THINK INDIA JOURNAL

ISSN:0971-1260
Vol-22- Issue-14-December-2019

A Study On Farmer's Choice Of Agricultural Finance In Chengalpattu District, Tamil Nadu

Mr. Nipu Rajbongshi II M.Com, Department Of Commerce, Faculty of Science And Humanities, SRM Institute of Science And Technology, Kattankulathur, Chengalpattu District, Tamil Nadu.

ABSTRACT:

Agricultural farmers in Chengalpattu district is going through many demanding situations in having access to monetary services as they've restrained get right of entry to economic markets. Despite the numerous reforms undertaken by using the Government such as monetary zone reforms, many rural farmers have remained in poverty with constrained ability to get entry to safety nets like loans to combat in opposition to starvation and sickness. This paper is aiming to find out elements that affect farmer's choice to get right of entry to agricultural finance. A survey becomes performed in Chengalpattu District. Employing each purposive and random sampling technique, a pre-tested questionnaire was administered on 50 farmers. The record was accrued via interviews as most of them are reluctant to fill the shape. Data changed into analysed the use of a regression model. Results indicated the farmers in Chengalpattu district prefer to borrow funds from formal or informal source. Also demographic elements like age, gender, education level, profits degree, length of family considerably stimulated choice to get right of entry to finance related elements like amount of mortgage, common time taken for processing and mortgage payback duration, encouraged the choice of agricultural finance in Chengalpattu district.

INTRODUCTION:

The agricultural quarter in India supports approximately 70% of the population that is completely depending on agricultural associated livelihoods a lot of whom are negative humans inside the rural. In order to improve the status of poverty and improve rural lives, get entry to rural finance is very crucial additives. Increased access to agricultural finance consequently should awareness on improving access to banking offerings and credit in rural areas.

According to an old proverb "Credit supports the farmers as the hangman's rope helps the hanged." In the case of Indian farmers this assertion is fully proper. Thus, for exciting the pace of agricultural manufacturing, an ok and timely credit, is most vital. Every year lot of farmers ends their life due to the fact their plants are spoiled and that they don't have any way to survive. They have a large hassle of dwelling and farming for which they need monetary help. They are of two kinds - first is formal and second is informal source. Formal sources are Commercial banks, cooperative banks, Micro finance Institutions, and so forth. Informal sources are cash lenders, buddies and household, and many others.

ISSN:0971-1260
Vol-22- Issue-14-December-2019

I. **Formal Source:-** The formal financial institution ignore small farmers, lower income, household and small scale enterprise in favour of large scale, well of literate clients which can satisfy their stringent loan condition. Repayment rates are low to farmer complex administration procedures are beyond the understand of the rural mass and small savers. Formal sector provides only marginally more credit than the informal sector currently. The credit activities of the formal sector are supervised by the Reserve Bank Of India. The bank of co-operative sector constitute the formal sector of credit. Some of the formal source which act to provide funds are discussed below:-

- Commercial Bank: During 1969-1975 business banks had been nationalized and the stocks of commercial banks in general institutional credit to agriculture is almost 48% accompanied by means of cooperative banks with a %age of 46 in step with cent. Green revolution inside the past due 60s and 70s did necessitate adequate availability of credit score. However, the drift of credit was now not progressed and the industrial banks were not tuned to desires and necessities of small and marginal farmers.
- Co-operative Bank: Cooperative banks provide farmers with a wide variety of banking and monetary services like loan, deposits, banking debts and so forth. These cooperative banks are taken into consideration as substitutes for money creditors, to offer timely and good enough brief-term and long- term institutional credit at affordable prices of interest.
- Micro finance: Micro financing via Self Help Groups has assumed prominence in recent years. Self Help Group is a collection of rural poor who volunteer to prepare themselves into a set for eradication of poverty of the contributors. They comply with save frequently and convert their financial savings right into a commonplace fund known as the Group corpus. The individuals of the organization agree to apply this not unusual fund and such different finances that they will obtain as a set thru a common control. As soon because the Self Help Group is shaped and a couple of group conferences are held, a Self Help Group can open a Savings Bank account with the nearest Commercial or Regional Rural Bank or a Cooperative Bank.

II. **Informal Source :-**In informal sector there is no supervisory body. It is the part of economy that is neither taxed nor monitor by any form of Government. In informal source the financial sector provides saving and credit facilities for small farmers in rural areas and for lower income household and small scale enterprise in urban areas. Inadequate credit supply and on terms required by farmer for farm expansion and modernization. The credit activities of this sector are only driven by profit with much higher interest rate. The informal source sector mobilises rural savings and small saving for low income urban households.

- Money lenders: Till 1934, professional cash creditors have been the handiest supply of credit score to agriculture. They used to charge high costs of interest which changed into unbearable via them and comply with serious practices even as giving loans and recuperating them. As a end result, farmers were heavily pressured with money owed and a lot of them perpetuated money owed. The money creditors freely

ISSN:0971-1260
Vol-22- Issue-14-December-2019

supply credit score for productive and non-productive recommend, and also for brief-time period and long-term requirements the farmers. There had been discontents among farmers towards those practices and there have been riots also. They are effortlessly available and hold a close and personal contact with the borrowers regularly having family members with family extending over generations. These strategies of business are easy and flexible.

- Friends and relatives: The pals and spouse and children of farmers provide credit to the farmers in little quantity to fulfil daily necessities and emergency desires. They provide mortgage with or without hobby and protection.

REVIEW OF LITERATURE

Agricultural finance means the study of financing and liquidity services of credit provided to the farmer. It is also considered as the study of those financial intermediaries who provide loan funds to agriculture and financial market in which the intermediaries obtain their loan and funds.

Agricultural Credit is defined as a type of financing used to provide funding for agricultural producers. The rural credit market in general is comprised of institutional credit agencies, private moneylenders, landlords (who include money-lending rich farmers), retail shops and grain traders. Interest rates not only vary between lenders and regions but they vary according to purpose for which the loan is sought. As a result, an informal loan may be demanded both by those who cannot post the collateral required by the formal sector and by those who can but are unwilling to do so because of the associated risk. The ensuing collateral reduction, however, comes at a cost as informal lenders expend resources on monitoring that must be recovered via a higher interest. (Boucher and Guirkinger 2007).

Mansuri (2007) says that the informal market is often characterized by heterogeneous non-specialists for whom money lending is a means of increasing returns to other economic activities. However, not all informal lenders are equally placed in lending to all rural households. In particular, occupational differences among lenders generate systematic differences in the cost and reliability of the information that each lender can acquire, and in the lender's enforcement capacity with respect to particular types of borrowers.

The old rural finance paradigm of the 1960s and 1970s was based on public authorities' desire to facilitate access to rural finance. The objective was to promote agricultural development by modernizing agriculture. The most common approach involved direct government intervention via state-owned development banks and direct donor intervention in credit markets with favorable terms and conditions like soft interest rates or lenient guarantees. However, this system was costly and unsustainable, due to poor repayment, and ultimately did not have the desired effect on the development of agriculture production (Meyer, 2007).

Anjani Kumar, K.M. Singh and Shradhanjali Sinha (2010) found that although the institutional credit to agriculture increased continuously, moneylenders still are the main

ISSN:0971-1260
Vol-22- Issue-14-December-2019

source of credit to agriculture. They found that the institutional credit given to agriculture increased during last four decades. The commercial banks had remained the most important source of institutional credit. But the declining share of investment credit hampered the growth of agriculture. They also found that the socio-demographic factors like family size, caste, gender, and occupation and education level of the farmers affected the use of institutional credit. Hence, they remarked that the simplification of credit procedures is essential for the better access to credit.

Harikesh Maurya (2015) recognized the beneficiaries of co-operative banks' agricultural credit score and an attempt is likewise made to study farmers' attitudes. He found that across the size groups, the maximum beneficiaries are the medium farmers.

V.Balakrishnama Naidu, A.Siva Sankar and P.Surya Kumar (2013) stated that about 66 % population in India depends on agriculture. Therefore, agricultural credit is an essential input for higher agricultural productivity. Agricultural production and productivity should be improved to produce food for all population. Together with agricultural credit, other factors like seed quality, minimum support prices, rainfall, irrigation and environmental conditions were also considered significant in improving agricultural productivity. Because of the misuse of credit, it was very difficult to estimate the exact use of credit for agricultural purpose.

Park et al., (2003) posited that lack of credit is a barrier to investment and income growth of poor households in developing countries of the world. Access to credit is an antidote to poverty reduction among rural poor. Access to credit enhances the adoption of new and more risky technologies that will improve farmers' levels of income and hence, alleviate their poverty. Additional capital as a result of access to credit enhances the level of household's productive assets, and also raise their expenditure and it is that expenditure that lead to improvement in consumption (food and non-food) of the rural poor (Eswaran et al, 1990 and Haddad et al, 1997).

OBJECTIVES OF THE STUDY

- To examine the problem face by the farmer of availing the finance in Chengalpattu district.
- To find out the sources of finance available to farmer's in Chengalpattu district.
- To analyse what factor influence the farmer to choose between formal and informal source of finance.
- To know the satisfaction level of the farmer's from the policies incorporated by the lending source.

STATEMENT OF THE PROBLEM

India is agricultural based country and its 70% population stay in rural place. Agriculture is a dominant zone of our economic system and credit score performs an crucial position in growing agriculture production. Availability and access to ok, timely and low price credit score from institutional assets is of high-quality importance specifically to small and marginal farmers. There are essential establishments viz., the economic banks and the cooperatives, lending to agriculturists in the place below enquiry viz., Chengalpattu District,

ISSN:0971-1260
Vol-22- Issue-14-December-2019

Tamil Nadu State, India. Chengalpattu district's economic system is primarily based on agriculture and as a result provision of well timed and good enough credit to farmers could be very important. The utmost hassle of the farmers is from in which to buy and the way to shop for. However the cooperative and business financial institution put together aren't able to do away with money lenders who're financing that usurious rates. But the cooperative banks lending to agriculture has helped the farmers to lessen their borrowing from non-institutional agencies.

RESEARCH METHODOLOGY

Both primary statistics and secondary facts were used in the collection of statistics. The primary information becomes collected thru a based questionnaire and discussion with the borrowers of agricultural finance. The borrowers of industrial banks, co-operative banks, cash lenders, family and friends and MFI have been formed in the population of the have a look at. The resources of secondary information series encompass articles from RBI, Government of India, Pro-quest and Emerald. The pattern length for the look at constituted to 50 from the villages in Chengalpattu district. Random and purposive sampling approach was used to accumulate statistics. The records became gathered thru interviews as maximum of them are reluctant to fill the shape. In this survey, the fee of Likert scale is used and the effects are transferred right into a percent fee. The facts had been then being analysed by using the use of Statistical Package for the Social Sciences (SPSS) software.

DATA ANALYSIS:-

In order to examine the effect of things influencing choice of type of finance for agriculture credit score by using famers, two hypotheses have been formulated. They are tested with regression that allows you to recognize their effect.

Table 1 Funds borrowed by the respondents

Funds borrowed	No of respondents	%age
Yes	45	90
No	5	10
Total	50	100

Source: Primary data

From the above table it's miles inferred that 90% of the respondents borrow funds from numerous financial institutions for agriculture reason and simplest 10% of the respondents have their own budget.

Table 2 Reasons for selecting the formal source

Reasons	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Rate of Interest	17(36.2%)	13(27.7%)	12(25.5%)	5(10.6%)	0 (0%)
Less formalities	11(23.0%)	18(38.3%)	17(36.2%)	1(2.1%)	0(0%)
Easy to approach	6(12.8%)	14(29.8%)	19(40.2%)	6(12.8%)	2(4.2%)
Other reason	10(21.3%)	8(17.0)	21(44.%)	6(12.8%)	2(4.2%)

ISSN:0971-1260
Vol-22- Issue-14-December-2019

In the above table, it is inferred that the farmers of Chengalpattu district choose the formal source of finance as those sources provide much less price of interest in comparison to other informal source and also those banks observe much less formalities to sanction the loans. It is surprising to notice that availability of many schemes and easy compensation did now not entice the farmers in Chengalpattu district.

Table 3 Kinds of expenses

Kinds of Expenses	No of respondents	%age
Paying wages	50	100
Purchase of seeds and fertilizers	50	100
Digging wells and boring wells	50	100
Purchase of equipment	50	100
Installation pipe lines	50	100
Transportation	50	100
Purchase of machinery	50	100

Source: Primary data

In the above table it is inferred that, all the respondents have mentioned that they have all the expenses mentioned in the above table in Chengalpattu district.

Table 4 Table showing financial source, period for loan and its processing time.

Finance related factors	Source of finance					P value	Sig.
	Formal source Commercial bank	Formal source co-operative bank	Informal source money lenders	Informal source Friends and family	Total		
Amount of loan							
More than Rs. 50,000	2(4.3%)	20(42.6%)	-	-	22	.000	Yes
Rs. 50,000-1,00,000	8(17%)	13(27.7%)		1(2.1)	22		
Less than Rs. 1,00,000	3 (6.5%)				3		
Length of loan period							
More than 1 year	12(25.5)	20(42.6%)	-	-	32	.046	Yes
1-5 years	-	6 (13.0%)	3 (6.5%)	1(2.1)	10		
Less than 5 years		5(10.6%)			5		
Average time taken for processing loan							
More than 7 days	-	-	7(14.9%)		7	.021	Yes

ISSN:0971-1260
Vol-22- Issue-14-December-2019

7-14 days	2(4.3%)	16(34.0%)	1(2.1%)	1(2.1)	20		
Less than 14 days	8(17%)	12(25.5%)	-		20		

Source: Primary data

In the above table it is inferred that about 43% of the respondents borrowed around Rs.50,000 from cooperative banks and about 28% of the respondents borrowed from Rs. 50,000 to Rs. 1,00,000 from cooperative banks and 6.5% of the respondents has borrowed more than Rs. 1,00,000 from other banks. Hence, out of 47 respondents, 70% prefer to borrow from the cooperative banks.

Also it is inferred that around 43% of the respondents borrowed funds for less than 1 year, 13% have borrowed funds for 1 to 5 years, and about 11% of the respondents have borrowed funds for more than 5 years from the cooperative banks. Also 6.5% of the farmers had borrowed from money lenders for a period of 1-5 years.

In the above table it is inferred that 34% of the respondents said that average time taken for processing loan is 7-14 days, 25.5% of the respondents said the time taken for processing loan is above 14 days. Money lenders take less than 7 days to process the loan according to 15% of the respondents. This is also one of the reasons for approaching them for agricultural credit.

All the 3 factors affect the farmers in choosing the economic establishments for agricultural credit in Chengalpattu District. The Hypothesis is universal as there is a considerable have an impact on of finance associated factors on the selection of economic institutions in Chengalpattu District as shown by Regression Analysis.

DEMOGRAPHIC FACTORS

Demographic elements of the encompass gender, age level, degree of training, marital fame, Income stage and type of own family are analysed for selection in sort of economic organization for agriculture credit. Keeping the choice of the economic institutions as the established variable and the demographic factors as independent factors for which regression analysis is executed. The outcomes are discussed herewith. Percentage analysis is likewise executed in conjunction with to expose the very best percentage fee.

H1-Demographic factors have substantial impact in choice to the type of monetary group for agriculture credit. The demographic factor that is the individual respondent of the Chengalpattu district include their age, education, gender, annual income and their size of the family that is the total member of their family.

ISSN:0971-1260
Vol-22- Issue-14-December-2019

Table 5 Table showing the respondents age, gender, education, annual income and family size

	Formal source Commmercial bank	Formal source Co-op banks	Informal source Money lenders	Informal source Friends and family	Total	P Value	Sig.
Age in years						.012	Yes
Up to 25	2 (4.3%)	-	-	-	2		
26 to 35		6 (13%)		1(2.1 %)	7		
36 to 45		14 (30%)			14		
46 to 55	10 (21.2%)		3 (6.5%)		13		
Above 55	6(13%)	5(10.6%)			11		
Gender							
Male	12(25.5 %)	25 (53%)	-	-	37	.000	Yes
Female	-	7 (14.9)	2(4.3%)	1(2.1 %)	10		
Education							
No formal education	-	-	5(10.6%)		5	.000	Yes
School level	2(4.3%)	18 (38.3%)	1(2.1%)	1(2.1 %)	22		
Graduates	8 (17%)	10 (21.2%)	2(4.3%)	-	20		
Others	2(4.3%)	3 (6.5%)	-	-	2		
Annual Income							
More than Rs. 50,000	2(4.3%)	23(48.9%)	4(8.5%)	1(2.1 %)	30	.000	Yes
Rs. 50,000-1,00,000	-	8(17%)	2(4.3%)		10		
Less than Rs. 1,00,000	-	2(4.3%)	5(10.6%)		7		
Family Size							
2	2(4.3%)	8(17%)	2 (4.3%)	1(2.1 %)	13	.026	Yes
4	6 (13.0%)	16(34%)	5(10.6%)	-	27		
Yes6	2(4.3%)	2(4.3%)	3(6.5%)	-	7		

Source: Primary data

It may be located that 30% of the respondents who are inside the age institution of 35 to 45 years opt to borrow from co-operative banks. 21% who are inside the age group of 46 to 55 years opt for commercial banks. 53 % of male respondents are fascinated to borrow from cooperative banks. 38 % of the respondents who've college degree training would opt to borrow from the co-operative banks. The circle of relative size of four additionally impact the

ISSN:0971-1260
Vol-22- Issue-14-December-2019

selection of monetary group which is visible from the above table. The regression evaluation display that the demographic factors affect the choice of financial establishments because the p value is more than 0.05. The Hypothesis is familiar as there's a tremendous impact of above elements on the choice of financial institutions in Chengalpattu District as proven via Regression Analysis.

Findings:-

- Most of the respondents that is 90% borrow loans from the formal and informal sector for the agriculture purpose and rest 10% are own finance in the sample area.
- Throughout the study it is found that the respondent that are prefer to go for the formal sector due to the less interest rate, some respondent for less formalities,easy to approach and some for some other reason.
- The research work help to find out that the funds sanction to the farmer are properly implemented and cover their expenses.
- From the study it is reveal that the requirement of funds by the farmer for the agricultural purpose is necessary and the repayment of those loan sanction by the formal and informal source must be extend.
- Through the study it is found that most of the respondent that is the farmer choice for the agricultural finance can be determine by the demographic factor also.

SUGGESTION

It is usually recommended that farmers need to take delivery of loans with longer payback duration to enable them to put money into farming activities that generate sustainable incomes. The desire of a credit outlet is affected by a number of demographic elements and finance related factors. Providing schooling to borrowers on procedural formalities of economic establishments may be helpful in growing there to get entry to institutional credit. The process for mortgage distribution may be made simple so it could not be hard for the much less educated and illiterate households to get entry to institutional financing organizations for the credit score. Besides providing credit score at a less expensive price the financial institution need to attempt, by using all possible manner, for the inculcation of saving conduct some of the borrower farmers, for it contributes to the farmers' longer term financial prosperity. The banks can plan to announce new schemes for attracting new clients and pleasing the existing ones.

CONCLUSION:-

The entire research work is conducted in order to generate an idea regarding the scenario of the agriculture finance in the region from the respondents residing in the sample area, Chengalpattu District of Tamil Nadu. The data are collected only for the current set of questions. The main motive is to analyse the attitude of the different group of respondents towards agriculture choice of finance by the farmers. After the research it is found that the formal sector of choice of the agriculture finance is more preferable then the informal sector. The farmer who are not aware of the credit facility provided by the formal sector and who are

ISSN:0971-1260
Vol-22- Issue-14-December-2019

not able to fulfil the paperwork regarding the financial assistance prefer to go for the informal sector. The illiterate farmer of that area does not have any other choice rather than keeping their land as a mortgage to the money lender for carrying out the agricultural activities. Thus, from the study it can be concluded that the farmers from the Chengalpattu district has a favourable choice towards the formal sector to avail credit facilities.

REFERENCE:-

[1] Boucher, S. and C. Guirkinger (2007). Risk, wealth, and sectoral choice in rural credit markets. American Journal of Agricultural Economics Vol. 89, Iss. 4, pp. 991-1004.

[2] Mansuri, G. (2007). Credit layering in informal financial markets. Journal of Development Economics, Vol.84, No.2, pp. 715-730.

[3] Anjani Kumar, K.N. Singh and Shradhajali Sinha (2010) Institutional Credit to Agriculture Sector in India: Status, Performance and Determinants, Agricultural Economics Research Review, Vol. 23, pp. 253-264.

[4] Harikesh Maurya (2015), Role of Co-Operative Bank in Agriculture: A Case Study of District Mohali, Punjab, International Journal of scientific research and management Vol 3(1), pp. 1922-30.

[5] Balakrishnama Naidu. V and Siva Sankar. A (2007). An Econometric Analysis of Cotton Crop: A Study in Guntur District of Andhra Pradesh, The ICFAI Journal of Agricultural Economics, Vol. IV, No. 2.

[6] Park, A.C Ren and S. Wang (2003): Micro-finance, poverty alleviation reform in China. Workshop on rural finance and credit infrastructure in china, Paris, France.