

## **A Study of Farmers' Attitude on Institutional Credit for Agriculture in Theni District**

G. Rajesh<sup>1</sup>, N. Vijayaananth<sup>2</sup>, V. Sivasankar<sup>3</sup>

<sup>1</sup>Research Scholar, PG and Research Department of Commerce,  
Mannar Thirumalai Naicker College, Madurai

<sup>2</sup>Head and Assistant Professor, PG Department of Commerce,  
CPA College, Bodinayakanur

<sup>3</sup>Research Scholar, PG and Research Department of Commerce,  
C.P.A College, Bodinayakanur

### **ABSTRACT**

Agricultural farmers in Theni district face several challenges in accessing financial services, as they need restricted access to money markets. Despite the various reforms undertaken by the govt. together with money sector reforms, several rural farmers have remained in financial condition with restricted capability to access safety nets like loans to fight against hunger and malady. This paper is going to verify factors that have an effect on farmer's call to access agricultural finance. A survey was conducted in Theni District. Using each purposive and sampling technique, a pre-tested form was administered on fifty farmers. The information was collected through interviews as most of them square 2measure reluctant to fill the shape. Knowledge was analysed employing a regression model. Results indicated the farmers in Theni district value more highly to borrow from co-operative banks. conjointly demographic factors like age, gender, education level, financial gain level, size of social unit considerably influenced call to access finance connected factors like quantity of loan, average time taken for process and loan payback amount, influenced the selection of agricultural finance in Theni district.

**Keywords:** Farmers, Agricultural Finance, Demographic Factors, Finance Related Factors, Regression, Theni District

### **1. INTRODUCTION**

The agricultural sector in India supports regarding hour of the population that's completely addicted to agricultural connected livelihoods several of whom square measure poor individuals within the rural country facet. So as to enhance the standing of economic condition and improve rural lives, access to rural finance is incredibly vital elements. Increased access to agricultural finance thus ought to specialize in up access to banking services and credit in rural areas.

According to Associate in Nursing recent expression "Credit supports the farmers because the hangman's rope supports the hanged." within the case of Indian farmers this statement is absolutely true. Thus, for exciting the tempo of agricultural production, Associate in Nursing adequate and timely credit, is most essential. Each year heap of farmer's ends their life as a result of their crops is spoiled and that they don't have any thanks to survive. They need an enormous drawback of living and farming that they have monetary help. They're of 2 varieties - initial has institutional and second is non-institutional. Institutional sources are

business banks, cooperative banks, small finance establishments, etc. Non-institutional sources are cash lenders, friends and relatives, etc.

**Commercial Bank:** During 1969-1975, commercial banks were nationalized and therefore the shares of commercial banks in total institutional credit to agriculture are sort of forty eighth followed by cooperative banks with a share of forty six per cent. Revolution within the late 60s and 70s did necessitate adequate accessibility of credit. However, the flow of credit wasn't improved and therefore the commercial banks weren't tuned to desires and needs of small and marginal farmers.

**Co-operative Bank:** Cooperative banks offer farmers with a good vary of banking and financial services like loan, deposits, banking accounts so on. These cooperative banks are thought of as substitutes for moneylenders, to supply timely and adequate short-term and long-term institutional credit at affordable rates of interest

**Micro finance:** Micro funding through Self facilitate teams has assumed prominence in recent years. Self-facilitate cluster may be a cluster of rural poor United Nations agency volunteer to arrange themselves into a gaggle for wipeout of economic condition of the members. They conform to save often and convert their savings into a typical fund called the cluster corpus. The members of the cluster conform to use this common fund and such different funds that they will receive as a gaggle through a common management. As before long because the Self facilitate cluster is created and one or two of cluster conferences area unit control, a Self facilitate cluster will open a Savings bank account with the closest commercial or Regional Rural Bank or a Cooperative Bank.

**Moneylenders:** Till 1934, skilled cash lenders were the sole supply of credit to agriculture. They accustomed charge high rates of interest that was unendurable by them, follow serious practices whereas giving loans, and sick them. As a result, farmers were heavily burdened with debts and plenty of them perpetuated debts. The cash lenders freely offer credit for productive and non-productive propose, and conjointly for short-term and long-term needs the farmers. There have been discontents among farmers against these practices and there have been riots conjointly. They're simply accessible and maintain an in depth and private contact with the borrowers typically having relations with family extending over generations. These strategies of business are easy and versatile.

**Friends and relatives:** The friends and relatives of farmers offer credit to the farmers in very little quantity to fulfill day to day needs and emergency desires. They offer loan with or while not interest and security.

## **2. OBJECTIVES OF THE STUDY**

Examine the socio economic characteristics of farmers' in Theni district

- To seek out out the sources of finance obtainable to farmers' in Theni district.
- To establish the institutional and socio economic factors that influence in choice of economic establishments in agriculture credit in Theni district
- To grasp the satisfaction level of the farmer's from the establishment disposal policies.

### **3. REVIEW OF LITERATURE**

Agricultural Credit is outlined as a sort of financing want to offer funding for agricultural producers. The rural credit market in general is comprised of institutional credit agencies, private moneylenders, landlords (who include money-lending rich farmers), retail shops and grain traders. Interest rates not only vary between lenders and regions but they vary according to purpose for which the loan is sought. As a result, an informal loan may be demanded both by those who cannot post the collateral required by the formal sector and by those who can but are unwilling to do so because of the associated risk. The ensuing collateral reduction, however, comes at a cost as informal lenders expend resources on monitoring that must be recovered via a higher interest. (Boucher and Guirkinger 2007).

Basu 1997 said that the rural credit market in general is comprised of institutional credit agencies, private moneylenders, landlords including money-lending rich farmers, retail shops and grain traders. Interest rates not only vary between lenders and regions but they vary according to the purpose for which the loan is sought.

Mansuri (2007) says that the informal market is often characterized by heterogeneous non-specialists for whom money lending is a means of increasing returns to other economic activities. However, not all informal lenders are equally placed in lending to all rural households. In particular, occupational differences among lenders generate systematic differences in the cost and reliability of the information that each lender can acquire, and in the lender's enforcement capacity with respect to particular types of borrowers.

The National Commission on Agriculture (2008) examined the requirements of institutional credit<sup>18</sup> for covering the new agricultural strategy of agricultural development and all aspects of rural development including production, marketing, processing and transportation.

Dutta and Basak (2008) suggested that Co-operative banks should improve their recovery performance, adopt new system of computerized monitoring of loans, implement proper prudential norms and organize regular workshops to withstand in the competitive banking environment.

Anjani Kumar, K.M. Singh and Shradhanjali Sinha (2010) found that although the institutional credit to agriculture increased continuously, moneylenders still are the main source of credit to agriculture. They found that the institutional credit given to agriculture increased during last four decades. The commercial banks had remained the most important source of institutional credit. But the declining share of investment credit hampered the growth of agriculture. They also found that the socio-demographic factors like family size, caste, gender, and occupation and education level of the farmers affected the use of institutional credit. Hence, they remarked that the simplification of credit procedures is essential for the better access to credit.

Harikesh Maurya (2015) identified the beneficiaries of co-operative banks' agricultural credit and an attempt is also made to examine farmers' attitudes. He found that across the dimension's teams, the utmost beneficiaries are the medium farmers.

V. Balakrishnama Naidu, A. Siva Sankar and P. Surya Kumar (2013) stated that about 66 percent population in India depends on agriculture. Therefore, agricultural credit is a vital input for higher agricultural productivity. Agricultural production and productivity ought to be improved to supply food for all population. Together with agricultural credit, other factors like seed quality, minimum support prices, rainfall, irrigation and environmental conditions were also considered significant in improving agricultural productivity. Because of the misuse of credit, it was very difficult to estimate the exact use of credit for agricultural purpose.

Cooperatives increase agriculture income in many ways: (1) Raising the general price level for products marketed or lowering the level for supplies purchased; (2) reducing per-unit handling or processing costs by assembling large volumes, i.e., economies of size or scale; (3) distributing to farmers any net savings made in handling, processing, and selling operations;

#### **4. STATEMENT OF THE PROBLEM**

India is agricultural primarily based country and its seventieth population keeps in geographic area. Agriculture may be a dominant sector of our economy and credit plays a vital role in increasing agriculture production. Convenience and access to adequate, timely and low price credit from institutional sources is of nice importance particularly to tiny and marginal farmers. There area unit 2 necessary establishment's viz., the commercial banks and also the cooperatives, loaning to agriculturists within the space beneath enquiry viz., Theni District, state State, India. Theni district's economy is predicated on agriculture and thence provision of timely and adequate credit to farmers is extremely necessary. The utmost downside of the farmers is from wherever to shop for and the way to shop for. But the cooperative and commercial bank place along don't seem to be able to eliminate cash lenders United Nations agency area unit funding those extortionate rates. However the cooperative banks loaning to agriculture has helped the farmers to cut back their borrowing from non-institutional agencies. although there has been steady progress by the banks in farm credit the queries that arises during this context area unit - Do the farmers in Theni district borrow funds for agriculture and if therefore what area unit the factors influence them to pick out the actual financial institution? Area unit they glad with their selection of finance?

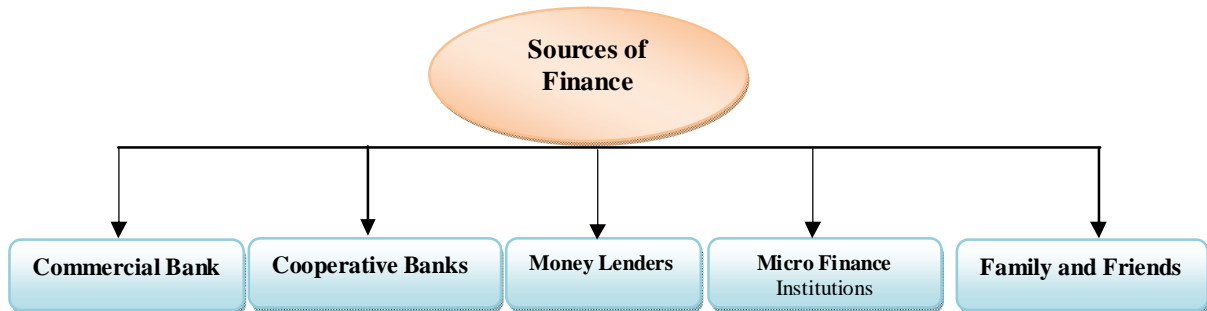
#### **5. RESEARCH METHODOLOGY**

Both primary information and secondary information were employed in the gathering of information. The first information was collected through a structured form and discussion with the borrowers of agricultural finance. The borrowers of commercial banks, co-operative banks, money lenders, family and friends and MFI were fashioned within the population of the study. The sources of secondary data assortment embrace articles from RBI, Government of India, Pro quest and Emerald. The sample size for the study legitimate to one hundred from the villages in Theni district. Random and purposive sampling methodology was wont to collect information. The information was collected through interviews as most of them area unit reluctant to fill the shape. During this survey, price the worth of Liker scale is employed and therefore the results area unit transferred into a proportion value.

#### **6. LIMITATIONS OF THE STUDY**

The study is mainly concerned with demographic and finance related factors for the selection of financial institutions for agricultural credit in Theni District.

**DIFFERENT FINANCING SECTOR AVAILABLE FOR AGRICULTURE FINANCE IN THENI DISTRICT**



**FIGURE 1 SOURCES OF FINANCE**

The above discussed sources of finance available are considered as a major part in this study.

**7. DATA ANALYSIS AND INTERPRETATION**

In order to analyse the impact of factors influencing selection of type of bank for agriculture credit by famers, two hypotheses were formulated. They are tested with regression in order to understand their impact.

**THE DATA RELATED TO KINDS OF EXPENSES MET BY THE RESPONDENTS ARE PRESENTED IN THE TABLE 1**

<b>KINDS OF EXPENSES</b>	<b>NO OF RESPONDENTS</b>	<b>PERCENTAGE</b>
Paying wages	100	100
Purchase of seeds and fertilizers	100	100
Digging wells and boring wells	100	100
Purchase of electric motor with pump	100	100
Installation pipe lines	100	100
Transportation	100	100
Purchase of tractor and machinery	100	100

Source: Primary data

**TABLE NO 1**

In the above table it is inferred that, all the respondents have mentioned that they have all the expenses mentioned in the above table in Theni district.

The preferred financial institutions by the farmers in Theni district is presented in the Table 2

### PREFERRED FINANCING INSTITUTION BY THE RESPONDENTS

FINANCING INSTITUTION	NO OF RESPONDENTS	PERCENTAGE
Commercial Banks	24	22
Co-operative society	60	58
Money lenders	10	12
Friends and family	6	08
Micro finance Institutions	0	0
Total	100	100

Source: Primary data

**TABLE NO 2**

In the above table it is inferred that 60% of the respondents prefer to borrow funds from cooperative society, 24% from Commercial banks, 10% borrow from money lenders, 6% of the respondents prefer to borrow from friends and family and none of the respondents prefer to borrow from micro finance institutions functioning in Theni district.

### FUNDS BORROWED BY THE RESPONDENTS

FUNDS BORROWED	NO OF RESPONDENTS	PERCENTAGE
Yes	84	84
No	16	16
Total	100	100

Source: Primary data

**TABLE NO 3**

From the above table it is inferred that 84% of the respondents borrow funds from various financial institutions for agriculture purpose and only 16% of the respondents have their own funds.

The data pertaining for the reason for selecting the institution are presented in the Table 4.

### REASONS FOR SELECTING THE INSTITUTION

REASONS	STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
Rate of Interest	34 (40.47%)	26 (30.95%)	24 (28.57%)	10 (11.905)	0 (0)
Less formalities	22 (26.19%)	36 (42.85%)	34 (40.47%)	2 (2.38%)	0 (0)
More Schemes	12 (14.28%)	28 (33.33%)	38 (45.23%)	12 (14.28%)	4 (4.76%)
Easy Repayment	20 (23.80%)	16 (19.04%)	42 (50.00%)	12 (14.28%)	4 (4.76%)

Source: Primary data

**TABLE NO 4**

In the above table, it is inferred that the farmers of Theni district select the cooperative banks as these banks offer less rate of interest compared to other banks and also these banks follow less formalities to sanction the loans. It is surprising to note that availability of many schemes and easy repayment did not attract the farmers in Theni district.

**DEMOGRAPHIC FACTORS**

Demographic factors of the consist of age level, Income level and type of family are analysed for selection in type of financial institution for agriculture credit. Keeping the selection of the financial institutions as the dependent variable and the demographic factors as independent factors for which regression analysis is done. The results are discussed herewith. Percentage analysis is also done along with to show the highest percentage value.

H1-Demographic factors have significant impact in selection to the type of financial institution for agriculture credit.

**TABLE SHOWING DEMOGRAPHIC FACTORS**

**AGE IN YEARS**

AGE	COMMERCIAL BANKS	CO-OP. BANKS	MONEY LENDERS	FRIENDS AND FAMILY	TOTAL	P VALUE	SIG
Up to25	4 (4.7%)	-	-	-	4	.000	Accepted
25-35	-	11 (13.09%)	-	2 (2.1%)	12		
36-45	-	5 (29.76%)	-	-	25		
46-55	18 (21.42%)	-	3 (5.94%)	-	23		
Above 55	11 (13.09%)	5 (10.71%)	-	-	20		

**ANNUAL INCOME**

INCOME	COMMERCIAL BANKS	CO-OP. BANKS	MONEY LENDERS	FRIENDS AND FAMILY	TOTAL	P VALUE	SIG
< 50000	4 (4.3)	40 (47.61)	6 (7.14)	2 (2.38)	52	.000	Accepted
50000-100000	-	16 (19.04)	3 (3.57)	-	19		
100000	-	5 (5.95)	8 (9.52)	-	13		

**FAMILY SIZE**

NO OF MEMBERS	COMMERCIAL BANKS	CO-OP. BANKS	MONEY LENDERS	FRIENDS AND FAMILY	TOTAL	P VALUE	SIG
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2 Members	4 (4.76)	14 (16.66)	4 (4.76)	2 (2.38)	24	.000	Accepted
4 Members	11 (13.09)	27 (32.14)	9 (10.71)	-	47		
6 Members	6 (4.76)	4 (4.71)	5 (5.95)	-	13		

Source: Primary data

**TABLE NO 5**

It can be observed that 29.76 % of the respondents who are in the age group of 35 to 45 years prefer to borrow from co-operative banks. 21.42 percent who are in the age group of 46 to 55 years prefer commercial banks. The family size of 4 also influences the choice of financial institution which is seen from the above table. The regression analysis show that the demographic factors influence the choice of financial institutions as the p value is < 0.05. The Hypothesis is accepted as there is a significant influence of demographic factors on the choice of financial institutions in Theni District as shown by Regression Analysis.

**FINANCE RELATED FACTORS**

The finance related factors such as amount of loan, length of loan period, average time taken for processing the loan has an impact on selection of type of financial institution is analysed. Second Hypothesis is formulated and tested to understand its impact.

H2- Finance related factors have significant impact in selection of financial institution for agriculture finance.

**TABLE SHOWING FINANCE RELATED FACTORS**

**AMOUNT OF LOAN**

FINANCE RELATED FACTORS	COMMERCIAL BANKS	CO-OP. BANKS	MONEY LENDERS	FRIENDS AND FAMILY	TOTAL	P VALUE	SIG.
< 50000	4 (4.7)	36 (42.8)	-	-	40	.000	Accepted
50000-100000	14 (16.66)	23 (27.38)	-	2 (2.38)	37		
>100000	5 (5.9)	-	-	-	5		

**LENGTH OF LOAN PERIOD**

PERIOD	COMMERCIAL BANKS	CO-OP. BANKS	MONEY LENDERS	FRIENDS AND FAMILY	TOTAL	P VALUE	SIG
< 1 Year	21 (25.00)	36 (42.8)	-	-	47	.046	Accepted
1-5	-	11 (13.09)	5 (5.95)	2 (2.38)	18		
>5	-	9 (10.71)	-	-	9		

**AVERAGE TIME TAKEN FOR PROCESSING LOAN**

<b>PERIOD</b>	<b>COMMERCIAL BANKS</b>	<b>CO-OP. BANKS</b>	<b>MONEY LENDERS</b>	<b>FRIENDS AND FAMILY</b>	<b>TOTAL</b>	<b>P VALUE</b>	<b>SIG</b>
< 7 Days	-	-	12 (14.2)	-	12	.021	yes
7-14	4 (4.7)	29 (34.52)	2 (2.3)	2 (2.38)	37		
>14	14 (16.66)	21 (25.0)	-	-	35		

Source: Primary data

**TABLE NO 6**

In the on top of table it's inferred that regarding forty two.8% of the respondents borrowed around Rs.50,000 from cooperative banks and regarding twenty seventh of the respondents borrowed from Rs. 50,000 to Rs. 1,00,000 from cooperative banks and 6 June 1944 of the respondents has borrowed quite Rs. 1,00,000 from different banks. Hence, out of eighty four respondents, seventieth value more highly to borrow from the cooperative banks.

Additionally it's inferred that around forty two.8% of the respondents borrowed funds for fewer than one year, 13.09% have borrowed funds for one to five years, and regarding ten.71% of the respondents have borrowed funds for quite five years from the cooperative banks. Also 5.95% of the farmers had borrowed from cash lenders for an amount of 1-5 years. within the on top of table it's inferred that thirty four.52% of the respondents same that average time taken for process loan is 7-14 days, twenty fifth of the respondents same the time taken for process loan is on top of fourteen days. Cash lenders take but seven days to method the loan in keeping with 14 July of the respondents. This is often additionally one in all the explanations for approaching them for agricultural credit.

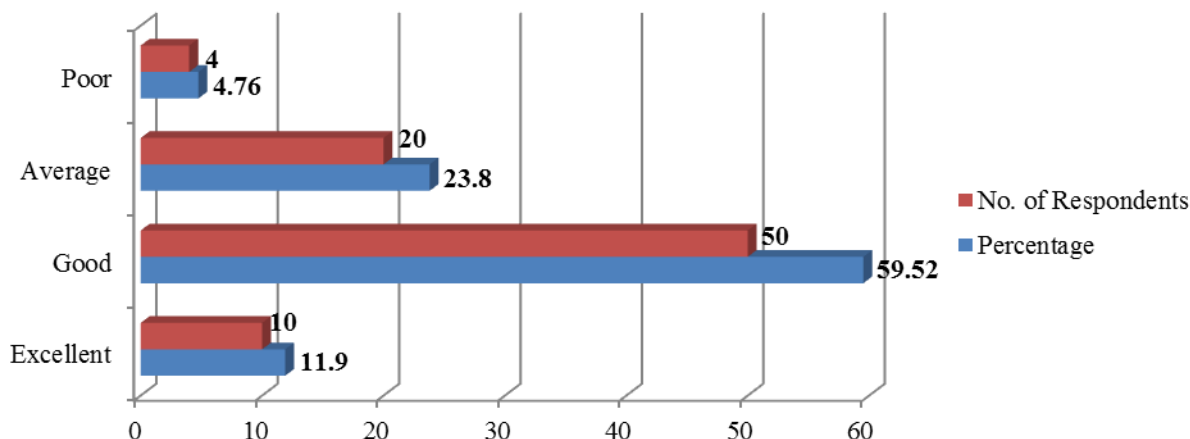
All the 3 factors influence the farmers in choosing the monetary establishments for agricultural credit in Theni district. The Hypothesis is accepted as there's a big influence of finance connected factors on the selection of monetary establishments in Theni District as shown by multivariate analysis. The info on the opinion of the farmers on the service provided by the financial organization chosen by the respondents square measure given within the Table seven.

**OPINION ON SERVICE PROVIDED**

<b>OPINION ON SERVICE PROVIDED</b>	<b>NO OF RESPONDENTS</b>	<b>PERCENTAGE</b>
Excellent	10	11.90
Good	50	59.52
Average	20	23.80
Poor	4	4.76
Total	84	100

Source: Primary data

**TABLE NO 7**



**FIGURE 2**

In the above table it is inferred that about 59% of the respondents have opined that the services offered by the cooperative banks are good, 23.80% of the respondents found it average, 11.90% of the respondents felt excellent, and only 4.76% of the respondents said the services are poor.

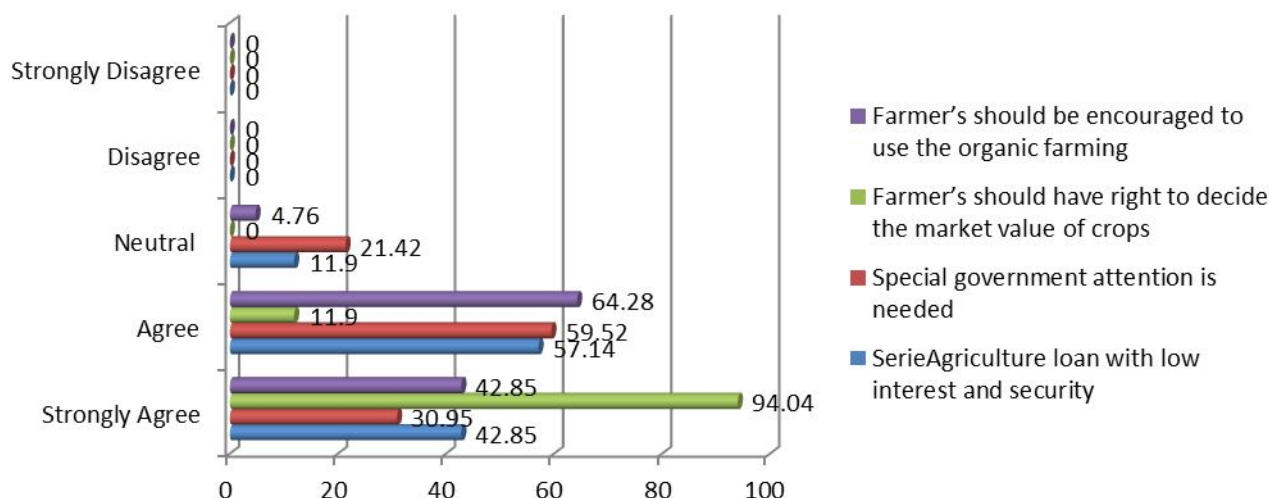
The data pertaining to the expectations of the farmers for improvement is presented in the Table.

**SUGGESTIONS GIVEN BY THE FARMERS IN THENI DISTRICT**

STATEMENTS	(5) STRONGLY AGREE	(4) AGREE	(3) NEUTRAL	(2) DISAGREE	(1) STRONGLY DISAGREE
Agriculture loan with low interest and security	36 (42.85)	48 (57.14)	10 (11.98)	0 (0)	0 (0)
Special government attention is needed	26 (30.95)	50 (59.52)	18 (21.42)	0 (9)	0 (0)
Farmer’s should have right to decide the market value of crops	79 (94.04)	10 (11.90)	0 (0)	0 (0)	0 (0)
Farmer’s should be encouraged to use the organic farming	36 (42.85)	54 (64.28)	2 (4.76)	0 (0)	0 (0)

Source: Primary data

**TABLE NO 8**



**FIGURE 3**

In the above table, it is inferred that 94% of the respondents want to have the right to fix the value for their crops. This may lead to increase their socio-economic condition.

**8. SUGGESTIONS**

It is prompt that farmers ought to tend loans with longer payback periods to change them to take a position in farm activities that generate property incomes. the selection of a credit outlet is plagued by variety of demographic factors and finance connected factors. Providing coaching to borrowers on procedural formalities of economic establishments might be useful in increasing their access to institutional credit. The procedure for loan distribution might be created straightforward thus it's going to not be troublesome for the less educated and illiterate households to access institutional finance agencies for the credit. Besides providing credit at a less expensive price the bank ought to attempt, by all attainable suggests that, for the instilling of saving habits among the recipient farmers, for it contributes to the farmers' end of the day economic prosperity. The banks will decide to announce new schemes for attracting new customers and satisfying these ones.

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