

## AN ANALYSIS OF LEAD BANK CREDIT AND INVESTMENT PATTERN WITH REFERENCE TO PADDY CULTIVATION IN MADURAI DISTRICT

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### Introduction

In the developing countries, and more particularly in India, sustained efforts have been taken to increase the production of food as also of the other agricultural products. But Indian farmers, being poor in general, were in dire need of money to modernize agriculture. The adoption of the new agricultural technology more popularly known as the green Revolution was also capital intensive in its nature. Hence, in order to restructure the agricultural activities to cope with the adoption of modern technology for improving production as well as productivity, there was a great need for more and more of capital which could be obtained through agricultural credit. The lead banks play an important role in helping the farming communities by making credit facilities available to them with low interest at the appropriate time.

The main focus of this paper is to analyse the volume of agricultural credit in terms of the amounts issued, recoveries made, outstanding debts and overdues. Further, it studies the investment pattern in capital formation of the sample beneficiaries in the study area.

### Profile of Agriculture Sector in Madurai District

The geographical extent of Madurai is 3741.73 sq. km., accounting for 2.9% of the geographical area of Tamil Nadu State. There are 2 Revenue Divisions; 13 Blocks and 596 villages in the district. There are 252 Bank Branches in the district and the average annual rainfall in the district is 835.3 mm. The major sources of irrigation are canals and wells.

The district has a total population about 25.62 lakhs comprising of 12.95 lakh males and 12.67 lakh females as per 2001 census. The district is basically agrarian and agriculture is the main occupation.

Land under forest (50454 hec); Gross Cropped Area (138055 hec); pasture land (2032 hec), gross irrigated area to gross cropped area (48%) and number of tanks stood at 13616 and gross area that was irrigated accountant for 69690 hec. Important Food Crops are Paddy, Cholam, Ragi, Pulses and important non food crops are Cotton, Gingelly, Coconut, Groundnut and Sugarcane. Out of 2.48 lakh dairy animals in the district, white and black cattle stood at 2.15 lakh and 0.03 lakh respectively.

### Lead Bank Scheme

Prior to nationalization of 14 Commercial Banks, agriculture got only a meager share of about 2 per cent of total bank credit. It was felt that banking facilities should be extended to rural areas to promote agricultural development.

The Lead Bank Scheme, introduced towards the end of 1969, envisages assignment of lead roles to individual banks (both public and private sector) for the districts allotted to them. A bank having a relatively large network of branches in the rural areas of a given district and endowed with adequate financial and manpower resources has generally been entrusted with the lead responsibility for the district.

The major objective of lead bank scheme is to extend the banking facilities to enable the rural people to enjoy the benefits of economic development through the adoption of production raising technology, subsidiary occupations and rural industrialization. The lead bank is responsible for the all round development of the district allotted to it.

#### **Statement of the Problem**

The present study proposes to highlight the Lead Bank Credit extended by the lead bank in Madurai District. The Canara Bank is performing the role of the lead bank, for the whole district. It provides directions and guidelines to all the commercial banks for granting financial assistance to agriculture sector.

#### **Trend and Growth of Lead Bank Credit**

Exhibits the details regarding the amount of loans issued, recoveries made outstanding dues and overdues for a period of seven years from 2008-09 to 2014 to 2015 by the Lead Banks in Madurai District.

**Table 1: Loans Issued, Recoveries, Outstanding Dues and Over Dues during 2008-2009 to 2014-2015 (Rs. in crores)**

Year	Loan Issued	Recoveries	Outstandings	Overdues
2008-09	116.41	77.36	24.61	57.64
2009-10	100.35	85.14	47.15	51.43
2010-11	101.11	69.24	50.15	58.49
2011-12	114.11	65.15	45.11	59.16
2012-13	96.15	76.16	33.13	64.25
2013-14	117.35	95.15	45.15	70.45
2014-15	113.15	96.26	46.26	79.64
Average	108.37	80.63	41.65	58.72

**Source:** Annual Credit Plan, Canara Bank, Lead Bank, Reports from 2008-09 to 2014-15.

It is revealed from Table that the average amount over a period from 2008-09 to 2014-15 issued the recovery, outstanding dues and overdues were found to be Rs. 108.37 crores and Rs. 58.72 crores respectively. A high fluctuation was found in overdues whereas less fluctuation was observed for the loan issued over a period. It is followed by recoveries.

#### **Impact of Agricultural Credit on Capital Formation**

This section analyses the collected data with reference to the various forms of farm investments in agriculture so as to understand the impact of agricultural credit on capital

formation in agriculture. In the present study, the farm investments had been broadly classified into five categories of investments.

- Investment on land and land improvements
- Investment of farm buildings
- Investment on irrigational structures
- Investment on minor and major agricultural implements and
- Investments on livestock.

#### **Investment on Land and Land Improvements**

The detail of investments of credit on land improvements are presented

Size Group	Average Land Holdings	Levelling		Irrigation Channels		Fencing		Total	
		Per Farm	Per Acre	Per Farm	Per Acre	Per Farm	Per Acre	Per Farm	Per Acre
Small	2.98	581.16	269.10	223.14	103.11	75.21	34.21	879.51	406.42
Large	6.31	1145.11	133.14	551.22	65.24	209.16	25.16	1905.49	223.54
Overall	4.05	809.21	195.16	353.17	85.19	153.21	37.22	1315.59	317.57

**Source:** Survey data

It was evident from the total investments on land improvements per farm were higher in the case of the large farmers, but the per acre value on land improvements, it was found to be lower for the large farmers when compared to the small farmers. The investments on leveling per farm were found to be Rs. 581.16 and Rs. 1145.11, respectively for the small and the large farmers. In the case of investments on irrigation channels, the large farmers had made a higher investment of Rs. 551.22 per farm followed by the small farmers with an investment of Rs. 223.14. The large farmers were found to have a higher amount of Rs. 209.16 on fencing compared to the investments made by the small farmers. It could be observed from an analysis of the per farm investment that total investments on leveling irrigation channels and fencing were found to be higher in the case of the large farmers when compared to the small farmers. But an analysis of the per acre investment had shown that the investments made on leveling, on irrigation channels and on fencing were found to be higher in the case of the small farmers compared to the large farmers.

#### **Investments made on Minor and Major Implements**

The investments on minor and major implements included the investments on cultivator. It is found the investment of credit on minor and major implements per farm was higher in the case of the large farmers when compared to the small farmers. The investments made by the large farmers on major and minor implements were found to be Rs. 1669.25 and Rs. 269.24 respectively. In the case of the small farmers, it was of the order of Rs. 761.14 and Rs. 352.15 respectively. Thus, it could be inferred from the above

analysis that the investments on disc plough, wood board ploughs and the like. Table - 5 presents the data investments of credit on minor and major implements made by the sample farmers. Major implements were more in the two groups of farmers compared to their investments on minor implements.

### **Investments on Draught Cattle and Milch Animals**

Farm livestock included draught cattle; milch animals namely cows, buffaloes calves and heifers. Investment on draught cattles and milch animals per farm during the period under study is presented table could be seen from the investments on draughts cattle and milch animals per farm were made on the basis of the size of the farms. The total investments made on draught and milch animals by the large farmers were found to be Rs. 3153.03 which was higher when compared with the small farmers in the study area. investments made on draught and milch animals by the large farmers were found to be Rs. 1031.42 and Rs. 2121.61 respectively. In the case of the small farmers, it worked out to Rs. 1015.22 and Rs. 1299.24 for the draught animals and the milch animals respectively.

### **Conclusion**

An analysis of the trend and growth of loans issued and recompenses made by co-operative banks in the study area had shown that the loan issued and recovery performance were found to be a rising trend of annual growth. It could be inferred that the lead bank had issued sufficient and sizeable amounts of loans to the farmers to meet their growing financial needs in the study area. An analysis of the relationship between the farm size and the use of the agricultural credit had indicated that the small farmers had relatively availed themselves of a greater share of credit compared to the large farmers. Further, there was found to be a positive relationship between the average size of the holding and the per farm credit. But a negative relationship was noticed between the average size of the holding and the per acre credit utilized by the farmers.

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