ISSN:0971-1260
Vol-22- Issue-14-December-2019

The Impact of Non-Farm Sector Finance by Primary: Co-Operative Agriculture and Rural Development Banks in Vellore District

Jebilah Victoria. K
MBA, Department of Management Studies
Bharath Institute of Science and Technology,
Selaiyur, Chennai, Tamil Nadu 600 073
Bharath Institute of Higher Education and Research

ABSTRACT

Agriculture plays a major role in the economic growth of India. Agriculture is the source of employment for over seventy percent of population in our country. To meet the supplies of the growing population and quickly developing economy, agriculture has to grow fast and get reorganized. This requires the use of high pay off inputs. The implementation of high yielding varieties requires large quantities of fertilizers, plant-protection chemicals, modernized equipments, and machineries, which in turn needs huge investment. The rural agricultural sector of the economy is labor-abundant, land-poor and capital scarce. So it would be very difficult to get the benefits of innovation of agriculture without adequate and timely supply of credit to the farmers. Agricultural growth is crucial for alleviating rural poverty. Access to institutional credit to more farmers and appropriate quantity and quality of agricultural credit are crucial for realizing the full potential of agriculture as a profitable activity.

1. INTRODUCTION

In India, agriculture is the largest industry, which is the backbone of the country. It provides employment to a large majority of the work force in the country. The role of agriculture in the Indian economy is significant. The Statistics of the Central Statistical organization reveal that the share of agriculture in GDP has been in the range of 55 to 52 per cent between 1950-51 and 1960-61, but it declined sharply to 24 per cent in 2003-04, as a result of industrialization and economic growth. However, agriculture contributes a major share of the national income of India. The share of agriculture in national income has been decreasing continuously and the share of other sectors is increasing. Census of India reveals that 97 million• persons were employed in agriculture in1951 and it increased to 235 million in 2001. The proportion of cultivators to total working population declined from 50 per cent in 1951 to 32 percent in 2001. The people working on land decreased from 70 per cent in 1951 to 59 per cent in 2001. The remaining work force is working in non-agricultural sector. The result from 2001 Census clearly shows a shift from agriculture to non-agriculture sector.

2. STATEMENT OF THE PROBLEM

The co-operative credit movement was sponsored in India by the then British Government in the year 1904, when the first Co-operative Credit Societies Act was enacted. It was soon realized that the primary credit societies were not a proper agency to provide long-term credit to farmers. The establishment of land mortgage banks, with the objectives of providing long-term loans against mortgage of land, was considered necessary to provide facile and adequate credit to the agriculturists. Hence, the establishment of co-operative land mortgage banks. In India, about 70 per cent of the people still depend on agriculture and them share of agriculture in Gross Domestic Product is around 30 per cent. However, the agricultural industry is unable to

ISSN:0971-1260
Vol-22- Issue-14-December-2019

generate enough employment opportunities among the rural people, as it is carried on during seasons only.

Diversification of activities, from agriculture to activities other than agriculture, was considered to augment the generation of employment opportunities in rural areas. Diversification of lending to non-farm sector activities by PCARDBs became necessary to improve the socio-economic conditions of farmers, artisans and others. Investment in non-farm sector was considered to be a prudent activity by the PCARDBs. Hence, in this context, it is appropriate to study the role of Primary Co-operative Agriculture and Rural Development Banks in the development of Rural Non-Farm Sector Economy. Hence, this study titled "A Study on Non-Farm Sector Finance by Primary Co-operative Agriculture and Rural Development Banks in Vellore District".

3. OBJECTIVES OF THE STUDY

The following are the objectives of the study.

- To impact of Primary Co-operative Agriculture and Rural Development Banks in India.
- To study the performance of PCARDBs in Tamil Nadu.
- To study the performance of PCARDBs in Vellore District in Tamil Nadu.

4. HYPOTHESES OF THE STUDY

The following are the hypotheses of the study

- There is no significant relationship between Activity and Nature of Occupation.
- There is no significant difference among the activity groups in the average contribution of borrowings in total investment.
- There is no significant difference between NFS being primary profession and NFS being secondary profession in the average

5. SAMPLING METHOD

This study was used by the simple random sampling method. These sampling researches on the relationship between Primary Co-operative Agriculture and Rural Development Banks in the present study were selected mainly on the basic of various factors that significantly influences in the Primary Co-operative Agriculture and Rural Development Banks and make judgment of the study is based on the performance of PCARDBs in Vellore District in Tamil Nadu

FIELD WORK AND COLLECTION OF DATA

This study was conducted by questionnaire method and personal interview by the researcher. The researcher used structured interview schedule for the purpose of personal interviews. Interviews are conducted in Primary Co-operative Agriculture and Rural Development Banks in their convenience. Before the interview, proper understanding is conventional. The data collected are recorded by the researcher in the interview schedule. The schedules thus filled up are systematically checked to ensure accuracy, reliability and totality. On an average, each interview took about an hour. The data thus collected were categorized and posted in the master table for further processing.

ISSN:0971-1260
Vol-22- Issue-14-December-2019

6. SAMPLE SIZE

The research adopted simple random sampling method. The respondents chosen from an age group ranging from more than 20 years to 65 years in Vellore including different strata of farmers. Initially 250 questionnaires were distributed to the investors spread over in Vellore. But only 215 respondents returned the filled up questionnaires out of 250. In which 200 of them are found usable. Hence, the accurate sample of the study is 200.

FRAMEWORK ANALYSIS

The sources of data are primary as well as secondary. The data collected from Primary Co-operative Agriculture and Rural Development Banks survey constitutes primary and information gathered through books, journals, magazines, reports, dairies are considered as the secondary source. The data collected from both the sources is scrutinized, edited and tabulated. The data is analyzed using statistical package for social sciences (SPSS). The following statistical tools are used in the study. Measures of central tendency and measures of dispersion, Kruskal Wallis test, One-way analysis of variance, Factor analysis, K-means cluster analysis. Multiple discriminate analyses, multiple regression analysis, Non-parametric chi-square analysis, and percentage analysis have been employed.

7. LIMITATIONS OF THE STUDY

The study is limited to Vellore only. Therefore the conclusion may not be comprehensive for the other parts of the city. Primary Co-operative Agriculture and Rural Development Banks the limitations associated with the statistical tools are related for the tools in work in this study. Period of the study commenced from December 2015 to January 2016.

CROP LOAN-LOAN FOR DIFFERENT CROPS

YEAR	PADDY	SUGARCANE	BANANA
2012-2013	765.80	50.50	118.25
2013-2014	777.92	50.31	136.45
2014-2015	890.62	92.70	181.32

TABLE NO 1

Table 1 presents the loans given for various crops by the chosen sample commercial banks for the period under enquiry. It may be seen that the total short term credit for the given period is in an increasing trend. Paddy continues to be the crop for which the maximum loans have been given. Substantial increase in loan amount for sugar cane is recorded in the years 2013-2014. This is because of a clear shift towards sugarcane cultivation which is more remunerative.

TERM LOAN (DIFFERENT PURPOSE / RS.IN LAKHS)

YEAR	MINOR IRRIGATION	TRACTORS	OTHERS
2012-2013	27.45	842.32	98.56
2013-2014	38.43	932.22	86.54
2014-2015	42.34	1121.34	121.34

TABLE NO 2

ISSN:0971-1260
Vol-22- Issue-14-December-2019

The purposes for which commercial banks extend term loan are presented in Table 2. The figures represent the amount extended to the tractors, threshers etc is the highest in the category followed by purchase of bullocks and bullock carts and minor irrigation. The use of tractors was not in practice in India until recently. This was because of small land holdings. Traditionally plugging with iron ploughs was the order of agriculture. Some progress has been made in the last two decades and small tractors are used for ploughing. This is a welcome feature. Some big farmers own tractors and they also rent them to small farmers. This amount of use of tractor is made possible because of term loan from the Commercial banks.

TOTAL TERM LOAN

YEAR	TOTAL LOAN	% INCREASE/DECREASE	OTHERS
2012-2013	469.53	-	523.43
2013-2014	395.40	15.78	432.56
2014-2015	417.19	5.51	356.54

TABLE NO 3

LOAN FOR ALLIED ACTIVITIES

YEAR	DAIRY	SHEEP/GOAT	OTHERS
2012-2013	18.67	9.76	8.89
2013-2014	19.87	11.45	12.13
2014-2015	21.54	13.24	13.45

TABLE NO 4

Table 3 gives the loan amount by the sample commercial banks for allied activities during the review period. Such loans are given under IRDP. The IRDP programme attempts to bring rural development through higher income employment.

CROP LOAN

	VALUE	DF	ASYMP. SIG. (2-SIDED)
Pearson Chi-Square	1.872[a]	3	.599

TABLE NO 5

H1: There is significant association between the size of land holdings and default in repayment. Chi square test for association between the size of land holdings and default in repayment. The calculated value is less than the table value. So the hypothesis is accepted. Hence, there is significant association between the size of land holdings and default in repayment

TERM LOAN

	VALUE	DF	ASYMP. SIG. (2-SIDED)
Pearson Chi-Square	9.729[a]	3	.021
Likelihood Ratio	9.832	3	.020
Linear-by-Linear Association	9.435	1	.002

TABLE NO 6

ISSN:0971-1260
Vol-22- Issue-14-December-2019

H1: There is significant association between the size of land holdings and default in repayment. Chi square test for association between the size of land holdings and default in repayment The calculated value is less than the table value. So the hypothesis is accepted. Hence, there is significant association between the size of land holdings and default in repayment.

FINDINGS, SUGGESTIONS AND CONCLUSION

Institutional finance for agricultural credit was started with the establishment of co-operative credit movement in 1904. But as per the findings of the All India Rural Credit Survey Committee Report 1954, the co-operatives were able to provide only 3.1 per cent of the rural credit, commercial banks were able to provide 0.9 per cent and supplemented by the government which was providing 3.3 per cent of the rural credit. Thus in 1954 there was a dismal picture of institutional finance for agriculture. The recommendation made by the committee, inter-alia state participation in the co-operatives at all levels strengthened the co-operative movement and the co-operatives have been a fillip in extending more agricultural credit. Commercial banks have emerged as an important institution for agricultural credit after nationalization of the major commercial banks in 1969.

8. FINDINGS

An analysis of the loan extended for various purposes reveal that 72 per cent constitutes short term loan, 25 per cent constitutes term loan and 3 per cent for allied activities. Regarding the short term credit provided by the sample commercial banks during the period under enquiry, the quantum of lending had been in the increasing trend. Paddy continues to be the crop for which the maximum loan has been given. This is followed by banana and the amount lent to sugar cane growers has very much increased during the period 2012-2013 and 2014-2015. A lesser amount is lent for the cultivation of groundnut and pulses. The quantum of crop loan lent by commercial banks in Vellore district showed an increase throughout the study period. With reference to term loan, loan for the purchase of tractors and threshers are the maximum followed by amount lent for purchase of bullock and bullock carts and minor irrigation. It is to note that the quantum of term loan given during the period under enquiry showed a decreasing trend. Regarding allied activities which are very important for agriculturists to get subsidiary income, loan for dairy operation has increased from Rs.14.8 lakhs to 17.7 lakhs in the year 2006-2007.The amount lent for sheep and goat rearing increased from 6.2 lakhs to 8.8 lakhs in the year 2014-2015. The priority sector lending by the commercial banks has been maintained between 40 per cent and 47 percent during the period under enquiry. The DRI advances have come down from 0.007 per cent to 0.005 per cent during the same period. During this period the deposit ratio has increased. The percentage of advances to agriculture in total advances by the commercial banks has increased from 18 per cent to 22 per cent. The credit-deposit ratio of the commercial banks in Vellore district has increased from 50 per cent to 80 per cent during the period of enquiry.

9. SUGGESTIONS

Though there has been a steady increase in the flow of agricultural credit by the commercial banks, the total outflow of agricultural credit by the commercial banks seems to be inadequate compared to the greater demand generated by higher and improved methods of cultivation which have led to higher cost of cultivation. Substantial amount of loan is obtained from

ISSN:0971-1260
Vol-22- Issue-14-December-2019

institutional agencies. There is a need for quantitative and qualitative improvement in the farm lending by the commercial banks. The amount lent to allied activities by the commercial banks can be increased resulting in generation of higher income which in turn increases the repaying capacity of the borrowers. Firm measures to recover the agricultural loans should be taken by the commercial banks and the government; political parties should desist from the habit of periodically calling for and promising of writing off agricultural loans by institutional credit agencies. The disbursement of loan, seed and fertilizers should be given in time to the farmers to increase the productivity and repayment. There should be strict follow up action by the commercial banks for recovering the loan amount from the borrowers The borrowers should use the amount of loan only for agricultural purpose to increase the output.

Effective recovery procedures should be instituted by creating a separate court for recovery. The need for prompt recovery of agricultural loan should be accepted as a moral code not only by the borrowers but also by the lending institutions, government and political parties. If a borrower is found to be a known defaulter for a chronic period of time any further loans should not be given to the borrower. Positive incentives by marginal reduction in the interest rate may be given to prompt settlers of loan amount. In years of extreme difficulty, when due to monsoon failure or due to drought, floods, etc. there is high loss of production and if some relief is to be given to the borrowers, it should be based on the merits of selective cases and not a blanket write-off. In such years re-phasing of re-payment converting short term into medium term loan may be thought of. It has been revealed beyond reasonable doubt during the study that no serious follow up measures or monitoring is made by the lending commercial banks. Of course, the private banks are slightly better in this respect. A separate cell of these banks should watch the utilization and recovery of loans.

10. CONCLUSION

The overdue position among all the credit institutions in the formal sector namely commercial Banks has seriously hampered the expansion of agricultural credit. The reasons for poor loan recovery were largely attributed to lack of sufficient field staff to ensure follow-up after the sanction of loan and absence of statutory powers to induce prompt repayment by the borrowers as far as the banks are concerned. In addition, the government's populist policy of waiving off loan has created mass psychology in the rural areas to withhold repayment and wait for some type of loan waiver programme to come to their rescue.

11. REFERENCES

[1] Patel.S.A, "Recovery performance of direct agricultural advances of scheduled commercial banks" Financing Agriculture"Jul-Sep-1989
[2] Singh.S.P & Mrutyunjaya, "A study on cost of short term agricultural credit for small and marginal farmers of Aligarh District in U.P" Financing Agriculture-Oct-Dec-1990
[3] Jagatram - "RRBs help rejuvenate rural economy" Kurukshetra Jul-1990
[4] Dhillon.D.S & Sandhu.N.S, "Implementation of IRDP needs streamlining" Kurukshetra-Feb-1990
[5] Ohja., "Banking for the rural poor" The Tamil Nadu Journal of Co-operation 'Dec-1989

