



**ORIGINAL RESEARCH PAPER**

**Management**

**“A STUDY ON THE PERCEPTION TOWARDS THE AGRICULTURAL FINANCE PROVIDED BY THE BANKS IN RURAL AREAS”**

**KEY WORDS:** Agriculture, Agriculture Finance, Issues in agriculture and Farmers awareness

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**ABSTRACT**

Indian Economy is heavily depending upon Agriculture since independence, as it contains high weight age in total contribution of national income, so we can say in India agriculture is not business rather way of living life. Agriculture not only contributes to GDP but also in export and import, food processing business and other agricultural business. As India is labour intensive country and also most of peoples live in rural area, agriculture and related business provides majority of employment opportunity in their local region only. India has not preserved and developed its natural resources when it comes to farming. Farmers also suffer due to lack of irrigation facilities. The methods of cultivation in most areas of India are still primitive. There has been a scarcity of fresh investments in agriculture sectors. Indian agricultural industry has its own tailbacks at each stage. The present paper focus on how farmers perceives agricultural loan, do they believe it is really contributing in to economic well being? This paper also attempts and possible suggestion to the stake holders to act in decisive mode while addressing farmers issue related to agriculture finance.

**INTRODUCTION**

As per the National Sample Survey Office 2016 NSSO, more than one-fifth of rural households with self-employment in agriculture have income less than the poverty line. The productivity of most crops in India is well below the global average. It was also reported by Niti Ayog that income per farmer is around one-third of the income per non-agriculture worker. Even with other development parameters improving in the Indian economy over the last few decades, income disparity between agriculture and non-agriculture workers has remained at around these levels.

As per National Crime Report Bureau (NCRB), the Farmer suicides in the country rose by 42% between 2014 and 2015. It was revealed by the data that 38.7 percent of farmers had committed suicide due to insolvency and indebtedness. The second major reason was the various issues related to the agriculture. It has been found that out of the total farmers committed suicide; approximately 73 percent were small and marginal farmers.

The government has introduced many agro-centric policies and programmes like Pradhan Mantri Fasal Bima Yojana, Soil health cards, Pradhan Mantri Krishi Sinchayee Yojana, Kisan Credit Card, National Agriculture Market (eNAM), E-Farmer portal, Krishi Mahotsav, the Farming school for the progress and advancement of the sector. Despite this, the agriculture sector is not able to achieve the remarkable growth. Agricultural budgets have gone up from, Rs 16,646 crore to Rs 41,855 crore in the last 3 years. vi In the year 2011-12, the loan given by the institutional agencies was 511029 crore has increased to 877224crores in 2015-16. vii The average annual rate of growth in agriculture and allied sector during the period from (1991-92 to 2013-14) comes at 3.2% which was lower than the targeted 4%. The Government wants to double the farmer's income by 2022. It is not possible unless and until certain basic issues of the farmers will be solved. Agriculture credit is also a prominent concern which is required to focus.

The problem of disbursement and recovery of agriculture credit is an operational problem which is self-imposed limitations by the borrowers and financial institutions. The less advantageously placed farmers neither have any access to credit nor the facilities to convert credit into the inputs they needed for increasing production.

In India, the credit disbursements to agriculture are made by the formal and informal agencies. The informal agencies include moneylenders, commission agents, and traders and they still have a prominent role in rural economy. The formal institutions comprise the Cooperatives, Commercial Banks, and Regional Rural Banks. The commercial banks doubled the quantum of lending to the agriculture during the last few

years still, the requirements, especially of the small and marginal farmers, were not fully met. The institutional lending to agriculture has some bottlenecks, which have to be faced both by the borrowers and Bankers. In this background, the present study tries to evaluate the views of the borrowers relating to accessibility, cost, and impact of credit and repayment of the loan.

**Literature Review**

Parag Das (2015) in the research paper titled “Problems of Rural Farmer” said that poor socio-economic condition, illiteracy, a small size of land holding, legal ownership are the basic issues of the Indian agriculture. The poor quality of seeds, inadequate irrigation facilities, and low yield has also a negative impact on the agricultural growth. It had been suggested that farmers have to cultivate cash crops and other high yield crops to increase the agricultural income. An efficient marketing channel is the vital necessity of the sector. The government has to provide agricultural education and training to the farmers regarding the latest scientific methods, modern agricultural equipment, and agricultural credit.

Dr. Sharmishtha Matkar (2015) observed that credit delivery to the agricultural sector is not adequate. She observed that still small and marginal farmers have to struggle to procure agricultural credit. The condition demands for rigorous efforts for the constant flow of agricultural credit combined with improvement in process and technology.

Dr. Dushyant Kumar (2014) in his paper titled “Agriculture Credit Reform and Financial Inclusion in India” Since 2004 observed that though agricultural credit flow data is remarkable the small and marginal farmers are unable to get credit easily. The overall flow of agricultural credit has increased. The rate of interest has also been reduced. It has been suggested that while designing a credit policy, there cannot be a uniform policy across the country. It should be flexible and decentralized, based on the local socio-economic condition. It was proposed in the paper that more innovative models are needed to reach small and marginal farmers in rural areas for the success of the financial inclusion program.

**Research Methodology:**

The purpose of the study was to study perception towards the agricultural finance provided by the banks in rural areas, and to identify major barriers for farmers in the development of their agricultural economic activity. For the above objective researcher adopted descriptive research design with primary data collection through structured questionnaire targeting 200 farmers by convenient non probability sampling plan from various villages of Bharuch District. The researcher has used SPSS for data analysis and generalizing

the findings.

**Hypothesis Tested:**

1. Null Hypothesis: There are no significant association between Annual Income and Perception of farmers towards agriculture finance.

**Alternate Hypothesis:** There are significant association between Annual Income and Perception of Farmers towards agriculture finance.

2. Null Hypothesis: There is no significant association Annual loan amount and Perception of farmers towards agriculture finance.

**Alternate Hypothesis:** There is significant association Annual loan amount and Perception of farmers towards agriculture finance.

**Table 1: Annual Income V/s Farmer's Perception towards Agriculture Loan**

Farmer's Perception	Sign. Value (p value)	Null Hypothesis
The source of agriculture loan is adequate.	0.037	Rejected
The various types of agriculture loan schemes are satisfactory.	0.933	Accepted
The rate of interest of different loans is reasonable.	0.638	Accepted
Farmers are fully aware about the subsidy offered.	0.048	Rejected
Farmers prefer formal source of agriculture finance	0.035	Rejected
Loan application formalities are simple in different schemes.	0.039	Rejected
short term loans are increased the productivity	0.057	Accepted
There is timely lending of loans and advances to the customer	0.885	Accepted
credit facilities and schemes are well informed to the beneficiaries	0.006	Rejected
Valuation of securities for loans and advances is justifiable	0.846	Accepted
capacity of the borrower is considered in credit policies	0.042	Rejected
The scheme meet the need of beneficiaries	0.025	Rejected
The volume of credit is sufficient to complete the plan and project	0.693	Accepted
Maximum credit limit based on income approach	0.029	Rejected
credit limit can be enhanced depending on performance and needs	0.746	Accepted
crop failed farmer could get an extension of up to four years	0.866	Accepted
The repayment of loan only after harvest	0.544	Accepted
Each withdrawal to be paid within 12 month	0.015	Rejected

**Table 2: Annual Loan Amount V/s Farmer's Perception towards Agriculture Loan**

Variable 2	Sign. Value (p value)	Null hypotheses
The source of agriculture loan is adequate.	0.778	Accepted
The various types of agriculture loan schemes are satisfactory.	0.016	Rejected
The rate of interest of different loans is reasonable.	0.877	Accepted

Farmers are fully aware about the subsidy offered.	0.005	Rejected
Farmers prefer formal source of agriculture finance	0.006	Rejected
Loan application formalities are simple in different schemes.	0.016	Rejected
short term loans are increased the productivity	0.018	Rejected
There is timely lending of loans and advances to the customer	0.033	Rejected
credit facilities and schemes are well informed to the beneficiaries	0.967	Accepted
Valuation of securities for loans and advances is justifiable	0.988	Accepted
capacity of the borrower is considered in credit policies	0.02	Rejected
The scheme meet the need of beneficiaries	0.712	Accepted
The volume of credit is sufficient to complete the plan and project	0.957	Accepted
Maximum credit limit based on income approach	0.027	Rejected
credit limit can be enhanced depending on performance and needs	0.025	Rejected
crop failed farmer could get an extension of up to four years	0.799	Accepted
The repayment of loan only after harvest	0.556	Accepted
Each withdrawal to be paid within 12 month	0.69	Rejected

**CONCLUSION:**

In conclusion of the research it can be said that the farmers have considerable small lands and they spend enough money behind seeds, fertilizers, land development and crop development for that they prefer nationalise and co-operative banks but they don't go to rural banks, which is not good idea for the farmers, because rural banks can offer more schemes and subsidise rate which ultimately assist farmer for better income and economical healthy standard of living. Farmer's annual income gets affected by amount of loan, awareness of loan process, sources of loan, simplicity of process of loan, credit policy of bank to consider borrowers capacity to repay, maximum credit limit to income approach, and repayment within 12 months of withdrawal. So government or banks or financial institution may take policy decision to improve annual income of the farmer. Farmer's annual loan amount is having significant association with availability various loan schemes, awareness of farmers, source of loan whether it is formal or informal, simplicity of loan application, timely lending, and capacity of borrower by income based lending.

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