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A Study on Agriculture credit by Commercial Banks in Kanchipuram District

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Abstract

The current study seeks to emphasize the all-encompassing nature of agricultural loans provided by commercial banks within Kanchipuram District and examines the repayment behaviors of borrowers. The aim of these commercial banks is to effectively cover specific regions to address the credit requirements of the priority sector, particularly those related to agricultural financing, while also ensuring proper oversight over loan utilization. Kanchipuram district features numerous villages and covers extensive agricultural land. The primary livelihood for the rural community in this district is agriculture. Therefore, a thorough investigation of these challenges and issues is vital. This rationale underpins the choice of focusing on the role of commercial banks in extending agricultural credit within Kanchipuram district.

Key Words: Crop loan, Commercial bank, Agriculture lands. Etc.,

I. INTRODUCTION

Agriculture is vital for the advancement of the Indian economy. It represents approximately 19 percent of the Gross Domestic Product and around two-thirds of the population relies on this sector. The essential nature of agricultural financing as a key resource for agriculture is highlighted by its distinctive contribution to the broader economic environment and its effect on reducing poverty. Acknowledging the significance of the agricultural sector in India's progress, both the Government and the Reserve Bank of India have been instrumental in establishing a comprehensive institutional framework to meet the growing credit demands of the industry. Agricultural policies in India undergo periodic evaluations to keep pace with the evolving needs of this sector, which is a crucial part of the priority sector lending for scheduled commercial banks, with a prescribed target of 18 percent of net bank credit allocated to it. The Approach Paper for the Eleventh Five Year Plan has established a goal of 4 percent growth for the agriculture sector within the broader target of 9 percent for overall GDP growth. In this light, the necessity for accessible, adequate, and prompt institutional credit to agriculture has become increasingly vital.

Significance of Institutional Credit

Institutional organizations are uniquely qualified to determine land value and accurately assess farmers' financial requirements and their capacity to repay. Additionally, the dependency on moneylenders can only be mitigated through fair practices implemented by institutions. Furthermore, institutional organizations can monitor how loans are utilized and prevent funds from being misused for non-productive purposes. They also promote the welfare of the farming community by motivating them to save and improve their living standards. Lastly, these institutions have designated extension officers to ensure the success of credit programs and boost agricultural output. Thus, the contribution of institutional organizations is crucial for the growth of agriculture.

Table 1
Institutional Credit to Agriculture

Year	Institutions							
	Co -op. Bank	**Share (%)**	**RRBs**	**Share (%)**	**Commercial Banks**	**Share (%)**	**Total**	**Percentage Share**
2018-19	10479	48	1381	6	10172	46	22032	18
2019-20	11944	45	1684	6	12783	48	26411	20
2020-21	14085	44	2040	6	15831	50	31956	21
2021-22	15916	43	2538	7	18443	50	36897	15
2022-23	18363	40	3172	7	24733	53	46268	25
2023-24	20801	39	4219	8	27807	53	52827	14
2024-25	23604	38	4854	8	33587	54	62045	17

Up to December 2025. Source: Economic Survey and NABARD, Various Issues.

Nevertheless, the expansion of direct financing for agricultural activities and related sectors experienced a drop in the 2000s (with a percentage of 8) in comparison to the 2008s (14 percent) and 2010s (approximately 21 percent). Additionally, a comparative examination of direct loans to agriculture and its allied sectors from the 2000s and from the 2010s onward indicates that the average proportion of long-term loans within total direct funding has not only remained significantly lower but has also slowed down (declining from slightly above 38 percent to nearly 36 percent). This trend may adversely affect agricultural investments crucial for future growth.

Source of Agricultural Finance

The actual need for credit is clearly influenced by how accessible credit is, and the demand for loans would vary if the lending conditions and frameworks were changed. Therefore, examining the credit supply side is essential when considering any assessment of credit needs. In India, numerous entities, both private and institutional, extend financial support to farmers for agricultural endeavors. Moneylenders and merchants are among the most significant private providers. The primary institutional sources include co-operative and commercial banks, while state governments have also been funding farmers via various departments. Long-term financing has mainly been managed by organizations that focus on investment, such as co-operative land mortgage banks and land development banks. In recent times, commercial banks have also entered the realm of long-term finance for agriculture.

Benefits of the Scheme

- Co-ordinated Development
- Joint Participation
- Creation of a Link
- Implementation of Government Programmes
- Identification of Potential Areas
- Rural Credit Facility
- Co-ordination of Development Programmes

However, to bring the Lead Bank Scheme effectively at the village level, the Government has introduced the 'Service Area Approach' to development. Under this scheme the plans are prepared village wise instead of district-wise.

Statement of the Problem

Agriculture also necessitates financial investment. Small-scale and marginal farmers often require loans because their funds are tied up in debts and inventory. They must secure money to cover their routine costs. Their demand for credit peaks during the planting season. Countless farmers rely on marginal and subsistence methods for their livelihood. With insufficient crop yields, they struggle to produce enough for distribution or, at times, even to sustain their agricultural activities effectively and affordably. Consequently, they heavily rely on borrowing, even for basic farming tasks, and must later allocate a portion of their earnings for interest payments. Kanchipuram district comprises several villages and extensive agricultural lands. Farming serves as the primary source of employment for the local rural community in the district. Therefore, a thorough examination of these challenges is crucial. This necessity underscores the choice to focus on commercial banks for offering agricultural financing in Kanchipuram district.

Objectives of the Study

The specific objectives of the present study are:

1. To examine the patterns and development of loans provided repayments of loans, remaining loans, and overdue amounts from commercial banks within the in Kanchipuram region.
2. To investigate the effect of credit on the distribution of income among farmers.
3. To evaluate the elements contributing to the overdue situation faced by farmers.
4. To propose effective solutions for the retrieval of overdue payments.

Limitations of the Study

No records were kept on the farms that were examined. Therefore, the details regarding costs and returns were gathered verbally from the farmers. The reliability of this information was affected by their ability to remember accurately. Nonetheless, to reduce memory-related errors, appropriate verification and checks were performed, ensuring that the ultimate figures were reasonably reliable.

Methodology of the Study

Establishing an appropriate methodology and choosing the right analytical tools are essential for conducting meaningful and beneficial analysis in any research project. This section aims to outline the methodology, including the reasons behind selecting the study area, the sample design, the duration of the study, the data collection methods utilized, as well as the methods and tools for analysis.

Sample Design

The study employed a stratified multistage random sampling method, using Kanchipuram District as the overarching population, blocks as the strata, villages as the primary unit, and beneficiary farmers as the final unit. In Kanchipuram District, there are 248 commercial bank branches that have been offering agricultural loans to farmers under the Lead Bank Scheme by Indian Overseas Bank. A list of borrowers from each block was acquired from the Lead Bank's records for the year 2024-25. Fourteen blocks including Ekkapuram, Gummidipoondi, Minjur, Puzhal, Poonamallee, Pallipet, Poondi, R.K.Pet, Sholavaram, Thiruvallur, Tiruvalangadu, Tiruttani, and Villivakam were selected based on the highest number of beneficiaries for the collection of primary data. A total of 600 borrowers were randomly chosen from 13 villages using a proportionate random sampling approach.

Characteristics of the Sample Farmers

Understanding the socio-economic background of the sample farmers plays a crucial role in influencing their decision to utilize credit productively. Although numerous socio-economic factors exist, this study focuses on age, education, family size, operational holdings, cropping patterns, and farming experience.

Table 2
Age-Wise Distribution of Sample Respondents

Age (in years)	Large	Small	Total
Less than 30	38 (10.33)	24 (10.35)	62 (10.34)
30 – 40	254 (69.02)	156 (67.24)	410 (68.33)
40 and above	76 (20.65)	52 (22.41)	128 (21.33)
Total	368 (100)	232 (100)	600 (100)

According to Table 1, it has been shown that about 70 percent of the participants fall within the age range of 30 to 40 years. Within the large farmer's category, the 30 to 40 age bracket is somewhat more prevalent at 69.02 percent, whereas it accounts for just 67.24 percent in the small farmer's category relative to their overall numbers. Farmers younger than 30 years make up merely 10.34 percent of the total. Meanwhile, individuals older than 40 years represent only 21.33 percent.

Table 3
Literacy Level of Sample Respondents

Literacy Level	Large	Small	Total
Illiterate	64 (17.39)	36 (15.52)	100 (16.67)
School Level	184 (50.00)	138 (59.48)	322 (53.67)
College Level	106 (28.80)	32 (13.79)	138 (23.00)
Professional and Others	14 (3.81)	26 (11.21)	40 (6.66)
Total	368 (100.00)	232 (100.00)	600 (100.00)

From the Table 2 it has been inferred that 53.67 per cent of the farmers in the study area have only school education, followed by those with college level education and illiterates namely, 23.0 and 16.67 per cent to the total. The school level education percentage is higher among small farmers group (59.48 per cent) than among large farmers group (50 per cent) in the case of college level education, the large farmers have a higher percentage (28.80 per cent) than those who are in the small farmers group.

Table 4
Family Size of Sample Respondents

Family Size	Large	Small	Total
Less than 4	48 (13.04)	22 (9.48)	70 (11.67)
4 – 6	80 (21.74)	62 (26.72)	142 (23.67)
6 – 8	142 (38.59)	72 (31.04)	214 (35.66)
8 and above	98 (26.63)	76 (32.76)	174 (29.00)
Total	**368 (100.00)**	**232 (100.00)**	**600 (100.00)**

Table 3 indicates that almost 88 percent of farmers belong to families consisting of more than 4 individuals, whereas merely 29 percent have families with more than 8 individuals. The most common family size among larger farmers is 6-8 members, accounting for 38.59 percent of the total, while those with families larger than 8 members represent 32.76 percent of the total among large farmers. In the beneficiaries' group, the employment of family labor was more widespread compared to that in the group of large farmers.

Table 5
Number of Family Members Engaged in Cultivation

Number of Members	Large	Small	Total
Below 2	172 (46.74)	112 (48.28)	284 (47.33)
2 – 4	106 (28.80)	80 (34.48)	186 (31.00)
4 –6	64 (17.39)	26 (11.21)	290 (15.00)
Above 6	26 (7.07)	14 (6.03)	40 (6.67)
Total	**368 (100.00)**	**232 (100.00)**	**600 (100.00)**

According to the information presented in Table 4, a total of 47.33 percent of the surveyed farms have engaged 1 to 2 family members for farming activities. Among these, 48.28 percent participated in small farming groups, while 46.74 percent were part of larger farms. Additionally, 31.00 percent employed 2 to 4 family members in cultivation, with 28.80 percent involved in larger farming groups and 34.48 percent in smaller farming groups. It was observed that larger farming groups relied more on family labor compared to smaller farming groups.

Table 6
Size of Operational, Holdings in the Sample Farmers

Size of Holding (in acres)	Large	Small	Total
Less than 1	94 (25.54)	64 (27.59)	158 (26.34)
1 – 2	86 (23.36)	52 (22.41)	138 (23.00)
2 – 5	72 (19.57)	38 (16.38)	110 (18.33)
5 – 8	78 (21.20)	48 (20.69)	126 (21.00)
8 and above	38 (10.33)	30 (12.93)	68 (11.33)
Total	**368 (100.00)**	**232 (100.00)**	**600 (100.00)**

It can be deduced from Table 5 that 67.67 percent of active farms are smaller than 5 acres. The other 32.33 percent are larger than 5 acres. Within the category of larger agricultural producers, the majority of operational holdings are below one acre, constituting 25.54 percent, followed by those ranging from 1 to 2 acres. The small-scale farmers' segment also shows that less than one acre represents 27.59 percent of the overall total.

Table 7
Loans issued, recoveries, outstanding and overdue of the commercial banks during the period 2018-19 to 2024-25.

Year	Loan Issued	Recoveries	Out standings	Overdues
2018-19	268.15	99.24	30.42	168.15
2019-20	299.24	113.42	37.46	186.16
2020-21	350.11	163.42	43.62	188.62
2021-22	349.26	137.11	44.21	212.64
2022-23	375.11	139.41	45.15	236.15
2023-24	398.14	153.14	47.24	245.14
2024-25	413.45	159.69	45.11	254.16
Mean	319.29	126.56	39.23	193.33
S. D	65.12	28.92	6.30	39.40
C.V. %	20.40	22.85	16.06	20.38

Table 6 illustrates that the loans provided by the commercial bank from 2004-05 to 2024-25 experienced a consistent rise. In the fiscal year 2004-05, loans amounted to Rs.237.15 lakhs, and by the year 2024-25, this figure had grown to Rs.413.45 lakhs. Likewise, the trends for recoveries, outstanding amounts, and overdue payments also indicated an upward movement throughout the entire decade. Table 6 indicates that the average figures for loans issued, recoveries, outstanding amounts, and overdue payments from 2004-05 to 2024-25 were

calculated to be Rs.319.29 lakhs, Rs.126.56 lakhs, Rs.39.23 lakhs, and Rs.193.33 lakhs, respectively. Notably, a significant variation was observed in recoveries, whereas a minimal variation was noted for outstanding amounts throughout this period.

Table 8
Trends and growth of loans issued, recoveries made, outstanding and overdue of the commercial banks during 2005-06 to 2024-25.

Variable	Trend Co-efficient		R2	Compound Growth Rate (%)
	A	B		
Loans issued	5.37	0.0614* (12.66)	0.94	6.33
Recoveries	4.42	0.0632* (5.74)	0.76	6.53
Outstanding	3.43	0.0376* (3.40)	0.51	3.84
Over dues	4.88	0.0603* (15.72)	0.96	6.22

Figures in brackets represent t – values
* Statistically significant at 5 per cent level

Based on the information presented in Table 6, it has been concluded that the trend coefficient for both loans disbursed and recoveries achieved is statistically significant at a level of 5 percent. This indicates that the loans disbursed and recoveries achieved have increased at annual rates of 0.0614 percent and 0.0632 percent, respectively. The compound growth rates for loans disbursed and recoveries achieved were recorded at just 6.33 percent and 6.53 percent. Concerning the outstanding balances and overdue amounts, the trend coefficients were also identified as being statistically significant. The compound growth rate for recovery amounts was seen to be elevated, followed closely by the growth rate of loans disbursed. This analysis suggests that the financial institution, specifically Indian Overseas Bank (IOB), has extended substantial loans to address the rising financial requirements of the farmers in the region studied. Moreover, the recovery rates in the area were observed to be satisfactory.

Table 9
Investment of Credit on Drought Cattle and Milch Animals (Per Farm) By the Beneficiaries

Size Group	Number of Farmers	Drought Cattle	Milch Animals		Total
			Cows	Buffaloes	
Large	232	739.99 (43.81)	949.12 (56.19)	-	1689.11 (100)
Small	368	676.11 (32.63)	1396.04 (67.37)	-	2072.15 (100)
Overall	600	735.99 (38.23)	1189.11 (61.77)	-	1925.10 (100)

From the Table 7 it has been revealed that investments on drought cattle and milch animals per farm were made on the basis of the size of the farms. The total investments made on drought and milch animals by small farmers were found to be Rs.2072.15 which were higher when compared with the large farmers in the study area. Investments made on drought and milch animals by the small farmers were found to be Rs.676.11 and Rs.1396.04 respectively. In the case of large farmers, it worked out to Rs.739.99 and Rs.949.12 for the drought animals and the milch animals respectively.

Table 9
Components of Capital Investment Scale and the Scores Assigned To Each One of the Components

Sl. No.	Component	Score
1.	Farm Land	10
2.	Land Improvement	10
3.	Digging and repair of wells	10
4.	Farm equipment, tools and machinery	10
5.	Investment in mechanical power	10
6.	Farm buildings, cattle sheds and the like	10
7.	Farm livestock	10
8.	Farm poultry	10
9.	Development of other irrigational sources	10
10.	Transport and storage facilities	10
	Total	100

It has been observed from the Table 8 that the components of capital investment scale and the scores assigned to each one of the ten components. The first component was identified as the farmland and a score of ten was assigned to it. The increase in the value of agricultural land was calculated, by assuming the previous year's value as 100 and the geometric mean for the growth for five years (2005-06 TO 2024-25) was calculated. The highest geometric mean was assigned ten scores.

II. CONCLUSION

The analysis conducted indicated that the coefficients related to the loans given were found to be significantly important at the 5 percent threshold. It can be observed that the commercial banks in the region under examination were doing well in providing loans. The computed compound growth rate revealed a favorable growth figure of 6.33 percent. In terms of recoveries, outstanding amounts, and overdue payments, there was no notable variation in the trend throughout the

observed period. Therefore, it can be inferred from the analysis performed that significant loans were extended by the commercial banks in the region to fulfil the escalating financial needs of the farmers in that area. Furthermore, it was noted that the proportion of land irrigated by larger farmers surpassed that of the smaller farmers. Tanks emerged as the primary irrigation source, succeeded by pump sets and tube wells within the studied region. The findings indicated that larger farmers experienced a higher cropping intensity when compared to their smaller counterparts. Hence, it may be concluded that the increased cropping intensity among large farmers demonstrated a positive influence of agricultural credit on how land was utilized.

Suggestions of the study

The perception of agriculture in India as merely a way of life has failed to regard it as a productive endeavor, particularly among populations that are socially, economically, and technologically disadvantaged. The limited movement of personnel, resources, and technology across sectors has entrenched a cycle of technological seclusion in agriculture. It is recommended that there should be an enhancement in the investment levels by farm households involved in agriculture, especially by smaller farmers. There is a suggestion to raise the public sector investment in agriculture, as this could encourage a greater amount of private sector investment. It is advised that training camps and educational programs for farmers should be organized at the village level, either regularly or at defined intervals. It is necessary to simplify the processes involved in recovering overdue payments from commercial banks. There is a need to gather, organize, and compile data related to overdue recoveries periodically. It is necessary to extend the time frame for repayment due to ongoing crop losses caused by natural disasters. Establishing suitable payment deadlines aligned with the agricultural calendar to guarantee prompt loan distribution and repayment is recommended. There is a strong belief that the conclusions drawn and the constructive recommendations provided following a thorough examination of agricultural financing related to commercial banks in the Kachipuram district of Tamil Nadu by the author will significantly contribute to improving the socio-economic conditions of farmers not just in the studied region but also throughout the nation.

Conclusion

Consequently, it can be concluded that the marginal farmers excelled not only in their wise investments in both financial and physical assets but also in their efficient and effective use of inputs and resources within the region being studied. Agricultural credit, especially from commercial banks, facilitated agricultural inputs necessary for their daily farming needs. Moreover, it encouraged them to implement more intensive farming practices. It can also be deduced that the

improved recovery performance observed in the area has, in turn, fostered the effective operation of the Lead Bank in that region

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