

# A Study on Farmers Choice of Agricultural Finance with Special Reference to Mattathur Panchayath

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**Abstract:** *Agricultural farmers in Mattathur panchayath is facing so many challenges in accessing financial services as they have limited access to financial markets. Despite the numerous reforms undertaken by the Government including financial sector reforms, many rural farmers have remained in poverty with limited capacity to access safety nets like loans to fight against hunger and disease. This paper is aiming to find out factors that affect farmer's decision to access agricultural finance.*

**Keywords:** Agriculture, Finance, Financial Institutions, Farmers

## I. INTRODUCTION

Agriculture usually plays a vital role in the economy of every nation as it tends to feed the entire population of a country and in that respect that it correlates and interacts with all the related industries of that country. In order to improve the status of poverty and to meet the effect of natural hazards, farmers need financial assistance. Agricultural finance helps the farmers to meet their needs when crisis occurs. There are formal and informal sources of financial sectors. The formal sources are commercial banks, cooperative banks, micro finance institutions, and so forth. Informal sources are cash lenders, buddies and households, and many others. The agricultural sector in India supports 60% of the population that is exclusively dependent on agricultural related livelihoods many of whom are poor people in the rural country side. In order to improve the status of poverty and improve rural lives, access to rural finance is very important components. Increased access to financial therefore should focus on improving access to banking services and credit in rural areas.

## II. REVIEW OF LITERATURE

- 1. Harikesh Maurya (2015)** recognized the beneficiaries of cooperative banks agricultural credit score and an attempt is likewise made to study farmers attitudes. He found that across the size groups, the maximum beneficiaries are the medium farmers. The study has offered some suggestions also for a better access of farmers to institutional credit.
- 2. Dutta and Basak (2008)** suggested that cooperative 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.
- 3. Mansuri (2007)** says that the informal market is often characterized by heterogeneous non-specialized for whom money lending is a means of increasing returns to other economic activities. However, not all informal under are equally placed in lending to all rural households. In particular, occupational differences among under generate systematic difference in the cost and reliability of the information that each under can acquire, and in the lender's enforcement capacity with respect to particular types of borrowers.
- 4. The National Commission on agriculture (2008)** examined the recruitments of institutional credit 18 for covering the new agricultural strategy of agricultural development and all accepts of rural development including production, marketing, processing and transportation. The Commission stressed greater involvement of commercial banks in financing Agricultural development. It was suggested that the share of commercial banks in agricultural advances should increase from 8.8% in 1974 to 15% in 1988 and a greater weight age must be given to the needs of small and marginal farmers and provision of credit to them on preferential terms in respect of 50th interest charges and quantum of advances to enable them to modernize agriculture.

5. According to **Boucher and Guirkingner (2007)** Agricultural credit is defined as a type of financing used to provide funding for agricultural producers. The rural credit market in general is comprised of institutional credit agencies, private money lenders, landlords (who include money lending rich farmers), retail shops and grain traders. The ensuing collateral reduction, however, comes at a cost as informal lenders expend resources on monitoring that must be recovered via a higher rate.

6. **Park et al (2003)** posited that lack of credit is a barrier to investment and income growth of poor households in developing countries of the world. Access to credit enhances the adoption of new and more risky technologies that will improve farmer's levels of income and hence, alleviate their poverty. Additional capital as a result of access to credit enhances the level of household's productive assets, and also raise their expenditure and it is that expenditure that leads to improvement in consumption (food and nonfood) of the rural poor.

### III. STATEMENT OF THE PROBLEM

India is an agricultural based country. Major part of our population depends on agriculture for their economy and credit plays an important role in agricultural production. Availability and access adequate, timely and low cost credit from institutional sources is of great importance to small and marginal farmers. There are two important institutions via; the commercial banks and the cooperatives.

Mattathur village is based on agriculture and hence provision of timely and adequate credit to farmers is very important. Though there has been steady progress by the banks in farm credit the questions that arise in this context are:-Do the farmers in Mattathur panchayath borrow funds for agriculture and if so what are the factors that influence them to select the particular financial institutions? Are they satisfied with their choice of finance?

### IV. SCOPE OF THE STUDY

The study is to find out the farmers choice on agricultural finance in Mattathur Panchayath and to understand their view and knowledge level about financial institutions. It suggests the purpose of the institutions and to know the changes of farmer's interest to buy loans. It helps to know how it is beneficial to farmers.

### V. OBJECTIVES OF THE STUDY

1. To examine the problems faced by the farmers of availing the finance.
2. To find out the source of finance available to farmers.
3. To analyze what factors influence the farmers to choose between formal and informal source of finance.
4. To know the satisfaction level of the farmers from the policies.

### VI. RESEARCH METHODOLOGY

It is the specific procedures or techniques used to identify select, process and analyse information about a topic. It's about how a researcher systematically designs a study to ensure valid and reliable results that address the research aims and objectives. Research methodology used in the present study as under.

#### 6.1 Population

The population taken for the study was the farmers of mattathur panchayath.

#### 6.2 Sample Design

The sample units are farmers in mattathur panchayath. The sample size is 60. Sampling method used for the study is convenience sampling.

#### 6.3 Data Collection

Data was collected with the help of primary data; secondary data was also used.

- **Primary data:** Primary data is the data collected directly from the given population or sample. Primary data collection takes much time to collect and it is costly. In the current study the method of questionnaire is been used.

- **Secondary data:** Secondary data is the data collected from various published and unpublished sources. It may be from internal or external source. In this study the secondary data used are journals, magazines and internet publishers.

#### 6.4 Framework of Analysis

The tools used for the analysis of collected data are Bar graph, pie chart.

**Annual Income**

ITEMS	FREQUENCY	PERCENTAGE(%)
Below 20000	31	51.67
20000-50000	9	15.00
50000-100000	8	13.33
100000-150000	2	3.33
Above 150000	10	16.67
TOTAL	60	100

Source: Primary Data

The above table shows that 51.67% of the respondents have an annual income below 20000; and 3.33% of the respondents have an annual income between 100000-150000.

**Rate of Interest Provided by Banks for Agricultural Loan**

ITEMS	FREQUENCY	PERCENTAGE (%)
10%	7	11.67
8%	10	16.67
7%	12	20.00
9%	11	18.33
OTHER	20	33.33
TOTAL	60	100

Source: Primary Data

As per the above table, 11.67% say that agricultural loans from bank are provided at 10% rate of interest, 16.67% say that agricultural loans provided at 8%, and 20% say that loans are provided by the bank at 7% interest and 18.33% say that loans are available at 9% interest

**Major Source Used by Farmers for Finance Aid**

ITEMS	FREQUENCY	PERCENTAGE(%)
Commercial bank	27	45.00
Microfinancial Institution	13	21.67
Cooperatives	5	8.33
Moneylenders	7	12.50
Informal Sources	8	12.50
Total	60	100

Source: Primary Data

From the above table, 45% of the respondents use commercial bank as a major source of financial aid, 21.67% use micro finance institutions, 8.33% use co-operatives and 12.50% use informal sources.

**Support from Society**

Items	Frequency	Percentage (%)
STRONGLY AGREE	10	16.67
AGREE	15	25.00
NEUTRAL	30	50.00
DISAGREE	3	5.00

STRONGLY DISAGREE	2	3.33
TOTAL	60	100

Source: Primary Data

As per the above table 16.67% of the respondents agree that they get enough support from the society, 50% are neutral on this, and 5.00% disagree

Maximum Period for Credit Loans

ITEMS	FREQUENCY	PERCENTAGE (%)
6 MONTHS	12	20.00
12 MONTHS	8	13.33
18 MONTHS	4	6.67
24 MONTHS	15	25.00
32 MONTHS	21	35.00
TOTAL	60	100

Source: Primary Data

From the above table, 20% of respondents provide credit loan for maximum period of 6 months, 13.33% for 12 months, 6.67% for 18 months, 25% for 24 months and 35% for 32 months.

Farmers Having Integrated Farming

ITEMS	FREQUENCY	PERCENTAGE (%)
POULTRY	4	6.67
DIARY	7	11.67
FISH CULTURE	22	36.67
LIVESTOCK	14	23.33
NONE	13	21.66
TOTAL	60	100

Source: Primary Data

6.67 % of the respondents are engaged in poultry farming 11.67% are engaged in dairy farming, 36.67% are engaged in fish culture 23.33% are engaged in live stock and 21.66 % do not have any integrated farming.

Bank Loan Procedures

ITEMS	FREQUENCY	PERCENTAGE (%)
VERY EASY	3	5.00
EASY	7	11.67
MODERATE	35	58.33
DIFFICULT	9	15.00
VERY DIFFICULT	6	10.00
TOTAL	100	100

Source: Primary Data

The above table shows that, 11.67% of the respondents say that the procedure of getting loan from bank is easy, while 5% say that it is very easy, 15% say it is difficult and 58.33% say that it is moderate.

Mode of Repayment

Items	Frequency	Percentage (%)
YEARLY	14	23.33
HALF YEARLY	19	31.67
QUARTERLY	6	10.00
MONTHLY	16	26.67
NONE OF THE ABOVE	5	8.33
TOTAL	60	100

Source: Primary Data

26.67% of the respondents say that the mode of repayment used in on a monthly basis, where 23.33% say its yearly 31.67% say its halfyearly,10%sayit'squarterly.

#### VII. FINDINGS

- It is observed that majority of the farmers have an annual income below 20000.
- It was found that a large portion of the farmers depend up on commercial banks for financial aid, while some also depend upon micro financial institutions, money lenders, cooperatives and other informal sources.
- It is observed that most of the farmers say that the procedure for getting bank loan is moderate; some says that it is easy and some say that it is very difficult.
- It was found that farmers agreed that they get support from the society, while a half of them were neutral on this, and some disagreed.

#### VIII. SUGGESTIONS

- Farmers must insure their crop in regular basis, so that they can avoid the risk from crop failure. Farmers must be aware of various loan schemes available relating to the agriculture cultivation.
- Government can provide more schemes that help to encourage the farmers; and the society must also provide enough support to the farmers, that will help to build up their confidence.

#### IX. CONCLUSION

Agriculture plays an important role in the economic development of India. Agriculture is the source of livelihood of more than 65 per cent of the population in India and contributes less than 20 per cent to GDP, with a sizable share of exports. The agricultural sector of the Indian economy is labour intensive, land poor and capital scarce. So it would be very difficult to get the benefits of modernization of agriculture without adequate finance to the farmers at reasonable interest. Farmers' access to finance of commercial banks (public and private banks) too has been a mirage for them in the given socio-economic and political conditions in the rural areas.

A portion of the Agricultural farmers in the Mattathur Panchayath are facing many challenges in accessing financial services as they have limited access to financial markets. Despite the numerous reforms undertaken by the Government including financial sector reforms, many rural farmers have remained in poverty with limited capacity to access safety nets like loans to fight against hunger, disease and other calamities. This study is aiming to find out factors that affect farmer's decision to access agricultural finance. It was found that demographic factors like income level, types of crops farmed, number of labourers their access to information regarding financial sources, significantly influenced decision to access finance related factors like amount of loan, average time taken for processing and loan payback period; thus, influencing the choice of agricultural finance in Mattathur Panchayath. The government and the society must thus encourage the farming activities, helping the farmers and our country to be a better eco-friendly place.

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