



PROBLEMS AND PROSPECTUS OF FARMERS TOWARDS AGRICULTURAL CREDIT OF COMMERCIAL BANKS IN ERODE DISTRICT

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Introduction

The traditional occupation of most of the Indian citizens is farming. More than 65 percent of the population in India is residing in rural areas of the country. Out of them about 80 percent of the public depend on agriculture and allied industries of agriculture. In olden days particularly before independence, the Indian agriculture was very backward, when compared with the developed nations because of lack of advanced technology and using of traditional pattern of farming. After independence, the then governments took effort to develop agriculture. In all budgets, considerable amount is being allocated to agriculture sector. Due to the efforts made by the government, we experienced considerable development in agriculture. Modern equipments and machineries are being used in all phases of agriculture starting from ploughing of land to harvesting of crop. Further, in many ways the government announces subsidies to the farmers for few crops and for some of the agricultural works like trip irrigation, supply of fertilizers at a subsidized rate. Only limited farmers get huge income from agriculture. Other farmers could not earn income as like in the case other activities involved by the human being. The farmers face serious financial crisis due to various factors like shortage of rainfall, problems of diseases in the crop, seed failure, and heavy rainfall at the time of harvesting, fluctuation in the price of the agricultural produces. The farmers are being affected, irrespective of the nature of the crops cash either crops or food grains due to low income from their crops.

To settle the financial crisis they are in a condition to borrow money from moneylenders, neighbours, relatives and from commercial banks for meeting the requirements and to procure farming equipments and inputs for cultivating the crops. They normally approach the banks available in the local area for getting loans. However, there are many schemes available to farmers with regard to loan facilities, the farmers have to go many times to bank and approach the bankers frequently for getting a nominal amount of crop loan. The Branch managers normally do not take risk for sanctioning the loan to the farmers. In many occasions, the bankers ask for high value of security for even crop loan. In general, the security is not necessary for sanctioning the crop loan. Nevertheless, the bankers ask for security. There is no purpose in blaming anybody in this regard but nobody can deny the fact. The government and NABARD take measures to bring betterment among the farmers. The fact is that the schemes are not reached to the farmers. Further, the subsidy schemes are not informed properly to the farmers. As the bankers are not ready to provide maximum support to the farmers, they approach the moneylenders for solving their problems, which in turn increase loan burden of the farmers. In every budget, the government allocates funds to the development of agriculture and the farmers, but there is no proper mechanism to monitor the sanctioned limit of loans to the farmers. This situation should be eliminated. While thinking about the farmers and their problems the following questions were raised in the mind of the researchers.

1. What are the existing schemes and loans to the farmers?
2. What are problems of the farmers in getting loans from the commercial banks
3. How it can be solved?

To address the above question a thorough study is to be carried out to understand the problems and prospects of the farmers. By keeping the above views in mind, the researchers tried to write an article in the topic "PROBLEMS AND PROSPECTUS OF FARMERS TOWARDS AGRICULTURAL CREDIT OF COMMERCIAL BANKS IN ERODE DISTRICT"

Statement of the Problem

In India normally all farmers are struggling lot for survival irrespective of total area of the cultivation, type of crop cultivated, etc. The farmers say their views and reasons for the difficulties. For starting the cultivation of next crop, they are in need of finance. While they apply for crop loan and the agricultural credit in commercial banks in many occasions, they could not get the loan in time from the commercial banks due to various reasons. Hence, they approach the moneylenders for financial support where they have to pay high rate of interest. The crops failure also makes them further weak in their financial position. In Erode district due to industrial development, there are huge amount of employment opportunities with reasonable wage or salary package. The entire farming labourers turn to industrial sectors due to working conditions. For agriculture work, there is heavy demand for labourers but only few workers are available. This caused high rate of labour cost in agriculture. The fertilizers and pesticides' rate is also high. A farmer who has minimum acres of land for cultivating crops cannot afford the input cost, until the harvesting of various crops



Apart from these expenses, they have to meet their family requirements and also to grow their wards and support their dependents. Hence, every farmer who involves in cultivation is facing number of issues in the family. They could not provide better life to their wards as they thing or decide. This is the real situation of the farmers. There are number of schemes initiated by the government to support the farmers in the form subsidy in loan, providing fertilizers to the farmers and fixing guaranteed rate for certain specified crops etc. but these are not properly reaching to the needy group farmers. Further the commercial banks do not take initiatives to extend the agricultural credit instead due to political and other influences the benefits of the scheme launched by the government to the welfare of the farmers reach only to the farmers who are sound enough in finance and socially well. All other farmers till face financial problems and borrow regularly to meet their day- to-day requirements of the family members. Unless and otherwise the government should take necessary steps to monitor the issues faced by the farmers, the fate of the farmers go to aggravate the conditions of the farmers in cultivation of various crops.

Significance of the Study

People are engaged in various activities to generate income to the family based on the efficiency, knowledge, family occupation or any other activities in which the individual has knowledge. Likewise, most of the rural people in our country are involved in agricultural activities for generating income to the family. Cultivation of crop is the most important source for generating income to the agricultural workers. In all activities, people get some short of income based on the work or effort taken by the individuals. Regarding the farmers' income there is no guarantee for getting the expected return from their crop. Various factors like natural calamities, price fluctuation, problems from insects and rainfall have considerable impact on the income of a farmer. They could not sometimes get the amount put in to grow or cultivate any types of crop. There is no chance for reimbursement of the amount lost by the farmers due to the crop failures or low yielding from the crops. The commercial banks and the co-operative have to concentrate more on the agricultural credits. Nevertheless, the reality is not like that. The commercial banks normally concentrate in the commercial loans instead of agriculture loan.

Objectives of the Study

This study aims to portrait present condition and problems faced by the farmers cultivating various crops and also the farmers' opinions towards different effort taken by the commercial banks to provide credit facilities to improve the standard of living of the farmers in the study area. However, the specific objectives of this study are –

- i. To constitute farmers profile by demographic data, such as identification (name, address) sex, marital status, ages, educational qualifications and income.
- ii. To identify schemes available to farmers to get loan and subsidies that lead farmers to improve their life styles.
- iii. To discover a ttitude of farmers and their satisfaction level towards credit provided by the commercial banks
- iv. To analyze various issues and problems faced by the farmers while the approach the bank for getting loans
- v. To find remedial measures to solve the issues faced by the farmers and offer recommendations to the needy group.

Research Methodology

Data Collection

To make the research in the research both the primary data and secondary data were collected from the respondents and records, journals and magazines published with agricultural credit.

Primary Data

In order to fulfill the objectives set, a sample study was carried out with the help of a well-framed questionnaire for interview schedule. The questionnaire was prepared with the guidance of the experts in the relevant field. Necessary corrections were made in the questionnaire to complete the research work successfully. A pilot study was also conducted to verify whether the questionnaire is useful for the successful completion of the project. The respondents for the study were selected based on varying background, based on their age, gender, dwelling place, educational qualification, monthly income and so forth, from the study area of Erode district. The questionnaire was given to the respondents to provide the required data as and when the researcher explained each question to the respondents.

A noteworthy feature was that all the eight hundred (800) respondents filled the questionnaire with much zeal. This was due to the high involvement of the farmers showed towards the issues related to the commercial banks, agricultural credit and the researcher's good rapport with them.

Secondary Data

The primary data were supplemented by a spate of secondary source of data. The secondary data pertaining to the study was obtained from the journals, magazines and the articles in the related topics published in the refereed journals and from the library resources and internet sources.

Sample Selection

Due to the development in the economy, social status and the changing trends among the farmers led cultivation of cash crops than the food grains and the pulses. Erode district are considered one of the districts where crops is cultivated more. As the population for the study is numerous, 800 respondents were selected at random by using convenient sampling method. In Erode district among seven revenue blocks 20 villages where various crops are cultivated are chosen for the selection of the respondents. In each village, 40 farmers who are involved in cultivation of various crops were identified and selected, as sample respondents from the total population. The sample respondent consists of male farmers from middle class and lower class people.

Period of Study

The data collected from the primary sources took 15 months. The secondary data collection 6 months, preparing the master table, data analysis and interpretation consumed 9 months. To present the data in the form of the report took another 6 months. The same was confined only to the study area and was related to 3 years period starting from November 2013 to October 2016.

Table No.1, showing the educational qualification of the respondents

Serial No	Educational qualification	Frequency	Percent
1	Illiterate	126	15.8
2	Up to 8th std	322	40.2
3	Up to 10th std	158	19.8
4	Up to 12th std	97	12.1
5	Degree level	64	8.0
6	Diploma and others	33	4.1
	Total	800	100.0

Source: Primary data.

Interpretation

From the above table, it is understood that among 800 respondents, 40.2 percent of the respondents have studied up to 8th std, 19.8 percent of the respondents have studied up to 10th std, 15.8 percent of the respondents are illiterate and 12 percent of the respondents have studied +2, 8 percent of the respondents have completed degree ,while the remaining 4.1 percent of the respondents have studied diploma and other courses.

Table No.2, Table Showing the educational qualification of the respondents

Serial No	Educational qualification	Frequency	Percent
1	Illiterate	126	15.8
2	Up to 8th std	322	40.2
3	Up to 10th std	158	19.8
4	Up to 12th std	97	12.1
5	Degree level	64	8.0
6	Diploma and others	33	4.1
	Total	800	100.0

Source: Primary data

Interpretation

From the above table it is understood that among 800 respondents, 40.2 percent of the respondents have studied up to 8th std, 19.8 percent of the respondents have studied up to 10th std, 15.8 percent of the respondents are illiterate and 12 percent of the respondents have studied +2, 8 percent of the respondents have completed degree and the remaining 4.1 percent of the respondents have studied diploma and other courses

Table No.3, Showing the age group of the respondents

Serial No	Age group	Frequency	Percent
1	Below 25 years	27	3.4
2	26-35 years	284	35.5
3	36-45 years	291	36.4
4	46 and above	198	24.8
	Total	800	100.0

Source: Primary data

Interpretation

The above table reveals that among 800 respondents, 36.4 percent of the respondents are in the age group between 36-45 years, 35.5 percent of the respondents belong to the age group between 26-35 years, 24.8 percent of the respondents are in the age of above 45 years while the remaining 3.4 percent of the respondents are in the age of below 25 years.

Table No.4, Showing the annual income of the Respondents

Serial No	Annual income	Frequency	Percent
1	Less than E.50000	58	7.2
2	E.50001-100000	251	31.4
3	E.100001-150000	308	38.5
4	Above E.150000	183	22.9
	Total	800	100.0

Source: Primary data

Interpretation

The above table depicts that among 800 respondents 38.5 percent of the respondents get an annual income between E 100001-150000, 31.4 percent of the respondents conveyed that they earn E50001-100000 as their annual income, 22.9 percent of the respondents informed that they get above E150000 as their annual income while the remaining 7.2 percent of the respondents expressed that they get less than E50000 as their annual income.

Table No.5, Showing the experience of the respondents in agriculture

Serial no	Experience in agriculture	Frequency	Percent
1	less than 5 years	126	15.8
2	5-10 years	283	35.4
3	above 10 years	391	48.9
	Total	800	100.0

Source: Primary data

Interpretation

It is inferred from the above table that among 800 respondents, 48.9 percent of the respondents have more than 10 years experience in agriculture, 35.4 percent of the respondents have 5-10 years experience in farming while the remaining 15.8 percent of the respondents conveyed that they have less than 5 years experience in agriculture.

Table no.6, Showing the satisfaction level of the respondents regarding the support provided by the commercial banks.

Serial no	Satisfaction level	Frequency	Percent
1	Highly satisfied	43	5.4
2	Satisfied	327	40.9
3	Partly satisfied	286	35.8
4	Dissatisfied	81	10.1
5	Highly dissatisfied	63	7.9
	Total	800	100.0

Source: Primary data

Interpretation

From the above table it is clearly understood that among 800 respondents, 40.9 percent of the respondents are satisfied with the support provided by the commercial bank, 35.8 percent of the respondents are partly satisfied with the support provided by the commercial bank, 10.1 percent of the respondents are dissatisfied with the support provided by the commercial bank, 7.9 percent of the respondents are highly dissatisfied with the support provided by the commercial bank, while the remaining 5.4 percent of the respondents are highly satisfied with the support provided by the commercial bank.

Table no.7,table showing the association between age of the respondents and their satisfaction regarding the interest rate charged by the commercial bank.

Serial no	Age group	Satisfaction level					Total
		Highly satisfied	Satisfied	partly Satisfied	Dissatisfied	Highly dissatisfied	
1	Below 25 years	6	12	4	3	2	27
2	26-35 years	46	83	84	50	21	284
3	36-45 years	48	116	49	47	31	291
4	46 and above	27	85	40	21	25	198
Total		127	296	177	121	79	800

Null hypothesis

There is no significant relationship between age of the respondents and their satisfaction regarding the interest rate charged by the commercial bank.

Alternative hypothesis

There is a significant relationship between age of the respondents and their satisfaction regarding the interest rate charged by the commercial bank.

Factor	Calculated value ²	Table value	DF	Remarks
Age	28.708	21.026	12	Significant

As the calculated value of chi-square(28.708) is greater than the table value(21.026) for 12 degrees of freedom at 5% level of significance, the null hypothesis is rejected and concluded that there is a significant relationship between the age of the respondents and their satisfaction regarding the interest rate charged by the commercial bank.

Findings

While we consider the educational status, 40.2 percent of the respondents have studied up to 8th standard and with regard to age factor 36.4 percent of the respondents are in the age group between 36-45 years. Further most of the respondents have three dependents in their family and 38.5 percent of the respondents get an annual income of E 100001-150000.

From the analysis it is found that most of the respondents (48.9 percent) have more than 10 years of experience in agriculture ,while analyze the sources of income of the respondents it is found that majority of the respondents (50.6 percent) generate income from agriculture only and major portion of the respondents (57.4 percent) have their own land for cultivating crops. With regard to the area of land held by the respondents, it is known from the analysis that majority of the respondents have 8-10 acres of land

Majority of the (73%) of the respondents are satisfied with the approaches of the employees of the commercial banks.Considerable proportion of the respondents (58%) informed that the commercial banks charges more rate of interest for the crop loans.

Most of the respondents (37%) are not satisfied with the subsidy scheme provided by the commercial banks for agricultural credit.

Most of the respondents (56%) are not satisfied with the procedures imposed for getting credit (loan) from commercial bank.

5.2. Suggestions

Based on the findings from the analysis of data by applying various statistical tools the following recommendations are foot forwarded by the respondents to improve the standard of living of the farmers cultivating the crops in the study area.



1. Some of the respondents are not satisfied with the interest charged by the commercial banks. Hence, the government should try to reduce the rate interest to the agricultural and if possible may try to waive the interest.
2. Few respondents informed that the bank managers ask security for sanctioning the crop loan. Therefore, the manager should consider the felt need of the farmers and sanction the crop loan without demanding the security.
3. Few of the respondents informed that compound rate of interest is charged for the agriculture credit in case of failure in making payment of the loan. The authorities concerned may consider the issues and make necessary initiatives to take policy decision in this regard.
4. Some of the respondents are dissatisfied with the loan formalities followed by the commercial banks for sanctioning the loan. Therefore, the officials concerned have to find simplified procedures for sanctioning the loan to the agricultural credit.

5.3. Conclusion

Farmers are considered as the main heart of India because of the contribution by the farming sector in the economic development of the country. Whatever may be the crop or whoever may be the person and whichever may be the area, it is necessary to all the government officials and the authorities to see the welfare of the farmers. In the study area, the farmers cultivating face various issues relating to cultivation mainly the financial crisis. The commercial banks have to sanction the loan without security. Further nominal rate of interest to the agricultural credit, supply of fertilizers with concessional rate and providing the financial assistance, inputs to the cultivation and concessional rate for example solar power system etc are the main and urgent requirement of the farmers shall be a right solution to solve the issue of farmers, in the study area. The commercial banks should extend maximum support the farming sector by sanctioning the loan after compiling the necessary formalities to bring betterment in the life of the farmers. It will be a great support to achieve the targeted economic growth by a nation.

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