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## A Study On Agricultural Finance

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### Abstract

Agriculture may be a major supply of bread and butter throughout the planet particularly for the bulk of poor individuals living in rural areas in developing countries. A key challenge for the bulk of those farmers is- access to finance. Lack of access to finance may be a key impediment to

Farmers in rising the potency of their production and adopting higher technologies Agriculture is that the most significant sector of the Indian economy. Indian agriculture sector accounts for concerning eighteen of India's gross domestic product and provides employment to concerning five hundredth of the country's personnel. The paper focuses on (i) to review the impact of termination on agricultural finance for the farmers. (ii) to look at the extent of awareness farmers have towards the varied agricultural finance obtainable for them. (iii) to know the satisfaction level of farmers from the varied policies enforced by the government. Statistical tools like ANOVA and Chi-square test is used to test the hypotheses.

Key words: Agricultural Finance, Farmers

### 1.1 INTRODUCTION OF THE STUDY

India is associate agricultural economy and agriculture is that the most significant a part of the Asian country economy and its contribution to the national gross domestic product is twenty fifth and provides bread and butter for concerning sixty fifth of the population. It conjointly contributes concerning twenty first of the exports and staple to several industries within the country. Finance in agriculture is as vital as different inputs getting used in agricultural production. Technical inputs will be purchased and employed by farmer on condition that he has cash (funds). However his own cash is often inadequate and he desires outside finance or credit.

Agricultural finance capitalizes farmers to undertake new investments and/or adopt new technologies. The importance of agricultural credit is more strengthened by the distinctive role of Indian agriculture within the economics framework in conjunction with its vital role in poorness alleviation. Realizing the importance of agricultural credit in fostering agriculture growth and development, the stress on the institutional framework for agricultural credit is being emphasised since the start of planned development era in Asian country.

## **1.2 STATEMENT OF THE PROBLEM**

Finance is needed by farmers not just for the assembly and selling of crops however conjointly to stay a stagnant agricultural economy alive. Most Indian farmers live close to the brink of starvation. a foul monsoon, a poor harvest, associate accident or illness within the family forces him to approach the moneylender for a loan. In India, there's the preponderance of such 'distress' or unproductive loans. Agricultural finance in Asian country isn't only requirement of the agricultural business however a symptom of the distress prevailing among the bulk of the farmers. so the analysis can bring into focus a important analysis of farmer's preference and satisfaction towards agricultural finance.

## **1.3 NEED FOR THE STUDY**

India is especially associate agricultural country. Agriculture is that the backbone of our economy. The farmer is a very important a part of agriculture. Agriculture depends on Farmer. It's the toil of the farmer that brings prosperity within the country. Farmer's contribution is priceless. In different words, it's the land of farmers. So it's vital to review concerning the condition of the farmers, their issues and difficulties. To search out out varied ways in which during which their issues will be solved and development will be created within the Indian agricultural sector.

## **1.4 OBJECTIVES OF THE STUDY**

- To study the impact of demonetization on agricultural finance for the farmers.
- To examine the level of awareness farmers have towards the various agricultural finance available for them.
- To identify the satisfaction level of farmers from the various policies implemented by the government.

## **1.5 HYPOTHESES OF THE STUDY**

- There is no significant relationship between the sources of finance preferred by the farmers with respect to their income.
- There is no significant relationship between their age and their preference to continue agriculture.

## 1.6 RESEARCH METHODOLOGY

The process of data collection was based on both primary data and secondary data. The primary data collection contains a questionnaire, personal interview and others. The sample size is limited to 100. This sample size is decided by taking into consideration time and cost available to the researcher. The collected data is presented in the form of tables and charts. Statistical tools like chi-square and ANOVA is used to test the hypotheses of the study.

## 2. REVIEW OF LITERATURE

**2.1 Sonia Goel (2018)** stated that Demonetization on agriculture sector plays a crucial role in the Indian economy. The study brings out the various positive and negative effects of demonetization on agricultural sector. Demonetization has affected the agricultural sector adversely and shrinks the rural income and consumer demand. It has already created a serious credibility crisis for rural co operations. Demonetization is unlikely to create a huge impact on the agricultural sector but it did hit the farmers badly, as after facing a two year drought scenario farmers were about to get their profits when demonetization was announced. And the sales had dropped 25% - 50% across market with occurrence of dumping.

**2.2 The National Commission on Agriculture (2008)** studied about 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. 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 weightage must be given to the needs of small and marginal farmers and provision of credit to them on preferential terms in respect of both interest charges and quantum of advances to enable them to modernize agriculture.

**Bhende (2012)** states Crop insurance has been one of the most reliable and longest running programs for stabilization and risk management for farmers in many countries. This is true in some parts of North America, where crop insurance became more common and commercially available around 1960. Multi-peril crop insurance, the most popular type of crop insurance, usually insures farmers against yield losses from natural causes such as weather (e.g. drought, excessive moisture, wind, snow, and frost), insects, and disease. A properly designed and implemented crop insurance programme will protect the numerous vulnerable small and marginal farmers from hardship, bring in stability in the farm incomes and increase the farm production.

## 3.1 FEATURES OF AGRICULTURAL FINANCE

The environment for rural financial intermediation has changed significantly in recent years with an enhancement of the role of markets and increased privatization in most developing countries. However, an immediate result of most of these reforms has been that fewer small farmers and other rural households

qualify for credit or that those who do qualify will have to pay more for loans. At the same time, in view of the high proportion of the population engaged in agriculture in developing countries and the strategic importance of (in particular) basic food production, policy makers are highly sensitive to public interventions in favour of the farmer population. It is vital, however, that financial institutions are not “misused” to fulfil social equity purposes and that public interventions in this direction, while fully justified, are obtained through alternative mechanisms.

### 3.2 IMPACT OF DEMONETIZATION ON FARMERS

Rural households depend on agriculture as their principal means of livelihood. Accounts for one third of the nation’s farmers and since many of them are not literate and also cannot afford major changes in the market due to traditional working and business practices. Farmers are already suffering and facing problems from natural calamities, market fluctuation and exploitation from the middlemen and now they are badly hit by the declaration of the government specifying 500 and 1000 rupees not being a legal tender.

### 4.1 DATA ANALYSIS AND INTERPRETATION

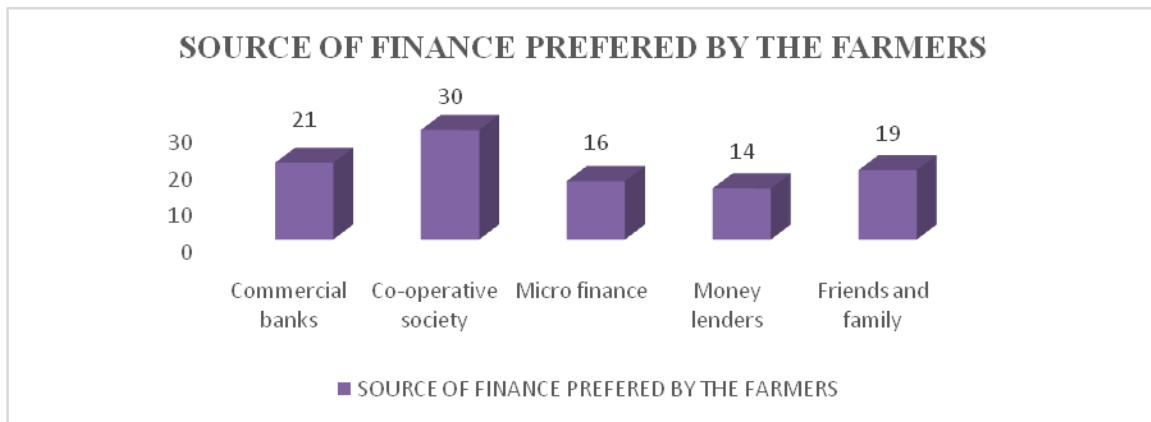
#### 4.1.1 Tabulation of Awareness towards the sources of finance

Particulars	Frequency	Percentage to total sample
Yes	57	57
No	20	20
Maybe	23	23
Total	100	100

Source: Primary Data

The above table 4.1.1 show that majority of the farmers are aware of the various sources of finance available for them, this includes 57% of the farmers, whereas 20% of the farmers state that they are not aware and 23% of the farmers state that they may or may not be fully aware of the sources of finance available.

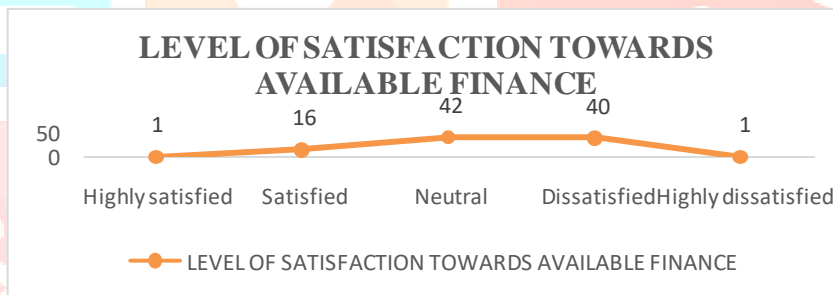
#### 4.1.2 CHART INDICATING THE SOURCE OF FINANCE PREFERED BY THE FARMERS



**Source: Primary Data**

The chart 4.1.12 determines the preference of the source of finance farmers have. Out of the 100 respondents, 21% of the farmers prefer commercial banks, 30% prefer co-operative society, 16% prefer micro finance, 14% prefer money lenders and 19% of them prefer friends and relatives.

#### 4.1.2 CHART INDICATING LEVEL OF SATISFACTION TOWARDS AVAILABLE FINANCE



**Source: Primary Data**

The above chart 4.1.3 shows that a majority of the respondents were neither satisfied nor dissatisfied by the various sources of finance available for them. This includes about 42% of the respondents, followed by 40% of the farmers who state that they were dissatisfied and about 16 % of them were satisfied. Only 1% of the respondents were highly satisfied and highly dissatisfied.

## 4.2 TESTING OF HYPOTHESES

### 4.2.1 Result of the ANOVA test on the income of the farmers and their preference of source of finance.

**H<sub>0</sub>** – There is no significant relationship between the sources of finance preferred by the farmers with respect to their income.

**ANOVA TABLE**

Particulars	Sum of Squares	DF	Mean Square	F	Sig.
Between Groups	2.825	4	.942	.458	.002
Within Groups	197.175	96	2.054		
Total	200.000	100			

**Source: Computed Data**

Since the P- value (0.002) is lesser than 5% (0.05) significance level, therefore H<sub>0</sub> is rejected. This determines that there is no significant relationship between their choices of agricultural finance with respect to their income.

### 4.2.2 Result of the chi-square test on the age of the farmers with their preference to continue agriculture as occupation in future.

**H<sub>0</sub>** – There is no significant relationship between their age and their preference to continue agriculture as occupation in future.

**Test statistics**

Particulars	Age	Continuing agriculture
Chi- square	19.280	31.940
Df	2	2
Asymp. Sig.	.000	.000

**Source: Computed Data**

The result indicates that the p-value (.000) is lesser than the 5% significance level (0.05) hence null hypothesis is rejected. This determines that there is a significant relationship between the age of the farmers and their preference to continue agriculture as occupation in future.

## 5.1 CONCLUSION OF THE STUDY

Agricultural finance is that the provision of multiple kinds of services dedicated to supporting each on- and off-farm agricultural activities and businesses as well as input provision, production, and distribution, wholesale, process and promoting. The aim of the study was to seek out the notice of the farmers towards money sources and their level of satisfaction towards a similar. Farmers suppose the varied sources finance because the agricultural sector in Republic of India isn't terribly useful and useful to the farmers. With all the facilities they need for the method of farming and alternative edges to boost their normal of living and additionally provides the advantage to their families.

## 5.2 SUGGESTIONS OF THE STUDY

**Increasing incomes:** Agricultural transformation is extremely slow. Therefore, the method of generating higher financial gain from agriculture is additionally slow. Production increase was the most objective than raising incomes.

**Generating employment opportunities:** true Assessment of Bharat reportable that quite four-hundredth of farmers would quit agriculture if various opportunities were out there. Agriculture is turning into jammed and doesn't give regular employment opportunities. In the absence of normal employment in rural areas, the agricultural population, particularly youth, is migrating to urban areas to explore higher opportunities and financial gain.

**Reducing risk in agriculture:** The risks farmers face is increasing for years. Each production and worth risks are making current farming distress. However even throughout traditional years farm harvest costs have dropped steeply badly poignant farmer income.

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