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A STUDY ON FARMERS PERCEPTION TOWARDS AGRICULTURE FINANCE IN COIMBATORE DISTRICT

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Abstract

This study examined the various sources of finance for agriculture activities, opinion of the farmers about receiving agriculture finance and the problems faced in settling the agricultural credits. Data were collected using structured interview schedule. Data were analysed using descriptive statistics, chi-square and one way ANOVA. Results shows that the farmers in Coimbatore district are mostly males, 40% of respondents are in the age group of 41-50 years, 30 % of the farmers studied are below high school 46.7% of the respondents family size are below 4 members, 46.7 % of the respondents farm size are 5-10 acres, farmers practiced mixed cropping and majority (37%) of them grew coconut. Majority of the farmers (30%) received finance from Cooperative Societies for agriculture activities. Most of the farmer's problems faced in receiving agricultural finance for low level of awareness about the banking Schemes.

Key notes: Financial Sources, Sample Farmers, Finance, Cropping Pattern

Introduction

Agriculture is a vibrant part in India's economy. 54.6% of the population is involved in agriculture and allied activities (census 2011) and it contributes 17% to the country's Gross Value Added (current price 2015-16, 2011-12 series). As per the land use statistics 2013-14, the total geographical area of the country is 328.7 million hectares, of which 141.4 million hectares is the reported net sown area and 200.9 million hectares is the gross cropped area with a cropping intensity of 142 %. The net sown

area works out to be 43% of the total geographical area. The net irrigated area is 68.2 million hectares. The Government has taken many policy initiatives for strengthening of farm credit delivery system for providing credit at lower rates of interest to support the resource requirements of the agricultural sector. The emphasis of these policies has been on providing timely and adequate credit support to farmers with particular focus on small and marginal farmers and weaker sections of society to enable them to adopt modern technology and improved

agricultural practices for increasing agricultural production and productivity. Agricultural credit flow has increased consistently over the years and it reached Rs.877,527 crore against the target of Rs.850,000 crore during 2015-16. Target for the year 2016-17 has been fixed at Rs.900,000 crore and the achievement is Rs.755,995 crore (upto September, 2016). The target of Rs. 9,00,000 crore is likely to be surpassed by the end of the financial year 2016-17.

Statement Of The Problem

The agriculture sector is important for food security, employment generation and economic growth. However, concern now is on the decline in agricultural growth. Since agriculture is a vital sector in India, there should be an end for segregation of agriculture. In Tamilnadu, agriculture is the most overriding sector in the economy. The farmers have committed suicide for the reasons are accumulated debt on the bank loans and private loans. They sell their entire gold, mortgage all their lands and farmers command no respect in the society and are looked down upon, they have no guaranteed income or sufficient income, and have no full-time work. There is unemployment, under-employment, and most of the time owing to famine, drought, floods and other natural calamities they have to migrate. The institutional lending and the institutional credit have been reduced abnormally. Farmers are to depend on moneylenders and their indebtedness lead to sell their products below the production cost. So, they are not in a position to repay the loan in time. Farmers approach banks and cannot get a loan from the bank for the mere reason of holding small size of land and hence they approach moneylenders and take money at a higher rate of interest and suffer.

Objectives Of The Study

1. To Know the various cropping pattern followed by the farmers.
2. To find out the various sources of finance for agriculture activities of the farmers

3. To draw the opinion of the farmers about receiving agriculture finance and the problems faced in settling the same.

Methodology

The study is based on the data collected from the individual farmers in Coimbatore district. Convenient sampling technique has been used in order to collect data from 300 respondents which were collected for a period of 8 months i.e from December 2016 to July 2017 through interview schedule. The secondary data have been collected from the published journal, books, magazines and websites. For the purpose of study Coimbatore district includes Valparai, Pollachi, Coimbatore and Metupalayam, The data collected were processed further with the help of the Statistical Product and Service Solution (SPSS) to analyse and interpret the data in the study. The following statistical tools namely, Chi-square Test, One-way ANOVA, Mean Score and Weighted Average Methods have been used for analysis to arrive at meaningful conclusions.

Review Of Literature

Saeed Yazdani (2006) in his study on “Analyzing the Impact of Structural Change in Iranian Agricultural Credit System” stated that Replacement of the traditional interest based credit system with an Islamic credit system was one of the fundamental changes in Iran since 1979. The Islamic credit system, offers the prospect of risk sharing between the borrower and the lender. Small farmers are likely to be risk averse and they are reluctant to go heavily into debt in order to finance investments in new technology and capital intensive methods of production which they perceive to be risky. Farmer’s decision making behaviour with regard to risk under the Islamic and interest based credit systems are explored with the aid of a simple conceptual model.

Yogendra Prasad Acharya, Uma Acharya (2006) in their study on “Sustainability of Microfinance Institution from

Small Farmers Perspective: This study is a case of rural Nepal. Our data came from in-depth individual interviews, and focus group discussions carried out in three farmers cooperative organizations (the most successful, the least successful and the median) from the same geographical area and demonstrate how local understandings and views of rural small farmers can contribute towards sustainable microfinance and poverty alleviation in rural Nepal.

Betty Kibaara and James Nyoro (2007) in their book “Expanding the Agricultural Finance Frontier: A Kenyan Case” pointed that agriculture is the mainstay of the Kenyan Economy. However, agriculture has experienced low productivity over the years. Poor access to agricultural finance has been identified as a contributing factor to low crop productivity. Kenyan agriculture has undergone some fundamental changes which have profoundly affected agricultural financial services. In addition, most financiers shy away from lending to the agricultural sector because of the co-variant risks related to rain-fed agriculture.

Lena Roussenova and Dimiter Nenkov (2007) in their study on “Agricultural Finance and Institutional Reforms in Bulgaria” revealed that agriculture has traditionally played a significant role in the Bulgarian economy. Since 1997, the government has made rapid progress in implementing a wide-ranging reform program in agriculture, the financial sector and in the economy in general. Most of these programs are continuously undergoing changes, consistent with the developments in the agricultural and banking sectors. With continuing recovery of public trust in banks, and with more than 70 per cent of banks assets owned or controlled by foreign private banks, the sector is expected to overcome conservative lending.

J. O. Oladebo and O. E. Oladebo (2008) in their study on “Determinants of Loan Repayment among Smallholder Farmers in Ogbomoso Agricultural Zone of Oyo State,

Nigeria” examined that socio-economic factors influencing loan repayment among small scale farmers in Ogbomoso agricultural zone of Oyo State of Nigeria. Data collected from 100 farmers from 10 villages in 2 Local Government Areas from the zone through multistage random sampling techniques were analyzed using descriptive statistics and Ordinary Least Square multiple regression analysis. Results disclosed that farmers were on the average 47 years with fewer years of farming experience with credit use (average of 4 years).

K. K. Tripathy and Prof. S. K. Jain (2007) in their study “Trends and Issues in the Access to Agricultural Finance in India: Review of Micro-finance as an Innovative Credit Delivery Mechanism” stated that the outreach and access to total bank credit has undoubtedly been improved with the bank nationalization. However, the delivery of agricultural credit remains wrought with weaknesses, negating equitable and efficient distribution, thereby affecting the viability and sustainability of formal institutions. Scarcity of credit, higher transaction costs, shortage of staff and dominance of non-institutional credit markets have necessitated follow-up services for enhancing the productive utilization of credit and repayment performance through group-lending schemes.

Results & Discussion

Table No.1 Socio-Economic Characteristics of Sample Farmers

S.No	Parameters	No.of Respondents	Percentage
1	Sex of the Respondents		
	Male	260	87
	Female	40	13
2	Age of the Respondents		
	21-30	40	13
	31-40	100	34
	41-50	120	40
	Above 50	40	13
3	Qualification of the Respondents		
	No Formal Education	50	16.7
	Below High School	90	30.0
	Higher Secondary	70	23.3
	Graduate	40	13.3
	Post Graduate	30	10.0
	Professional	20	6.7
4	Family Size		
	Below 4 Members	140	46.7
	4 - 6 Members	30	10.0
	7 - 9 Members	80	26.7
	Above 9 Members	50	16.7
5	Farm Size (Acres)		
	Below 3 acres	70	23.3
	5 to 10 acres	140	46.7
	Above 10 acres	90	30.0

Source: Primary data

The table 1 explains the demographic factors of the respondents. Out of 300 farmers, 87 per cent are male and remaining 13 per cent are female. 40% of respondents are in the age group of 41-50 years, 34% of respondents are in the age group of 31-40 years, 13% of respondents are in the age group of 21-30 and above 50years. Majority of the respondents are in the age group of 41-50 years.30 % of the respondents are below high school, 23.3% the respondents are Higher Secondary, 16.7% of the respondents are No Formal Education, 13.3% of the respondents are under the category of graduates,10% of the respondents are post graduates and 6.7% of them belong to professional. Majority of the respondents are Below High School. 46.7% of the respondents family size are below 4 members, 26.7% of the respondents family size are 7- 9 members, 16.7% of the respondents family size are above 9 members and 10% of the respondents family size 4- 6 members.46.7 % of the respondents farm size are 5-10 acres, 30% of the respondents farm size above 10 acres and 23.3% of the respondents farm size are below 5 acres.

Table No.2 Distribution Of Respondents According To Crops Grown

S.No	Crops	No.of Respondents	Percentage
1	Paddy	15	5
2	Maize	12	4
3	Flower	9	3
4	Coconut	111	37
5	Tea	21	7
6	Vegetables	54	18
7	Sugarcane	18	6
8	Oilseeds	36	12
9	Banana	24	8
Total		300	100

Source: Primary data

Table.2 revealed that 37% of the farmers grew coconut; 18% grew Vegetables; 12% produced Oilseeds while 8%,7%, 6%,5%,4% and 3% grow Banana, Tea , Sugarcane, Paddy, Maize and Flowers. This shows that the farmers practiced mixed cropping and majority of them grew coconut.

Table No.3 Sources Of Finance For Agriculture Activities

Sno	Sources	No.of Respondents	Percentage
1	Public Sector Banks	60	20
2	Private Sector Banks	30	10
3	Regional Rural Banks	30	10
4	Cooperative Societies	90	30
5	Friends and Relatives	40	13
6	Private Money Lenders	50	17
Total		300	100

Source: Primary data

The above table provides information towards the formal and informal sources of finance. Of the 300 farmers 30 per cent have borrowed money from Cooperative Banks, 20 per cent have borrowed from Public Sector Banks, 17 percent of the borrowed from Private Money Lenders, 10 percent have borrowed from Private Sector Banks and Regional Rural Banks. Majority of the farmers (30%) received finance from Cooperative Societies for

SN	Factors	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Mean score
1	Not aware of the facilities available	350	640	60	40	30	4.06
2	Complex Documentation	400	600	30	60	10	3.73
3	Lack of service	300	360	180	20	30	3.63
4	Lack of Educational Knowledge	150	280	300	140	30	3.00
5	Difficulties in Opening Bank Account	100	400	90	180	60	2.76
6	Loan has taken other than banks	150	400	180	160	30	3.30
7	Inaccessibility to credit	250	320	240	120	30	3.06
8	Insufficient loan amount	300	280	210	40	40	3.56
9	High-interest rate	300	280	150	100	30	3.53

agriculture activities.

Table No.4 Problems Faced In Receiving Agricultural Finance

Source: Primary data

The above table shows that out of the 300 farmers, strongly agree in Not aware of the facilities available (4.06), Complex Documentation (3.73), Lack of Service (3.63), Insufficient loan amount (3.56), High-interest rate (3.53), Loan has taken other than banks (3.30) Inaccessibility to credit (3.06), Lack of Educational Knowledge (3.00), Difficulties in Opening Bank Account (2.76) are the major problems faced for receiving agricultural finance.

ANOVA test has been applied to find out if there is any significant difference between the educational qualification, Farm size and their opinion on the problems faced in receiving agricultural finance.

Ho: “There is no significant difference between the educational qualification of the respondents and their opinion regarding the problems faced in receiving agricultural finance.

Table No.5- ANOVA Test

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4719.524	5	943.905	21.192	.000
Within Groups	13095.143	294	44.541		
Total	17814.667	299			

The ANOVA result shows that at 5% level of significance, with the ‘Significant value of .000’ there is significant difference between the educational qualification of the respondents and their opinion regarding the problems faced in receiving agricultural finance. Hence the hypothesis is rejected.

Ho: “There is no significant difference between the Farm size of the respondents and their opinion regarding the problems faced in receiving agricultural finance.

Table No.6- ANOVA Test

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	815.302	2	407.651	7.122	.001
Within Groups	16999.365	297	57.237		
Total	17814.667	299			

The ANOVA result shows that at 5% level of significance, with the ‘Significant value of .001’ there is significant difference between the Farm size of the respondents and their opinion regarding the problems faced in receiving agricultural finance. Hence the hypothesis is rejected.

Source Of Awareness Of Financial Sources

Communication for agriculture is also not seen as a major priority at both national or international level and the role of the media as an effective player in agricultural development.

Therefore this question is relating the ways to know about formal source are gathered and given in the following table. Table 4.7 presents the respondent’s opinion about the various media through which they get awareness about the various financial sources.

Table No.7 Source of Awareness of the financial sources

Sources	No.of Respondents	Percent
Fellow Farmers	129	40.1
Newspapers	100	33.3
Radios	10	3.3
Television	50	16.7
Internet	20	6.6
Total	300	100.0

Source: primary

Table 7 says that, 40.1 % of the respondents are aware of the financial sources through fellow farmers, 33.3% of the respondents are aware through Newspapers , 16.7% of the respondents are aware through Television, 6.6% of respondents are aware through internet and 3.3 % of respondents are aware through Radios Majority of the respondents are aware of the financial sources through fellow Farmers, because it is an easy way to provide information.

Chi-Square test has been applied to find out if there is any significant difference between the demographic factors educational qualification and respondent’s Awareness of the various financial sources

Ho: “There is no significant relationship between the demographic factors and the respondent’s awareness of various financial sources through different media.

Table No.8 - Chi-Square Test

Demographic Factors	Value	df	Sigvalue	Sig or Not Sig
Sex	52.747	3	.000	Sig
Educational Qualification	87.241	15	.000	Sig
Years of farming	62.026	6	.000	Sig
Area of living	38.095	6	.000	Sig

Based on the chi-square test, it is clear that all the demographic variables have significant relationship with the respondent’s awareness of various financial sources through different media at 5% level of significance. Hence the hypothesis is rejected. The demographic factors

such as Sex, Educational qualification, years of farming and area of living of the respondents have direct impact on the respondent's awareness of various financial sources.

Findings of the study

- ❖ Majority (40 percent) of the farmers are in the age group of 41-50 years
- ❖ Majority (30 percent) of the farmers studied are below high school
- ❖ Majority (46 percent) of the farmers family size are below 4 members
- ❖ Majority (46.7 percent) of the farmers farm size are 5-10 acres
- ❖ Most of the farmers practiced mixed cropping and majority 37 percent of them grew coconut
- ❖ Majority of the farmers 30 percent received finance from Cooperative Societies for agriculture activities.
- ❖ Most of the farmer's problems faced in receiving agricultural finance for not aware of the facilities available.
- ❖ The ANOVA result shows that at 5 percent level of significance, with the 'Significant value of .000' there is significant difference between the educational qualification of the farmers and their opinion regarding the problems faced in receiving agricultural finance.
- ❖ The ANOVA result shows that at 5percent level of significance, with the 'Significant value of .001' there is significant difference between the Farm size of the farmers and their opinion regarding the problems faced in receiving agricultural finance.
- v Chi-Square test result shows that at 5% level of significance, demographic variables have significant relationship with the respondent's awareness of various financial sources through different media.

Conclusion

The farming community in India consists of about 121 million farmers of which only about 20 per cent avail crop loans from financial institutions and only three fourth of those are insured. The remaining 80 per cent (96 millions) are either self-financing or depend upon informal sources for their financial requirements. Most of the farmers are illiterate and do not understand the bureaucratic and other requirements of formal financial institutions. Agricultural finance enables the farmer to procure the necessary wherewithal of production and creates conducive climate for enhanced output. Since Agricultural finance uses a "push effect and has a catalytic role in development process, provision of sufficient, timely and liberal finance to the farmer becoming a vital part of the agricultural developments in India. As a result, agricultural finance in the country is provided through three main channels, viz., commercial banks

including private sector banks in the recent years, regional rural banks and cooperative societies. From this study farmers view not aware of the facilities available in banks, do not provide finance in time and there is no sanction of sufficient amount. A special care should be given to provide finance in time which will assist better progress in agriculture production and also farmers social conditions in this study area.

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