

IMPACT OF NON-FARM SECTOR ADVANCES ON THE MEMBERS OF PCARDBs IN ERODE DISTRICT

Dr.T.K.Janaki,

Assistant Professor, Department of Commerce, Lakshmi Bai College, University of Delhi, Ashokvihar, Phase III, Delhi – 110052.

In developing countries, most of the agriculturists leave farming and take up wide range of employment in Non Farm Sector (NFS) activities. Further, the people who are undertaking agriculture carry on NFS activities to supplement their income. NFS consists of heterogenous activities, which have the potential to absorb the excessive or discarded work force in rural areas. The spread of NFS depend upon the livelihood of the community. It harvests the locally available resources to generate employment and income to the people. Further, it reduces the migration of rural people to urban areas and reduces the pressure of population on agriculture.

The Agriculture and Rural Development Banks are renamed with the purpose of looking after the entire credit need of rural folk to accelerate rural development. The switchover of Land Development Banks (LDBs) from long-term lending to medium and short-term lending and even extension of its coverage from farm sector to non-farm sector make this study a significant one. In fact these agriculture and rural development banks have to join hands with commercial bank and primary agriculture co-operative credit society in their efforts to develop the rural India. Though these banks are located in district and taluk headquarters their services are channalised either though their own branches. This study assumes importance as in the Primary Cooperative Agriculture and Rural Development Bank (PCARDBs) as organs of short-term credit and long-term credit and directs their efforts towards rural development.

It is pertinent to assess and appraise the extent of their efforts and the effects in the context of poverty. Rural unemployment and migration of work force make the people to realize the need for PCARDBs.

The agricultural sector, due to declining size of landholding, and the organised industry have not been able to generate the needed employment opportunities. That underscores the need for alternative avenues for employment generation in rural areas.

The increase in non-farm component of the rural work force has been attributed to both developmental and distress factors which some times have been operating in a mutually reinforcing way. The developmental factors like agricultural modernization, commercialization, increased demand for non-crop goods and services, urbanization, growing literacy and even welfare oriented policy interventions leading to increased job opportunities have tried to pull the labour force away from agriculture towards more lucrative non-farm sector activities. At the same time, distress factors like poverty, unemployment/ underemployment due to the inability to absorb the surplus labour, and even frequent natural calamities like drought have tried to push the rural households to go in search of various non-farm sector activities to supplement their farm income and employment.

The large scale industries which are concentrated in few cities do not provide solution to unemployment and poverty. It also requires more capital investment, latest technical know-how and more infrastructural facilities, for its growth which are available only in urban areas and cities. Therefore, obviously the position is that this sector cannot grow fast enough to provide an answer to the unemployment and poverty problems of the country. Besides both the farm and industrial sectors cannot absorb the unemployed and under employed rural youth.

BANK-WISE ANALYSIS OF LOANS ISSUED

Initially, the PCARDBs advanced loans for the settlement of old loans to free the small and marginal farmers from the clutches of the village money lenders. Later, there has been a growing need for diversifying the loan portfolio keeping in view of the requirements of credit in the rural areas. Therefore, PCARDBs shifted the focus of lending for development purposes such as digging wells, farm mechanisation, plantation and horticulture and also for animal husbandry. During 1990-91 with a view to uplift the rural people and to cause rural development, non-farm sector development has been thought of by NABARD and came forward to render refinance assistance to PCARDBs through SCARDBs for financing of rural industries, small road transport operators and rural housing.

Lending eligibility of the PCARDBs is fixed by TNSCARD Bank, with reference to the instructions given by NABARD. Loan eligibility and target for the concerned year is communicated to PCARDBs by TNSCARD bank, after approval by NABARD and Registrar of Co-operative Societies. Loans are issued only after the careful scrutiny of the

loan applications of the individual borrowers to ascertain the repaying capacity of the borrowers, to ascertain the purpose of which it is sought is permissible, to ascertain the post-development income expected to be generated from the project to be financed and to ascertain and confirm about the clear title of the applicant over the properties offered for mortgage and the like.

Normally PCARDBs themselves are empowered to sanction loans upto Rs.15,000, except NFS and rural housing loans, and if the loan amounts exceeds Rs.15,000 the loan applications are scrutinised and sanctioned by the SCARDB. Generally loans are given in lumpsum to NFS, SRTO and rural housing. In the case of agricultural loans like rubber plantation, digging new wells, deepening old wells and the like loans are disbursed in instalments.

TABLE 1
NFS LOANS ISSUED BY PCARDBs IN ERODE DISTRICT

(Rs. in lakhs)

Year	Bhavani	Erode	Kangayam	Perundurai
2008-09	85.05	54.01	97.16	59.24
2009-10	114.63	69.10	144.49	93.21
2010-11	100.07	63.27	147.35	103.32
2011-12	125.18	59.10	136.61	76.53
2012-13	150.00	57.07	136.46	79.24
2013-14	128.19	65.97	136.99	91.19
2014-15	128.46	32.96	86.61	32.80
2015-16	136.37	72.12	104.30	50.00
2016-17	75.46	41.90	82.58	10.83
2017-18	4.69	4.73	2.74	1.48
Total	1047.46	520.23	1075.29	627.84
Average	104.75	52.02	107.53	62.78
S.D.	42.10	20.54	44.30	35.40
C.V.(%)	40.19	39.48	41.20	56.39

Source: Audited Accounts of PCARDBs in Erode District, 2017-18.

Table 1 shows the variations among the banks with regard to the NFS loans issued during the study period. The average amount of loans issued by the Kangayam PCARDB was Rs.107.29 lakhs during the study period and it was followed by Bhavani, Perundurai

and Erode PCARDBs which constitute Rs.104.75 lakhs, 62.78 lakhs and Rs.52.02 lakhs respectively. Regarding the stability over a period of NFS loan issued by PCARDBs, a high fluctuations was observed in almost all the banks of PCARDBs in Erode district. Among the banks, Erode bank has been stable in issuing a loan during the period under study relatively compared to other banks.

Review of Literatures

NABARD (2015) conducted an ex-post evaluation study on RNFS in Andhra Pradesh. The study found that credit flow to RNFS has increased over the time due to insufficient and irregular orders (fashion technology), weaning away of the members from the group by private traders (coir mat) and non-utilization of the machines (coir rope).

Ranjit Singh Ghuman (2015) viewed that a holistic approach towards the development of rural economy was sine qua non. It would include efforts to raise both farm and non-farm rural income through industrialization, provision of quality education, health, housing and other related social services. Growth and development of RNFS was possible only with the emergence of rural-based, rural-linked, rural-based urban-linked and urban-based rural linked enterprises/activities.

Nagendra Babu, K. (2015) found that recovery in non-farm sector to total loans and advances was 227.06 percent, in 2003. It was good when compared to farm sector recovery in Regional Rural Bank which stood at 50.97 percent.

Biradhar, R. A. and Rajasekar, D. (2016) who studied agrarian structure and occupational diversification in rural Karnataka found that there was occupation shift from agriculture to non-agricultural activities from 1981 to 1991 census. The non-agriculture employment had increased in sub sectors.

NABARD (2016) undertook an ex-post evaluation study on RNFS investment in Bhilwara District of Rajasthan. This study revealed that the repayment performance was excellent at 92.2 percent. The excellent repayment performance was due to the manufacturing and service activities financed by the banks. The defaulters accounted for 46 percent to sample size. The wilful default was reported by 35 percent of total defaulters.

According to Sankar Kumar Bhaumik (2017) analysed the growth rates of farm and non-farm employment. He found that, at the all India level, the growth rate of non-farm employment was high in the post reforms period when the growth rate of farm

employment was low. Further he found both in the pre and post reforms period, most of the states that enjoyed high growth rates of non-farm employment also suffered from low growth rates of farm employment. Consequently the rank correlation coefficient between ranks of growth rates of farm and non-farm employment turned out to be negative in both the periods. This means that the rural workers flocked in the non-farm sector for employment whenever the prospects of farm employment dwindled, in the present phase of agrarian crisis in India.

Objectives of the study

To survey the impact of advances upon the beneficiaries in terms of employment creation and income generation.

Sampling

Multi Stage Sampling procedure has been adopted for the study. Erode District is one of the industrially forward districts of the State of Tamil Nadu.

- In the first stage, Erode district has been purposively selected because of its unique characteristics.
- In the second stage, Among 12 PCARDBs functioning in Erode District, four PCARDBs viz., Bhavani, Erode, Kangayam and Perundurai PCARDBs have been randomly selected for the study.
- In the third stage, all the non – farm loan beneficiaries of these four banks have been interviewed. The total sample size constitutes 137.

The PCARDBs in Erode District financed for a number of Non-Farm activities, which came under ten groups of activities viz., Small Road Transport Operators Scheme (SRTTO), Food processing, Building Materials Industry, Agro based Industry, General Engineering, Textile Industry, Printing and Stationary Industry, Service Industry, Rural Housing and Miscellaneous Industries.

REASONS FOR STARTING NFS

Both the pull and push factors determined the spread of NFS in the rural areas. Though certain factors dominate in certain localities, they are not uniform across the country. However, the infrastructure facilities like, availability of raw materials, transport facilities, communication, forward and backward linkages determined the spread of NFS. Above all the role of financial institutions is of great importance. The present study found

that among the reasons like availability of the raw materials, financial assistance, transport facility, marketing facility and support of relatives, (which are considered to be of paramount importance by the sample respondents), financial assistance from PCARDBs were considered to be the major reasons for a majority of sample respondents.

The non-farm activities are established based on two factors. One is demand based and another is resource based activities. The demand based activities are related products or services for which there is good market potential. The resource based NFS activities are related to products or services which required natural resources as raw materials, man power with required skill, previous experience and access to finance.

TABLE 2
REASONS FOR STARTING NFS

S.No	Reasons for Starting NFS	Number of Borrowers	Percentages
1	Availability of Raw material	31	22.6
2	Getting Employment	55	40.2
3	Promote family business	15	10.9
4	Availability of finance	18	13.2
5	Marketability	18	13.1
Total		137	100

Source: Primary Data collected from the respondents

Table 2 highlights the reasons for starting NFS. It was found that 40.2 percent of them have started NFS for getting employment. Availability of raw materials (22.6 percent), promoting family business (10.9), availability of finance (13.2) and marketability (13.1 percent) had been the reasons for starting the NFS activities by the borrowers of PCARDBs in Erode District.

IMPACT OF NON-FARM SECTOR LOAN ON EMPLOYMENT

The size of employment generated was measured in terms of average mandays within the family of the four income groups in order to identify the principal borrowers of the PCARDBs under the non-farm sector loan scheme.

TABLE 3
EMPLOYMENT GENERATION UNDER NFS LOAN SCHEME AMONG
DIFFERENT INCOME GROUPS

Income (In Rs.)	Number of Beneficiaries	Average Man- days Generated within the family	Average Man- days generated through hired hands
Below 2000	15	312	230
2000 – 3000	29	320	320
3000 – 4000	50	268	255
4000 – 5000	24	315	245
5000 and above	19	290	240
Overall	137	293	265

Source: Primary Data collected from the respondents

Table 3 reveals the employment generation under the non-farm sector loan scheme among borrowers in different income groups. Regarding average man-days of employment created within the family, it was found to vary between 268 and 320. The highest average man days of employment was found among the income groups ranging from Rs. 2000 to Rs. 3000 followed by the income group of Rs. 5000 and above.

Employment generated among the people other than family members on hired basis was found to vary between 230 man-days and 320 man-days. The average number of man-days generated was found to be the highest among the income group of Rs.2000 – Rs.3000 followed by the income group Rs.3,000 – Rs.4,000.

Conclusion

The development of NFS largely depends upon the availability of credit facilities. PCARDBs, which have identified RNFS as a viable area for diversification, have yet to harvest the opportunities both at State and at primary level. It is high time that the potentiality of NFS must be realized and harvested early by PCARDBs otherwise new financial players will enter into NFS market. Hence, the present approach in NFS lending need to be redesigned to make it user-friendly.

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