

Attitude and Perception of Rural Farmers towards Agricultural Credit through Primary Agricultural Cooperative Societies in Dindigul District Tamil Nadu

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Abstract

Agriculture has a crucial role in the Indian economy. Institutional credit cooperatives play a significant role in providing finance to the agricultural sector. Primary Agricultural Cooperative Societies cater directly to the farmers and meet their agricultural credit needs. This paper attempts to present the overall status of rural agricultural credit in Dindigul district, impact of credit disbursement, role of banking institutions and management in rural finance disbursement as well as progress, constraints and challenges over the years. The scope of access to rural agricultural credit is variable, which helps assess the degree of diversification of agricultural credit to identify management in credit and performance of financial institutions.

The Dindigul District was purposively selected for the study. For selecting sample PACS and sample respondents for the study the method used was multi state random sampling method. At the first stage Sanarpatty block of the Dindigul District was purposively selected. At the second stage 16 PACS functioning in the block was selected and 388 borrowings members out of 13392 borrowing members. As a result, the results show that banks provide more access than microfinance institutions in the outline of large loans for agriculture, but other side banks provide less compared to microfinance institutions in the outline of small loans for agriculture. This paper deals with the Attitude and Perception of Rural Farmers towards Agricultural Credit by Primary Agricultural Cooperative Credit Societies.

Keywords: *Performance Evaluation, Term Loans, Agriculture, defaulters, Kheti Bank*

1. Introduction

Agricultural Credit is also an integral part of providing a sustainable livelihood for millions of farmers living in rural India. The Government of India has introduced several policy measures to improve the accessibility of farmers to the institutional sources of credit through primary agricultural cooperative society. The impetus of these policies has been on progressive

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institutionalization for providing timely and ample credit support to all types of farmers with special focus on small and marginal farmers and weaker sections of the society to enable them to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity. Agriculture is a dominant sector of our economy and credit plays an important role in increasing production. Availability and access to adequate, timely and low cost credit from institutional sources is of great importance especially to small and marginal farmers.

Along with other inputs, credit is essential for establishing sustainable and profitable farming systems. Most of the farmers are small producers engaged in agricultural activities in areas of widely varying potential. Experience has shown that easy access to financial services at affordable cost positively affects the productivity, asset formation, and income of the rural poor.

Finance in agriculture is important for the application and development of technologies. Technical inputs can be purchased and used by farmers only if sufficient funds are available with farmers. Most of the time, farmers suffer from the problem of inadequate financial state. The requirements of finance in agricultural sector, very few farmers will have adequate capital of their own to invest in agriculture.

1.1 Statement of the Problem

Agriculture sector which is most important sector to our country and it makes several changes in financial sector. Farmers always need finance which is essential for agriculture development such as to purchase seeds, fertilizers, repairing tractor etc. both financial and non- financial institutions provide agriculture credit to the farmers. The agriculture credit offered by various financial institutions may also different in terms of requirement of loan and it also varies on the basis of gender, educational qualification and land holdings. Farmers have to depend on moneylenders and their indebtedness forces them to sell their products below the production cost. So, they are not in a position to repay the loan in time. Farmers approach banks but cannot get a loan from the bank for the mere reason of holding small size of land and hence they approach moneylenders and take money at a higher rate of interest and suffer.

1.2 Review of Literature

The most influential factors agricultural credit helps to adapt modern technology, Agricultural Credit improves your overall quality of life, and Agricultural Credit helps to deal with stress, trauma, lack of information about schemes and reforms (Soundarya. M & Jayapal (2020). The growth of different parameters is done by using compound average growth rate and

profitability and financial performance by using ratio analysis and regression analysis of the data. The poor financial condition affects the growth of banks due to their reliability, liquidity, and profitability (Karuppaiah R. & Saravanan. V.C. (2023). Agricultural loans in rural areas depend on many factors such as the purpose for which they are taken, the tenure of the agricultural loans and the interest rates. Farmers take agricultural loan for income generating purpose and use it for future income (Sarada Siva Reddy. K. & Ravishankar (2020).The majority of farmers lack awareness on agriculture finance, and government is making farmers more aware of agriculture finance, which improves farmers wealth (Shanmugavadivel. D (2015).

Solomon Muthambara (2016) found that farmers lack credit facilities from financial institutions and input suppliers. Barriers to farmers' access to credit include lack of favorable repayment terms and high transaction costs on the part of banks, political interference, poor project infrastructure and high utility bills. Annie H. Ongayo, Christopher A. Onyango at..(2016) Observation revealed positive and negative changes in the perception of small-scale farmers towards agricultural extension services. Mariappan K. (2011) found that though farmers want to uphold their accounts in public, private and regional rural banks as well as cooperative banks, but they are badly grasped by local private money lenders. Farmers agreed for more corruption, inadequate scale of finance, time taking process and complicated procedure of loan financing. It was also observed that greater part of farmers is unable to access the credit due to required credit securities Waqar Akram & Zakir Hussain et.. (2008). Tanrivenmis and Bayaner (2006) found that credit limit was insufficient to the farmers. Unattractive credit conditions and inability of the firm to provide inputs to the farmers at low price was some of the facts found with respect to the firm providing agricultural finance.

2. Objectives :

- To Study the problems faced by farmers in receiving agricultural credit provided by PACS Dindigul District in Tamil Nadu.
- To identify the attitude of rural farmers towards agricultural credit through PACS Dindigul District in Tamil Nadu.
- To analyse the perception of rural farmers towards agricultural credit through PACS Dindigul District in Tamil Nadu.

3. Methodology :

The descriptive research design was adopted to conduct the study. Multi state simple random sampling technique was used for sampling. Both primary and secondary data collection techniques were used to collect the data. Primary

data was collected through questionnaires from 388 farmers who are borrowing members of agricultural loans from primary agricultural cooperative societies in Dindigul District, Tamil Nadu. The questionnaires data collected from rural farmers through ODK form (kobotoolbox) on mobile application. The secondary data have books, magazines and websites. The data collected were processed further with help of the Statistical Product and Service Solution (SPSS) to analyze statistical tools namely percentage, mean value and standard deviation of the items in the questionnaire.

3.1 Sample Size

The Dindigul District was purposively selected for the study. For selecting sample PACS and sample respondents for the study was multi state random sampling method was followed. At the first stage Sanarpatty block of the Dindigul District was purposively selected. At the second stage 16 PACS functioning in the block was selected and 388 borrowings members out of 13392 borrowing members were selected by using Yamane formula (1967:886), as the study population is known. The list of sample PACS and the sample respondents selected for the study is given in table 1

Table 1.6: Percentage of Farmers and Their Ranking of Issues in Pepper Cultivation

Issues	Major	Medium	Minor	Total
Diseases and Pests	28	47	25	100
Extreme climate	88	12	1	100
High input cost other than labour	94	5	1	100
Lack of availability of planting material	32	22	46	100
High wage rate for hired labour	98	1	1	100
Shortage of labour	6	16	78	100
Insufficient knowledge of agricultural practices	37	30	34	100
Age of plants	16	44	39	100
Lack of information on market like prices	44	18	38	100
Price fluctuations	52	24	24	100
Unavailability of credit	91	9	0	100
Inadequate govt support	97	3	0	100
Presence of middlemen	9	0	91	100
Lack of marketing facilities	73	3	24	100

Source: Field Study

4. Results & Discussion:

The results and discussion of the study reveal the socio-economic profile of the respondents, perception of farmers towards accessing agricultural loans, and the impact of agricultural credit on their agricultural operations.

4.1 Farmer's Perception towards Accessing Agricultural Loans from PACCS:

From Table 2 it can be observed that as much as 63.66 per cent of the borrowing farmers were male and the rest were female. The banking institutions may not formally indulge in sex discrimination against women for the purpose of extending loan, but there may be a number of formalities, which a loan has to complete and rural women, being ignorant, may not have easy access to credit. It is understood that nearly 50 per cent of the borrowing farmers belong to middle age category followed by young age 25.26 per cent and old age 18.81 per cent. Therefore, majority of the farmers are the middle age. Due to the availability of credit facility and government subsidies, the middle age groups of people have motivated. It has increased the farmers towards the agricultural activities. The residence of sample farmers shows that 98.20 percent of the borrowing farmers belong to rural areas. The majority of the farmers are doing agriculture activities in rural areas. Because, now days in urban areas the land and used in the infrastructure development, and building construction dams and so on. The years of experience in the agricultural activities highlights that 33.26 per cent of the respondents have 11 – 15 years experience in the field of agriculture, followed by 5 – 10 years experience 28.87 per cent, 16 – 20 years of experience at 17.53 per cent, less than 5 years of experience 14.43 per cent and 5.93 per cent of the farmers have above 20 years in the field of agriculture. The source of borrowed finance inferred that nearly 80 per cent of the farmers are borrowed loans from the primary agriculture cooperative societies, followed by 15.98 per cent of the farmers borrowed from central cooperative bank and less than 5 per cent of the respondents borrowed loans from commercial and private banks. The land types are the fundamentals means of production in an agrarian society without which no agricultural production can take place. It was found that 56.96 per cent of farmers are produced agricultural production from irrigation land followed by 43.04 per cent of farmers produced from un-irrigation land in the rural areas.

The land as an asset which is deciding the socio-economic status of the rural people has profound influence on the access, use and repayment of institutional credit. Farmers are the major players in the agriculture activities. Farmers can be classified in to three categories such as small famers, medium farmers and large farmers. In 45.10 per cent of them are small farmers, 33.25 per cent of them are medium farmers and remaining 21.65 per cent of them are large farmers. Crop pattern refers to the practice of growing crops via both inter- and intra-cropping. The economic makeup of the communities affects the farming pattern. The current year' srainfalls, the cost of crops, as

well as modifications in the crop pattern from the previous year's harvest are the elements that determine the cropping pattern. More than 25 per cent of farmers cultivated fruits and vegetables, 15 to 20 per cent cultivated paddy and sugarcane, and less than 10 per cent grow pulses and flowers. In 53.09 per cent of them farmers are cultivating once in the years and 38.92 per cent of them are cultivating twice in the years and only 7.99 per cent of the cultivating thrice in the years. . However, majority of them are cultivating once in a year.

Table 2: Social – Economic Profile of the Respondents

S.No.	Variable	Classification of Variable	Frequency	Percentage
			N = 388	
1	Gender	Male	247	63.66
		Female	141	36.34
2	Age of the Farmers	Young (18-35)	98	25.26
		Middle (36-50)	192	49.48
		Old (Above 51)	73	18.81
		51 – 60 Years	47	12.11
		Above 60 Years	26	6.70
3	Residence	Rural	381	98.20
		Urban	-	-
		Semi-Urban	7	1.80
4	Years of Experience in the Field of Agriculture	Less than 5 Years	56	14.43
		5 – 10 Years	112	28.87
		11 – 15 Years	129	33.25
		16 – 20 Years	68	17.53
		Above 20 Years	23	5.93
5	Source of Borrowed Finance	PACS	308	79.38
		DCCB	62	15.98
		Commercial Banks	13	3.35
		Private Banks	5	1.29
		Regional Banks	-	-
6	Types of Land	Irrigation	221	56.96
		Un-Irrigation	167	43.04
7	Types of Farmers	Small Farmer	175	45.10
		Medium Farmer	129	33.25
		Large Farmer	84	21.65
8	Types of Crops Cultivation	Paddy	69	17.78
		Sugarcane	57	14.69
		Pulses	32	8.25
		Fruits	102	26.29
		Vegetables	98	25.26
		Flowers	24	6.19
		Others	6	1.55
9	Number of Times Cultivations in the years	Once	206	53.09
		Twice	151	38.92
		Thrice	31	7.99
10	Income earned by Agricultural activities in the years	Below 10000	48	12.37
		10001 – 15000	59	15.21
		15001 – 20000	142	36.60
		20001 – 25000	102	26.29
		Above 25001	37	9.54

4.2 Farmers' Perceptions towards Accessing Agriculture Credit through PACCS - Main Component Analysis:

Farmers' perceptions on several factors affecting their potential to obtain agricultural loans have been grouped adopting the principles component analysis. It is a way to reduce the amount of data. The term communality refers to the proportion of a specific item's volatility that is caused by a shared component. The credit available for agriculture is related to how farmers perceive it in the relevant field. Each variable's variance is estimated by the extraction communalities using the factor solution constituents as a basis. If the value is less than 5, it means that the variables do not match the factor response well and may need to be excluded from the analysis. The Table 3 shows that extraction value of the respondent's farmers perception factors involved in the agricultural credit by the farmers.

Table 3: Farmers Perceptions towards Accessing Agricultural Loan - PACCS

Components	Initial	Extraction
Agricultural loan improves your overall quality of life	1.000	.642
Agricultural credit helps to recover from stress and shock	1.000	.631
Agricultural credit helps in the growth of modern technology	1.000	.664
Agriculture credit increased net income	1.000	.732
Agriculture credit increase production	1.000	.788
Interest rate and charges	1.000	.736
Ability to repaying the debt	1.000	.862
The loan amount is sufficient	1.000	.751
Lack of information about schemes and reforms	1.000	.689
Timing and delay in the process	1.000	.684
Nearest PACCS in residence	1.000	.846

The explicit the variance of the fifteen variables ranging from 0.600 to 0.735. It shows that the 50 per cent variables exhibit the considerable variance from 55 per cent to 85 per cent. However, it was found that inferred that these variables are able to group themselves according to how farmers perceive the aspects associated with agricultural loans to create the dominating factors.

4.3 Farmers Perception towards Accessing Agriculture Credit by PACCS – Rotated Component Matrix:

The total variance analysis is important to know the rotated sum of square value. The rotated four factors are determined based on the total Eigen value if the factor should be greater than one. The total cumulative variance is explained by the total percentage of variance by each retained four factors. Table 3 gives the individual variance of the predominant factors which emerged out of 11 factors. As could be seen from the table 4, Eigen values are

greater than one four factors. From this one, it is confirmed that, the fifteen motivational factors are grouped into four predominant factors. It is also found that the total variance of 11 variables is found to be 71.854 per cent which is greater than the benchmark of 62 per cent. However, it confirms that the factor segment is the meaningful one. The rotated sum of square value indicates the cumulative percentage of variances is 64.892. Hence the factorization is more suitable for the factors influencing towards agricultural credit. The table explains the value of rotated component matrix for the farmer's perception towards accessing agricultural credit.

Table 4: Farmers Perception towards Accessing Agricultural Credit – Rotated Component Matrix

Factors	Components			
	1	2	3	4
Agriculture credit increased net income	.827			
Agricultural loan improves your overall quality of life	.782			
Agricultural credit helps in the growth of modern technology	.768			
Agriculture credit increase production		.712		
Agricultural credit helps to recover from stress and shock		.780		
Interest rate and charges		.742		
Lack of information about schemes and reforms			.852	
Timing and delay in the process			.784	
Ability to repaying the debt			.672	
Nearest PACCS in residence				.686
The loan amount is sufficient				.772

Table 5: Rank Ordering of the Statements of Level of Attitude of Farmers towards Agriculture Loan

S.No.	Particulars	SA	A	UD	DA	SD	NR	Rank
1	Agricultural loan will help farmers	148 (38.14)	174 (44.85)	35 (9.02)	21 (5.41)	10 (2.58)	388	I
2	Agricultural loans are easily assessable	86 (22.16)	135 (34.79)	67 (17.27)	62 (15.98)	38 (9.79)	388	VI
3	The agricultural credit system will remove all the hurdles faced by the farmers	72 (18.56)	98 (25.26)	53 (13.66)	89 (22.94)	76 (19.59)	388	XI
4	The amount of agricultural credit disbursed per acre is insufficient to cover all production costs	70 (18.04)	118 (30.41)	51 (13.14)	78 (20.10)	71 (18.30)	388	IX
5	Agricultural credit increases production	72 (18.56)	120 (30.93)	51 (13.14)	91 (23.45)	54 (13.92)	388	VIII
6	Agricultural credit system encourages farmers to increase the area under cultivation and increase production	93 (23.97)	147 (37.89)	73 (18.81)	42 (10.82)	33 (8.51)	388	V

7	Interest rate is high in agriculture loan system	137 (35.31)	163 (42.01)	41 (10.57)	29 (7.47)	18 (4.64)	388	II
8	Agricultural credit system is only helpful for rich farmers	79 (20.36)	123 (31.70)	49 (12.63)	78 (20.10)	59 (15.21)	388	VII
9	The illiterate farmers are not aware of the loan procedure	98 (25.26)	159 (40.98)	69 (17.78)	38 (9.79)	24 (6.19)	388	IV
10	Influence is needed to get agricultural loans	37 (9.54)	59 (15.21)	77 (19.85)	130 (33.51)	85 (21.91)	388	XVI
11	Agricultural credit system plays an important role in transforming traditional agriculture into modern agriculture	64 (16.49)	87 (22.42)	44 (11.34)	102 (26.29)	91 (23.45)	388	XII
12	Delays in availing agricultural credit are due to excessive procedures	48 (12.37)	57 (14.69)	82 (21.13)	119 (30.67)	82 (21.13)	388	XV
13	Most of the farmers do not get timely agricultural loan from the lending institutions	69 (17.78)	107 (27.58)	48 (12.37)	86 (22.16)	78 (20.10)	388	X
14	Although the agricultural credit system is good, usurers work against the success of the agricultural credit system	69 (17.78)	72 (18.56)	62 (15.98)	97 (25.00)	88 (22.68)	388	XIII
15	Due to non-availability of high prices for agricultural produce, agricultural loans could not be repaid.	118 (30.41)	149 (38.40)	58 (14.95)	36 (9.28)	27 (6.96)	388	III
16	This agricultural credit system can solve the food problems of our country	52 (13.40)	69 (17.78)	71 (18.30)	105 (27.06)	91 (23.45)	388	XIV

SA: Strongly Agree; A: Agree; UD: Undecided; DA: Disagree; SD: Strongly Disagree; NR: Number of Respondents

From the table 5 it is clearly indicated that, majority of the farmers felt that agriculture loan will help farmers (Rank I), which was followed by interest rate is high in agriculture loan system (Rank II), due to non-availability of high prices for agricultural produce, agricultural loans could not be repaid (Rank III), the illiterate farmers are not aware of the loan procedure (Rank IV), agricultural credit system encourages farmers to increases the are under cultivation and increase production (Rank V), agricultural loans are easily assessable (Rank VI), agricultural credit system is only helpful for rich farmers (VII), agricultural credit increases production (Rank VIII), the amount of agricultural credit disbursed per acre is insufficient to cover all production costs (IX), most of the farmers do not get timely agricultural loan from the lending institutions (Rank X), the agricultural credit system will remove all the hurdles faced by the farmers (Rank XI), agricultural credit system plays an important role in transforming traditional agricultural into modern agriculture (Rank XII), although the agricultural credit system is good, usurers work against the success of the agricultural credit system

(Rank XIII), this agricultural credit system can solve the food problems of our country (Rank XIV), delays in availing agricultural credit are due to excessive procedures (Rank V), influence is needed to get agricultural loans (Rank XVI).

5. Conclusion:

The most of the farmers felt that agricultural loans would help them, followed by the high rate of interest in the agricultural credit system, unable to repay agricultural loans due to non-availability of high prices for agricultural produce. This paper points out the attitude and perception of rural farmers towards agricultural credit through PACS. The result of the study shows that increased net income through agricultural credit, lack of information about schemes and reforms, agricultural credit helps in modern technological development; agricultural credit helps to recover from stress, shock, interest rate and charges. The above factors mostly affect the farmers. The above factors are mostly influence the farmers. The least factors influencing the farmers perception towards to access agriculture credit increased farmer's net income. But a less important factor affecting farmers is repayment capacity. Bankers can give some advice to the farmers to overcome the loan tenure. Agricultural loan in rural areas depends on many factors like the purpose for which agricultural loans are taken, tenure of agricultural loans, interest rates etc. Farmers borrow agricultural credit for the purpose of earning income and use it against potential future income.

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