A Study on Reasons for Overdue of Agricultural Finance in Thanjavur District

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Abstract- Agriculture is the back-bone of Indian economy, it offers direct employment 2/3rd of our population and it is a provider of food, clothing, fodder and other basic necessities of life for the entire population. The role of agricultural finance in the agricultural development of a country cannot be compromised. The basic reason for the decline in the contributions of agriculture to the economy is lack of a formal National Credit Policy and paucity of credit institutions, which can assist farmers. Financing to agriculture is viewed as more inevitable and important than just another resource such as land, equipment and raw materials. The performances of loan contracts determine the profitability and stability of financial institutions, and screening the loan applications is a key process in minimizing credit risk. The noteworthiness of agricultural finance varies widely from country to country. In the less developed countries, agricultural credit is closely related to providing necessary resources which farmers cannot source from their own available capital. In this case, promotion of agricultural development through the provision of agricultural credit has become one of the most important government activities. However, in the developed countries, it is a basic tool of production which provides farmer with capital to acquire resources in time, with advantageous amount in an efficient manner.

II. STATEMENT OF THE PROBLEM

Farmers actively participate in crop cultivation at the age of 20 to 30 years. On an, throughout the country, farmers have committed suicide at the age of 50 to 60. The reasons are of credit, sub standard inputs and non-availability of extension services. There is accumulated debt on the bank loans and private loans. Farmers command no respect in the society and are looked down upon, they have no guaranteed income or sufficient income, and have no full-time work. There is unemployment, under-employment, and most of the time owing to famine, drought, floods and other natural calamities they have to migrate.

I. INTRODUCTION

Agriculture is the back-bone of Indian economy, it offers direct employment 2/3rd of our population and it is a provider of food, clothing, fodder and other basic necessities of life for the entire population. The role of agricultural finance in the agricultural development of a country cannot be compromised. The basic reason for the decline in the contributions of agriculture to the economy is lack of a formal National Credit Policy and paucity of credit institutions, which can assist farmers. Financing to agriculture is viewed as more inevitable and important than just another resource such as land, equipment and raw materials. The performances of loan contracts determine the profitability and stability of financial institutions, and screening the loan applications is a key process in minimizing credit risk.
Objectives of the Study

1. To identify the reasons for overdue of agricultural finance in Thanjavur district.
2. To analyse the reasons for overdue of agricultural finance.

IV. METHODOLOGY

Research Design:

Research design is the basic framework which provides guidelines for the rest of research process. It is a map or blueprint according to which the research is to be conducted. The research design specifies the methods for data collection and data analysis. Descriptive study involves formulating the objectives of the study, defining the population and selecting, designing the methods of data collection, and analysis of the data and results, hence it was used for the study. Descriptive type of research includes surveys and fact finding enquiries of different kinds. As the researcher has no control over the variables research cannot be replicated.

Sources of Data

The data required for the study have been collected from both the primary and secondary sources. The primary data have been collected directly from Farmers by using questionnaire. The data have been collected from the published, books, magazines and websites.

Sample Size

The data have been collected from 1000 farmers

Period of the Study

The study covers a period of two years from 2016 to 2018.

Area of the Study

Villages in Thanjavur was selected for the study

Sampling Design

Stratified random sampling have been adopted for selecting samples of the respondents.

Hypothesis

There is no significant difference between mean ranks towards the reason for overdue of agricultural finance.

Limitations of the Study

The present study is subject to some limitations, which caused the obstacle to researcher in pursuing this study they are:

1. It is restricted to Thanjavur district only
2. Some of the Farmers were not ready to respond believing that the data might be used for some other purposes.
3. Due to lack of time, The study covers a period of two years from 2016 to 2018
4. Only 1000 farmers are taken for the study.

V. REVIEW OF LITRATURE

Hardeep Kaur (2015), the researcher has to examine the performance and structure of cooperative banks in the state of Haryana. The study is based on the secondary data. The paper covers the period from 2002-03 to 2009 – 10. Ratio analysis is also done to figure out some more facts about the co-operative banks. As statistical weapons average, percentage and coefficient of variance have been applied. The co-operative banks suffered losses during the study period.

Seena P. C. (2015) the researcher 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 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.

Siddharth Mishra (2014), the researcher studies that trend of agricultural finance by commercial banks: A case study of Union Bank of India, Bank of Baroda and State Bank of India. This study is based on secondary data. The researcher evaluate that the performance of UBI has not been satisfactory as the agricultural advances. The advances given by BOB and SBI had increased, during the study period.

R. Govindasamy (2013), the researcher found that financial Institutions as effective channels of Credit for farm sector, non- farm sector and other priority sector credit institutions have played a significant role in the development of rural and urban in Tamil Nadu. The credit agencies for Tamil Nadu are the aggregation of the exploitable credit potential for all the districts in the State for the years 2007-08 to 2010-11. The amount of credit non-farm sector was increased in over the period in all financial Institutions.

G.C. Pande and S. Priyakumar (2013) in their study found that agricultural sector in India is facing several critical challenges like increasing pressures on land, diminishing soil fertility, water scarcity and adverse environmental conditions etc. They suggest these critical issues can largely be countered by use of emerging technologies having high growth potential. The study also suggest that financing to contract farming by banks is a boon to farmers who can access institutional credit easily for crop production arranged by the companies.

Raman (2013) Analysed the performance of the commercial bank in priority sector lending during the period 2000 – 2001 to 2009 – 2010, by using the tools like percentage method, growth rate and averages. It was
observed that the performance of the commercial bank with respect to priority sector advances has increased. Further, the NPAs created through the priority sector advances for the period 2005 – 06 to 2009 – 10 were also examined. It was observed that, the level of non – performing assets was more in case of priority sector advances than for non-priority sector.

Najmi (2013) observed during the period 2000 to 2010, the share of agriculture credit in net bank credit has increased which shows that banks are now more willing to lend credit to agriculture. Further, as compared to scheduled commercial banks as a whole, the share of public sector banks in credit to small scale industries has been higher. The growth rate of lending to small scale industries continuously increased during the period 2004 to 2007. This is due to several favorable policy initiatives undertaken by the central government and the Reserve Bank of India.

Gowhar Bashir Ahangar and Ashaq Hussain Gaine (2013) in their study assess the quantum of loans disbursed and outstanding by institutional agencies and to examine the progress of scheduled commercial banks in supplying agricultural credit in India. The study observed that the credit provided by various institutional sources has increased its advances. But an effort has to be taken by the banks to reduce its loans outstanding, so that the recovered institutional credit should be pumped into agricultural sector further for its growth.

Vighneswara Swamy (2013), Study has established that private banks and foreign banks have Advantages In terms of their efficiencies in better credit management in containing the NPAs, which indicates that bank privatization can lead to better management of default risk. These findings infer that better credit risk management practices need to be taken for bank lending. Adequate attention should be paid to those banks low operating efficiency and low capitalisation as also to macroeconomic cycles that appear to be playing some role in NPA management. The state owned banks need to be toned up with adequate measures to sharpen their NPA management practices. These findings assume crucial importance in view of the significance. It is summarised that Private Banks (both Old and New) and Foreign Banks appear to manage their NPAs efficiently.

**Agricultural Loan**

Agricultural loans are available for a multitude of farming purposes. Farmers may apply for loans to buy inputs for the cultivation of food grain crops as well as for horticulture, aquaculture, animal husbandry, floriculture and sericulture businesses. There are also special loans to finance the purchase of agriculture machinery such as tractors, harvesters and truck, construction of biogas plants and irrigation systems as well as the purchase of agricultural equipment. These can also be financed through special types of agricultural finance. Here is some information about the kind of agricultural credit and loans provided by public sector banks in India.

**State Bank of India**

State Bank of India presents a wide range of financing schemes for agriculturalists. These schemes include crop loans, produce Marketing Loan Scheme, Laon Against Warehouse Receipts, Kisan Credit Card Scheme, agricultural term loans, Land Development Scheme, Minor Irrigation Scheme, Farm Mechanisation Scheme, Financing of Combine Harvesters, Kisan Gold Card Scheme, Land Purchase Scheme, Krishi Plus Scheme, Arthias Plus Scheme, Dairy Plus Scheme, Briolers plus Scheme, Finance to Horticulture, Lead Bank Scheme and Agri Business Heads Schemes. The Bank also Provides Micro Finance through Self Help Scheme. The Bank also provides Micro Finance through Self Help Groups and loans through 30 regional rural banks.

**ICICI Bank**

ICICI Bank has a Kisan Credit Card Scheme that helps farmers raise short-term funds for agriculture and other farm-based activities, on an on-going basis, with very flexible and friendly repayment terms. It also offers an agricultural loan for development of agriculture-related industries, purchases of machinery and other agricultural purposes.

**Canara Bank**

Provides Kisan Credit cards. Limits up to 50000 have no margins while those above 50000 have a margin of 15 to 20 percent. Other than this, Canara Bank provides a wide array of financial schemes for different agricultural purposes.

**Indian Bank**

Has a wide range of schemes for agriculturalists such as Swarojgar Credit Card, Gramin Mahila Sowbhagya Scheme, Kisan Bike Lona Scheme, Yuva Kisan Vidya Nidhi Jojana and Indain Bank Kisan Card Scheme.

**TABLE NO.1: REASONS FOR OVERDUE OF AGRICULTURAL FINANCE**

<table>
<thead>
<tr>
<th>Reasons for overdue of agricultural finance</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delayed rain</td>
<td>19.6</td>
<td>26.6</td>
<td>27.8</td>
<td>13.6</td>
<td>12.4</td>
</tr>
<tr>
<td>Insufficient rain</td>
<td>17.9</td>
<td>33.4</td>
<td>24.2</td>
<td>16.7</td>
<td>7.8</td>
</tr>
<tr>
<td>Flood and drought</td>
<td>19.7</td>
<td>28.9</td>
<td>24.3</td>
<td>14.1</td>
<td>13.1</td>
</tr>
<tr>
<td>Pest attack</td>
<td>15.7</td>
<td>29.4</td>
<td>23.4</td>
<td>16.1</td>
<td>15.5</td>
</tr>
<tr>
<td>Marketing Facilities</td>
<td>22.9</td>
<td>29</td>
<td>23.3</td>
<td>11.7</td>
<td>13.1</td>
</tr>
</tbody>
</table>

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Table No. 1 illustrates the opinion of the farmers regarding the problem faced for overdue of Agricultural finance. Among the above variables high cost of non – institutional lending (24.3%), Marketing facilities (22.9%), community pressure (22%) , unforeseen family expenses (21.6%) , Flood and drought (19.7%), Crop failure & delayed rain (19.6%) . Were emphasized as the problems faced for overdue of agricultural finance . Among the above mentioned problems High cost of non – institutional lending leads with 24.3%.

The above table describes the mean and standard deviation of the reasons for overdue of agricultural finance .Mean score of price fixation of the crops (2.9590) tops the list followed by hope on loan waiving scheme (2.9210) pest attack (2.8620) respectively followed by unforeseen family expenses (2.819) delayed rain (2.7260), flood and drought (2.7190) etc. among the reasons difficulties in price fixation of the crops was considered as the basic reasons for overdue of agricultural finance.

**Null Hypothesis**: There is no significant difference between mean ranks towards the reason for overdue of agricultural finance.

**Alternative Hypothesis**: There is a significant difference between mean ranks towards the reason for overdue of agricultural finance.

Table No. 3 shows the result of Friedman test for significant difference between mean ranks towards the reason for overdue of agricultural finance among the variables mean bank of hope on loan waiving scheme(8.84) was high followed by price fixation of the crops (8.62) pest attack (8.35) unforeseen family members (8.31) delayed rain(8.06) flood and drought (8.02) chi square value of the reason were 120.152& highly significant at 5 % level.

From the above table, it is found out that all the variables related to the reason faced for overdue of agricultural finance had significance value less than 0.05 at 1 Per cent significance, thus the null hypothesis is rejected. Thus, it is concluded that there is significant difference between mean ranks towards the reasons faced for overdue of agricultural finance. Out of the fifteen reasons faced for overdue of agricultural finance variables, the “Hope on loan waiving scheme” has the highest rank (8.84).So, which the reason for overdue of agricultural finance is influenced by hope on loan waiving scheme.

**Findings**

1. High cost of non – institutional lending was then major reason for overdue of agricultural finance
2. Crop failure, insufficient rain and unforeseen family expenses also lead to overdue.
3. Difficulty in Price fixation of the crops was the basic reason for overdue of agricultural finance in Thanjavur District.
4. The mean rank of Hope on loan waiving scheme was high when compared with other reasons.
5. Lack of proper marketing facility was yet another for overdue.

Suggestions
1. Cost of institutional lending must be reduced
2. Proper facilities should be provided to eliminate crop failure.
3. Alternative methods of irrigation should be provided to the farmers
4. Family expenses of the farmers should be controlled
5. Farmers must repay their loan without hoping for waiving scheme
6. Adequate marketing facilities should be provided to the farmers in Thanjavur District.

TABLE NO.3: FRIEDMAN TEST FOR SIGNIFICANT DIFFERENCE BETWEEN MEAN RANKS TOWARDS THE REASON FOR OVERDUE OF AGRICULTURAL FINANCE

<table>
<thead>
<tr>
<th>The reason for overdue of agricultural finance</th>
<th>Mean Rank</th>
<th>Chi-Square value</th>
<th>Degrees of freedom</th>
<th>Asymp. Significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delayed rain</td>
<td>8.06</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insufficient rain</td>
<td>7.54</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flood and drought</td>
<td>8.02</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pest attack</td>
<td>8.35</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing facilities</td>
<td>7.66</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price fixation of the crops</td>
<td>8.62</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unforeseen family expenses</td>
<td>8.31</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hope on loan waiving scheme</td>
<td>8.84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willful default</td>
<td>7.72</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crop failure</td>
<td>7.64</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community pressure</td>
<td>7.91</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High cost of obtaining loan</td>
<td>7.84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High cost of non institutional lending</td>
<td>7.53</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poor follow up by banks</td>
<td>7.96</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political interference</td>
<td>7.99</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>120.152</strong></td>
<td><strong>14</strong></td>
<td><strong>0.000</strong></td>
</tr>
</tbody>
</table>

Source: Output generated from SPSS 20

VI. CONCLUSION

Finance is required by farmers not only for the production and marketing of crops but also to keep a stagnant agricultural economy alive. Most Indian farmers live near the brink of starvation. A bad monsoon, a poor harvest, an accident or illness in the family forces him to approach the moneylender for a loan. In India, there is the preponderance of such ‘distress’ or unproductive loans. Agricultural finance in India is not just one requirement of the agricultural business but a symptom of the distress prevailing among the majority of the farmers. Thanjavur being an agricultural place, where more than 1/3 of the population is engaged in agricultural production, it is inevitable to cut across the reasons for overdue of agricultural finance. The farmers must be given importance and sufficient facilities should be provided to them.

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