

## **A STUDY ON AGRICULTURAL FINANCE BY COMMERCIAL BANKS IN KANYAKUMARI DISTRICT**

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### **Abstract**

Agriculture is the backbone of Indian economy. The prosperity of the country depends upon the agriculture sector. It plays a strategic role in the economic life of the Indian society. In the Indian economy agriculture contributes one - third of the national income. Agricultural finance generally means studying, examining and analyzing the financial aspects pertaining to farming activities. The financial aspects include money matters related to agricultural production and their disposal. When we speak of the financial aspects in agriculture, it relates with the issues that are concerned with capital requirement for agriculture, mobilization and utilization of funds. This paper intends to how the Agricultural Finance are Via Commercial Banks. The study has been made by conducting a survey in Kanyakumari District. For that, the researcher collected 90 samples from the respondents and percentage, Garret ranking method and t- test used for this study.

**Key words:** Agriculture, Growth, Economic Position, Environment, Finance. Institutional Agencies and Non - Institutional Agencies

### **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 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 modernization of agriculture without adequate and timely supply of credit to the farmers. Credit is one of the critical inputs for agricultural development. It capitalizes farmers to undertake new investments and / or adopt new technologies. The importance of agricultural credit is further reinforced by the unique role of Indian agriculture in the macro economic framework along with its significant role in poverty alleviation. Realizing the importance of agricultural credit in fostering agricultural growth and development, the emphasis on the institutional frame work for agricultural credit is being emphasized since the beginning of planned development era in India. The various sources of agricultural credit can be classified in two groups ie., Institutional Agencies and Non - Institutional Agencies. Institutional agencies include cooperatives societies, commercial banks regional rural banks and NABARD. Non - institutional agencies include the local village money lender and their agents and land lords.

### **Significance of the Study**

The agriculture credit is a plays very central function in the growth of agriculture and the countryside economy. The accessibility of sufficient and opportune credit, as a necessary contribution to agriculture, has much significance to the borrowers. The accessibility, costs, consumption and return from the investment hold great implication from an economic position. In India the credit disbursements to agriculture are through by the agencies. The agencies include moneylenders, commission agent's traders; institutions include the Cooperatives, Commercial Banks and Regional Rural Banks. Even though the

official agencies develop their lending to agriculture various, the supplies of the farmers are not fully met. The commercial banks doubled the quantum of lending to the agriculture for the duration of last few years; quiet the ration, particularly of the little and insignificant farmers. The institutional lending to agriculture has a number of bottlenecks, which include in the direction faced together with the borrowers and lenders. In this environment, the present study to estimate the views of the borrowers involving to ease of understanding, cost, and impact of credit and refund of loan. The perceptions of the bank officials and the problems coupled with agriculture lending are also taken into consideration.

### **Scope of the Study**

The present study is an empirical state study to know the developments created by the SBI credits in the selected area. It serves as a benchmark study because the case farms are selected to be representative of the entire group. The models used are synthetic models which incorporate important features seen in other farms but not necessarily seen in the selected farms. Thus, the set of decision variables may be larger than the set of activities seen in the selected groups alone. Similarly, the values of the parameters are simple averages of the selected firms. Hence, the solutions of the model yield results that can be generalized. The model with fuzzy has made better estimations on the parameters considered.

### **Banks in Agricultural Development**

Credit is one of the critical inputs for agricultural development. It capitalizes farmers to undertake new investments and / or adopt new technologies. The importance of agricultural credit is further reinforced by the unique role of Indian agriculture in the macro economic framework along with its significant role in poverty alleviation. Realizing the importance of agricultural credit in fostering agricultural growth and development, the emphasis on the institutional frame work for agricultural credit is being emphasized since the beginning of planned development era in India. A large number of formal institutional agencies like co -operatives, Regional Rural Banks (RRBS). Scheduled Commercial Banks (SCBs), Non - Banking Financial Institutions (NBFIs) and Self - Help Groups (SHGs) etc, are involved in meeting the short and long - term needs of the farmers. Several initiatives have been taken to strengthen the institutional mechanism of rural credit system. The main objective of these initiatives was to improve farmer's access to institutional credit.<sup>8</sup> The major milestones in improvement of the rural credit are acceptance of Rural credit survey committee Report (1954) nationalization of major commercial banks (1969 - 1980), establishment of RRBs (1975) establishment of National Bank for Agriculture and Rural Development (NABARD) (1982) and the financial sector reforms (1991 onwards) special Agricultural credit plan (1994 -95) launching of Kisan Credit Cards (KCCs) (1998 -99), Doubling Agricultural credit plan within three years (2004), and Agricultural Debt waiver and Debt Relief scheme (2008).

### **Objectives of the study**

- ❖ To study the Purpose of loan amount sanctioned by the Commercial Banks in sample respondents.
- ❖ To study the Reasons for getting loans from the Commercial Banks.
- ❖ To know the Level of Satisfaction.
- ❖ To Analysis the Gender and Level of Satisfaction.

### **Research Design**

This research is based on primary data which were collected from agricultural lending and recovery by commercial banks through questionnaire. Sample size selected for the study was 90 respondents in Kanyakumari District of Tamil Nadu State. Convenience sampling technique was adopted in the selection of the respondents. The data collected from both the sources is scrutinized, edited and tabulated. The data were analyzed using statistical tools. The t-test and Garret ranking method tools were applied. Secondary data is also utilized, which were collected from published source like books, journals, magazines, annual report.

### **Limitations of the Study**

- ❖ Constraints of time and resources were inevitable.
- ❖ Area of study was restricted to Kanyakumari District.

❖ The research work is based on the primary data which are collected from the selected respondents. Therefore, the findings are not to be generalised.

## RESULTS AND DISCUSSIONS

**Table 1: Demographic Variables of the Respondents**

Variables		No of Respondents	Percentage
Age	Upto 25	11	12
	26-35	27	30
	36-45	21	23
	45-55	16	18
	Above 55	15	17
	<b>Total</b>	<b>90</b>	<b>100</b>
Sex	Male	51	<b>57</b>
	Female	39	<b>43</b>
	<b>Total</b>	<b>90</b>	<b>100</b>
Educational Qualification	Upto SSLC	19	21
	HSC	19	21
	Graduation	32	36
	Post-Graduation	24	27
	Others	15	17
	<b>Total</b>	<b>90</b>	<b>100</b>
Income Per Month	Less than 10000	13	14
	10001-20000	16	18
	20001-30000	32	36
	30001-40000	17	19
	Above 40000	12	13
	<b>Total</b>	<b>90</b>	<b>100</b>

### Primary data

Table No.1 shows demographics wise distribution of the respondents. It reveals that male respondents are higher than female respondents. Majority of respondents were in the age group of 26-35 and most of the respondents were Graduate. 20001-30000 respondents were high as compared to other Income Per Month for respondents.

**Table 2: Size of land holding**

Land ( in Acres)	No of Respondents	Percentage
1– 5	17	19
6 – 10	21	23
11-15	27	30
Above 15	25	28
<b>Total</b>	<b>90</b>	<b>100</b>

**Sources:** Primary Data

The above table shows that the land holding pattern of the sample respondents. Most of the sample respondents have 11-15 acres of land, followed by Above 15 acres of land are hold by 25 respondents, 6-10 acres are hold by 21 respondents, and 1– 5 acre of the land belong to 17 respondents.

**Table 3: Loan amount sanctioned by the commercial banks**

Loan amount (in Rs)	No of Respondents	Percentage
10000 – 25000	16	18
25001 – 50000	2	2
50001 – 100000	11	12
100001–200000	18	20
200001-400000	24	27
Above 400000	19	21
<b>Total</b>	<b>90</b>	<b>100</b>

**Sources:** Primary Data

The above table shows the loan amount sanctioned and released by the commercial banks to the sample respondents. The high level of loan amount sanctioned by the commercial banks is Above 400000 to the sample respondents; low level of loan amount of Rs.10000 - 25000 is reported by 16 respondents.

**Table 4: Type of loan availed by the sample respondents**

Type of business	No of Respondents	Percentage
Short - term loan	14	16
Medium - term loan	53	59
Long –term loan	23	26
<b>Total</b>	<b>90</b>	<b>100</b>

**Sources:** Primary Data

The above table shows the classification of the sample respondents according to the types of loan. 14 sample respondents have availed short term loan and medium-term loan availed by 53 sample respondents. Long-term loan was 23 sample respondents. It is clearly observed that the majority of respondents' availed Medium-term loans due to the fact that a large number of farmers are small.

**Table 5: Purpose of loan amount sanctioned by the Commercial Banks in sample respondents**

Loan Purpose	No of Respondents	Percentage
Purchase of fertilizer	41	46
Purchase of manure	8	9
Purchase of seeds	17	19
Purchase of cattle	3	3
Purchase of Machinery	21	23

<b>Total</b>	<b>90</b>	<b>100</b>
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**Sources:** Primary Data

The above table shows that the purpose for which the loan amount was sanctioned by commercial banks to the sample respondents. Most of the respondents got the loan for the purpose of Purchase of fertilizer.

**Table 6: Reasons for getting loans from the Commercial Banks**

Reasons	No of Respondents	Percentage
Low Interest Rate	21	23
Easy Terms of Repayment	15	17
Near to Residence	17	19
To avail consultancy and quick service	2	2
To Avoid Unnecessary Risk	22	24
To Enjoy Subsidy	13	14
<b>Total</b>	<b>90</b>	<b>100</b>

**Sources:** Primary Data

The above table shows the reasons for getting loans from the commercial banks. It is found from the study that the majority of the respondents 22 respondents, expressed that low Avoid Unnecessary Risk. Low Interest Rate was reported by 21 respondents. Near to residence reported 17 respondents; Easy Terms of Repayment is reported by 15 respondents. In the study area the majority of the sample respondents have answered favorably to the commercial banks.

**Table 7: Reasons for default repayment of the loan in the sample respondents**

Particulars	Score	Rank
Marketing problem	<b>60.33</b>	<b>I</b>
Delay in Sanctioning the loan	<b>59.33</b>	<b>II</b>
Loss due agricultural operation	<b>59.17</b>	<b>III</b>
Natural calamities like drought/floods	<b>57.50</b>	<b>IV</b>
Low yield per acre	<b>54.02</b>	<b>V</b>
Any heavy interest rate	<b>51.33</b>	<b>VI</b>
Inadequate level of irrigation facilities	<b>49.71</b>	<b>VII</b>
Inadequate level of loan amount	<b>49.92</b>	<b>VIII</b>
Miss Utilization of loan	<b>49.57</b>	<b>IX</b>
Transport facilities	<b>44.32</b>	<b>X</b>

**Sources:** Computed Data

The above table shows that Reasons for default repayment of the loan in the sample respondents. Most of the respondents said that the Marketing problem as a first problem. Other factors like Delay in Sanctioning the loan, Loss due agricultural operation, Natural calamities like drought/floods, Low yield per acre, Any heavy interest rate, Inadequate level of irrigation facilities, Inadequate level of loan amount, Miss Utilization of loan and Transport facilities were the following rank.

**Table 8: Level of Satisfaction**

NUMBER OF RESPONDENTS												
Statement	Highly Satisfied		Satisfied		Neutral		Dis Satisfied		Highly Dis Satisfied		Total R	Total %
	R	%	R	%	R	%	R	%	R	%		
<b>Male</b>	12	13	24	27	7	8	6	7	2	2	51	57
<b>Female</b>	9	10	13	14	8	9	5	6	4	4	39	43
<b>Total</b>	<b>21</b>	<b>23</b>	<b>37</b>	<b>41</b>	<b>15</b>	<b>17</b>	<b>11</b>	<b>12</b>	<b>6</b>	<b>7</b>	<b>90</b>	<b>100</b>

**Sources:** Computed Data

From the above table it can be observed that 23 percentage of the respondents were Highly Satisfied, 41 percentage of the respondents were Satisfied, 17 percentage of the respondents were Neutral, 12 percentage of the respondents were Dis-Satisfied and 7 percentage of the respondents were Highly Dis-Satisfied.

**ASSOCIATION BETWEEN SOCIO-ECONOMIC CHARACTERISTIC OF GENDER AND LEVEL OF SATISFACTION**

The t- test is applied to find the Comparison of Gender and Level of Satisfaction.

**Table 9: Calculation of t-test**

Factors	Variables	df	Table Value	Calculated Value	Result
Gender and Level of Satisfaction	Male	178	1.645	-0.1741	Accepted
	Female				

**Sources:** Computed Data

The above table represents the independent sample t-test. It is clear from the table that the Comparison of Gender and Level of Satisfaction has its calculated value is less than the table value. There is no significance different between namely Comparison of Gender and Level of Satisfaction of the respondents. Hence the null hypothesis is accepted.

**Findings**

- ❖ Male respondents are higher than female respondents.
- ❖ Majority of respondents were in the age group of 26-35.
- ❖ Most of the respondents were Graduate.
- ❖ 20001-30000 respondents were high as compared to other Income Per Month for respondents.
- ❖ Most of the sample respondents have 11-15 acres of land.
- ❖ The high level of loan amount sanctioned by the commercial banks is Above 400000 to the sample respondents.
- ❖ 14 sample respondents have availed short term loan.
- ❖ Medium-term loan availed by 53 sample respondents.
- ❖ Long-term loan was 23 sample respondents.
- ❖ Most of the respondents got the loan for the purpose of Purchase of fertilizer.
- ❖ Most of the respondents said that the Marketing problem as a first problem.
- ❖ 23 percentage of the respondents were Highly Satisfied.
- ❖ 41 percentage of the respondents were Satisfied.
- ❖ 17 percentage of the respondents were Neutral.
- ❖ 12percentage of the respondents were Dis- Satisfied.
- ❖ 7percentage of the respondents were Highly Dis- Satisfied.

**Suggestions of the Study**

- ❖ Commercial banks should sanction adequate amount of credit and make them able to generate income sufficient for their subsistence and the repayment of loan installments to the small and marginal farmers.
- ❖ To solve the problem of overdues, the procedure to get the bank loan should be simplified so as to help the farmer to pay back the bank loan in easy installments.
- ❖ Insurance coverage should be extended to all the activities for which the finance is provided by the Bank branch Crop Insurance scheme is a must to protect the interests of the farmers in case of crop failure. This would help the farmers to make adequate investments on loan.

- ❖ Awareness programs may be arranged frequently by the bank itself on the handling the finance properly.

### Conclusion

Commercial banks play a vital role in providing agriculture credit and account for the largest share of almost 48 percent in the total institutional credit to agriculture. From the analysis we find that commercial banks can play a vital role in improving the agriculture sector through providing timely credit. Over the years the branches of the commercial banks has reached many remote areas and solved the credit issues of the farmers. This can be further extended to areas where there is no reach of the banks through branch expansion. It is also found that in the case of Kanyakumari District there is an increase in the agricultural credit over the years. Commercial banks, therefore should focus on providing timely credit to the farmers especially in the case of small and marginal farmers. It was also found that despite the growing role of the institutional credit, the share of moneylenders is still very high. The reason behind this could be that the banks involve a lot of paperwork and procedures which the farmer find very complex and finally resort to the money lenders, which, in turn, force the farmers to take loans at a high rate of interest, further increasing the indebtedness of the farmers. The banks should follow simple procedures and less paperwork to grant agriculture loans. Finally, the farmers should be made Satisfied of the credit policy of the banks and this can be done through awareness programmes by the banks.

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