

Problems Faced by Farmers in Accessing Agricultural Credit with Special Reference to Malur in Kolar District of Karnataka

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Abstract: Agriculture credit continues to be a developing strategy for the agricultural sector in India. The present study has focused on problems of farmers of Malur taluk relating to credit and their possible outcome. It reveals that institutional credit requirements of the farming community have shown an increasing trend. The non-probability three stages sampling with stratification was adopted. The first stage was selection of strata i.e. the area Malur was selected. In the second stage, based on production level five villages in Malur namely Agrahara, Kambipura, Koduru, Bellavi and Arleri were selected. In the third stage based on simple random sampling about 500 respondents were selected. About 25 each of marginal, small, medium and large farmers were selected from each village. The statistical techniques used in the analysis are percentage method, ranking and KruskalWallistest. The study revealed that formal credit for agriculture increased rapidly and it could not meet the needs of farmers in Malur and they must resort to informal credit to meet their part of their productive and unproductive needs. The access of farmers to credit has been constrained by their inability to offer the collateral, high interest rate, cumbersome process of getting loan and lack of awareness about interest subvention scheme.

Index Terms: Agriculture credit, Formal credit, Informal credit, Productive, Constrained

INTRODUCTION

Agriculture is the backbone of Indian economy and it contributes 17.4% to GDP but its contribution is much higher than the world average of 6.1%. Majority of the population in rural areas depends directly or indirectly on agriculture for their livelihood. The recent technological enhancement in agriculture sector which was incepted by green revolution has not resulted in increasing productivity and output, but brought about a significant change in the structure and magnitude in the production process. But the new technology

is capital intensive, which is not affordable to small and marginal farmers. The farmers must depend on credit for meeting farm expenses. Therefore, agriculture credit is of prime importance for enhancing production and for removing inequalities (Alauddin Biswas, 2014).

Agricultural credit is a catalyst that activates other factors of production and plays a crucial role in agricultural market, which is a key element of modernisation. It enables farmers to reap economies of scale, venture into new field of production, employ new technologies and empower them to provide utilities for a widening market (Ayegba Ojunugwa, 2013). Credit helps farmers to invest in assets in order to generate output and income through deploying science, technology and modern methods of business management (Amit Patel, 2014). Investment in farm can generate farm income substantially.

Credit continues to be a developing strategy for the agricultural sector in India. There is a strong demand for agricultural credit and its tremendous contribution to agricultural sector by farmers. Financial institutions frequently demand collateral in order to reduce the risk of default, thereby limiting the entry of farmers. On the other hand, it is also the rules, regulation and lending procedures of the financial institutions that create the gap between the farmers, informal lenders are seem to have advantages in terms of lower transaction cost in reaching farmers and therefore, informal continue to remain as a complementary source of credit market in India.(Tempa Gyeltshen, 2012)

The problems of the farmers focus attention on adequate supply of credit for improving agricultural activities. The loans processed by financial institutions should fulfil the purpose of borrowing and delay in sanctioning the loans hampers the cultivation. Agricultural credit is available to large farmers and in higher amount, still there are persisting problems in the access of credit. Farmers incur huge transaction costs in obtaining loans due to the cost incurred in frequent visits to the bank, time spent, documentation requirement for availing loans and huge interest costs in small loans.

The present study has focused on problems of farmers of Malur taluk relating to credit and their possible outcome. It reveals that institutional credit requirements of the farming community have shown an increasing trend. The objectives of the study are to examine the socio-economic characteristics of farmers and to identify farmers problems faced in availing credit for agriculture. The hypothesis tested was there was no significant difference in the problems faced by farmers in accessing agricultural credit.

Review of literature

Kirti Ranjan Swain and Niranjana Nayak (2016) in their study on “Agricultural Financing: A Challenge for Banking Sector in India” identified the problems faced by farmers in getting agricultural finance. The study reveals that policy makers should simplify the procedure of agriculture credit, interest rate for marginal and small farmers should be reduced and problem of lack of co-operation by bank staff should be reduced. It suggests that fear factor of recovery process by bank among rural farmers should be reduced through educational awareness. The study concluded that farmers have limited knowledge about agricultural financing and similar findings were found in the study conducted by Kewal Kumar and Atul Gambhir (2012).

Pooja Giri (2015) in her study on “Agriculture Credit in India” analysed the issues in agricultural credit in India and revealed that credit delivery to agriculture sector continues to be inadequate. It revealed that banking system is hesitant on various grounds to purvey credit to small and marginal farmers. The study shows the problem of indebtedness of farmers and state government attempts to reduce debt and interest burden of farmers by offering rebates on interest burden on farmers and interest on timely repayment. The study concluded that measures have been taken to encourage farmers to stay in banking sector and avoid going to moneylenders and these measures had not increased the number of farmers covered by the banking system.

Sharmishta Matkar and Anil Keshav Jadhao (2015) in their study on “Agricultural Credit in India: Status and Problems” emphasised that credit is an important input for agricultural development and capitalizes farmers to undertake new investment and adopt new technologies, production and marketing activities. It shows credit is available to farmers for short-term credit for financing crop production and medium/long term credit for financing capital investment in agriculture. It reveals that with the intermittent failure of the monsoon and customary vicissitudes of farming and rural indebtedness has been a serious and continuous characteristic of Indian agriculture. The study concluded that larger proportion of population belongs to lower strata which have major share in land holdings but receives much less credit than its requirement.

Studies enumerated above covered various dimension. Based on the review of literature and inference drawn from, the researcher found that earlier studies have not concentrated much on problems faced by farmers in accessing agricultural credit. The present study is an attempt to fill this gap through the assessment of problems faced by farmers in accessing agricultural credit and compares medium, small, marginal and large farmers in Malur taluk.

Profile of Malur

Malur is a town in Kolar district in the state of Karnataka near to Bangalore. Malur is 46 kilometres (29 mi) from Bangalore City and 26 km from Kolar is located on the Bangalore – Chennai trunk railway line. As of 2011 India census Malur had a population of 236,920. Out of which 121,083 are males while 115,837 are females. In 2011 there were total 52,443 families residing in Malur Taluka. The average sex ratio of Malur Taluka is 957. The economy of Malur is primarily dependent on business and it is famous for clay tile-and-brick industry and small-scale industries. It is also famous for large number of eucalyptus plantations. Malur is famous for vegetables and floriculture. Vegetables grown here are daily sent to Chennai market and Bangalore markets. Flowers, capsicum and other vegetable grown are sold to bigger cities like Bangalore, Hyderabad, and Chennai. Malur is also famous for poultry farms. There are large number of parent breeding and commercial broiler farms. Malur was also called Malligepura in earlier days because the farmers here grow large number of jasmine flowers. Hullimangala Village is best known for growing capsicum and rose. Kodihalli is another village in Malur taluk famous for varieties in roses, and most of roses from here is sold to other states of the country.

Methodology

Data were collected from primary sources. The non-probability three stage sampling with stratification was adopted. The first stage was selection of strata i.e. the area Malur was selected. In the second stage, based on production level five villages in Malur namely Agrahara, Kambipura, Koduru, Bellavi and Arleri were selected. In the third stage based on simple random sampling about 500 respondents were selected. About 25 each of marginal, small, medium and large farmers were selected from each village. The statistical techniques used in the analysis are percentage method, ranking and KruskalWallistest.

Limitations

The study has few limitations. The respondent were reluctant to provide correct details regarding their monthly income, monthly saving, monthly expenditure, lack of awareness about collateral free loan, kissan credit card and problems of collateral security.

Findings of the study

The study brings out the socio-economic background and problems faced in accessing agricultural credit. The socio-economic background was measured based on age, community, religion, monthly income, monthly expenditure and monthly savings. The problems of agricultural credit were measured based on the indicators of high interest rate, insufficient mortgage, cumbersome process of getting loan, lack of interest of financial institution for agricultural credit, no banks in vicinity, collateral security, lack of awareness about credit package, lack of awareness about collateral free loan and lack of awareness about kisan credit card and lack of awareness about interest subvention scheme.

Socio- Economic Conditions of Farmers

An examination into the socio-economic conditions of farmers is highly essential. It is important in determining the living conditions and standard of living of farmers. The variables associated with farming are 'age', 'religion', 'income', 'expenditure'.

Table 1

Socio-Economic Conditions of Farmers

		Type of farmers				Total
		Marginal	Small	Medium	Large	
Age (in years)	Below25	1(1)	0(0)	(0)	(0)	1(1)
	25-50	83(83)	92(92)	79(79)	55(55)	309(61)
	50-75	41(41)	33(33)	46(46)	70(70)	190(38)
Religion	Hindu	103(82)	101(80)	100(80)	104(83)	408(82)
	Christian	14(11)	16(13)	9(7)	12(7)	51(10)
	Muslim	8(6)	8(6)	16(13)	9(7)	41(8)
Monthly income (Rs)	Below15000	73(58.4)	53(42.4)	12(9.6)	2(1.6)	140(28)
	15000-30000	52(41)	72(57.6)	88(70.4)	65(52)	277(55.4)
	30000-45000	0(0)	0(0)	25(20)	58(46)	83(16.6)
Monthly expenditure (Rs)	Below10000	50(40)	41(32.8)	8(6.4)	2(1.6)	101(20.2)
	10000-20000	68(54.4)	65(52)	68(54.4)	57(45.6)	258(51.6)
	20000-30000	7(5.6)	19(15.2)	37(29.6)	46(36.8)	109(21.8)
	Above 30000	0(0)	0(0)	12(9.6)	20(16)	32(6.4)
Monthly savings (Rs)	Below5000	118(94)	115(92)	81(65)	44(32)	358(72)
	5000-10000	7(6)	10(8)	44(35)	74(59)	135(27)
	10000-15000	0(0)	0(0)	0(0)	7(6)	7(1)

Source: Based on Field Survey, 2017

Note: Figures in parenthesis denote percentage to column total

Table 1 shows the age of farmers. Most of the respondents were in the age group of 25-50 years. About 61% of farmers belonged to the age group of 25 to 50 years. Around 38% of farmers belonged to age group of 50-75 years and 1% of respondent were below 25 years.

The religion wise distribution of farmers shows 82% of the farmers followed 'Hindu' religion. About 10% were 'Christians' and 8% were 'Muslims'. The study revealed that high proportion of farmers followed 'Hindu' religion. The family income of the farmers shows 55.4% of farmers had an income of around Rs.15000toRs.30000. Around 28% farmers had an income belowRs. 15000.Only 16.6% of farmers had an income of Rs.30000 to Rs. 45000.The study revealed that majority of farmers had an income of Rs.15000 to Rs.30000.The monthly expenditure of farmers shows that51.6% of the respondent in the research area spent an amount of Rs.10000 to Rs.20000. About 20.2 % spent up to Rs. 10000.Around 21.8% spent up to Rs.20000toRs.30000 and 6.4% spent aboveRs. 30000. It had been revealed that majority of farmers spent an amount of Rs.10000 toRs.20000.

It provides an insight about the monthly savings of the farmers. Around 72% of the farmers saved to the extent of below Rs. 5000.There were variation in the savings made by types of farmers. About 94%of marginal farmers,92% of small farmers and 65% of medium farmers saved below Rs. 5000. Around59% of large farmers saved up to Rs.5000toRs. 10000. Only 6% of large farmers had a saving of around Rs.10000toRs. 15000. Most of the farmers saved their income for children education, marriage etc

Problems Faced by Farmers in Accessing Agricultural Credit

Agriculture credit is an important input for agriculture development and has a positive impact on agricultural productivity. Agricultural credit especially institutional credit should be improved so that poor section of the farmers gets adequate access to agriculture credit

Table 2

Problems Faced by Farmers in Accessing Agricultural Credit

Problems	Type of farmers							
	Marginal		Small		Medium		Large	
	Average score	Rank	Average score	Rank	Average score	Rank	Average score	Rank
High interest rate	-0.056	8	0.064	4	-0.066	7	-0.040	6
Insufficient mortgage	-0.054	7	-0.078	6	-0.728	10	-0.034	5
Cumbersome process of getting loan	-0.682	10	-0.070	5	-0.056	4	-0.044	8
Lack of interest of financial institution for agricultural credit	-0.05	6	-0.74	10	-0.060	5	-0.027	3
No banks in Vicinity	-0.0218	3	-0.809	7	-0.070	8	-0.76	10
Collateral security	0.304	2	0.53	1	-0.043	3	0.35	2
Lack of awareness about farm credit package	0.50	1	0.32	2	0.54	1	-0.042	7

Lack of awareness about collateral free loan	-0.052	5	-0.033	3	0.33	2	0.032	4
Lack of awareness about kissan credit card	-0.048	4	-0.082	8	-0.062	6	0.57	1
Lack of awareness about interest subvention scheme	-0.062	9	-0.213	9	-0.226	9	-0.213	9

Source: Based on Field Survey, 2017

The above table revealed that marginal, farmers faced the problem of lack of awareness about 'farm credit package'(Rank1), 'collateral security'(Rank2) and 'no banks in vicinity'(Rank3).The small farmers faced the problem of 'collateral security'(Rank 1), 'lack of awareness about farm credit package'(Rank2)and 'lack of awareness about collateral free loan'(Rank 3).The medium farmers faced the problem of 'lack of awareness of farm credit package'(Rank1), 'lack of awareness of collateral free loan'(Rank2),and 'collateral security'(Rank3).The large farmers faced the problem of 'lack of awareness about kissan credit card'(rank1), 'collateral security'(rank 2) and 'lack of interest of financial institution of financial credit'(Rank3). All the selected farmers faced the problem of 'lack of awareness about interest subvention scheme' (Rank9).

Kruskal Wallis test

To find whether the problems faced by farmers in accessing agricultural credit in all the type of farmers were the same, Kruskal Wallis test was applied.

The Null hypothesis tested was

H_0 : There was no significant difference in the problems faced by farmers in accessing agricultural credit.

H_1 : There was a significant difference

Table3

Variability in the Perception of the Farmers Regarding Agricultural Credit -Kruskal Wallis test

Problems	Kruskal -Wallis test	Significance level	Inference
High interest rate	10.333	0.016	Significant
Insufficient mortgage	9.690	0.021	Significant
Cumbersome process of getting loan	12.420	0.006	Significant
Lack of interest of financial institution for agricultural credit	12.232	0.007	Significant
No banks in vicinity	10.618	0.014	Significant
Collateral security	13.793	0.003	Significant

Lack of awareness about farm credit package	10.510	0.015	Significant
Lack of awareness about collateral free loan	13.811	0.003	Significant
Lack of awareness about Kissan credit card	11.400	0.010	Significant
Lack of awareness about interest subvention scheme	0.615	0.89	Not significant

Source: Based on Field Survey, 2017

There was a significant difference in the problems faced by farmers for accessing credit like 'high interest rate'(10.333), 'insufficient mortgage'(9.690), 'cumbersome process of getting loan'(12.420), 'lack of interest of financial institution for agricultural credit'(12.232), 'no banks in vicinity'(10.618), 'collateral security'(13.793), 'lack of awareness about credit package'(10.510), 'lack of awareness about collateral free loan'(13.811) and 'lack of awareness about kissan credit card'(11.400). Hence null hypothesis was rejected. There was no significant difference in lack of awareness about interest subvention scheme (0.615). Thus, null hypothesis is accepted.

Conclusions

The analysis brings out the problems faced in accessing agricultural credit. The study revealed that formal credit for agriculture increased rapidly and it could not meet the needs of farmers in Malur and they must resort to informal credit to meet their part of their productive and unproductive needs. The access of farmers to credit has been constrained by their inability to offer the collateral, high interest rate, cumbersome process of getting loan and lack of awareness about interest subvention scheme.

Suggestions

- Farmers should be aware about farm credit package
- The interest rate charged by banks to agriculturist should be normal
- The procedure for obtaining loan should be liberalised.
- Farmers should be aware about interest subvention scheme.

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