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**ANALYSIS OF SUITABILITY OF AGRICULTURE LOAN
PRODUCTS FOR FARMERS: A STUDY OF THRISSUR
DISTRICT CO-OPERATIVE BANK LTD.**

by
SRUTHI T.
(2014-31-138)



MAJOR PROJECT REPORT

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

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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 “ANALYSIS OF SUITABILITY OF AGRICULTURE LOAN PRODUCTS FOR FARMERS: A STUDY OF THRISSUR DISTRICT CO-OPERATIVE BANK LTD.” 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
19-8-2016


SRUTHI T.
(2014.31.138)

Certificate

CERTIFICATE

This is to certify that the project report entitled “ANALYSIS OF SUITABILITY OF AGRICULTURE LOAN PRODUCTS FOR FARMERS: A STUDY OF THRISSUR DISTRICT CO-OPERATIVE BANK LTD” is a bonafide record of project work done by Miss Sruthi T. under my guidance and supervision and that it has not previously formed the basis for the award of any degree, fellowship or associateship to her.

Vellanikkara
19-8-2016



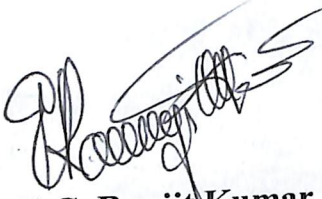
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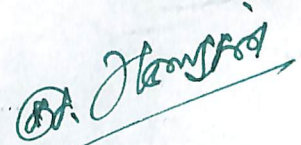
We, the undersigned members of the advisory committee of Sruthi T., are candidate for the degree of MBA in Agribusiness Management, agree that the project work entitled "ANALYSIS OF SUITABILITY OF AGRICULTURE LOAN PRODUCTS FOR FARMERS: A STUDY OF THRISSUR DISTRICT CO-OPERATIVE BANK LTD" may be submitted by Sruthi T., in partial fulfilment of the requirement for the degree.



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This is to certify that, Sruthi.T (2014-31-138) has successfully undergone the Placement Training on the topic "Analysis of Suitability of Agriculture Loan products for Farmers : A study of Thrissur District Co-operative Bank" from 21-03-2016 to 10-05-2016 as a part of fulfillment of her MBA in Agri-Business Management Degree from Kerala Agricultural University.

Kindly note that the Project Work and findings should be kept strictly confidential.

We wish her all success.



K.N. UNNIKRISHNAN,
DY. GENERAL MANAGER.

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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.

Sruthi T.

Sruthi T.

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Chapter - 1

Design of the Study

Chapter - 1

DESIGN OF THE STUDY

1.1 Introduction

A large proportion of the population in India is rural based and depends on agriculture for living. Enhanced and stable growth of the agricultural sector is important as it plays a vital role not only in generating purchasing power among the rural population by creating on farm and off farm employment opportunities but also through its contribution to price stability. In India, although the share of agriculture in real GDP has declined below one-fifth, it continues to be an important sector as it employs more than 50 per cent of the work force. The growing adult population in India demand large and incessant rice in agricultural production. But per capita availability of food, particularly cereals and pulses, in recent years has fallen significantly. As a result, slack growth of agriculture during last decade has been major policy concern.

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 cooperative banking sector is one of the main partners of Indian banking structure, the cooperative banks have more reach to the rural India, through their huge network of credit societies in the institutional credit structure. Cooperatives have ideological base, economic objects with social outlook and approach.

Introduction of new agricultural technology in India, has converted the nature of agriculture. Due to these, farmers tended towards the replacement of traditional methods of farming with scientific and developed methods. For instance, use of High Yield Variety (HYV) of seeds, fertilizers, pesticides, irrigation, machinery and equipment etc. requires huge

amount of capital which is beyond the capacity of most of the farmers. Due to this the farmers compulsorily depend upon borrowed funds. This causes the increasing demand for credit. So, in respect of transformation of traditional or subsistence farming into commercial farming, the importance of agricultural credit has increased comparatively more. The development of institutional credit is, thus, a basic condition for agricultural progress. The history of agricultural development in all advanced countries shows that an integrated system of institutional credit laid the foundation of agricultural prosperity. The objective of the institutional credit is to make a breakthrough in the vicious circle of poverty and debt, and to stimulate the farmer to boost agricultural productivity. ...

Co-operative banks are small-sized units organized in the cooperative sector which operate both in urban and non-urban regions. These banks are traditionally centred on communities, localities and work place groups and they essentially lend to small borrowers and businesses. Thrissur District Co-operative Bank is mainly focus on rural development. They providing farmers friendly credit and other facilities for the empowerment of farmers. Thrissur District Co-operative Bank plays a vital for the development of agriculture sector. They are providing long term and short term credit facilities for individuals, primary agriculture groups, farmers club, JLG, self help groups etc.

1.2 Statement of the problem

The innovations made in agricultural technology have opened up vast potential for development of agriculture. They cover a vast spectrum ranging from adequate and timely availability of various inputs such as high yielding varieties of seeds, fertilizers, pesticides, irrigation, improved tools and implements on reasonable price in modernization of agriculture with the help of tractors, tube wells etc. These are the backbone of our agricultural strategy. These inputs can be used by the farmers only when they are made capable of using them by making adequate finances available to them and that too on soft terms. The financial needs of farmers are both short term and long term. For providing finance to them, a number of institutional agencies are functioning in Kerala, while District Co-operative Bank is prominent among them in supporting agricultural development.

The study helps to identify the types of agricultural lending schemes available for farmers, how they are being utilised and a how useful they are for the target groups In Kerala excessive dependence on rural credit sometimes lead to farmer's suicide. Rural credit schemes need to be studied especially in this context study to identifying risks and pitfalls.

1.3 Objectives

- I. To analyse the suitability of agricultural loan product for farmers
- II. To identify the awareness level of farmers towards the agricultural loan products of Thrissur District Co-operative Bank
- III. To find out the strategies for future options in agricultural credit scheme

1.4 Data methodology

1.4.1 Study area

The study was conducted at THRISSUR DISTRICT CO-OPERATIVE BANK, THRISSUR LTD. Cherppu and Arimpur branch.

1.4.2 Sample size

Random sampling was adopted to selecting sample size of 80 agricultural loan holders of Thrissur District Co-operative Bank in Cherppu and Arimpur branch.

1.4.3 Method of Data collection

The primary data were collected through survey from the agricultural loan holders of Thrissur District Co-operative Bank by pre structured interview schedule. Secondary data were collected from bank's annual report, published magazines, website, and other sources of information.

1.4.4 Data analysis

The data analysis was carried out by using correlation coefficient, chi square test , percentage analysis, index and ranking..

1.5 Observations made

- I. Type of Agricultural lending schemes and provisions under them
- II. Risks associated with agriculture credit as perceived by beneficiaries
- III. Norms for calculation and estimation of the agricultural credit requirement of the beneficiaries.
- IV. Norms for sanctioning of agriculture credit
- V. Repayment pattern of agricultural credit
- VI. Impact of agricultural credit on the beneficiaries

- VII. Socio economic profile of sample population
- VIII. Need for credit as felt by beneficiaries
- IX. Utilisation pattern of agricultural credit

1.6 Scope of the study

The study was helped to analyse the different agricultural lending schemes available for farmers and to analyse the risks associated with agriculture credit as felt by farmers. It was examine the suitability of agricultural products offered for farmers. The analysis of these aspects will hopefully help the bank to improve its operating efficiency in these potential areas.

The finding of the study was also help the bank in designing new strategies to attract more farmers to the segment and the ways to satisfy the existing customers

1.7 Limitation of the study

The study was confined to beneficiaries under the Thrissur District Co-operative Bank Ltd. And hence the result cannot be generalised.

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 – Thrissur District Co-operative Bank Ltd. - A Profile

Chapter 4 – Suitability of Agriculture Loan – An Analysis

Chapter 5 -- Summary of findings Suggestions and conclusion

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.

Chapter - 2

Review of Literature

Chapter - 2

REVIEW OF LITERATURE

2.1 Introduction

A comprehensive review of the past studies is useful to formulate concepts, methodology and tools of analysis to be used for any research. Such a review could provide frame of reference for the present study and serve as a point of literature for the future empirical investigation. This part of the study is an attempt to review the available literature in the area of agricultural credit and suitability of agriculture loan products for farmers

2.2 Reviews

Murray (1953) agricultural finance would comprise the borrowing of funds by farmers; the organization and operation of farm lending agencies; and society's interest in credit for agriculture.

Singh (1963) defined credit as the transfer of purchasing power from one party to another over an interval of time. The transfer was made through a transaction in which, present purchasing power was made available by the creditor to the borrower in exchange for an instrument of debt, which would become an obligation of the debtor. The purchasing power made available to the debtor for the time being would enable him to acquire goods or services formerly beyond his reach.

Rajagopalan (1968) defined "agriculture credit" as the amount of investible funds made available for the purpose of development and sustenance of farm productivity.

Hampton (1983) defined finance "as the management of the flows of money through an organization, whether it be a corporation, school, bank or government agency. Finance concerns itself with the actual flows of money, as well as any claims against money."

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 per cent of the total loan was advanced by this agency. Rest of the amount was distributed by Commercial banks, money lenders and relatives etc.

Desai (1988) assessed the institutional credit requirement for agriculture production in 2000 A.D. and observed the growth rate of total credit between 1972-1973 and 1982-1983 was 17 percent in nominal terms. The commercial bank share has more than doubled from 16.31 percent in 1972-73 to 35.85 per cent in 1982-83. He estimated short term credit requirement by taking the total value of crop output from the cost of cultivation scheme of government of India for the period from 1974-75 to 1984-85 and found that the growth rate in agriculture advance to be 16.28 per cent.

Ramdass (1989) measured the institutional credit flow in Pondicherry and observed that the short term credit advance by the institutions had grown enormously, while the long term credit lagged behind. He suggested the need for institution to come forward to provide long term credit and utilise the saving mobilized in rural areas exclusively for rural investment.

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 increased, 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 per cent increase in production. Even though production increased by 44.05 per cent the corresponding income increased only by 31.16 per cent. 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 per cent 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.

Arunachalam and Palanisamy (1991) in their study on utilization and repayment of Co-operative crop loan indicated that as nearly 50 per cent 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 find that nearly 23 per cent 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.

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.

KulwantPathania and YoginderVerma (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.

Desai and Namboodiri (1992) have analyzed the performance of rural institutional finance system in India and based on that have drawn broad implications for improving the performance. The authors are of the opinion that while the long run performance of the rural institutional finance system has been good, short run growth rates display a desperate performance and this system has performed better in deposit mobilization that is financing agricultural output and investment.

Narayana (1992) has examined the performance of institutional credit programmes for rural development and he attempts to improve poor loan recoveries and suggests that the

problem lies with poor risk management concepts. The author also opines that in the liberalization euphoria existing at present, the focus is only on the narrow issue of health of that banking sector totally leaving out the larger issues of rural development and the role of institutional credit in it.

Indira Devi et al. (1992) attempted to study on growth and performance of Co-operative agricultural credit in Kerala. The study reported that short term credit had the highest rate of growth and the overdue to demand was only around 20 per cent. The major determinants of demand for farm credit in the state was found as fertilizer nutrient consumption and cropping intensity. Based on the pattern of nutrient consumption in the state and the limited scope of extensive agriculture, the demand for farm credit was bound to go up in the future.

ViswaPrasad 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.

Veerashkerappa (1993) in his study has examined the structure and pattern of distribution of institutional credit across different sectors of social groups and examined whether the overdue is the cause of lending to the marginal section or due to wilful default of well off section in Karnataka. According to the author, still bulk of the rural households in the lower strata in Karnataka remain outside the orbit of institutional finance and the measures to help the poor and needy are ultimately used by the rich. Hence, the author is of the opinion that if these loopholes are left unplugged the benefits will never reach the poor and the disparities instead of getting mitigated may worsen in favour of the rich.

Dandekar (1993) is of the view that the weakness of rural credit have stemmed from the deficiencies of the structure of agricultural production itself. On this weak base has been raised an imposing super structure of credit institutions which one committee after another has kept reshuffling and adding to what has to be consider is how to recognise the structure of agricultural production rather than the structure of rural credit.

Pradeep kumar(1993) used growth rate analysis to analyze the growth in physical and financial performance indicators of horticultural producer's cooperative marketing society limited, Bangalore. The indicators considered were membership share capital, owned funds, sales, inventories, fixed assets, current assets, total assets, current liabilities and total liabilities.

Reddy (1996)opined that suitability of credit products were based on the borrower's needs and taking account of his circumstances and to assess a prospective borrower's ability to meet repayments over the life of a loan in a sustainable manner, taking into account the impact of the loan on the borrower's overall financial well being.

George (1997)in his study indicated that the suitability provisions impose a statutory obligation to assess the requirements of the potential borrower, gather information and verify the financial circumstances of the potential borrower and make an assessment.

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.

Ravi and Reddy (1997) made a study on single window Co-operative credit delivery system in Andhra Pradesh. The study reported that after the inception of Single Window Co-operative Credit Delivery system, the efficiency of DCCB's in relation to share capital, reserve fund, deposits, borrowings and outstanding advances was noteworthy. However, decline in the percentage of recovery to demand was a matter of great concern.

Dayanandan and Sasikumar (1999) in their study on District Co-operative Banks of Kerala with the national level performance revealed that the state level performance was behind the national level performance as regards membership, own funds, borrowings, loan advanced etc., whereas deposits are slightly higher than the national level performance. But as long as there was no considerable decrease in rate of total loans overdue, profitability of the bank cannot be improved. This showed that, Kerala could easily achieve the national level performance by opening more branches, borrowing more funds from the apex institutions,

advancing more loans to the needy people and taking suitable measures for controlling its overdue.

Tapas (1999) made study on development of long-term Co-operative advances in Orissa. The study showed that the percentage share of short-term Co-operative agricultural advances was comparatively higher than that of medium and long-term advances. This showed that Co-operatives are giving more importance to short-term advances rather than medium and long-term advances. The district-wise analysis of long term advances revealed that there are wide-scale variations in the percentage shares of long term Co-operatives advances among different districts. The Agricultural Co-operative Societies are giving less importance in providing long-term advances to the agriculturists. But for the long-term movement in agricultural sector, like land development, development of irrigation facilities, purchase of machineries, and much importance should be given to long-term agricultural Co-operative advances. So that, it could be adequately available to the needy agriculturists.

Nair (2000) reviewing recent trends in rural financial intermediaries and commercial banks in India indicated that the commercial banks credit to rural areas during the late 1980's and early 1990's has shown a declaration in growth. The relative proportion of bank credit flowing to priority sector, especially agriculture was fallen below the target of 18 per cent at a national level since the mid 1980's.

Abate (2000) studied the loan and advances to agriculture from all of the financial institutions shown significant compound growth rate over the study period. Compared to the growth in term loan, the growth in crop loan, which is a major index of agriculture production finance, has shown a higher growth rate in Karnataka state during the study period. Similarly, the growth in agricultural advances has shown higher growth rate in direct agricultural advances. However the share of agriculture advance and weaker section had shown a declining trend during the study period. The recovery performance of primary cooperative agricultural and rural development bank had shown a declining trend. With respect to the problems encountered in Agriculture credit system misutilization of loan amount by borrower, wilful and deliberate default by borrowers and diversion of income generated out of the investment have found prime importance in the order.

Micheal (2001) concluded that the suitability of a product or service can be measured by taking into account the various suitability attributes of the product. Suitability attributes were the specific constituent based on which one can assess the overall suitability of a

product or service. The separate suitability attributes can be assessed separately and combine together to know the suitability of wholesome product.

Vishvanath(2002) conducted study in the management appraisal of district central co-operative bank in Uttar Kannada District of Karnataka, found that growth in number of branches, employees and membership was positive and significant. Except borrowing all other financial variables showed positive and significant growth . the recovery percentage for the selected Karnataka District Central Co-operative Bank branch was found to be more than 90 per cent.

Adinew et al. (2002) in their study on Institutional credit flow to agricultural sector in Karnataka reported that the loans and advances made to agriculture sector in the state by each financing institution, viz., Commercial banks, RRBs and Co-operative banks showed a significant growth over the study period. Notwithstanding the remarkable achievements in the growth of loans and advances, the share of agricultural advance in the net bank credit of Scheduled Commercial Banks had declined over the study period. From the view point of RBI policy to priority sector advance, the combined level of advances of Commercial banks and RRBs in the state achieved the stipulated target.

Choyal (2002) in his study on operational efficiency of Rajasthan State Land Development Bank reported that the agricultural Co-operative societies are giving less importance in providing long-term advances to agriculturists. But for the long-term improvement in agricultural sector, like land development, development of irrigation facilities, purchase of machineries etc., much importance should be given to long-term agricultural Co-operative advances so that, it could be adequately available to the needy agriculturists.

Bhuimali (2003) analyzed rural co-operatives and their impact on the rural economy. The study explained that the Indian farmers need credit for agricultural purpose which was available from the private money-lenders, but the credit supplied by them was at a very exorbitant rate of interest. Naturally, it was beyond the reach of agriculturists. Similarly, whatever Government loans are available only at a very limited extent. In order to meet the credit demand of the farmers at a soft rate of interest, Indian Government passed the co-operative societies act to overcome the problem. In various countries co-operation has been used as an institution and instrument of economic development. The co-operative societies in rural sector played a big part in America, Western Europe and even in Israel to raise the level

of productivity in agricultural and in turn assist in the process of reaching the high growth in the respective national economies. The study also indicated that Co-operatives have played a significant role not only as instrument of economic growth, but also influencing the people towards social and economic changes by way of adopting innovation and technology.

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. Therefore, it should be improved by placing the assured irrigation sources for enhancing the income of the farmers. Most of the time credit worthiness was estimated by conventional method, though it was not reliable. Therefore, credit worthiness should be estimated by incorporation of consumption loan with production loan taking into view the income of borrowers. Generally, kind component of crop loan disbursed was untimely and inadequate in quantity. The 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.

Anderson (2005) in his study indicates that suitability requirement is important from the bank point of view since it protect bank as well as customer from financial harm. Suitability differs for different categories of customer. A product which was suitable for large farmer may not be suitable for a marginal farmer. An unsuitable loan can ruin the profitability to bank, but even can cause a lot stress for farmers.

Kailash(2005) attempted to study on agricultural credit in India doings and undoing noted that both formal and informal sources of credit are important in the India context. However, the significances of formal credit institutions in terms of credit deliveries for the agricultural sector has increased over the years and it also noted that the share of co-operative credit institutions in total agricultural credit has declined in the last decades where as the share of commercial banks and RRB have increased.

Singh and Sekhon(2005) made a study on cash benefits of the Kissan Credit Card scheme. The results revealed that major sources of the farm credit in the case of all the farm classes, was co-operative credit almost all these respondents were in the practice of availing of credit in kind in the form of fertilizer and also in pesticides. The average amount availed

per borrower showed increasing trend with increase in the farm size. But the number of medium farm KCC beneficiaries was comparatively lower at 65.75 per cent. Besides accessing co-operative credit 30.77 per cent of the small and 28.95 per cent of the medium KCC beneficiaries were observed to be still in the grip of money lenders.

Anand Kumar Singh et al. (2005) in their study on credit needs, utilization pattern and factors causing over dues 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 borrowed funds from the productive to unproductive use. Several factors were responsible for over dues 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.

Sharma (2005) in his study on agricultural credit in India revealed that the share of Co-operative credit institutions in total agricultural credit had declined in the last decade whereas the share of Commercial banks and Regional Rural Banks had increased during the same period. Therefore, the structural changes taking place in the Indian banking system after the financial sector reforms have worked against the agricultural sector.

Thannathanam(2006) while studying the working of primary agriculture co-operative banks analyzed the loans disbursed by the banks. He has used the annual average growth rate of different types of loans given by banks. It was found that the average annual growth rate for the period 1996-1997 to 2001-2002 with regard to short term loan was 2.07 per cent. For jewel loan it was 1.35 percent deposit loan has 3.44 per cent of growth rate. It was really appreciable and it really showed the performance of the bank. According to the amount of loan dispersed by the bank, a large percentage share was taken by the jewel loan in all the six years and the amount was small with regard to deposit loan.

Prakesh et al.(2007) attempted to study on growth of agricultural credit in India, trends and problems. They found that total ground level credit flow for agriculture and allied activities which was Rs 31.956 crores during 1997-1998 increased to Rs 1, 57,480 crores during 2005-2006 registering an increase of 392.8 percent, also a significant increase in credit flow.

Golait (2007) attempted to analyse the issues in agricultural credit in India. The analysis revealed that the credit delivery to the agriculture sector continues to be inadequate. It appeared that the banking system is still hesitant on various grounds to purvey credit to small and marginal farmers. It was suggested that concerted efforts were required to augment the flow of credit to agriculture. Alongside, exploring new innovations in product design and methods of delivery, through better use of technology and related processes. Facilitating credit through processors, input dealers, NGOs etc., which were vertically integrated with the farmers, including through contract farming, for providing them critical inputs or processing their produce, could increase the credit flow to agriculture significantly.

Abhiman et al. (2009) in their study on impact of agricultural credit on agricultural production indicated that agricultural credit has been rising in recent years as a share of both the value of inputs and the value of output. There are wide regional disparities in the disbursement of agricultural credit by scheduled commercial banks. At the same time the share of agricultural GDP in total GDP is falling. The analysis also suggested that the direct agriculture credit amount has a positive and statistically significant impact on agriculture output and its effect is immediate. The number of accounts of the indirect agriculture credit also has a positive significant impact on agriculture output, but with a year lag. These results reveal that even though there are several gaps in the present institutional credit delivery system like inadequate provision of credit to small and marginal farmers, paucity of medium and long-term lending and limited deposit mobilization and heavy dependence on borrowed funds by major agricultural credit purveyors, agriculture credit is still playing a critical role in supporting agriculture production in India.

Gandhimathi and Vanitha (2010) in their study had revealed that number of accounts in crop loan was higher for small farmers. However, the total amount sanctioned was higher for the medium farmers. Small farmers have been the major beneficiaries of investment loan. The commercial and co-operative banks have provided higher loans for coconut and turmeric

crops, maybe because the cultivation of coconut and turmeric dominates in the cropping pattern. The scale of finance fixed by the lead bank for these crops is also higher.

Dalla pellergina and lucia(2011),had opined that loans from microfinance institutions were likely to be channelled towards non-agricultural activities while both informal and bank lending are associated to a higher expenditure in agricultural inputs. It was suggested that features which were specific to microfinance such as tight repayment schedules and land based eligibility rules may reduce the suitability of this source of funds for the farming sector.

Bhardwaj et al. (2011) in their study analyzed the role of Co-operative banks in agriculture credit in India from 2001/2002 to 2006/2007 with the help of ACGR. The study revealed that the aggregate amount of agriculture credit has increased, while, the share in total institutional agriculture credit has been decreased from 37.91 in 2001- 02 to 18.51 in 2006 – 07 and further, found that the level of NPAs in Co-operative banks are very high as compare to other financial institutions in India. So, co-operatives banks should control their NPAs level for surviving in credit market of India in future

AMF (2012) showed that suitability standards exist elsewhere in the financial services industry: securities brokers and brokerage firms were required to have reasonable grounds for believing that investments such as stocks and bonds were suitable for their customers' financial status and investment objective.

Anil (2012) in his study concluded that Agriculture Co-operative Credit societies are working positively. Though there is negative direction found in the establishments in number of societies but the total numbers of members are increased during the ten years of 2000-01 to 2009-10. Increasing number of members in Primary Agriculture Co-operative credit societies are indicating that the farmers are getting awareness about the societies and its benefits. So, the farmers like to take a membership in those societies. So, the total numbers of members increased by 8.13 percent to 10.28 percent during 2001-02 to 2009-10 respectively. Total borrowing, total deposits and working capital also increased. It is indicating the positiveness of primary agriculture societies in view of farmer's response. Farmers are depositing their money in society and they have a belief in the process of primary agriculture co-operative societies. The farmer was repaying their loans but the overdue is increasing.

Rajendran (2012) in his study on customer satisfaction of SHG's with the Primary Agricultural Credit Societies suggested that (i) the bank managers might be sensitized to

sanction loan to the customers with one or two visits since every visit to the banks involve cost factors. The bankers might give a check list of required documents and banks might simplify the lending procedure. (ii) The loan amount sanctioned by the Co-operative were lesser than the amount sanctioned by the Commercial Banks, hence the Co-operative Banks might enhance the quantum of Loan. (iii) Necessary follow up action should be made to ensure proper utilization of loans hence returns are generated to repay the loan from the income generating activity and the wage earner should become an entrepreneur and (IV) documents required to be explained and check list should be prepared for revolving fund loans and economic activity loan of SHG's.

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.

Haris (2014) in his study of "Comparative Study of Agricultural Lending of Commercial and Cooperative Banks in Jammu and Kashmir" In the study, based on 100 borrower farmer, the discriminate analysis has been carried out. 50 borrower farmers from each commercial and cooperative bank were selected for the study using multi-stage random sampling. Effective cost of credit was calculated for crop loans and investment loans from both commercial and cooperative banks. Factor analysis has been applied to club the various problem factors into similar components. These component factors were suitably renamed. The study has offered some recommendations also for a better access of farmers to institutional credit.

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Chapter – 3

*Thrissur District Co-operative
Bank Ltd – A Profile*

Chapter - 3

THRISSUR DISTRICT CO-OPERATIVE BANK – A PROFILE

3.1 Origin and development

Thrissur District Co-operative Bank Ltd No.60 was registered as the Cochin Central Cooperative Bank Ltd., on 29 -06 – 1918 and started functioning on 19 – 11- 1918 as the apex bank of the erstwhile Cochin State with 39 affiliated societies and a paid up capital of Rs. 2795. Shri. Manakulam Kunjunni Raja was the first president and shri. V K Varkey, the first secretary. In 1954, when Cochin and Travancore was amalgamated, the then Travancore Central Cooperative Bank got the status of apex bank and the Cochin Central Cooperative Bank was affiliated as District Cooperative Bank. Subsequently a branch was opened at Ernakulum on 1 December 1954. Later, in 1961 the area of the operation of the bank was restricted to Thrissur revenue district and the bank was renamed as Thrissur District Cooperative Bank Limited. This was after the reorganization of cooperative banks on the basis of revenue districts. Till 1978, the bank extended finance only through PACs and in 1978, it started direct finance to individuals. The bank functions with its registered office at Thrissur and extends its operation to the whole revenue districts through 58 branches. The bank is headquartered at Kovilakathumpadam, Thrissur.

3.2 Objectives

As per the bye-law the objectives of the bank are;

1. The main objective is to provide financial support to members, associate members of the societies registered under Kerala State Co-operative Societies Act..
2. Encourage thrift among members & non-members.
3. With the permission of Registrar open branches, pay office extension counters, ATM in the area of operation of the society..
4. Make arrangements for the inspection & supervision of the societies.Help, extend, and co-ordinate the activities of affiliated societies.
5. Conduct co-operative conference and activities according to the resolution passed in the conference.
6. Establish a library to publish co-operative literature.

7. Take loans from State Co-operative Banks to purchase shares of the affiliated societies..
8. Conduct banking business according to Co-operative Laws.
9. Work as an agent of General Insurance, Life Insurance & other Insurance agencies.
10. Act as a guarantor and charge commission within the limits and conditions on the loans and advances availed by the member societies and individuals of the bank from the Government, SBI, or other banks and agencies.
11. Decide and permit housing loans, vehicle loans and other loans timely according to the rules accepted by the Registrar and board of directors.
12. Undertake activities which is to be encouraged cooperatively and also for helping the above mentioned objectives.
13. Establish company/trust with the participation of employees and member societies and undertake activities related to self-financing/Aided Professional educational institutions, Hospitals and Tourism.
14. Grant loans to local self-government institutions like Gram panchayat, Block panchayat, District panchayat, Municipality and corporation according to the objectives and conditions decided by the general body.
15. Make available different kinds of loan schemes to the permanent residents of the district and institutions which are head quartered at the district.
16. Undertake one or more activities mentioned below besides the banking practices;
 - I. Take loans or mobilize cash in other ways, give loans or advances on security or without security. Accept, buy, sell, mobilize, discount, withdraw, and carry out transactions related to securities which can or cannot be transferred and contracted, Instruments, Bill of Exchange, Hundies, Promissory Notes, Coupons, Drafts, Bills of Lading, Railway Receipts, Warrants, Debentures, certificates and scripts. Allow and Distribute Letter of Credit, Travelers' cheque and circular notes. Buy and sell foreign bank notes and foreign exchange. Avail, keep in hand and handle all types of investments, stock and shares. Buy and sell Scripts for transactors and others. Negotiate loans and advances. Provide locker facility (safe deposit vaults) and accept in safe custody the different Bonds and Scripts.
 - II. Involve in contracts and give public loans and personal loans. Give, assign responsibility, act as guarantor, involve, control and continue the Stock, Debenture and Debenture stock of companies, co-operative societies, corporations and societies and private and public loans of State Government and municipalities and grant loans to attain the aims related to this.

- III. Commence business and involve in contracts related to all types of mortgage and documents related to it
- IV. Handle, sell and receive money on properties and assets come under the custody of bank for settlement of liabilities partially or fully.
- V. Undertake, keep in hand and handle the objector related objects or any part of it obtained as security on the loans and advances given by the bank
- VI. Handle properties as trustee or executor or in any other way.
- VII. Obtain, build, maintain and modify the buildings which are needed and suits for the attainment of objectives of co-operative bank.
- VIII. Handle, sell partially or fully, monitor, modify, transfer, lease, mortgage, add in accounts as income or handle in any other way the properties, assets and rights of the bank
- IX. Undertake and conduct the business of company, individual or society mentioned or explained in this subsection.
- X. Undertake suitable activities which help the growth and sustainability of the co-operative bank.
- XI. Involve in any business which law permits and which is clearly stated in Central Government Official gazette.
- XII. Give financial support, help and accelerate agricultural activities including agricultural clinics and schemes.

3.3 Functions

The Bank undertakes the following functions;

- I. Mobilize funds through deposits and share capital from members, deposits from non-members and borrowings from KSCB, RBI, NABARD and Government.
- II. Providing financial assistance to the members and non-members.
- III. Bringing technological advancement and modernization in banking business for appropriate completion of activities.
- IV. Develop, assist, co-ordinate and supervise the working of member societies.

3.4 Area of operation

Area of operation of the bank is confined to the Thrissur Revenue District.

3.5 Membership

The bank is having 3 types of members. They are A class members which includes PACS, UCB, Employment Credit societies, consumer societies, marketing societies, education societies, women societies, SC/ST societies, miscellaneous societies, industrial societies, dairy societies, coir societies, khadhi societies & handloom societies; B class for government & C class for individuals & institutions like Guruvayur Devaswam and all. A class members have the voting right. The Membership position of the Bank from 2005-06 to 2014-15 is given in Table 3.1.

Table 3.1 Membership of Thrissur District Co-operative Bank from 2005-06 to 2014-15

Years	Type of Members			Total	Growth Index
	A Class	B Class	C Class		
2005-06	835	1	0	836	100
2006-07	872	1	0	873	104.43
2007-08	877	1	0	878	105.02
2008-09	163	1	716	879	105.14
2009-10	161	1	458	620	74.16
2010-11	161	1	461	623	74.52
2011-12	161	1	512	674	80.62
2012-13	877	1	0	878	105.02
2013-14	916	1	7394	8311	994.14
2014-15	924	1	13492	14417	1724.52
CAGR	1.13			37.22	

Source: Annual Report of the Bank from the year 2005-06 to 2014-1

Table 3.1 shows the membership position of the Bank from 2005-06 to 2014-15. Total membership of TDCB shows a steady trend from 2005-06 to 2012-13. It has increased after that. From 2005-06 to 2007-08 there were only A-class and B-class members. Every member other than Government was under A-class membership. In the year 2008-09 the management introduced C-class membership by amending the bye-law and many A-class members other than primary Agricultural Credit Societies were made as C-class. In 2012-13 the bye-law amended again and every C-class members were made A-class. Thereafter the A-class members included Primary Agricultural Credit Societies, Rural Societies, Urban Societies, Non-Agricultural Societies, Urban Credit Societies, Housing Societies, Marketing Societies,

Fishermen Societies, Consumer Societies, Industrial Societies, Joint-Family Societies, Weavers Societies, Harijan Societies, Hospital Societies, Diary Societies and other societies. In the year 2013-14 individuals are also allowed as C-class members through an amendment of the bye-law. Thereafter, membership increased tremendously. Change in the membership pattern was according to the Government transition and their interest. During the study period the compound annual growth rate was 37.22 percent.

3.6 SHARE CAPITAL

Share capital was subscribed by the three types of members of the bank. A class share value was ₹100, B class share values ₹2000 and C class share values ₹100. Other than these members' subscription the bank is sourcing share capital by two ways from the year 2014-15. They are Long-Term Subordinate Deposits and linking of share capital with loans(That is 1% share of loan amount of C class members will also be added to the share capital & reimbursed when they closes the loan account).

Table 3.2 Share Capital of TDCB from 2005-06 to 2014-15

Year	Contribution of Members (₹ in Cr.)			Total Share Capital (₹ in cr.)	Growth Index
	Class	Class	Class		
2005-06	4.28	0.22	0	4.50	100
2006-07	4.41	1.46	0	5.87	90.31
2007-08	4.49	1.31	0	5.80	89.24
2008-09	2.88	0.26	2.10	5.24	80.59
2009-10	4.92	1.03	2.18	8.13	124.96
2010-11	7.44	1.03	2.48	10.95	168.46
2011-12	14.25	1.78	2.77	18.80	289.11
2012-13	16.99	1.78	0	18.77	288.77
2013-14	28.17	1.78	4.18	34.13	524.81
2014-15	75.20	1.78	12.11	89.09	1369.89
CAGR	0.37	0.26		0.34	

Source: Annual Reports of the Bank from 2005-06 to 2006-07

Table 3.2 shows an increasing trend of share capital over the years i.e. from 2005-06 to 2014-15. It is due to the increase in membership over the years. There is no C-class share

capital contribution in the year 2012-13. Because, nobody was there as C-class member in 2012-13. There is a big hike in the year 2014-15. It was due to the introduction of long term subordinate deposit and linking of share capital with loans. The compound Annual Growth Rate was just 0.34 percent.

3.7 Deposits

The major part of the Borrowed Fund include Deposits mobilized by the Bank. Various kinds of deposits maintained by the bank are Fixed Deposits, Savings Deposits, Current Deposits and other Deposits. Deposits are accepted from member societies, individuals and institutions. Table 3.5 shows the deposits of the bank for 10 years.

Table 3.3 Deposits of TDCB from 2005-06 to 2014-15

Year	Fixed Deposits (₹ in Cr.)	Savings Deposits (₹ in Cr.)	Current Deposits (₹ in Cr.)	Total Deposits (₹ in Cr.)	Growth Index
2005-06	676.16	122.54	32.99	831.70	100
2006-07	716.59	135.57	24.56	876.73	105.41
2007-08	915.04	183.33	30.63	1129	135.75
2008-09	1124.24	188.96	27.34	1340.54	161.18
2009-10	1348.08	262.43	35.18	1645.68	197.87
2010-11	1522.33	246.01	41.13	1809.46	217.56
2011-12	2031.34	289.17	50.69	2371.19	285.10
2012-13	2283.52	286.87	73.34	2643.74	317.87
2013-14	3344.62	332.21	75.70	3752.52	451.19
2014-15	4091.42	337.29	99.43	4528.15	544.44
CAGR	0.22	0.12	0.13	0.21	

Source: Annual Reports of TDCB from 2005-06 to 2014-15

Table 3.3 shows that the Deposits of the bank is increasing over the 10 years i.e. from 2005-06 to 2014-15. The compound annual growth rate was just 0.21 per cent. The results clearly indicate concerted effort of employees and management in mobilizing deposits. Moreover, it also reflects the confidence of general public in the affairs of TDCB.

3.8 Investment

Investment of the bank includes shares in Kerala State Co-operative Bank & other Organizations, Fixed Deposits, Current Deposits in other Banks, and Savings Deposits in Treasury, Investment in Debentures and RF account in Kerala State Co-operative Banks. Investment of Bank for 10 years is shown on Table 3.6.

Table 3.4 Investment of TDCB from 2005-06 to 2014-15

Year	Investment (₹ in Cr.)	Growth Index
2005-06	425.17	100
2006-07	414.64	97.52
2007-08	582.12	136.91
2008-09	513.53	120.78
2009-10	609.28	143.30
2010-11	509.36	119.80
2011-12	790.05	185.82
2012-13	816.33	192.00
2013-14	1621.70	381.42
2014-15	1924.50	452.64
CAGR	0.18	

Source: Annual Reports of TDCB from 2005-06 to 2014-15

Table 3.4 shows the trend in Investments of the Bank from 2005-06 to 2014-15. It shows an increasing trend over the 10 years. This is mainly due to the fact that there was significant increase in deposits and proportionate decrease in lending of TDCB. The Compound Annual Growth Rate was just 0.18 percent.

3.9 Loans and advances

The Bank provides loans and advances to societies, individuals and institutions. Credit is the cornerstone of the banking business. Total loans issued by the bank from 2005-06 to 2014-15 are shown in Table 3.5

Table 3.5 Total Credit issued by TDCB from 2006-07 to 2014-15

Year	Loans and Advances (₹ in Cr.)	Growth Index
2006-07	554.19	123.10
2007-08	666.6	148.07
2008-09	925.12	205.49
2009-10	1209.43	268.65
2010-11	1521.34	337.93
2011-12	1701.92	378.04
2012-13	1969.87	437.56
2013-14	2279.33	506.30
2014-15	2870.52	637.62
CAGR	0.23	

Source: Annual Reports of the TDCB from 2005-06 to 2014-15

Table 3.5 shows that the Loans and Advances provided by TDCB from 2005-06 to 2014-15. It shows an increasing trend over the 10 years. The Compound Annual Growth Rate was just 0.23 percent.

3.9.1 Agricultural loan schemes

Short term loans	Long term loans
1.Crop loans	1.Dairy loans
2.Nenmani	2.Poultry/duck rearing
3.Kole karshaka samithi	3.Goat/rabbit rearing
4.Kole vikas	4.Fish farming
5.Kissan cash credit	5.Drip/sprinkler/pump set
	6.Tractor/ tiller/combine harvester
	7.Rejuvenation of plantation
	8.Agri business
	9.Horticulture
	10.High-tech agriculture

Thrissur District Co-operative Bank is mainly focus on rural development. They providing farmers friendly credit and other facilities for the empowerment of farmers. Thrissur District Co-operative Bank plays a vital for the development of agriculture sector. They are providing long term and short term credit facilities for individuals, primary agriculture groups, farmers club, JLG, self help groups etc. The amount of crop loan will be issued on the basis of scale of finance which is sanctioned by District Level Technical Committee in every year. 2016-2017 scale of finance is showed in the appendix.

3.9.2 General conditions about agriculture loan schemes

- I. Agricultural loans are available for farmers, JLG's, SHG's and Members of TDCB Farmers clubs.
- II. Proposed activity should be technically feasible and economically viable.
- III. The quantum of loan depends on scale of finance / accepted unit cost or project cost
- IV. Margin money of 10% to 20% has to be brought by the applicant depending on the quantum of loan.
- V. Rate of interest subject to change from time to time
- VI. Terms and Conditions of the bank would apply
- VII. Wherever subsidy is available it would be linked with the borrower account.
- VIII. Insurance in respect of assets created to be obtained as per norms of bank.
- IX. Lien should be noted at RTO/ Port authorities / MPEDA wherever applicable.
- X. Loan Applications will be disposed off as per time norms of the bank.
- XI. The information provided about the loans are illustrative and not exhaustive. For more details contact your nearest TDCB BRANCH.

3.9.3 TDCB's farmers clubs

Farmer's club is an initiative by Thrissur-DCB with an idea to bring farmers together, to discuss their needs and to ensure adequate and timely credit to them. Transfer of technology, dissemination of information about best agricultural practices is made easier by farmer's clubs. These clubs acts as business facilitators too. Farmers meetings / Exposure visits / Marketing outlets are organized for the farmers under Farmer's Club program. TDCB is promoting the concept Farmer's Club in all our branches and now the bank has 46 farmer's clubs. All our clubs are linked with NABARD's grant / technical support. TDCB's Farmer's Clubs are managed by farmers themselves with the support of our bank branches.

Eligibility : Any farmer can become the member of TDCB's Farmer's Clubs

3.10 Net profit/ loss

Net profit/ Loss indicates what the Bank has earned (or loss) in a given period of time. It is an indication of efficiency and profitability of a bank. The net profit or loss of TDCB from 2005-06 to 2014-15 is shown in Table 3.6

Table 3.6 Net profit/ Loss of TDCB from 2005-06 to 2014-15

Year	Net Profit/ Loss (₹ in Cr.)	Growth Index
2005-06	-5.88	-
2006-07	-5.73	-
2007-08	5.21	100
2008-09	8.6	165.07
2009-10	2.39	45.87
2010-11	4.24	81.38
2011-12	0.88	16.89
2012-13	4.76	91.36
2013-14	6.88	132.05
2014-15	9.86	189.25
CAGR	0.06	

Source: Annual Reports of TDCB from 2005-06 to 2014-15

Table 3.6 shows the trend of Net Profit of TDCB from the year 2005-06 to 2014-15. It shows that the Net Profit of the bank over 10 years is fluctuating. The fluctuations are due to the fluctuations in Non-Performing Assets, rate of interest fluctuations, declining in outstanding amounts of loan-disbursements and reduction in Cash Deposit Outstanding (CDOS reduction upto 42% was there in some years). The Compound Annual Growth Rate was just 0.06 percent.

3.11 Management and administration

The TDCB is governed by the General body and Board of Directors. Management is vested with Board of Directors and they were elected by the General Body.

3.11.1 General body

General Body is the supreme authority of the bank. All eligible members will be participating in the meetings. President will be presiding the meetings. Each member has one vote. The powers of General Body are to elect Board of Directors, consideration and approval of annual reports, budgets, division of net profit and amendment of bylaws.

3.11.2 Board of directors

Board of Directors are elected members of General Body. There are 21 members. 3 seats are reserved for women, one seat for SC/ST and 2 representatives from depositors'. 2 directors should be of those having professional qualification and practical experience in banking sector. The term of office of each director is 5 years. President and Vice President are elected from the Board.

3.11.3 Executive committee

Executive committee includes 7 directors from the Board. One will be the President and one will be Vice President of the Bank. Quorum of meeting is 4 members and decisions should be approved by at least 4 members in meeting. The meetings are conducted twice a month. The executive directors have the duties and responsibilities which is entrusted by the General Body.

3.11.4 President

The President shall have the overall control on the affairs of the bank. The President shall be ex-officio treasurer. He will be Responsible for the administration of the bank.

3.11.5 Vice president

Vice President has the authority of President in his absence. He is also responsible for the administration of the bank along with the President.

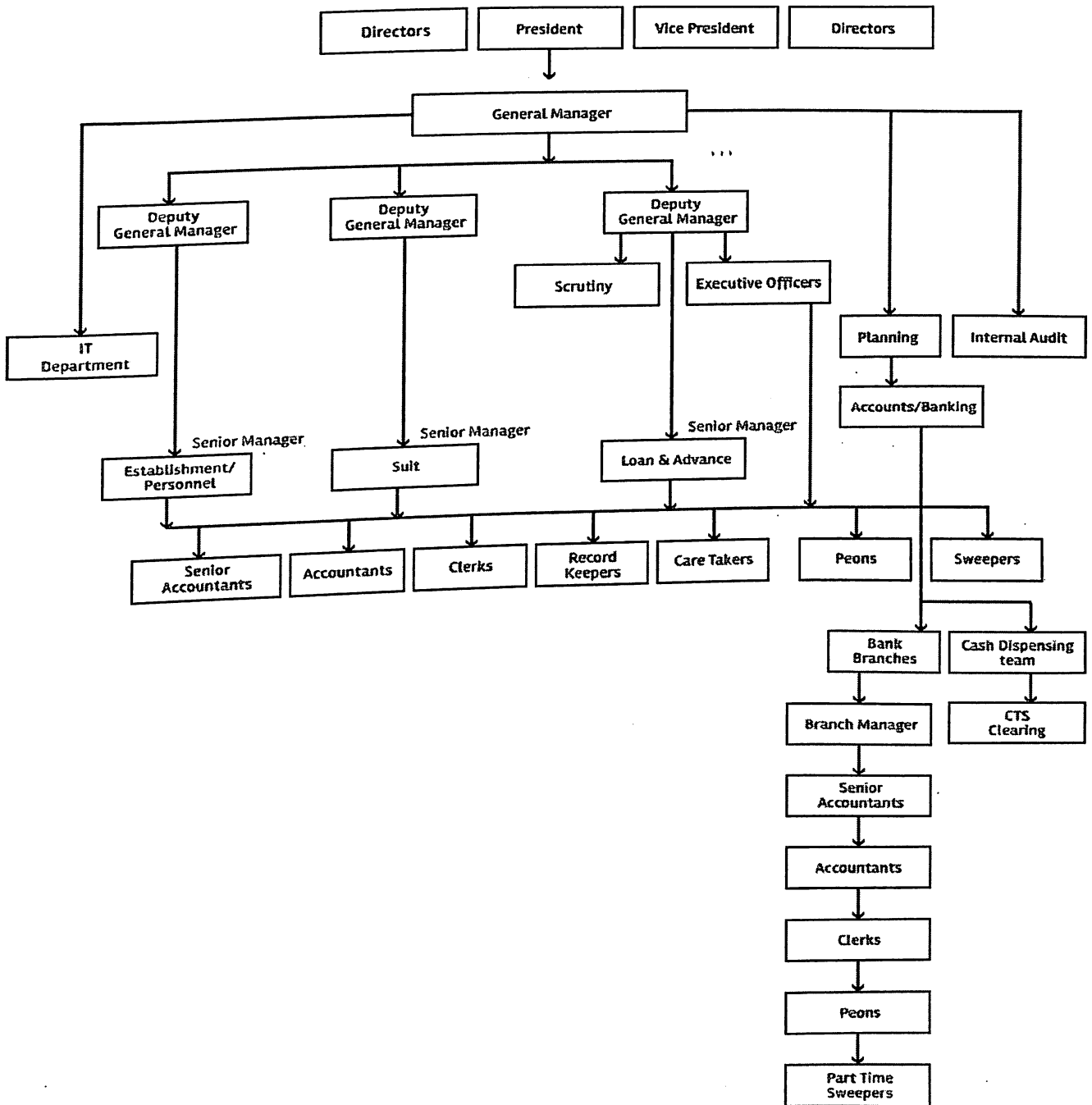
3.11.6 General Manager

The General Manager is the Chief Executive Officer of the bank subjected to the control of the President. He/She will be a paid employee and will be responsible for the general administration of the bank.

3.11.7 Organizational structure

The General body among themselves elects Board of Directors and Board of Directors among themselves elect President and Vice President.

Chart 3.1 Organizational chart of the Thrissur District Co-operative Bank



Conclusion

Thrissur District Co-operative Bank Ltd No.60 which is the organization under the study performs all the functions of a District Co-operative bank. The bank was started functioning with the area of operation of Thrissur Revenue District in 1961. Membership, Share Capital, Borrowed Fund, Deposits, Loans and Advances etc. from the year 2005-06 to 2014-15 indicates the effective performance of the bank. The forthcoming chapter analyzes the actual financial performance of the bank in detail.

Chapter – 4

*Suitability of Agriculture Loan –
An Analysis*

Chapter - 4

SUITABILITY OF AGRICULTURE LOAN – AN ANALYSIS

4.1 Analysis

In this chapter the details collected through the survey were tabulated and analysed in terms of specific objective of the study. Interview schedule was prepared which included the concepts on the potential area for agricultural lending and suitability of agricultural loan products of Thrissur District Co-operative Bank Ltd. A sample size of 80 agriculture loan holders of Thrissur District Co-operative Bank Ltd. Were selected for the study and interviewed with the help of a structured interview schedule.

4.1.1 Gender of respondents

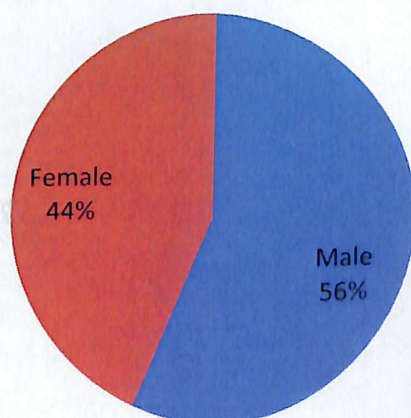
Table 4.1.1 Distribution of respondents according to their gender (n=80)

Gender	Frequency	Percent
Male	45	56.3
Female	35	43.8
Total	80	100

Source: primary data

Table 4.1.1 shows the gender of respondents. Out of eighty respondents selected for the study, majority were males (56.3%) involved in agricultural activities. 43.8% of females were involved in agricultural activities. It indicated that majority of the male members availed loans compared to female members.

Figure 4.1.1 Gender of respondent



4.1.2 Details of educational level and age of respondents

This was done to identify which age groups of the people are more availing loan from bank .Age wise classification of respondents and educational qualification of the respondents shown in table no 4.1.2 Table. The study of the educational qualification helps to know about the involvement of the educated and uneducated people in the agriculture.

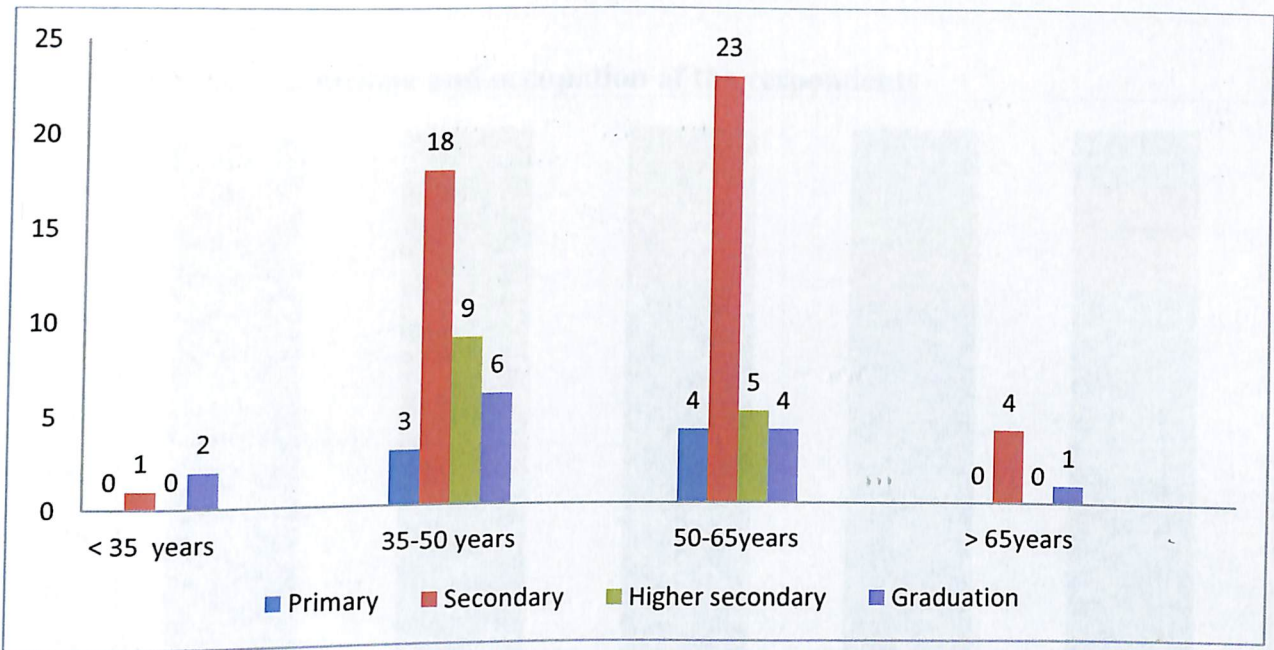
Table 4.1.2 Details of educational level and age of respondents (n=80)

Age of respondents	Educational level of respondents				Total
	Primary	Secondary	Higher secondary	Graduation	
Below 35 years	0	1	0	2	3 (3.75%)
Between 35-50years	3	18	9	6	36 (45%)
Between 50-65years	4	23	5	4	36 (45%)
Greater than 65years	0	4	0	1	5 (6.25%)
Total	7 (8.75%)	46 (57.5%)	14 (17.5%)	13 (16.25%)	80 (100%)

Source: primary data

From the table 4.1.2, it could be observed that majority of the respondents belongs to the age group between 35-50 and 50-65 (36%) and had up to secondary level schooling. The younger generation, with good educational background were not interested to engage in agricultural activity only 3.5% of respondents belonged to the age less than 35 years.

Figure 4.1.2 Age and educational level of respondents



4.1.3 Annual income and occupation of the respondent

Table 4.1.3 Details of annual income of the respondents

(n=80)

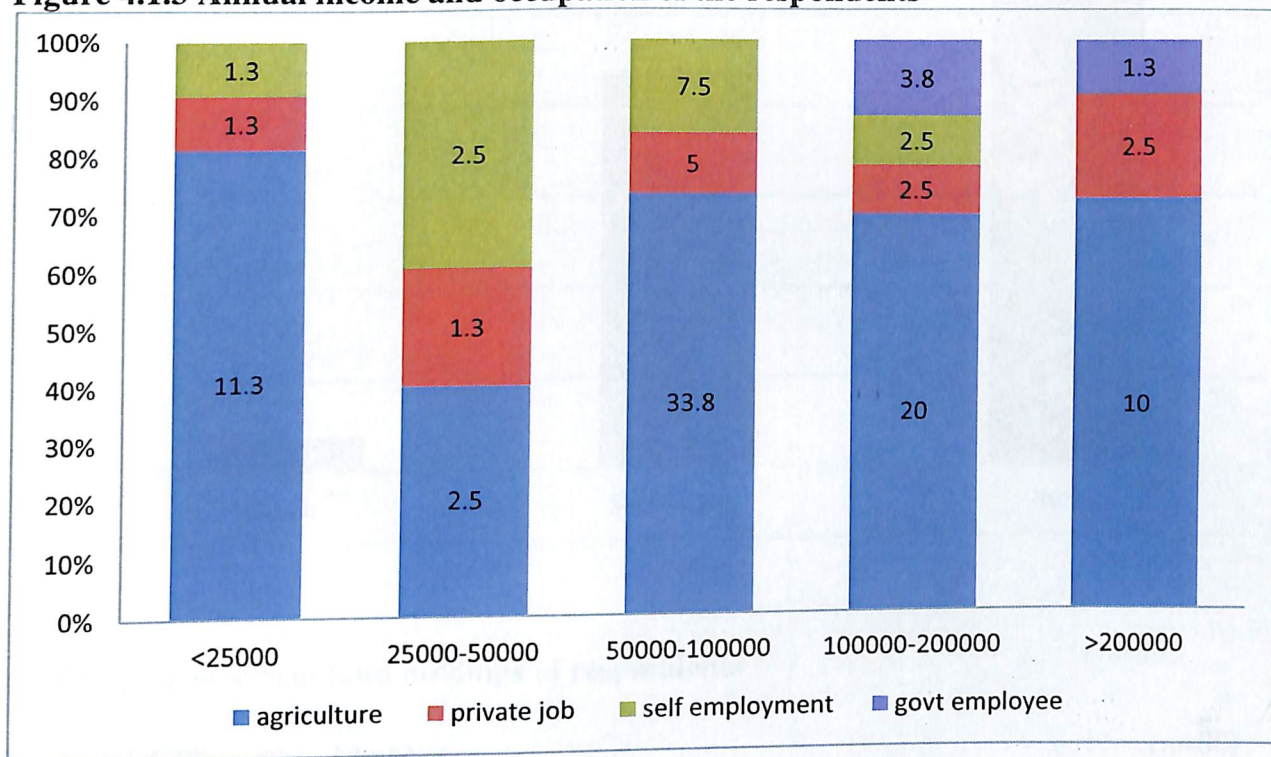
Income	Agriculture		Private job		Self employment		Govt employee	
	Frequenc y	Percen t	frequenc y	percen t	Frequenc y	percen t	Frequenc y	Percen t
<25000	9	11.3	1	1.3	1	1.3	0	0
25000 - 50000	20	25	1	1.3	2	2.5	0	0
50000- 100000	27	33.8	4	5	6	7.5	0	0
100000 - 200000	16	20	2	2.5	2	2.5	3	3.8
>200000	8	10	2	2.50	0	0	2	1.3

Source: primary data

From the table 4.1.3 shows that majority of the respondents were depending agriculture for their livelihood. 33.8% of respondent's annual income from the agriculture is between

50000-100000. The majority of the agriculture loan holders primary occupation was agriculture.

Figure 4.1.3 Annual income and occupation of the respondents



4.1.4 Details of place of residence

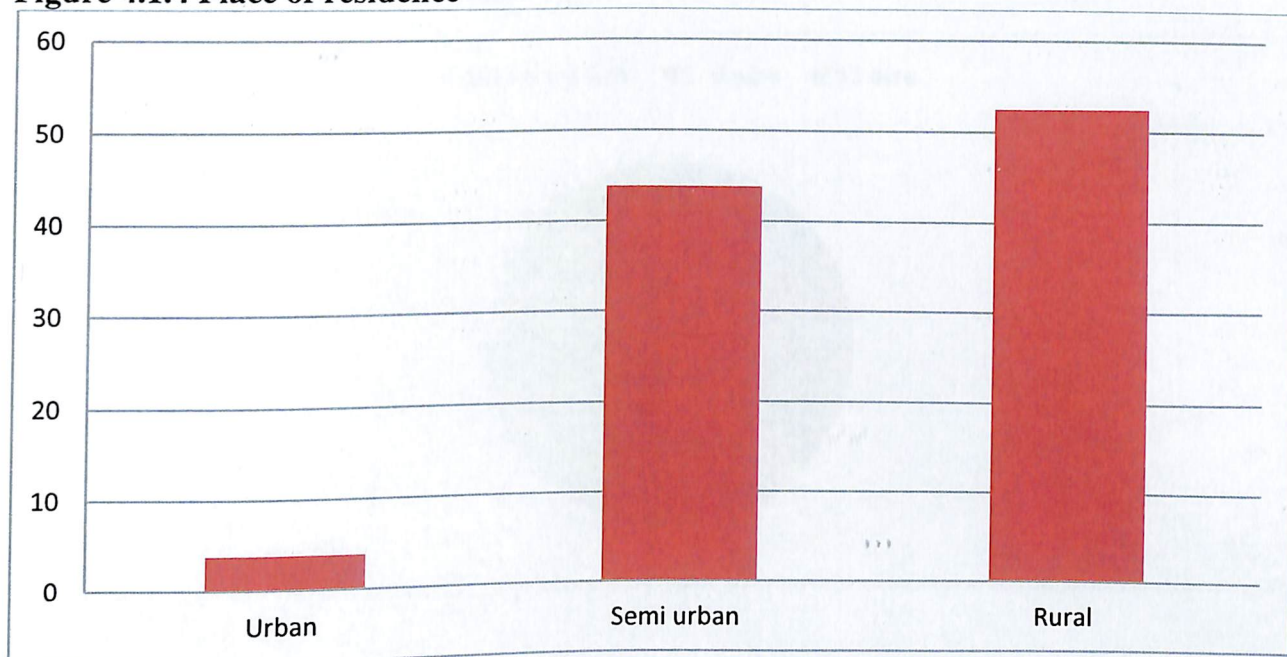
Table 4.1.4 Place of residence (n=80)

Place of residence	Frequency	Percent
Urban	3	3.8
Semi urban	35	43.8
Rural	42	52.5
Total	80	100

Source: primary data

Table 4.1.4 shows that majority of the respondents were resident in rural area(52.5%) 43.8 % of respondents were residing in semi urban area. Very few borrowers were from the urban area. Traditional farmers were more in rural area compared to urban and semi urban. Their main livelihood was agriculture. They generally do not depend on other sources for earning.

Figure 4.1.4 Place of residence



4.1.5 Details of size of land holdings of respondents

Table 4.1.5 Size of land holdings

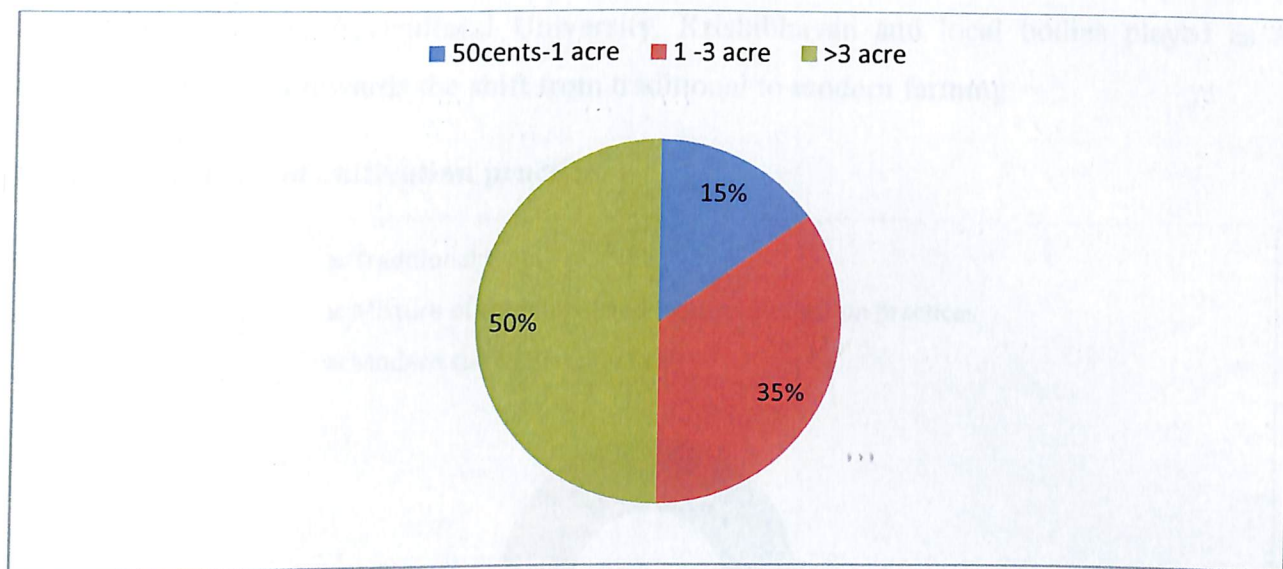
(n=80)

Size of land holdings	Frequency	Percent
50cents-1 acre	12	15.0
1 -3 acre	28	35.0
>3 acre	40	50.0
Total	80	100.0

Source: primary data

Table 4.1.5 shows that 50% of the respondents had land holding of 1-3 acre, 35% had land holding of size 50 cents-1 acre and 15% of the respondents possessed less than 50 cents and more than 3 acres of land. It could be observed that majority of the respondents were from large farm families

Figure 4.1.5 Size of land holdings



4.1.6 Details of cultivation practices adopted by the respondents

Table 4.1.6 Type of cultivation practice

(n=80)

Cultivation type	Frequency	Percent
Traditional type	25	31.3
Mixture of traditional and modern cultivation practices	52	65.0
Modern cultivation practice	3	3.8
Total	80	100.0

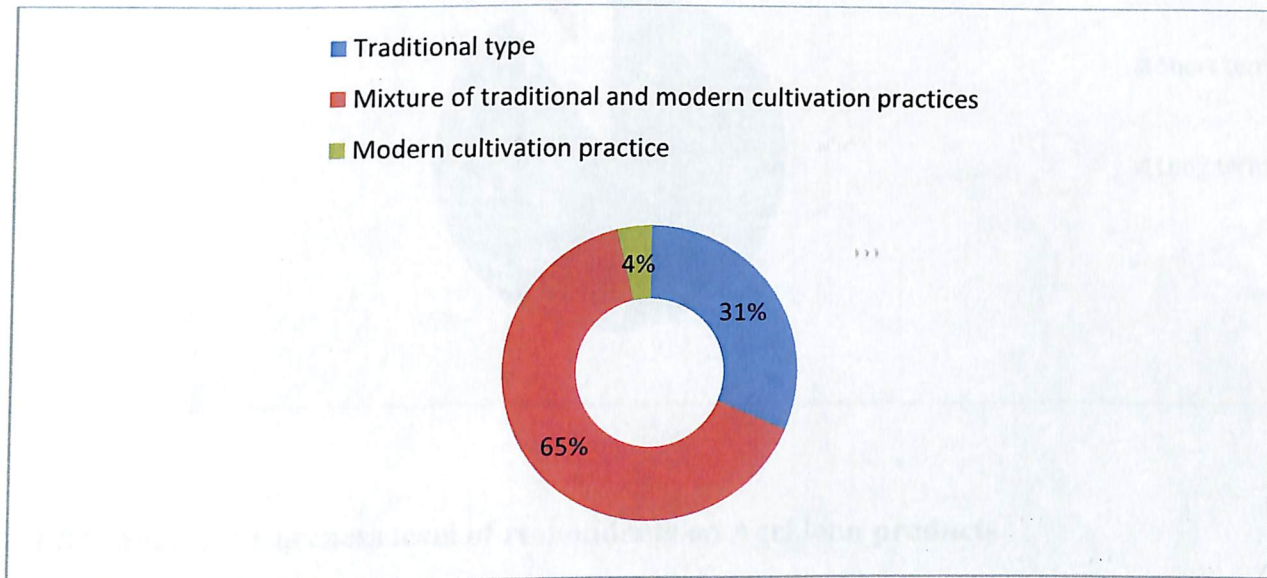
Source: primary data

65 % of the farmers follow mixture of traditional and modern type of cultivation practices and modern farmers were only 3%. 31.3% of respondents were using traditional type of cultivation practices.

The respondents engaged in agriculture were mostly in the age group of 35-65, the statistics above could be considered as an overall trend of the area. As the ancestral agriculture practices of the area were traditional farming, farmers were efficient in those. Now the farmers are changing over to modern type of cultivation practice. They use both traditional and modern cultivation practices. Modern cultivation practices were prevailing in the area in the form of mechanisation. As agriculture was the primary activity or source of the income, farmers were more interested and adaptive to new production technology under

modern agriculture practices. Technical knowledge gain through training programmes organised by Kerala Agricultural University, Krishibhavan and local bodies played as a motivational factors towards the shift from traditional to modern farming.

Figure 4.1.6 Type of cultivation practice



4.1.7 Details of type of loan taken by respondent

Table 4.1.7 Type of loan taken

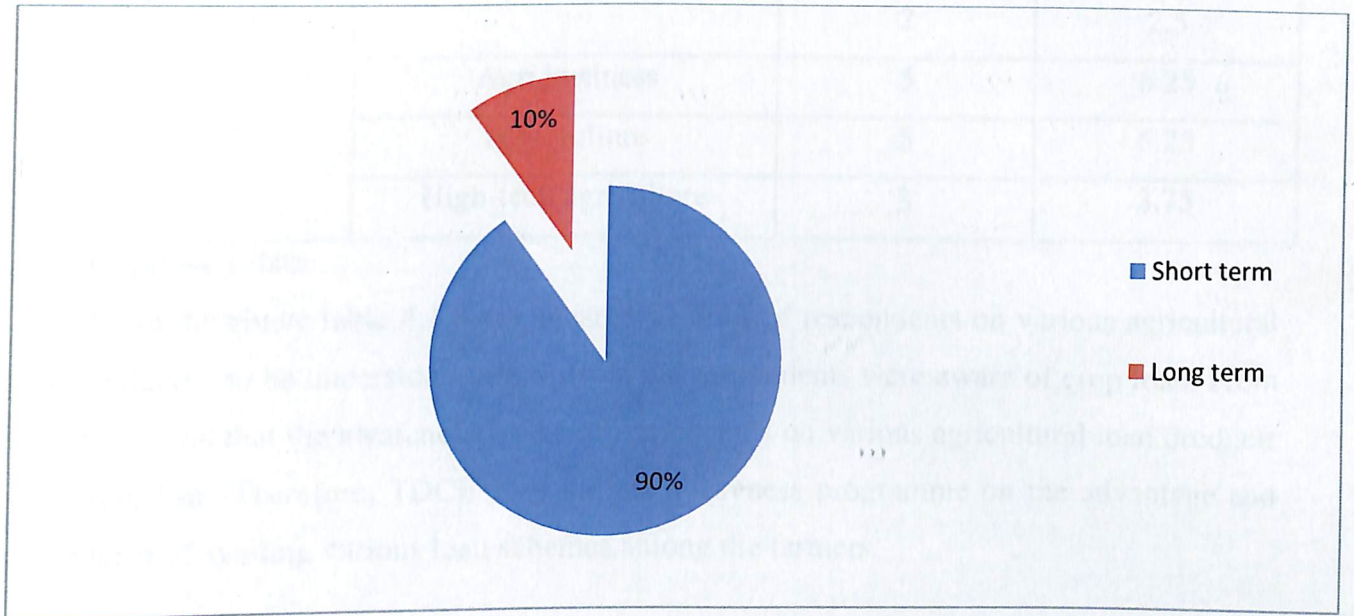
(n=80)

Type	Frequency	Percent
Short term	72	90.0
Long term	8	10.0
Total	80	100.0

Source: primary data

Majority of the respondents (90%) were short term loan holders. Only 10% of the respondents were long term loan holders. Subsidy, interest rate, repayment pattern, etc will be the reason for taking short term loans.

Figure 4.1.7 Type of loan taken



4.1.8 Details of awareness level of respondents on Agri loan products

Table 4.1.8 Distribution of respondents according to their awareness level on agricultural loan products (n=80)

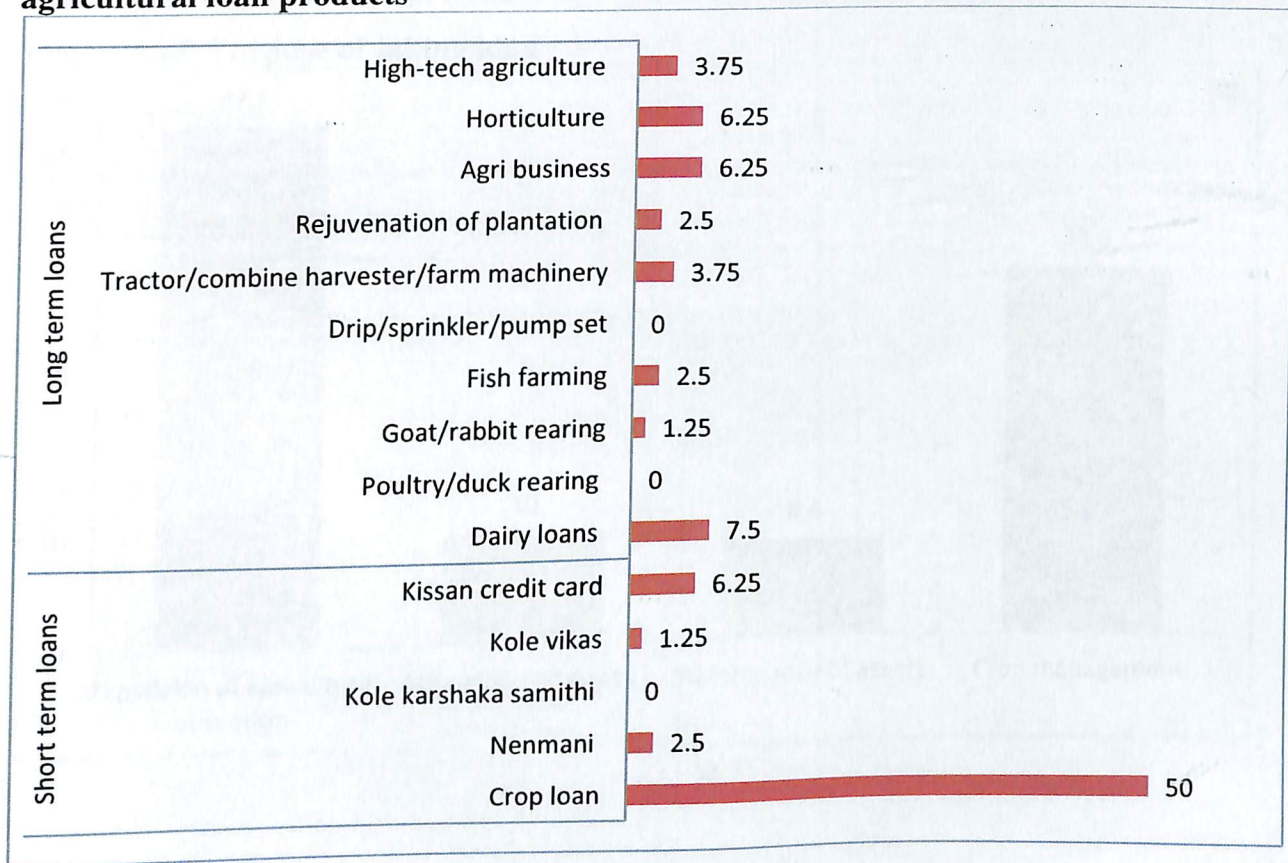
Term	Type of loan	Frequency	Percentage
Short term loans	Crop loan	40	50
	Nenmani	2	2.5
	Kole karshaka samithi	0	0
	Kole vikas	1	1.25
	Kissan credit card	5	6.25
Long term loans	Dairy loans	6	7.5
	Poultry/duck rearing	0	0
	Goat/rabbit rearing	1	1.25
	Fish farming	2	2.5
	Drip/sprinkler/pump set	0	0
	Tractor/combine harvester/farm machinery	3	3.75

	Rejuvenation of plantation	2	2.5
	Agri business	5	6.25
	Horticulture	5	6.25
	High-tech agriculture	3	3.75

Source : primary data

From the above table 4.1.8, the awareness level of respondents on various agricultural loan products can be understood. Majority of the respondents were aware of crop loan. From the table found that the awareness levels of respondents on various agricultural loan products were very low. Therefore, TDCB may initiate awareness programme on the advantage and procedures of availing various loan schemes among the farmers

Figure 4.1.8 distribution of respondents according to their awareness level on agricultural loan products



4.1.9 Purpose of taking loan

Table 4.1.9 Purpose of taking loan

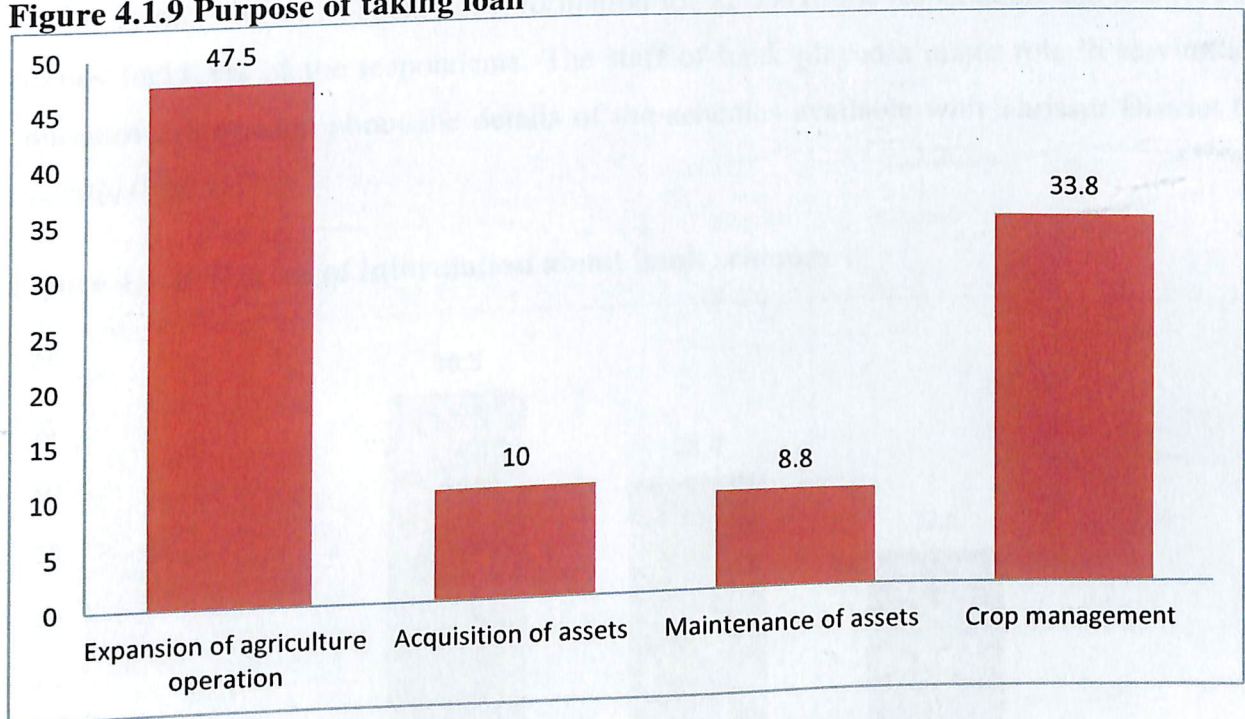
(n=80)

Purpose	Frequency	Percent
Expansion of agriculture operation	38	47.5
Acquisition of assets	8	10.0
Maintenance of assets	7	8.8
Crop management	27	33.8
Total	80	100.0

Source: primary data

47.5% of the respondents were taking loan for the purpose of agricultural expansion, and 33.8% for crop management. Small numbers of respondents were taking loan for acquisition and maintenance of assets. It can be summarised that majority of the farmers, who availed loans were small farmers and utilised for expanding agricultural activities.

Figure 4.1.9 Purpose of taking loan



4.1.10 Source of information

Table 4.1.10 Source of information about bank schemes

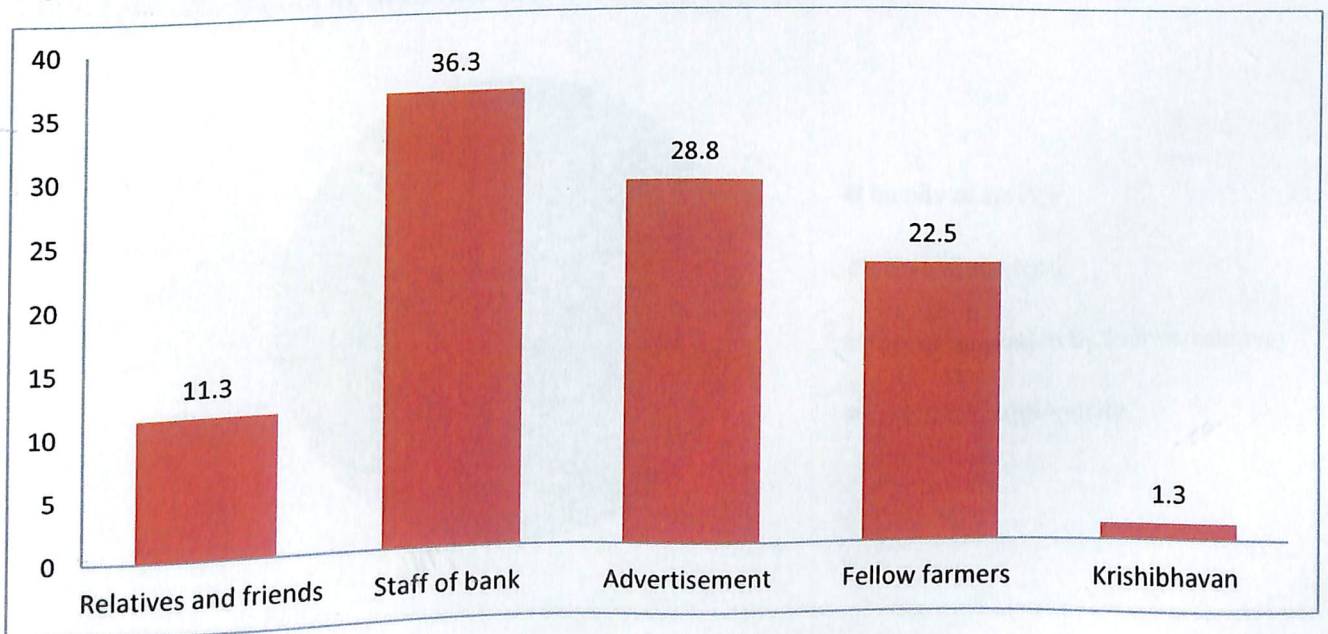
(n=80)

Source	Frequency	Percent
Relatives and friends	9	11.3
Staff of bank	29	36.3
Advertisement	23	28.8
Fellow farmers	18	22.5
Krishibhavan	1	1.3
Total	80	100.0

Source: primary data

Table 4.1.10 indicates the respondents' source of information about bank's loan schemes. It reveals that 36.3% of the respondents came to know about the loan scheme from the staff of bank and 28.8% of the respondents got the information through advertisement. Fellow farmers were the source of information for 22.5% of the respondents and relatives and friends for 11.3% of the respondents. The staff of bank played a major role in serving as a source of information about the details of the schemes available with Thrissur District Co-operative Bank.

Figure 4.1.10 Source of information about bank schemes



4.1.11 Details of motivation for availing loan from bank.

Table 4.1.11 Details of motivation for availing loan from bank.

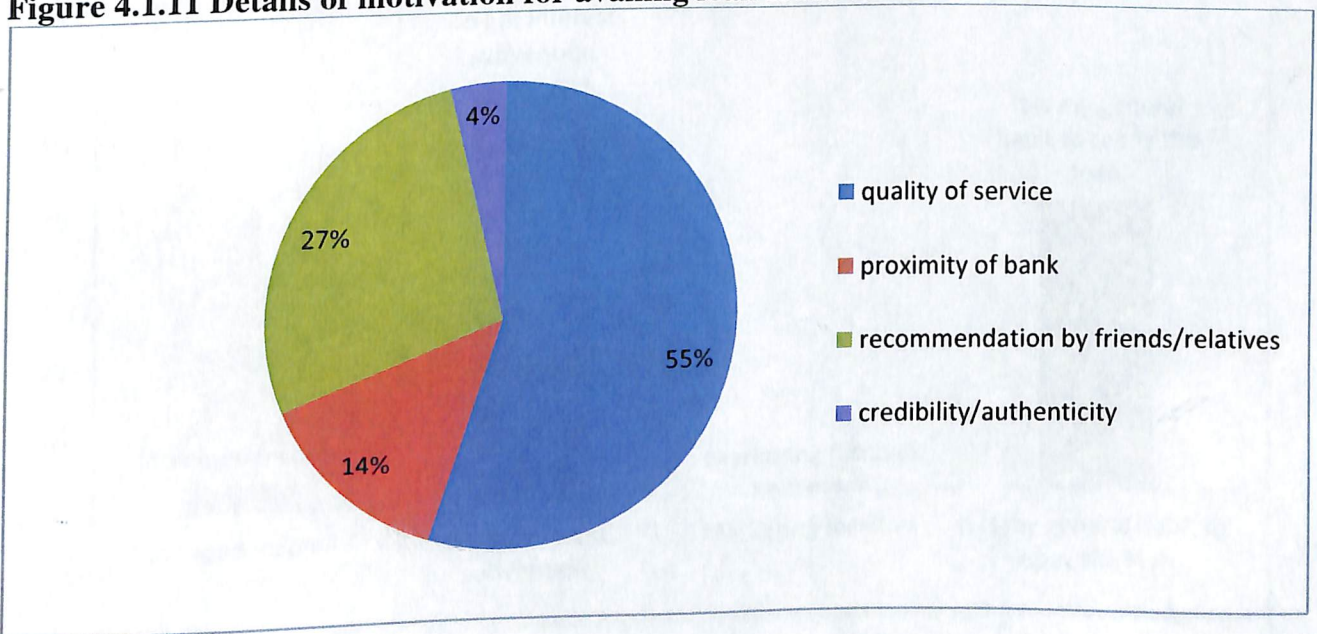
(n=80)

Motivation of taking loan	Frequency	Percent
Quality of service	44	55.0
Proximity of bank	11	13.8
Recommendation by friends/relatives	22	27.5
Credibility /authenticity	3	3.8
Total	80	100.0

Source: primary data

Table 4.1.11 shows that quality of service was the motivational factor for 55% of the respondents for taking loan from TDCB. About 27.5% of respondents took loan from TDCB because of the recommendation by friends and relatives. Proximity of bank influenced 13.8% of the respondents. It was found that motivational factor for majority of the respondents was the quality of service offered by bank. Therefore TDCB may take more efforts in enhancing the quality of service so that more number of customers will get motivated in availing loan from the various schemes of TDCB.

Figure 4.1.11 Details of motivation for availing loan from bank.



4.1.12 Reason for the prompt repayment of the loan

Table 4.1.12 Reason for the prompt payment of the loan

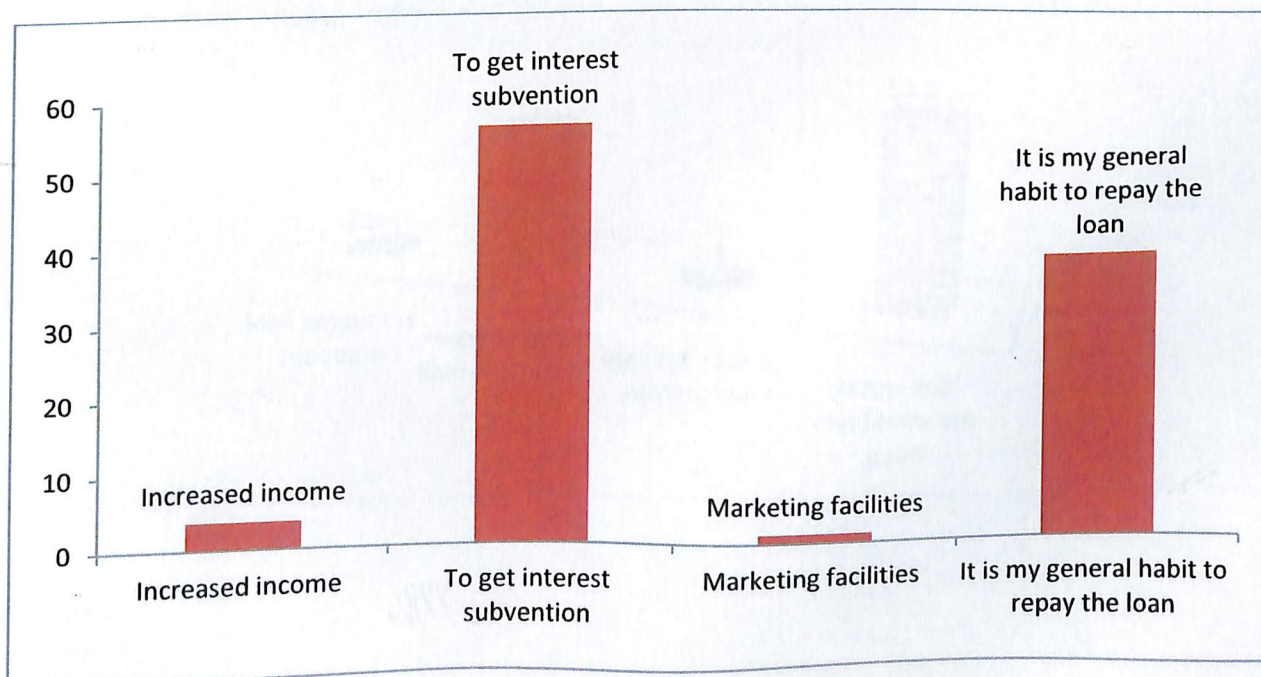
(n=80)

Reason	Frequency	Percent
Increased income	3	3.8
To get interest subvention	45	56.3
Marketing facilities	1	1.3
It is my general habit to repay the loan	31	38.8
Total	80	100.0

Source: primary data

Table 4.1.12 indicates the reason for prompt repayment of loan by the respondents. “To get interest subvention” was major reason cited by the respondents(56.3%) for the prompt repayment of loans. General habit of repayment of loans was the reason for the prompt repayment of 38.8% of the farmers. It is understood from the study that interest subvention scheme has positive impact on the repayment behaviour of respondents.

Figure 4.1.12 Reason for the prompt payment of the loan .



4.1.13 Reason for superiority of TDCB loan products

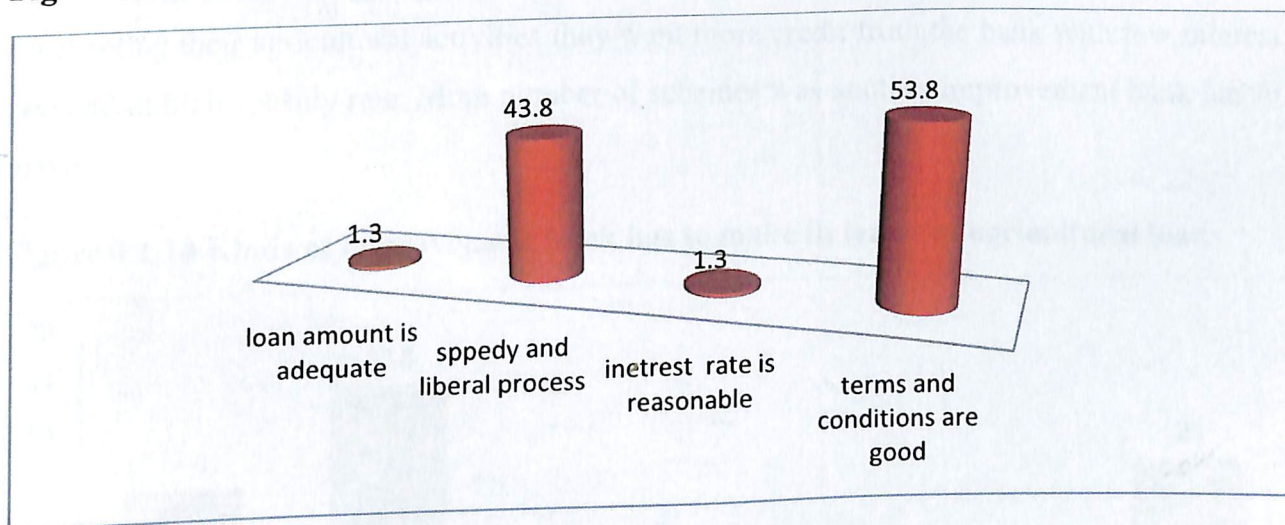
Table 4.1.13 Reason for superiority of TDCB loan products (n=80)

Reasons	Frequency	Percent
Loan amount is adequate	1	1.3
Speedy and liberal process	35	43.8
Interest rate is reasonable	1	1.3
Terms and conditions are good	43	53.8
Total	80	100.0

Source : Primary data

All the respondents were of the opinion that the service of TDCB was superior to other bank. It was reported that terms and condition of the bank was the reason for superiority of TDCB services for 53.8% of respondents. According to 43.85% of the respondents speedy and liberal process was the reason for the superiority of TDCB service. As terms and conditions of bank was the superior to other banks, the bank can attract more customers by advertising these factors.

Figure 4.1.13 Reason for superiority of TDCB loan products



4.1.14 Kinds of improvement bank has to make in terms of agricultural loans

Table 4.1.14 Kinds of improvement bank has to make in terms of agricultural loans

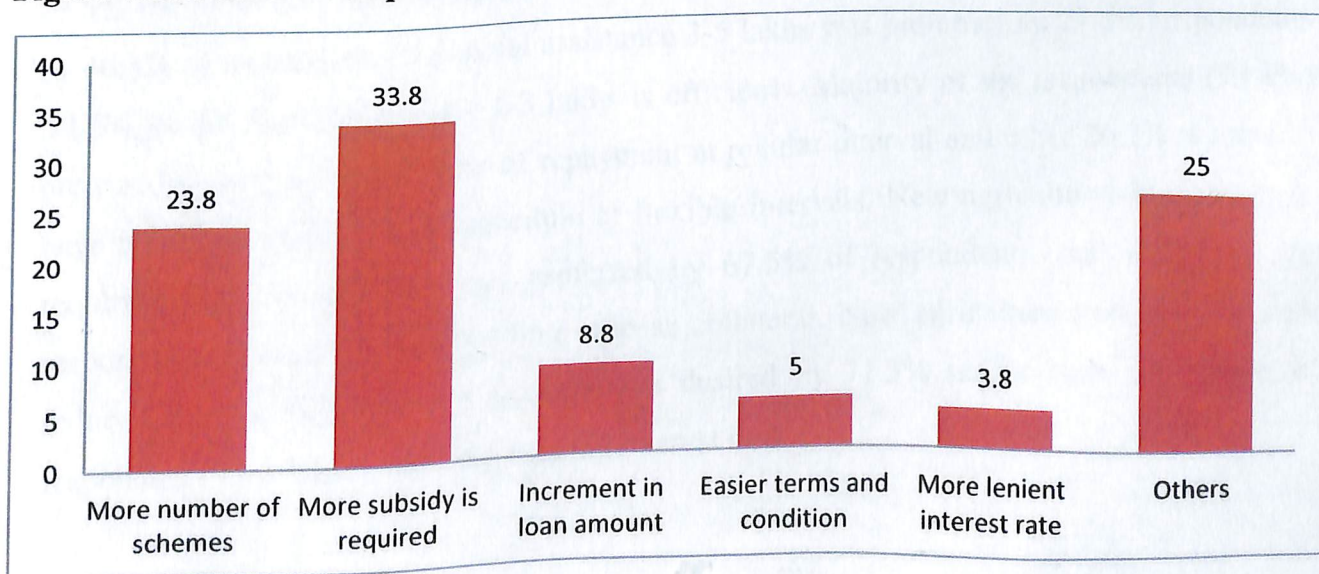
(n=80)

Improvement	Frequency	Percent
More number of schemes	19	23.8
More subsidy is required	27	33.8
Increment in loan amount	7	8.8
Easier terms and condition	4	5.0
More lenient interest rate	3	3.8
Others	20	25.0
Total	80	100.0

Source: primary data

Table 4.1.14 shows the improvement bank has to make in terms of agricultural loans. 33.8% of respondents need more subsidies. Income from the agricultural sector was very low so the farmers were struggling to repay the loan amount. The loan amount was not sufficient for meeting their agricultural activities they want more credit from the bank with low interest rate and in high subsidy rate. More number of schemes was another improvement bank has to make.

Figure 4.1.14 Kinds of improvement bank has to make in terms of agricultural loans



4.1.15 Details of preferred features of banks agri loan products by the respondents

Table 4.1.15 Preferred features of banks agri loan products by the respondents

(n=80)

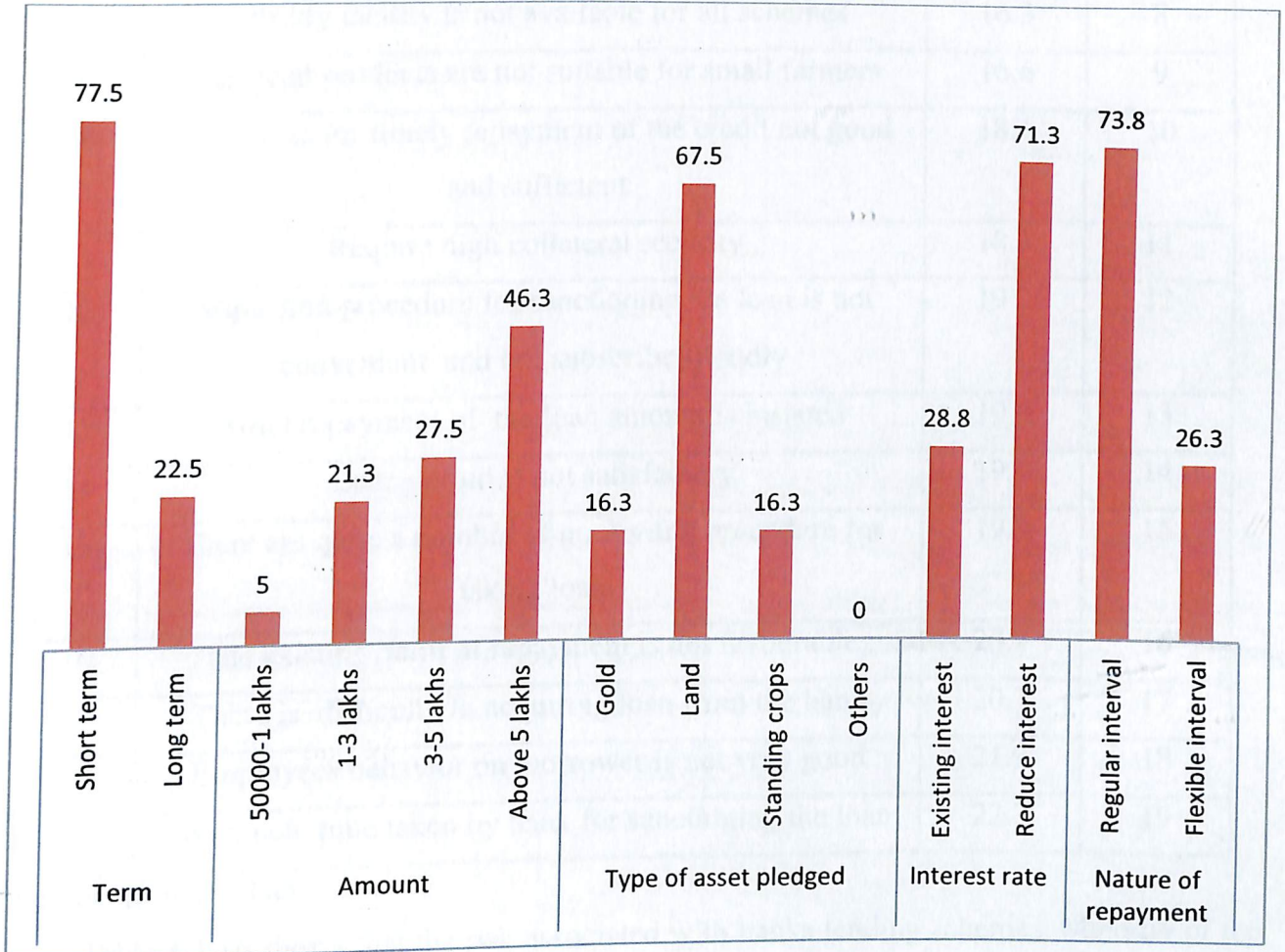
Sl.no	Features		Frequency	Percentage
1	Term	Short term	62	77.5
		Long term	18	22.5
2	Amount	50000-1 lakhs	4	5
		1-3 lakhs	17	21.3
		3-5 lakhs	22	27.5
		Above 5 lakhs	37	46.3
3	Type of asset pledged	Gold	13	16.3
		Land	54	67.5
		Standing crops	13	16.3
		Others	0	0
4	Interest rate	Existing interest	23	28.8
		Reduce interest	57	71.3
5	Nature of repayment	Regular interval	59	73.8
		Flexible interval	21	26.3

Source: primary data

Table 4.1.15 indicates that features required by farmers in new agriculture loan products. Short term loans were preferred by 77.5% of the respondents for future use, and 22.5% required long term loans. Financial assistance of Rs. 5 lakhs and above was desired by 46.3% of respondents. Financial assistance 3-5 lakhs was preferred by 27.5% respondents, 21.3% of the respondents said 1-3 lakhs is efficient. Majority of the respondents (73.8%) preferred to have a loan scheme of repayment at regular interval and other 26.3% wanted to have a scheme of repayment schedule at flexible intervals. New agricultural loan products requiring land as collateral was preferred by 67.5% of respondents, and 16.3% of the respondents opted gold and standing crop as collateral. New agriculture loan scheme with reduced interest rate than the existing was desired by 71.3% respondents and 28.8% of respondents were happy with the existing interest rate.

Short term loan exceeding Rs 500000 with reduced interest rate with collateral of landed property, which can be repaid in a regular interval, is preferred by majority of the respondents.

Figure 4.1.15 Preferred features of banks agri loan products by the respondents



4.1.16 Perception about risk

Table 4.1.16 Perception about risk

(n=80)

Sl.no	Risks	Index	Rank
1	The loan amount is not sufficient to cover the agricultural activities	11.5	1
2	Income from the agriculture sector is very low and spread apart in time, so correct periodical repayment become difficult	12.3	2
3	Repayment become burden for farmers	13	3

4	It is not sufficient to meet the requirements	14.1	4
5	Difficulties to acquire finance for farm needs at proper time	14.7	5
6	Interest rate of the loan amount is high	15.8	6
7	Renewal procedure of the schemes are not simple	16.0	7
8	Subsidy facility is not available for all schemes	16.3	8
9	Financial products are not suitable for small farmers	16.6	9
10	Incentives for timely repayment of the credit not good and sufficient	18.1	10
11	Require high collateral security	18.3	11
12	Inspection procedure for sanctioning the loan is not convenient and not subscribe friendly	19.2	12
13	Strict repayment of the loan amount is insisted	19.5	13
14	Loan period is not satisfactory	19.7	14
15	There are quite a number of norms and procedure for taking loan	19.9	15
16	The existing term of repayment is not favourable	20.2	16
17	There is difficulty in acquiring loan from the bank	20.7	17
18	Employees behavior on borrower is not very good	21.9	18
19	Too much time taken by bank for sanctioning the loan	22.3	19

Source: primary data

Table 4.1.16 shows that the risk associated with banks lending schemes. Majority of the respondents agreed that the loan amount was not sufficient for covering the agricultural activities. Another most important risk which was faced by farmers was poor income from the sector. Because of the insufficient income farmers struggle to repay the loan amount in time. Subsidy of 4% was available for loan holders if they repay amount in time. Interest rate was another most important risk faced by farmers. Some financial products were not much suitable for small farmers because of the highest interest rate and security. There was no difficulty in acquiring loan from the bank, only limited time was taken by bank for sanctioning the loan, there were only few norms and procedures for sanctioning the loan, term of repayment was favourable, there was no strict repayment of the loan. The above mentioned banking lending features were more suitable for the respondents.

4.1.17 Correlation between perception about risks and independent variables

The respondents of the survey were from a particular area with more or less same type of socio economic conditions. This may be treated to a certain extent as a minor limitation of this survey but it will not way hamper the result ensuing from the survey. Correlation analysis is a simple but a reliable tool for measuring the association of variables under consideration, most of them being ordinal in nature. Spearsman's rank correlation was adopted to measure the association of perception about risk with age, educational qualification, primary occupation, place of residence, size of land holdings, type of cultivation practice, total income and awareness of the loan products. Correlation analysis brought up the relationship of educational qualification and perception about risk correlation being 0.17 which was significant at 22.4% level. The type of cultivation practice also bought a relationship with perception about risk the corresponding correlation being .115 which was significant at 21.3% level. In contrast to above set variable awareness of the product was negatively correlate with perception about risk measure being -.218 significant at 1.7% level. It will be concluded that the educational qualification and type of cultivation practice that are the driving forces towards risk of availing credit from the bank. Awareness towards the agriculture product justifying the negative correlation that is pointed towards the mental ability to bear more risk. All the above findings are significant of the negative correlation -.14 obtained between type of cultivation practice and awareness of the product significant being 19.5 level.

4.1.18 Details about perception about risk and perception about social impact

Table 4.1.18 Details about perception about risk and perception about social impact.

(n=80)

Social impact	Perception about risk				Total
	More risk	Slightly less risk	Low risk	Very low risk	
1	12	12	3	18	45
2	4	7	15	5	31
3	0	1	2	1	4
Total	16	20	20	24	80

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.057 ^a	6	.003

Chi-square test revealed that there is relationship between perception about risk and social impact. Chi square test was significant ($p < 0.05$). Individuals were risk oriented. Risk was highly influences their social impact. Majority of the respondents have only one impact. Social awareness is the highest impact they have from the agricultural credit. The social impact is increased the risk is low.

4.1.19 Details about perception about risk and perception about personal impact

Table 4.1.19Details about perception about risk and perception about personal impact
(n=80)

Personal impact	Perception about risk				Total
	More risk	Slightly less risk	Low risk	Very low risk	
1	5	5	3	11	24
2	9	11	8	9	37
3	2	4	9	4	19
Total	16	20	20	24	80

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.205 ^a	6	.116

($p < 0.10$)

Chi-square test revealed that there is relationship between perception about risk and personal impact. There was no ultimate motive for individuals. Personal impact was increased when the perceived risk was low. Farmers were not much aware about the agricultural loan schemes. They were not much conscious about the risks. Agriculture has grown as an expensive activity as compared to other sectors with higher chances of risk. Awareness about financial products were an important part of farmers to improve their well being. Beings knowledgeable on what they were enjoying and can be enjoyed aware

important for them to productively use those products. Majority of the respondents (46.25%) were only having 2 personal impact from the agricultural credit.

4.1.20 Details about impact of agricultural credit

Table 4.1.20 Details about impact of agricultural credit

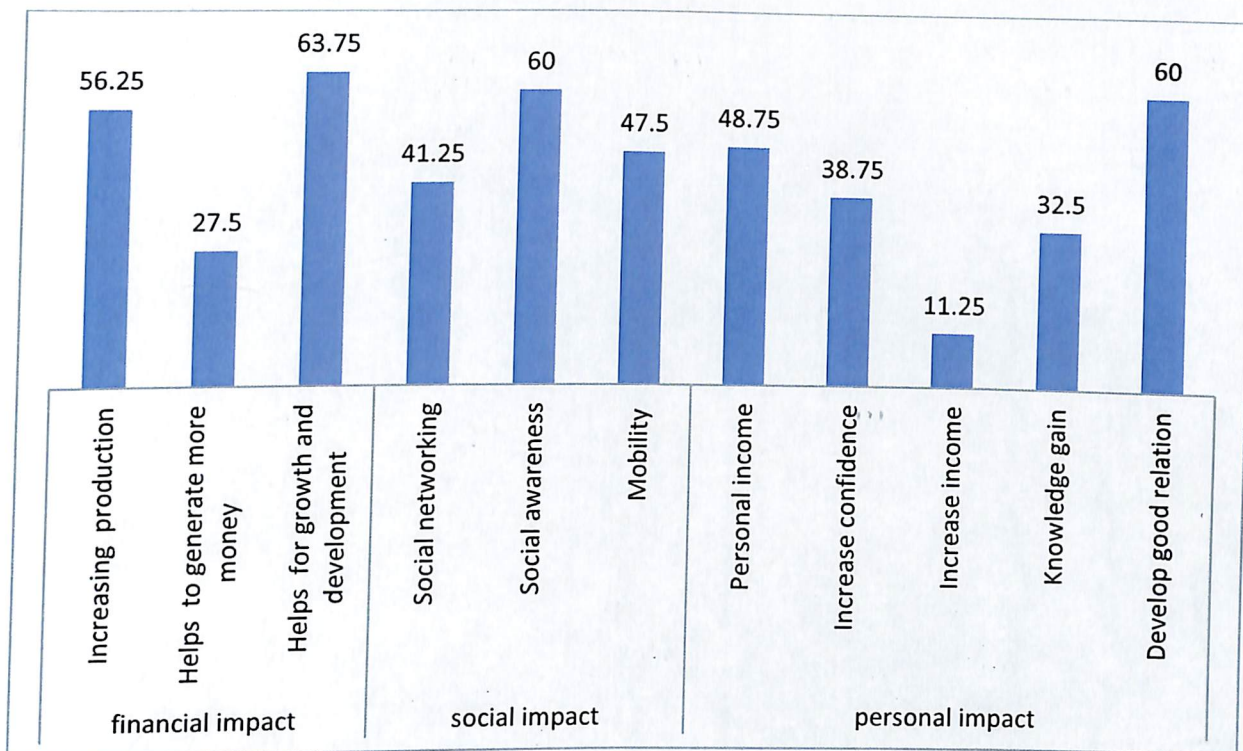
(n=80)

Impact	Impact	Frequency	Percentage
Financial impact	Increasing production	45	56.25
	Helps to generate more money	22	27.5
	Helps for growth and development	51	63.75
Social impact	Social networking	33	41.25
	Social awareness	48	60
	Mobility	38	47.5
Personal impact	Increasing personal income	39	48.75
	Increase confidence	31	38.75
	Increase income	9	11.25
	Knowledge gain	26	32.5
	Develop good relation	48	60

Source : primary data

Table 4.1.21 shows the impact of agricultural credit to farmers. Mainly there are 3 types of impact, financial, social and personal impact. Majority of the respondents agreed that agricultural credit helps for growth and development and it also helps to improve their production. Social awareness was the highest social impact that the respondents had from the agricultural credit. Agricultural credit was helping them to develop better social relationships. It also helped to create some financial input to the respondents, These were the main two personnel impact of agricultural credit.

Figure 4.1.20 Details about impact of agricultural credit



4.1.21 Scale of finance - 2016-2017

Table 4.1.21 scale of finance

Particulars	Amount
Per hectare	10000 – 300000
Per tree	100 – 1000
Per plant	50 – 200
Per sq. ft.	100 – 130

Source: secondary data

Loan amount is issued on the basis of the scale of finance which is sanctioned by District Level Technical committee in every year. The amount was fixed on the basis of the market value of the crop. Detailed scale of finance showed in the appendix.

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Chapter – 5

*Summary of Findings Suggestions
and Conclusion*

Chapter - 5

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 Findings

The major findings of the study are summarized in this chapter

1. More male farmers were approaching the bank for financial assistance rather than female farmers.
2. All the respondents were literate majority of them had secondary level schooling and majority of the respondents belonged to the age group between 35-50.
3. Majority of the respondents' primary occupation was agriculture. Some of the respondents were depending on other source for their income.
4. Majority of the respondents had large farm families. They were engaged in many agricultural activities in their land .majority of the respondents had land of 1 – 3 acres.
5. More than half of the respondents were using both traditional and modern cultivation practices. As the ancestral agricultural practices of the area were traditional, farmers were efficient in those. As agriculture is the primary activity or source of income, farmers were more interested and adaptive to new production technology under modern cultivation practices.
6. Majority of the respondents were interested to take short term loan.
7. Majority of the respondents were using credit facility from bank for the expansion of agriculture operation and rest of them for crop management, acquisition of assets and maintenance of assets.
8. The staff of bank had played a major role by serving as a source of information about the loan scheme available with the bank. Advertisement was the another main source of information about the schemes.
9. Quality of the service was the motivational factor for majority of the respondents for taking loan from bank.
10. The awareness level of respondents on agricultural loan schemes of TDCB was very low. Crop loan was the most popular scheme among the respondents. Majority of the respondents were not aware about short term and long term agricultural loan schemes of TDCB.

11. Loan period, amount of credit, repayment schedule, renewal procedures, and interest rate was found less suitable to the farmers. Majority of the respondents were agreed that the loan amount was not sufficient for agricultural activities.
12. The majority of the respondents were promptly repay the loan because they need more services from the bank for their further agricultural operations.
13. The main reason for the prompt payment of loan amount was to get the interest subvention.
14. Majority of the respondents did not face any problem while availing the loan.
15. All of them opined that TDCB service was superior to other banks. Terms and conditions and speedy and liberal process was the reason for superiority of TDCB.
16. The schemes were not much suitable for small farmers. Interest rate and the security were not suitable for them.
17. Majority of the respondents were agreed that agricultural credit helps for growth and development and it also helps to improve their production. Social awareness was the highest social impact that the respondents had from the agricultural credit. Agricultural credit was helps them to develop their relationships. It also helps to create some financial input to the respondents these were the main two personnel impact of agricultural credit.
19. Regarding the required features of new agriculture loans, majority of the respondents suggested short term loans. And majority of them suggested for loan amount above 5 lakhs.
20. Regarding rate of interest for new agri loans, majority of the respondents suggested for reducing interest rate from the existing level.
21. Majority of the Respondents wanted to repay the loan at regular interval.
22. New agriculture loan products requiring land as security was preferred by majority of respondents
23. Correlation analysis between perception about risk with age, educational qualification, primary occupation, place of residence, size of land holdings, type of cultivation practice, annual income and awareness of the agriculture products shows that awareness of agriculture products was negatively correlate with perception about risk measure being -0.218 significant at 1.7% level.

24. Quality of the service was the motivational factor of majority of the respondents for taking loan from TDCB.

5.2 Suggestions

The study on analysis of suitability of agriculture loan products for farmers: a study of Thrissur District Co-operative Bank Ltd. was based on three objectives examining the suitability of existing loan products, identification of the awareness level of farmers towards agriculture loan products and identification of the strategies for future options in agriculture credit scheme. Suggestions derived from the study are summarised below:

1. The awareness level of respondents on various agri-loan schemes were found to be very low. Rather than introducing new agricultural loan schemes, the bank must take necessary steps to improve the awareness level of farmers on existing agri-loan schemes by adopting new promotional activities.
2. The farmers of the study area showed more interest in modern farming techniques. Therefore the bank must take up promotional activities for loan schemes for modern farming
3. The existing loan amount, interest rate, repayment schedule, renewal procedure was found to be less suitable to farmers. Modification on these factors will make the schemes more suitable to farmers. Increase in suitability of loan products among farmers will bring more business to bank.
4. Bank may assess credit requirement of farmers based on the cost of cultivation, area under cultivation, crops grown, scale of finance, etc. and ensure proper utilisation of credit.

4.3 Conclusion

Agriculture credit has played a vital role in supporting agricultural production in India. Lending to farmers particularly those with potential to become more productive, can contribute to higher incomes and push farmers up the pyramid from subsistence or semi commercial farmers to commercial farmers. It can be drive social and personal growth. There is a wide array of agricultural loan products offered by the bank. The bank offers production and investment credit to satisfy the needs of the farmers. Even though the loan portfolio is wide, the farmers are not aware of those advanced products. Better understanding of the local context and the environment in which farmers operate can provide unique solution on how to

provide financial service with lower risks and reduced administration costs. Thus, solutions tend to be more localised based on the crops, type of farmers etc.

The study concludes that there is great potential for Thrissur District Co-operative Bank to grow in agriculture financing in the study area by improving awareness level of farmers about the agri-loan schemes of the bank by bringing modification in the existing loan products for making them more suitable for farmers. The bank must also develop new agricultural schemes addressing the specific needs of farmers to explore the potential avenues for agri-financing.

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Appendix

MAJOR PROJECT WORK

ANALYSIS OF SUITABILITY OF AGRICULTURE LOAN PRODUCTS FOR FARMERS: A STUDY OF THRISSUR DISTRICT CO-OPERATIVE BANK LTD.

INTERVIEW SCHEDULE FOR COLLECTION OF DATA FROM FARMERS

1. Name : _____
2. Age : <35 35-50 50-65 >65
3. Sex : Male Female
4. Educational qualification : Primay Secondary
Higher secondary Graduation

5. Annual Income

Source	Income from the source				
	<25000	25000-50000	50000-100000	100000-200000	>200000
Agriculture					
Private job					
Self employment					
Govt. Employee					
Other					

6. Primary occupation : Agriculture Business Govt.employee
Private employee Self employed
Others specify.....
7. Place of residence : Urban Semi urban Rural

8. Size of land holding : > 25 cents 50 cents – 1 acre
 1 acre -3 acre < 3 acre

9. Type of cultivation practice : Traditional type Mixture of traditional and
 modern cultivation practice Modern cultivation practice

10. Which agriculture loan you have taken from TDCB?

Short term Long term

Specify.....

11. Are you aware of the following loan products of TDCB?

Sl. no	Agricultural loan products	Yes	No	Have you availed?	Status		
					On going	Finis hed	Planning to take
	Short term loans						
	Crop loan						
	Nenmani						
	Kole karshaka samithi						
	Kole vikas						
	Kissan credit card						
	Long term loans						
	Dairy loans						
	Poultry/duck rearing						
	Goat/rabbit rearing						
	Fish farming						
	Drip/sprinkler/ pump set						
	Tractor/combine harvester/farm						

	machinery						
	Rejuvenation of plantation						
	Agri business						
	Horticulture						
	High-tech agriculture						

12. What was the purpose of taking loan from the bank?

Expansion of agriculture operation Starting a new agriculture enterprise

Purchase of animals/birds Acquisition of assets

Maintenance of assets crop management

Others specify.....

13. Which was the source of information about the schemes of bank?

Relatives & friends Staff of bank Advertisement

Fellow farmers Krishibhavan Others Specify.....

14. What is the motivation of taking loan from TDCB?

Quality of service Proximity of bank

Recommendation by friends/relatives Low interest rate

Credibility/ authenticity others Specify.....

15. Did you repay the loan amount timely?

Yes No

16. If yes what was the reason for prompt payment?

Increased income To get interest subvention

Marketing facilities It is my general habit to repay loan in time

Others Specify.....

17. If no what was the reason for the default?

Crop failure Price fall Diversion of loan

Others Specify.....

18. Do you have any complaint about the schemes of bank?

Yes No

If yes,

Inadequate loan amount Inappropriate timeliness of credit

Loan period is unsatisfactory Others specify.....

19. Do you think that TDCB loan product is superior?

Yes No

a) If yes,

Loan amount is adequate Speedy and liberal process

Loan period is satisfactory Interest rate is reasonable

Terms and conditions are good

b) If no,

Dissatisfaction of timeliness of credit Difficult procedural formalities

High interest rate Inadequate loan amount

20. What kind of improvement TDCB has to make in terms of issuing agricultural loans?

More number of schemes More subsidy is required

Increment in loan amount Easier terms and conditions

More lenient interest rate Others

21. Can you specify what kinds of loan you need?

a) Term	Short term <input type="checkbox"/> Long term <input type="checkbox"/>
b) Amount	50000-1 lakhs <input type="checkbox"/> 1- 3 lakhs <input type="checkbox"/> 3 - 5 lakhs <input type="checkbox"/> Above 5 lakhs <input type="checkbox"/>
c) Nature of repayment	Regular interval <input type="checkbox"/> Flexible intervals <input type="checkbox"/>
d) Type of asset to be pledged	Gold <input type="checkbox"/> Land <input type="checkbox"/> Standing crops <input type="checkbox"/> Others <input type="checkbox"/>
e) Interest rate	Existing interest <input type="checkbox"/> Reduce interest <input type="checkbox"/>
f) Type of interest	Cumulative interest <input type="checkbox"/> compound interest <input type="checkbox"/> Other type <input type="checkbox"/>

22. What are the risks associated with the bank's lending schemes?

Sl.no	Risks	SA	A	N	D	SD
1	Interest rate of the loan amount is high					
2	Strict repayment of the loan amount is insisted					
3	Repayment become burden for farmers					
4	It is not sufficient to meet the requirements					
5	Too much time taken by bank for sanctioning the loan					
6	The existing term of repayment is not					

	favourable					
7	There are quite a number of norms and procedure for taking loan					
8	There is difficulty in acquiring loan from the bank					
9	Subsidy facility is not available for all schemes					
10	Financial products are not suitable for small farmers					
11	The loan amount is not sufficient to cover the agricultural activities	...				
12	Difficulties to acquire finance for farm needs at proper time					
13	Income from the agriculture sector is very low and spread apart in time, so correct periodical repayment become difficult					
14	Require high collateral security					
15	Inspection procedure for sanctioning the loan is not convenient and not subscribe friendly					
16	Loan period is not satisfactory					
17	Renewal procedure of the schemes are not simple					
18	Incentives for timely repayment of the credit not good and sufficient					
19	Employees behaviour on borrower is not very good					

(*SA – Strongly agree, A – Agree, N – Neutral, D – Disagree, SD – Strongly disagree)

23. What is the impact of agricultural credit?

a) Financial impact

Increasing production

Helps to generate more money

Helps for growth and development

Others

b) Social impact

Social networking

Social awareness

Mobility

Others

c) Personal impact

Financial input

Increase confidence

Increase income

Knowledge gain

Develop good relationship

Others

24. What are the constraints experienced in availing credit?

.....

.....

.....

.....

25. What are the constraints experienced in utilising the credit?

.....
.....
.....

26. How did you utilize the agricultural loan amount?

.....
.....
.....

27. List out your suggestions to improve the loan facilities available in TDCB for the maximum benefit of the farming community

.....
.....
.....
.....

THRISSUR DISTRICT CO-OPERATIVE BANK LTD.

Scale of finance 2016-2017

Sl no.	Crop	Particulars	Unit cost	No.of plants /unit	Scale of finance for the year 2016-2017
					75000/ h.a
1	Paddy				125000/h.a
		Coal land			200000/h.a
		Organic farming – paddy			70000/h.a.
2	Tapioca				110000/h.a.
3	Ginger	Major crop (1500 k.g. rhizome)	Rs. 440 /cent		40000/h.a
		Inter crop	Rs 160/ cent		110000/h.a
4	Turmeric	a) Major crop (1500k.g rhizome)	Rs. 440 /cent		40000/h.a
		b) Inter crop	Rs 160/ cent		
5	Vegetables				290000/h.a
	3.Cabage	a) own land	Rs. 1160/cent		342500/h.a
		b) lease land	Rs. 1370/cent		305000/h.a
	4.cauli flower	a) own land	Rs. 1220/cent		357500/h.a
		b) lease land	Rs. 1430/cent		
	6	Organic farming-vegetables			
7	Chinese potato	a) own land	Rs. 400/cent		100000/h.a
		b) lease land	Rs. 500/cent		125000/h.a
8.	Yam, colocasia	a)Major crop	Rs. 400/cent		100000/h.a
		b)Inter crop	Rs. 110/cent		27500/h.a.
9	Pepper	a)Major crop		1000plants/h.a.	100000/h.a
		b)Inter crop			50000/h.a.
10	Ramacham			22000 plants/h.a.	100000/h.a
11	Pineapple	a)Major crop			
		b)Inter crop (5000 plants)		5000 plants /h.a.	40000/h.a.

12	Coconut tree	a) Irrigated	Rs.650/tree	200-250 trees/h.a.	650/tree
		b) Rain fed	Rs 285/tree		285/tree
13	Areca nut tree		Rs 100/ tree	1250-1500 plants/h.a.	100/ tree
14	Cocoa			500 plants/h.a.	30000/h.a.
15	Rubber			450 plants/h.a.	150000/h.a
16	Nendra vazha		Rs. 165/plant	2500 plants/h.a.	165/tree
17	Padattu vazha/ kadali vazha		Rs 100/plant	1500-1750 plants /h.a.	100/tree
18	Sesame seed				10000/h.a.
19	Nutmeg tree (one)		Rs. 1000/tree	156 plants /h.a.	1000/tree
20	Cloves tree (one)		Rs. 1000/tree	277 plants/h.a.	Rs. 1000/tree
21	Cashew tree			175-200 plants/h.a.	20000/h.a.
22	Mulberry				30000/h.a.
23	Vanilla			1800-2000 plants/ h.a.	40000/h.a.
24	Fish farming (maintenance cost)				110000/h.a
25	Prawns				250000/h.a
26	Kacholam (hectre 800 kg rhizome)				40000/h.a.
27	Medicinal plants				50000/h.a.
28	Nursery	a)Coconut plants (1000 nos)			
		b)rubber nursery			
		c)others			
		1. Big garden pot (1000 nos)			275000/1000nos
		2. Small garden pot (1000 nos)			275000/1000nos
		3 . polithne(1000 nos)			5500/1000 nos

29	Floriculture	a) Orchid/ anthoorium(for one plant)			110/ plant
		B) jasmine (one plant)			50/plants
		c)merry gold	a)major crop		5000/h.a.
			b)inter crop		30000/h.a.
30	Mushroom	Milky mushroom (300 sq.ft – 300 beds)			130000/ 300 sq. ft
		Oister mushroom(300 sq.ft – 300 beds)			100000/ 300 sq.ft
31.	Foder				75000/h.a.
32	Poly house	Vegetables , cabbage ,cauli flower, floriculture,mushroo m fruits etc.	2 times than the scale of finance		
33	Multiple crops	Maximum 200000rs /acre for multiple cropping	20000 0/acre		500000/ h.a.
34	Fruit tree garden				100000/h.a.
35	Grow bag		10000/ cent	25 bags / cent	10000/cent
36	Rain shelter(main tanance cost)				15000/1000 sq mt.
37	Bee farming (maintance cost)				3400/colony
38	The loan will amount will be sanctioned by other financial institution for other crops				

THRISSUR DCCB – AGRI/ AGRI ALLIED LOANS

OUTSTANDING AS ON 31. 3.2016

BR.NO	BRANCH NAME	TOTAL LOANS	OUTSTANDING
1	Thrissur main	109	10,506,160
2	Irinjalakuda	163	22,011,724
3	Kunnamkulam main	163	14,568,130
4	Chalakyady main	48	7,996,154
5	Wadakkanchery	67	5,633,715
6	Thriprayar	79	8,574,978
7	Kodungallur	595	85,224,201
8	Chelakkara	130'''	24,171,919
9	Guruvayur	31	3,424,475
10	Mala	122	16,054,352
11	Pavaratty	104	7,623,015
12	Thrissur town	23	1,715,491
13	Pudukkad	74	8,533,309
14	Vadakkakkad	49	6,182,803
15	Cherpu	1533	67,700,586
16	Mundur	47	9,306,568
17	Anthikad	239	16,748,134
18	Perinjanam	55	13,192,187
19	Vellangallur	57	9,533,351
20	Mannuthy	69	8,501,983
21	Pazhanji	494	36,904,106
22	Vatanappally	88	4,753,302
23	Ollur	126	15,836,112
24	Kodakara	95	10,279,490
25	Annamanada	474	48,458,556
26	Eriyad	109	18,341,170
27	Vanitha branch	85	9,884,051
28	Kattoor	259	30,081,495
29	Ayyanthole	425	22,816,153
30	Kechery	7	4,894,759
31	Thrissur morning	37	5,472,363
32	Chavakkad	331	3,765,664
33	Med .college (athani)	48	3,476,388
34	Koratty	141	26,121,960
35	Erumapetty	203	22,626,776
36	Cheruthuruthy	87	7,929,245
37	Pazhayannur	99	7,316,315
38	Pattikad	143	22,217,983
39	Amala nagar	215	15,712,943
40	Chalakyady eve.	22	5,846,630
41	Kunnamkulam eve	44	5,293,358
42	Varandarappilly	133	13,139,505
43	West fort	53	4,777,178

44	Sn puram	70	11,271,21
45	Kodaly	46	9,119,071
46	Arimpur	862	44,238,233
47	Perumpilavu	16	4,566,831
48	H.O branch	44	5,928,588
49	Peringottukara	383	33,297,944
50	Mayannur	26	3,545,040
51	Venkitangu	80	5,668,072
52	Koonammochi	7	1,111,909
53	Kuttichira	19	3,982,437
54	Kottapuram	22	7,849,743
55	Medical college Eve. Peringandoor	17	4,044,724
56	Puthenchira	37	8,539,785
57	Edakkazhiyoor	10	1,939,770
58	Parappur	114	15,649,340
	Grand total	8,994	853,958,496

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