A STUDY ON AGRICULTURE LENDING AND ITS UTILISATION BY FARMERS AT PARIYARAM SERVICE CO-OPERATIVE BANK LTD.NO.593

by
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(2014-31-133)

MAJOR PROJECT REPORT

Submitted in partial fulfilment of the requirement for the post graduate degree of

MBA IN AGRIBUSINESS MANAGEMENT

Faculty of Agriculture

Kerala Agricultural University

COLLEGE OF CO-OPERATION, BANKING AND MANAGEMENT

VELLANIKKARA, THRISSUR-680656

KERALA, INDIA

2016

DECLARATION

DECLARATION

I, hereby declare that this project report entitled **"A STUDY ON AGRICULTURE LENDING AND ITS UTILISATION BY FARMERS AT PARIYARAM SERVICE CO-OPERATIVE BANK LTD.NO.593"** is a bonafide record of work done by me during the course of project work and that it has not previously formed the basis for the award to me of any degree/diploma, associateship, fellowship or other similar title of any other University or Society.

Vellanikkara
19-08-2016

KEERTHY RATHEESAN
(2014-31-133)

CERTIFICATES

CERTIFICATE

Certified that this project report entitled **"A STUDY ON AGRICULTURE LENDING AND ITS UTILISATION BY FARMERS AT PARIYARAM SERVICE CO-OPERATIVE BANK LTD.NO.593"** is a record of project work done by Ms. Keerthy Ratheesan under my guidance and supervision and that it has not previously formed the basis for the award of any degree/diploma, associateship or fellowship to her.

Vellanikkara
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We, the undersigned members of the advisory committee of Ms. Keerthy Ratheesan, candidate for the degree of **MBA in Agribusiness Management**, agree that the project work entitled **"A STUDY ON AGRICULTURE LENDING AND ITS UTILISATION BY FARMERS AT PARIYARAM SERVICE CO-OPERATIVE BANK LTD.NO.593"** may be submitted by Ms. Keerthy Ratheesan, in partial fulfilment of the requirement for the degree.

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To whomsoever It May Concern

This is to certify that **Ms.Keerthy Ratheesan**, MBA Agribusiness student from CCBM, Kerala Agricultural University, Thrissur has done a project work on **Study on Agriculture Lending and its Utilisation by Farmers at Pariyaram Service Co-operative Bank Ltd No. 593** at **Pariyaram Service Co-operative Bank, Thrissur** from 21st March 2016 to 10th May 2016 as a part of her course curriculum.

During the internship, we found her to be sincere, hardworking and has shown the right attitude and eagerness to learn.

We wish her all the best in all their future endeavour.

For Pariyaram Service Co-operative Bank

For The Pariyaram Service Co-op. Bank Ltd. No. 593

Secretary

Secretary

ACKNOWLEDGEMENT

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No words can fully explain my affection and gratitude to my beloved parents and all my family members.

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I would also use this opportunity to beg pardon to all those who have ever been hurt, knowingly or unknowingly by my words and deeds.

For any errors or inadequacies that may remain in this work, of course, the responsibility is entirely my own.

Keerthy Ratheesan

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DESIGN OF THE STUDY

1.1 Introduction

Agriculture is the backbone of Indian economy. The prosperity of the country depends up on 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. Sixty per cent of the export directly or indirectly originates from agriculture sector. It provides employment to 67 % of the work forces. It plays a decisive role in economic development and planning and provides numerous to the industrial and service sector. The requirements of finance in agricultural sector is that, only a very few farmers have capital of their own to invest in agriculture. Therefore, a need arises to provide credit to all those farmers who require it. Even if we look into the expenditure pattern of the farmer families, they have hardly any savings to fall back on. Therefore, credit enables the farmer to advantageously use seeds, fertilizers, irrigation, machinery, etc.. So, farmers have to invariably search for a source, which supplies adequate farm credit.

Credit is one of the critical inputs for agricultural development. It capitalizes farmers to undertake new investments and adopt new technologies. The importance of agricultural credit is further reinforced by the unique role of Indian agriculture in the macroeconomic 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 framework for agricultural credit is being emphasized since the beginning of planned development era in India. Inadequacy of credit to agriculture is often a hotly debated topic in India. The persistence of money lenders in the rural credit market is still a major concern.

The government of India started the cooperative movement of India in 1904. Then the government therefore decided to develop the cooperatives as the institutional agency to tackle the problem of usury and rural indebtedness, which has become a curse for population. In such a situation cooperative banks operate as a balancing centre. At present there are several cooperative banks which are performing multipurpose functions of financial, administrative, supervisory and development in nature of expansion and

development of cooperative credit system. In brief, the cooperative banks have to act as a friend, philosopher and guide to entire cooperative structure.

1.2 Statement of the problem

As per the 2011 census, about 68.8% of population resides in rural area and depending directly or indirectly upon agriculture for their livelihood. The contribution of this sector to the gross domestic product (GDP) is however declining very rapidly and is presently about 14.5% (2010-11) and this sector is also showing deceleration in growth rates. Therefore, it is very important for this sector to achieve higher growth rates and also be an engine of growth, so that growth in other sectors and overall growth rate of the economy can be achieved.

Bank credit is available to the farmers in the form of short-term credit for financing crop production programs and in the form of medium-term/long–term credit for financing capital investment in agriculture and allied activities like land development including purchase of land, minor irrigation, farm mechanization, dairy development, poultry, animal husbandry, fisheries, plantation, and horticulture. Loans are also available for storage, processing and marketing of agricultural produce.

NABARD is an apex institution accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas. The primary agricultural credit co-operative societies are considered to be the pillars of the entire cooperative edifice.

The credit requirements of the agricultural sector has been steadily rising with advances in the intensity of cultivation, improvement in technology and mounting input prices etc., the farmer can get the credit from the primary agriculture credit co-operative society.

The contribution of agriculture to GDP is declining and profitability in farming has crashed, leading to acute farm distress. The puzzle between rising farm credit at cheaper rate and falling farm incomes can be understood if one digs a little deeper to see how this scheme is being implemented. It smacks of substantial diversion of funds away from agriculture. A farmer who receives loans at a concessional rate of 4% has incentive to borrow as much as possible and then divert at least a part of it in fixed deposits earning

around 7-8% interest or even become money lender to extend loans at 15-20% interest rates to those who don't have access to formal institutional sources of finance. Hence there is a need to study on agricultural lending and its utilisation by farmers.

1.3 Objectives of the study

The Specific Objectives of the study are as follows:-

1. To examine the utilisation pattern of credit by the farmers.
2. To examine the economic impact of loan on borrowers.

1.4 Methodology

1.4.1 *Sources of Data*

The study includes both primary and secondary data.

1. ***Primary data:*** All primary data required for the study were collected with the help of schedule, direct contact and discussion.
2. ***Secondary data:*** Secondary data were collected from the various records of bank i.e., Annual reports of the bank, Manual of instructions on loans and advances.

1.4.2 Sample details

1.4.2.1 Study area

The study was conducted at "Pariyaram Service Co-Operative Bank LTD.NO.593" located at Pariyaram, Thrissur.

1.4.2.3 Sampling frame

The sampling technique used for the sample selection was simple random sampling. Lottery method was used to obtain simple random samples. Out of 1,458 short term agricultural credit borrowers 100 borrowers were selected as sample. The reference year for the primary data collection was during 2013-14.

1.4.5 Data Collection

The data collection was mainly done through per-structured interview schedule from the members of cooperative society.

1.4.6 Data Analysis

The following are the statistical tools used in this project to arrive specific results.

1. Percentage Analysis:

Percentage analysis is a statistical tool, which is used to identify the percentage of responses the respondents have given.

Percentage = (No of respondents/Total No. of Samples) X 100

2. Chi-Square Test:

The Chi-Square test is a useful measure of comparing experimentally obtained results with those expected theoretically and based on hypothesis. It is used as a test static in testing a hypothesis that provides a set of theoretical frequencies with which observed frequencies are compared. In general, Chi-Square test is applies to those problems in which we study whether the frequency with which a given event has occurred is scientifically different from the one as expected theoretically. The measure of Chi-Square enables us to find out the degree of discrepancy between observed frequencies and theoretical frequencies and a theoretical frequency is due to error of sampling or due to change.

1.5 Observations Made

I. Profile of the bank.
II. Socio – demographic profile of sample population.
III. Beneficiaries need for credit.
IV. Utilisation pattern of agricultural credit.
V. Economic impact from agricultural credit.
VI. Re – payment status of agricultural credit.
VII. Types of short term agriculture credit available from the bank

1.6 Scope of the Study

This study helps to understand how actually a co-operative society works and can get more insight on the concept agricultural lending. It provides a great opportunity to relate theoretical concepts learnt in course to the actual happenings in the bank. From the findings of this study the bank can understand the drawbacks from the part of farmers. This report may be useful to the bank to take necessary actions for agriculture development.

1.7 Limitations of the Study

The data for study mainly based on a single bank i.e., Pariyaram service co-operative bank. So the results cannot be generalised. There was no record for income generation and employment generation only rough figure was obtained. Due to time constraints and availability of resources only 100 samples were taken to conduct this study.

1.8 Chapterisation

The study has been designed into the following chapters:

Chapter 1	--	Design of the Study
Chapter 2	--	Review of Literature
Chapter 3	--	Pariyaram Service Co-Operative Bank - A Profile
Chapter 4	--	Utilisation pattern and economic impact – An Analysis
Chapter 5	--	Summary of findings and Suggestions

The present chapter gives an idea or an outline of the project. It includes statement of the problem, its objective, the process of analysis, the parameters selected for analysis, its limitations etc.

REVIEW OF LITERATURE

Chapter - 2

REVIEW OF LITERATURE

2.1 Introduction

Research on an issue or a problem cannot be fruitful without a thorough knowledge about the similar studies conducted elsewhere in the past. An exhaustive literature review would help in understanding the concepts, nature of problem, the tools and techniques employed along with an exhaustive list of variables included in the model and also the findings of the study. Another advantage of reviewing the existing literature is that it helps to frame a working model of the study and also to understand the latest developments on the topic. Therefore, in this chapter, findings of empirical studies are presented so as to have conceptual clarity in analysing the over dues. For better clarity and convenience, the review has been organized under the following sub headings.

1. Distribution of Agricultural Credit
2. Utilization of Credit

1. Distribution of Agricultural Credit

Babadin and Singh (1987), attempted to study the role of Co-operatives in agricultural finance in Barabanki district of Eastern U.P. The study reported that loan disbursement per hectare on the sample farms showed a declining trend with the size of farms, while it showed an increasing trend on per farm basis in both blocks indicated there by that loan disbursement per farm was higher on large farms. Moreover, on per unit area it was higher on marginal and small farms. Co-operatives played a vital role in agricultural financing in a selected area i.e., more than 50 % of the total loan was advanced by this agency. Rest of the amount was distributed by Commercial banks, money lenders and relatives etc.

Pawar and Bhuvanendran (1989), made a study on long – term financing of land development banks reported that the bank loans of the farmers were able to take both Kharif and Rabi crops. The production as well as the income level of the farmers changed, due to the bank loans. The main crops cultivated by the farmers in the proposed region were wheat, maize, jowar, gram, soyabean and potato. The total farm production of all borrower farmers

before loan was 640 quintals, which was increased to 1143.5 quintals after obtaining loan from the bank, which indicated a 44.05 % increase in production. Even though production increased by 44.05 % the corresponding income increased only by 31.16 % .

Singh *et al.* (1990), conducted a study on the role of Co-operatives in agricultural financing in Uttar Pradesh. They identified that Co-operative played a vital role in agricultural financing in the selected area as 57.79 and 78.93 % of the total loan advanced to the farmers come from this agency due to low rate of interest, without mortgage loaning process, door to door services rendered by society workers, subsidy in loan etc. The other institutional credit agencies such as commercial bank provided a marginal loan for the agriculture.

Patil *et al.* (1990), made a study on credit requirement, availability and its gap in Thane district. Thy study indicated that recommended technology was not adopted by majority of the cultivators. As regards, the purpose – wise borrowing was the maximum for construction of bio – gas plant and electric motors. The majority of borrowers borrowed from the institutional agencies particularly Co-operatives and the amount borrowed by them from these agencies was the maximum which was a desirable sign. Among the borrowers, maximum number is borrowed for crop production.

Viswa Prasad and Parthasarathy (1993), attempted to study on short-term credit and estimation of credit gaps. The study reported that the source – wise classification of borrowed funds of Commercial banks and Co-operative banks are catering to the needs of large farms while the small farmer's credit requirements are still being met by private sources. This indicated that the institutional agencies have not gone in a big way in catering to the needs of the small farmers. The estimation of credit gaps revealed that the same was highest in case of small farmers when compared to medium and large farms.

Zeller and Manfred (1995), in their study using household data from a survey in Madagascar. A regression analysis was used to assess the effects of informal and formal credit on household income and consumption. While most of the formal loans are used for production, informal loans are frequently used for stabilisation on consumption of food and other basic needs. The analysis showed significant positive effect of formal and informal loans on household income. Furthermore, informal loans significantly increase food consumption. It was concluded that a broader array of rural financial services in developing countries could contribute to household food security.

Jahagirdar *et al.* (1997), in their study on demand for credit in agriculture reported that the credit had increased two fold after the introduction of the recommended level of technology. The existing level of credit was inadequate for optimal allocation of limited resources under recommended technology. An important implication of this result was that, to make the best use of the recommended level of technology, the supply of credit has to be increased almost twice the existing level.

Singh and Nasir (2003), in their study on agricultural credit flow in Bihar indicated that the disbursement of agricultural loan had increased, but it could not achieve a continuous increase. The decline in the quantum of agricultural input price made the quantum of agricultural credit inadequate in Bihar, particularly during the early 1990s. Agricultural loans 26 granted through commercial banks showed an increasing trend except in 1995-96 when it declined to Rs.19,838 lakhs against Rs.21,066 lakhs in 1990-91. On the other hand, agricultural loans granted through Co-operatives showed a declining trend during the 1980s but followed by a spectacular increase during the early 1990s.

2. Utilisation of Credit

Patel *et al.* (1987), in their study on utilization of farm credit suggested that (i) institutional financing agencies should try to extend their operations to cover as many borrowers as possible so that they do not go to private money – lenders (ii) care should be taken by the credit institutions to supply credit in kind to maximum extent possible as also supervise end use of credit and (iii) all sizes of farmers in general and large size farms in particulars should be persuaded to repay the loans on due dates. ···

Arunachalam and Palanisamy (1991), in their study on utilization and repayment of Co-operative crop loan indicated that as nearly 50 % of the beneficiaries have fully utilized the loan. There seems to exist a positive relationship between extent of utilization and size group. At the same time it was interesting to found that nearly 23 % of the respondents have not at all utilized the loan since a sizeable percentage of small farmers have not fully utilized the loan. They indulge in diversion of the loan, that too for unproductive purposes. The farmers belonging to medium and big size classes are at an advantage compared to the small farmers by virtue of their greater productive utilization. In repayment of crop loan, there was positive association between size groups and the extent of repayment. The Co-operative

Society also had certain problems in recovering the loan wherein the serious problem was connected with government decisions on postponement and writing off the loans.

Kulwant Pathania and Yoginder Verma (1991), in their study on size of loan and types of farmers on Co-operative credit utilization reported that the farmers with low size of loan utilize the credit significantly more than those farmers who borrowed large amount of credit. Misutilisation was also found significantly more among the farmers borrowed low amount of credit. Large farmers utilise the credit more than small and marginal farmers. Social and religious ceremonies were found the important unproductive purpose among marginal, small and large farmers.

Vaikunthe (1991), in his study on Agricultural Co-operative credit reported that the percentage of borrowing was higher in case of big farmers in comparison to small and medium farmers. All the size groups in the irrigated area utilised the credit for productive purposes. A small amount was being misutilised. Misutilisation of credit was more in the non-irrigated area compared to the irrigated areas. Again in the non-irrigated area, the small and medium farmers misutilised credit more than the big farmers. Repayment was more in case of the farmers in the non-irrigated area compared to the irrigated area.

Makadia *et al.* (1992), in their study on an evaluation of acquisition and utilization of Co-operative credit in Junagad district concluded that the average per hectare credit requirements was of the order of Rs. 2,849 while the average institutional credit gap was Rs. 1,296 per hectare. The credit gap was found lowest in case of small farmers as compared to other categories of farmers. 45 % of the total respondents diverted their loans partially while 4 % had fully diverted the loans other than stipulated purposes. Proportion of number of divert among the different categories was highest in case of small farmers (69.87%) and the lowest was found in respect of large farmers (39.30%). On an average, the amount diverted was 11.08 % of the total credit availed.

Modi and Rai (1993), in their study on credit utilisation pattern on different categories of farms in Haryana concluded that the borrowers were still attracted to the non-institutional sources because of simple methods and less formalities adopted by them. The study reported that major share of credit was utilised for the purposes it was taken. However, out of total amount diverted about 50 % was further used for unproductive purposes other than specified one in case of crop production credit, whereas in case of term credit, it was even more than that need based loans should be given to the farmers keeping

in view and their worthiness. The lending agencies must keep a watch on 38 the utilization pattern of the borrower from the very beginning to ensure proper utilization of term credit. Efforts need to be made to avoid under and over financing to ensure proper utilisation and smooth flow of credit.

Singh *et al.* (2003), in their study on availability, utilisation and repayment of crop loan in Chattisgarh suggested that the cropping intensity of defaulters and non-defaulters was very poor due to the non-availability of assured irrigation sources. Generally farmers were reluctant to the kind portion of crop loan. Therefore, it should be made a provision to convert the kind portion of loan in cash after submission of cash vouchers. Nearly, 60 per cent of the crop loan was diverted for consumption purposes by the sampled borrowers. It was suggested that precautionary measures should be undertaken for the proper utilisation of crop loan in production purposes.

Anand Kumar Singh *et al.* (2005), in their study on credit needs, utilization pattern and factors causing overdues in Varanasi District observed that majority of the farmers had taken short term and medium term loan. The proportion of farmers with short term loans was extremely high on marginal farms and it decreased with the increase in size of farms. It indicated that majority of the marginal farmers solely depend on the institutions to meet the recurring expenses of farms. More than fifty per cent farmers of small and large size groups availed medium term loan to purchase small equipment and machinery as working assets. Borrowed funds were properly utilized by the large farms and its proportion decrease in size of farms. Partial utilization and misutilisation of borrowed funds was higher on lower size groups of farms indicating the diversion of 39 borrowed funds from the productive to unproductive use. Several factors were responsible for overdues performance in the repayments of borrowed funds. The farmers borrowed the most for emergent family needs followed by low profit due to higher input cost and lower output prices, crop failure due to natural hazards, lack of supplementary source of income, poor resource conditions and fragmented holdings.

Singh and Toor (2005), while studying the agrarian crisis with special reference to indebtedness among Punjab farmers. They observed that about 45 per cent of the farmers enlisted low profit margins in agriculture as a major cause of indebtedness. Furthermore, domestic expenditure on self-consumption, house construction, marriages and education was considered as the main reasons by 21.7 per cent of the farmers. However, 8.60 per cent

of the farmers blamed high expenditure on litigation, foreign migration and drug addiction for indebtedness.

Singh *et. al* (2005), made a study on credit needs, utilization pattern and factors causing overdues in Varanasi district. The results concluded that borrowed funds were properly utilized by the large farms and its proportion decreased with the decrease in size of farms. Partial utilization and misutilisation of borrowed funds was higher on lower size groups from the productive to unproductive use.

Umdor Sumarabin (2008), in his study analyzed the behavior of rural household of northeast uplands of India in the borrowing and use of credit. The study concluded that the people are mainly dependent on the formal credit needs. Overall, the maximum numbers of loans are supplied by the formal credit agencies, namely commercial banks. The failure of the co-operative banks/ societies in meeting the credit needs of rural households in the uplands areas are supported by the findings of the baseline survey where none of the households identified co-operative societies as a source of credit. The survey shows that amongst informal sources, it is friends and relatives, and not the moneylenders that are a prominent source of credit for the rural households. The analysis of use of loans and the source of borrowing also had shown the significant association with loans from formal source being used more for productive purposes and loans borrowing from informal sources shown that mostly use for consumption purposes. Also, loans for productive purpose are significantly larger that loans borrowed for consumption purpose.

Boraiah and Dhananjaya (2012), in their study on utilization of Co-operative credit concluded that the Chitradurga district Central Co-operative Bank has made good efforts to include the farming community consist almost all categories irrespective of their size of land holdings in growth process. Still the farmers in less irrigational facilities area have misutilised significant amount of funds for unproductive purposes, but the Chitradurga District Central Co-operative bank has been partially successful in bringing more farmers in inclusive growth process in more irrigational facilities area.

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PARIYARAM SERVICE CO-OPERATIVE BANK - A PROFILE

Chapter - 3

PARIYARAM SERVICE CO-OPERATIVE BANK - A PROFILE

3.1 Genesis

The Pariyaram service cooperative bank registered on 6th January 1947 and started its operations from 2nd March 1947 in Mukundapuram taluk at Pariyaram panchayat in Thrissur district. The promoter of the bank was Sri. Padinjakara Devassy Augusthy. He served almost 30 years as the president of Pariyaram Service Co-operative Bank. The bank is regulated by the cooperative department of Kerala.

3.2 Area of operation

The area of operation of the bank extends to the entire Pariyaram panchayat which covers the areas of Pariyaram and Elinjipra villages. The Bank has 4 branches at Vettilapara, Thazhoor, Konnakuzhi and Elinjipra which is at Thrissur district itself.

3.3 Objectives

The main objectives of the bank are as follows:

1. To accept deposit of money from the public repayable on demand or otherwise and withdrawals by cheque, draft,order or otherwise for the purpose of lending or investment.
2. To borrow funds from the members or other to be utilized for both short and medium term loans to members for useful purposes.
3. To encourage thrift, self-help and mutual help among members.
4. To market suitable agricultural produce for members.
5. To procure and supply agricultural requirements like seeds, manures, implements, cattle feed etc. and also to procure and distribute household articles to members.
6. To arrange for the sale of agriculture produce of the member to their best advantage through marketing societies.
7. To own or hire processing plants like rice hullers, flour mills, oil crushers etc., improve and machinery like tractors, mechanized plough etc. for the benefit of members.
8. To advance short term and medium term loans to the members.
9. To provide gold loan on security of gold

3.4 Membership

The membership of the bank is confined to those persons who own land, settled permanently in the area of operation and who has attained 18 years of age with sound mind shall be eligible for membership. An application for membership shall be made to the Board of Directors through the Secretary along with the recommendations of a Board member in the prescribed form. The Board of Directors will decide whether he/she can be given membership or not. The employees cannot take share from the Bank. There are four types of shares which are categorized as A class, B class and C class. A class shares are issued to individual members, B class shares are subscribed by the Government. The C class members have no power to attend the general body meeting, take part in voting or other decision making functions of the bank.

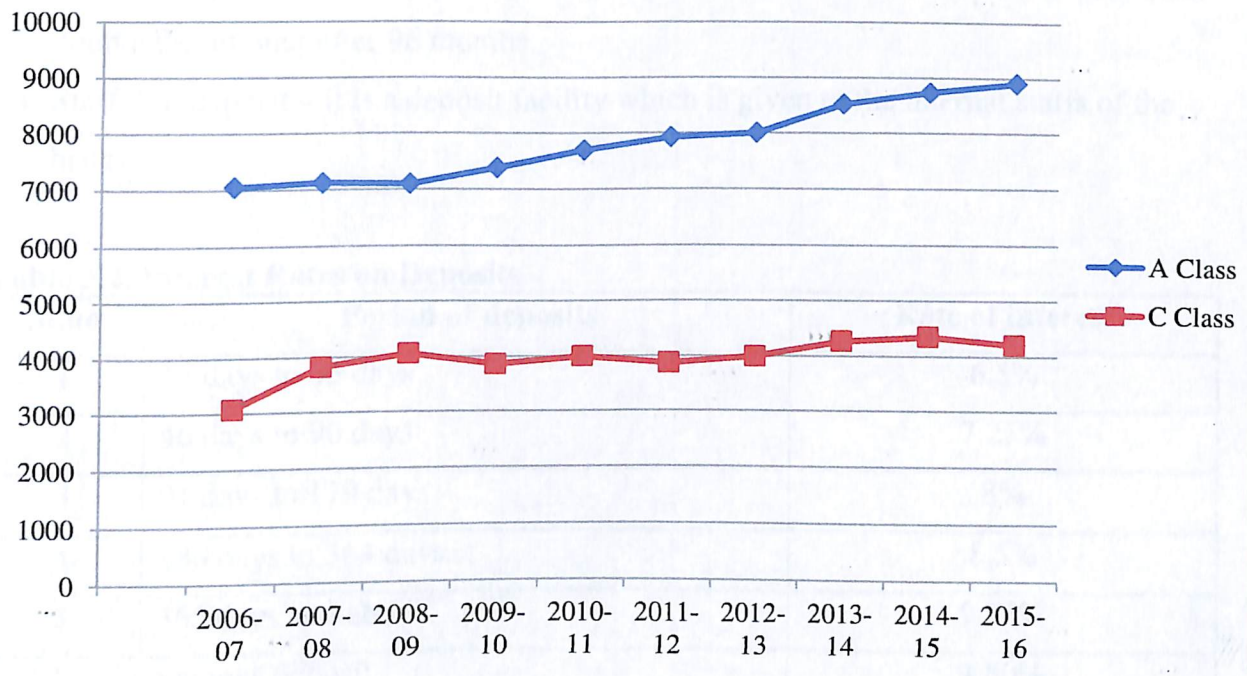
Table 3.1 Membership position of PSCB from 2006-07 to 2015-16

Year	A Class	Growth Index(in %)	C Class	Growth Index (in %)
2006-07	7055	100	3076	100
2007-08	7124	101	3831	125
2008-09	7096	101	4061	132
2009-10	7384	105	3867	126
2010-11	7698	109	4002	130
2011-12	7924	112	3876	126
2012-13	8002	113	3998	130
2013-14	8527	121	4273	139
2014-15	8742	124	4358	142
2015-16	8914	126	4216	137

Source :Secondary data

The table 3.1. and figure3.1. shows the membership position of Pariyaram Service C-operative Bank from 2006-07 to 2015-16. The growth index of A class shows an irregular trend in the first few years of the period under study. But the membership has reached from 7055 members in 2006-07 to 8914 members in 2015-16. The C class membership also shows a similar trend of A class membership. It reached to 4216 members in 2015-16 from 3076 members in 2006-07.

Figure 3.1. Membership position of PSCB from 2006-07 to 2015-16



3.5 Sources of Fund

The source of fund of the bank consists of Owned funds and Borrowed Fund. The share capital contribution from the Government, members and reserve funds jointly constitute the Owned fund of the bank. Borrowed funds include deposits from the public, borrowings from the District Co-operative bank and refinance assistance provided and routed through the district bank by NABARD.

The Pariyaram Service Co-operative bank provides a wide range of deposits. The various kinds of deposits provided by PSCB are:

a) Fixed deposit - This is the deposit of a fixed amount of money for a fixed period of time. The minimum amount shouldn't be less than Rs.10. Deposits are accepted for periods ranging from 1 month to 5 years or more.
b) Recurring deposit – this is a monthly deposit.
c) Daily savings deposit – it is a savings deposit where four agents are appointed who collects and remits the money.
d) Security deposit – It is a deposit given against a security.

e) Current deposit – It is a deposit facility available for locker openers. The security of a fixed amount is required.

f) Suvarna deposit– it is a deposit facility available in which the depositor gets back double the amount after 96 months.

g) Staff. P.F deposit – it is a deposit facility which is given to the internal staffs of the bank.

Table 3.2. Interest Rates on Deposits

Sl.no	Period of deposits	Rate of interest
1	15 days to 45 days	6.5%
2	46 days to 90 days	7.25%
3	91 days to 179 days	8%
4	180 days to 364 days	8.5%
5	365 days and above	9.25%
6	Savings deposit	4.50%

Source : secondary data

3.6 Loans and advances

The various kinds of loans provided by it are:

1. Gold loan - Advancing loans on gold is the most important function of this bank. There are two types of gold loan provided by this bank they are special and ordinary gold loan. Duration of special loan is 3 months and duration of ordinary loan is 1 year. At the due date, the bank may send an ordinary notice after 6 months registration notice as. Any further delay in repayment of the amount will be followed by an auction sale of the property.
2. Crop loan - The system of advancing production oriented credit is known as crop loan. This system envisages that the credit needs of the cultivating numbers are to be determined with the reference to the requirements of production in respect of different crops to be grown by them in ensuring cropping season individual credit limit being fixed subject to repay on the duration of the loan is 1 year and interest rate is 7%.
3. Kissan credit card- it is an agricultural loan given for a period of maximum six months to farmers. It is an interest free loan.

4. Agricultural mortgage loan – it is a loan given by mortgaging the documents of lands and immovable properties.
5. Self-employment loan – in this type of loan, personal security of three persons is required. It is given for a period of six months. The loan amount is of a maximum of Rs. 5000
6. Integrated Rural Development Program (IRDP) loan – It is a government sanctioned loan given with a subsidy.
7. Mortgage loan – A mortgage loan, also referred to as a mortgage, is used by purchasers of real property to raise funds to buy real estate; or by existing property owners to raise funds for any purpose while putting a lien on the property being mortgaged. The loan is "secured" on the borrower's property.
8. P.F deposit loan – It is a loan given to the staff against the deposit security.
9. EMS bhavana padhathi – It is a loan given for the construction of house.

Table 3.3 Interest rates on loans

Sl.no.	Particulars	Rate of interest %
1.	Kissan credit card	7
2.	Crop loan	7-10
3.	Agricultural mortgage loan	7-14
4.	Self Help Group	9-14
5.	Ordinary golds loan	10-12
6.	Agricultural gold loan	7
7.	Business loan	14
8.	Mortgage loan	14
9.	Integrated Rural Development Program loan	9-14
10.	Overdue interest for all loans	2
11.	Interest free loan OD interest	7.50

Source: Secondary data

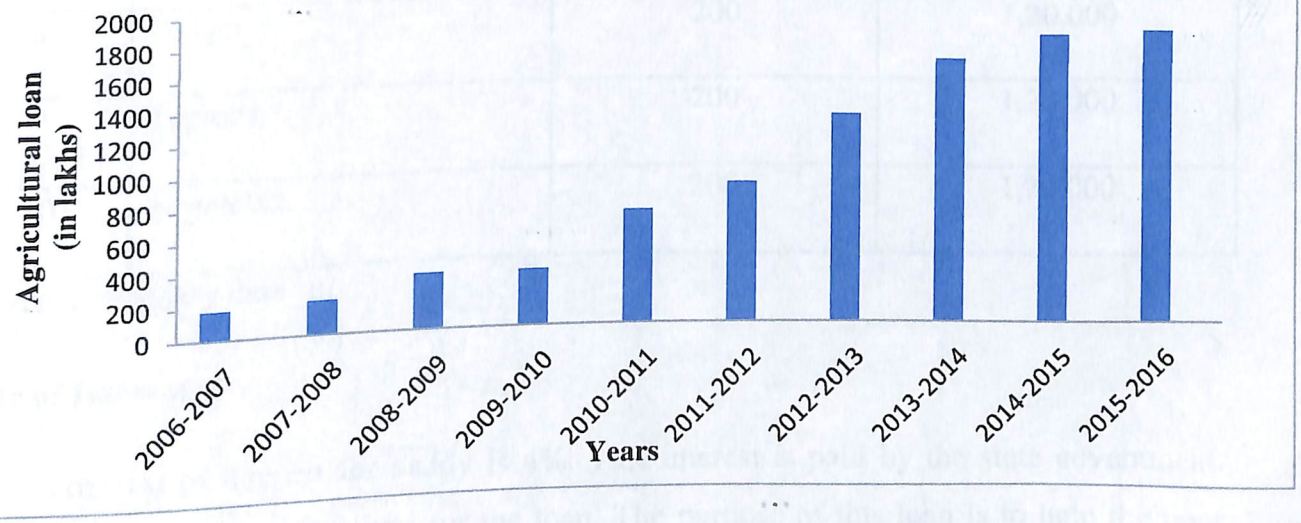
3.6.1 Short-Term Agricultural Loans

Farmers are offered short term loans whenever they are in need and since the interest rates are low, they would be able to meet their requirements without much of a difficulty and will feel comfortable even while paying back.

The short-term loans are generally advanced for meeting annual recurring purchases such as, seed, feed, fertilizers, hired labour expenses, pesticides etc., which are termed as seasonal loans/crop loans/production loans. These are expected to be repaid after the harvest. It is expected that the loan plus interest would be repaid from the income received through the enterprise in which it was invested. The time limit to repay such loans is a year. Co-operative credit societies in India were organised to give credit to the farmers and save them from money lenders. Therefore the bank gives highest priority in giving loans to poor farmers. The aim is to meet every financial requirement of the members.

Fig 4.3.represents the short term agricultural loans issued by PSCB from 2006 to 2016. It is clear from the figure that there is an increasing trend in short term agriculture credit over the years.

Fig3.2 Trend in the share of short term agriculture credit - PSCB



Source: secondary data

1. Crop loan

Every member who has more than ten cents of land can avail this loan. The amount of loan is based on the crop of the land. The following table shows the amount of loan that can be availed for one hectare of land.

The repayment period is based on the crop. The loan for paddy & vegetables repaid within four months. The loan for other crops has to be repaid within one year. The farmers can withdraw any amount according to his requirement. Each withdrawn amount has to be repaid within one year. He can repay any amount at any time. His short-term income can be deposited in the account. Then the actual interest burden can be decreased.

Table 3.4. Scale of Finance

SI. NO.	NAME OF CROP	NO.PER ACRE	AMOUNT
1	Paddy	Nil	1,20,000
2	Coconut	175	1,05,000
3	Banana	2500	3,00,000
4	Nutmeg	200	1,20,000
5	Arecanut	1,500	75,000
6	Padavazhas	1750	87,500
7	Rubber	450	69,750
8	Ginger	200	1,20,000
9	Tapioca	200	1,20,000
10	Vegetable	200	1,20,000

Source: Secondary data

Rate of Interest

The rate of interest for paddy is 4%. This interest is paid by the state government. Therefore no interest is required for the loan. The purpose of this loan is to help the poor farmers increase paddy production. The rate of interest for other crops is 7%. The central government gives 3% interest. It gives relief to the farmers who promptly repay the loan. The bank gives this subsidy when the farmers repay the loan and claims from the NABARD through district co-operative bank. Therefore actual interest rate for the farmers is only 4%. Up to 2010 November the interest rate was only 2%-3%. Subvention is applicable only to those loans carried from 1.4.2011. The maximum loan that can be availed under crop loan is Rs. 3,00,000

2. Agriculture gold loan

Agriculture gold loan is the loan to provide adequate and timely credit support to meet short term requirements. For cultivation of crops both in owned and leased land. Loans to distressed farmers indebted to non-institutional players to prepay their debt. Agriculture Gold loan is available against pledge of gold ornaments owned by the borrower. Repayment period is up to 12 months. Security for the loan will be pledge of 22 ct gold ornaments

Eligibility:

- Any Individual Nominal members of the Bank.
- The applicant must be an Account Holder.

Maximum amount of loan :

The amount of loan shall not exceed 70% of the Net value of the Gold as fixed by the Bank from time to time and the highest amount of loan against Gold shall be Rs. 3,00,000/- for an Individual borrower at a time.

2. Kisan credit card

The Kisan Credit Card (KCC) scheme introduced in 1998-99 was a step towards facilitating the access to Short Term (ST) credit for the borrowers from the financial institutions. The scheme was conceived as a unique credit delivery mechanism, which aimed at provision of adequate and timely supply of ST credit to the farmers to meet their crop production requirements. The objective was to provide an instrument, which would allow farmers to purchase agricultural inputs such as seeds, fertilizers pesticides and also withdraw some cash for meeting their production related requirements.

Eligibility

I. Short term crop loans to farmers, those who are owner cultivators/share-croppers/bargadars;

II. KCC can also be issued for meeting the short term production needs/working capital needs in respect of the allied activities like poultry, dairy, pisciculture, floriculture, horticulture etc;

III. KCC scheme also covers term credits for agriculture and allied activities;

IV. KCC is issued to individual borrower only on merit and not to corporate body society, association, club, group etc.;

V. illiterate and blind persons intending to avail of this facility may be allowed after taking proper safeguard against misuse and tampering.

Loan amount

a. Short term credit limit is fixed for the first year depending upon
b. the crops cultivated as per proposed cropping pattern & scale of finance
c. post-harvest/ household / consumption requirements
d. Maintenance expenses of farm assets, crop insurance, Personal Accident Insurance Scheme (PAIS) and Asset insurance.

Repayment period

Short term credit/crop loans as well as working capital for agriculture and allied activities would be provided as revolving cash credit limit, repayable in 12 months.

3.7 Management and Administration

The bank is governed by the General Body and Board of Directors.

A. General Body

As in any co-operative organization, the supreme authority of the Pariyaram Service Co-operative Bank is the General Body. The General Body has the power to elect the Board of Directors, reviewing and approving the annual accounts and Balance sheet, disposal of net profit based on byelaws, approving the annual budget and annual report of the Bank, amendment of byelaws etc.

B. Board of Directors

The Board of Directors consists of 11 members. The term of office of the Board is five years. The board will meet in an interval of not more than one week. The quorum required for the meeting is five. The board will look after the day to day administration.

C. President

The president shall have an overall control on the officers of the bank. The president will be the ex- officio treasurer. All the accounts of the bank should be handled by the president and secretary jointly. A vice-president also will be elected for shouldering the responsibilities of the bank in the absence of president.

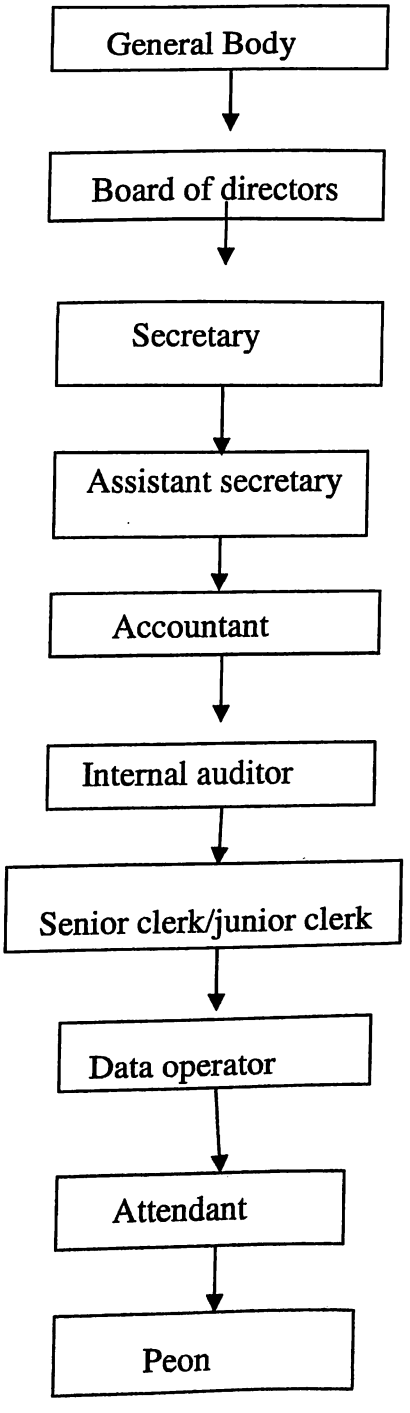
D. Secretary

The secretary is the chief executive officer of the bank subjected to the control of the president. He will be responsible for general administration and he is a paid employee.

3.8 Organisational Structure:

The General Body from among the members elects the Board of Directors and from among themselves elects president. The whole management affairs of the bank are vested with the board. The board appoints a full time secretary who is the chief executive officer to the bank for executing the day to day activities of the bank. There are paid employees under secretary.

ORGANISATIONAL STRUCTURE



UTILISATION OF LOAN–AN ANALYSIS

Chapter - 4

UTILISATION PATTERN AND ECONOMIC IMPACT – AN ANALYSIS

4.1 Introduction

The success of co-operative credit institutions and prosperity of cultivators mainly depend on the productive utilization of agricultural finance. Misutilisation of loan reflects adversely on the character of co-operative credit institutions. Proper use of loan is more important than the provision of adequate credit itself Utilisation is one of the prime factors in the field of rural finance to boost up agricultural production. Utilisation of farm credit for which it is provided is an important element in agricultural development. Proper utilization of agricultural credit is an essential condition for the healthy functioning of an agricultural economy. If the loan borrowed is properly utilized for production purposes, it will repay itself. If farm credit is used for non-productive purposes, it will not only diminish the possibility of increasing farm production or production efficiency of the farm but will also affect adversely the repaying capacity of the borrowers. The performance of Agricultural Co-operative banks have to be judged not only from the quantum of loan disbursed by the institution but also from the proper utilization by the borrowers. Hence in this section an attempt is made to study the utilization pattern of credit in the study area. This chapter is divided into 3 sections in order to make the study more effective.

Section I - Credit utilisation pattern.

Section II - Association of Personal and Socio-demographic factors with credit utilisation pattern

Section III - Economic Impact

Section -I

Credit utilisation pattern

Utilisation of production credit frilly for cultivation purposes is the precondition for improving the agricultural yield and productivity. Farmers could expect better yields, which in turn lead to better their economic condition. The pattern of utilisation of agricultural credit by the sample respondents is given in table 4.1

Table 4.1. Extent of Credit Utilisation Pattern for Agriculture purposes

n = 100

Credit utilisation pattern	Frequency	Per cent
Fully utilized	33	33
Partially utilized	56	56
Not at all utilized	11	11
Total	**100**	**100**

Source: Primary data

Table 4.1 and Fig 4.1 reveals that the 33 per cent of the sample respondents have completely utilized the credit for the purpose for which it was sanctioned. 56 per cent of the respondents have partially utilized the loan for other purposes. Only 11 per cent of the sample respondents have not at all utilized the credit for the purpose of cultivation. Thus, about one-third of the respondents are not making proper use of credit for production purposes.

Fig 4.1 Extent of Credit Utilisation Pattern for Agriculture purposes

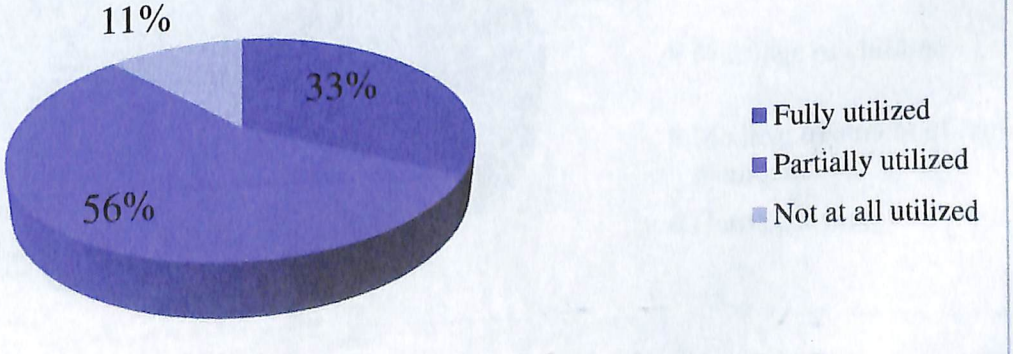


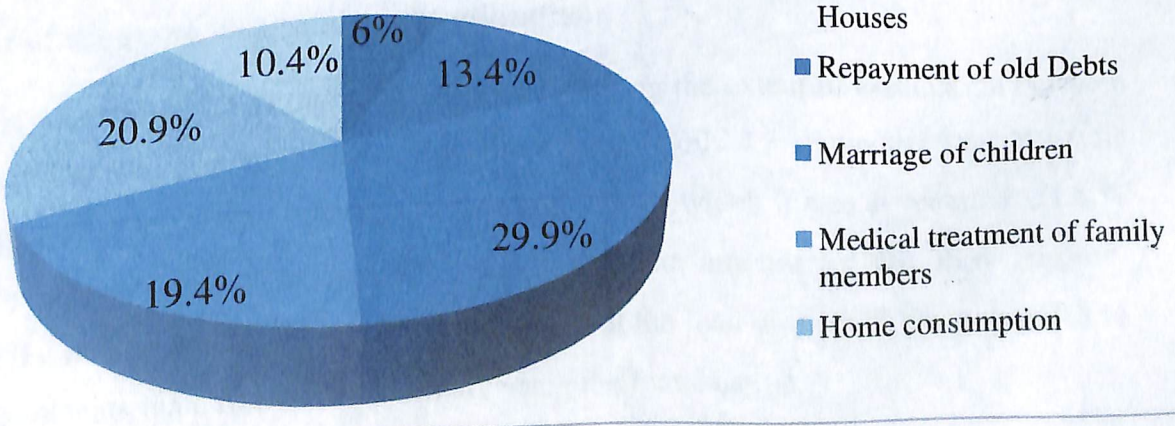
Table 4.2 Loan amount spent on other purposes **n = 100**

Particulars	Frequency	Per cent
Construction of Residential Houses	4	6.0
Repayment of old Debts	9	13.4
Marriage of children	20	29.9
Medical treatment of family members	13	19.4
Home consumption	14	20.9
Other purpose	7	10.4
Total	**67**	**100**

Source: Primary data

Table 4.2 and Fig 4.2 discloses the particulars of loan amount spent on other purposes. 10.4 % of the sample respondents had spent their loan amount on consumption purposes, 13.4 % of them on repayment of old debts, 19.4 % of them on medical care and treatment of family members. The other reasons for partial utilisation of loan was the diversion of loan for other purposes like marriage of children 29.9, and other reasons 10.4. Hence, from the above, it is inferred that most of the farmers have spent the loan amount on marriage of children followed by medical treatment of family members.

Fig 4.2 Loan amount spent on other purpose



Section- II

Association of Personal, Socio-Economic Factors with Credit Utilisation Pattern:

The selected personal, socio-demographic variables like age, education, type of family, family size, family income, cultivation status, land holdings, level of repayment and loan amount were studied to find out the association with credit utilisation pattern of the respondents. Based on the personal and socio-demographic factors, utilisation of credit is determined. Statistically tools have been applied to find out the significance between, utilisation of credit and socio-demographic factors. The utilisation pattern is measured and presented in terms of percentage.

The following are variables selected for the study:

1. Gender of the respondent
2. Age of the respondent
3. Education qualification
4. Type of family
5. Size of the family
6. Cultivation status
7. Total land holdings
8. Family income
9. Loan amount
10. Level of repayment

1. Gender of the respondent and credit utilisation

Table 4.3 reports the results of the analysis eliciting the extent of association between credit utilisation pattern and gender of the respondents. Table 4.3 shows the 38.2 % of the female respondent were fully utilised the loan amount for which it was sanctioned. 58.8 % of the female respondent were partially utilised the loan amount for the other purpose. 15.2 % of the male respondents were not at all utilised the loan amount. Thus, compared to female respondents male respondent were diverting the loan amount.

Table 4.3 Gender of the respondent and Credit Utilisation pattern **n = 100**

Particulars		Gender of the respondent				Total	
		Male		Female			
		No.	%	No.	%	No.	%
Credit Utilisation Pattern	Fully utilised	20	30.3	13	38.2	33	100
	Partially utilized	36	54.5	20	58.8	56	100
	Not at all utilized	10	15.2	1	2.9	11	100
Total		**66**	**100**	**34**	**100**	**100**	**100**

Source: Primary data

Test of hypothesis

Null hypothesis

There is no association between gender of the respondents and utilisation pattern of agriculture credit. Chi-square test was applied to test association and the result is presented in Table 4.3.1

4.3.1 Chi-Square Test on gender of the respondent and utilisation of credit

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.543[a]	2	.170

It is very clear from table 4.3.1 that the. P-value is 0.170 > 0.05, so we accept the null hypothesis, i.e. there is no significant association between the age of the respondent and utilisation of credit.

2. Age of Respondent and Utilisation

The relationship between the age of the respondents and utilisation of credit is presented in Table 4.4

Table 4.4 Age and Credit Utilisation pattern **n = 100**

Particulars		Age of the respondent									
		21 to 30 years		31 to 40 years		41 to 50 years		51 to 60 years		61 years and above	
		No.	%	No.	%	No.	%	No.	%	No.	%
Credit Utilisation Pattern	Fully utilised	2	25	7	30.4	6	42.9	8	24.2	10	45.5
	Partially utilized	6	75	10	43.5	8	57.1	22	66.7	10	45.5
	Not at all utilized	0	0	6	26.1	0	0	3	9.1	2	9.1
Total		**8**	**100**	**23**	**100**	**14**	**100**	**33**	**100**	**22**	**100**

Source: Primary data

Table 4.4 discloses that 45.5 %of the respondents who were under the age group of above 61 years have completely utilized the loan amount for which it was sanctioned, 75 % of the sample respondents who were in the age group 21-30 years had partially utilized their loan for the other purpose. 26.1 % respondents in the age group of 31- 40 years who had not at all utilized the loan for cultivation purposes. Hence, it can be concluded that younger farmer generation were diverting the loan amount for other purpose.

Test of hypothesis

Null hypothesis

There is no association between different age of the respondent and utilisation pattern of agriculture credit.

Chi-square test was applied to test this hypothesis and the result is presented in Table 4.4.1

4.4.1 Chi-Square Test on age of the respondent and utilisation of credit

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.897[a]	10	.450

Source: Primary data

As it is depicted in Table 4.4.1 that the. P-value is 0.450 > 0.05, so we accept the null hypothesis, i.e. there is no significant association between the age of the respondent and utilisation of credit.

3. Level of Education and Credit Utilisation pattern

Table 4.5 shows that the relationship between education of the respondent and utilisation of credit.

Table 4.5 Educational qualification and Credit utilisation pattern **n = 100**

Particulars		Educational qualification							
		Up to SSLC		Plus two		Degree		Post-graduation and above	
		No.	%	No.	%	No.	%	No.	%
Credit Utilisation Pattern	Fully utilised	16	24.2	0	0	10	62.5	7	100
	Partially utilized	41	61.2	10	90.9	5	31.2	0	0
	Not at all utilized	9	13.6	1	9.1	1	6.2	0	0
Total		**66**	**100**	**11**	**100**	**16**	**100**	**7**	**100**

Source: Primary data

It can be observed from the above Table 4.5. that 100 % of the sample respondents who have studied post-graduation and above, have completely utilized the loan amount for the agriculture purpose, 90.9 % of the respondents who have studied up to plus two have partially utilized the loan amount for agriculture purpose. 13.6 % of the respondents who have studied up to SSLC completely diverted the loan amount for other purposes.

Test of hypothesis

Null hypothesis

There is no association between educational qualification of the respondents and utilisation pattern of agriculture credit.

Table 4.4.1 Chi-Square Tests on educational qualification and utilisation of credit

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	28.963[a]	6	.000***

(***- 1% level of significance)

Table 4.4.1.shows that the p-value for the variable is 0.000 < 0.05, so we reject the null hypothesis, i.e. there is significant association between the educational qualification of the respondents and utilisation of credit. It could be concluded that the education plays an important role in credit utilisation.

4. Type Of Family And Utilisation Of Credit

Table 4.6 shows the relationship between the type of family and the credit utilisation pattern.

Table 4.6 Type of family and credit utilisation pattern of loan amount **n = 100**

Particulars		Type of family			
		NUCLEUS FAMILY		JOINT FAMILY	
		No.	%	No.	%
Credit Utilisation Pattern	Fully utilised	24	36.4	9	26.5
	Partially utilized	37	56.1	19	55.9
	Not at all utilized	5	7.6	6	17.6
Total		**66**	**100**	**34**	**100**

Source: Primary data

It could be revealed from the Table 4.6 that 24 respondents (36.4 per cent) who were belongs to nucleus families have utilized the loan amount fully for the purposes for which it was sanctioned, 33 % of respondents representing joint families have utilized completely for the agriculture purposes. Another 55.9 % of the respondents belonging to joint families and 56.1 %of the respondents from nucleus families have partially utilized the credit for production purposes. Remaining respondents of nucleus families (7.6 per cent) and Joint families (17.6 per cent) have not at all utilized the loan amount for production purposes. Thus, it is seen that the farmers belonging Joint family showing the highest per cent in category of not at all utilised in the credit utilisation patterns.

Test of hypothesis

Null hypothesis

There is no association among type of family of the respondents and utilisation pattern of agriculture credit.

Table 4.6.1 Chi-Square Test on type of family and utilisation of credit

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.735[a]	2	.255

Table 4.6.1 shows that the p-value for the variable is 0.255 > 0.05, so we accept the null hypothesis, i.e. there is no significant association between the type of family the respondents and utilisation of credit.

5. Size of the family and credit utilisation pattern

When the family size is small, they spend fewer amounts on the family expenses. They may have to spend more when the number of members in the family is more. Consequently the respondents are forced to spend more on diverting the production credit. Table 4.7 exhibits the relationship between the size of the family and utilisation of production credit.

Table 4.7 Size of the family and Credit utilisation pattern **n = 100**

Particulars		**Family Size**					
		1 - 3 Members		4 - 6 Members		7 Members and above	
		No.	%	No.	%	No.	%
Credit Utilisation Pattern	Fully utilised	4	36.4	20	31.2	9	13.6
	Partially utilized	6	54.5	36	56.2	14	63.6
	Not at all utilized	1	9.1	8	12.5	2	22.7
Total		**11**	**100**	**64**	**100**	**22**	**100**

Source: Primary data.

Table 4.7 shows that the 36.4 %sample respondents with family size of 1-3 members had utilized of the loan amount fully for the agricultural purpose. 63.6 %of the respondents with family size 7 members and above have partially utilized the loan amount for which it was sanctioned. The respondents belongs to family size of 7 and above members (22.7) have not at all utilised the loan amount.

Test of hypothesis

Null hypothesis

There is no association among family size of the respondents and utilisation pattern of agriculture credit.

Table 4.7.1 Chi-Square Test on family size and utilisation of credit

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.542[a]	4	.969

Table 4.7.1 shows that the p-value for the variable is 0.969 > 0.05, so we accept the null hypothesis, i.e. there is no significant association between the family size of respondents and utilisation of credit.

6. Cultivation status and extent of utilisation of credit

Table 4.7. exhibits the relationship between the cultivation status and utilisation of credit.

Table 4.8 Cultivation status and Credit utilisation pattern **n = 100**

Particulars		Cultivation status			
		Tenant and owned		Owned cultivation	
		No.	%	No.	%
Credit Utilisation Pattern	Fully utilised	1	25	32	33.3
	Partially utilized	1	25	55	57.3
	Not at all utilized	2	50	9	9.4
Total		**3**	**100**	**97**	**100**

Source: Primary data

Table 4.8 reveals that about 25 % of the respondents has own and leased in lands and 33.3 % of the farmers involved in own cultivation have completely utilized the loan amount for the purposes for which it was sanctioned. 38.5 % of the respondents having own and tenant farming and 57.3 % of the farmers engaged in own cultivation have utilized the loan amount partially. 50 % of the own and tenant cultivation category farmers and 9.4 % of the farmers who cultivate own lands have completely diverted the loan amount for other purposes. Thus, majority of the tenant and owned farmers either utilised the entire loan amounts or part of it for the said purpose.

Test of hypothesis

Null hypothesis

There is no association among cultivation status of the respondents and utilisation pattern of agriculture credit.

Table 4.8.1 Chi-Square Test on Cultivation status and Credit utilisation pattern

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.557[a]	2	.038**

(** - 5% level of significance)

Table 4.8.1 shows that the p-value for the variable is 0.038 < 0.05, so we reject the null hypothesis, i.e. there is significant association between the cultivation status of respondents and utilisation of credit.

7. Total land holding and utilisation of credit

The extent of total land holdings and the utilisation of credit of the sample respondents are given in Table 4.9

Table 4.9 shows the fact that 68.8 % of the big farmers have fully utilized their loan and 76.9 % of the middle farmers have partially utilized the loan amount for other purpose. 24.4 % of the small farmers have not at all utilized the loan amount for the purpose. So, one can say that middle and big farmers have utilized their loan amount higher than the small farmers.

Table 4.9 Land holdings-Total acres and Credit utilisation pattern **n = 100**

Particulars		Land Holding-Total acres					
		Up to 1 acres		2 – 5 acres		Above 5 acres	
		No.	%	No.	%	No.	%
Credit Utilisation Pattern	Fully utilised	13	28.9	9	23.1	11	68.8
	Partially utilized	21	46.7	30	76.9	5	31.2
	Not at all utilized	11	24.4	0	0	0	0
Total		**45**	**100**	**39**	**100**	**16**	**100**

Source: Primary data

Test of hypothesis

Null hypothesis

There is no association among land holdings of the respondents and utilisation pattern of agriculture credit.

Table 4.9.1 Chi-Square Test on total land holdings and utilisation of credit

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.091[a]	4	.059

Table 4.8.1.shows that the p-value for the variable is 0.059 > 0.05, so we accept the null hypothesis, i.e. there is no significant association between the total and holdings of respondents and utilisation of credit.

8. Family Income and Utilisation

Table 4.10 shows the relationship between the family income and utilisation of credit of the sample respondents.

Table 4.10 Annual Family income and Credit utilisation pattern **n = 100**

Particulars		Annual Family Income									
		Up to Rs.25,000		Rs.25,000 to Rs50,000		Rs.50,000 to Rs.1,00,000		Rs.1,00,000 to Rs.2,00,000		Rs.2,00,00 and above	
		No.	%	No.	%	No.	%	No.	%	No.	%
Credit Utilisation Pattern	Fully utilised	0	0	7	36.8	3	14.3	11	26.8	12	85.7
	Partially utilized	5	100	9	47.4	14	66.7	26	63.4	2	14.3
	Not at all utilized	0	0	3	15.8	4	19	4	9.8	0	0
Total		**5**	**100**	**19**	**100**	**21**	**100**	**41**	**100**	**14**	**100**

Source: Primary data.

Table 4.10 indicates that 85.7 % of the respondents with annual family income of above Rs.2, 00,000 have completely utilized the loan amount for agriculture purposes. 100%

of respondents with annual family income up to Rs.25, 000 have partially utilized of the loan amount for other purposes. 15.8 % of the farmers in the income group of Rs.25, 000 to 50,000 have not at all utilized the loan amount for agriculture purpose.

Test of hypothesis

Null hypothesis

There is no association among annual family income of the respondents and utilisation pattern of agriculture credit.

Table 4.10.1.Chi-Square Test on annual Family income and Credit utilisation pattern

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	27.167[a]	8	.001**

(** - 5% level of significance)

Table 4.10.1 shows that the p-value for the variable is 0.001 < 0.05, so we reject the null hypothesis, i.e. there is significant association between the annual family income of respondents and utilisation of credit.

9. Loan amount and utilization

Table 4.11 exhibits the relationship between the loan amounts received from the bank and the extent of utilisation of credit.

Table 4.11 shows that 37.5 % of the respondents who availed themselves loan up to Rs.1 lakh have completely utilized the loan amount for which it was sanctioned. Around 62.5 % of the respondents who availed loans each in the range of Rs.2 lakh- 3 lakh have partially diverted the loan amount for other purposes. 4 out of 16 respondents who borrowed loans up to Rs.1 lakh have not at all utilized the loan amount for specific purpose. From the above analysis it is observed that the respondents who availed themselves of less amounts have utilized the amount for the agriculture purposes than those who have availed very large amount.

Table 4.11 Loan amount received and Credit utilisation pattern **n = 100**

Particulars		Loan Amount					
		Up to 1 lakh		1 lakh - 2 lakh		2 lakh - 3 lakh	
		No.	%	No.	%	No.	%
Credit Utilisation Pattern	Fully utilised	6	37.5	12	33.3	15	31.2
	Partially utilized	6	37.5	20	55.6	30	62.5
	Not at all utilized	4	25	4	11.1	3	6.2
Total		**16**	**100**	**36**	**100**	**48**	**100**

Source: Primary data

Test of hypothesis

Null hypothesis

There is no association among annual family income of the respondents and utilisation pattern of agriculture credit.

Table 4.11.1 Chi-Square Test on Loan amount received and Credit utilisation pattern

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.321[a]	4	.256

Table 4.11.1 shows that the p-value for the variable is 0.256 > 0.05, so we accept the null hypothesis, i.e. there is no significant association between the loan amount received to respondents and utilisation of credit.

10. Repayment status and Credit utilisation

Generally the farmers are expected to utilize the loan amount fully and repay the amount in time. Credit utilisation is the major factor, which influences the productivity and thus the

farm income of the respondents, which in turn influences the repayment capacity and performance of the respondents.

Table 4.12 Repayment status and Credit utilisation pattern **n = 100**

Particulars		Repayment status					
		Fully repaid		Partially repaid		Not at all repaid	
		No.	%	No.	%	No.	%
Credit Utilisation Pattern	Fully utilised	29	34.1	2	16.7	2	66.7
	Partially utilized	49	57.6	7	58.3	0	0
	Not at all utilized	7	8.2	3	25	1	33.3
Total		**85**	**100**	**12**	**100**	**3**	**100**

Source: Primary data

Table 4.12 illustrates the relationship between the repayment status and utilisation of credit. It shows that 66.7 % of the respondents who have repaid the loan fully are the farmers who not at all utilized the loan amount for the purpose. The respondents were not able to yield agriculture even though they are fully utilised the loan amount .

Test of hypothesis

Null hypothesis

There is no association among repayment status of the respondents and utilisation pattern of agriculture credit.

Table4.12.1 Chi-Square Test on Repayment status and Credit utilisation pattern

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.855[a]	4	.097

Table 4.12.1 shows that the p-value for the variable is $0.97 > 0.05$, so we accept the null hypothesis, i.e. there is no significant association between the repayment status of the respondents and utilisation of credit.

Section -III

ECONOMIC IMPACT

This section deals with the economic impact of loan on borrowers. The economic impact was measured and presented in terms of percentage. The percentage increase in income and percentage change in employment were the 2 factors taken for determining the economic impact.

Table 4.13 Per cent change in income **n = 100**

Change in income (%)	Frequency	Per cent
Below 10%	11	11.0
10 - 20%	27	27.0
20 - 30%	40	40.0
30 and above	22	22.0
Total	**100**	**100.0**

Table 4.13 and Fig 4.3 reveals that the 40 % of the increase in agriculture yield belongs to 20 – 30 % category. Only 11 % of increase is shown in the category of below 10 per cent.

Fig 4.3 Pre cent increase in income

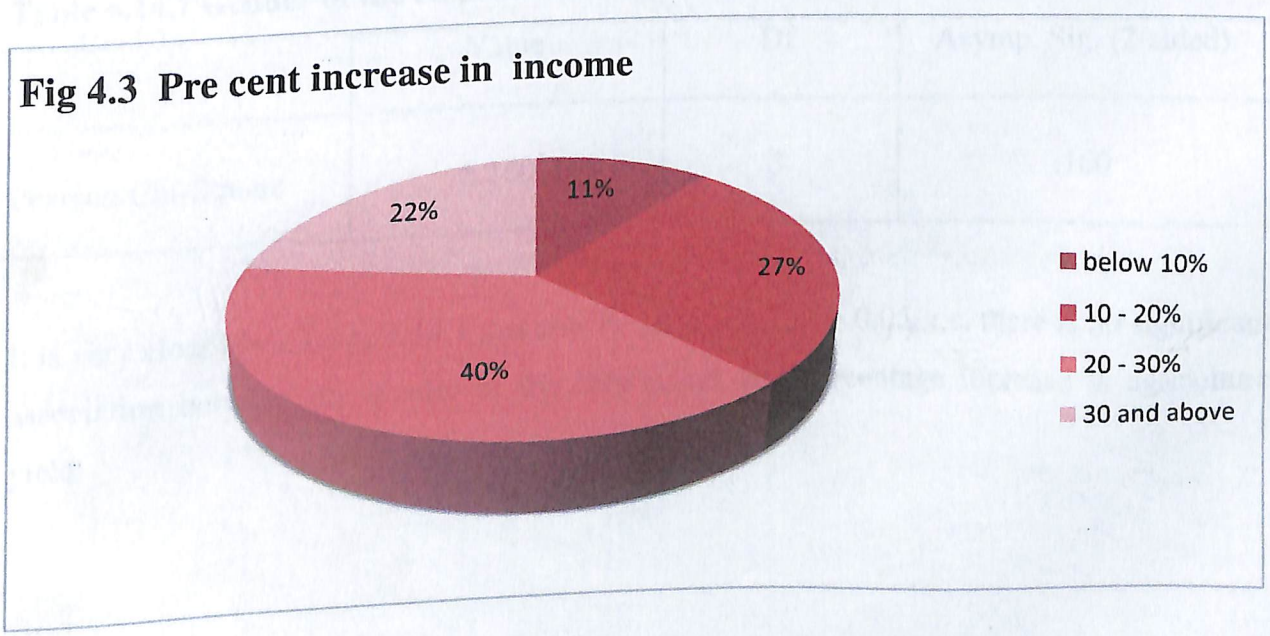


Table 4.14 Gender of the respondent and per cent change in income

Particulars		Gender of the respondent				Total
		Male		Female		
		No.	%	No.	%	
Increase in farm yield after availing loan (%)	below 10%	10	15.2	1	2.9	11
	10 - 20%	16	24.2	11	32.4	27
	20 – 30%	28	42.4	12	35.3	40
	30% and above	12	18.2	10	29.4	22
Total		**66**	**100**	**34**	**100**	**100**

Table 4.14 Shows that the male respondents were earning more as compared to female respondent except in the category of 10- 20 % and 20 – 30 %.

Table 4.14.1 Gender of the respondent and per cent change in income

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.160[a]	3	.160

It is very clear from Table 4.14.1 that the. P-value is 0.160 > 0.05, i.e. there is no significant association between the gender of the respondent and percentage increase in agriculture yield.

Table 4.15 Educational qualification of respondent and per cent change in income

Particulars		Educational qualification							
		Up to SSLC		Plus two		Degree		Post-graduation and above	
		No.	%	No.	%	No.	%	No.	%
%increase in income	Below 10%	9	13.6	1	9.1	1	6.2	0	0
	10% - 20%	19	28.8	5	45.5	3	18.8	0	0
	20% -30%	25	37.9	4	36.4	7	43.8	4	57.1
	30% and above	13	19.7	1	9.1	5	31.2	3	42.9
Total		**66**	**100**	**11**	**100**	**16**	**100**	**7**	**100**

It can be observed from the above table 4.15 that 42.9% of the post graduated respondents were able to generate income above 30 per cent. In the category of below 10 % majority respondents were having SSLC.

Table 4.15.1 Gender of the respondent and per cent change in income

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.991[a]	9	.438

It is very clear from table that the. P-value is 0.438 > 0.05, i.e. there is no significant association between the educational qualification of the respondent and percentage increase in agriculture yield.

Table 4.16 Loan amount and per cent change in income

Particulars		Loan Amount					
		Up to 1 lakh		1 lakh - 2 lakh		2 lakh - 3 lakh	
		No.	%	No.	%	No.	%
Increase in farm yield after availing loan (%)	Below 10%	4	25	4	11.1	3	6.2
	10% - 20%	5	31.2	4	11.1	18	37.5
	20% -30%	3	18.8	18	50	19	39.6
	30% and above	4	25	10	27.8	8	16.7
Total		**16**	**100**	**36**	**100**	**48**	**100**

It is clear from the Table 4.16 percentage change in income with respect to loan amount. Here in this table the respondents who availed loan 2 lakh – 3 lakh category were generated yield of 30% and above. Majority of the respondents generated the yield of 20% - 30%. Percentage changes in income under the category of below 10 were the respondent who availed loan amount up to 1 lakh.

Table 4.16.1 Loan amount and per cent change in income

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.210[a]	6	.040***

(** - 5% level of significance)

It is very clear from table that the. P-value is 0.040 < 0.05, i.e. there is significant association between the amount of loan received of the respondent and percentage increase in agriculture yield.

Table 4.17 Utilisation pattern and per cent change in income

Particulars		Utilization of the loan amount for agriculture purpose					
		Fully utilised		Partially utilised		Not at all utilised	
		No.	%	No.	%	No.	%
Increase in farm yield after availing loan (%)	Below 10%	0	0	0	0	11	100
	10% - 20%	1	3	26	46.4	0	0
	20% -30%	13	39.4	27	48.2	0	0
	30% and above	19	57.6	3	5.4	0	0
Total		**33**	**100**	**56**	**100**	**11**	**100**

Table 4.17 shows that respondents who were fully utilised the loan amount earned an increase in the farm yield of 30% and above. Those respondent who were not at all utilised the loan amount, they only able to make farm yield of below 10%. Majority of the respondent belongs to 20 – 30 % category.

Table 4.17.1 Utilisation pattern and per cent change in income

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	140.624[a]	6	.000***

(*** - 1% level of significance)

It is very clear from table that the. P-value is 0.000 < 0.05, i.e. there is significant association between the amount of utilisation pattern of the respondent and percentage increase in agriculture yield.

Table 4.18 Per cent change in employment

Per cent change in employment after availing loan	Frequency	Percent
below 10%	22	22.0
10 - 20%	42	42.0
20 - 30%	26	26.0
30 and above	10	10.0
Total	**100**	**100.0**

Table 4.18 and figure 4.4 reveals that the percentage change in employment in the category of 10 – 20 %shows highest frequency (42%). Only 10 %of the respondent were able to generate employment more than 30%.

Fig 4.4 Per cent change in employment

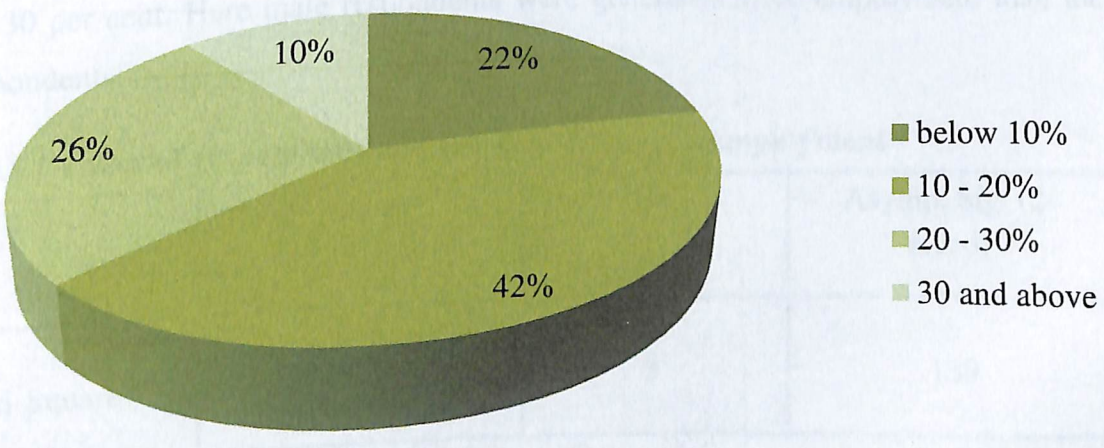


Table 4.19 Gender of respondents and per cent change in employment

Particulars		Gender of the respondent				Total
		Male		Female		
		No.	%	No.	%	
Change in employment after availing loan (%)	below 10%	18	27.3	4	11.8	11
	10 - 20%	28	42.4	14	41.2	42
	20 – 30%	13	19.7	13	38.2	26
	30% and above	12	10.6	10	8.8	22
Total		**66**	**100**	**34**	**100**	**100**

As per the table 4.19 only 10.6 % of the male respondent generated employment for more than 30 per cent. Here male respondents were generated more employment than the female respondents.

Table 4.19.1 Gender of respondents and per cent change in employment

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.499[a]	3	.139

It is very clear from table that the. P-value is 0.139 > 0.05, i.e. there is no significant association between the gender of the respondent and percentage increase in employment.

Table 4.20 Educational qualification of respondents and per cent change in employment

Particulars		Educational qualification							
		Up to SSLC		Plus two		Degree		Post-graduation and above	
		No.	%	No.	%	No.	%	No.	%
% Change in employment after availing loan	Below 10%	16	24.2	3	27.3	3	18.8	0	0.0
	10% - 20%	30	45.5	4	36.4	6	37.5	2	28.6
	20% -30%	13	19.7	4	36.4	5	31.2	4	57.1
	30% and above	7	10.6	0	0	2	12.5	1	14.3
Total		**66**	**100**	**11**	**100**	**16**	**100**	**7**	**100**

Table 4.20 shows that educational qualification plays an important role. Educated respondents have more knowledge as compared to others so the know how to allocate the resources. In this case 57.1 % of the respondents completed post-graduation and above generated 20 – 30% of employment. Other reason is that educated respondents were employed, they have no enough time to do agricultural activities. So they employ individual for that.

Table 4.20.1Educational qualification of respondents and per cent change in employment

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.152a	9	.519

It is very clear from table that the. P-value is 0.519 > 0.05, i.e. there is no significant association between the educational qualification of the respondent and percentage increase in employment.

Table 4.21 Loan amount received and per cent change in employment

Particulars		Loan Amount						TOTAL
		Up to 1 lakh		1 lakh - 2 lakh		2 lakh - 3 lakh		
		No.	%	No.	%	No.	%	
Change in employment after availing loan (%)	Below 10%	7	42.8	7	19.4	8	16.7	22
	10% - 20%	3	18.8	14	38.9	25	52.1	42
	20% -30%	5	31	9	25	12	25	26
	30% and above	1	6.2	6	16.7	3	6.2	10
Total		**16**	**100**	**36**	**100**	**48**	**100**	**100**

Table 4.21 shows that the respondents who availed loan amount 2 lakh -3lakh (52.1%) are able to generate 10 – 20 % of employment. In case of loan amount 1 lakh – 2 lakh the respondents generated 10 – 20 % employment. The respondents who availed loan up to 1 lakh generated below 10% employment.

Table 4.21.1 Loan amount received and per cent change in employment

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.174[a]	6	.118

It is very clear from table that the. P-value is 0.118 > 0.05, i.e. there is no significant association between the educational qualification of the respondent and percentage increase in employment.

Table 4.22 Utilisation of loan and per cent change in employment

Particulars		Utilization of the loan amount for agriculture purpose						TOTAL
		Fully utilised		Partially utilised		Not at all utilised		
		No.	%	No.	%	No.	%	
Change in employment after availing loan (%)	Below 10%	0	0	11	19.6	11	100	22
	10% - 20%	10	30.3	32	57.1	0	0	42
	20% -30%	14	42.4	12	21.4	0	0	26
	30% and above	9	27.3	1	1.8	0	0	10
Total		**33**	**100**	**56**	**100**	**11**	**100**	**100**

Table 4.22 reveals that the respondents who generated employment were those who either fully utilised or partially utilised the loan amount. The respondent belongs to not at all utilised category they generated below 10 %employment. It means that utilisation pattern and percentage change in employment were positive relation.

Table 4.22.1 Utilisation of loan and per cent change in employment

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	68.032[a]	6	.000

(1% level of significance)

It is very clear from table that the. P-value is 0.000 < 0.05, i.e. there is significant association between the utilisation of the loan amount and percentage increase in employment.

SUMMARY OF FINDINGS, CONCLUSION AND SUGGESTIONS

Chapter - 5

SUMMARY OF FINDINGS AND SUGGESTIONS

5.1 Findings of the study

The following are the main findings based on the analyses and interpretation.

The utilisation pattern of credit by the farmers

1. Only 33 % of the total respondents fully utilised the loan amount for which it was sanctioned others were diverted the loan amount.
2. The respondent who were diverted the loan amount mainly utilised for the purpose of marriage of children (29.9%) followed by home consumption (20.9).
3. Both male and female respondents were diverted the loan for other purpose compared to male female respondents were utilised the loan amount. The 38.2 % of the female respondent were fully utilised the loan amount for which it was sanctioned. 58.8 % of the female respondent were partially utilised the loan amount for the other purpose. There is no statistical association between gender and utilisation pattern.
4. It has been found that 45.5 % of the respondents who were under the age group of above 61 years have completely utilized the loan amount for which it was sanctioned, 75 % of the sample respondents who were in the age group 21-30 years had partially utilized their loan for the other purpose. It is not statistically significant.
5. 100 % of the sample respondents who have studied post-graduation and above, have completely utilized the loan amount for the agriculture purpose. 13.6 % of the respondents who have studied up to SSLC completely diverted the loan amount for other purposes.so education plays an important role in credit utilisation pattern
6. There were 66 nucleus family and 34 joint family, out of that 36.4 % of the respondents (nucleus family) fully utilised the loan amount were as 26.5 % of the respondents (joint family) fully utilised the loan amount for which it was sanctioned.17.6 % of the respondent (joint family) not at all utilised the loan amount for which it was sanctioned.
7. 36.4 % sample respondents with family size of 1-3 members had utilized of the loan amount fully for the agricultural purpose. 63.6 % of the respondents with family size 7 members and above have partially utilized the loan amount for which it was

sanctioned. The respondents belongs to family size of 7 and above members (22.7) have not at all utilised the loan amount.

8. 25 % of the respondents has own and tenant lands and 33.3 %of the farmers involved in own cultivation have completely utilized the loan amount for the purposes for which it was sanctioned. 50 % of the own and tenant cultivation category farmers and 9.4 % of the farmers who cultivate own lands have completely diverted the loan amount for other purposes. There is significant association between cultivation status and credit utilisation.
9. In case of total land holdings 68.8 % of the big farmers have fully utilized their loan and 76.9 % of the middle farmers have partially utilized the loan amount for other purpose. 24.4 % of the small farmers have not at all utilized the loan amount for the purpose. So, one can say that middle and big farmers have utilized their loan amount higher than the small farmers.
10. 85.7 % of the respondents with annual family income of above Rs.2, 00,000 have completely utilized the loan amount for agriculture purposes. 100 per cent of respondents with annual family income up to Rs.25, 000 have partially utilized of the loan amount for other purposes. 15.8 % of the farmers in the income group of Rs.25, 000 to 50,000 have not at all utilized the loan amount for agriculture purpose.
11. 37.5 % of the respondents who availed themselves loan up to Rs.1 lakh have completely utilized the loan amount for which it was sanctioned. Around 62.5 % of the respondents who availed loans each in the range of Rs.2 lakh- 3 lakh have partially diverted the loan amount for other purposes. It is observed that the respondents who availed themselves of less amounts have utilized the amount for the agriculture purposes than those who have availed very large amount.
12. 66.7 % of the respondents who have repaid the loan fully are the farmers who not at all utilized the loan amount for the purpose. Respondents were not able to generate sufficient income from agriculture in order to make prompt payment.

The economic impact of loan on borrowers:

1. The impact on loan on income generation, it shows that per cent increase in agriculture income in the category of 20-30% is 40 %. Percentage of change in income in the category of below 10 % is 11%.
2. 42.9% of the post graduated respondents were able to generate income above 30 per cent. In the category of below 10 %majority respondents were having SSLC.

3. The respondents who availed loan 2 lakh – 3 lakh categories were generated yield of 30% and above. Majority of the respondents generated the yield of 20% - 30%. Percentage changes in income under the category of below 10 were the respondent who availed loan amount up to 1 lakh.it is statistically significant at 5%.
4. Respondents who were fully utilised the loan amount earned an increase in the farm yield of 30% and above. That respondent who was not at all utilised the loan amount, they only able to make farm yield of below 10%. Majority of the respondent belongs to 20 – 30 % category.
5. The percentage change in employment in the category of 10 – 20 % shows highest frequency (42%). Only 10 % of the respondents were able to generate employment more than 30%.
6. Only 10.6 % of the male respondent generated employment for more than 30 per cent. Here male respondents were generated more employment than the female respondents.
7. 57.1 % of the respondents who were completed post-graduation and above generated 20 – 30 % of employment. The 10.6 % respondents who were studied up to SSLC have generated 30 % and above employment.
8. The respondents who availed loan amount 2 lakh -3lakh (52.1%) were able to generate 10 – 20 % of employment. In case of loan amount 1 lakh – 2lakh the respondents generated 10 – 20 % employment. The respondents who availed loan up to 1 lakh generated below 10% employment.
9. The respondents who generated employment were those who either fully utilised or partially utilised the loan amount. The respondent belongs to not at all utilised category they generated below 10 %employment. It means that utilisation pattern and percentage change in employment were positive relation.
10. The respondents who generated employment below 10 % belong to partially and not partially used category. Respondents who fully utilised the loan amount generated employment above 10 %.it is statistically significant at 1%.

5.2 Suggestions

On the basis of empirical evidences, it is inferred that credit obtained for specifically agricultural purposes was also being utilized for fulfilling other needs. This situation demands for a concerted effort on the part of credit related personnel to ensure that the loanee uses credit for the exact purpose it was obtained.

The banks should strengthen their supervisory roles to minimize loan diversion among the beneficiaries and also to ensure efficient utilization of loan given. All successful loan applicants should be given training frequently to enable them acquire investment and enterprising skills and minimize loan diversion. Technical guidance must be provided by the bank for better utilization of the credit.

Bank must have good contacts with the farmers especially with small and marginal farmers. Increase the repayment period for agriculture credit. The farmers would be able to increase per unit productivity which will bring prosperity not only for the farming community but also for the nation and they will also timely return the loan to pariyaram service cooperative bank.

5.3 Conclusion

The study on "Agriculture Lending and its Utilisation By Farmers "is an attempt to examine the utilisation pattern of credit by the farmers and to examine the economic impact of loan on borrowers The study highlight the fact that the majority of the respondents were not utilising the loan amount for which it was sanctioned. This was happen because short term agriculture loan are very cheap, that is the main attraction. The educational qualification, cultivation status and annual income of the family is significantly associated with credit utilisation pattern. It could be further observed that through full utilisation of the loan amount the farmer can obtain a good level of income from agriculture, it support the borrowers to employ farmers in their land thus it leads to agriculture growth as well as economic growth.

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APPENDIX

APPENDIX

COLLEGE OF CO-OPERATION, BANKING AND MANAGEMENT

KERALA AGRICULTURAL UNIVERSITY

Topic: A STUDY ON AGRICULTURE LENDING AND ITS UTILIZATION BY FARMERS

SCHEDULE FOR FARMERS

(For academic purpose only)

I. Socio-Economic Conditions of the Respondents:

1. Code Number:-.....

2. Gender:

   a. Male b. Female

3. Age group

   a. Up to 20 years b. 21 to 30 years c. 31 to 40 years

   b. 41 to 50 years e. 51 to 60 years f. 61 years and above

4. Educational qualification

   a. Up to SSLC b. Plus two

   b. Degree d. Post-graduation and above

5. What is your marital status?

   a. Married b. Widowed c. Divorced

   e. single

6. What your main occupation?

a. Agriculture b. Service c. Business

d. Private employee e. Others_____

7. What type of family you belonging to?

a. Nucleus Family

b. Joint Family

8. What is the size of family?

a. 1 - 3 members b. 4 - 6 members c. Above 7 members

9. What is the cultivation status?

a. Tenant b. Own Cultivation

10. What about your land holding?

a. Nil

b. Up to 1 acres

c. 2 - 5 acres

d. Above 5 acres

11. Out of total land, how much of it is used for agriculture purpose?

a. Majority

b. Half of the land

c. A portion of land

12. What is your total family income?

a. Up to Rs.10,000

b. Rs.10000 – 20,000

c. Rs. 20,000 – 30,000

d. Rs.30,000 – Rs.40,000

e. Rs.40,000 and above

13. Do you or your family members consider farming?

a. Ancestral occupation

b. Undertaken few years ago/New farmers

14. Do you like farming?

a. Yes b. No c. NR

15. Could you tell me the main reason for liking farming?

a. Proud to be a farmer b. Traditional occupation c. Good social status

d. Good income e. Agriculture sector has a good future

f. I enjoy doing farming g. Any other (specify)

II. Loan and Its utilization:

16. How much amount you borrowed from the bank:

a. Up to Rs.20,000

b. Rs.20,000- 40,000

c. Above Rs.40,000

17. For what purpose you took agriculture loan from the bank?

a. To purchase land b. To purchase fertilizers, seeds, pesticides etc.

c. To purchase farming equipments d. To purchase cattles

e. Other (Specify)_____

18. Are you satisfied with the terms and conditions of loan?

a. Satisfactory b. Dissatisfactory c. Not aware

19. What about the utilization of the loan amount for agriculture purpose?

a. Fully utilized b. Partially utilized c. Not at all utilized

20. If you not fully utilized, then for what purpose the fund was utilized?

a. Construction of Residential Houses

b. Repayment of old Debts

c. Marriage of children

d. Medical treatment of family members

e. Other purpose

21. What about your repayment status?

a. Fully repaid

b. Partially repaid

c. Not at all repaid

22. How was the loan re-paid?

a. Through income generating form agriculture

b. By disposal of old asset

c. Old savings

d. Borrowings from money lenders and traders

e. Borrowings from friends / relations

III. Social Impact :

23. Income generation (in Rs.):

a. Up to Rs.10,000 per year

b. Rs. 20,000 – Rs,.30,000 per year

c. Rs.30,000 – Rs.40,000 per year

d. Rs. 40,000 and above per year

24. Employment generation:

a. Up to 50 days
b. 51 to 100 days
c. 101 to 150 days
d. Above 150 days

25. Asset created :

a. Up to Rs.10,000
b. Rs.20,000 – Rs.30,000
b. Rs.30,000 – Rs.40,000
d. Rs.40,000 and above

26. Your suggestion as a farmer towards agriculture development?