

**STUDY ON COMMERCIAL BANKS IN AGRICULTURAL CREDIT – WITH
REFERENCE TO KANNIYAKUMARI DISTRICT**

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Abstract

The commercial banks provide agricultural finance to the farmers for their agriculture and related activities. The agricultural financing of commercial banks includes direct finance and indirect finance. The direct agricultural finance means the credit given to the agriculturists for their agricultural production and agricultural developmental activities. Indirect finance includes loans and advances granted to institutions, organizations, agro-based industries and other agencies which provide agricultural inputs and facilities for marketing, etc. The scale of financing and the rate of interest vary from bank to bank, nature and type of activity, nature of security, profile of borrowers and so on. The present study on the Commercial Banks in Agricultural Credit in the rural areas of Kanniyakumari district tries to analyze the perception of the loan beneficiaries. This paper also unfolds the perception of respondents towards the loans provided for different aspects of agriculture by the commercial banks. Therefore, the researcher circulated 120 samples to the agricultural loan borrowers. Percentage, five-point likert scale and chi-square tests are used for analyzing the data collected in this study.

Key words: Agricultural Credit, Borrowers, Commercial Banks, Modernization, Satisfaction, Perception.

Introduction

Agriculture plays a significant role in the economic development of India. Agriculture is the source of livelihood for over seventy percent of population in our country. To meet the requirements of the growing population and rapidly developing economy, agriculture has to grow fast and get modernized. This requires the use of high pay off inputs. Adoption of high yielding varieties requires large quantities of good fertilizers, modernized equipments, and machineries, which in turn needs huge investment. The rural agricultural sector of the economy is labour-abundant, land-poor and capital scarce. So, it would be very difficult to get the benefits of modernized agriculture without adequate and timely supply of credit to the farmers. So, the commercial banks grant agricultural finance to the farmers for their agriculture and related activities. The agricultural financing of commercial banks includes direct finance and indirect finance. The direct agricultural finance means the credit given to agriculturists for their agricultural production and agricultural developmental activities. Indirect finance includes loans and advances arranged to institutions, organizations, agro-

based industries and other agencies which provide agricultural seeds and amenities, future for marketing, etc.

Statement of the Problem

Agricultural credit plays a major role in the development of Indian economy. As the major share of the Indian economy comes from agricultural income, it is very important to take developmental measures for improving the agricultural activities as well as the agriculturists. Today, agriculture has also seen a vast change because of modernization which offers a variety of modernized equipments to ease the process of agriculture. As a result of this modernization, it is now inevitable for the farmers to follow the same modernized systems, failing which it becomes very difficult for them to get good and timely yield from agriculture. Advanced machineries and manures needs high investments and it is not as easy as traditional methods of farming as far as the farmers are considered. Therefore, the commercial banks came forward in helping the farmers by offering different loans for different purposes of agriculture. However, how far these loans has helped the farmers in reducing the financial crisis and supported them in carrying their agricultural activities is yet a question to be answered. In this background, the researcher has made an attempt to study the different loans available for agricultural activities and the satisfaction level of the loan borrowers in the commercial banks of Kanniyakumari district.

Significance of the Study

Though India is well known for its agricultural importance and about 70 per cent of the population is depending on agriculture for their livelihood, it is also a fact that clear majority of the farmers are still poor. They still belong to below poverty category of population and their well being has never improved. The accessibility of sufficient and opportune credit, as a necessary contribution to agriculture, has much significance to the borrowers. Therefore, it is necessary to study the borrowers' perception towards the different loans offered by commercial banks and about the level of satisfaction of those who availed such loans. This will help in knowing whether the role played by commercial banks is satisfactory or further improvisations are required in attaining its goal. Therefore, 120 agriculturists are selected from the district and their opinions are registered and analyzed.

Review of Literature

Seena P. C. (2015) describes the management of agricultural credit in India and the impact of various banking sector reforms on agriculture. She concluded that performance of agricultural credit in India reveals that though the overall flow of institutional credit has increased over the years, there are several gaps in the system like inadequate provision of credit to small and marginal farmers, limited deposit mobilization and heavy dependence on borrowed funds. Efforts are required to address and rectify these issues. Banking sector reforms like fixing prudential norms, reduced SLR, CRR, banking diversification all affect the Indian agricultural sector.

Suganyaa. R.V. (2017) has discussed about marginal farmers had performed well to invest in financial and physical assets, and also utilized the factors and inputs. Farmers do agriculture with getting agricultural credit, commercial bank credit and agricultural inputs to meet their various agricultural expenses. It helps the farmers to adopt with reasonable method of cultivation. This study helps to recover the performance which was found to be better, had in its turn induced the effective functioning of the Lead Bank in the study area.

Dr. R. Padma and P. Senthilkumar (2018) “A study on farmers perception towards agriculture finance in coimbatore district” This study examined the various sources of finance for agriculture activities, opinion of the farmers about receiving agriculture finance and the problems faced in settling the agricultural credits. Majority of the farmers (30%) received finance from Cooperative Societies for agriculture activities. Most of the farmer’s problems faced in receiving agricultural finance for low level of awareness about the banking Schemes.

Objectives

The present study has the following objectives, they are listed here.

- To study the socio-economic background of the respondents
- To know the perception of agricultural loan borrowers of commercial banks regarding the loan
- To know the satisfaction level of respondents regarding the loan availed.

Research Design

The present study is of Descriptive in nature. Sample size selected for the study was 120 agriculture loan borrowers, 30 respondents from 4 taluks of Kanniyakumari District in Tamil Nadu. Convenience sampling technique was adopted in the selection of the respondents. A structured interview schedule was used for collecting the primary data.

Hypothesis of the Study

In the present study the researchers framed two hypotheses. In this regard, the following null hypotheses are framed:

H1 = There is no association between level of satisfaction and amount of loan.

H2 = There is no association between perception of loan and level of satisfaction.

Limitations of the Study

The research is centered on Kanniyakumari district and therefore, the results cannot be comprehensive to the entire universe. Only 120 respondents are selected for the study to represent the entire district. More number of respondents may give more accurate results.

RESULTS AND DISCUSSIONS

In this section, the data collected through a structured interview schedule are analyzed and the results are enumerated.

Table 1: Demographic Variables of the Respondents

VARIABLES		No of Respondents	Percentage
Age	Up to 30	8	6.67
	31 - 40	16	13.33
	41 - 50	34	28.33
	50 & Above	62	51.67
	Total	120	100
Gender	Male	93	77.5
	Female	27	22.5
	Total	120	100
Family Size	Up to 4 Members	9	7.5
	5 Members	10	8.34
	6 Members	43	35.83
	More than 6 Members	58	48.33
	Total	120	100
Ownership of Agricultural Land	Own Land	55	46
	Leased Land	65	54
	Total	120	100
Land Size	Less than 3 acres	22	18
	3 to 6 acres	25	21
	6 to 9 acres	43	36
	More than 9 acres	40	33
	Total	120	100
Income (per month)	Below Rs. 10000	72	60
	Rs. 10001-20000	32	26.67
	Rs. 20001-30000	11	9.17
	Rs. 30001-40000	4	3.33
	Above Rs. 40000	1	0.83
	Total	120	100

Source: Primary Data.

Table 1 shows the socio-economic profile of the respondents. It is seen that majority of the respondents are of the age group 50 and above constituting a total of 38.5 per cent and only 13 per cent of the respondents are below 30 years of age. This data reveals that majority of the people who are involved in agricultural activities and have taken loan are elderly ones and only least number of youngsters are agriculturists and had availed loan. 28 per cent of the respondents fall under the age group of 41 to 50 occupying the second highest percentage.

Similarly, 71 per cent of the respondents are male forming a clear majority and 46.25 per cent of the respondents earn a monthly income of less than Rs.10000. 28.75 per cent respondents are earning monthly income between Rs.10001 to Rs.20000. only 2.25 per cent of the respondents are earning above Rs.40000 monthly.

Table 2: Types of Agricultural Loan

Types of Loan	No. of Respondents	Per cent
Crop Loan	55	45.83
Agriculture Term Loan	21	17.5
Farm Mechanization Loan	8	6.67
Agricultural Gold Loan	17	14.17
Horticulture Loan	4	3.33
Forestry Loan	3	2.5
Loan for Miscellaneous Activities	12	10
Total	120	100

Source: Primary Data.

Table 2 shows the different types of agricultural loan availed by the respondents. Majority of the respondents (45.83 per cent) has availed crop loan, 17.5 per cent has availed agriculture term loan, 14.17 per cent has availed agriculture gold loan and the least availed is forestry loan constituting only 2.5 per cent.

Table 3: Source of Knowledge

Source of Knowledge	No. of Respondents	Percentage
Friends / Relatives	52	43.33
Newspaper/Radio	21	17.5
Bank Employees	47	39.17
Total	120	100

Source: Primary Data.

Table 3 shows that out of 120 respondents, 52 respondents got information about loan from friends and relatives, 21 respondents got information from newspaper and radio and 47 respondents directly inquired at the bank regarding the loan.

Table 4: Amount of Loan

Amount (in Rs.)	No of Respondents	Percentage
Less than 20000	45	37.5
20001 to 30000	55	45.83
30001 to 40000	10	8.33
40001 to 50000	7	5.84
More than 50000	3	2.5
Total	120	100

Source: Primary Data.

It is studied from Table 5 that 45.83 per cent of the respondents have availed a loan amount of Rs.20001 to Rs.30001 and 37.5 per cent respondents have availed less than Rs.20000. Only 2.5 per cent respondents have taken a loan amount of more than Rs.50000.

Table 5: Type of Security Submitted

Type of Security	No. of Respondents	Percentage
Personal Security	61	50.83
Hypothecation of Goods	27	22.5
Deposit of Title Deed	12	10
Third Party Guarantee	20	16.67
Total	120	100

Source: Primary data.

Table 5 reveals the fact that majority (50.83 per cent) of the respondents has taken loan on personal security, 22.5 per cent have availed through hypothecation of goods, 16.67 per cent have availed with third party guarantee and 10 per cent have availed through the deposit of title deed.

Table 6: Perception towards Loan

Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	TOTAL	Mean	Rank
Reduces financial crisis	230	108	30	46	14	428	3.56	II
	46	27	10	23	14			
Timely help	145	84	45	70	20	364	3.03	V
	29	21	15	35	20			
Rescues from high interest rates of money lenders	350	168	9	10	Nil	537	4.47	I
	70	42	3	5	Nil			
Ease in repaying the debt	195	140	15	42	20	412	3.43	III
	39	35	5	21	20			
Free from tension	115	84	105	40	21	365	3.04	IV
	23	21	35	20	21			
Helps in maintaining social status	135	68	63	62	24	352	2.93	VI
	27	17	21	31	24			

Source: Primary Data

Table 6 shows the perception of the respondents towards the loan offered by commercial banks. For this purpose, the researcher introduced six variables, among which the variable “Rescues from high interest rates of money lenders” is ranked first, “Reduces financial crisis” is ranked second and “Helps in maintaining social status” is given the last rank.

Table 7: Satisfaction Level of Respondents

Variables	Highly Satisfied	Satisfied	Neutral	Dis satisfied	Highly Dissatisfied	Total	Mean	Rank
Interest Rate	60	100	63	58	33	314	2.61	V
	12	25	21	29	33			
Amount Sanctioned	325	120	30	20	5	500	4.16	I
	65	30	10	10	5			
Application Process	160	136	36	56	14	402	3.35	II
	32	34	12	28	14			
Duration for granting loan	100	68	78	70	24	340	2.83	IV
	20	17	26	35	24			
Repayment Installments	120	92	48	84	15	359	2.99	III
	24	23	16	42	15			

Source: Primary Data.

As seen in the table above, when the satisfaction level of the respondents were asked for, the amount sanctioned has got the highest ranking followed by the process of application. The “Interest rate” has scored the last rank, preceded by the “Duration for granting loan”.

Association between levels of satisfaction, the amount of loan sanctioned and the perception towards loan.

The non-parametric chi-square test is applied to find the association between level of satisfaction and amount of loan and Perception towards Loan.

Table 8: Level of satisfaction and amount of loan sanctioned

Results of chi-square test are as follows

	Calculated value	Df	Table Value	Result
Chi-Square test	20.89	16	26.29	Rejected

Above table indicate that the ‘calculated value’ is less than ‘table value’. Therefore, the test is rejected.

Table 9: Level of satisfaction and Perception towards Loan

Results of chi-square test are as follows

	Calculated value	Df	Table Value	Result
Chi-Square test	32.31	16	26.29	Accepted

Above table indicate that the ‘table value’ is less than ‘calculated value’. Therefore, the test is accepted.

Findings of the study

The present found the following findings from the data analysis and interpretation .they are listed below:

- Majority of the respondents are of the age group 50 and above constituting a total of 38.5 per cent and only 13 per cent of the respondents are below 30 years of age. This data reveals that majority of the people who are involved in agricultural activities and have taken loan are elderly ones and only least number of youngsters are agriculturists and had availed loan. 28 per cent of the respondents fall under the age group of 41 to 50 occupying the second highest percentage.
- Similarly, 71 per cent of the respondents are male forming a clear majority and 46.25 per cent of the respondents earn a monthly income of less than Rs.10000. 28.75 per cent respondents are earning monthly income between Rs.10001 to Rs.20000. only 2.25 per cent of the respondents are earning above Rs.40000 monthly
- Majority of the respondents (45.83 per cent) has availed crop loan, 17.5 per cent has availed agriculture term loan, 14.17 per cent has availed agriculture gold loan and the least availed is forestry loan constituting only 2.5 per cent.
- Out of 120 respondents, Only 2.5 per cent respondents have taken a loan amount of more than Rs.50000.
- majority (50.83 per cent) of the respondents has taken loan on personal security
- Perception towards Loan analysis found that, “Rescues from high interest rates of money lenders” is ranked first.

Suggestions

- The banks should liberalise the securities to be submitted for applying loan as it restricts the agriculturalists from availing loans. This is mainly because a good percentage of the agriculturalists depend on leased lands for their cultivation and other related activities. They find it very difficult to present any kind of securities that is to be hypothecated at the time of borrowing. Therefore, liberalised procedures in this case would be of high advantage to those who avail loan.
- The rate of interest can also be minimised because though agriculture forms the backbone of the nation, majority of the people involved in agricultural activities are still facing hardships and their socioeconomic well-being is not at all improved. Therefore, they continue to struggle to repay the loan with interest.
- Banks must take due care in the duration involved in making the fund available to the agriculturalists because the latter often feels that the loan amount is not reaching their hands at times of need because of the lengthy processes involved in sanctioning the loan.
- The banks should educate the farmers and get them into the habit of regular repayment.

Conclusion

Though it is said that India's backbone is agriculture, the agriculture in India is yet to reach its milestone. The agriculturalists of the country are still poor and their families face hardships in running their lives. Most of them are illiterates and they are totally unaware of even the benefits available to them for being an agriculturalist in the country. This is because the banks are not taking measures in educating the farmers regarding the benefits offered by the banks. The banks should come forward in informing the farmers about the available schemes that may be of some benefit to them in doing agriculture. Thus, farmers will approach the banks for their financial requirements instead of depending on other private financial sources. Only then the purpose of introducing agricultural credit by the commercial banks would be achieved. Moreover, the perception of people towards bank loans must score positive influence in order to wipe out their hesitation in approaching banks for loan. Thus, the significance of agricultural credit provided by the commercial banks will gain its full importance when the public is educated more about the schemes offered by the banks for their welfare.

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