, review of literature, objective of the study, hypothesis, operation definition of concepts, methodology, sample design, tools of analysis, period of the study, limitations of the study and chapter schemes.

An overview of Agricultural Financing in India and Tamilnadu form the part of the second chapter.

The third chapter deals with the agriculture credit in Theni district and socio-economic characteristics of the sample respondents.

Perceptions of the respondents on accessing agricultural credit were studied and analysis has been done with appropriate tools in fourth chapter.

The fifth chapter has been devoted to make an inferential impact analysis.

For which the subject matter was the perception of the respondents on cost of agriculture credit

The sixth chapter deals with an elaborate analysis on perception of the respondents on issues related to repayment of agricultural credit.

The seventh chapter presents the summary of findings, suggestions for improvement and conclusion.

1.12 MAJOR FINDINGS
1.12.1 Socio-economic Profile of the respondents

1. The majority of respondents were (73%) small borrowers who availed themselves of loan up to Rs. 200000. The proportion of marginal borrowers who take loan up to Rs. 25000 and above Rs. 200000 (medium borrowers) was 15 per cent and 12 per cent respectively.

2. Of the 92 marginal borrowers, 24 per cent represent the southern region, 39 per cent the central region and 37 percent the northern region. The proportion of small borrowers of the different regions is 35 per cent 31 per cent and 34 per cent respectively. The proportion of medium borrowers is 36 per cent 38 per cent and 26 per cent respectively in the three different regions.

3. 46.7 per cent and 40.2 per cent of the marginal borrowers drew loan from public and private sector and the remaining from the co-operative sector banks. The most of the small borrowers took loan from co-operative sector (40.1) and a majority of the medium borrowers make use of the credit facility from the public sector banks (48.6%).

4. The majority of the marginal borrowers come under the age group of 40-60 years (74%). Only two per cent of the marginal borrowers were below 30 years and 14 per cent above 60 years. Similarly the majority of the small borrowers had an average age of 40-60 years (70%) and one per cent below 30 years. 59 per cent medium borrowers comes under the age group of 30-50 years and 31 per cent above 50 years. This is an indication of the reluctance of the youngsters in Theni District to involve in agriculture by utilising credit facilities extended by the commercial banks.

5. The majority of marginal borrowers had education up to the secondary level (56%) and two per cent had no formal education at all. 54 per cent of the small borrowers had education up to the secondary level. The majority of medium borrowers have education up to the secondary and above.

6. The majority of marginal and medium borrowers had a family size of 4-6 members, whereas it was 54 per cent among small borrowers.

7. The majority of the borrowers were fully engaged in cultivation activities. The proportion of businessmen and Government employees was five per cent and four per cent respectively among the sample population, who also engaged themselves in agricultural operations.

8. An income wise analysis revealed that 23.5 per cent of the respondents had non-agricultural income. A majority of the respondents come under the agricultural income group of Rs. 20,000 -100,000. 6.5 per cent of the respondents had agricultural income above Rs. 100000. Eight per cent of the respondents had non-agricultural income to the tune of above Rs. 100,000.

9. The nature of land holding revealed that 64.5 per cent of the borrowers had owned agricultural land and 29.5 per cent conducted the agricultural operations in both owned and leased land. Six per cent respondents conducted agricultural operations in lease hold land. It was revealed that land holding is a pre condition insisted by the banks to provide loan for agricultural activities.

10. 70 per cent of the respondents had an average land holding of below 2.5 acres. Three per cent of the respondents have more than 10 acres of land. 15 per cent of the leasehold borrowers conducted their agriculture operation in more than five acres of land.

11. The main source of funds for meeting the expenses of agriculture operations is owned fund. 80 per cent and 72 per cent of the borrowers who work with annual crops and long term crops, made use of owned funds for meeting the operational expenses. 62 per cent and 40 per cent of the respondents utilised the credit facility extended by the commercial banks for meeting expenses of cultivation of annual and long term crops. 19 per cent of the annual crop cultivators make use the financial assistance extended by the money lenders.

12. The majority (55%) of respondents who were engaged in the cultivation of annual crops had an average cultivation expense of less than Rs.20,000 and 52 per cent of the long term cultivators also had the same level of expenses. 36 per cent of the annual crop cultivators had expenses up to Rs.100,000. Nine per cent had agricultural expenses above Rs.100,000. 13 per cent of the leased hold farmers had operational expenses exceeding Rs.50,000.

1.12.2 Perceptions of Borrowers on Accessing the Agricultural Credit

1. The main source of information for agriculture credit was friends and relatives; followed by other sources such as sponsoring/intermediary agency, own experience, etc. Statistically significant category, region and sector-wise difference existed regarding the source of information for agricultural credit granted by the commercial banks in Theni District.

2. Proximity to house was the most influencing reason for the selection of bank for agriculture loan and the availability of adequate and timely credit was the reason next to it. The study found, statistical significant sector-wise difference among the borrowers on the reasons for the selection of bank.

3. Self approach was the mode of approach used by 47 per cent of respondents and 21 per cent approached through bank officials. Region-wise and sector- wise significant statistical difference was revealed by the Chi-square test.

4. The majority of respondents drew the loan for meeting operational expenses and 17 per cent for creating additional facilities. Sector-wise significant difference as evidenced by the Chi-square test revealed that more funds were granted by the public sector banks than the private sector ones for meeting agricultural operational expenses of the farmers.

5. The majority (65%) of respondents drew short term loans. 25 per cent of the respondents took the loan for a period more than one year and up to three years and 10 per cent for more than three years. The category-wise, region-wise and sector-wise analysis revealed that there was significant statistical difference in the opinion regarding the period loan.

6. The majority of respondents had the opinion that the period of loan was sufficient for their requirements. The region-wise analysis revealed that there was significant statistical difference in the opinion of the respondents regarding the sufficiency of loan period. Insufficiency in the period of loan was more in the central region than on the rest of the regions.

7. The majority of the borrowers obtained the loan on the security of land. 21 per cent obtained the loan by creating hypothecation /pledge and 14 per cent on the basis of personal security. Category-wise and sector-wise significant difference in opinion of the respondents regarding the nature of security was revealed by the Chi-square test. Loan on the security of land was mainly utilised by the small and medium borrowers. More respondents of the private sector created charge on their land than those of the public sector, for obtaining the loan.

8. The majority of respondents opined that the security margin was reasonable, and 42 per cent revealed that it was high or very high. The region-wise and sector-wise significant difference in the opinion

of the respondents about the security margin was revealed by the Chi-square test. More respondents of the northern region opined that the security margin was high, compared to that of the southern and central regions.

9.   48 per cent of the respondents received the loan amount within 10 days of the application and 10-15 days were required in the case of 39 per cent. Category, region and sector-wise significant statistical difference was evident from the Chi-square test, in the opinion of the respondents regarding the time lag in the disbursement of the loan amount.

10.   24.5 per cent of the respondents revealed that there was delay in sanction and disbursement of agriculture loan amount. The category-wise and region-wise analysis revealed that there was significant statistical difference in the opinion of the respondents in this regard. The opinion about delay was high among the medium borrowers and the respondents of the southern region than the others.

11.   The majority (86%) of respondents who had the opinion that there was delay in sanction and disbursement of loan replied that the delay affected their agricultural operations.

12.   Nearly one third of the respondents had the opinion that there was difficulty in obtaining loan from the commercial banks. Statistically significant regional difference in the opinion was confirmed by the Chi-square test regarding difficulty for obtaining the agriculture loan. The difficulty is more in the central region than in the rest of the regions.

13.   Nearly half of the respondents who faced difficulty in obtaining loan commented that they faced security-related and procedure-related problems.

14.   The majority (59%) of respondents had the opinion that the loan amount was sufficient for their agriculture operations and remaining 41 per cent opined that the loan amount was insufficient. Region-wise and sector-wise significant statistical difference was proved by the Chi- square test. More insufficiency was faced by the respondents of the southern and northern regions and the respondents of the public sector.

15. The main source of fund for meeting insufficiency in loan amount was the friends and relatives followed by moneylenders. The opinion of the respondents had significant regional difference which was evident from the Chi-square test. Dependence on friends and relatives and moneylenders for meeting the financial requirements of the respondents was higher in the southern region than in the other regions.

16. The majority (89%) of respondents revealed that there was pre-loan field visit by the bank officials. But it was only 10 per cent in post-loan periods. The pre and post field visit conducted by the bank officials had significant statistical difference in category and region-wise. More pre and post-loan field visits were made among the medium borrowers and in the southern and central regions.

17. The majority of respondents had the opinion that the present scale of finance needs to be enhanced. The Chi-square test revealed that the opinion had significant statistical difference in different regions and sectors. Enhancement in present scale of finance was demanded more by the respondents of the southern region and customers of the public sector.

18. Opinion of the respondents towards the utilization of the loan amount showed that the majority of borrowers utilized the loan amount either fully or partially for agricultural requirements. 14 per cent respondents fully diverted the loan amount for other purposes. Region and sector-wise significant statistical difference was noticed in the opinion about the utilization of loan amount. The sidetracking was high in the northern region and also among the respondents of private sector.

19. The overall analysis of the perceptions of borrowers in accessing credit reveals that the magnitude of their borrowings did not make any significant influence on them in forming their perception as to the availing of credit from their lending institutions. Out of the fourteen variables identified for this purpose, the borrowers' perceptions as to eleven variables which were considered more relevant for judging the accessibility of credit found no significance at any level. They disagreed only in respect of three variables – sources of information, delay in sanctioning and disbursement of loan and pre and post-loan field visits made by the banking officials.

20. There was significant difference in perception of borrowers across different regions with regard to their accessibility of credit. Inferential analysis found that in most of the variables (ten variables) explaining the accessibility, divergence in perception of borrowers found statistically significant. However, the borrowers had a consensus on reasons for selection, purpose of loan, impact of delay and nature of difficulty as the test was not able to prove the statistical validity of difference in the opinion on these variables.

21. The borrower's perceptions across sectors on accessibility of credit were significantly different on majority of the variables selected for the purpose.

1.12.3 Perceptions of Borrowers on Cost of Borrowings

1. The majority of respondents expressed the opinion that the rate of interest was moderate and 29 per cent opined that it was high. The Chi-square test revealed that the opinion about the rate of interest had significant statistical difference among different regions. More respondents of the central and northern regions expressed the opinion that the rate of interest charged by the banks was high.

2. The most of respondents had to bear low cost of travelling for obtaining the loan amount. 13 per cent of respondents had the opinion that the cost of travelling was moderate to high. Region-wise and sector-wise significant statistical difference was noted in the opinion of the respondents regarding the cost of travelling. The cost of travelling was comparatively high in the southern region than in the rest of the regions.

3. The majority of respondents had incurred opportunity cost by way of loss in wage/income for obtaining the agricultural loan relatively at lower rate. The opinion of the respondents in this regard found statistically significant region-wise difference by the Chi square analysis. The respondents of the northern region had to bear higher cost than the other regions.

4. The cost incurred for getting the supporting documents required for agriculture loan was moderate among the bulk of respondents. The Chi- square test take a look at unconcealed that there was statistically

vital region-wise variation among the respondents and it had been high within the central region vis-à- vis the opposite regions.

5. Analysis of the cost incurred by the respondents by way of processing fee, inspection fee, custody charges, and the like. showed that the majority had to bear only low cost for the same. Chi-square analysis rejected the null hypothesis of no statistically significant category, region and sector-wise difference in the responses of the respondents regarding the same. Such costs were high among the medium borrowers and respondents of the public sector.

6. The cost incurred by the respondents as registration fee, stamp duty, etc. for obtaining the loan amount was low to moderate. When majority had the opinion of low cost, 42 per cent expressed that the cost was moderate. No statistically significant difference was proved in this regard by the inferential analysis.

7. Seventy two per cent respondents revealed that they had to bear no or low other costs for obtaining the agricultural loan. The Chi-square analysis invalidated the null hypothesis of no significant region-wise and sector-wise difference in the opinion of the respondents. The other costs were high in southern region, compared to the rest of the regions.

8. By using one sample Sign Test, null hypothesis of cost of borrowing is moderate tested against the alternate hypothesis of cost of borrowings from commercial banks which is low. The test result rejected the alternate hypothesis that the cost of borrowing is low and it was statistically inferred that the cost of borrowing for the loan beneficiaries was moderate.

1.12.4 Perceptions of Borrowers on the Impact of Agricultural Loan

1. The opinion of the beneficiaries regarding the impact of agricultural loan on income shows that the majority had a positive impact on their income. 14 per cent expressed a reverse opinion of negative impact on income. The Chi-square test revealed that there was significant statistical region-wise difference in the opinion of the respondents. More improvement in income was reported in the southern region vis-à-vis other regions.

16

2. The impact of loan on agriculture assets was positive in the case of 59 per cent respondents. The Chi-square analysis proved the statistical significance of region-wise and sector-wise difference in the responses of the beneficiaries. More enhancements in agricultural assets were reported in the southern region and among the respondents of the public sector.

3. The agricultural loan made positive improvements in agricultural productivity among 44 per cent of the respondents. The majority of the respondents had the opinion that the loan did not make any change in the agricultural productivity. Inferential statistical tool validated the finding of category-wise and region-wise difference in the impact of loan on agriculture productivity of borrowers. Higher productivity was attained by the medium borrowers and the respondents of the southern region.

4. Opinion of the respondents with regard to the impact of loan on facilities at home disclosed that the majority of them succeeded in making some improvements in this direction. The Chi-square analysis revealed that there was no significant category-wise, region-wise or sector-wise difference in the opinion of respondents.

5. Most of the respondents opined that there was no change in the food consumption pattern, as an impact of their agricultural loan. The Chi-square analysist revealed that there was significant category-wise and region-wise statistical difference in the opinion of the respondents. Significant improvement in food consumption was reported among the medium borrowers and among the respondents of the central region.

6. By using Sign Test the study verified the validity of the hypothesis that the borrowing from the commercial banks could make positive impact on borrowers. The test result concluded with the inference of positive impact of the agricultural borrowings on the economic and social living conditions of the borrowers.

1.12.5 Perceptions of Borrowers on Repayment and Related Problems

1. Thirty one per cent respondents opined that the agriculture income was always sufficient for the repayment of the loan amount. 48 per cent had sufficient income sometimes and 21 per cent faced much

shortfall in agriculture income for the repayment of loan. The Chi-square test revealed that there was statistically significant region-wise and sector-wise difference in the opinion of the respondents. Higher shortfall was reported in northern region and among the respondents of public sector.

2. The majority of respondents had the opinion that the amount of instalment repayment was moderate and some respondents had the negative opinion of high or very high instalments. The Chi-square analysis revealed the statistically significant region-wise and sector-wise difference in opinion of the respondents on this aspect. More respondents of the central region opined that the instalment amount was higher than that of other regions and the proportion having the same opinion was also high among the public sector respondents.

3. The majority of borrowers renewed the existing loan or obtained new loan for the repayment old loan. The Chi-square test substantiated the significance of region-wise and sector-wise difference in the responses of the respondents. More renewal or new loan was obtained by the respondents of the northern and southern region than in the central region and also by the respondents of the public sector.

4. 64.3 per cent respondents' utilised new loan for repayment of the old loan from the same bank and 13.7 per cent approached other banks. 11.2 per cent respondents utilized the financial assistance extended by the moneylenders. Inferential statistical analysis found the validity of statistically significant region-wise difference in the opinion of the borrowers regarding the source of loan for repayment old loan.

5. The majority of borrowers did not make any default in the repayment of the loan amount. The proportion of the loan defaulter was only 20.5 per cent. The defaults had significant regional and sector-wise difference, which was evident from the result of Chi-square test. The proportion of respondents who made default in repayment was higher in the northern region than in the other regions. The sector-wise analysis revealed that more defaults were made by the respondents of the public sector than in the private sector.

6.   The crop failure and low return from the agriculture activity was the main reason for default in loan repayment. Fall in prices and unexpected contingency were other reasons which lead to default. The Chi-square test revealed that there was significant category-wise and sector-wise difference in the opinion of the respondents regarding the reason for default in repayment of the loan amount. Low return from agriculture affects the marginal borrowers more than the other categories.

7.   The action taken by the banks on default in repayment of loan did not make any significant variation across category, region or sector. In all the cases of default, the banks followed uniform procedures for the recovery of the loan amount.

8.   A vast majority of respondents expected some incentives for prompt repayment of the loan amount. No significant category-wise, region-wise or sector-wise difference on the expectation of incentives for the prompt repayment of the loan amount was observed.

9.   Reduction in interest rate was the most widely expected incentive for prompt repayment of loan amount. Enhanced loan and relaxation in security requirements were the other preferred expectations of the borrowers. Chi-square test revealed statistically significant category-wise and sector-wise difference in the nature of incentives expected by the beneficiaries. More number of medium borrowers expected reduction in interest rate than the other categories and it was also higher in the private sector than in the public sector.

10.   Category-wise analysis of difference in the perceptions of the borrowers with regard to repayment and related problems found statistically significant among the borrowers only in terms of reasons for default and nature of incentive expected. Region-wise analysis showed significance of difference in five out of the nine factors identified for this purpose – sufficiency of income for repayment, installment repayment, loan for repayment and default in repayment and source of loan for repayment. Sector-wise analysis was almost all in parity with the region-wise analysis and varies only in respect of three aspects - source of loan for repayment; reasons for default and nature of incentive expected.

11. Garett's ranking analysis revealed that the marginal farmers faced an important problem namely 'More beneficial to large farmers', followed by 'No loan without surety/ security'.

12. 'More Processing Fees' was the main problem faced by the small farmers.

13. 'High rate of interest' was the first major problem faced by the medium borrower followed by 'Stress of repayment'.

1.13 SUGGESTIONS

The District has vast potentials for development of agricultural production. The following recommendations based on the analysis of the present study may help the policies makers to frame a suitable programs to achieve the desired results.

- The government can procure the agricultural produce in the place where the farmer cultivated. It reduced the cost and it might increase the supply chain management.

- Providing crop insurance suffers severe criticism from the beneficiaries. Rules and regulation and other formalities may suitable be modified so that each and every insured could get adequate compensation from insurance companies while get affected. Instead of regional wise approach, individual approach may be more beneficial to the aggrieved farmers. Life insurance producer may be considered for crop insurance also.

- The process of obtaining agricultural credit may be made still easier. Instead of asking for so many certificates from the borrowers, single window system may be followed so that the rural agriculturists could complete all the formalities for obtaining loan in the same place.

- Agricultural implements, equipment, tools, tractor and the like, may be supplied at a subsidized rate.

- To instill confidence in the minds of farmers, the authority could inculcate the scientific way of cultivation, capital management, supply chain management and repayment of the loan at the right time.

- An exclusive financial institution may be organized at the District level to channelize the funds for the improvement of agriculture.

1.14 CONCLUSION

From the results summarized above, it can be concluded that the institutional credit to the agricultural sector in Theni District is not up to the mark. It is due to more financial requirements of farmers to meet start-up, operational and allied expenses. A country where vast majority of people are dependents on agriculture cannot afford to have governance turning. Nelson's eye on this sector. All the technical advancements available globally must be made available to Indian agriculturists. In the name of reforms any attempt made to weaken this sector will certainly make a negative impact.. The suggestions emerged out of the present study, if implemented in the letter and sprit, will go a long way to make this sector more viable in the days to come

Scope of future research

1. A Study on Utilisation Pattern of Allied Activities Loan by the Farm Borrowers in Theni District.
2. Analysis of the Factors influencing default in collection of overdue of Agricultural Loans – A case Study in Theni District.
3. A Study on the Role of Commercial Banks in Rural Development with Special Reference to Theni District.