

A Study on Awareness of Farmers on Agricultural Finance in Public Sector Banks with Special Reference to Coimbatore 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 finance provided by the public sector banks.*

Keywords: Percentage Analysis (PA), Awareness Index (AI)

1. 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.

Institutional credit, which played a vital role in the development of agricultural sector, was instrumental in the development of Indian agriculture. It showed all signs of resilience to natural shocks like droughts and famines. In fact, credit has acted as a means to provide control over resources to enable the farmers to acquire the required capital for increasing agricultural production. It enabled the farmers to go for short-term credit for purchase of inputs and other services and the long-term credit for investment purposes. Thus, credit has played a pivotal role by facilitating technological up-gradation and commercialization of agriculture.

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.

2. Statement of the Problem

“Agriculture is the backbone of the Indian Economy”- said Mahatma Gandhi six decades ago. As we have entered the new millennium, the situation remains the same, with almost the entire economy being sustained by agriculture, which is the mainstay of the villages. Not only the economy, but also every one of us looks up to agriculture for our sustenance too. 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 various public sector banks for the development of agriculture.

Objectives of the study

- To determine the level of awareness of the farmers on agricultural finance.
- To analysis the attitude of the farmers towards agricultural finance.
- To identify the determinants of awareness and attitude of the farmers towards agricultural finance

3. Scope of the Study

This study is confined to the cultivators mainly engaged in cultivation of land in Coimbatore 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 various sectors public sector banks in Coimbatore District.

4. 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 Coimbatore district in the state of Tamilnadu which carries the epithet "Cotton city". Convenience sampling was applied to choose the agricultural farmers from taluks in Coimbatore District namely Kinathukadavu, Pollachi, Coimbatore (South), and Coimbatore (North) based on the population distribution in those taluks.

iii) Analysis and Interpretation of Data

The data collected were strategically analyzed by preparing suitable tables for the same. The raw data pooled in the form of interview schedule were tabulated and analyzed through the following of statistical measures such as Percentage Analysis, awareness index.

S.No	Demographic factor	Number of Farmers	Percentage
1	<u>Age (Year)</u>		
	Up to 36	10	10
	37-54	80	80
2	<u>Education</u>		
	Up to Secondary	90	90
	Hsc	5	5
3	<u>Gender</u>		
	Male	80	80
	Female	20	20

4	<u>Material Status</u>		
5	<u>Type of family</u>		
	Joint	85	85
6	<u>Block</u>		
	Coimbatore (South)	80	80
	<u>Coimbatore (North)</u>		
	Coimbatore (North)	20	20
S.N.o	Farming factor	Number of Farmers	Percentage
1	<u>Size of land holding (Acres)</u>		
	Less than 5	80	80
	Between 5 and 10	15	15
	More than 10	5	5
2	<u>Agriculture income</u>		
	Up to Rs 50000	5	5
	Rs 50000- Rs100000	80	80
	Above Rs 100000	10	10
3	<u>Allied Income</u>		
	Without allied sources	90	90
4	<u>Family member in Agriculture</u>		
	One	5	5
	Two	75	75
	More Than Two	20	20

Percentage Analysis

S. N.o	Banking factor	Number of Farmers	Percentage
1	<u>Lending Bank</u>		
	SBI	95	95
	Canara Bank	2	2
	Central Bank	2	2
2	<u>Tenacity of Relationship</u>		
	Up to 4 Years	10	10
3	<u>Kind Of Relationship</u>		
	First time Customer	90	90
4	<u>No Of time Loan Availed</u>		
	One	80	80
	Two-Three	10	10
	More Than Three	10	10
5	<u>Distance to the lending Bank</u>		
	Up to 3 Kilometer	20	20
	3.1 to 6 Kilometer	70	70
	More than 6 kilometer	10	10

Awareness Index

Knowing the awareness level of the farmers would reveal the areas of concern to the public sector banks to lure more number of borrowers. Awareness being a qualitative factor to understand the level of awareness of the borrowers, an awareness index has been constructed. A number of relevant and related factors have been considered to measure the awareness level. Thirteen factors on agricultural finance provided by public sector banks such as loan schemes available security required for raising the loan, margin money required, rate of interest, method of interest calculation, penal interest rate, time required to sanction the loan, document required, repayment period allowed, pre closure facility, transaction cost, insurance and

consequences of non repayment have been taken into consideration.

The awareness index has been calculated by applying the formula

$$\text{Awareness Index} = \frac{\text{Number of Factors Known} \times 100}{\text{Total Number of Factors considered}}$$

Based on the formula the awareness index for each farmer has been arrived at. The mean value of the awareness index calculated for the farmers 60. The standard deviation from the mean value is 20.29. If the score of a farmer falls below (mean – standard deviation) the awareness considered to be low. If the score lies between (mean + standard deviation) the awareness is considered to be medium. If the score is above (mean + standard deviation) the awareness is considered to be high.

The farmer's awareness arrived at presented in following table.

Awareness	No_ Of Farmers	Percentage
Medium	80	80
High	20	20

It is identified from the table that the awareness of majority (80%) of the farmers is medium on agricultural finance provided by public sector banks. Next to it (20%) have high awareness about agricultural finance provided by public sector banks.

Inferences

- Most of the farmers are in the age group of 37-54
- Most of the farmers Education are Up to Secondary
- Majority of the farmers are Male
- Majority of the farmers are Married
- Most of the farmers are Joint family
- Most of the farmers Block are Coimbatore (South)
- Majority of the farmers Size of land holding are (Acres) Less than 5
- Most of the farmers Agriculture income are Rs 50000-Rs100000
- Most of the farmers engaged Allied Income is without allied sources
- Most of the farmer's Family members engaged in Agriculture are Two
- Most of the farmers Lending Bank from SBI
- Majority of the farmers Tenacity of Relationship are More Than 4 Years
- Most of the farmers are First time borrowing from bank
- Most of the farmer's number of time Loan Availed is one
- Most of the farmers Distance to the lending Bank is 3.1 to 6 Kilometer.

5. Suggestions

- 1) The public sector banks 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 public sector banks 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.
- 4) The interest charged should be nominal to cover just the operational expenses of the bank in providing loans to the farmers considering the social needs and the heavy dependence on agriculture
- 5) Agricultural borrowers are to be educated and encouraged to use high tech banking facilities

6. Conclusion

An attempt has been made in this chapter to ascertain the level of awareness of the farmers about the agricultural finance provided by the public sector banks. A number of loan schemes are offered by the public sector banks for agriculture. Poor awareness about the schemes would motivate the farmers to utilize them. But the inadequate awareness would drive them to the door step of unorganized sector and despair the role of public sector banks in the area of agricultural finance. A maximum percentage of short term credit is provided by co-operative to the agriculture sector, commercial banks have the maximum share in the long term credit to the agriculture sector. 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 improve farmer's wealth.