

A STUDY ON CONSUMER PERCEPTION ON STOPPAGE OF NON-FARM SECTOR LOANS WITH REFERENCE TO PRIMARY CO-OPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANKS

Dr. S. Soundaranayaki,

Assistant Professor of Commerce,

A.V.C.College (Autonomous),

Mannampandal, Mayiladuthurai – 609 305,

Tamilnadu, India.

Abstract :

Agriculture and rural development are the pre-requisites for the accelerated economic development of the developing countries like India. It is the rural sector which contributes substantially for the development of our economy by providing food for the very existence of more than 12 million of population, supplying raw materials to many agro-based industries which are providing employment, add to the GDP and also earns the much needed foreign exchange. "Agriculture contributes the biggest share of 14.2 percent of the Net Domestic Product of India, provides employment and means of livelihood for over 52 percent of the population and contributes to the extent of 10.3 percent of the country's total exports" Therefore, agriculture development implies not only a growth in farm productivity, but also improvement in the general economic condition of the rural masses. "Rural development has gained wide importance along with agriculture development since the introduction of five year plans in the country. Rural development is a strategy designed to improve the economic and social life of a specific group of people, the rural poor. It involves extending the benefits of development to the poorest among those who seek a livelihood in rural areas. This group includes small farmers tenants, the landless and people of low income and related activities". The present study is undertaken to examine "Consumer perception on stoppage of non-farm sector loans with reference to Primary Co-operative Agriculture and Rural Development Banks in Mayiladuthurai Town.

Keyword: Agriculture, Rural Development ,Customer

Long term credit

Agriculture credit includes short term, medium and long term credits. A loan made for meeting the current expenses of cultivation to facilitate production is called short term credit and is repaid immediate after the harvest. A loan provided for purpose of land improvement, purchase of

bullocks, dairy etc., for a period ranging from one to five years is called medium term credit and is repaid out of the income arising from a project. A loan for a period ranging from five to fifteen years, provided for the purpose of making improvement on land is called long term credit.

The primary credit societies by reason of the character of their resources and factors relating to management could supply only short-term and medium term credit and were not capable of providing long-term loans. It was in this context that the need was felt for a separate credit structure in the form of land mortgage banks cater exclusively to the long-term credit needs of farmers. The first Land Mortgage Bank was set up in 1920 at Jhang in the state of Punjab. In pursuance of the recommendation of the rural credit survey committee 1954, the emphasis was shifted LMB's came to known as Land Development Banks (LDBs) which signified the shift from Mortgage Banking to Development Banking.¹ In 1990s the Land Development Banks further diversified their activities to cover Non- farm sector also. In 1996-97 these LDB's renamed as Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) in most of the states.

Statement of the problem

In the case of long term finance ,the Primary Cooperative Agriculture Rural Development Banks to play important role in meeting the investment credit needs of farmers, Retailers, Small Road Transport operators ,Rural Artisans, Skilled Labour etc,. It has been seen that they could perform the task assigned to them in a fairly satisfactory manner. However, the performance of the PCARDBs had started poor performance in 90's mainly due to the inherent deficiencies associated with their design as non-resource based specialized term lending agencies, severely restricting their ability to meet the financial needs of members adequately in competition with other rural financial institution.

The PCARDBs are not able to maintain business growth to commensurate with the growth rate in agricultural credit. This has resulted in their market share getting eroded progressively. The inability to provide loans other than agriculture long term resulted in farmers moving away from the PCARDBs to other agencies, for the convenience of getting all kinds of credit services from a single agency. High financial cost on account of complete dependence on borrowed funds as well as absence of avenues for cross subsidizing high risk costs associated with agriculture lending have made their loans costlier than their competitors. Non Performing Assets as percentage to the total loan outstanding is 42 percentage and total recovery of loan to total demand is 39 percent as on 31

march 2011”the overdue and NPAs have crippled financial solvency and cramped productivity and profitability of the PCARDBs.

High over dues and NPA necessitating high provisioning at unaffordable level results in huge losses and also locking up of entire owned funds in over dues without any returns. Defective lending, inadequate monitoring and follow up of loans, inadequate recovery efforts and absence of effective recovery strategies are some of the internal controllable factors of over dues whereas govt.policies of directed credit programme, adverse impact of loan waivers write off,defaulter friendly policies of govt., political parties are important external controllable factors. Uncontrollable factors like natural calamities and fall in agricultural prices also contribute significantly to over dues”. Hence an attempt is made to study whether the sample unit faces such problems in lending to non-farm sector.

Objectives of the Study

1. To analyse the Non-Farm Sector loans and to know the customer perception towards stoppage of Non-Farm Sector Loans by PCARDBs in Mayiladuthurai Town.
2. To study the Recovery performance of the Non -farm sector in the sample PCARDBs and to analyse the causes of overdue in the study area.
3. To assess the management of non-performing assets.
4. To offer suggestions for improving the performance of NFS.

Methodology

The study is based on both primary and secondary data. The main sources of data with regard to various aspects of Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) are Annual Audit Reports and office records .Data have also been compiled from leading journals such as RBI Bulletin, Kurukshetra, Co-operative Perspective, Indian Co-operative Review, Finance India, Finance of Agriculture and Tamilnadu Journal of Co-operation and unpublished reports. Survey method has been followed for this study. To collect data two separate interview schedules were prepared one for the sample banks and other for the borrowers.

Sampling Design

The Mayiladuthurai Town situated in Nagappattinam District, Based on the recovery performance all these banks in this District were placed under “C”class audit classification. Proportionate random sampling method is used to the 50 beneficiaries were selected in the study area.

Period of the Study

The study covers the period is two year from 2013-2014 to 2014-2015.

Statistical tools used for analysis Percentage, Mean, Coefficient of variation; Annualized compound Growth Rate and Chi-square test have been applied. The use of all these techniques at different places has been made in the light of the nature and suitability of the data available and the requirements of analysis

Limitation of the study

In view of limitation of time and paucity of resources, the study has been restricted to PCARDBs in Mayiladuthurai Town only. Hence the result could not be generalized of macro level.

Plan of the study

The present study is organized in to six Chapters. The first Chapter deals with the Design and Execution of the study. The Second chapter highlights the Review of literatures. The third Chapter analysis the Lending operation of PCARDB. The Fourth chapter examines the Recovery performance of PCARDBs and determines the overdue position Non-Performing Assets (NPA) of the sample PCARDBs and its management are discussed in Fifth chapter. The last chapter summaries the Findings and Suggestions for improving the performance of the bank.

Findings**Non-Farm Sector**

The PCARDBS issues loan from 2001-02 to 2003-04 for the activities of SRTO (small road transport operation loan), Xerox unit, Cable TV operation, Rice mill, Rural housing ,Small business, Brick kiln and Wood Making Industries. The PCARDBs has not been to issue non- farm sector loans from 2005-06 to 2011-12 due to there is no refinance available from NABARD. The recovery performance was poor in the study period.

Purpose of the Non-Farm Sector loan and repayment habit

Out of 50 respondents interviewed, 14 per cent of them have borrowed for Brickkilin and 14 percent in Small business Purposes, 06 per cent have availed credit for Rice Mill purposes, 10 per cent of them have availed for Xerox Machine Purposes, the major portion of the NFS loan availed for Road Transport Purposes i.e.26 percent followed by 19 percent. The rest of 11 percent have availed the credit for others categories i.e. Construction of community hall and Shopping Complex purposes.

Sex and repayment habit

The observation may be made that, out of 50 prompt borrowers, 79 borrower are male and 21 percent are female. The calculated chi-square value of all the selected banks are less than the table value at 5 per cent significant level.

Family size and repayment habit

Out of 50 borrower-members observed that the percentage of prompt repayment is 71 percent in nuclear family system and 29 percent in joint family system. In other words, the defaulters are more in the borrowers belonging to joint family system.

Education level and repayment habit

Out of 50 borrowers 77 per cent are well educated i.e., studied beyond SSLC and the balance 23 per cent have only primary school level of education. The analysis of individual category of the borrower-members having different educational level reveals that the defaulters are more percent in borrowers with low education level primary level and the defaulters are less per cent in borrowers having higher education degree level.

Income level and repayment habit

In the individual income brackets, the defaulters are 40 per cent where the average annual income is up to Rs.10,000 the defaulters are reduced to 16 per cent for the income bracket from Rs.10,000 to Rs.25,000 and the percentage of defaulters further declines to 14 per cent with the income bracket Rs.25,000 and Rs.50,000. The defaulters further reduced to 13 percent with the income falls between Rs.50,000 and Rs.1,00,000 and where the income is more than Rs.1,00,000 i.e. 17 per cent. .

Borrower perceptions towards stoppages of Non-Farm Sector loan

The satisfied customers are the unpaid marketing agents of the bank. At the same time, an unsatisfied customer can not only avoid visiting the bank, but also propagate his ill-feelings, bad experience and dissatisfaction to others With respect to reason for non-preference of borrowing non-farm sector advances from the PCARDBs. out of 50 sample respondents 44 percent of them have opinioned that they have not got the loan due to non-repayment followed by the reasons neglect customer service which is answered by 42 percent of the total respondents and 12 percent of the defaulters stated their the reason is minimum amount of loan and delay in sanction of loan. The remaining 2 percent of the borrowers' opinion that other problems like defective asset valuation of norms and procedures.

Alarming level of NPAs

The percentage on NPA to total advances registered a steady growth in Mayiladuthurai. The study indicates that PCARDBs place special emphasis on monitoring of larger NPA. Low profitability and growing NPAs, low capital base are the real problems of PCARDBs in Mayiladuthurai Town.

Suggestions

1. To compete with fellow bankers, PCARDBs must be permitted by the RBI and the state government to carry on short, medium and long term credit portfolio simultaneously. When all credit needs of the borrower are met by PCARDBs, the follow up and recovery will be more compact and meaningful.
2. PCARDBs must initiate professional processing of loan proposals, quick disbursements, continuous follow-up, assets verification and recovery of loans engaging trained personnel. This is essential to improve standard assets.
3. PCARDBs must focus on lending to Non-Farm Sector without diluting their lending to Farm Sector. Lending to NFS provides opportunity to expand medium and long term loan where the interest earnings would be higher.
4. The basic minimum training should be given to the chief executives or concerned personnel of village level cooperatives. They have to be properly trained in the identification of right beneficiaries and are pre and post project appraisal as well as monitoring.
5. It is highly essential to simplify the procedural aspects in sanctioning of loans under the NFS. The village entrepreneurs cannot afford to undergo procedural complexities in the sanction of loans. Hence the existing procedure has to be simplified.
6. The sanction of loans has to be decentralized to avoid delay and to ensure timely sanction of loans to the needy entrepreneurs.
7. To create awareness among the village entrepreneurs, there is a need to involve local self-government institutions like panchayats, SHGs' co-operative societies and other associations.
8. To earn good revenue and to avoid of NPA, Jewel mortgage loans are the widely accepted loan scheme both for FS and NFS. PCARDBs must avail the opportunity in full extending the JML facility throughout the week.
9. The PCARDBs must develop agency arrangements with the cooperative banks of all districts and states to get the country wide network. This would facilitate the PCARDBs to provide effective ancillary service like remittances and collection of bills. Such ancillary services will

provide float funds at less cost for the PCARDBs.

10. PCARDBs may give press release about the details of defaulter in the leading dailies and thereby causing damage to the image of defaulter. This may induce the defaulter to repay the dues.
11. The PCARDBs must take steps (a) to modernize their banking activities, (b) to computerize and link with other cooperative bank to compete with commercial banks, (c) to train the personnel so that they can break their traditional systems and procedures and adopt sophisticated technology based operational methods.

Conclusion

Even after many diversifications of business operations, the PCARDBs have remained as specialized term lending institution in the rural areas, which is not enough for sustainability. Therefore structural change is the immediate requirement. PCARDBs should have the advantages and flexibilities of the operations of other banking institutions. PCARDBs has to educate their members continuously to bring them to the grove of confidence that they are the rulers and beneficiaries of the organization in which they are members and it is their prime responsibility to repay dues promptly and get more loans subsequently and there by contribute to the growth of the organization and overall growth of the rural economy. The PCARDBs have enormous scope for expanding rural credit, enhancing potential for developing agriculture and rural economy, the central government through RBI and the NABARD and the state government through the SCARDB should frame suitable policies to supplement the steps taken by the PCARDBs to improve their performance by serving the rural masses.

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