

# CANARA BANK DAIRY LOAN

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ISBN : 978-81-92281-13-1

## *Publisher*

### **SHANLAX PUBLICATIONS**

61, 66 T.P.K. Main Road, Vasantha Nagar

Madurai - 625003

[shanlaxpublications@gmail.com](mailto:shanlaxpublications@gmail.com)

[www.shanlaxpublications.com](http://www.shanlaxpublications.com)

## *Printed at*

### **SHANLAX PRESS**

61, 66 T.P.K. Main Road, Vasantha Nagar

Madurai - 625 003

Ph. 0452 - 4208765, 9600303383

email: [shanlaxpress@gmail.com](mailto:shanlaxpress@gmail.com)

web: [www.shanlaxpress.com](http://www.shanlaxpress.com)

## **PREFACE**

It is crystal clear that Economic growth of a country largely depends on the rate of capital formation. Rapid industrialization and agricultural growth go hand in hand.

It is to be recognized that the major bottleneck in the process is the availability of agricultural finance. Credit is a catalyst, no doubt in the process of economic development.

The author stresses that it is necessary that in a developing economy, institutional arrangements for the mobilization and channeling of financial resources must be continuously expanded and adapted to the growing requirements.

Suggestions are given as to how agriculture would be made productive through agrarian reforms, mixed farming, animal husbandry and the organization of agro and rural based industries. The book deals with the effort of commercial banks in the sphere of agricultural financing for over a decade. The author highlights the credit operations of the bank.

A detailed report of the Lead bank scheme enriches the context of the book, adding an additional feather to the cap. The readers will find the reports based on the statistical data of the study highly beneficial to pursue research further.



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# CHAPTER I

## INTRODUCTION

In the analysis of Economic Growth of a Country, the Problem of capital formation comes to the forefront. Further, Economic Growth largely depends on the rate of capital formation, and when a country plans to attain a high rate of growth, particularly through ambitious programmes of rapid industrialization, the availability of agricultural finance appears to be the major bottleneck in the process.

“Credit is essentially a catalyst in the process of Economic Development.”<sup>1</sup> Especially, credit from institutional sources has become increasingly important as a means of capital formation. Banks constitute the most important sector among financial intermediaries and their way of approach in the development process is significant among all other financial institutions. “In the sixth plan document, the availability of institutional credit has been projected to expand from the base level of Rs. 2,550 crores in 1979-80 to Rs.5,41 crores in the terminal year (1984-85) to the sixth plan.”<sup>2</sup> Banks help the needy and worthy in the community get credit in order to increase the rate of capital formation. “Accelerated growth in countries possessing low levels of per capita income is largely a function of capital formation.”<sup>3</sup> the main objective of credit-planning in india, therefore, is “to ensure that bank credit flows into areas and sectors in consonance with the National policy objectives and targets.”<sup>4</sup> the measures of social control over banks initiated by the government of india, are to secure a better adoption of the banking system to the needs of Economic Planning and to

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<sup>1</sup> “DRI scheme” The journal of banking studies, Vol. VII No.1, New Delhi, January 1984, P.31.

<sup>2</sup> Report of the working Group on the Role of Banks in Implementation of New 20-Point Programme, reserve Bank of India, Bombay, 1982,p.73.

<sup>3</sup> “The Asian Development Bank – Proble and prospects”, Indian Journal of Agrucultural Economics, Vol. XV, 1967,p.75.

<sup>4</sup> Credit Planning”, The Journal of Banking Studies, Vol.VII, No. 1, January-March 1984,p.19.

play a more active and positive role in aiding sectors like agriculture .”it is necessary that in a developing economy , institutional arrangements for the mobilization and challenging of financial resources must be continuously expanded and adopted to the growing requirements.”<sup>5</sup>

Historically, one of the paradoxes of banking development in India has been the paradox of isolation and contributing hardly anything to set-up agricultural development. And the absence of institutional avenues, particularly in rural areas, and the urgency to take care of their investment needs required remedying. “with the nationalization of commercial banks there came new orientation and policy frame-work requiring commercial banks to provide increasing banking facilities in rural and semiurban areas.”<sup>6</sup> Besides providing need-based credit to the priority sectors and reducing imbalance, there has been a social orientation in the conduct of banking business. “It is generally accepted that an increase in the volume of agricultural production is a necessary foundation for rapid economic development, this is true of india where the pace of development is in a way conditioned by the rate at which agricultural production grows.”<sup>7</sup>

The Indian economy continues to be an agricultural economy inspite of all the planned efforts made to develop the large scale industries . “The 1981 census report states that 63.6 per cent of our total population depend on agriculture.”<sup>8</sup> Agriculture itself would be made productive through agrarian reforms, mixed farming, animal husbandry and the organization of agro and rural based industries.” regardless of stages of development ,agriculture is the prime mover of any economy and an increase in the volume of its

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<sup>5</sup> M.S. Joshi, “Financial Intermediaries in India”, Indian Journal of Agricultural Economics, 1965, p.285.

<sup>6</sup> J.s. Varshneya, “ Role of Banking Industry in Financing Priority Sectors in the Seventh Five Year Plan Strengths and weakness”, SBI Monthly Review, 1984,p.399.

<sup>7</sup> Mutalik – Desai, “Agruculture in Economic Development”, Indian Journal of Agricultural Economics, Vol. VIII, 1965, p.575.

<sup>8</sup> J.N. Sinha, “Census Economic Data” Economic and political Weekly, Vol. XVII, No.6, 6 February 1982, p.28.



production is a necessary foundation for rapid economic development.”<sup>9</sup> An important pre-requisite for revitalizing rural sector is to increase allocation of funds to the agricultural and rural sector . “ japan ,for instance, without dislocating her rural economy with limited land and considerable man power, could create agricultural surplus which served as a base for accelerating Economic Development.”<sup>10</sup>

With the introduction of improved technology of agricultural production, cultivation becomes more and more capital-intensive. Farmer’s own capital resources have been insufficient to meet the capital input needs of the farm. The cultivators, therefore, have to depend on borrowed funds to a large extent. Banks constitute the most important enterprise among the financial intermediaries. “Since the nationalization of major commercial banks in India, the participation of commercial banks in rural development has been gradually increasing.”<sup>11</sup>

The effort of commercial banks in the sphere of agricultural financing for over a decade have been primarily directed towards the largest possible coverage of the small farmers, scheduled-castes and tribes and rural artisans who constitute the bulk of the farming community in our country. “Credit and associated programmes have resulted in significant gains in productivity in the agricultural sector in India.”<sup>12</sup> Credit operations in the semi-urban and rural areas, thus, become a case of convergence of private return with social benefit and the need for credit facilities, for farmers have becomes more intense. “The scope of financing agricultural activities by the

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<sup>9</sup> Tara Shukla, “Investment in water Resources and Agrucultural Development”, Cp,,erce. Annual Number, 1979,

<sup>10</sup> V.G. Mutalik – Desai, “Agruculture in Economic Development”, Indian Journal of Agricultural Economics, Vol. VIII, 1965, p.575.

<sup>11</sup> D.J. Kanvinde, “Banking as a lever for Rural Development with Special reference to DCPs & IRDP”, SBI monthly Review, Vol. XXIII, No 1, January 1984, p. 18.

<sup>12</sup> S.P. Sinha, “Agricultural credit develoment and prospects”. Commerce, 1979, p.101.

commercial banks is very wide.”<sup>13</sup> Commercial banks as the most important credit institutions purveying rural credit in the country have concentrated on Agricultural credit needs. Thus “Agricultural loans increased totally from Rs.1,075 crores in June 1969 to Rs.6,340 crores in June 1980.”<sup>14</sup> Banks also have started implementing various schemes for extending the net work of their branches and coverage into rural areas. “Rapid spread of banking facilities, particularly in less developed regions, was one of the primary objectives of Nationalization which provides a measure of ‘Bankisation’.”<sup>15</sup> In the recent past, attempts have been made by lead banks and other agencies to assess the credit needs on an area basis with the help of experts to make agricultural credit scheme a successful one.

### **Lead Bank Scheme:**

The Lead Bank Scheme (LBS) introduced by the Reserve Bank of India (RBI) in December 1967, represents a major step in the attainment of the two-fold objective of mobilisation of deposits on a massive scale and stepping up of lending to the weaker and hitherto neglected sectors of the economy. The district credit- plans, prepared as a part of the lead bank scheme, should provide for growth-centres which would be the nucleus around which economic activity of the district would be concentrated. The lead bank is expected to act as a consortium – leader and invoke the co-operation of other banks operating in the district in mobilisation of deposits, and to locate actual and potential credit-needs. “Accordingly ,the concept of “integrated area approach’ took shape with the view of developing compact areas, where Economic Growth could be accelerated with bank finance preference being given to areas, where special

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<sup>13</sup> Tokhi – Sharma, “Financing of Agriculture by Commercial Banks”, Rural Banking in India, 2<sup>nd</sup>, 1979, p.29.

<sup>14</sup> A. Bose, “Agricultural Credit Policies and Programmes in India: Role of commercial Banks with Particular Reference to SBI”, SBI Monthly Review, Vol. XXII, No. 1. January 1983, p.9.

<sup>15</sup> Commerce Research Bureau, “Growth of Public Sector Banking”, commerce, Vol. 127, Julliy-December 1973.

developmental schemes are being implemented by the Government.”<sup>16</sup>

“The green revolution which has provided a break-through in agricultural production has however changed the whole perspective of rural banking.”<sup>17</sup> The credit extended by commercial banks can be proudly categorized as direct and indirect. Direct advances to farmers comprise of three major types of assistance. Firstly, short term loans granted for the purchase of agricultural inputs and for meeting other expenses on agricultural operations right from sowing to harvesting, processing, preserving storage, transportation and marketing of agricultural products. Secondly, medium term loans are given for the development of land, provision of irrigation facilities and problem of agricultural machinery and implementation. The third type of assistance related to financing of allied agricultural activities such as dairy, poultry, farming, piggyery, cattle breeding, horticulture and plantation. Indirect-agricultural-credit includes advances for the distribution of agricultural inputs. “The total advances of all scheduled commercial banks were increased from Rs. 3,599 crores in 1969 to Rs. 35,929 crores in 1983.”<sup>18</sup>

The role of agricultural credit Institutions is very significant in the strengthening institutional frame work. It includes several units.

#### **(a) Farmer’s Service Societies:**

Realising that the major need of farmers was not merely credit facility but timely availability of inputs, technical advice and ancillary services, the National Commission on agriculture recommended the organisation of ‘Farmer’s Service Societies’ (FSS) – one for each tarsal or block. The uniqueness of this approach lies in the fact that the FSS assumes total responsibility for agricultural

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<sup>16</sup> J.S. Varshneya, op.cit., p.402.

<sup>17</sup> Tokhi – Sharme, op.cit., p.30.

<sup>18</sup> R.Narasimhan, “Technology and the Banking Industry A banker’s Perception- I” SBI Monthly Review, Vol. XXIII.No.1, January 1984, p.4.

and rural development. Further, the technical expertise available with FSS would enable it to motivate and guide the productive efforts on scientific lines.

### **(b) Regional Rural Banks**

With the advantage of low operational costs, the Regional Rural Banks (RRBs) are expected to make credit available to the farmers at a reasonable cost. The RRBs are expected to make credit available to the farmers at a reasonable cost. The RRBs are sponsored by commercial banks in the lead districts allotted to them and their main functions are (a) to undertake all type of banking business that scheduled commercial banks can take up; (b) to grant individual loans to farmers, landless labourers and artisans and (c) financing the farmers through Farmer's Service Societies.

### **(c) Agricultural Finance Corporations :**

The corporation can assist in the financing activities connected with the production, supply, transport and distribution of input for agricultural production, farm mechanisation, animal husbandry, forestry and all other activities connected with agriculture. The corporation has been assisting member banks in project-formulation and financing, besides directly financing Agricultural Schemes and State Electricity Boards.

### **Village Adoption Scheme:**

This was essentially an extension of the intensive area approach to the non-specialised rural and semi-urban branches of the Bank. The branch selects the cluster of village after conducting a survey with the aim of covering all potentially-viable-farmers through special area development programs in the adopted villages.

### **Integrated Rural Development Programme**

This comes in a new dimension called target oriented approach in which commercial banks are also asked to participate in the poverty alleviation programmes such as twenty point programme, Scheduled Castes special component programme and Tribal Sub-

Plans. “In the Sixth Plan, 50 Per cent of the Scheduled Castes and Scheduled Tribes families to cross the poverty line.”<sup>19</sup> The object of the linkage of credit with subsidies under these programmes is to ensure that adequate credit support is available to the beneficiaries who are among the poorest in the rural areas. The weaker section constitutes an important segment of the rural structure. “A very small proportion of this section (3 to 4 per cent) had institutional assets.”<sup>20</sup> They do not have necessary power and social status.

“Financing of weaker sections is a difficult task because the poor often do not possess self-employment opportunities.”<sup>21</sup> Extension of credit, to enable them to increase their agricultural production and levels of living, is recognized to be an important plan in the system of agricultural finance. “The advance to the weaker sections as identified should reach a level of 25 per cent of priority sector advances or 10 per cent of total bank credit.”<sup>22</sup> When the grant of credit goes hand in hand with technical assistance and welfare work, the potentialities of increasing the productivity of the weaker sections and improving their living condition seem to be great. “Banks in Madurai District had provided assistance to 74,402 beneficiaries with a loan amount of Rs.18,81 crores during the first 6 month of 1984 under weaker section.”<sup>23</sup>

### **Differential Interest Rate Scheme (DRI):**

The scheme was introduced in 1972, and proposed to help small farmers and other people belonging to the low-income brackets. It is because of the integrated rural development programme to be focused on the target group consisting of marginal farmers, agricultural labourers and rural artisans who constitute a very large percentage of proportion and without the improvement of

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<sup>19</sup> Report of the working Group on the Role of Banks in Implementation of New 20-Point Programme, reserve Bank of India, Bombay, 1982,p.31

<sup>20</sup> S.P. Sinha, op.Cit., p.109.

<sup>21</sup> A. Bose, op. cit., p. 18.

<sup>22</sup> Report of the working Group on the Role of Banks in Implementation of New 20-Point Programme, reserve Bank of India, Bombay, 1982,p.131.

<sup>23</sup> Report of minutes of the District level Review committee (Meeting held on 7<sup>th</sup> January 1985),P.2.

whose lot there will be no real rural development worth the name. “Studies have revealed that it is not the lower rate of interest that matters to this category of borrowers. What is more important is the timeliness and adequacy of credit and ultimately assisting them to secure all their developmental needs from one contact point.”<sup>24</sup> With a view to ensure that the benefits of the scheme flow to the rural areas and the depressed classes, “the Government of India in June 1977 laid down that at least two thirds of the advances under DRI scheme should be given to rural and semi-urban areas and atleast one-third of the total advances under the scheme should be given to scheduled Castes and Scheduled Tribes.”<sup>25</sup> now the scheme is extended to the entire country. Since June 1977, other private commercial banks are allowed to implement the scheme on voluntary basis.

### **Allied Activitiess**

Indian is poised for a break-through in agriculture. The agricultural development programmes are drawn up on the planned modernization for maximizing output and integrated development of crop production. The objectives of the country’s agricultural policy is ‘to bring about improvement simultaneously in all fields of agriculture and allied activities.’<sup>26</sup> Institutional credit is one of the important factors that would contribute to the full achievement of the various programme of agricultural development. “Finance for allied activities to small and marginal farmers and landless agricultural labourers provides an asset for supplementary income.”<sup>27</sup> Allied activities mainly include dairy farming, sheep rearing, poultry, duck farming, fisheries, piggery and so on.

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<sup>24</sup> “DRI scheme” The journal of banking studies, Ed.G.S Lall, Vol. VII No.1, New Delhi, January 1984, P.31.

<sup>25</sup> A.R. Patel, “ Twelve Years of Differential Rate of Interest Scheme”, The Journal of the Indian Institute of Bankers, Vol.55, No.1, January-March 1984, p.25.

<sup>26</sup> P. Sinha, op.Cit., p.10a5.

<sup>27</sup> Report of the Expert Group, Agrucultural credit Schemes of commercial Banks, R.B.I., 1978, p.29.

The term agriculture not only includes crop production but also production of fruits, vegetables, milk and fuel. “The major source of income in agriculture next to cultivation is dairying which contributes about seven per cent of total National Income.”<sup>28</sup> From a predominantly pastoral character the emphasis has now been shifted to mixed farming involving blends of agriculture and animal husbandry. “In the developing countries, livestock has been recognized as an important source of income and it is remunerative, next to crop production.”<sup>29</sup>

### **Dairy:**

The livestock depends upon agriculture for animal feed, certain crop output and by-products, green and dry roughages. On the other hand, agriculture depends upon livestock for drought power and manures. “The National Planners have realized that the promotion of animal husbandry would not only contribute to National Income but also would create substantial income and employment opportunities particularly for the weaker section of the rural community.”<sup>30</sup> Following the implementation of several schemes formulated by the branches specially tailored to meet the requirements of dairy- farmers, rural artisans, and their share in total agricultural advances has increased substantially. “The draft five year plan 1978-83 endorsed that livestock production in our country is not only labour intensive but also labour distributive and rural in nature.”<sup>31</sup>

“One third of the total world’s cattle population is located in India.”<sup>32</sup> The agricultural labour and livestock feed are the principal inputs of increased milk production. Livestock products, like milk and meat, have a prominent place in the dietary of Indians and are a

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<sup>28</sup> Raj Vir Singh, “animal Husbandary for Augmenting Income”, commerce, Annual Number, 1979, P.95.

<sup>29</sup> Ibid.

<sup>30</sup> Report of the Expert Group, Agrucultural credit Schemes of commercial Banks, R.B.I., 1978, p.29.

<sup>31</sup> Report of National commission on Agriculture, Part I, Chapter 3, 1976, p.7.

<sup>32</sup> F.A.O. Production Year Book. 1976, P.9.

good source of animal protein for the growing human population. Further, milk is one of the important components of enterprise-mix in Indian agricultural sector. With this view, “the Sixth Five Year Plan proposed an outlay of Rs.8.25 crores for animal husbandry including dairy and milk supply.”<sup>33</sup>

### **New Dimensions:**

Technological innovations in milk production which gives genetic improvement of cattle and buffalo cross breeding has been achieved for increased milk production. With this technology, cross breeding of local cattle with eriotic dairy breeds, such as Brown Swiss and Holstein Friesien, has been introduced in villages. “The National Dairy Research Institute, Karnal has developed appropriate technology to freeze and store buffalo and cattle Semen at -79\*\*\*C using dry ice as refrigerant as also to preserve semen at 196\*\*\*C in liquid nitrogen.”<sup>34</sup> With this technical innovation it has become possible now to extend breed improvement programmes to distantly located villages. As several schemes for the benefit of dairy farmers are presently under implementation, the Bank’s contribution to this sector is considerably increasing. The National Commission on agriculture emphasised that “The need for cultivators of the small and marginal farmers as also landless labourers taking milk production for augmenting their income, employment and thus relieve themselves from indentedness.”<sup>35</sup>

Since all these activities are inter-connected with one another, agriculture can no more be viewed as a separate one. It is treated as an integrated part of the whole economy to contribute its share to achieve general objectives of the economy as a whole.

The following section presents the objectives and the methodology including a sample design, sources of data, data analysis and limitations.

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<sup>33</sup> Raj Vir Singh, op.cit.,p.100.

<sup>34</sup> S.L. Shah, “Techonogical Innovations and Growth in Indian Agriculture”, Commerce, Annual Number, 1979, p.59.

<sup>35</sup> Report of the National Commission on agriculture, 1976, Government of Indian Ministry of Agriculture and Irrigation, P.300.



### **Purpose of the Study:**

The main purpose of the study is to review the structure and functioning of an agricultural branch in a block and the impact of bank loan on dairy beneficiaries in particular. This is because of the importance given by the reserve Bank of India. (i) By the provision of loan facilities to agriculture and allied activities, (ii)percentage of credit to weaker sections (iii)D.I.R. advances particularly to scheduled castes. Viewed in this direction, the present study is to ascertain whether the income level and asset base of the borrowers have improved as a result of the dairy loan.

### **Objectives:**

1. To review the structure and functioning of Canara Bank with an emphasis on deposits, advances, over-dues, man power planning, and profit ratios.

2. To examine whether the borrowers have derived significant gain in terms of income, asset formation and employment generation as a result of dairy loan.

3. To offer suggestions and recommendations emerging out of the study.

### **Sampling Procedure:**

In Madurai District, Alanganallur block is the highly agriculture oriented one where about 80 per cent of the total area is under cultivation. Out of the total work for 93 per cent of the people are cultivators and agricultural labourers. The total number of villages covered is 15 and the approximate population in the command area is 35,000. As the important economic activity of the area is agriculture, it stands first in all aspects of the branch activity. Out of the 15 villages in the command area, the Canara Bank branch at Alangannallur selected 5villages for financing the purchase of milch animals under the IRDP subsidy scheme in the year 1984. They are Alahapuri, Kalveli, periyaelanthaikulam,

Melachinnananpatty and Meenakshipuram where heavy concentration of weaker sections absolutely depend on the agriculture as the main and dairy as the subsidiary occupation.

The purposive selection of Alanganallur is due to the high Economic Performance of agriculture that covers the dairy loan scheme and its impact of the income of the weaker sections. The five villages covered in 1984 were taken for indepth analysis. We have followed the total number of proportional random sampling design to select our samples of dairy loan borrowers who received a loan amount of Rs.2000/- from Canara Bank branch. There were 300 members in the same year, and among the 300 members, there are 3 categories of farmers who come under this scheme, Agricultural labourers, marginal farmers and small farmers. The sample size of 75 is shared by the 28 agricultural labourers, 25 marginal farmers and 22 small farmers in proportion to the share of the total borrowers i.e., 300 in 1984.

### **Sources of Data:**

The data for this study have been collected from primary as well as secondary sources. A comprehensive pre-tested questionnaire was used to collect the required primary data from the respondents.

### **Primary Data:**

The primary data is sub-divided into two: (i) Identification of data comprising caste, age, literacy, size of family, dependency and housing condition. (ii) Economic data covers the value of inputs used in the form of feeds and fodder, yield of milk, lactation period, quantum of milk taken for home consumption, value of manure, value of the calf, current market value of the animal, outstanding with the bank etc. The data were collected by conducting a field survey and discussions with dairy farmers. Generally the respondents do not have any recorded accounts with regard to their income, consumption, investments and savings and they were able to provide the required data from their memory. In order to collect

more accurate data and to avoid recall bias, checks and cross checks were made during the interview with the respondents.

### **Secondary Data:**

The required secondary data have been collected from the Canara Bank branch at Alanganallur. The performance report form (P Form), Basic Statistical Returns (BSR), Lead Bank Returns (L Form), Audit and Inspection reports, monthly returns, General Ledgers, Balance Sheet and such other records were used to cull-out the needed data related to the branch. The circle office of the Canara Bank at Madurai furnished the required data at the district level. The panchayat union office supplied information about the village selected for the study.

### **Data Analysis:**

All data collected have been analysed in terms of percentage analysis and performance noted (Positive/ negative) over the previous years. The interpretation has also been made on the basis of the increase /decrease in the percentage of the performance achieved. Along with tabular and percentage analysis, graphical methods like percentage bar diagram, pie-chart, trend line etc. are also used to give a diagrammatic representation.

The special feature of the present study is that a multiple regression model relates profit as the dependant variable with the purchase price of the milch animal ( $X_2$ ) and the value of feeds and fodder used, ( $X_1$ ) as independent variable.

The model is given

$$\pi = a + \alpha X_1 + \beta X_2$$

Where  $\pi$  = Profit,

$X_1$  = variable Cost includes feeds, fodder, Veterinary Charges and Labour,

$X_2$  = Fixed cost includes the purchase Value of the animal,

$\alpha$  &  $\beta$  are co-efficients on  $X_1$  and  $X_2$

$$Na + \alpha \sum X_1 + \beta \sum X_2 = \sum \pi$$

$$a \sum X + \alpha \sum X_1^2 + \beta \sum X_1 X_2 + \sum \pi X_1$$

$$a \sum X_2 + \alpha \sum X_1 X_2 + \beta \sum X_2^2 + \sum \pi X_2$$

The above model is fitted for the three groups of beneficiaries (agriculture labourers, marginal and small farmers) to calculate the influence of fixed and Variable capital on the profit level of the respective borrowers at the first stage, the very same borrowers are classified into two distinguished categories on the basis of their caste to which they belong i.e., (O.C. –other Castes; S.C.-Scheduled Castes). This is because of the saying that scheduled castes are relatively poor in Economic and Social aspects especially in the rural areas. This would give the influence of fixed and variable capital from the same respondents but on the caste basis it identifies their differing level of performance.

### **Limitations:**

1.The Canara Bank Branch at Alanganallur taken for analysis was started towards the close of the calendar (banking) year 1976. These, for purpose of analysis data from 1977, for which full information was available, were taken for the study.

2. In spite of the contribution of agriculture as the main-lending activity of the Bank of total advances, the impact of the study has been made on an allied agricultural activity viz. dairy farming for the following reasons:

(a) Milk plays an important role in the Indian diet and the dairy animals occupy an important position in the organization of India farms, very little is known about the physical and economic relationship involved in this process which contributes about seven per cent of total national income next to cultivation.

(b) The dairy loan scheme is more suitable for an impact study as the changes in income level or living condition of the borrowers can be attributed solely to the dairy loan whereas in the case of agricultural credit, production of income is influenced by several other factors.

3. The income derived from the dairy animals alone is taken into account excluding the farm income and income from agricultural labour.

4. Even among the beneficiaries belonging to the same group, there was variation with regard to cost, yield of milk and lactation period. Therefore only the average has been taken for computational purpose.

5. As Madurai District has been bifurcated recently, the figures of deposits, credit and the performance also are bound to change from the year 1985. So the future performance of Madurai District might considerably vary when compared with the previous years. In case of lesser performance, it should not be mis-interpreted as a decline in the performance.

### **Chapter frame:**

Chapter I gives an introduction of the role played by Commercial Banks in Economic Development, recent developments in credit policy and the importance of dairy and such other allied activities and also the objectives and methodology of the study .

Chapter II deals with the profiles of the Study Area.

Chapter III reviews the functioning of Commercial Banks at the National Level, State Level, District Level and the Branch Level.

Chapter IV deals with the impact of dairy finance on the borrowers with regard to income, asset formation and employment.

Chapter V summarises the findings, suggestions and conclusions.

## **CHAPTER II**

### **PROFILE OF THE STUDY AREA**

#### **Madurai District**

The present study is related to the composite (undivided) Madurai district that was existing upto September 1985. The city of Madurai is the head quarters of Madurai district. The composite district had an area of 12,924.77 sq. k.m. whereas the divided present area is only of 12,341.57 sq. k.m. excluding Anna district (583.2 sq. k.m.) which covers 15,64,488 population. Madurai is bounded on the north by Coimbatore and on the west by Kerala border. Madurai district (undivided) comprised of 13 taluks and 34 community development blocks.

There are 834 Village Panchyats, 58 Town Panchyats and 9 Municipalities. Kodaikanal is the only township of the district. There are 2,591 number of inhabited village. The total population as per 1981 census is 43,99,069 of which rural population is 33,54,463 and urban population (excluding corporation area) is 9,40,999. Of the total population, Scheduled Castes/Tribes number is 5,75,971.

#### **Labour Force**

The strength of the labour community is 18,50,353. Out of them 7,96,200 are considered to be coolies in fields and 6,53,437 are cultivators. The percentage share of coolies and cultivators is 43.04 and 35.30. Nearly 99,693 people are engaged in allied agricultural activities and the percentage share of them is 5.4. The transport and communication service consists of 1,890 people are engaged in trade and commercial wing and the rest, 1,20,485 persons, are in the category of “others”. Though a very small number of persons such as 102 are engaged in construction work, there is still better scope for them in numerical side.

#### **Important Crops:**

The total reported cultivated area is 12,92,977 hectares, out of them 10,03,793 hectares belong to multiple and cross cropping

pattern. Paddy field of 1,30,177, hectares are under paddy cultivation. In dry lands of 95,499 hectares cholam is cultivated and in 43,735 hectares groundnut is cultivated. The other important crops are sugarcane, cotton, cumbu and green vegetables.

### **Activities Allied to Agriculture:**

#### **Dairy:**

Dairy has been by far the most important subsidiary occupation in the District. Dairy thrives well in the Blocks that adjoin the western Ghats in view of the conducive climate. The wide range of milk routes stretch over the entire length and breadth, and the District ensures proper marketing arrangements. There are 10 milk chilling centres. As for veterinary aid, veterinary dispensaries have been established in 61 places beside key village centres in 310 places which provide first aid assistance besides artificial insemination. The Tamil Nadu Dairy Development Corporation (TNDDC) Provides and the veterinary services in most of the villages. Similarly for breeding good quality animals, calf-rearing scheme is implemented by TNDDC, and the Department provides food subsidy too. Artificial insemination with the semen of exotic bulls is also popularised in large scale in the District.

#### **Sheep Rearing:**

Sheep rearing thrives well in the District as there are adequate grazing fields. Finance for sheep rearing has been made in almost all the blocks.

#### **Piggery:**

Piggery has not made much progress in the District. In order to encourage this activity, the Department of Animal Husbandry has programmed to start 175 units in the District.

#### **Poultry Development:**

The scheme suffers from many problems as the necessary infrastructure needed for this programme has not been developed to the desired level.

**Fisheries:**

Canara Bank is the sole financing institution providing loans for capital investment to fish farmers for excavating new ponds and for improving existing ponds.

**Sericulture:**

In order to develop Sericulture Activity throughout the District, a centrally sponsored scheme under Intensive Sericulture Development Programme was sanctioned during 1978-79. Sericulture is mainly concentrated in Palani, Oddanchatram, Nilakkottai, Periyakulam and Dindigul taluks.

**Industry:**

There are about 3000 permanent registered Small Scale Industrial (SSI) units in the district and about 80 per cent of these units are situated in Madurai North and South taluks. As such, dispersal of industries is not upto the desired level and the entrepreneurship is also lacking in most part of the district. However, the District affords scopes for agro-based industries.

**General Infrastructure:**

The district is well connected by road transport system facilitating free movement of people and goods. Madurai is linked by regular Indian Airlines flights, connecting Madras, Trivandrum, Banalore and Cochin.

Almost all the villages have got electrification. There are 806 post offices covering 3305 village and 118 telegraph offices covering 1543villages. There are 14 regulated markets handling paddy, cotton, groundnut and chillies. There are two central ware-houses at Madurai and two state ware-houses, one each at Dindigul and Theni.

The Madurai Kamaraj University is housed at Madurai. There are one medical, one engineering , and 28 arts and science colleges in the District. There are 3 training colleges for teachers. The Gandhigram Rural Institute, (Deemed University) at



Gandhigram in Arrur Block, provides degree and post-graduate courses on Rural Economic Science besides developing a model village with integrated development.

**Banking:**

The Madurai District Central Co-operative Bank, (MDCC) which has a wide net work of 48 branches, is the central financing agency of the co-operative sector. MDCC Bank extends financial assistance through the Primary Agricultural Credit Societies. The State Land Development Bank has been financing term loans through its net work of 22 Primary Land Banks (PLBs) situated throughout the District. There are 282 branches of 37 commercial banks. 21 public Sector Banks have a net work of 177 branches whereas 16 Private Sector Banks have 105 branches.

The details of the banks which have more number of branches in the district are given below:

Canara Bank	66
SBI	38
Bank of Madura	27
IOB	21
Karur Vysya Bank	19
Indian Bank	17
Tamil Nadu Mercantile Bank	15
Laxmi Vilas Bank	11
Union Bank of India	10

As per the new licensing policy of RBI, there should be a bank-branch per 17,000 of population in rural and semi-urban areas. Excluding the 88 branches in Madurai city, it has been estimated that atleast 49 branches should be opened before March 1985 to attain the above coverage in the District.

After the bifurcation, Anna district has its headquarters at Dindigul from the month of September 1985. As a result the present day Madurai district covers only an area of 12,341,57 sq. k.m.

**Block Profile:**

Alanganallur is one of the important blocks in Madurai District. This block is having the total population of 1,08,918 within the total reporting area of 29,508 hectares. Of which SC/ST population 15,251 and the total work force is 45,410. Of which cultivators 32 per cent and 61 per cent agricultural labourers. The cropping pattern is double/multiple. The cropped area is 8,990 hectares and the gross cropped area is 28,266 hectares. The block is having about 79 per cent of the total area under cultivation. Canals and wells are the major sources of irrigation. Paddy, sugarcane, cholam, cumbu, groundnut, tomato and onion are grown in the block area. The occupational distribution of the block covers cultivators, agricultural labourers, persons engaged in allied agricultural activities, cottage and household industries.

**Agriculture:**

Seven major activities, viz., Crop loans, Irrigation, Farm equipments, Plough animals, Land Development, other investments on farm and plantation and Horticulture form the agricultural sector. For crop loans, the data provided by the Department of Agriculture form the basis. Irrigation consists of dug wells, installation of electric pumpsets, installation of oil engine pump sets, laying pipelines, deepening/repairs, etc. of wells and pump-room construction. Farm equipments consist of Tractors, power tillers, power threshers, Carts including tyre carts and sprayers. For tractors, it is found that the demand is going up due to labour problem. Only in areas, where paddy is grown in abundance, the use of the power threshers for separating grains is common.

Cart is of two types, one conventional and the other pneumatic tyre. Pneumatic tyre carts are used in sugarcane areas. For conventional carts, the repayment is made by way of hire-charge received by the beneficiary and from agricultural products. Plough animals are necessary for pulling the carts for which provision has been made in the District credit plan. All the carts that are to be financed by the Banks may not require plough animals as some

farmers will be owning them already. Similarly some farmers may need plough animals exclusively for ploughing operations. For other investments on farm, the scope is very limited. However, while financing for Horticulture activities, there is scope for extending finance for fencing of farms.

### **Activities Allied to Agriculture:**

This sector comprises of Dairy, poultry, piggery Sericulture, Sheep rearing, Gobar gas plants and Calf-rearing. While estimating the credit-requirements for various subsectors the outlays proposed by the various development departments have been taken to the main component and whenever needed, Bank's own programmes have been added to a small extent. For Dairy, the total outlay as proposed by District Rural Development Agency(DRDA), Integrated Rural Development Programme (IRDP) has been taken in full and in Blocks whenever private Dairying is financed and is feasible, projections have been made for private finance also, in addition to IRDP lending.

### **Dairy:**

It is an important subsidiary occupation in this block. This helps the weaker section to a great extent by increasing their employment opportunity and income. This activity is duly supported by other infrastructure facilities like milk routes, chilling centres for storage purposes at several places within the district. Besides this, veterinary facilities are also provided by Tamil Nadu Dairy Development Corporation. Under the IRDP projects of animal husbandry, the entire range of services are provided on 'cluster basis'. with the supply of healthy animals, veterinary, marketing facilities are given at farmer's door steps. These, together with easy availability of inputs, increase the income of the dairy beneficiaries permanently.

### **Piggery Development:**

Recently, during 1981-82, the Government of India has sanctioned a special Animal Husbandry Programme for development

of piggery. This is one of the blocks in Madurai district chosen for this purpose. The main object of the scheme is to induce the identified farmers to rear and feed their pigs in a hygienic condition. Pig production through small/marginal farmers and Agricultural Labourers could be more remunerative if the local types of pigs are gradually replaced by the cross bred or para bred exotic stock. Pig rearing is an activity which largely remains in the lands of socially backward and economically weaker sections of the society because of their very meagre resources and intense backwardness. This otherwise profitable occupation has not become commercially attractive. Consumption of pork could be popularised if pig rearing under proper sanitary conditions is supported by slaughter and marketing of pork under hygienic conditions are assured.

### **Poultry Development:**

A special Animal Husbandry Programme for poultry development has been in operation in the block for the past few years. Since TAPCO's programme has not been made known and since the cost experienced by bankers with TAPCO is not satisfactory, the standing committee has decided to take only Banks own programmes for financing 500 and 1,000 poultry units in pockets, where it is picking up.

### **Fisheries:**

This is a scheme for promoting Inland Fishery. Under this scheme, tanks will be leased-out to the Fish Farmer for rearing Fish. The farmer will undertake desilting of tanks, fitting nets at the inlet and outlet. An Agency has been exclusively formed for this purpose and called Fish Farmers Development Agency. As per existing agreement, Canara Bank (Lead Bank) is solely financing this scheme. NABARD refinance and Tamilnadu Government Guarantee are available for this loan.

### **Sericulture:**

For sericulture, the story is something different. Even though the Department is trying all out, it is found to be impossible to

achieve the target due to various constraining factors such as heavy overdues of the beneficiaries , non-availability of adequate water. However , the department with the IRDP programme has been taken to be financed under Annual Action plan (AAP) and District credit programme (DCP).

### **Sheep Rearing :**

Traditional shepherds alone are rearing sheep in a successful way. For other agricultural labourers, who are taking up this avocation recently due to availability of subsidy from IRDP, the profitability and viability is yet to be studied. Hence, the IRDP component alone has been taken into account, while estimating under DCP.

### **Gobar Gas plants :**

In order to meet the growing demands of energy, it has been felt necessary to explore the possibility of getting alternative potential of biogas generation. Promotion of biogas plant construction and utilizing it for various purposes like cooking , lighting and running diesel engines etc. might go a long way not only in providing fuel but also in solving environmental pollution problems and meeting the fertilizer requirement.

The objective of the project is conservation and use of organic materials as fertilizers and energy through biogas system in order to supplement and optimize the use of chemical fertilizers and to reduce increasing pressure on demand for firewood and commercial fuel like electricity, petroleum products.

### **Small Scale Industries:**

It has two components , rural and cottage industries and other small scale industries . under this, 17 categories of industries are reported under the District credit plan based on the data furnished by the Black Development Officers regarding availability of various workers. Weavers, in addition to their working capital, get loans from existing societies . IRDP and Banks own programmes in

addition to the programme given by the Assistant Director of hand looms, for village oil ghani, the entire IRDP programme has been taken as the demand. For leather works, the Bank's own programmes are available to finance the needy. For wood- workers, in addition to IRDP programmes help to a great extent.

For Handicrafts, District Industries Centre (DIC) programmes have been taken into account with the mat-weaving sections. Recently few bakeries received assistance for running their business from the bankers finance. While computing the working capital, as per RBI norms only the additional credit limits and new limits to be sanctioned have been taken into account. The entire DIC programmes have been dovetailed in addition to banks own programmes.

### **Profile of the Command Area:**

The Canara Bank Branch is situated in Alanganallur, a rural area. It was organized in the later part of the year 1976. Fifteen villages are adopted by the bank. The population in this area is approximately 35,000. Agriculture is the significant economic activity with 25,000 people at work. Major food crops such as paddy, Juwar, Ragi and Maize are cultivated in 90 hectares and cash crops such as sugarcane, cotton, groundnut and coconut in 10 hectares.

Dairy and poultry are allied agricultural activities in this area. Besides agriculture, there are 20 units of small scale industries and 1 medium scale industry employing 2,200 persons. Out of the total turnover of Rs.78,20,000 in the command area, Rs.60,00,000 is from agriculture, Rs.8,00,000 from industries and Rs.9,00,000 from the commercial trade and the remaining Rs.1,20,000 from others which do not come under the above categories.

There are 3 Commercial Banks which an amount of Rs.91,87,000 as deposits in 1984 by the villagers and Rs.1,28,86,000 paid as advances in 1983, whereas the Co-operative Banks (2 in number) had Rs.57,42,000 as deposit in 1984 and paid Rs.13,00,000 as advances in 1983. There is one post-office –Savings Bank with Rs.80,000 as deposit and a Land Mortgage Development Bank with an amount of Rs.80,00,000 as advances in the year 1983.

# CHAPTER III

## FUNCTIONING OF CANARA BANK AT THE NATIONAL LEVEL

The Nationalisation of major commercial banks in 1969 gave an impetus to the process of reallocation of bank-resources to suit the socio-economic need for using bank credit for Economic Development. Thus, banking in India may be defined as a positive and meaningful attempt at resource mobilization ensuring rational flow of credit and also a balanced relationship with the growth parameters. “Profit maximisation cannot be the sole objective of banking operations and that a fair balance has to be maintained between profit maximization and achievements in the socio-economic field.”<sup>36</sup>

At the same time, the weightage for profit motive cannot be unduly reduced obviously, if banks begin to lose their capacity to do work in socio-economic field they will themselves get impaired. It is in this view of things that banks have gone, in a big way, to increase their performance with the increasing number of branches in the nation.

**Table 3.1 Canara Bank Branches With All Scheduled  
Commercial Banks (Scbs) At The National Level**

Year	All SCBs	Canara Bank(C.B.)	Index of Growth for (C.B.)
1980	34385	1284	100
1981	37873	1355	105
1982	40787	1393	108
1983	44294	1443	112
1984	47652	1525	118

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<sup>36</sup> J.N.Saxena, “The Changing Profile of Indian Banking”, The Journal of the Indian Institute of Bankers, Vol.48, No .2, April –June 1977, p. 78.

In 1980, the total number of all scheduled commercial banks was 34,385 and by the end of 1984 it was 47,652 whereas the total number of canara banks was 1284 in the year 1980 and it increased to 1525 in 1984. Both these figures show a considerable increase in the number of branches in the country which shows the importance of banking sector in the process of development, especially in the developing Nation. This also gives a clue about the future requirement of banking facilities in the Nation.

**Table 3.2 Deposits of canara bank and all scheduled commercial banks at the national level**

(Rs. in Crores)

<b>Year</b>	<b>All SCBs Deposits</b>	<b>Canara Bank Deposits</b>	<b>Index of Growth for (C.B.)</b>
1980	36900	1883	100
1981	43835	2352	124
1982	52280	2876	152
1983	59774	3305	175
1984	69804	3830	203

The total deposit mobilized by all the scheduled commercial banks was Rs.36,900 crores in 1980 it was Rs.69,804 crores in 1984. Likewise the deposits of canara bank also increased from Rs.1883 crores to Rs.3,830 crores over the period of five years. It is to be noted that there is a steady increase in the market share of Canara bank. The efforts taken, play an important role in the banking performance of the Canara bank with the objective of social orientation.



**Table 3.3 Advances Of Canara Bank And All Scheduled Commercial Banks At The National Level**

<b>Year</b>	<b>All SCBs Deposits</b>	<b>Canara Bank Deposits</b>	<b>Index of Growth for (C.B.)</b>
1980	24760	1118	100
1981	30155	1384	123
1982	35679	1757	157
1983	39323	2140	191
1984	46764	2769	247

As a result of the policy prescriptions and social responsibilities of banks, total advances of all scheduled commercial banks in the country increased from Rs. 24,760 crores in 1980 to Rs.46,764 in 1984 showing a significant growth during the period whereas the advances of Canara bank increased the period whereas the advances of Canara bank increased from Rs.1,118 crores to Rs.2,769 in the same period. The index of growth of Canara bank gives clear picture about the performance of Canara Bank with its social objectives towards prosperity.

**Table 3.4 Staff Position Of Canara Bank And All Scheduled Commercial Banks At The National Level**

<b>Year</b>	<b>Officers</b>	<b>Special Assistants</b>	<b>Clerks</b>	<b>Sub-Staff</b>	<b>Total</b>	<b>Index of Growth</b>
1980	6277	1813	16438	4507	29035	100
1981	7023	1949	18207	5021	32200	110
1982	7747	2124	20081	5841	35790	123
1983	9161	2273	21625	6713	39772	136
1984	10042	2398	22977	7401	42818	147

The total number of staff in Canara bank increased from 29,035 to 42,818 during the period showing a one fold increase. The strength of the officers increased by 1.6 times whereas of the special

assistants, 1.3 times only. The total number of clerks in Canara bank went up to 22,977 in 1984 from 16,438 in 1980. At the same period sub-staff figure has increased from 4507 in 1980 to 7401 in 1984. The index of growth shows a steady increase in the total number of staff of Canara bank during the period.

**Table 3.5 Profit position of canara bank with its income and expenditure at the national level**

<b>Particulars</b>	<b>1980</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>
Total Income (Rs. in lakhs)	18475	22421	26887	33594	44348
Total Expenditure (Rs. in lakhs)	18049	21975	26430	33098	43797
Net Profit (Rs. in lakhs)	426	446	457	496	551
Important Ratios : (in percentages)					
Income to working funds	10.37	10.39	10.31	10.04	10.34
Expenditure to working funds	10.13	10.18	10.14	9.89	10.22
Net Profit to working funds	0.24	0.21	0.18	0.15	0.13

The total income of Canara Bank has increased by 2.26 times between 1980 and 1984 while in the same period, the expenditure has also increased from Rs. 426 lakhs to Rs. 551 lakhs which is not commensurate with our total business but yet commendable. The ratio of net profit to the working funds clearly reveals a declining trend over the period and it declined from 0.24 in 1980 to 0.13 in 1984. Thus over the past years profitability of Canara Bank is getting adversely affected. It may be due to the fact that it is serving the Nation by keeping social objectives as their

reach and not maximizing profit since the Nationalization of Commercial Banks. This should not be misinterpreted that the performance of banks go down as their profitability is adversely affected. This can also go hand in hand with the words of R.Narasimhan who has found out “During the last few years, the profitability of the banking industry in India has been under strain.”<sup>37</sup>

### **State Level:**

Banking and development is a most typical one which has the year of social control over banking. Indian agriculture is basically carried on in small holdings by which the acceleration is being started towards progress. The major hurdle for improving small holdings is the capital scarcity. Here comes the role of banking in semi-urban and rural areas to lift-up the creditworthy for better production and distribution. Though banks in India are more conservative and inward looking, they also help the low income brackets who really suffer from the lack of capital. Credit worthiness is an exhaustible resource which can be easily depleted through commercial borrowings. Expansion of banking performance by increasing the number of branches help the rural people who are needy. Increasing number of branches of Commercial Banks show the future provision of banking facilities without which no economic activity can escape.

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<sup>37</sup> R.Narasimhan, “The Banking Laws Act 1983 (Amendment) A Statutory Reserve Requirement – I “, State Bank of India Monthly Review, December 1984, p. 531

**Table 3.6 Canara Bank Branches With All Scheduled  
Commercial Banks At The National Level**

<b>Year</b>	<b>All SCBs</b>	<b>Canara Bank(C.B.)</b>	<b>Index of Growth for (C.B.)</b>
1980	2647	289	100
1981	2916	301	104
1982	3140	312	107
1983	3428	329	113
1984	3669	370	128

In South India, Tamil Nadu stands next to Karnataka State in terms of the number of branches (See Annexure I). In Tamil Nadu, the total number of all scheduled commercial banks increased from 2,647 to 3,669 while the Canara banks alone increased from 289 to 370 during the period. The index of growth shows a gradual increase over the same period. This gives the direction for continued importance of banking service in the state without which rapid acceleration may not be possible.

**Table 3.7 Deposits Of Canara Bank And All Scheduled  
Commercial Banks At The National Level**

(Rs. in Crores)

<b>Year</b>	<b>All SCBs Deposits</b>	<b>Canara Bank Deposits</b>	<b>Index of Growth for (C.B.)</b>
1980	2435.4	265.85	100
1981	2893.11	298.62	112
1982	3450.48	342.80	128
1983	3998.33	383.70	144
1984	4607.06	464.59	174

The deposits of all scheduled commercial banks show an attractive increase over the period that is nearly twice the initial year. Likewise the deposits of Canara bank also increased to a considerable extent. As deposits is the spirit of banking industry,

there is a positive sign for the future prospects of the business activity with Commercial Banks in Tamil Nadu. The index of growth also substantiate the above said fact.

**Table 3.8 Advances Of Canara Bank And All Scheduled Commercial Banks At The National Level**

(Rs. in Crores)

<b>Year</b>	<b>All SCBs Advances</b>	<b>Canara Bank Advances</b>	<b>Index of Growth for (C.B.)</b>
1980	1683.12	160.45	100
1981	2209.40	210.62	131
1982	2743.13	261.50	162
1983	3283.32	312.75	194
1984	3816.26	363.80	226

The total advances of all scheduled commercial banks was Rs.1, 683.12 crores in 1980 and it moved to Rs .3,816.26 crores in 1984 , whereas the advances of Canara Bank have increased more than two times over the same period. This picture clears that there is an appreciable credit need in the state which help to have capital formation and ultimately results in the real economic development . It can also be said that the creditworthiness of people in the state is upto date. This sort of participation of more citizens in the process of capital formation would definetly help the Nationalized commercial banks to achieve their goal of social orientation of banking sector.

### **Priority Sector Advances:**

The green revolution brought in its wake increase in the use of modern inputs which increased the credit requirements of agriculture tremendously. Initial response of Commercial Banks in meeting this demand was reflected in scattered lending. This made it difficult for Banks to supertwise and follow-up the scattered advances to farmers. This problem was compounded by the target-oriented approach under social control. “The working group set up by the Reserve Bank of India on priority sector lending has

recommended separate sub-targets for lending to weaker sections within the overall enhanced target of 40 per cent lending to the priority sectors.”<sup>38</sup>

Banks have also realized that they can be effective only if their financial support which is necessary to ensure optimum use of bank credit and timely recovery. For this purpose, a more effective role in agricultural development banks have equipped a large number of branches with technically qualified personnel.

Especially, provision of adequate institutional credit to the rural poor is an important aspect of rural development. The working group set up by the Reserve Bank of India on priority sector lending has recommended separate sub-targets for lending to weaker sections. The objective is to extend institutional finance to the weakest among the weaker sections . “Efforts should be made on a war footing as in most developing countries, in spite of significant growth in major sectors of the economy, the size of the poor and destitute has gone up in both absolute and relative terms.”<sup>39</sup>

As a result of the policy prescriptions and social orientation of bank, “priority sector advance increased from Rs . 505 crores in 1969 to Rs.1498.66 crores in1984, thus registering a 29 fold rise in these advance during the period.”<sup>40</sup> The following table explains the further refinement of the concept of lending from the Canara Bank with All Scheduled Commercial Banks of their concentrated lending in rural areas.

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<sup>38</sup> Sathya Sundram, “Priority Sector Lending : Problems Remedies”, The Journal of the Indian Institute of Bankers, Vol. 55, No.1, January –March 1984, p. 16.

<sup>39</sup> Ibid., p.16.

<sup>40</sup> J.s. Varshneya, “Role of Banking Industry in Financing Priority Sectors in the Seventh Five Year Plan, Strength and Weaknesses”, SBI Monthly Review, septemper 1984, p.400.

**Table 3.9 Priority Sector Advances Of Canara Bank And All Scheduled Commercial Banks At The State Level**

(Rs. in Crores)

<b>Year</b>	<b>All SCBs Advances</b>	<b>Canara Bank Advances</b>	<b>Index of Growth for (C.B.)</b>
1980	894.94	111.52	100
1981	958.66	119.46	107
1982	1005.13	125.25	112
1983	1297.54	161.66	144
1984	1498.66	186.75	167

With the social objectives of banks, the priority sector of Economy is treated with special attention in order to spur the activities of the financial institutions. This helps the people grow with closer attachment in getting and giving financial help to make the country prosperous. The priority-sector advances of all scheduled commercial banks evidently show a desirable follow-up over the period of study. The priority sector advances of Canara Bank was Rs.111.52 crores in 1980 and it was Rs.186.75 crores in 1984, which shows a significant increase.

**Table 3.10 Agricultural Advances Of Canara Bank And All Scheduled Commercial Banks At The State Level**

(Rs. in Crores)

<b>Year</b>	<b>All SCBs Agricultural Advances</b>	<b>Canara Bank Agricultural Advances</b>	<b>Index of Growth for (C.B.)</b>
1980	418.81	58.25	100
1981	496.90	69.11	118
1982	464.25	64.57	110
1983	549.31	76.34	131
1984	616.61	85.76	147

The importance of agriculture in the acceleration of Economic development is realized and the allotment of agricultural advances have increased considerably. The total agricultural advances of all scheduled commercial banks and Canara banks have increased by 1.4 times. The index of growth shows a good indication of its future requirements.

### **Differential Rate of Interest:**

Lending to the poor at low rate of interest is an essential activity to be made by banks in the rural development strategy, otherwise the real rural development cannot take place. Lower interest rates should be charged to carefully selected low-income groups, who deserve financial assistance for productive endeavour but cannot easily negotiate with banks.

**Table 3.11 Differential Interest Rate Advances Of Canara Bank And All Scheduled Commercial Banks At The State Level**  
(Rs. in Crores)

<b>Year</b>	<b>All SCBs DRI</b>	<b>Canara Bank DRI</b>	<b>Index of Growth for (C.B.)</b>
1980	7.65	0.85	100
1981	10.89	1.21	142
1982	17.01	1.89	222
1983	28.27	3.14	369
1984	36.00	4.00	470

In order to fulfil the objective of serving the weakest among the weaker sections, the advances given under differential rate of interest by all scheduled commercial banks increased from Rs. 7.65 crores to Rs.36 crores. The Canara Bank had also helped to the possible extent of 4.7 times during the period of the study. The index of growth shows an ample chance of getting help from the scheduled banks for those who remain the most backward. This is a privilege for people of low income brackets in the Nation which help them to grow faster, where otherwise there will not be any possibility of reducing the disparities of income among the citizens.



**Table 3.12 Small Scale Industries Advances Of Canara Bank  
And All Scheduled Commercial Banks At The State Level**

(Rs. in Crores)

<b>Year</b>	<b>All SCBs S.S.I</b>	<b>Canara Bank S.S.I</b>	<b>Index of Growth for (C.B.)</b>
1980	258.10	28.52	100
1981	315.30	34.84	122
1982	379.64	41.95	147
1983	531.55	58.71	205
1984	664.72	73.45	257

Now, the industrial importance goes to the small scale industries where there is ample scope for enlarging individual units at the possible extent within the reach of small entrepreneurs providing rural employment and also speeding-up the industrial output in the simple but great manner by helping those who need timely credit at concessional rate of interest. The total amount of Rs.258.10 crores in 1980 went up to 664.72 in 1984 by all the scheduled commercial banks while the Canara Bank at the state level gave Rs.28.52 crores in 1980 with an increase of 2.5 times to Rs.73.45 crores in 1984.

#### **District Level:**

Canara Bank has played a vital role in evolving and expanding various various schemes over a large number of villages to meet need based credit to all farmers. “provision of adequate institutional credit to the rural poor is an important ingredient of anti-poverty rural development strategy. The scheme so far implemented were of adhoc nature. They did not ensure continuity

of employment but only a relief measure rather than solutions to unemployment of poverty.”<sup>41</sup>

### **Role of Canara Bank:**

The concept of Canara Bank was evolved with a view to promoting Economic Development of the districts through the medium of banks, that all the 336 districts in the country were brought under the lead bank scheme introduced in December 1969 among the public sector banks and a few private banks. The experiment was conceived in response to certain practical difficulties which the bank encountered in the agricultural sector. It was therefore realized that it would be preferable to select rural areas and provide them with full finance to develop them intensively. Bank's efforts were primarily directed towards largest possible coverage of weaker sections.

Agriculture is the main stay of the people of the district. The Economic profile of the district offers a considerable scope for development of agro-based industries, rural crafts, development of animal husbandry on which the future economy depends. “The Economic Survey for 1984-85 has pointed out that agricultural performance will have to show continued improvement if the Economy is to grow at about 5 per year in Seventh Plan.”<sup>42</sup> Banks play an active role in the district, especially Canara Bank which has the maximum number of branches among the existing banks. Canara Bank stands first with regard to the number of branches as well as the performance in the rural development . Canara Bank is the Lead Bank in this District which gives the proper direction for all other associate banks in the hunt for eradication of poverty.

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<sup>41</sup> Tarlok Singh, “Employment and Planning and Planning Assessment and Strategies in India”, Indian Economic Journal, April –June 1976, p/ 348.

<sup>42</sup> Economic Research Department at the Bank's Central Office in Bombay , State Bank of India Monthly Review, January 1985, p.32.

**Table 3.13 Canara Bank Branches With All Scheduled Banks  
At The Madurai District**

(Rs. in Crores)

<b>Year</b>	<b>All SCBs</b>	<b>Canara Bank Branches</b>	<b>Index of Growth for (C.B.)</b>
1980	260	49	100
1981	277	51	104
1982	286	54	110
1983	319	58	118
1984	349	66	134

Banking is a watchful trade which serves the Nation without any discrimination. It is a major channel through which developing countries exploit financial markets and help the people in different regions. Banking system accelerates the Economic Development by inducing capital formation in the Nation. In order to play various roles, branches at various places within the district is required. The total number of all scheduled commercial banks was 260 in 1980 and 66 in 1984. The increase in the number of Canara Bank branches pave way for better financial help among other financial intermediaries in the district.

**Table 3.14 Deposits Of Canara Bank And All Scheduled Commercial Banks At Madurai District**

(Rs. in Crores)

<b>Year</b>	<b>All SCBs Deposits</b>	<b>Canara Bank Deposits</b>	<b>Index of Growth for (C.B.)</b>
1980	156.32	31.58	100
1981	177.63	36.75	116
1982	214.35	46.33	146
1983	245.15	50.52	159
1984	266.20	55.45	175

As deposits are the major source of operating funds of banks, the total amount of deposits of all scheduled commercial banks in the district increased from Rs.156.32 crores to Rs.266.20 crores during the period. At the same period the amount of deposits of Canara bank has increased from Rs.31.58 to Rs. 55.45 giving nearly a two fold increase. The index of growth shows a steady growth of Canara Bank deposits in the district.

**Table 3.15 Advances Of Canara Bank And All Schebuled Commercial Banks At Madurai District**

(Rs. in Crores)

<b>Year</b>	<b>Advances of All SCBs</b>	<b>Advances of Canara Bank</b>	<b>Index of Growth for (C.B.)</b>
1980	137.17	18.90	100
1981	166.88	24.85	131
1982	188.07	29.92	158
1983	216.01	36.75	194
1984	221.05	44.35	234

Banking in the district complements and exercises a constructive influence on capital flows other sources. The advances of all scheduled commercial banks show an evidence of the flow of capital of Rs.137.17 crores in 1980 and reached Rs.221.05 crores in 1984. During the same period, the Canara Bank advances also increased from Rs.18.90 crores to Rs.44.35 with its considerable extent.

**Table 3.16 Priority Sector Advances Of Canara Bank And All  
Schebuled Commercial Banks At Madurai District**

(Rs. in Crores)

<b>Year</b>	<b>Priority Sector Advances of All SCBs</b>	<b>Priority Sector Advances of Canara Bank</b>	<b>Index of Growth for (C.B.)</b>
1980	67.89	11.15	100
1981	86.55	14.39	129
1982	86.70	15.70	140
1983	113.09	21.83	195
1984	128.32	26.37	236

Banking system has to understand the process of technology transfer and its adoption and get involved in it. To prove this, banks have given special importance to the priority sector by which the transfer of technology takes place in our country. The amount of advances given to priority sector substantiates it with a two-fold increase from Rs.67.89 crores to Rs.128.32 crores during the period. Likewise the priority sector advance of Canara Bank has increased from Rs.11.15 crores in the period of the study.

**Table 3.17 Agricultural Advances Of Canara Bank And All  
Schebuled Commercial Banks At Madurai District**

(Rs. in Crores)

<b>Year</b>	<b>All SCBs Agricultural Advances</b>	<b>Agricultural Advances OF Canara Bank</b>	<b>Index of Growth for (C.B.)</b>
1980	63.37	8.73	100
1981	77.09	11.48	131
1982	86.88	13.82	158
1983	99.79	14.42	165
1984	102.1	23.60	270

The prime importance is given to the agricultural sector by which there will be reduction in disparities of income between the rural and urban areas. Agricultural advances support the poor peasants to increase the production and productivity of their own. In almost all villages, banks concentrate in the lending activities especially in the agriculture. The total amount of agricultural advances of all scheduled commercial banks in the district have gone from Rs.63.37 crores to Rs.102.1 crores, whereas it was from Rs.8.73 crores to 23.60 for Canara Bank.

**Table 3.18 Differential Interest Rate Advances Of Canara Bank And All Scheduled Commercial Banks At Madurai District**

(Rs. in Crores)

Year	All SCBs Deposits	Canara Bank Deposits	Index of Growth for (C.B.)
1980	2.13	0.24	100
1981	2.17	0.30	125
1982	2.44	0.29	120
1983	2.59	0.33	137
1984	2.74	0.37	154

In spite of the adverse effect on the profits of the commercial banks, they have started to lend at a lower rate of interest to the weaker sections in order to lift-up the drown-trodden in the society. This helps much to fulfil the objective of social mobility. The DRI advances of all scheduled commercial banks have increased from Rs.2.13 crores to Rs.2.74 crores whereas the DRI advances of Canara bank have increased from Rs.0.24 crores to Rs.0.37 crores during 1980-84.

#### **Branch Level**

The Canara Bank branch is situated in Alanganallur covering 15 near-by villages. It is purely agricultural oriented where 79 per cent of the total area is under cultivation. Among the existing three commercial banks, more than half of the total deposits, loans

and advances have been contributed by this branch within the command area.

### **Analysis of Deposits**

Deposit is the backbone of the banking industry. It is an indicator of the level of performance of any bank for the national economic development. They decide the percentage of the liabilities of banks.

**Table 3.19 Growth Of Deposits At Canara Bank Branch In Alanganallur**

<b>Year</b>	<b>Amount (Rs. in Thousands)</b>	<b>Index of Growth</b>
1977	983	100.00
1978	1179	120.00
1979	1410	143.43
1980	1760	179.04
1981	2910	296.03
1982	3532	359.30
1983	3961	402.95
1984	4534	461.24

The table shows the growth of deposits which are identified by index numbers. The amount of deposits is available from 1977. During the period of seven years since 1977, deposits have steadily increased. This may be the reflection of the need for the banking facilities in the village. The growth trend gives clue to the future prospects of the branch at Alanganallur .

### **Type of Deposits**

Current deposits, savings deposits and term deposits are the major kinds of deposits. Among them, the first and second categories are relatively given importance. Though the third category of deposit is seemed to be attractive, the contributory share is limited to particular level of income group. The following table gives the trend of growth of different kinds of deposits.

**Table 3.20 Category-Wise Growth Of Deposits**

(Rs. in 000's)

<b>Year</b>	<b>Current Deposits Amount</b>	<b>Index of Growth</b>	<b>Savings Deposits Amount</b>	<b>Index of Growth</b>	<b>Term Deposits Amount</b>	<b>Index of Growth</b>
1977	28 (2.84)	100	476 (48.64)	100	479 (48.52)	100
1978	33 (2.80)	117.85	559 (47.52)	117.43	596 (49.68)	126.0
1979	72 (1.96)	218.18	683 (48.44)	122.18	655 (49.60)	167.51
1980	102 (2.79)	309.09	838 (47.61)	149.91	820 (49.60)	209.71
1981	102 (3.50)	309.09	1579 (54.26)	282.46	1229 (42.24)	314.32
1982	341 (9.65)	1033.33	1889 (53.48)	337.92	1302 (36.87)	332.99
1983	225 (5.83)	681.81	2329 (57.74)	398.74	1407 (36.43)	359.84
1984	258 (5.81)	781.80	2674 (58.07)	460.45	1602 (36.12)	409.71

The share of current deposits increased from 2.84 per cent in 1977, to 5.81 per cent in 1984 and savings deposits from 48.64 per cent to 58.07 over the period of seven years, whereas the term deposits increased from 48.52 per cent in 1977 to 49.60 in 1980 and afterwards it has declined to 36.12 in 1984. The steady decline in term deposits after 1980 may be due to the concentration on the current and saving deposits.



### **Contribution of Different Groups to Deposits:**

There are five groups of depositors to contribute to the total deposits. They are (i) Agriculturists, (ii) Traders, (iii) wage and Salary Earners, (iv) professionals and Self Employed and (v) others. As it is difficult to point out each contributor distinctly, the last group is categorized as “Others.”

**Table 3.21 Group-Wise Of Deposits**

<b>Particulars</b>	<b>1979</b>	<b>1980</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>
Agriculturists	1100	1665	2281	2777	3088	3608
Traders	269	409	296	360	386	403
Wage and Salary Earners	88	143	242	280	310	356
Professionals and Self Employed	15	18	3	15	40	46
Others	--	84	88	100	137	121
Total Deposits	1410	2319	2910	3532	3961	4534

The functional classification of ownership of deposits with the branch reveals that there is a sizeable increase in the deposits of agriculture category from Rs.1,100 thousands to Rs.3,608 thousands. More than three fourth of the total deposits come from agricultural segment. There is a steady increase in the amount of agricultural segment over other categories. Professional and self employed category constitute a small part of the total deposits.

### **Growth of Agricultural and Overall Credit:**

The lending part of the branch to agriculture makes a good percentage to the total credit. Though other categories of creditworthy people try to increase their share to the total credit,

agricultural credit stands most contributory over the period taken for this study.

**Table 3.22 Growth Of Agricultural And Overall Cedit**

(Rs. in 000's)

Year	Agricultural Credit	Total Credit given	Percentage of Agricultural Credit to Total Credit	Growth Index of Agricultural Credit
1977	984	1070	91.96	100
1978	1969	2208	89.17	200.10
1979	2067	2317	89.21	210.06
1980	2734	3025	90.38	287.84
1981	3580	3915	91.44	363.82
1982	4428	5049	87.70	450.00
1983	6472	7488	86.43	657.72
1984	7370	8772	84.01	748.90

In the table, the percentage contribution of the agricultural credit to the total credit given over years show a decline trend but it cannot be said that the performance is not good. Still the dominance of agricultural credit in the total is not away from the scene. The total agricultural credit in 1984 is Rs.7370 thousand and the total credit given is Rs.8772 thousands in the same year.

Different Segments of Agricultural Credit:

The different segments of agricultural credit are (i) crop loan, (ii) Jewellery Loan, (iii) Farm Mechanisation and (iv) Animal Husbandry. The respective percentage share of the total agricultural credit is tabulated in the respective columns.

**Table 3.23 Different Segments Of Agricultural Credit**

	Categories of Agricultural Loan in Percentage	1981	1982	1983	1984
1.	Crop Loan	2.75	2.58	5.46	6.71
2.	Jewellery Loan For Agriculture	67.65	68.66	65.21	64.09
3.	Farm Mechanisation	0.14	0.47	7.09	7.86
4.	Animal Husbandry	29.46	28.29	22.24	21.34

The share of crop loan has increased from 2.75 per cent in 1981 to 6.71 per cent in 1984 whereas the jewellery loan has decreased from 67.65 per cent in 1981 to 64.09 in 1984. On the other hand, farm mechanization has a significant increase of 0.14 per cent in 1981 to 7.86 per cent in 1984. Animal husbandry has declined steadily 29.46 in 1981 to 21.34 in 1984.

**Table 3.24 Loan Disbursement During 1981-84**

Year	Amount of Loan Disbursed (Rs.in 000s)	Index of Growth
1981	12046	100.00
1982	13632	113.16
1983	16092	118.04
1984	18115	112.57

The amount disbursed in 1981 is 12046 thousands and it has increased to 18115 thousands in 1984 which shows that there has been an increase of 6069 thousands over the period.

**TABLE 3.25 LOAN DISBURSED FOR ANIMAL  
HUSBANDRY FROM 1981-84**

(Rs in 000's)

	<b>Items</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>
1.	Dairy	1131	1254	1706	1920
2.	Piggery	17	29	31	35
3.	Bullock- Cart	69	98	517	582
		1217	1381	2254	2537

Loan disbursed for animal husbandry from 1981 to 1984 has been categorized under 3 sub-heads, namely Dairy, Piggery, and Bullock –Cart. Each column shows that there has been gradual increase over these years. Loan disbursed for bullock-cart has increased significantly in 1983 and 1984.

The task of banks does not end with granting of loans, but every effort has to be made to ensure that borrowers are able to utilize the loans most effectively, increase their earnings and thus be able to repay the loans also.

**Table 3.26 Recovery Of Agricultural Credit**

(Rs.in 000's)

<b>Years</b>	<b>Amount Recovered from Agriculture</b>	<b>Total Amount Recovered</b>	<b>Proportion of Agriculture to Total Recovery</b>	<b>Index of Growth</b>
1980	319	391	81.58	100
1981	750	830	90.36	235.10
1982	1000	1035	96.61	313.47
1983	1089	1240	87.82	341.37
1984	1240	1415	87.63	388.71

The proportion of agricultural recovery to total recovery shows that there has been over 80 per cent of recovery made every

year since 1980 to 1984. And the recovery made in 1982 is significantly high. The good recovery over years may be due to the performance of the branch suiting the needs of the people and the main reason is that the loan given for agriculture almost covers sugarcane. It is given with tie-up provisions, in which the bank has more to say in making money by selling sugarcane to the sugar mills located in the area with agreements. Thus the overall performance stands good during the period of study.

**Table 3.27 Various Types Of Loan Disbursed At Alanganallur Branch In 1984**

	<b>Type of Loan</b>	<b>Amount (Rs.in 000s)</b>	<b>Percentage</b>
1.	Direct Loan	6348	35.04
2.	Loans against	6003	33.08
3.	Gold	539	2.96
4.	Minor Irrigation	673	3.70
5.	Diversified	2537	13.97
6.	Animal	1780	9.80
7.	Husbandry	92	0.48
8.	Sericulture	143	0.76
	Bio-Gas		
	ALDPN		
	& ALDIR		

Agriculture loan disbursed in 1984 at Alanganallur branch fall in the categories shown in the table. The direct loan amount disbursed is 6348 in thousands. Which is the highest per cent share in the total and it is followed by loans against gold with the share of 33.08 per cent. Loan on Animal Husbandry disbursed in the branch is 2537 thousands i.e., 13.97 per cent of the total. The least is for Bio-Gas with 0.48 per cent in 1984.

**Table 3.28 Number Of Persons Employed In Canara Bank  
Branch At Alanganallur**

	<b>Particulars</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>
1.	Manager	1	1	1	1
2.	Accountant	1	1	1	1
3.	Special	1	1	1	1
4.	Assistants	5	6	7	10
5.	Clerks	-	-	-	-
6.	Stenographers	-	-	-	-
7.	Filing Clerks	2	3	4	5
	Sub-Staff	10	12	14	18

The total number of staff at Alanganullur branch has increased from 10 in 1981 to 18 in 1984. The category of clerks has increased from 5 in 1981 to 10 in 1984 and also the sub-staff from 2 to 5. The other categories namely manager, accountant, special assistants remain the same in each. The stenographers and typist have not been filled in.

**Table 3.29 Overall Performance Of The Branch**

(Rs.in 000's)

<b>Years</b>	<b>Total Income</b>	<b>Total Expenditure</b>	<b>Profit+/-Loss-</b>	<b>Index of Growth</b>
1981	475	312	163+	100
1982	506	363	143+	87.74
1983	758	396	362+	222.08
1984	1000	508	492+	301.84

The total income increased only from 475 thousands to 506 thousands during 1981-82 with the addition of two staff. Therefore the expenditure rate has considerably increased. But during 1982-83 the total income increased by 252 thousands with the addition of two staff again. But as the income increased enormously the expenditure rate is not so much alarming. However, the overall performance of the branch indicates profit since 1981 over the period of 4 years. The profit is highest in 1984 with 492 thousands which is around 3 times higher than the year 1981.

# **CHAPTER IV**

## **DAIRY LOAN BY CANARA BANK**

### **ALANGANALLUR BRANCH AND ITS IMPACT**

### **ON BENEFICIARIES**

This chapter covers the results of the analysis made on the data collected from the beneficiaries of dairy loan provided by Canara Bank Branch at Alanganallur in 1984. The main objective of dairy loan is to provide some asset for the weaker sections and thus enlarge their income earning capacity.

The Canara Bank Branch at Alanganallur has financed dairy schemes in five villages viz. Alahapuri, Kalveli, Periya elanthaikulam, Melachinnanampatty and Meenakshipurm. Each borrower is eligible for a loan and the loan amount is Rs. 2,000 per each animal. “ The scheduled castes beneficiaries enjoy concessions in the form of 50 per cent subsidy under IRDP and 4 per cent interest rate under DIR scheme. For Marginal farmer and agricultural labourer a subsidy of 33 per cent is granted and an interest rate of 10 per cent is charged. The small farmers should become members of the milk society in their locality and there they become eligible to get loan.”<sup>43</sup> No security is required for sanctioning dairy loan, and group guarantee scheme is followed. Marketing arrangements have been made with the Tamil Nadu Dairy Development Corporation at Madurai.

The loan animals must be insured and the insurance premium is Rs.66 per annum. The bank collects Rs. 23 per inspection and tag (Rs.20 + Rs. 3) Rs.11 is to be paid to become member of the Milk Society. Thus the initial expense comes to Rs.100. The borrower can become owner of the milch animal within an period of 36 months after repaying the entire loan with interest. But in reality, many dairy farmers take less than one year to repay the dairy loan.

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<sup>43</sup> Report of the District Credit, Madurai District (Tamil Nadu) 1983-85 and Annual Action Plan 1983, bank Lead Bank Section.

## Sample Beneficiaries

Table 4.1 gives a classification of the beneficiaries into three main group viz., agricultural labourers (AL), Marginal farmers (MF) and small farmers (SF).

**TABLE 4.1 GROUP –WISE DISTRIBUTION OF DAIRY LOAN BENEFICIARIES**

SI. No	Village	Single Animal			Total
		AL	MF	SF	
1	Alahapuri	7	5	6	18
2	Kalveli	6	5	4	15
3.	Periya elanthaikulam	6	8	5	19
4.	Melachinnanampatty	4	3	3	10
5	Meenakshipuram	5	4	4	13
<b>Total</b>		<b>28</b>	<b>25</b>	<b>22</b>	<b>75</b>

The total number of beneficiaries is 300. Of the 300, 112, are agricultural labourers, 100 are marginal farmers and 88 are small farmers. A sample of 75 beneficiaries consisting of 28 agricultural labourers, 25 marginal and 22 small farmers are taken for indepth study from the selected five villages. The percentage of agricultural abourers is high in the Alahapuri Village where there is heavy concentration of scheduled caste people living. On the other hand, Melachinnanampatty covers low percentage of marginal and Small farmers. However all the 75 beneficiaries are treated equally and the required data were collected from those respondents for dairy analysis.



TABLE 4.2 COMMUNITY-WISE DISTRIBUTION OF BENEFICIARIES

Sl. No	Village	SC	OC	Total
1.	Alahapuri	9 (3)	9 (2)	18
2.	Kalveli	7 (1)	8	15
3.	Periyaelanthaikulam	8	11 (3)	19
4.	Melachinnanampatty	6 (2)	4	10
5.	Meenalshipuram	5	8 (1)	13
	Total	35	40	75

(Figures in brackets relate to Women Borrowers)

The scheduled caste people are given preference in the allotment of loan animals. In Alahapuri, though the sample figure is equal in the case of SC and OC, there is domination of SC beneficiaries in that village. On the contrary very few S.C. beneficiaries were from Meenalshipuram. Among the sample selected for dairy analysis, 16 per cent of the beneficiaries are women from the selected five villages. There is a total of 35 S.C. beneficiaries and 40 O.C. beneficiaries from those villages as the sample, taken for the present study.

### **Socio-Economic Conditions:**

This plays a vital role in the economic activity of individuals who try to gain maximum at the minimum cost. The social, economic and demographic conditions vary with regard to race, surroundings and epoch. The size of any family can at least show the economic and social condition at a glance. The size of the family is influenced by several factors among which the socio-economic factors contribute much. The following table reveals the size of the family of the dairy beneficiaries taken as sample for the study.

**TABLE 4.3 SIZE OF FAMILY**

<b>Group</b>	<b>Small Below 4</b>	<b>Medium 5-7</b>	<b>Large Above 7</b>	<b>Total</b>
Agricultural Labourers	7 (24.9)	9 (32.1)	12 (42.9)	28
Marginal Farmers	10 (40.0)	7 (28.0)	8 (32.0)	25
Small Farmers	11 (49.9)	6 (27.3)	5 (22.7)	22

(Figures in brackets show the percentage)

In the recent times, people from rural areas are aware of the drawback of the large size of the family. The above table also reveals that 37 per cent of the beneficiaries have small size family which covers below 4 persons . This shows economic position of beneficiaries who like to increase the standard of living by limiting the number of members, in the family. This comes true with the economic-social status where education or literacy helps to achieve the social objective of the nation.

#### **Level of Literacy:**

The level of literacy of the beneficiaries are given in table 4.4.

**Table 4.4 Level Of Literacy**

<b>Group</b>	<b>Literacy</b>				<b>Total</b>
	<b>Illiterate</b>	<b>Primary 1-5</b>	<b>Secondary 6-10</b>	<b>Higher Above 10</b>	
Agricultural Labourers	21 (74.9)	5 (17.0)	2 (7.1)	--	28
Marginal Farmers	18 (72.0)	6 (24.0)	1 (4.0)	--	25
Small Farmers	11 (49.9)	7 (31.8)	3 (13.6)	1 (4.6)	22

(Figures in brackets show the percentage)

The literacy level is very poor in the villages selected under this study. Illiteracy is relatively high among agricultural labourers, because they are not capable of sending their children to schools, instead they get some amount as income earned by employing their children in farms or fields. This attitude keeps them behind the required minimum education where the scope of further rural development cannot take place effectively. On the whole, 66 per cent of the borrowers are illiterates. Among agricultural labourers 74.9 per cent are illiterate, which has its own ill effects in their performance and utilization of available scarce resources. Only 8 per cent of the beneficiaries go for secondary education.

**Table 4.5 Distribution Of Beneficiaries According To Caste**

Group	Caste-Wise		Total
	Scheduled Castes	Other Castes	
Agricultural Labourers	20 (72.0)	8 (28.0)	28 (100.0)
Marginal Farmers	11 (44.0)	14 (56.0)	25 (100.0)
Small Farmers	4 (18.0)	18 (82.0)	22 (100.0)

(Figures in brackets show the percentage)

**Caste-Wise Classification:**

Among the weaker sections, the scheduled castes are given preference and they enjoy a special privilege in the case of dairy loans. Out of 75 sample, 25 belong to scheduled castes. Among the 25 scheduled caste beneficiaries, 20 i.e., 72 per cent of them are agricultural labourers. This means that they not only belong to the weaker section economically but also on other grounds.

**Table 4.6 Distribution Of Beneficiaries According To Age**

Group	Age - wise				total
	Below 25	25-40	41-55	Above 55	
Agricultural Labourers	1 (3.6)	13 (46.4)	10 (35.7)	4 (14.3)	28
Marginal Farmers	2 (8.0)	13 (52.0)	5 (20.0)	5 (20.0)	25
Small Farmers	3 (13.6)	7 (31.9)	11 (49.9)	1 (4.5)	22

(Figures in brackets show the percentage)

### **Age –wise Classification:**

Classification of respondents on the basis of age is useful in knowing the young borrowers. Out of 75 beneficiaries 33 i.o. 44 per cent belong to 25-40 age group. Thus the loan provides more employment chances to the younger group who would otherwise remain unemployed. This percentage is relatively low in the case of small farmers.

### **Housing Condition:**

The analysis relating to the housing condition of the respondents shows the living standard of the borrowers. The following table different housing conditions in which one can understand the economic background of the position of the loanee. The dairy loan lent to those who are poor shows the required social responsibility of the bank.

**Table 4.7 Housing Condition Of Borrowers**

<b>Group</b>	<b>Owned</b>	<b>Rented</b>	<b>Electrified</b>	<b>Non-Electrified</b>	<b>Concrete</b>	<b>Tilled</b>	<b>Thatched</b>
Agricultural	23 (82.1)	5 (17.9)	2 (7.1)	26 (92.9)	--	2 (7.1)	26 (92.9)
Labourers	23 (92.0)	2 (8.0)	18 (72.0)	7 (28.0)	6 (24.0)	12 (48.0)	7 (28.0)
Marginal Farmers	19 (86.3)	3 (13.6)	16 (72.6)	6 (27.3)	9 (40.9)	11 (49.9)	2 (9.1)
Small Farmers	65 (86.0)	10 (14.0)	36 (48.0)	39 (52.0)	15 (20.0)	25 (33.0)	35 (47.0)
Total							

(Figures in brackets show the percentage)

Among the total number of beneficiaries taken for analysis, 86 per cent of the beneficiaries live in their own houses. With regard to electrification, 72.6 per cent of the small farmers and 72 per cent of the marginal farmers have electrified their houses. But 92.9 per cent of agricultural labourers do not have electricity connection in their houses. Among them, 47 per cent of the beneficiaries live in concrete house. Particularly, 2 out of 28 agricultural labourers have got the electricity connection under the Government's scheme and paying a nominal rate of Rs.2.50 per month for burning a single bulb.

**Table 4.8 Distribution Of Respondents According To The Composition Of Earning And Non-Earning Members**

<b>Group</b>	<b>Average Number of Members in a Household</b>	<b>Average Number of Earning Members</b>	<b>Average Number of Non-Earning Members</b>
Agricultural Labourers	9.6 (100.0)	7.2 (75.0)	2.4 (25.0)
Marginal Farmers	8.3 (100.0)	5.0 (60.2)	3.3 (39.8)
Small Farmers	7.3 (100.0)	1.1 (15.1)	6.2 (84.9)
	25.2	13.3	11.9

(Figures in brackets show the percentage)

### **Earning and Non-Earning Members:**

The classification of earning and non-earning members will be useful for the present study of the impact of loan on dairy beneficiaries by way of additional employment. The dependency ratio of average non-earning members on average number of members in the household is 25 per cent in the case of agricultural labourers, 39.8 per cent in the case of marginal farmers and 84.9 per cent in the case of small farmers. There is higher dependency ratio in the category of small farmers, which substantiates that non-earning members remain idle deliberately without opting for employment because of the availability of land, where s, in the case of agricultural labourers, all are forced to work without which they cannot survive in the world. This makes a clear understanding about the poor position of agricultural labourers when compared to other categories.

**Table 4.9 Type Of Information**

<b>Group</b>	<b>Milk Society</b>	<b>Bank Officials</b>	<b>Fellow Farmers</b>	<b>Total</b>
Agricultural Labourers	19 (67.8)	2 (7.1)	7 (24.9)	28
Marginal Farmers	12 (48.0)	9 (36.0)	4 (16.0)	25
Small Farmers	8 (36.3)	10 (45.4)	4 (18.2)	22
	39 (52.0)	21 (28.0)	15 (20.0)	75

(Figures in brackets show the percentage)

### **Source of Information:**

There are 3 major source from which the dairy loanees have got information about the loan scheme viz., milk society, bank officials and fellow-farmers.

52 per cent of the beneficiaries have come to understand the loan scheme through the milk societies, 28 per cent from bank officials and 20 per cent by fellow farmers. 67.8 per cent of the agricultural labourers come to know about the loan scheme from milk societies and only 7.1 per cent from bank officials, which explains that they have close connection with societies rather than bank officials.

**Table 4.10 Attitude About The Bank Staff**

<b>Group</b>	<b>Active</b>	<b>Passive</b>	<b>Total</b>
Agricultural Labourers	25 (89.3)	3 (10.7)	28 (100.0)
Marginal Farmers	23 (92.0)	2 (8.0)	25 (100.0)
Small Farmers	21 (95.5)	1 (4.5)	22 (100.0)
	69 (92.0)	6 (8.0)	75 (100.0)

(Figures in brackets show the percentage)

**Attitude of the Bank Staff:**

Almost all the categories of the dairy loan beneficiaries have given satisfactory remarks about the bank officials especially agricultural officers who are specially appointed for rural development at the Bank. 89.3 per cent of agricultural labourers, 92 per cent of marginal farmers and 95.5 per cent of small farmers have identified that the bank officials were active and co-operative to the loanees. They are satisfied with the supervision, guidance and advisory role played by bank officials.

The present study deals with efficacy of dairy loan in increasing the level of income, asset formation and employment generation. According to D.S. Thakur, "Income from Dairy includes

the value of milk produced and of the farm yard manure.”<sup>44</sup> Here we study the revenue, cost and profit obtained from the activity of the beneficiaries in order to assess the incremental income and the asset formation.

The following table gives the source-wise distribution of Average Income.

The total dairy revenue is derived from the sum of income from the sale of milk, value of milk taken for home consumption and the value of dung. The income from sale of milk has been derived by an usual formula in price theory. The price of the milk is fixed by TNDDC i.e.. Rs.2.35 in 1984. The value of milk taken for own consumption is also calculated at the same procedures. The value of dung is approximately fixed at Rs.160 per annum.

**Table 4.11 Source-Wise Distribution Of Average Income**

<b>Group</b>	<b>Income form Sale of Milk Rs.</b>	<b>Value of Milk taken for Home Consumption Rs.</b>	<b>Value of Dung Rs.</b>	<b>Total Income Rs.</b>
Agricultural Labourers	3179.22	47.56	160.00	3386.78
Marginal Farmers	5702.59	174.55	160.00	6037.14
Small Farmers	7641.79	246.88	160.00	8048.67
Average	5507.86	156.33	160.00	5824.19

Agricultural labourers have gained Rs.3386.78, as total income, for the marginal farmers it was Rs.6037.14 and Rs.8048.67 for small farmers. There exist differences in the amount of total income because of the differences in the yield and the lactation

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<sup>44</sup> D.S. Thakur, “Impact of Dairy Development through Milk Co-operatives:A Case Study in Gujarat”, Indian Journal of Agricultural Economics, 30 (3), 1975, p.83.



period. The quantum of milk taken for own consumption with regard to the agricultural labourers are meagre and it helps them get more income . However, they cannot absolutely avoid their own consumption. Bet the marginal and small farmers consume more and its influence on the total income is relatively higher.

### **Different Heads of Expenditure:**

The expenditure is calculated at the current prices (1984) with its respective quantum of various inputs. The inputs are classified as fixed and variable. The main counter-parts of the fixed cost are interest payable to the bank, insurance premium and entrance fee for the milk society. Feeds and fodder , veterinary charge and labour are included in the variable cost.

The following table presents the average annual expenditure of the beneficiaries.

**Table 4.12 Average Annual Expenditure**

<b>Group</b>	<b>Feeds And Fodder</b>	<b>Veterinary Charge</b>	<b>Labour</b>	<b>TVC</b>	<b>Intersts</b>	<b>Insurance etc</b>	<b>Others</b>	<b>TFC</b>	<b>TC</b>
<b>Agricultural labourers</b>	1549.55	25.00	700	2340.26	40.00	100	25	165.00	2505.26
<b>Marginal farmers</b>	3058.23	25.00	700	3807.11	133.40	100	25	258.40	4065.51
<b>Small farmers</b>	4280.63	25.00	700	4970.49	133.40	100	25	258.40	5228.89
<b>Average</b>	<b>2962.80</b>	<b>25.00</b>	<b>700</b>	<b>3705.95</b>	<b>102.26</b>	<b>100</b>	<b>25</b>	<b>227.26</b>	<b>3933.22</b>

Though the expenditure incurred by these three categories of farmers are put in the respective columns for their milch animals , there is notable difference in the total variable cost . This may be due

to the fact that the agricultural labourers are relatively economically backward among other farmers and spend a little towards feeds and fodder but at the same time, as they go for work to earn they bring green grass for their animals from the place of their farm work and thus it helps to bridge the gap in the low spending of agricultural labourers in this regard. Whereas the marginal and small farmers spend more on feeds and fodder, and ultimately the rate of return is relatively high.

In the next column, the veterinary charges are approximately fixed, especially the agricultural labourers are treating their animals with their traditional natural medicine in most of the villages. Likely the yearly expenditure on labour is worked out to Rs.700 including milking charges Rs.100 per year.

The agricultural labourers enjoy 50 per cent subsidy with 4 per cent DIR interest whereas marginal and small farmers are charged 10 per cent interest. The expenses at the time of the sanction of the loan have been arrived at Rs. 100 (Insurance Rs.20; Entrance fees Rs.11 and Tag Rs.3). By way of other expenditure Rs.25 is for travel expenses etc. while comparing the average of the expenditure on feeds and fodder covers 61.52 per cent for agricultural labourers whereas 75.22 and 81.86 for marginal and small farmers respectively. The existing differences in the variable cost are due to the difference in the expenditure-pattern on feeds and fodder. And the difference in fixed-cost is the result of different interest rate and subsidy.

In order to find out the monetary benefits due to dairy finance, we calculate the profit position of the beneficiaries through averages. As usual, the profit is calculated by the difference between the total revenue and total cost. The profit is compared with the total cost in percentage.

**Table 4.13 profit analysts**

<b>Group</b>	<b>Total Revenue</b>	<b>Total Cost</b>	<b>Profit</b>	<b>Profit as % of TC</b>
Agricultural Labourers	3493.89	2505.26	988.60	39.46
Marginal farmers	6075.88	4065.51	2010.37	49.44
Small Farmers	8128.90	5228.89	2900.01	55.46
Average	5899.55	3933.22	1966.32	48.12

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The agricultural labourers have got profit of Rs.988.60 as their total revenue is relatively low. The marginal farmers have derived profit of Rs.2010.37 whereas small farmers Rs. 2900.01. The profit percentage to the total cost is 39.46 for agricultural labourers, 49.44 and 55. 46 for marginal and small farmers respectively . This table shows that the profit is higher where the cost incurred on the maintenance is higher. And the average percentage of profit with total cost is 48.12.

Now , let us fit a model viz.,

$$\pi = a + \alpha x_1 + \beta x_2$$

Where  $\pi$  refers to profit

$X_1$ = variable cost includes Feeds and Fodder, veterinary charges and Labour

$X_2$ = Fixed cost includes purchase value of the animal.

$\alpha$  and  $\beta$  are their respective co-efficients.

Group	Estimated Model	Standard Error		Calculated Value of t		Table Value	Result of 5% level	
		P <sub>1</sub>	P <sub>2</sub>	t <sub>1</sub>	t <sub>2</sub>		p <sub>1</sub>	p <sub>2</sub>
Small Farmers	.009+.21x <sub>1</sub> +0.26x <sub>2</sub>	.002	.001	105.0	26.00	1.729	Sig	Sig
	R <sup>2</sup> =.87		.008					Sig
Marginal Farmers	.02+.36x <sub>1</sub> -.19x <sub>2</sub>	.004	.12	90.0	23.75	1.717	Sig	insig
	R <sup>2</sup> =.91			9.75				g
Agricultural Labourers	.11+.39x <sub>1</sub> +0.13x <sub>2</sub>	.047	.001		0.41	1.708	sig	
	R <sup>2</sup> =.94		64.29					Sig

In all the classified groups of beneficiaries the marginal contribution of variable capital to profit is greater than that of fixed capital. For the small farmers. The  $\alpha\pi / \partial X_1$  s .21 i.e. an increase of Rs.100 worth of feeds and fodder will result in an increase of Rs.21 in profit. This amount will be Rs. 36 for marginal farmers and Rs.39 for agricultural labourers. This implied that the MF and AL have not utilized the milking potentiality of the animal can improve their milk yield by investing more on variable capital.

In the case of SF, when the co-efficient of X<sub>2</sub>, the marginal profit contribution of the fixed capital is .026 which shows that there is an insignificant but a positive sign. The co-efficient of marginal farmer is with a negative indication which claims that the marginal profit contribution of fixed capital is negative. That is the marginal farmers have invested more on fixed capital and have failed to increase the maintenance expenditure according to the needs of the animal. As rightly observed from the survey conducted by the

Institute of Agricultural Research statistics, “it has been found that the average yield per year of a cow or buffalo in the country is extremely low (cow -157 Kg; Buffalo -504 Kg.) as compared to advanced countries.”<sup>45</sup>

This confirms that even the high quality animal, when not provided with adequate as well as balanced feeds, gives only lesser quantum of milk.

In the case of agricultural labourers, is statistically insignificant as actual value is less than the table value. Hence we have related profit with  $X_1$  variable alone.

i.e.  $\pi = f(x_1)$

$$\pi = a + \alpha x_1$$

The estimated model is  $\pi = .13 + .45x_1(.007)$

From this model we conclude that the profit is closely related to the variable capital . sanctioning of loan alone is not a salient feature of bank’s job but keen absorption of further activities needed to the present situation is important. In other words, the relationship of the loanee concerned and the Bank does not stop at the level of sanctioning of the loan but actually becomes closer thereafter.

The previous model was fitted to calculate the influence of the fixed and variable capital on the profit level of the borrowers categorized as agricultural labourers, marginal and small farmers. Now, the very same model is fitted to find the very same influence but the borrowers are categorized on the basis of their caste referring their belongingness either to O.C.- other caste or S.C.- scheduled caste. This is to be worked out because the economic and social set-up of scheduled caste people is entirely different even though they live within a village. This has its own influence on the spending and maintenance expenditure of the milk animal which ultimately results in the vast difference of profit among the farmer community.

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<sup>45</sup> Bhattacharya, “New Strategy in Animal Husbandry ,” Indian Dairy Man, Vol .28, No.2, 1976, p.48.

group	Estimated Model	Standard Error		Calculated Value of t		Table Value	Result of 5% level	
		1	2	t <sub>1</sub>	t <sub>2</sub>		p <sub>1</sub>	p <sub>2</sub>
O.C.	=3.7+ 2.98X <sub>1</sub> +5.0648X <sub>2</sub> R <sup>2</sup> =.88	.64	1.31	4.65	3.9	1.645	Sig	sig
S.C.	=21.48+4.64X <sub>1</sub> .501X <sub>2</sub> R <sup>2</sup> =.86	1.3	1.60	3.569	.313	1.645	Sig	Insig

(O.C refers to Other Caste : S.C. refers to Schedule Caste)

### Caste-wise Analysis:

In the case of O.C. both the fixed cost and the variable cost have a positive impact on profit. At the same time, when we compare fixed cost with variable cost, variable cost has more influence on the profit obtained than the fixed cost. This may be because that almost all who come under the O.C. category belong to the marginal and small farmers. There are financially better than the scheduled castes and capable of spending their own money on dairy farming. And they are good enough to grow high-yielding varieties of milk animals. On the contrary, while referring to S.c. fixed cost has more influence on the profit. Though fixed cost and variable cost influence on the profit, it is meager. There is enough of scope for increasing the efficiency of the very low percentage scheduled casts farmers in the total number. Instead , they bring green grass for their animals which results in the low yield and productivity.

Asset is one of the important indicators of the economic status . Mainly the dairy loans are disbursed to the weaker sections not only from income-employment, point of view but also from the point of view of raising the standard of living.

We include the present value of the milch animal, ealves, recurring deposits, personal liabilities , outstandings to bring out the net gain in asset position . To get the net gain in asset, we have calculated the above items in the following ways.

**Table 4.14 Asset Position Of Dairy Loan Beneficiaries**

<b>Group</b>	<b>Present Value of the Animal</b> <b>1</b>	<b>Value of Calves</b> <b>2</b>	<b>R.D.</b> <b>3</b>	<b>Total Value of Assets</b> <b>4=(1+2+3)</b>	<b>Personal Liability</b> <b>5</b>	<b>Out-Standing</b> <b>6</b>	<b>Total Liability</b> <b>7=(5+6)</b>	<b>Net Gain in Assets</b> <b>8=(4-7)</b>
Agricultural	555.77	126.49	300	982.26	--	255.72	255.72	726.54
Labourers	790.57	260.89	300	1351.46	174.31	169.42	343.73	1007.73
Marginal Farmers	1301.39	388.99	300	1990.38	477.45	2	477.45	1512.93
Small Farmers						--		
Average	882.57	258.79	300	1441.36	325.88	212.57	358.96	1082.4

The present value of the milk animal depends upon several factors. If the animals are well fed, they will be healthy. The milk production has not been able to keep pace with the growing population, and its per capita availability has declined. "The low milk production of our milch animals has led to an availability of only 110 gram of milk per day. But the nutritional advisory committee of the Indian council of Medical Research has found that an adult should consume about 210 gram milk per day."<sup>46</sup> To overcome this, the milch animals should be given adequate feeds and fodder even during the dry periods.

When the purchase price is low, the quality of the animal is poor and as a result the lactation period is short and soon they go dry. Regarding the value of calves, the small farmers followed by the

<sup>46</sup> Approach Paper on Development of Animal Husbandry and Dairying the Fifth Five Year Plan, Government of India, Commerce, 1979, p.97.

marginal farmers are better placed . with regard to the recurring deposits Rs.300 is added to the total value of asset for the different categories.

### **Profit-Purchase-Price Ratio:**

It is the ratio between the profit calculated and the purchase price of the milch animal. The purchase price of the animal is taken from the schedule through averages. The link between the purchase price and profit is very close and the influence on profit is high. The purchase price varies with each individual borrower depending on several factors such as the time taken to buy the animal in the course of sanctioning of loan, the mentality of the borrower and the distance where the animal is bought. If the actual price of the milch animal is below the potential value, then the purchase price helps to get more profit.

**Table 4.15 Profit – Purchase Price Ratio**

<b>Group</b>	<b>Profit Rs.</b>	<b>Purchase Value</b>	<b>% of Profit to Purchase Value</b>
Agricultural Labourers	887.27	2159.39	41.08
Marginal Farmers	1848.3	2457.85	75.19
Small Farmers	2536.01	2926.44	86.65

The price of the animals purchased by the agricultural labourers is Rs.2159.39 which is the lowest among others because they cannot afford to pay more from their pockets in addition to the amount of loan sanctioned. Marginal and small farmers spend more money in addition to the amount of loan sanctioned, and as a result they get more return. The profit percentages to the purchase value are 41.08, 25.19, and 86.65, to the respective categories.



**Table 4.16 Reduction of Dependents in Borrower's Household:**

<b>Group</b>	<b>Number of Dependants before Sanction of Loan</b> <b>1</b>	<b>Employment through Dairy</b> <b>2</b>	<b>Dependants after the Loan</b> <b>3</b>	<b>% Charge (2 over 1)</b>
Agricultural Labourers	3.7	1.4	2.3	37.8
Marginal Farmers	4.5	1.1	3.4	24.4
Small Farmers	5.6	1.0	4.6	17.8
Average	4.6	1.16	3.43	26.66

The average level of dependants is lower in the case of agricultural labourers and higher with the small farmers. This again reflects in the employment generation which is in favour of the agricultural labourers. The percentage of employment generated over the size of dependants in the family is 37.8, 24.4 and 17.8 for agricultural, marginal and small farmers respectively. From the dairy analysis, the beneficiaries have enjoyed a number of benefits in several ways. There is increase in the standard of living of the weaker sections, particularly, through an increase in net income level and formation of some assets. The profit directly depends on the purchase price and the maintenance expenditure especially of feeds and fodder. The marginal rate of profit of the variable cost is significantly high in the case of agricultural labourers. There is scope for increasing profit by way of spending more on feeds and fodder. With the help of Insurance, the borrowers are now aware of the benefits against the risk of unfortunate death of the milch animal. Thus 'no doubt' there is a significant improvement in the living condition of the dairy loan beneficiaries.

# CHAPTER V

## SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSIONS

Since the Nationalization of major Commercial Banks in India, participation of commercial banks in rural development has been gradually increasing with problems of mass poverty and socio-economic backwardness. Banks have responded to this challenge by building up their internal capabilities in the field of credit planning. Thus, banking as a lever for Rural Development plays an important role in financing agricultural sector which gives income and employment generation.

For the majority of small, marginal farmers and agricultural labourers, unless the dairy farm productivity is substantially improved with adequate finance, viability would remain a dream. Because next to cultivation dairy farming is the main subsidiary occupation almost in all villages. As finance is the most common need among agriculturists in dairy farming, commercial banks have assumed greater responsibility in providing credit to the agricultural sector. In spite of the efforts taken to allocate more funds for dairy farming and allied agricultural activities in agriculture, credit requirements are not fully met with due to a number of economic and social constraints. Here comes the lead bank scheme which identifies the credit gaps, preparing district credit plans and financing the planned schemes and projects in consortium with other banks and institutions and it is, in fact, expected to bring a silent revolution in the countryside.

The present study was undertaken in canara Bank, the Lead Bank, in Madurai District at alanganallur. The performance of canara Bank branch was completely observed and the lending policy and procedures were properly analysed with the help of records, and a special reference with regard to dairy loan was made in the year 1984. The main points that have emerged from this study are summarized below along with the policy-suggestions.

## **Canara Bank at the National level:**

### **National Level :**

1)Between 1980 and 1984, the total number of the branches of canara Bank has increased from 1284 to 1525 i.e., by 18 per cent and the deposits increased by 103 per cent from Rs. 1883 crores to Rs. 3830 crores.

2)The share of deposits of canara Bank over all scheduled commercial Banks has increased from 5.10 per cent in 1980 to 5.49 per cent in 1984.

3)The advances of canara Bank have increased from Rs .1118 crores to Rs. 2769 crores which shows 147.6 per cent increase during 1980-1984. And also the share of advances of canara Bank over all suheduled commercial Banks has increased from 4.51 per cent in 1980 to 5.9 per cent in 1984.

4)The total number of persons employed in canara Bank has increased by 47.4 per cent during 1980-1984 at the National Level.

5)The total income of canara Bank at the National Level has increased from Rs. 44348 lakhs which has given a profit of Rs.426lakshs to Rs.551 lakhs between the years 1980 and 1984.

### **At the state Level:**

1)The number of branches in Karnataka state is considerably greater than that of Tamil Nadu with 423and 370 in 1984 respectively. The increase of branches from 1980 to 1984 was 28 per cent in Tamil Nadu whereas it is only 13.7 per cent in Karnataka

2) The share of deposits of canara Bank over all scheduled commercial Banks has been remaining almost the same as 10 per cent from 1980 to 1984 in the state.

3) The total advances of canara Bank has increased from Rs. 160.45 crores to Rs. 362.80 crores between 1980and1984 .

i) Though the priority sector advances have increased from Rs.11152 crores to Rs.186.75 crores ,the share of priority sector advances has come down from 69 per cent to 51 per cent in relation to total advances.

ii)The agricultural advances show an increase of Rs.58.25 crores to Rs.85.76 crores, the share of which for the same has come down from 36 per cent to 23 per cent during the period.

iii) The DRI advances have increased from Rs.0.85 crores to Rs.4.0 crores , the share of which has also increased from 0.5 per cent to 2.4 per cent.

IV) The SSI advances have an increase of Rs. 28.52 crores to Rs.73.45 crores, the share of which is 17 per cent to 20 per cent during the period of study.

### **At the District Level :**

#### **Madurai District:**

1) Between 1980and1984 the number of the branches of canara Bank has increased from 49to 66. In the year 1984 there was an increase of 8 branches whereas there has been an increase of only 3-4 branches in the preceding years.

2)The amount of deposits Rs.31.58 crores in 1980 increased to Rs.55.45 crores in 1984 with 20 per cent share of the deposits of all scheduled commercial bank's deposits over the years.

3)The increase of advances of canara Bank from Rs. 18.90 crores to Rs.44.35 crores during 1980-1984 shows the increase in the share of all scheduled commercial Banks from 13.7 per cent to 20 per cent to 20 per cent.

i) The priority sector advances have increased from Rs.11.15 crores Rs. 26.37 crores which shows the increase of share of priority sector advances from 16.42 per cent to 25.55 per cent during 1980-1984.

ii)The agricultural advances of canara Bank show an increase from Rs.8..73 crores to Rs.23.60 crores in the period, the share of which for the same has also increased from 13.77per cent to 23.11 per cent.

iii)The DRI advances have an increase of Rs.0.24 crores to Rs.0.37 crores in the period, the share of which has an increase of 11.26 per cent to 13.5 per cent in the same period.

## **At the Branch Level (canara Bank Branch at Alanganallur):**

### **Analysis of Deposits:**

1) The growth of deposits of canara Bank between 1977 and 1984 has increased considerably from Rs.983 thousands to Rs.4534 thousands, which shows the increase of 361.24 in percentage.

2) The share of term deposits has increased from Rs.479 thousands to Rs.1602 thousands over the period , whereas the current deposits and savings deposits have increased from Rs.28 thousands to Rs.258 thousands and Rs.476 thousands to Rs.2674 thousands respectively over the same period.

3) Agriculture constitutes the primary segment of the Bank's deposits. The amount of Rs.1100 thousands in 1979 increased to Rs.3608 thousands in 1984 , which is followed by traders with Rs.269 thousands in 1979 to Rs. 403 thousands in 1984.

### **Analysis of credit:**

1) More than 80 per cent of the total credit is given to agriculturists particularly weaker sections like agricultural labourers, marginal and small farmers.

2) with respect to the total credit, there is 720 per cent increase over the period of the study .

3) The agricultural credit went-up more than 7times over the years.

4) paddy and sugarcane are the prinicipal crops by the Bank's lending activity.

5) Regarding the agricultural credit, there is 64.09 per cent share of jewellery loan an 21.34 per cent by animal husbandry in 1984.

6) over the amout of loan sanctioned for animal husbandry, more than 75 per cent was constituted by Dairy from 1981to 1984.

### **Recovery of credit:**

1) There is more than 80 per cent recovery of agricultural credit from 1980 to 1984 . The highest percentage of agricultural recovery is found in the year 1982. Probably the reason for this high

percentage recovery may be due to the tie-up loan, a loan which is given to borrowers with strings particularly in encashing products.

2) The index of growth shows a steady increase of the agricultural recovery over the period.

### **Profit Position:**

1) The net profit has increased from Rs.163 thousands in 1981 to 492 thousands in 1984.

2)The total income has increased by 110.5 per cent whereas the total expenditure has increased gradually by 62.8 per cent over the years, which shows the excellent service of the branch suiting the needs of the people over the years .

### **Findings about the Dairy Loan Scheme:**

#### **Characteristics of the Beneficiaries:**

1)37per cent of the beneficiaries of the dairy scheme to agricultural labourers, 33per cent marginal farmers and29 per cent small farmers.

2) 46per cent of the beneficiaries belong to scheduled castes, and rest of the 54 per cent belong to other castes.

3)42.9 per cent of the Agricultural labourers have relatively large size family. Above 7 members, whereas the percentage of the marginal and the small farmers having large size family, above7 members is32 and 22.7 respectively in this regard.

4)66 per cent of the beneficiaries are illiterate Illiteracy is high among agricultural labourers.

5)86per cent of the beneficiaries own a house. Particularly agricultural labourers live in thatched houses . Nearly half of the beneficiaries use electricity and scheduled castes people use it at nominal rate.

6) The average number of earning members is high in the agricultural labourers and low in small farmers with 7.2 per cent and 1.1 per cent respectively among the beneficiaries which shows the poverty of the first and the better condition of the second.

7) The agricultural labourers have come to know about the dairy loan scheme of the Bank from the MILK society and the small farmers, from Bank officials.

8) The beneficiaries have pointed out that there is total satisfaction about the treatment and help made by the bank officials.

### **Impact on Net Income:**

1) The purchase of feeds and fodder which comes under the variable cost varies from one beneficiary to another because of his financial constraints. As a result , the total income earned by agricultural labourers, is Rs.3386.78, marginal farmers Rs.8048.67 by small farmers. These difference is due to differences in the yield of milk and of the lactation period for the milch animals.

2) The profit is closely related more to the variable capital than to the fixed capital , further the influence of variable capital on profit is inductive or it has adverse effect. This is proved empirically with the Regression model for both. The separate analysis is made of the farmers on the basis of difference in their economic status and also their condition of living mainly to the conventions of the castes which they belong to .

3) profit is obtained by the existing difference between the total revenue and total cost. The profit as the percentage of the total cost of the agricultural labourer was 39.46,for marginal farmers it was 49.44 and 55.46 for small farmers. On an average it was calculated as 48.12 per cent for the three categories.

### **Impact on Asset Formation:**

1) The importance of dairy loan on formation of asset is appreciable. The net gain of assets at the end of the year is Rs.726.54 for agricultural labourers, Rs.1512.93 for the small farmers . on an average the net gain in assets in the particular year, is Rs.1082.4.

2) The recurring deposit scheme is useful and it helps the dairy beneficiaries for their future expenditures besides their usual budget gap.

3) The lactation period of the milch animal depends on the maintenance cost and the quality of the animal. This period is longer for small farmers who spend more from their pocket regularly.

### **Impact on Employment :**

Atleast one labour per household gets new employment due to the dairy loan scheme. So the dependency ratio is ultimately reduced to the gain in employment .

### **Suggestions:**

1. Giving the purchase cost of the milch animal should not be the only objective of Banks, some additional amount of money may also be given on monthly basis for meeting the expenses with regard to the variable capital

2. After the sanction of the dairy loan, the loanee is ordered to buy the milch animal from selected districts far away from his locality, which increases the transport cost, and the animals bought from a different place, are now affected by the present environmental conditions . ultimately this affects the productivity .so the loanee can be left free in his preference.

3. Quality of the animal should be checked by the Bank and the decision to buy such kind of animals should be vested with the bank in order to avoid buying poor animals with low yield and thus resulting in high mortality rate.

4. The role of District Rural Development Agency should not be confined to subsidy alone, and the Bank should have more role than DRDA in advancing Dairy Loan.

5. Absence of systematic efforts to increase the number of cross –breed animals , and the prices of existing animals tend to increase to levels which render the units non –viable Thus the emergence of new scientific selection of blended variety of animals would fetch gain to the poor farmers in the future.

6. When an animal dies due to sickness or natural disturbances, the amount claimed from the Insurance company does not go to the hands of the borrower but it is kept with his account at



the bank itself which puts the loanee in trouble and they become helpless. Remedial measures should be taken to stop the above problem.

**Conclusion:**

Agricultural credit in India has been marked by predominance of non-institutional credit . In order to overcome it, commercial banks have made considerable progress in financing of priority sectors in the last few years . More still remains to be done and banks have to concentrate a major part of their energies and resources for this work in the coming years. The task is , no doubt, very challenging but more challenging would be the balancing of commercial considerations with social responsibilities . while stepping up lending to the priority sectors during the seventh plan period, banks will have to maintain their profitability by diversifying into more profitable activities , like foreign exchange business , merchant banking etc. At the same time, they have to make efforts to reduce the cost of their operations with mechanization, where necessary. How commercial banks will cope up with this challenging task in the course of the seventh plan period remains to be seen. In spite of all the hurdles in the path of economic development in our highly democratic country in the world, canara Bank is “Serving to grow and growing to serve.”

#### IV Dairy Expenditure:

SI No	Items	1983	1984
1.	Feeds and Fodder		
2.	Veterinary charges		
3.	Labour charges		
4.	Miscellaneous		
	a) Insurance		
	b) Milking charge		

#### V. Income and Asset particulars (per Month)

SI No	Items	No/Acre	Income	Value	Expenditure	Net Income
		B A	B A		B A	B A
5.1	Agricultural					
5.2	Land					
1.	Immovable					
2.	Assets					
3.	House					
4.	Land/Dairy					
5.	Shed					
	Implements					
	Household					
	Items					
	Others, If					
	any					

B-Before

A- After

## V. Income and Asset Particulars (Per Month) (Continued)

SI No	Items	No/Acre	Income	Value	Expenditure		Net Income
		B A	B A		B	A	B A
5.3	5.3 Livestock and Birds						
1.	Bullock						
2.	cow						
3.	Buffalow						
4.	Calves						
5.	Sheep/coat						
6.	Poultry Birds						
7.	Others , If any						
5.4	Non-farm						
1.	Activities						
2.	Dairy						
3.	Artisan-ship						
4.	Service						
5.	Labour						
6.	Self-Employment						
7.	Trade/Commerce						
	Others,If any						
TOTAL							

B-Before

A- After

## VI. Consumption and Expenditure pattern:

SI No	Items	No/Acre Income		Expenditure Net Income	
		Before	After	Before	After
6.1	Food				
6.2	Clothing				
6.3	Rent				
6.4	Fuel				
6.5	Electricity				
6.6	Education				
6.7	Medicine				
6.8	Smoking				
6.9	Entertainments				
6.10	Others, if any				
TOTAL					

## VII . Savings and Indebtedness (In Rs.)

SI No	Source	Amount Borrowed	Year of borrowing	Rate of interest	Purpose	Amount Paid	Amount outstanding
7.1	Co-operative society						
7.2	Commercial Bank						
7.3	Money Lender						
7.4	Relatives and friends						
7.5	Others , If any						
TOTAL							

### **VIII . Employment:**

8.1 Do you get additional employment due to dairy loan: Yes /No

8.2 If yes , how many days in a month? :

8.3 Do you employ family labour :Yes/ No

If yes, what was he/she doing previously?

8.4 Do you employ outside labour: Yes/No

Part time / Full time

### **IX. Repayment:**

9.1 Do you pay repay loan regularly ? Yes/No

9.2 How much paid ? Outstanding?

9.3 over dues how much? Reason:

X. Attitude about Bank :

10.1 How did you come to know about bank loan?

Society/ Bank officials/Fellow Farmers / Others, if any

10.2 Attitude about the bank staff.

Co-operative and active/passive

10.3 Specific problems:

10.4 Suggestions:

Date :

Signature of Interviewer