

## **A Study on Financial Problem of Banana Growing Farmers in Thottiyam Taluk of Tiruchirappalli District**

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### **1. INTRODUCTION**

“Agricultural finance is the study of financing and liquidity services credit provides to farm borrowers. It is also considered as the study of those financial intermediaries who provide loan funds to agriculture and the financial markets in which these intermediaries obtain their loan able funds.” Illiteracy, lack of awareness about recent developments in the field of agricultural and poor socio-economic background of the farmers is some of the fundamental reasons for continuously decreasing agricultural productivity. In addition to this, high level of income gap between rich and poor farmers, agricultural and non agricultural employees are responsible for non-fulfillment of even the basic necessities of Indian farmers. Inadequate finance, untimely finance and inconsistent or contradictory policies of government have aggravated farmers’ problems severely. Timely and sufficient availability of credit on regular basis is one of the enabling factors that are responsible for high agricultural output. Availability of formal credit influences the output in many dimensions; for instance, it can be used to purchase good quality seeds during the seeding season that enables a farmer to maximize the yield over the cultivated area or it can also be used to replace the informal credit which is more often than not accompanied by high rate of interest.

The purpose of crop loan is to meet the working capital requirement of small and marginal farmers especially for purchase of seeds, fertilizers, pesticides etc. Therefore, the extent of utilization of crop loan by the farmers is indicated by additional purchase of these inputs by these borrowers. There was increase the purchase of modern inputs for agricultural development after borrowing loan from the banks. Before borrowing, they used traditional inputs. Hence, we found that loan helped the farmers to purchase and use modern agricultural inputs in their agricultural activities. An assessment of the impact of credit on production in agricultural economy. There was an increase. It showed that in the production of the cash crops and commercial crops after the utilization of loan. In the case of credit it is positive impact on the all crops production.

The study showed that, agricultural production increased from 44% to 53% in all total crops in the sample farmers’ production the farmers get loan for irrigation and increased the production of commercial crops like sugarcane, banana and cotton. Bank finance for agricultural activities led to increase in the cropping intensity, irrigated area and particularly labour intensive high yielding

varieties of crops. These changes resulted in greater use of both family and hired labour and resulted in employment generation by the sample households.

The impact of credit helped in employment generation, to some extent solved the problems of unemployment and under employment in the study area. Increased agricultural production and employment generation have to be translated into additional income to enjoy the real benefits of the institutional credit to agriculture. Analysis of the data from the field survey revealed that the impact of credit on income generation was not significantly. Savings made by the farmers Form the basis for capital formation and further investment in agriculture. The analysis revealed that the impact of generation of saving is only marginal. It's increased 40.38% to 59.6%. However credit is impact on the farmers' utilization of agricultural inputs, And also in this chapter I have explained the problems faced by commercial and Co-Operative societies in dealing with the farmers; further efforts are also made to examine the problems faced by the farmers in getting finance from both banks and societies. In order to identify the problems faced by both parties in, Banks and farmers the researcher had personal interview with the banks officials and farmers separately.

Problems of farmers focus attentions on the inherent weakness of the financing institutions it is true that adequate and timely supply of credit is the one of the essential condition for improving agricultural practices and prompt repayment of loans. The primary need of the farmers is timely supply of credit. Needless to emphasis the importance of credit in agriculture. It is sine quondam with agriculture. Various ways and means have been identified to provide credit to farming communities. Co-operative and commercial banks are important sources of agricultural credit to the farmers. These commercial banks willingly or unwillingly come forward to finance agriculture. These institutions charge lightly higher rate of interest compared to Co-operative societies as they are basically commercially oriented and profit making institutions. The study is an attempt to know the Financial Problem of Banana Growing Farmers in Thottiyam Taluk of Tiruchirappalli District.

## **2. STATEMENT OF THE PROBLEM**

It is said that a farmer is born in debt, lives in debt and ultimately dies in debt. The most worrisome feature of the rural economy is the burden of debt which has been on the rise despite six decades of planned development. But at the same time, borrowing is the dire necessity for the farmers in general and marginal and small farmers in particular. There is no denying the fact that agriculture is the backbone of our rural economy. To sustain, to stimulate and to strengthen its smooth functioning, it requires regular supply of sufficient agricultural credit with reasonability of interest. However, it is blamed that financing of agriculture is plagued with a number of problems such as the problem of over dues, unsatisfactory credit conditions, increasing malpractices and corrupt credit culture etc. The study shows that a number of problems are faced by the farmers in availing finance for agriculture. Similarly, the banks are also experiencing many problems in the efficient and effective distribution of agricultural finance. The banks do not disburse any loan to the farmers without surety and security. The farmers find it very difficult to arrange satisfactory security as well as surety to the bank. Security for loans may be in the form of hypothecation of assets owned by them. But the farmers do not possess many assets except the land which they

find it hard to offer as a security. It becomes a big hurdle in obtaining loan from the bank. As a result, many marginal and small farmers do not get the facility of agriculture loan and remain bereft of the benefits of agricultural development. As for as the third party guarantee is concerned, banks generally demand the guarantee of the rich and influential persons. The small and marginal farmers confront a number of problems in relation to a guarantor. Even if some farmers are able to arrange some surety, the person offering guarantee demands compensation for standing as a surety. A poor farmer does not have money to pay him. As a result, he faces humiliation and feels dejected with the whole system. It is also to be noted that the financial capacity and integrity of the farmer is verified from different quarters before sanctioning any loan to him. These may include the village Sarpanch, some large farmers of the area or neighbours of the farmers etc. They may or may not back the credentials of the concerned farmer. The loan disbursement gets halted if the banks receive negative information about the proposed borrower. The issue here is that the information so obtained may not be true and may suffer from personal biases and grudges of the concerned person against the proposed borrowers.

### 3. OBJECTIVES OF THE STUDY

1. To know financial problems faced by the banana growing farmers.
2. To understand the general problems faced by the banana growing farmers.

### SOURCE OF THE PRIMARY AND SECONDARY DATA

The present study is based on primary data and secondary data. Primary data are collected directly from the banana cultivators and banana sellers. Secondary data are collected from books, records and Internet.

### LIMITATION OF THE STUDY

- Educated people do not take interest in banana cultivation. So the correct information and data cannot be obtained.
- Random sampling method is adopted; hence possibility of errors and omissions may be occurred.
- 500 respondents were selected for the survey.

### ANALYSIS AND INTERPRETATION OF DATA

**TABLE NO 1**  
**SOURCE OF FINANCE FOR AGRICULTURE OPERATION**

<b>SOURCE OF FINANCE</b>	<b>NUMBER OF RESPONDENT</b>	<b>PERCENTAGE</b>
Own finance	150	30.0
borrowed finance	280	56.0
both	70	14.0
Total	500	100

Source Primary Data

The above table 1 shows that 150(30%) of the respondents are using own finance for agriculture operation, 280(56%) of the respondents are using borrowed finance for agriculture operation and 70 (14%) of the respondents are using both own and borrowed finance for the agriculture operation.

It is concluded that the majority 280(56%) of the respondents are using own finance for agriculture operation.

**TABLE NO 2**  
**DETAILS OF RESPONDENTS OWN SOURCE OF**  
**FINANCE FOR AGRICULTURE OPERATION**

<b>DETAILS OF OWN SOURCE OF FINANCE</b>	<b>NUMBER OF RESPONDENT</b>	<b>PERCENTAGE</b>
Previous Savings	49	32
Disposal of stock and Agricultural produce	72	48
Sale of livestocks	17	11
Sale of Assets	9	6
Sale of livestock, Assets, use of saving	5	3
Total	150	100

Source Primary Data

The above table 2 reveals that out of 500 respondents, about 150 respondents are using their own finance for the agriculture operation. Out of 150 respondents, about 49(32%) of the respondents are using their previous saving for their agriculture operations, 72(48%) of the respondents have used finance as their own sources thro' disposal of stock of agriculture produces, 17(11%) of the respondents have used finance for agriculture operation thro' by sale of their live stocks, 9(6%) of the respondents have used finance by sale of assets and 5(3%) of the respondents have used all the by finance thro' other sources such as saving, sale of Assets, Livestock etc.

It is concluded that the most 48% of the respondents have derived finance from their own sources thro' disposal of stock of agriculture produces

**TABLE NO 3**  
**SOURCES OF BORROWED FINANCE**

<b>SOURCES OF BORROWED FINANCE</b>	<b>NUMBER OF RESPONDENT</b>	<b>PERCENTAGE</b>
Primary co-operative Bank	104	37
Central Co-op Bank	60	21
Commercial Bank	42	15
Rural Bank	35	13
Private bank	29	10
Private finance	10	4
Total	280	100

## Source Primary Data

The above table 3 shows that the respondents sources of borrowed finance. Out of 500 respondents, about 280 respondents have borrowed money for their agriculture operation from banks and other financial Institutions. 104(37%) of the respondents have borrowed money from PACCS, 60(21%) of the respondents from Central Co-op Bank, 42(15%) of the respondents from Commercial Bank, 35(13%) of the respondents from Rural Bank, 29(10%) of the respondents from the Private Banks and 10(4%) of the respondents have borrowed finance from private financial Institution for their agriculture operation.

It is concluded that the most 37% of the respondents have obtained finance for their agriculture operation thro' PACCS.

**TABLE NO 4**  
**TERMS OF FINANCE PREFERRED BY THE RESPONDENT**  
**(LOAN REPAYMENT PERIOD)**

<b>TERMS OF FINANCE</b>	<b>NUMBER OF RESPONDENT</b>	<b>PERCENTAGE</b>
Short Term	206	74
Medium Term	64	23
Long Term	10	03
Total	280	100

Source Primary Data

The above table 4 reveals that the respondent loan terms such as Short Term, Medium Term & Long Term. Out of 280 respondents who have borrowed money from Financial Institution, in which 206(74%) of the respondents have borrowed finance as Short Term loan (i.e. Maximum repayment period one year), 64(23%) of the respondents have borrowed finance as Medium Term loan(i.e. Maximum 1 to 3 years) and 10(3%) of the respondents have borrowed finance for Long Term loan (i.e. More than 3 years)

It is concluded that majority 74% of the respondents have preferred to obtain Short Term loan for their agricultural activities.

**TABLE NO 5**  
**DETAILS OF LOAN AMOUNT AVAILED BY THE RESPONDENTS**

<b>LOAN AMOUNT (PER YEAR)</b>	<b>NUMBER OF RESPONDENT</b>	<b>PERCENTAGE</b>
Below Rs.25,000	63	22.5
Rs.25,000-Rs. 50,000	70	25.0
Rs.50,000- Rs.75,000	65	23.2
Above Rs.75,000	82	29.3
Total	280	100

Source Primary Data

The above table 5 shows details of loan amount availed by the respondent out of 500 respondents, only 280 respondents have used borrowed money for their agricultural operation. Out of 280 respondents who have used borrowed money, about that 63(22.5%) of the respondents have obtained loan through various sources which is less than Rs. 25,000 Per annum, 70(25%) of the respondents have availed loan amount of Rs. 25,000 to Rs.50,000 Per annum, 65(23.2%) of the respondents have availed loan amount of Rs. 50,000 to Rs.75,000 Per annum and 82(29.3%) of the respondents have obtained loan more than Rs.75, 000 Per annum for the banana cultivation.

It is concluded that the majority 29.3% of the respondents have availed loan in more than Rs. 75,000 Per annum for the banana cultivation.

**TABLE NO 6**  
**RESPONDENT OPINIONS TOWARDS REGULARITY IN**  
**THE REPAYMENT OF LOAN**

OPINION	NUMBER OF RESPONDENT	PERCENTAGE
Regular repayment	64	23.0
No regular repayment	216	77.0
Total	280	100

Source Primary Data

The above table 6 reveals that the respondents who have availed loan from various aversopinion towards regularity in the repayment of loan. Out of 280 respondents, 64(23%) of the respondents are repaying, the loan regularly and 216(77%) of the respondents are not repaying the loan regularly due to various reasons.

It is concluded that the majority 77% of the respondents are not repaying the loan regularly due to the various reasons.

**TABLE NO 7**  
**REASONS FOR THE DELAY IN REPAYMENT OF**  
**LOAN BY THE RESPONDENTS**

REASONS	NUMBER OF RESPONDENT	PERCENTAGE
Drought & flood	59	21
Poor rainfall	67	24
Poor harvest	59	21
Low marketable surplus	25	9
Social obligations	31	11
Unforeseen expenses & Emergencies	14	5
Willful Default	8	3
Others, Political, low income	17	6
Total	280	100

Source Primary Data

The above table 7 reveals the reason for delay in repayment of loan. Out of 500 respondents, about 280 respondents who have borrowed money used that they delayed in the repayment of loan due to various reasons. 59(21%), 67(24%), 59(21%), 25(9%), 31(11%), 14(5%), 8(3%), 17(6%) of the respondents are delaying in repayment of loan due to Drought & flood, Poor rainfall, Poor harvest, Low marketable surplus, Social obligations, Unforeseen expenses & Emergencies, Willful Default, Others, Political, low income respectively.

It is concluded that the most 24% of the respondents are unable to repay their loans on time due to poor rainfall.

## **FINDINGS**

- Majority 56% of the respondents are using own finance for agriculture operation.
- Most of 48% of the respondents have derived finance from their own sources thro' disposal of stock of agriculture produces.
- Most of 37% of the respondents have obtained finance for their agriculture operation thro' PACCS.
- Majority 74% of the respondents have preferred to obtain Short Term loan for their agricultural activities.
- Majority 29.3% of the respondents have availed loan more than Rs. 75,000 Per annum for the banana cultivation.
- Majority 77% of the respondents have stated that they are unable to repay the loan regularly due to the various reasons.

## **RECOMMENDATIONS**

Farmers faced many problems in both banks. So they gave some suggestion to solve the problems.

- Loan amount should be increased for agricultural purposes
- Societies or banks should be fix a price for agricultural products and purchase it.
- Effective supervision the by banks and societies over utilization of loan
- Banksor societies must have good contacts with the farmers' especially small and marginal farmers.
- Information about the Rate of interest, loan and repayment of loans should be provided to the farmers through conducting loan mela in village level.
- Income enhancing programmes should be implemented in villages.
- In time credit to smoothen the credit delivery by the banks or societies.
- There should be no place or room for middlemen in banks and cooperative societies.
- Banks should have a practices of issuing crop loan in cash and I kinds such as fertilizers and seed.etc.,.
- Reduce the transaction cost.
- Reduce the rate of interest in commercial banks because it is higher compared to cooperative banks.

- Bank branch can be opened in the village level to providing credit by nearest banks branch.
- Increase the repayment period for agricultural credit.
- Government should provided subsidy to the loss of crop and % of subsidy should be increased.

## **4. CONCLUSION**

Banana is one of the most important major fruit crops grown in India. It is a nutritious food used by both the rich and the poor. The development of poor people in thottiyam taluk is mainly depends on the production of banana. To improve the production the government should take necessary Steps to help the farmers by fulfilling their financial needs. The problems faced by them should be rectified. If the farmers gets income from production and marketing of banana, his status in society will improve. If the bananas are exported to other states they will get more income. If their exact needs are properly identified and being rectified, it will be a boom to the development of the country. If the government follows these steps the production will increase. Hence, it is concluded that the production and marketing of banana has made a positive contribution to the development of the rural people.