



A STUDY ON THE FARMERS ATTITUDE TOWARDS AGRICULTURAL FINANCE IN ERODE DISTRICT

K.Kaleeswari* **Dr. Rachel Nancy Philip ****

**Assistant Professor in Commerce, Tiruppur Kumaran College for Women, Tiruppur.*

*** Principal, Tiruppur Kumaran College for Women, Tiruppur.*

1. Introduction

Agriculture is the backbone of the Indian economy. "The prosperity of the country depends upon the prosperity of the agricultural sector". It is the largest and most vital sector of Indian economy. The agricultural sector in any country plays an important role in its economic growth and development through the contributions made to wealth creation, employment, food production, and income generation. Agricultural production consists of many small units. The yield is realized in one year. Therefore, for the financial requirements, the agriculturists have to borrow adequate funds from the banking sector. This study seeks to find out the farmers attitude towards agricultural finance in Erode District.

Finance is the lifeblood of every economic activity. Like all other producers, farmers also need credit. Commercial banks are now extending financial support to agriculture, both directly and indirectly. Direct finance is extended for agricultural operations for short and medium period while indirect finance is made through providing advances for distribution of fertilizers, other inputs etc. Commercial banks not only provide assistance for agricultural operations but also extending credit to service units which provide infrastructural facilities such as storing and warehousing of agricultural produce, marketing, transporting and repairing of agricultural implements. There is very little chance of loan recovery in most cases due to high risks associated with natural calamities. Commercial banks have financed the marketing of crops by advancing funds to traders. But sometimes loan is made directly to rural borrowers. However, the quantum of such loans is very small. There has been a distinct change in the attitude and lending policies of commercial banks to fulfill the requirement of the farmers.

2. Review of Literature

As agriculture plays a predominant role in developing the country's economy, Government has framed different types of agricultural policies at different levels to meet the financial needs of farmers. Apart from agricultural activities finance is also needed to different types of allied agricultural activities like apiculture and horticulture. Literatures related agricultural credit has been collected and reviewed.

Monsur et. Al. (1995) in their study on "Methods of Financing and Recovery of Agricultural Credit – A Case Study of Some Rural Banks Branches of Bangladesh" stated that the procedure of disbursing institutional credit is time-consuming and cumbersome. Unsatisfactory repayment performance of long-term loans, under staffed with supervisory personnel in rural branches is responsible for poor recovery of agricultural credit. The real cost of borrowing was much more when compared to usual interest rates charged by banks. Unless effective interest rate is kept at low level, the small farmers would not be benefited.

Muhammad Iqbal et al (2003) in their study on "The Impact of Institutional Credit on Agricultural Production in Pakistan", suggested that the commercial banks have to expand agricultural credit to a larger proportion of the farming community especially to the small farmers. In case of a large-scale crop failure, consumption loans to be extended to the needy farmers in addition to the credit for their farm operations.

Lena Roussenova and Dimiter Nenkov (2007) in their study on "Agricultural Finance and Institutional Reforms in Bulgaria" revealed that since 1997, the government has made rapid progress in implementing a wide-ranging reform program in agriculture. The European Union (EU) created SAPARD to provide annual subsidies of about Euro 53 million to co-finance different projects The Swiss Co-operation Program with Bulgaria has grown substantially within the last four years and has developed two specific projects to provide finance for agriculture.

J P Misra and S K Maurya (2007), in their study "Role of Institutional Finance in Development of Agriculture with special reference to Uttar Pradesh" mentioned that, Due to poor economic conditions and uneconomic size of holdings, the farmers were not able to meet their farm requirements in terms of inputs hence, most of them depended on financing institutions for getting agricultural credit such as co-operatives, regional rural banks and commercial banks.

Golait (2007) has examined the issues in agricultural credit in India. Though crop insurance provide coverage against losses incurred from drought, pest attacks, hailstorm, thunderstorm, heavy rains, and other natural hazards on payment of small premium the credit delivery to the agriculture sector continues to be inadequate. Facilitating credit through processors, input



dealers, NGOs, etc., to be vertically integrated with the farmers including through contract farming for providing them critical inputs or processing their produce could increase the credit flow to agriculture significantly.

M.S.Sriram (2007) has viewed the recent interventions of State for distressed farmers in doubling agricultural credit, providing subvention to lowering interest rates for agricultural loans. He argued that fundamental changes in technology and inputs to be made without that the farmers will be deskilled. Adequate public investment in support services to be made to keep a view on overall rural economy rather than being focused only on agriculture.

Gandhimathi and N Sumathi (2008) in their article "Availability and Distributional Disparity of Agricultural Credit" revealed that the commercial banks were highly favourable only for the larger farmers category than small and marginal farmers. The marginal and small farmers were highly in need of credit. They observed that the amount of credit gap was higher for small and marginal farmers.

Yves cabanas (2012) has examined how urban farmers are financing their activities along the value chain essentially with their own resources, what are the gaps between their needs and the existing practices of public and private institutions with regard to finance and what mechanisms and innovations can help to close this gap.

Abdullah et al(2015) in their article explored the trends of agricultural credit flow from formal banking and informal sector to Pakistani farmers. Specialized bank like ZaraiTaraqiati bank and micro finance banks provide substantial amount of agriculture credit. The credit provided by ZaraiTaraqiati bank limited (ZTBL) has significant impact on agricultural productivity.

The Ministry of Finance (2016) has informed that China has established an agricultural credit guarantee company to solve longstanding financing problems in agriculture and rural areas. The company is a policy guarantee institution and not for profit. The initial funding of the company was more than 4 billion yuan (\$610 million), including 3 billion Yuan from the central treasury. The rest came from 11 provincial-level guarantee institutions. The company's capital will increase to 15 billion yuan over the next three years as more organizations join.

3. Statement of the problem

Agriculture plays a crucial role in the economy of every nation as it tends to nourish the entire population of a country and it is interrelated with all the industries of that country which provides employment opportunities. Some of the modern farms and agriculture-related industries make good use of today's modern equipment as well as the principles of science and technology. The use of technologies in farming is determined by finance and competence of farmers towards coping with these advancements relating to agriculture. But the institutional finance provided is not adequate enough to meet the requirement of the farmers particularly to small and marginal farmers. These are the current issues of the farmers. In this regard, this study focusing farmers attitude towards agricultural finance provided by commercial banks for the development of agriculture.

4. Objectives of the Study

- To analyze the reasons for selecting the bank to avail credit
- To study the farmers attitude towards agricultural credit provided by the banks

5. Research Methodology

The research design for the study is an analytical one, which is concerned with describing the characteristics of particular individual or of a group. Erode District has 14 blocks. In Erode District among other public sector banks, Canara bank and SBI were functioning effectively in providing agricultural credit to the public. The responses have collected from the farmers who have availed agricultural credit from Canara bank and SBI of Erode block. 100 samples were collected by using random sampling technique. Questionnaire /Interview schedule has been used to collect the primary data. Secondary data were collected from magazines, textbooks, journals etc. Data has analysed by using statistical techniques viz., ANOVA and t-test.

6. Analysis and Interpretation

Financial institutions have played an indispensable role in credit disbursement to the needy farmers for their various agricultural and agricultural related activities. The respondents preference towards the bank is varied and it depends upon their requirement, availability of bank credit and service quality of the institution and its delivery channel. Reason for selecting the bank for institutional finance has shown in table no.6.1.

6.1. Reasons for selecting the bank

Variable	Group	No	Percentage
Ability to get the loan	Yes	78	78.0
	No	22	22.0
Same amount of loan applied is repaid	Yes	72	72.0
	No	28	28.0
Reason for selecting the Bank	Low rate of interest	37	37.0
	Easy access to Loan	36	36.0
	proper response of bank officials	10	10.0
	Extended years of credit	4	4.0
	Goodwill of the financial institution	13	13.0

(Source: Primary data)

From the above table inferred 78% of the respondents have accepted that they have the ability to source the loan from the commercial banks. 72% of them have received the same amount of loan which they have saughted with the bank. Equal number of respondents have preferred Low rate of interest and easy access to loan. Proper response of the bank officials and goodwill of the bank have been the next preferable reasons of 10-13% of the respondents for selecting the bank. Only least number of respondents (4%) have selected the bank to avail extended years of credit.

Respondents were asked to express their opinion regarding Banking credit on a 5 point Likert rating scale. The scale consisted of 12 statements with ratings ranging from 1- strongly disagree,2-strongly agree. Mean ratings were find out for each item and are shown in table no.6.2.

Table no. 6-2. Attitude towards Banking Credit

S.No	Statements	No	Mean	S.D
1	Bank credit will help to recruit the skilled labour	100	3.41	.698
2	It facilitates the use of technology	100	3.53	.674
3	It enables to use necessary fertilizers	100	3.81	.692
4	It enables to increase the farming size	100	2.86	.792
5	It increases the output level of farmers	100	3.22	.786
6	It helps the farmers to expand the market	100	3.00	.791
7	Bank credit increases the annual returns	100	3.48	.759
8	It helps to overcome the problems of local moneylenders	100	3.82	.821
9	It makes possible to develop multiple cropping pattern	100	4.02	.765
10	It helps the farmers to use them better quality of inputs	100	4.00	.550
11	Bank credit facilitate to wait for a better price in the market	100	2.49	1.010
12	It enables to develop their storage facilities	100	2.88	.946

(Source: Primary data)

It is inferred from the above table that the highest mean rating is 4.02 for Bank credit is helpful to develop multiple cropping pattern followed by 4.00 insist that the bank credit facilitate the better quality of inputs. The lowest mean rating is 2.49 for facilitation better price in the market that is on average the respondents rating for this ranges between disagree and neutral. For most of the items, the attitude of the respondents on banking credit fall between 3 and 4 that is between neutral and agree.

7. Classification of Attitude Score

The ratings given by the respondents were added to form attitude score. Higher the score, more will be the positive attitude of the respondents towards Banking credit. Using the attitude score the level of agreement of the respondents towards banking credit was found out by mean ± 0.5 SD classification. That is the respondents who have scored below mean -0.5 SD were classified as having low attitude and those who have scored mean $+ 0.5$ SD were classified as having high attitude towards banking credit. Those who have scored between mean -0.5 SD and mean $+0.5$ SD were classified as having moderate attitude. The distribution of the respondents based on the above classification is shown in table no.6.3.

Table no.6.3. Level of Attitude towards Bank Credit

	No.	Percent
Low (<37)	25	25.0
Moderate (38-43)	43	43.0
High (>43)	32	32.0
Total	100	100.0
Mean Score=40.52		SD = 4.66

(Source: computed)

The above table shows that 25% of the respondents have low attitude towards banking credit as they could have suffered with inadequate credit disbursement. 32% of them have shown high attitude towards bank finance, which facilitates the farmers to increase their productivity and related activities. Majority 43% of the respondents have moderate attitude towards banking credit.

8. Analysis of Attitude Score

Attitude scores towards banking credit used has compared across personal, farm and credit details of the respondents. The results of comparison of attitude score and personal factors are shown in table no.6.4.

Table 6.4: personal factors vs. Attitude score towards banking credit

Variable	Group	Mean	SD	No	t-value	F-value	Significant
Gender	Male	40.39	4.88	75	0.493	-	Ns
	Female	40.92	4.03	25			
Age	30-40 Years	41.39	4.42	33	-	1.954	Ns
	41-50 years	39.51	5.49	45			
	51-60 years	41.27	2.37	22			
Educational Qualification	Illiterate	41.10	3.48	41	-	.583	Ns
	School level	40.71	4.70	21			
	Diploma	40.11	4.23	19			
	Undergraduate	39.47	6.94	19			

(Source: Primary data)

The above table indicates that gender wise mean scores for male is 40.39 and for female it is 40.92. The mean scores between male and female respondents don't have any significant difference, t-value confirms the same. Both male and female respondents have similar attitude towards institutional finance.

Among different age group of the respondents, 30-40 years age group have highest mean score of 41.39 and 39.51 is the lowest mean score for 41-50 years age group. However the ANOVA test shows low significant difference in the mean scores among the age group. Among different educational qualification, the highest mean score is 41.10 illiterate for and 39.47 is the lowest mean score for undergraduates. The ANOVA test showed low significant difference in the mean scores among the educational qualification (F=.583, Ns).

Table 6.5: Farming Details Vs. Attitude Score Towards Bank Credit

Variable	Group	Mean	SD	No	t-value	F-value	Significant
Land holdings	1-5 acres	41.21	4.44	47	-	2.986	Ns
	5-10 acres	40.80	4.00	35			
	Above 10 acres	38.17	5.83	18			
Acres Cultivated	1-5 acres	41.20	4.53	45	-	2.790	Ns
	5-10 acres	40.55	3.98	33			
	Above 10 acres	38.17	5.83	18			
Farming experience	Up to 10 yrs	41.75	4.22	24	-	3.051	Ns
	11-20 yrs	39.30	5.60	46			
	Above 20 yrs	41.40	2.66	30			
Relationship with Bank	Below 5 yrs	43.44	3.28	18		4.788	**
	6-10 yrs	39.69	5.34	54			
	Above 10 yrs	40.25	3.13	28			

(Source: Primary data)

From the above table inferred that the respondents who have owned 1- 5 acres of land have gained modest mean score 41.21 with respect to attitude towards institutional finance as compared to other land holdings viz., 5-10 acres and above 10 acres with mean values of 40.80 and 38.17 respectively. There is no significant deviation in the mean values. ANOVA test confirms the same with smaller F value. Though the farmers highly dispersed with different acres of land cultivation their mean scores with respect to attitude towards bank credit have gained closure mean values ranges from 38.17- 41.20 and the low F-value (2.790) reveals the fact that there is no significant difference in the attitude of the farmers of different size. Varied years of farming experience of the respondents have shown modest difference in the mean scores (41,75, 41.40, 39.30 respectively).

There is no significant difference in the attitude score of the respondents irrespective of their years of farming experience. (low F-value 3.051). The respondents who have relationship with bank for below 5 years have gained higher mean score than others higher years of relationship with bank. ANOVA results revealed that there is significant difference at 1% level in the attitude score of the respondents with respect to banking credit which is confirmed with higher F value.(4.788) The bank credit detail of the respondents has compared with attitude score and has shown in table no.6.6.

Table 6.6: Bank Credit Details Vs. Attitude Score

Variable	Group	Mean	SD	No	t-value	F-value	Significant
Amount received as Loan	Upto 1 lakh	39.88	4.86	17		3.002	Ns
	1- 3 lakhs	41.85	4.06	41			
	Above 3 lakhs	39.48	4.92	42			
Rate of Interest	Up to 10%	38.25	5.56	36		6.428	**
	10%-11%	42.52	3.37	42			
	11% - 12%	40.85	3.26	13			
	Above 12%	39.78	3.87	9			

(Source: Primary data)

The respondents who have received loan amount of Rs. Upto 1 lakh, 1-3 lakh and above 3 lakhs have closure mean values of 39.88, 41.85 and 39.48. There is no significant deviation in their mean scores with regard to attitude towards bank credit. They have similar opinion among different group.(low f-value-3.002). Those who have availed loan with different rate of interest have mean scores ranging from 38.25 – 42.52. ANOVA results show highest mean difference in attitude of the respondents at 1% level of significance.

9. Findings

- Majority (78%) of the respondents have the ability to get the loan
- Majority (72%) of the respondents are received the same amount of loan applied
- Major proportions (37%) of the respondents have selected the bank in which they can avail loan at lower rate of interest.
- Majority of the respondents have informed that they can avail long-term loan from the bank. Hence, they selected the commercial banks for maintaining their accounts.
- Majority 43% of the respondents have moderate attitude towards banking credit.

Findings From ANOVA Test

The ANOVA test showed low significant difference in the mean scores among the educational qualification (F=.583,Ns).

ANOVA results revealed that there is significant difference at 1% level in the attitude score of the respondents with respect to banking credit which is confirmed with higher F value.(4.788)

ANOVA results show highest mean difference in attitude of the respondents at 1% level of significance.

There is no significant difference in the attitude score of the respondents irrespective of their years of farming experience.

10. Suggestions

- Few respondents informed that the bankers to the farmers do not properly inform the subsidy loans. Hence, the authorities of the government and banks should see that the subsidy scheme should reach all the farmers.
- Some of the farmers informed that penalty interest is charged if there is any delay in payment of the loan. In many occasions, the politicians argue for waiver of the interest for the loan given to the farmers. Hence, there is no case

penalty interest. So if possible, authorities of the bank may consider the situation and try to avoid charging of penalty interest.

- Few respondents informed that to obtain loan from the bank they have to comply more formalities which makes more confusion to the farmers. Therefore, the banker may try to simplify the formalities for sanctioning the loan to the farmers.
- Few farmers informed that in some of the banks the bankers ask the security for the crop loans with a view avoid the agriculture loan. This attitude is entirely different from the policy of the government. Therefore, the government and the authorities of the bank should monitor these types of issues prevailing in the banks.

11. Conclusion

For a developing country like India, credit or outside assistance in any form is quite necessary for the better utilization of resources and innovations. As the agriculture sector of Indian economy is labour intensive it would be very difficult to get the benefits of modernization of agriculture without adequate finance to the farmers. Since institutional finance exerts a push effect and has a vital role in development process, provision of adequate, timely and liberal finance to the farmers becoming an integral part of the agricultural development and improve the socio economic conditions of the farmers. Therefore, both the central and state government should take initiatives to extend the agricultural credit to the needy farmers to bring overall and balanced growth in the country.

References

- 1 Abdullah et al., Agricultural Credit in Pakistan: Past Trends and Future Prospects, Journal of Applied Environmental Biological Science, 5(12)178-188, 2015.
- 2 Dhananjay Bapat(2010)"Perceptions on Banking Service in Rural India: An Empirical Study"*International Journal of Rural Management* ,vol. 6 no. 2, pp303-321
- 3 Gandhimathi and N Sumathi (2008),"Availability and Distributional Disparity of Agricultural Credit",Financing Agriculture- A National journal of agriculture and rural development,2008.
- 4 Golait, R. (2007). 'Current Issues in Agriculture Credit in India: An Assessment', RBI Occasional Papers, 28: 79-100. Government of India, Economic Survey'.
- 5 J P Misra and S K Maurya, 'Role of Institutional Finance in Development of Agriculture with special reference to Uttar Pradesh, Financing Agriculture', *National Journal of Agriculture and Rural Development*, September-October 2007.
- 6 Lena Roussenova and Dimiter Nenkov (2007), Agricultural finance and Institutional reforms in Bugaria, European institute.
- 7 M. S. Sriram,(2007),"Productivity of Rural Credit"*International Journal of Rural Management*, vol. 3 no. 2,245-268
- 8 **Monsur** et. Al. (1995), "Methods of Financing and Recovery of Agricultural Credit – A Case Study of Some Rural Banks Branches of Bangladesh", *Economic Affairs*, 40(3).
- 9 Muhammed Iqbal etal., "The impact of Institutional credit on agricultural production in Pakistan", *The Pakistan Development Review* 42: 4 part II(winter 2003) pp 469-485.
- 10 Xinhua (2016),China establishes agricultural credit guarantee firm, retrieved from http://english.gov.cn/news/top_news/2016/05/19/content_281475352934142.htm
- 11 **Yves** Cabannes, (2012),"Financing urban agriculture"*Environment and Urbanization*, vol. 24 no. 2 665-683