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## A STUDY ON NON-PERFORMING ASSETS IN KURUNJIPADI BLOCK OF CUDDALORE DISTRICT, TAMIL NADU

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### ABSTRACT

India is an agriculturally predominant country where about 75 percent of the population is dependent on it. Since the breakthrough in agricultural production technology, farm credit comprising of about 60 percent short-term credit and 40 percent term credit played a crucial role in stepping up agricultural production and employment in India. NPAs are classified under three categories-Substandard, Doubtful and Loss. The present study is an attempt to examine the short-term agricultural credit in an agriculturally important district of Tamil Nadu. The study is based on primary data collected from 120, 50 marginal and 70 small randomly selected from 6 villages in kurunjipadi block in Cuddalore district. The data pertain to the agricultural year 2012-2013. To analysis was attempted to examine the requirement, availability and short-term agricultural credit from different lending agencies. The credit included the interest charges paid by borrower cultivators, opportunity value of time spent in getting a loan. The short-term loans, the marginal and small farmers obtained seeds, irrigation and fertilizer alone and not for the purchase of tractor and land. The repayment is high in non-institutional banks as compared to institutional banks. The government has to encourage the farmers to repay the loans by offering some discounts/Zero interest. For the farmers those repay regularly must have given some priority in sanction of more loans without delay.

**Key Words:** NPAs, Agricultural Credit, Institutional and Non-Institution

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## INTRODUCTION

India is an agriculturally predominant country where about 75 percent of the population is dependent on it. Since the breakthrough in agricultural production technology, farm credit comprising of about 60 percent short-term credit and 40 percent term credit played a crucial role in stepping up agricultural production and employment in India. The opening up of thousands of branches of commercial banks after the nationalization of commercial banks in 1969 has helped not only in the expansion of rural credit supply but also mobilization of rural savings. The development agriculture depends upon the new technologies which in turn, depend on the massive use of capital. The capital has become one of the crucial factors in determining the kinds, quantity, and quality of agricultural production of a country. However, it is felt that with increasing involvement of credit institutions the lending quality is diluted and credit increased.

In India, NPAs are characterized under three classifications Sub-standard, Doubtful and Loss on the premise of the quantity of months the sum is late for. India proposed to move from 180 days to a 90-day past due order standard for NPA distinguishment viable March 2004. The RBI has characterized the expression "resolved defaulter" preparing for banks to obtain possessions of defaulting organizations through the Securitisation Ordinance and lessen their NPAs quicker. As indicated by the RBI a stubborn defaulter is one who has not utilized bank reserves for the reason for which it was taken and who has not reimbursed advances in spite of having satisfactory liquidity. Universal credit score office Standard & Poor has evaluated that the level of horrible dangerous holdings in India can move into the 35-70 for every penny go in the occasion of a subsidence. It has likewise assessed that the level of non-performing Assets (NPAs) in the framework to be at 25 for every penny, of which just 30 for every penny might be recuperated. On the off chance that all endeavors of up-degree and rebuilding of NPA records fall flat, banks use distinctive strategies for the recuperation of credits. Contingent upon the fleeting credits and underlying security, banks take suitable recuperation measures. The example of the conclusion of recuperation endeavors gives a sign as to the viability of every mode of recovery.

## **STATEMENT OF THE PROBLEM**

Small and marginal farmers need agricultural credit since their capital is locked up in their loans and stock. To need funds to meet their operational expenses. Their agricultural credit need is high at the time of crop season. Due to these reasons they depend mostly on credit even for normal agricultural operations and have to pay a part of their income by way of interest later. The problems and requirements for agricultural credit arise largely from the seasonal cycle of agricultural production which is superimposed on a largely perpetual and steady pattern of continuous consumption. The present study on short-term agricultural credit for marginal and small farmers in Kurunjipati block of Cuddalore district, Tamil Nadu.

The RBI defines the provisioning requirement for impaired assets as a function of time and security. An illustration of the difference in accounting for NPA is that for Indian banks, an asset is reckoned as NPA when principal or interest are past due for 180 days as compared with 90 days. The problem of NPAs is a danger to the banks because it destroys the healthy financial conditions of them. The trust of the people would not be anymore if the banks have higher NPAs. So, the problem of NPAs must be tackled out in such a way that would not destroy the operational, financial conditions and would not affect the image of the banks. Recently, RBI has taken number steps to reduce NPAs of the Indian banks. To aims at the intensive coverage of selected areas for meeting the priority sector agricultural credit, needs, especially the agricultural credit requirements and ensuring effective supervision over the use of lending in institution and non-institution. Cuddalore district has a number of villages and possesses large areas of agricultural lands. Agricultural is the main occupation of the rural population in the district. So, an in-depth analysis of these problems and issues becomes essential. This is the reason for selecting the short-term agricultural credit for marginal and small farmers in Cuddalore district.

## **METHODOLOGY**

The present study is an attempt to examine the short-term agricultural credit in an agriculturally important district of Cuddalore Tamil Nadu. The study is based on primary data collected from 120 farmers, that is, 50 marginal and 70 small farmers from Kurunjipati block in Cuddalore district. The data pertain to the agricultural year 2012-2013. The tabular analysis was attempted to examine the requirement, availability and short-term agricultural credit borrowing from two agencies (institutional and non-institutional). Institutions are commercial banks and SBI bank and non-institutions are chit funds, moneylender, relative and friends.

## ANALYSIS AND DISCUSSION

### 1. Credit Disbursement:-

The marginal and small farmers have availed loan from institutional and non-institutional banks. In total, Rs. 13, 93,180 is received from institutional banks and 93 farmers benefited from the loan (see table-1). In particular, 56 farmers from the Commercial bank and 37 from SBI and associate banks availed the loan. Commercial banks have given more amounts of loan and small farmers availed more amounts. Regard to non-institutional banks, Rs. 13, 59,910 is borrowed by the farmers in total and there is no wide variation in approaching an institutional and non-institutional bank for a loan by the farmers. From relatives and friends, 79 farmers have borrowed more (Rs. 8, 49,480) as compared to money lenders and chit funds.

**Table-1**

**Institutional and Non- Institutional Credit Disbursement [in Rs.]**

Category	Marginal Farmers	Small Farmers	Total
<b>Institutional Banks</b>	(n=50)	(n=70)	(N=120)
<b>Commercial Bank</b>	345360 (22)	422550 (34)	767910 (56)
<b>SBI and Associate Bank</b>	275800 (16)	349470 (21)	625270 (37)
<b>Total</b>	621160	772020	1393180
<b>Non-Institutional Banks</b>			
<b>Moneylender</b>	115400 (21)	175580 (26)	290980 (47)
<b>Chit funds</b>	98750 (14)	120700 (19)	219450 (33)
<b>Relative and Friends</b>	360700 (32)	488780 (47)	849480 (79)
<b>Total</b>	<b>574850</b>	<b>785060</b>	<b>1359910</b>

Source: Computed

Note: Figure in parentheses denotes the no. of the farmer not repaid the loan.

### 2. Non Performing Assets:-

Table-2 gives the details of non-performing assets of the surveyed farmers. For the institutional banks, Rs. 8, 59,390 has to be repaid and 76 farmers have not paid the amounts. In the case of non-institutional banks, Rs. 1, 02,640 has to be repaid and 25 farmers have to repay the same. Thus, it is evident that the repayment is high in non-institutional banks as compared to institutional banks. The farmers expect that the government may waive the loans in future and refuse to repay the same. But, in the case of non-institutional banks, the farmers have to repay where the interest rate is high.

**Table-2****Non Performing Assets of the Surveyed Farmers**

<b>Category</b>	<b>Marginal Farmers</b>	<b>Small Farmers</b>	<b>Total</b>
<b>Institutional Banks</b>	(n=50)	(n=70)	(N=120)
<b>Commercial Bank</b>	215700 (18)	296450 (21)	512150 (47)
<b>SBI and Associate Bank</b>	113450 (12)	233790 (17)	347240 (30)
<b>Total</b>	329150	530240	859390
<b>Non-Institutional Banks</b>			
<b>Moneylender</b>	11800 (5)	26290 (4)	38090 (9)
<b>Chit funds</b>	2450 (3)	2500 (2)	4950 (5)
<b>Relative and Friends</b>	22750 (7)	36850 (4)	59600 (11)
<b>Total</b>	<b>37000</b>	<b>65640</b>	<b>102640</b>

Source: Computed

Note: Figure in parentheses denotes the no. of farmer's not repaid the loan

### 3. Percentage of Non Performing Assets:-

Table-3 gives the percentage of non-performing assets in the surveyed regions. In total, the repayment is high (more than 80%) in institutional banks whereas it is low (less than 20%) in non-institutional banks. Thus, it is confirmed that the repayment is poor among the farmers and it depends upon the banks. The farmers have a dual financial transaction in repayment of the loan. The non-performing assets are high for Institutional as compared to non-Institutional banks.

**Table-3****Percentage of Non-Performing Assets of the Surveyed Farmers**

Category	Marginal Farmers			Small Farmers			Total		
	Credit Received	Non-Payment	%	Credit Received	Non-Payment	%	Credit Received	Non-Payment	%
Institutional Banks									
Commercial Bank	22	18	81.8	34	29	85.3	56	47	89.3
SBI and Associate Bank	16	12	75.0	21	17	80.9	37	30	86.5
Non-Institutional Banks									
Moneylender	21	5	23.8	26	4	15.4	47	9	19.1
Chit funds	14	3	21.4	19	2	10.5	33	5	15.2
Relative and Friends	32	7	21.9	47	4	8.5	79	11	13.9

Source: Computed

**CONCLUSION AND POLICY SUGGESTIONS**

Commercial banks have given more amounts of loan and small farmers availed more amounts. There is no wide variation in approaching an institutional and non-institutional bank for a loan by the farmers. The repayment is high in non-institutional banks as compared to institutional banks. The farmers expect that the government may waive the loans in future and refuse to repay the same. But, in the case of non-institutional banks, the farmers have to repay where the interest rate is high. The government has to encourage the farmers to repay the loans by offering some discounts/ Zero interest. For the farmers those repay regularly must have given some priority in sanction of more loans without delay. If this is mandated, the farmers may come forward to repay regularly and level of non-performing assets may come down drastically.

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