Problems Faced By Financial Institutions While Sanctioning Agriculture Credit to the Farmers in Taminadu

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Abstract: Bank plays a major role in providing agriculture credit. Finance in agriculture is as important as other inputs being used in agricultural production. The prosperity of the country depends up on the agriculture sector. Bankers play a major role in providing agricultural credit to the farmers. Lack of finance is one of the fundamental problems in agricultural productivity and income of rural farmers. Therefore, banks provide agriculture credit to the farmers. Even though bank provides agriculture credit, the bankers faced many problems. This paper mainly focuses on problems faced by bankers while providing agriculture credit. A Multi stage sampling method was used to select the banks. The five districts were taken for sample in Tamil Nadu because those five districts were provide highest number of agriculture credit. The sample bank branches has taken 230. The result of the study showed that, Identification of real cultivator, fixing prudential norms, Identification of real cultivator, increasing demand for agriculture credit the above are the main problems faced by bankers while providing agriculture credit

Keywords: Agriculture credit, Bankers, Problems, Financial Institutions

I. INTRODUCTION:

The financial institutions play a dominant role in mobilizing savings and then channelizing those savings into productive economic activities. The role of financial institutions is crucial in the development of any sector and agriculture is no exception to it. The development of agriculture is more dependent on banking sector because 80% of farmers are small and marginal, who are unable to save and invest due to their low levels of Income. The Government of India ,the Reserve bank of India (RBI) and National Bank for Agricultural and Rural development –NABARD(1982) have played a vital roles in creating a broad based institutional framework such as commercial Banks(1969),Co-operative Banks(1904) and Regional Rural Banks (1975)for catering to the increasing credit requirements. In the union budget, it has been announced by government of India that the agriculture credit target in the year **2019-20 will be at Rs.12,00,000 crores** which is 10%.

More than the target for 2018-19 in Tamil Nadu. In Tamil Nadu, As on March 2018 the total agriculture credit lend by commercial banks were Rs. 1,55,370crores, Co-operative banks Rs.7,009 crores and Regional Rural Banks Rs. 7692 crores respectively. The development of agriculture depends upon the inputs used. The most important input that can help the farmers to apply the other input is capital.

In the absence of adequate capital, farmers may not even be able to think of agricultural productivity.

II. REVIEW OF LITEARTURE:

R.V.Suganya (2017)[19] the study revealed to highlight the agricultural credit extended by the commercial banks in Thiruvallur District and analyses the repayment performance of the borrowers. The commercial banks aim at intensive coverage of selected areas for meeting the priority sector credit needs, especially the agricultural credit requirements and ensuring effective supervision over the use of loans. Thiruvallur district has a number of villages and possesses large areas of agricultural lands. The main objective of the study is to analyze the trend and growth of the loans issued, recoveries of loans, outstanding loans and over dues of commercial banks in the Thiruvallur district. Finally she says in her article that marginal farmers had performed well to invest in financial and physical assets, and also utilized the factors and inputs. 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. Ibrahim Cholakkal (2018)[20] in his study examined that "co-operative banks in particular and co-operative sector in general are the main sectors which promotes the financial and economic growth of the country like India. The rural cooperative banks have plays a prime role to the rural development of the nation. This study analyzed the role of co-operative banks in agriculture credit by a sample survey like the structure and flow of agriculture credit, customer satisfaction level, recovery status of loans and repayment structure. Under this study, it is subjected to analyze the relevant statistical tools. Out of total agriculture and allied loans, more than 80 percent were fully utilized and 22 percent of agriculture and allied loans are still not being repaid. More than 60 percent customers of the bank are delighted with the services of the bank and more than 50 percent of borrowers of the bank are opined that the interest rate of the co-operative bank is reasonable". This study point out that the services of co-operative bank is highly satisfied by the customers.

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Elizabeth Thomas T.P. Keerthana and S. Girish (2018) [21], examined the perception and attitude of banks towards agricultural credit: A study on selective commercial banks in Kerala, the results indicated that gold property is the general collateral security preferred by banks for providing agricultural credit. Collateral securities differ on the basis of the various loans. Finally, the researcher concluded that in rural areas due to the in adequate awareness of the various schemes and policies introduced by Government would drive them to borrow money from money lenders which despair the role of public sector and private sector banks in the area of agricultural finance and also the money lenders exploit the agriculturists by charging higher rate of interest.

III.   STATEMENT OF THE PROBLEM:

Bank plays major role in providing agriculture credit. Even though bank provide agriculture credit to the farmers. Bankers face many problems due to non repayment of loan. Vellore district has number of villages and possesses large areas of agriculture lands. In Vellore district, some farmers borrow money from lenders. There are two types of sources for borrowing capital. One is formal which include RRBs, Commercial banks, and Co-operative banks, which provide short term, medium term and long term agricultural loans to farmers. The informal sources consists of relatives, friends, village shopkeepers etc. Agriculture is the main occupation of rural population in the district. So an depth analysis of problems and issues become essential. Thus, this study will help to fill this research gap and will help to identify the problems faced by bankers while providing agriculture credit.

IV.   OBJECTIVES OF THE STUDY

The following are the objectives of the study
* ❖ To Know the conceptual framework of agricultural credit.
* ❖ To examine the problems faced by bankers while providing agriculture credit in Vellore district.
* ❖ To offer suggestions for effective utilization of agriculture credit.

V.   HYPOTHESIS:

There is no significant association between type of bank and agriculture loan provided by the bank.

VI.   RESEARCH METHODOLOGY:

The present study was carried out with the objective to find out the problems faced by bankers while providing agriculture credit in selected districts such as Sivaganagi, Vellore, Coimbatore, Villupuram and Tirunelveli. The researcher has selected the financial institutions, on the basis of the taluks which have higher number of bank branches in selected district. Regarding commercial banks, top five banks were selected namely SBI, Indian overseas bank, Indian Bank, Canara bank, and HDFC bank. The financial institutions were selected on the basis of those who provided more number of agricultural credit. In the case of RRB, both Pandiyan gramma bank and pallavan gramma bank has selected. Despite different types of co-operative banks are functioning in those districts, only the primary agricultural co-operative banks were selected since they play a major role in providing agriculture credit and PACS have more

number of bank branches when compared to other co-operative banks in selected district.

VII.   DATA ANALYSIS AND INTERPRETATION:

A.   Type of the Bank:

A bank is a financial institution and financial intermediaries that accepts deposits and channelize them into lending activities, either directly or through capital markets. Banks can be classified into three categories Commercial banks, Regional Rural Banks and Co-operative banks.

Table.1.1 Type of the Bank

Type of the Bank	Frequency	Percentage
Commercial Bank	146	63.4%
Regional Rural Bank	21	9.1%
Co-operative Bank	63	27.3%
Total	230	100

Source: **Primary data**

The above Table 1.2 shows that out of 230 respondents contacted from the bankers 63% of them were commercial banks and 9% of the bankers were regional rural banks and 27% of the bankers were co-operative banks. It is inferred that majority of the bankers were in commercial banks. Because the researcher has selected majority banks as a commercial banks due to higher number of bank branches.

B.   Area of Operation of the bank

Area of the operation is very important for any business activity. Banks may be located in different areas such as Rural, Semi urban and Urban. Mostly Co-operative banks were located in rural areas which is convenient to the farmers. Because most of the farmers are lived in rural areas than urban areas.

Table.1.2 Area of the operation

Area of the operation	Fre	Percentage
Rural	73	32%
Semi-Urban	62	27%
Urban	95	41%
Total	230	100

Source: **Primary data**

The above Table 1.2 shows that out of 230 respondents contacted from the banks, 32% of the banks were covered under rural areas and 27% of the banks were covered under semi-urban areas and 41% of the banks were covered under urban areas. It is inferred that majority of the bankers were in urban areas. Because the researcher has selected majority banks as a commercial banks due to higher number of bank branches. In rural areas, both co-operative and regional rural banks were covered and in semi-urban area both commercial banks and regional rural banks were covered.

C. Association between type of bank and agriculture loan provided by the bank:

Financial institutions play a major role in while providing agricultural credit to the farmers. Both organized and unorganized institutions providing finance to the farmers. To remove the farmers from the clutches of money lenders and indigenous bankers financial institutions providing different types of agriculture credit.

Table 1.4 Cross tabulation of type of bank and type of agriculture loan provided by the bank:

		Type of Bank			
Type of Loan		Commercial Bank	RRB	Co-operative Bank	Total
Advances on Agriculture Produce	Yes	106(73%)	13(62%)	0	182
	No	40(27%)	8(38%)	63(100%)	49
	Total	146(100%)	21(30%)	63(100%)	230

Source: Primary Data

From the above table 1.4, it can understand that 73% of the commercial banks were providing loan under agriculture produce and remaining 21% of the banks were not providing the loan. 62% of the Regional rural Banks were providing loan under agriculture produce and 83% of them were not providing the loan. 100% of Co-operative banks were providing the loan under agriculture produce. Therefore, Co-operative banks were playing major role in providing loan under agriculture produce. So, many semi-urban and urban area are borrowing loan under personal security.

D. Chi-square Analysis:

Hypothesis: There is no significant association between type of bank and agriculture loan provided by the bank.

Table 1.5 Association between type of bank and agriculture provided by the bank

Preference factors	Pearson Value	Df	Sig.
Advances on Agriculture Produce	71.91	6	.000*
* significant at 0.05 % level			

Source: Primary Data

The calculated value is 71.91 which Mean and it level of significant is .000 at degree of freedom 6. Therefore calculated value is greater than table value, the significant value is .000, So we can reject the null hypothesis and accept the alternative hypothesis. There is significant association between type of bank and agriculture provided by the bank.

E. PROBLEMS FACED BY BANKERS WHILEPROVIDING AGRICULTURE CERDIT– FACTOR ANALYSIS:

Financial Institutions plays major role in providing agriculture credit to the farmers. Lending business of any Institution depends on mobilization of deposits, available resource for disbursement and the amount of loan that is recovered for further recycling. But the recovery of agriculture credit is the main headache of the various financial Institutions. Banks faces many problems while providing agriculture credit. The researcher has identified fifteen factors which are the problems faced by bankers while providing agriculture credit. The respondents were asked to provide their opinion in the scaling of strongly agree, Agree, Neutral, disagree, and strongly disagree. The researcher has used the multivariate technique by name factor analysis in order to classify the related variables. This test can be applied only after finding out the suitability of data. Hence, Kaiser – Mayer – Olkin (KMO) is used to check the adequacy and suitability of the data for factor analysis. The test measures sampling adequacy for each variable in the analysis. The sample size is always more the data is appropriate for the factor analysis.

There are 15 factors which are the problems faced by the banker's while providing agricultural loan. All those variables are correlated with each other. In order to group the related variables, the researcher has decided to use the factor analysis. Before grouping the variable, the normality has to be ascertained. Hence for ascertaining the normality, KMO has been used. The (KMO) measures of sampling adequacy index are used to examine whether the data are appropriate to examine the factor analysis. The values range between 0.5 and 1.0 indicates that the factor analysis is appropriate. The value below 0.5 imply that the factor analysis is not appropriate, either to collect more data or to rethink which variables to include. If the KMO value lies between .7 and .8, it is good for factoring.

Bartlett's test of sphericity is a test statistics used to examine the shape of normal distribution and also verify the smoothness of the curve. **Table 1.6** explains two test they are Kaiser – Mayer – Olkin (KMO) measures of sampling adequacy and Bartlett's test of sphericity. It gives the statistics of KMO, Bartletts's test of sphericity and chi-square analysis of association, degrees of freedom and the probability value.

Table 1.6
Problems Faced by Bankers Kaiser – Mayer – Olkin (KMO) Bartletts's Test

KMO and Bartlett's Test		
KMO Value		0.671
Bartlett's Test of Sphericity	Approx. Chi-Square	171.874
	Df	230
	Sig.	0

Table 1.6 Shows that the KMO Value of 0.671, which indicates that the degree of common variance among the variables is quite high, therefore factor analysis can be conducted.

F. PROBLEMS FACED BY BANKERS WHILE PROVIDING AGRICULTURAL CREDIT - PRINCIPLE COMPONENT ANALYSIS:

The principle component analysis has been administered for grouping the factor of various problems faced by the bankers while providing agriculture credit. It is a method of data reduction.The proportion of the variance of a particular item due to common factor is called as communality.

The initial value of the communality in a principle component analysis is 1. The motivational factors involved in the agricultural credit involved in the component column. The extraction communalities estimate the variance in each variable accounted for the factors in the factor solution. The value is less than .5 which indicates the variables that do not fit well with the factor solution and should possibly be dropped from the analysis. Table 1.7 shows that extraction value of the respondents' which are the problems faced by the bankers while providing agriculture credit.

Table 1.7Problems Faced by bankers while providing Agricultural credit – Communalities

COMPONENTS	INITIAL	EXTRACTION
Increasing Demand for Agriculture credit	1	0.559
Slow Disbursement of Subsidies by DRDA	1	818
Problems of NPA	1	0.678
Problems of Over Dues	1	886
Unhealthy Competition & Lack of Co-ordination	1	0.691
Procedural Issues	1	0.586
Political Interference	1	0.638
Absence of proper control mechanism	1	0.727
Inadequate Staff	1	0.635
Higher Transaction cost	1	0.771
Lower cash Deposit to total deposit ratio	1	0.779
Illiteracy to Farmers	1	0.841
Banks are not able to check the proper utilization of credit	1	0.857
Identification of real cultivator	1	0.828
Fixing prudential norms	1	0.718

Table 1.7 explicits the variance of the fifteen variables ranging from .500 to 0.886. It shows that the fifteen variables exhibit the considerable variance from 50 percent to 80 percent. Hence it could be concluded that all these variables are capable of segmenting themselves with respect to the problems faced by bankers while providing agricultural credit to form the predominant factors.

G. PROBLEMS FACED BY BANKERS WHILE PROVIDING AGRICULTURAL CREDIT - Total Variance:

The total variance analysis is important to know the rotated sum of square value. The rotated four factors are determined based on the total eigen value if the factor should be greater than one. The total cumulative variance is explained by the total percentage of variance by each retained four factors. Table 1.8 gives the individual variance of the predominant factors which emerged out of 15 factors.

Table 1.8Problems Faced by bankers while providing Agricultural credit – Total Variance

Total Variance Explained									
	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.087	20.582	20.582	3.087	20.582	20.582	2.179	14.529	14.529
2	2.368	15.787	36.369	2.368	15.787	36.369	2.042	13.613	28.142
3	1.776	11.84	48.209	1.776	11.84	48.209	2.029	13.523	41.666
4	1.542	10.281	58.49	1.542	10.281	58.49	2.01	13.402	55.068
5	1.21	8.064	66.554	1.21	8.064	66.554	1.684	11.228	66.296
6	1.026	6.842	73.397	1.026	6.842	73.397	1.065	7.101	73.397
7	0.908	6.054	79.451						
8	0.698	4.656	84.107						
9	0.653	4.352	88.459						
10	0.518	3.451	91.91						
11	0.449	2.99	94.9						
12	.391	2.61	97.51						
13	0.209	1.396	98.906						
14	0.115	0.765	99.671						
15	0.049	0.329	100						
Extraction Method: Principal Component Analysis.									

Source: Primary Data

As could be seen from the Table 1.8, eigen values are greater than one for four factors. From this one, it is confirmed that, the fifteen problems factors are grouped into four predominant factors. The rotated sum of squared loading should be greater than 50 percent. The fifteen variables are reduced in to four predominant factors with the individual variances of 15.476, 12.473, 10.877, 10.804, 10.334, and 9.714. It is also found that the total variance of 15 variables is found to be 69.678 percent which is greater than the benchmark of 60 percent. Morever

it confirms that the factor segment is the meaningful one.

H. PROBLEMS FACED BY BANKERS WHILE PROVIDING AGRICULTURAL CREDIT – ROTATED COMPONENT MATRIX:

The rotated sum of square value indicates the cumulative percentage of variances is 69.678. Hence the factorization is more suitable for the factors influencing towards agricultural credit. Table 1.9 explains the value of rotated component matrix for the factors influencing towards agricultural credit.

Table 1.9Problems Faced by bankers while providing Agricultural credit – Rotated component Matrix

Variables	Component				
	1	2	3	4	5
Banks are not able to check the proper utilization of credit	0.718				
Illiteracy to Farmers	0.547				
Problems of Over Dues	0.316				
Problems of NPA		0.517			
Procedural Issues		0.571			
Absence of proper control mechanism		0.588			
Inadequate Staff			0.626		
Fixing prudential norms			0.708		
Lower cash deposit to total deposit ratio			0.436		
Identification of Real Cultivator				0.711	
Political Interference				0.604	
Unhealthy Competition				0.482	
Increasing Demand for Agriculture credit					0.718
Slow Disbursement of Subsidies by DRDA					0.614
Higher Transaction Cost					0.584

Source: Primary Data

1. Follow up:
The first factor consists of three factors namely; Banks are not able to check the proper utilization of credit (**.718**), Illiteracy to farmers (**.547**), Problems of over dues (**.316**) all these factors are considered as "Follow up". Among these three factors banks are not able to check the proper utilization of credit is the most influencing factor the problems faced by the bankers while providing agriculture credit. Whenever the bank provides loan to the farmers monitoring is more important. The main problem faced by the banker is they are not able to check the proper utilization of credit.

2. Provisions:
The first factor consists of three factors namely; inadequate staff (**.626**), fixing prudential Norms (**.708**), Lower cash deposit to total deposit ratio (**.436**) all these factors are considered as "**Provisions**". Among these three factors fixing prudential norms is the most influencing factor the problems faced by the bankers while providing agriculture credit. Whenever the bank provides loan to the farmers bank have to fix the prudential norms as per Reserve Bank of India Norms. For the agriculture advances the prudential norms are fixed by each and every bank. They are used to fix the loan amount for short term and long term loan.

3. High Formalities:
The third factor consists of three factors namely; problems of NPA (**.588**), Procedural Issues (**.571**), Absence of proper control mechanism (**.517**) all these factors are considered as "**High Formalities**". Among these three factors Problems of

NPA is the most influencing factor the problems faced by the bankers while providing agriculture credit. Whenever the bank provides loan to the farmers bank have to follow up or monitoring the loan. When loan payments have not been made for a period of 90 days. While 90 days of nonpayment is the standard, the amount of elapsed time may be shorter or longer depending on the terms and conditions of each loan. Then the account will be considered as a NPA.

4. Sociological problems:
The fourth factor consists of three factors namely; identification of real cultivator (**.711**) political interference (**.604**), Unhealthy Competition (**.482**) all these factors are considered as "**sociological problems**". Among these three identification of real cultivator is the most influencing factor the problems faced by the bankers while providing agriculture credit. Whenever the bank provides loan to the farmers bank they have to identify the real cultivator because whether the farmers are using the credit for agriculture purpose or not.

5. Requirements:
The fourth factor consists of three factors namely; Increasing demand for agriculture credit (**.718**), slow disbursement of DRDA (**.614**), Higher transaction cost (**.584**) all these factors are considered as "**Requirements**". Among these three factors Increasing demand for agriculture credit is the most influencing factor the problems faced by the bankers while providing agriculture credit.

For every human being agriculture is necessary to improve the farming activities the banks are providing agriculture credit. Therefore there is more demand for agriculture credit.

VIII. FINDINGS OF THE STUDY:

➢ The result indicates that 70% of them were commercial banks and 30% of the bankers were co-operative banks. It is inferred that majority of the bankers were in commercial banks. Because the researcher has selected majority banks as a commercial banks due to higher number of bank branches.

➢ It has been inferred that, 30% of the banks were covered under rural areas and 63% of the banks were covered under semi-urban areas and 7% of the banks were covered under urban areas.

➢ It is observed that the calculated value is 71.91 which Mean and it level of significant is .000 at degree of freedom 6. Therefore calculated value is greater than table value, the significant value is .000, So we can reject the null hypothesis and accept the alternative hypothesis. There is significant association between type of bank and agriculture provided by the bank.

➢ From the factor analysis it is inferred that, the variables are grouped under five categories namely (1) Follow up (2) Provisions (3) High Formalities (4) Sociological problems (5) Requirements. The result of the factor analysis showed that, Identification of real cultivator, fixing prudential norms, Increasing demand for agriculture credit is the above factors are the most important problems faced by bankers while providing agriculture credit. The least factors are most important problems faced by bankers while providing agriculture credit such Illiteracy to farmers, Problems of NPA, Unhealthy competition, High transaction cost.

IX. SUGGESTIONS:

➢ The commercial and Co-operative banks must simplify their loaning procedure.
➢ Bankers may identify the real cultivator.
➢ Simplification in documentation is needed.
➢ Supervision and better follow up of loans after disbursement of loans.

X. CONCLUSION:

Agriculture plays an important role in the economic development of India. Agriculture credit helps the farmers to improve the agriculture productivity. Bank plays major role in providing agriculture credit. This paper examined the problems faced by bankers while providing agriculture credit. The result of the study showed that, Identification of real cultivator, fixing prudential norms, Increasing demand for agriculture credit are the important problems faced by bankers while providing agriculture credit. Therefore, bankers should supervision and better follow up of loan after disbursement of loans.

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