



A Study on Agriculture Financing by Farmers in Dakshina Kannada District

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ABSTRACT

Institutional agencies have played an important role in the development of agriculture providing timely credit to farmers especially small and medium farmers. There are several factors which influence the agriculture financing decision of farmers. The present study is an effort to understand the different factors relating agriculture finance in Dakshina Kannada district. The researcher has selected primary as well as secondary data. The data collected through questionnaire was analysed using SPSS. The findings show that there is impact of education level of respondents and reasons for taking loan on the source of credit selected by the farmers. The family structure also has an impact on the utilisation of funds by the farmers.

Keywords : Agriculture, agriculture finance and credit source

INTRODUCTION

Agriculture is still a primary sector in India as it provides employment opportunities for the people in rural areas. The agricultural performance depends on various factors; agricultural credit is one of them. The institutional credit flow to the agriculture has been increasing for the past four decades. However, the patterns in the growth of agricultural credit are different in different sub-periods. The commercial banks have emerged as the major source of institutional credit to agriculture in the recent years (Kumara et al, 2010). Co-operative banks, commercial banks, Regional rural banks and micro financial institutions provide financial support to the farmers in the Indian context. The public sector banks have made commendable progress aftermath of nationalisation of banks.

REVIEW OF LITERATURE

Kumar, S. M. (2013) found that cooperative banks discriminate against lower caste borrowers, and find weak evidence that commercial banks instead bias lending in their favor in accordance with affirmative action policies. The study compared the organizational structures of the two types of bank, and explains discrimination by cooperative banks in terms of interest group capture at the district level by showing that discrimination takes place in those districts where higher castes dominate.

Biradar, R. R (2013), found that the annual growth rate of total institutional credit for agriculture and allied activities was much higher during the reform period as compared to that of pre-reform period. There is bulk increase in institutional credit for agriculture and allied activities during the reform period were attributed to the banking sector reforms initiated in the early 1990s. The author observes that the "U-shaped" curve for the growth pattern of institutional credit for development of agriculture and allied activities in India.

Mishra Rabindra(2012), states that cost incurred for the use of labour in enhancing agriculture production and productivity is matter of great concern . The study compared the agriculture labourers used and productivity in pre loan and post reform period to understand the impact of credit on agriculture. There is impact of credit availability on all villages under the study at varying degree among the various farm size.

OBJECTIVES OF THE STUDY

The objective of the paper is to understand the different factors relating to agricultural finance in DK district of Karnataka state.

SIGNIFICANCE OF THE STUDY

The agriculture finance is a primary input for agriculture development. As on 31st March, 2012, D. K. district has 425 branches of Commercial banks, 19 branches of Regional Rural Banks and 35 Branches of District Credit Co-operative banks. These banks have granted 1,10,756 lakhs of agriculture credit (D.K at Glance –2011-12, pp.123). In this context, it is essential to understand the factors influencing agriculture finance by farmers. Thus, the researcher has conducted a survey in DK district with a questionnaire to understand the factors influencing agriculture finance for farmers.

RESEARCH METHODOLOGY

Primary and secondary data is used for the study. Primary data is obtained from the farmers who have taken loan from Co-operative, private, public sector banks operating in five taluks of D.K. district. 112 questionnaires were distributed and 100 questionnaires had proper responses. The sample respondents were selected based on disproportionate sampling method. The respondents are from five taluks namely Mangalore, Bantwal, Belthangady, Puttur and Sullia. The questionnaire was translated to local language to make the respondents comfortable to give their opinion.

DATA ANALYSIS

The results of the study show that, majority are male respondents (83%) and age group of above 50 years (44%), 21 percent respondents belongs to the age group of 41 -50 years, 19 percent of belongs to the age group of 20-30 years and 16

percent belongs to 31-40 years. Literacy wise 45 percent are SSLC qualified, 21 percent graduate, 12 percent with PUC, 10 percent are PG qualified and 12 percent are illiterates. Further 58 percent have nuclear family and 42 percent live in joint family. 91 percent are married and only 9 percent are unmarried. 62 percent of respondents have 3-5 dependents.

Table No.1: Results of Cross tabulation

Sources of credit and reasons for taking loan					
		Reasons			Total
		Farming/ Fertilizer	Purchase of land	Marriage	
Credit source	Private banks	9	0	0	9
	Public banks	9	0	4	13
	Cooperatives	69	9	0	78
Total		87	9	4	100

Family structure and purpose of utilization						
		Purpose of utilisation				Total
		Farming	Purchase of land	House construction	Marriage	
Family structure	Nuclear	54	0	0	4	58
	Joint family	33	4	5	0	42
Total		87	4	5	4	100

Level of education and credit source					
		Credit source			Total
		Private banks	Public banks	Cooperatives	
Education	No schooling	0	0	12	12
	SSLC	4	4	37	45
	PUC	0	0	12	12
	Graduate	5	4	12	21
	PG	0	5	5	10
Total		9	13	78	100

Source: Field survey

It is clear from the analysis that, 78 percent borrowers have taken loan from Co-operatives and out of this, 88 percent of borrowers taken for farming and 12 percent of borrowers have taken for purchase of land. 13 percent borrowers have taken loan from public sector banks and out of this, 69 percent of borrowers taken for farming and 31 percent of borrowers have taken for marriage reasons and 9 percent of borrowers have taken loan from private banks and used only for farming. Thus majority of the respondents have taken loan from co-operative banks.

93 percent of respondents of nuclear family have utilised the loan amount for farming purpose and 7 percent of respondents have utilized it for marriage purpose. 79 percent of respondents of joint family have utilised the loan amount for farming purpose, 10 percent of respondents have utilized loan amount for purchase of land and 11 percent of respondents have utilized it for house construction purpose.

All respondents with no formal education and PUC qualification have taken loan from cooperative banks. 82 percent of respondents with SSLC qualification have taken loan from cooperative banks. 57 percent of graduate respondents have taken loan from cooperative banks, 24 percent of graduate respondents have taken loan from private sector banks and 19 percent of graduate respondents have taken loan from public sector banks. In case of respondents with PG qualification 50 percent have taken loan from Cooperatives and remaining from public sector banks.

Table No: 2 Chi-Square Tests

Hypothesis 1			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	29.973 ^a	4	0
Likelihood Ratio	21.488	4	0
Linear-by-Linear Association	0.847	1	0.357
N of Valid Cases	100		
a. 5 cells (55.6%) have expected count less than 5. The minimum expected count is .36.			
Hypothesis 2			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.916 ^a	3	0.001
Likelihood Ratio	20.57	3	0
Linear-by-Linear Association	0.746	1	0.388
N of Valid Cases	100		
a. 2 cells (8.0%) have expected count less than 5. The minimum expected count is 1.68.			
Hypothesis 3			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	26.773 ^a	8	0.001
Likelihood Ratio	27.027	8	0.001
Linear-by-Linear Association	7.354	1	0.007
N of Valid Cases	100		
a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is .90.			

Source: Field survey

Hypothesis 1: There is relationship between reasons for taking loan and sources of credit.

The chi-square tests results shows that there is significant association between the sources of credit and reasons for taking loan as the p value is <0.05 . Loan taken from Cooperative banks have used for farming as well as purchase of land. Loan taken from public banks are for farming as well as marriage. But loan taken from the private banks are used only for farming.

Hypothesis 2: The utilisation of loan amount depends on the family structure

The chi-square tests results shows that there is significant relationship between the family structure and purpose of utilization of loan amount as the p value is <0.05 . Nuclear family respondents have utilized the loan for farming and marriage purpose only. But respondents in joint family have utilized the loan for farming, purchase of land and house construction. They have used it for only productive purpose. Thus, utilization of loan amount depends on the family structure.

Hypothesis 3: The source of credit is related the level of education of respondents

The chi-square tests results shows that there is significant relationship between level of education and source of credit as the p value is <0.05 . The respondents with no schooling and PUC prefer only cooperatives for agriculture finance. But respondents with graduate and PG qualification have considered all institutional agencies like private, public and cooperative banks.

DISCUSSION

There are several factors influence the borrowers decision of selecting the financial institutional credit in agriculture sector. The researcher has formulated three hypotheses and test-

ed it using cross tabulation and Chi-square tests. The results showed that there is relationship between the reasons for taking loan and the sources of credit selected by the respondents. There is significant impact of family structure on the purpose of utilization of loan amount by the farmers. The level of education of respondents also influenced the respondents in selection of sources of credit. Education level of farmers makes them aware about the opportunities available in various financial agencies.

CONCLUSION

The biggest challenge for the farmers in Indian Agriculture is to improve productivity and profitability. But this requires timely availability of inputs like seeds, fertilizers and farm mechanization. To meet all these requirements, constant flow of funds is of utmost importance. The Institutional agencies have great role to play in development of agriculture sector. There are several factors influence farmers decision of selection of institutional agency and utilization of funds. The present study is conducted with the objective to understand different factors relating to agricultural finance in Dakshina Kannada district. The results shows that the factors like education level of farmers and reasons for taking loan influences the decision of selection of institutional agencies in agriculture credit. The structure of family also has impact on the purpose of utilization of loan amount. The future research can be carried out by using demographic and geographical factors on agriculture credit.

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