



FARMERS' AWARENESS ABOUT AGRICULTURAL CREDIT BY CANARA BANK: A STUDY IN ERODE DISTRICT

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ABSTRACT

The financial system is the lifeline of an economy. The intermediaries in a financial system facilitate the flow of funds from the areas of surplus to areas of deficit. The direct and indirect participation of the financial intermediaries play a pivotal role in the growth of various sector of the economy. It is desirable to look at the emerging contours of the financial system in the direction of growth of an economy. The changes in an economy mirror the participation of the financial system, more so of the banking industry. India being an agrarian economy, the participation of the Indian banking industry in the provision of agricultural finance reflects the significance offered to the sector and to its growth. An attempt has been made in this research to ascertain the level of awareness of the farmers about the agricultural credit provided by canara bank.

KEYWORDS : Agricultural Credit, Agricultural Sector, Banking Service.

INTRODUCTION

Agriculture is the back-bone of Indian economy, it offers direct employment to 2/3rd of our population and it is a provider of food, clothing, fodder and other basic necessities of life for the entire population. The role of agricultural finance in the agricultural development of a country cannot be overemphasized. One of the reasons for the decline in the contributions of agriculture to the economy is lack of a formal National Credit Policy and paucity of credit institutions, which can assist farmers. Financing to agriculture (capital) is viewed as more than just another resource such as labour, land, equipment and raw materials. The performances of loan contracts determine the profitability and stability of financial institutions, and screening the loan applications is a key process in minimizing credit risk. The success of Green Revolution in Indian agriculture to a large extent laid on institutional credit support to agricultural sector in terms of expansion in inputs like fertilizers, irrigation and private capital formation. Finance is one of the major critical inputs for agricultural development. It capitalizes farmers to undertake new investments and/or to adopt new technologies. The importance of agricultural finance is further reinforced by the unique role of Indian agriculture in the macroeconomic framework along with its significant role in poverty alleviation. Realizing the importance of agricultural finance in fostering agricultural growth and development, the emphasis on the institutional framework for agricultural finance is being emphasized since the beginning of planned development era in India.

STATEMENT OF THE PROBLEM

The agriculture sector is important for food security, employment generation and economic growth. However, concern now is on the decline in agricultural growth. An excessive emphasis on variety in the early stages of Green revolution did help in augmenting of food grain production, but also became the cause for unsustainable agriculture in the absence of adequate science and knowledge base. Since agriculture is a vital sector in India, there should be an end for isolation of agriculture. In TamilNadu, agriculture is the most over riding sector in the economy. The agricultural field represents the main source of employment in most countries. The larger farms usually find it necessary to hire additional hands to successfully cultivate the lands and to take care of the related farm animals. Most of these large farms have processing plants located in nearby facilities for finalizing their agricultural products and developing the by-products.

Most 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.

These are the current issues of the agriculturists and farmers. In this regard, this study gets prominence in focusing farmer's awareness towards agricultural finance provided by canara bank for the development of agriculture. Against this background, the present study is an attempt to find out the answer to the research question of: What is the awareness level of the farmers about agricultural credit?

REVIEW OF LITERATURE

A review of some of the studies relating to the present study has been undertaken and presented in the following section.

Vijay Singh Hooda et. al. (2011) examined the performance of primary Agricultural Credit societies. Evidences were from Haryana. In this an attended was made to study the growth and progress of primary agricultural credit societies in Haryana since the inception of the state. They concluded that need to develop PACSs as multipurpose business entities, meeting the demand of the members in a professional manner. Effective education and training to the members and use of communication technology are required in the changing environment.

Shukla et. al. (2010) examined the interstate disparities in the flow of schedule commercial Banks credit to Agriculture in India in pre and post liberalization period. In this study has been so because of its recognized importance and role in our national economy in context of employment potential income redistribution and support to the balance of payment. Positive role of finance in boosting up of agriculture and economic development of nation has become a widely accepted dictum in literature. In perspective of Indian agriculture, credit has become an indispensable support to the practitioners of modern agriculture. It acts as a facilitator in improving the farm production performance by performing the important function of providing the farmers with requisite control over resource. Good credit, it well utilized, could play a vital role in the growth of farms and agriculture. He concluded that liberalization policy did not stimulate banking system to perform positively and effectively to reduce the interstate

disparities in the flow of credit to agriculture from scheduled commercial banks. Therefore, banks should take necessary initiative to revise the existing policy to bring down inter-regional disparities in the flow of scheduled commercial banks credit to agriculture across states.

Sharma et. al. (2010) examined the rural credit system and factors affecting credit in Kangra District of Himachal Pradesh. The subject matters of this study are (i) the extent of lending pattern and overdue of the lending agencies in the selected area (ii) the reasons for overdue from the view point of lending agencies (iii) the accessibility and cost of borrowings (iv) to quantify the factors affecting borrowings by the cultivators. They concluded that there was the need to diversify the agricultural sector to facilitated growth of cash crops. So the farm income can be increased. This will increase the farm credit requirements and the repayments will also be better. Education in the family in general and the head of family in particular especially in terms of training on various agricultural aspects also needs adequate attention for enhancing the agricultural loan and ultimately the agricultural development.

OBJECTIVE OF THE STUDY

The present study has been undertaken to analyses the awareness level of the farmers about agricultural credit.

HYPOTHESIS OF THE STUDY

On the basis of the framed objective, discussions with field experts, review of previous studies and on the basis of researcher's theoretical knowledge, the following null hypothesis has been framed and this is subjected to appropriate statistical tests.

H₀ : There is no significant association between the socio-economic characteristics (Age, Gender, Marital Status, Educational Status, Occupation, Nature of Family, Size of Family, Number of Earning members, Annual Income, Loan period, Bank Balance) of the sample farmers and their awareness about agricultural credit.

SCOPE OF THE STUDY

This study is confined to the cultivators mainly engaged in cultivation of land in Erode district. It provides the details of the status of farmers, perception of the farmers about agricultural finance and problems encountered by farmers for receiving agricultural loan and socio economic background of the farmers. It covers the farmer's awareness towards agriculture finance provided by canara bank in Erode District.

METHODOLOGY

i) Sources of the study

The data required for the study have been collected from both the primary and secondary sources. The primary data have been collected directly from Farmers by using Interview schedule. The secondary data have been collected from the published journal, books, magazines and websites.

ii) Sampling Design

The authenticity of any research is endorsed by the methodical approach employed for data collection and analysis of the collected data. The present study focuses on the data collected from the individual agricultural farmers in Erode district in the state of TamilNadu.

iii) Analysis and Interpretation of Data

DISTRIBUTION OF THE SAMPLE FARMERS BY AWARENESS SCORE ON FUNCTIONING OF AGRICULTURAL CREDIT

The score of 750 sample farmers were calculated. An individual's score was the mere summation of the scores secured from 15 statements. The expected scores of the sample farmers range from 15 to 45. The average score was

30. Accordingly, it is found that the sample farmers are classified into three namely low (if score is less than 45), medium (if score is between 45 & 60) and high (if score is between 61 & 75). Details of the distribution of the sample farmers is shown in Table 1.

**TABLE 1
DISTRIBUTION OF THE SAMPLE FARMERS BY AWARENESS SCORE ON FUNCTIONING OF AGRICULTURAL CREDIT**

Awareness Level	No. of Sample Farmers	Percentage	Average Score	S.D
Low	178	23.70	24.98	1.924
Medium	233	31.10	39.58	5.051
High	339	45.20	54.10	3.585
Total	750	100	118.66	10.560

Table 1 reveals that out of 750 sample farmers, 178 sample farmers (23.70%) are having low level of awareness and 233 sample farmers (31.10%) are having medium level of awareness and 339 sample farmers (45.20%) are having high level of awareness. Hence, it may be inferred that majority of the sample farmers are having high level of awareness about functioning of agricultural credit.

Age and Level of Awareness.

For analyzing the extent of relationship between the age and awareness level, Table 2 has been prepared with Chi-square test. The sample farmers were classified as follows: Up to 30 years as Young; between 31 and 50 years as Middle and Above 50 years as Old.

**TABLE 2
AGE AND LEVEL OF AWARENESS: CHI-SQUARE TEST**

Age	Level of Awareness			Total
	Low	Medium	High	
Young	57(32.0)	119(51.1)	103(30.4)	279(37.2)
Middle	64(36.0)	80(34.3)	165(48.7)	309(41.2)
Old	57(32.0)	34(14.6)	71(20.9)	162(21.6)
Total	178(100)	233(100)	339(100)	750(100)

Chi-square Value = 40.337
(Figures in Parentheses represent Percentage)

Table 2 indicates that 41.2% of the sample farmers are middle aged. Further, 48.7% of the middle aged, 30.4% of the young and 20.9% of the old sample farmers are having high awareness about functioning of agricultural credit.

From the Table 2, it is found that the calculated value of Chi-square (40.337) exceeds the table value of Chi-square (13.277) for 4 degrees of freedom at 1% level of significance. Hence, the hypothesis is not accepted. Therefore, it is concluded that there is an association between the age of sample farmers and their level of awareness on the functioning of agricultural credit.

Average Awareness Score of the sample farmers on the basis of Age

The average awareness score of the sample farmers classified based on their age is given in the Table 3. To test the hypothesis that the average score of the sample farmers classified based on their age is the same, "F" test has been applied.

**TABLE 3
AGE AND LEVEL OF AWARENESS SCORE: F-TEST**

Age	No. of sample farmers	Percentage	Average Score	F-Value
Young	279	37.2	42.66	4.752*
Middle	309	41.2	43.70	
Old	162	21.6	40.75	
Total	750	100.0	42.68	

*Significant

Table 3 indicates that the average score (43.70) of the middle aged sample farmers is higher than that of other groups. Further, it is clear that the calculated value of "F" (4.752) greater than the table value (4.60) for 2 and 747 degrees of freedom at 1% significant level. Therefore, the hypothesis is rejected. It is proved that there is a significant relationship between the age of farmers and their awareness scores.

SUGGESTIONS

- 1) The canara bank may give more attention for creating awareness about the loan schemes through various media designed for the farmers.
- 2) Timely finance is highly an essential feature of agriculture finance. Hence canara bank need to pay greater attention to reduce the time gap in processing the loan application as it may benefit more number of farmer borrowers.
- 3) The bank staff may provide credit counseling to the farmers with a human touch and focus on building a delighted customer environment.

CONCLUSION

An attempt has been made in this chapter to ascertain the level of awareness of the farmers about the agricultural credit provided by canara bank. A number of loan schemes are offered by the canara bank for agriculture. Poor awareness about the schemes would motivate the farmers to utilize them. But the in adequate awareness would drive them to the door step of unorganized sector and despair the role of canara bank in the area of agricultural finance. Finally conclude the awareness of majority (80%) of the farmers about agriculture finance is medium, so our country creates high awareness about agriculture finance to agriculture farmers.

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