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ROLE OF INSTITUTIONAL CREDIT FOR AGRICULTURE DEVELOPMENT IN THOOTHUKUDI DISTRICT

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ABSTRACT

Rural indebtedness and dependence on private moneylenders is an age-old problem in India. For more than 100 years now, the Central Government and the Reserve Bank of India have been making efforts to enhance institutional credit in rural areas particularly to assist in agricultural operations. A particular focus of the paper is analysis of the cost and benefits of subsidies for agricultural credit and generalized debt waivers. It finds that the steps taken to enhance institutional credit such as the opening of a large number of rural branches of commercial banks, priority sector lending with 18 per cent target for agriculture, Kisan Credit Cards and the financial inclusion initiative have really been instrumental in the impressive rise in agricultural credit and not credit subsidies.

Keywords: Agriculture, Credit, Institutional, Subsidy

1. INTRODUCTION

Money lenders were the only source of credit to agriculture till 1935. They used to charge unduly high rates of interest and follow serious practices while giving loans and recovering them. As a result, farmers were heavily burdened with debts and many of them perpetuated debts. With the passing of Reserve Bank of India Act 1934, District Central Co-op. Banks Act and Land Development Banks Act, agricultural credit received impetus and there were improvements in agricultural credit. A powerful alternative agency came into being. Large-scale credit became available with reasonable rates of interest at easy terms, both in terms of granting loans and recovery of them. Although the co-operative banks started financing agriculture with their establishments in1930's real impetus was received only after Independence when suitable legislation were passed and policies were formulated. Thereafter, bank credit to agriculture made phenomenal progress by opening branches in rural areas and attracting deposits.

2. STATEMENT OF THE PROBLEMS

Agricultural production in this country depends upon millions of small farmers. It is the intensity of their effort and the efficiency of their technique that will help in raising yields per acre. Because of inadequate financial resources and absence of timely credit facilities at reasonable rates, many of the farmers, even though otherwise willing, are unable to go in for improved seeds and manures or to introduce better methods or techniques. Works of minor irrigation like wells owned by the cultivators either get into disuse or are not fully utilized for want of capital. To utilise man-power and cattle resources more fully than is done at present, these aids to better and more intensive farming are essential.

ISSN: 0971-1260
Vol-22-Issue-35-December-2020

It is, therefore, of the utmost importance that- the financial adequate credit facilities. Provision of sufficient and timely credit at fab-rates of interest has, therefore, to be considered as an integral part of the Plan. Assistance rendered by way of credit has; however, to be related requirements of the producers for these purposes should be adequately met. The achievement of targets in the agricultural sector which covers production of food. Essential raw material like cotton, jute and oilseeds, ought not to be allowed to suffer for want of to specific items of productivework or of essential costs of cultivation. For providing these facilities all the existing agencies e.g. money lenders, commercial banks, co-operatives and the State have to be integrated and harnessed to a common purpose. Such a comprehensive approach is essential for ensuring the best use of all the available resources of the nation.

3. OBJECTIVES OF THE STUDY

- To study socio economic condition of the farmer to availing agricultural credit.
- To examine factors determining to receive agricultural credit.
- To study the problems faced for receiving agricultural Credit

4. METHODOLOGY OF THE STUDY

The data needed for this study have been collected from primary data and secondary data. The primary data have been collected from the respondents. The secondary data is collected from books, journals, magazines, and through surfing from net.

SAMPLE SIZE

150 samples were selected and collected from the respondents in Thoothukudi District

SAMPLE DESIGN

The researcher chooses purposive sampling design. The sample units are selected according to the purposive of the investigator or researcher.

5. TOOLS FOR ANALYSIS

The data were collected the further with help of the statistical tools to analyze and interpret the data in the study. The following statistical tools namely percentage analysis and mean Score.

5. RESULT AND DISCUSSION

TABLE NO 1
GENDER WISE CLASSIFICATION

S.NO	PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
1	Male	88	59
2	Female	62	41
Total		150	100

Source: Primary Data

ISSN: 0971-1260
Vol-22-Issue-35-December-2020

The table shows that gender wise classifications of the respondents. Out of 150 respondents 59 per cent are male, and remaining 41per cent of the respondents are female. Most of the farmers are male.

TABLE NO 2
AGE WISE CLASSIFICATION

S.NO	PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
1	Below 25 age	28	19
2	25-50 age	71	47
3	Above 50 age	51	34
Total		150	100

Source: Primary Data

The table reveals the age wise classification of the respondents. Out of 150 farmers, 47 per cent of the respondents belong to the age group above 25-50 years of age, 34 per cent of the respondents belong to the age group of above 50 years of age and the remaining 19 per cent of the respondents belong to the age group of below 25 years. From this it is viewed that majority of the aged people engage in agriculture operations.

TABLE NO 3
MARITAL STATUS WISE CLASSIFICATION

S.NO	PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
1	Married	88	59
2	Unmarried	62	41
Total		150	100

Source: Primary Data

The table reveals that marital status wise classification of the respondent. Out of 150 respondents 59 per cent are married and remaining 41 per cent of respondents are unmarried.
Area of Living wise Classification

TABLE NO 4

S.NO	PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
1	Rural	87	58
2	Urban	63	42
Total		150	100

Source: Primary Data

From the table clears that area of living wise classification of the respondent. Out of 150 respondents, 58 per cent of the respondents are living in rural area and 42 per cent of the respondents are living in urban area. From this table most of the respondents are living in rural area, because they are doing agriculture in rural area.

ISSN: 0971-1260
Vol-22-Issue-35-December-2020

TABLE NO 5
EDUCATION WISE CLASSIFICATION

S.NO	PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
1	No Formal Education	60	40
2	Below High school level	30	20
3	Higher secondary school	20	13
4	Under Graduates	15	10
5	Post Graduates	18	12
6	Professional	07	05
Total		150	100

Source: Primary Data

The table shows that education wise classification of the respondents. Out of 150 respondents, 40 per cent of the respondents not studied, 20 per cent of the respondents studied below high school, 13 per cent of the respondents studied higher secondary level, 12 per cent of the respondents studied post graduates, 10 per cent of the respondents studied under graduates and remaining 05 per cent of the respondents studied professional. Most of the respondents have not studied because lack of financial support and lack of awareness about education.

TABLE NO 6
NATURE OF FAMILY WISE CLASSIFICATION

S.NO	PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
1	Nuclear Family	85	57
2	Joint Family	65	43
Total		150	100

Source: Primary Data

The table shows that nature of family wise classification. Out of 150 respondents, 57 per cent of the respondents are nuclear family and remaining 43 per cent of the respondents are joint family. From this table most of the respondents are nuclear family because social compulsion and change of people attitude.

TABLE NO 7
NUMBERS OF MEMBERS IN FAMILY

S.NO	PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
1	Below 3 members	28	19
2	3-6 members	90	60
3	7-9 members	20	13
4	Above 9 members	12	08
Total		150	100

Source: Primary Data

The table verifies that numbers of members in family. Out of 150 respondents 60 per cent of the respondents are having 3 – 6 members of their family, 19 per cent of the respondents are having

ISSN: 0971-1260
Vol-22-Issue-35-December-2020

below 3 members in their family, 13 per cent of the respondents are having 7 – 9 members in their family and remaining 8 per cent of the respondents are having above 9 members in their family. Most of the respondents are having 3 – 6 members in their family.

TABLE NO 8
SOURCES OF AGRICULTURE CREDIT

S.NO	PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
1	Government	30	20
2	Cooperative Societies	88	58.67
3	Commercial Banks	18	12
4	Money Lenders	14	9.33
Total		150	100

Source: Primary Data

The table verifies that Sources of Agriculture Credit. Out of 150 respondents 58.67 per cent of the respondents are Co operative Societies, 20 per cent of the respondents are Government, 12 per cent of the respondents are Commercial Banks and remaining 9.33per cent of the respondents are having Money Lenders. Most of the respondents are having Cooperative Societies.

TABLE NO 9
FACTORS DETERMINING TO RECEIVE AGRICULTURAL CREDIT

PARTICULARS	SA	A	NO	DA	SDA	TOTAL MEAN	MEAN SCORE
Lack of information transfer through agriculture department	270	168	39	40	21	538	3.586
Lack of knowledge on free production implements	340	176	39	26	15	596	3.973
Lack of free seeds and fertilizers in subsidies	320	156	45	34	15	570	3.800
Lack of information at right time	300	120	51	24	31	526	3.506
Government has to encourage farmers to form association	270	196	60	24	15	565	3.766
Lack of credit policy	300	168	60	36	10	574	3.826
Lack of price fixation of product	225	168	54	60	15	522	3.480
Government to motivate bank for provide in easy way	260	184	36	40	20	540	3.600
Lack of loan waive schemes	275	220	30	24	18	567	3.780
Lack of agriculture policy	260	196	36	34	20	549	3.660

Source: Primary Data

The table shows that Factors determining to receive agricultural credit. Out of the 150 farmers, the farmers agree Lack of knowledge on free production implements (3.973), Lack of credit policy (3.826), Lack of free seeds and fertilizers in subsidies (3.800), Lack of loan waive schemes (3.780) and Government has to encourage farmers to form association (3.766) than the Lack of information transfer through agriculture department, Lack of information at right time, Lack of price fixation of product, Government to motivate bank for provide in easy way and Lack of agriculture policy.

ISSN: 0971-1260
Vol-22-Issue-35-December-2020

TABLE NO 10
PROBLEMS FACED FOR RECEIVING AGRICULTURAL FINANCE

PARTICULARS	SA	A	NO	DA	SD	MEAN SCORE
Not aware of the facilities available	500	200	-	-	-	4.57
Complex documentation	490	208	-	-	-	4.64
Not satisfied with area approach	400	120	30	60	-	4.41
Lack of service / co-operation from the bank	375	180	30	40	-	4.41
No faith in schemes / institutions	450	160	60	-	-	4.63
Lack of educational knowledge	485	172	30	-	-	4.68
Not satisfied with indemnity level	480	136	-	40	-	4.58
Difficulties in opening bank account	430	136	-	40	10	4.59
Loan has taken from sources other than banks	275	180	-	60	20	4.36
Inaccessibility to credit	575	140	-	-	-	4.72
Inaccessibility to credit information	450	40	90	40	-	4.40
Untimely credit disbursement	400	160	30	30	05	4.63
Administrative bureaucracy	200	120	45	70	30	4.23
High interest rate	350	120	60	40	10	4.46
Insufficient amount	300	120	60	40	20	4.43

Source: Primary Data

The table shows that problems faced for receiving agricultural Credit, out of the 150 farmers, strongly agree inaccessibility to credit (4.72), lack of educational knowledge (4.68), complex documentation (4.64), untimely credit disbursement (4.63), no faith in schemes / institution (4.63), difficulties in opening bank account (4.59), not satisfied with indemnity level (4.58), not aware of the facilities available (4.57), high rate of interest (4.46), insufficient amount (4.43), not satisfied with area approach (4.41), lack of service or cooperation from the bank (4.41), inaccessibility to credit information (4.40), comparing to other sources bank is very difficulty (4.36) and administrative bureaucracy (4.23) are the major problems faced for receiving agricultural finance.

6. SUGESSTIONS

- The procedure for loan distribution could be made simple so it may not be difficult for the less educated and illiterate households to access institutional financing agencies for the credit.
- Farmers should be given loans with longer payback periods to enable them to invest in farm activities that generate sustainable incomes.
- Providing training to borrowers on procedural formalities of financial institutions could be helpful in increasing their access to institutional credit.
- The procedure for loan distribution could be made simple so it may not be difficult for the less educated and illiterate households to access institutional financing agencies for the credit.
- The banks can plan to announce new schemes for attracting new customers and satisfying the present ones.

ISSN: 0971-1260
Vol-22-Issue-35-December-2020

7. CONCLUSION

The farmers are the most hapless victims of the private money lenders who are free to recover their loans by high handedness and attachment of the crop of the poor farmers as well as their personal belongings, land and living quarters. Available resource base and the capacity to generate sufficient levels of financial resource within the rural sector particularly in agricultural sector are, however limited at present. Institutional financing is viewed from this angle as a principal resource of external finance to support in a planned manner.

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