

“A Study on Impact of Agriculture Credit on Farmers of Tripura”

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ABSTRACT: Agriculture credit is an important prerequisite for agricultural growth. Agricultural policies have been reviewed from time to time to provide adequate and timely availability of finance to this sector. Rural credit system assumes importance because for most of the Indian rural families, savings are inadequate to finance farming and other economic activities. This coupled with the lack of simultaneity between income realization and expenditure and lumpiness of agricultural capital investments. The institutional credit system is critical for agricultural development and its role has further increased in the liberalized economic environment. In India a multi-agency approach comprising co-operative banks, scheduled commercial banks and regional rural banks (RRBs) has been followed to allow credit to agricultural sector. In rural sector if you ask someone to institutional frame work of agriculture credit, maximum of them are wordless. What is different between credit and loan? And what are the subjects of agricultural credit in short term and long term? This paper is trying to elaborate above problem. And define the institutional frame work of agriculture credit.

This study is based on Agriculture Credit and its impact on Farmers and Financial Institutes and to find out difficulties faced by farmers to get the credit, difficulties associated with recovery of credit by bank, impact of credit waiving etc.

Key words: Financial Institutions, Agricultural Credit, Tripura, Impact

I. INTRODUCTION

Basic Concepts of “Agricultural Credit”
The word “Credit” is derived from a Latin word “Credo”, meaning “I Believe”. The Latin verb “credere” means “to repose confidence in”. Note that borrowing is a function of ability to command capital or services currently with a promise to

repay it in future i.e. obtaining certain amounts of money as loan to be rapid as specified in the Agreement between the concerned parties. It is therefore the combination of the “ability to borrow” and “willingness to borrow”. It can also be regarded as an economic good to be produced, managed and marketed. “Agricultural finance is the study of financing and liquidity services credit provides to farm borrowers. It is also considered as the study of those financial intermediaries who provide loan funds to agriculture and the financial markets in which these intermediaries obtain their loan able funds”.

1.1. About Agriculture Credit Policy

The Government of India has initiated several policy measures to improve the accessibility of farmers to the institutional sources of credit. The emphasis of these policies has been on progressive institutionalization for providing timely and adequate credit support to all farmers with particular focus on small and marginal farmers and weaker sections of society to enable them to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity.

1.2. Initiatives Taken By The Government For Increasing Flow Of Credit

- (i) Farm credit package
- (ii) Interest subvention to farmers
- (iii) Extension of interest subvention scheme to post harvest loans:
- (iv) Collateral free loans:
- (v) Guidelines for providing relief in event of occurrence of natural calamities:
- (vi) Interest subvention for loan restructured in the drought affected states
- (vii) Kisan Credit Card Scheme

(viii) Agriculture Debt Waiver and Debt Relief Scheme

(ix) Bringing Green Revolution in Eastern India (BGREI) : Financing

Agricultural Investments in the Eastern Region – Concessional Refinance Support

(x) Revival Package for Short Term Cooperative Credit

1.3. TYPES OF AGRICULTURE CREDIT

The agriculture credit can be classified on the basis of: (1) According to Tenure of Agricultural Credit The credit requirement based on the time-period of loans can be three types:

Short-Term: It refers to the loans required for meeting the short-term requirements of the cultivators. These loans are generally for a period not exceeding and repaid after the harvest. For example loans required for the purchase of fertilizers, HYV seed, for meeting expense on religious or social ceremonies etc.

Medium-Term: These loans are for a period up to 5 years. These are the financial requirements to make improvements on land, buying cattle or agricultural equipments, digging up of canals etc.

Long-Term: These loans are for a period of more than 5 years and are generally required to buy additional land or tractor or making permanent improvements on land.

1.4. Source of Agricultural Credit in India

On the basis of organization there are two broad sources of agricultural credit in India: (1) Non-Institutional Sources, (2) Institutional Sources.

Non-Institutional Sources: The non-institutional finance forms an important source of rural credit in India, constituting around 38.9 percent (2002) of total credit in India. The interest charged by the noninstitutional lenders is usually very high. The land or other assets are kept as collateral. The important sources of non-institutional credit are as follows:

Traders and Commission Agents: Traders and commission agents advance loans to agriculturists for productive purposes against their crop without completing legal formalities.

Landlords: Mostly small farmers and tenants depend on landlords for meeting their financial requirements.

Money lenders: Despite rapid development in rural branches of different institutional credit agencies, village money lenders still dominate the scene. Money lenders are of two types agriculturist money lenders who combine their money lending job with farming and professional money lenders whose sole job is money lending.

Institutional Sources

The general policy on agricultural credit has been one of progressive institutionalization aimed at providing timely and adequate credit to farmers for increasing agricultural production and productivity. Providing better access to institutional credit for the small and marginal farmers and other weaker sections to enable them to adopt modern technology and improved agricultural practices has been a major thrust of the policy. National Bank for Agriculture and Rural Development (NABARD) is an apex institution established in 1982 for rural credit in India.

Primary Agricultural Credit Societies (PACs):

These are organized at the village level. These societies generally advance loans only for productive purposes.

District Central Cooperative Banks: These cooperatives are organized at the district level. The PACS are affiliated to the District Central Co-operative Banks (DCCBs). DCCBs coordinate the activities of district central financing agencies, organize credit for PACs and carry out banking business.

State Co-Operative Banks: The DCCBs are affiliated to State Co-operative Banks (SCBs), which coordinate the activities of DCCBs, organize provision of finance for credit worthy farmers, carry out banking business and act as leader of the Co-operatives in the States.

1.5 ABOUT AGRICULTURE IN TRIPURA

Tripura, one of the north-eastern states, is bounded on the north, west, south and southeast by Bangladesh, whereas in the east, it shares a common boundary with Assam and Mizoram. The state has favorable climatic conditions for cultivation of various fruit and horticultural crops. It is rich in natural resources such as natural gas, rubber, tea and medicinal plants. Tripura is endowed with rich and diverse bamboo resources. It is also the second largest natural rubber producer in the country after Kerala and produced 37,277 million tones of rubber in FY 15. Tripura accounts for about 6 per cent of bamboo sticks, used for making incense sticks in India. Around 21 of the 130 bamboo species known in India are grown in the state. Tripura holds a strong tea plantation base, with 58 tea gardens covering an area of over 7,000 hectares in 2014-15. Tea produced in Tripura is famous for its blending qualities.

The State of Tripura is mainly hilly and extensively covered with forest during the erstwhile Maharaja's time and 'Jhum' popularly

known as Shifting cultivation, was practiced in the hilly-areas as the only form of agriculture. The plough cultivation was probably introduced in Tripura during 15th century A.D. when the plain land cultivators from adjoining districts of Bengal came to this State. The Jhumias coming in contacts with immigrants learnt the benefits of plough cultivation and became interested in owning land for cultivation..

II. PROBLEM STATEMENT

Agriculture is the backbone of Indian Economy similarly Financial Institutions also plays a huge role in running the Economy. Large number of farmers in Tripura are marginal and has no resources to get financed to continue farming and that result in poor output. In this study we are focusing to find out various challenges faced by Farmers and Financial Institutions to get and provide agriculture credit and to know that is there any relationship between farmers suicide and agriculture credit policy and also about the relationship between agriculture credit and farmers income.

III. OBJECTIVE OF THE STUDY

- To know the development through credit policy
- To study the reach of agriculture system by banks amongst farmers that whether it is acceptable or non-acceptable.
- To know the difficulties facing by farmers
- To know about the agriculture credit policy of Tripura
- To study the performance of various banks in respect of agricultural credit
- To know the procedure of getting agriculture credit for farmers

IV. HYPOTHESIS

H_0 = There is no significant relationship between Interest Rate and Suicide of farmers

H_1 = There is a significant relationship between Interest rate and suicide of farmers.

H_0 = The procedure of loan from bank is not difficult

H_1 = The procedure of loan from bank is difficult.

H_0 = Farmer don't commit suicide because no facility of waiving loan is provided in case of drought or flood.

H_1 = Farmer commits suicide because no facility of waiving loan is provided in case of drought or flood.

V. RESEARCH METHODOLOGY

5.1. RESEARCH DESIGN

In this study research design used is descriptive amongst various research methods to investigate all the variables.

5.2. SOURCES OF DATA

To study the topic we have collected data from both the primary and secondary sources.

5.3. DATA COLLECTION METHOD

In this study we have used Random sampling method to satisfy the objectives of the study.

5.4. SAMPLE SIZE

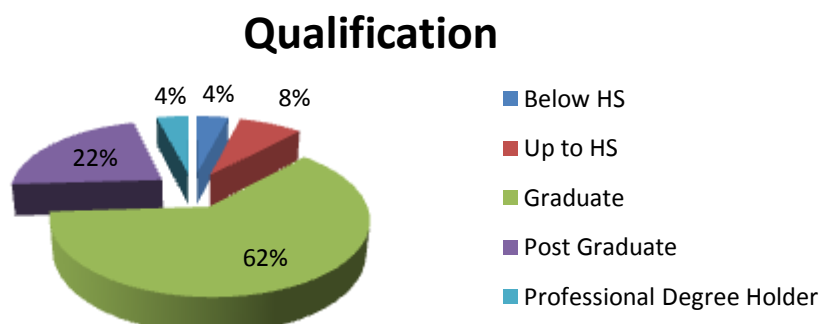
To study the topic we have surveyed and collected 65 samples out of which 50 samples are from farmers and 15 samples are from bankers.

5.5. DATA COLLECTION TOOL / INSTRUMENT

We have used survey, questionnaire method to collect primary data from farmers and financial institutions.

VI. DATA ANALYSIS AND FINDINGS

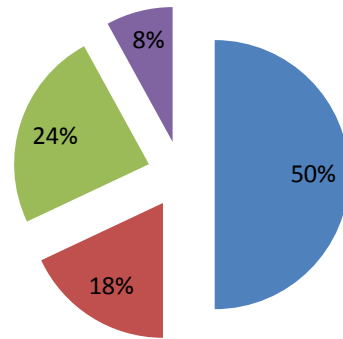
6.1. DEMOGRAPHIC PROFILE



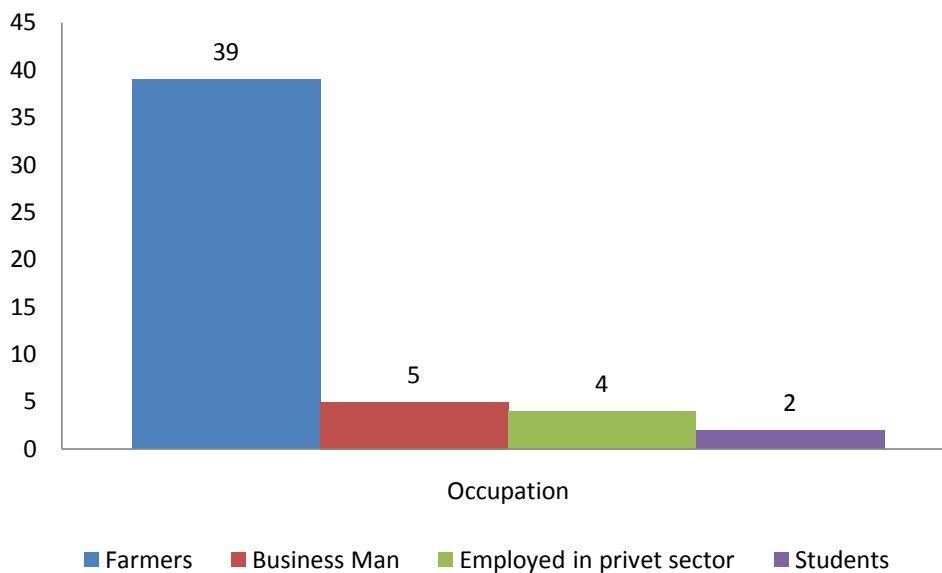
Source: Primary data

Annual Income

■ Below 1 Lakh ■ 1 Lakh - 2 Lakh ■ 2 Lakh - 3 Lakh ■ Above 3 Lakh



Source: Primary Data

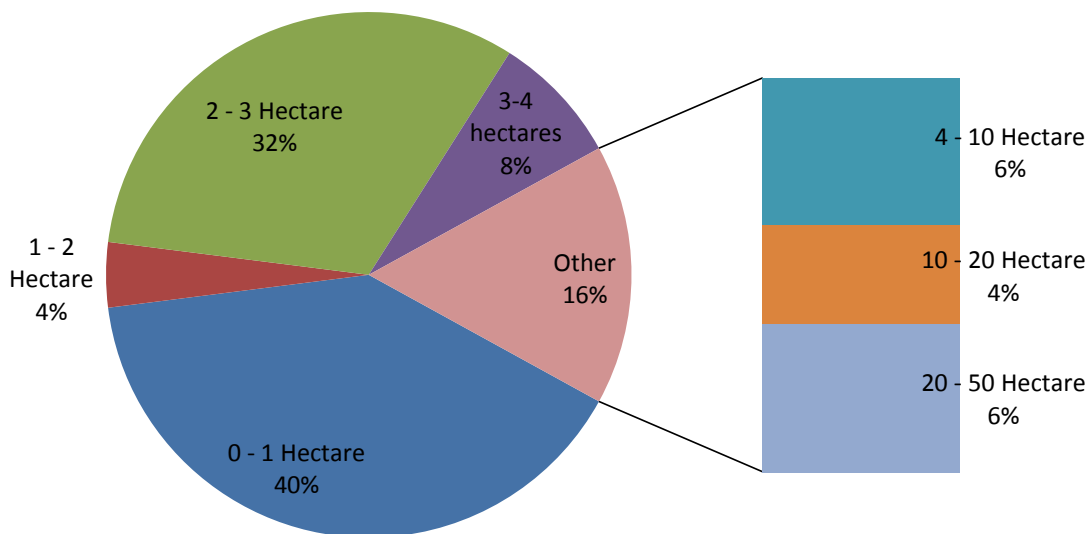


Source: Primary data

As it can be seen from the above table that most of the respondents are below 25 years old 66%, majority of the farmers are male (78%) and females are 22%, most of them are post graduate

and graduates and most of their family incomes are below 1 lakh (50%) and majority of them are farmers (78%) and rest are doing business and some are employed in privet sector and doing farming aside.

6.2. How much Hectares of Land you have for farming?

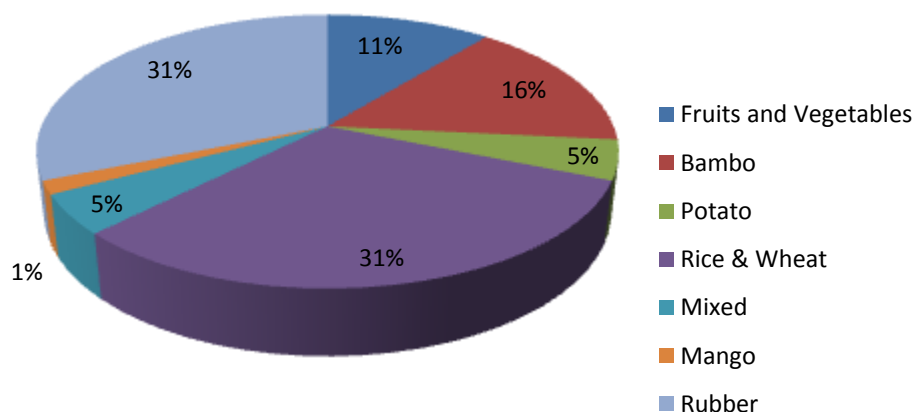


Source: Primary Data

From the survey which was carried out 93% still doing farming and the above piechart explains that 40% farmers are having 0-1 hectare

land; 4% 1-2 hectare; 32% 2-3 hectare; 8% 3-4 hectare; 6% 4-10 hectare; 4% 10—20 hectare; 6% 20-50 hectares.

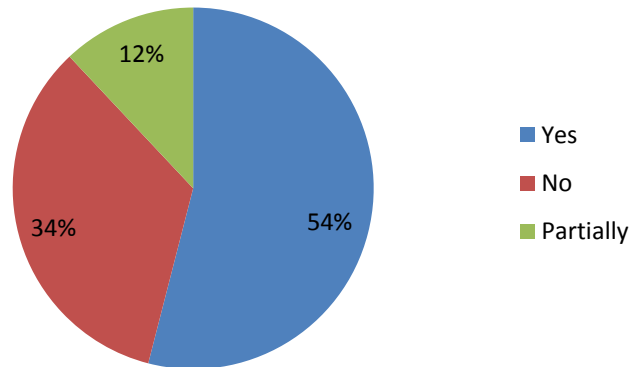
6.3. What Kind of Agri Product the farmer’s produce in Tripura?



Source: Primary Data

From the above table it was found that most of the farmers produces rubber & rice-wheat 31%; bamboo 16%; fruits and vegetables 11% and others like potato, mixed vegetables are 5%.

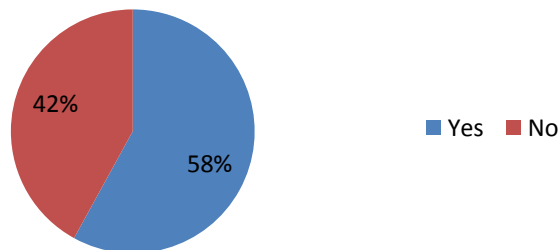
6.4 Awareness on Agricultural Credit Policy



Source: Primary data

From the above primary data survey it was found that 54% responded that they know about the credit policy and 12% are partially knows and rest 34% are unknown about credit policy.

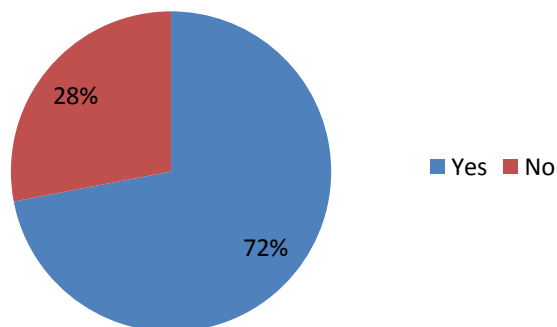
6.5. Have they taken loan previously any time?



Source: Primary data

From the above table out of 50 respondent most of the farmers (58%) have taken loan previously and rest 42% has not taken any loan.

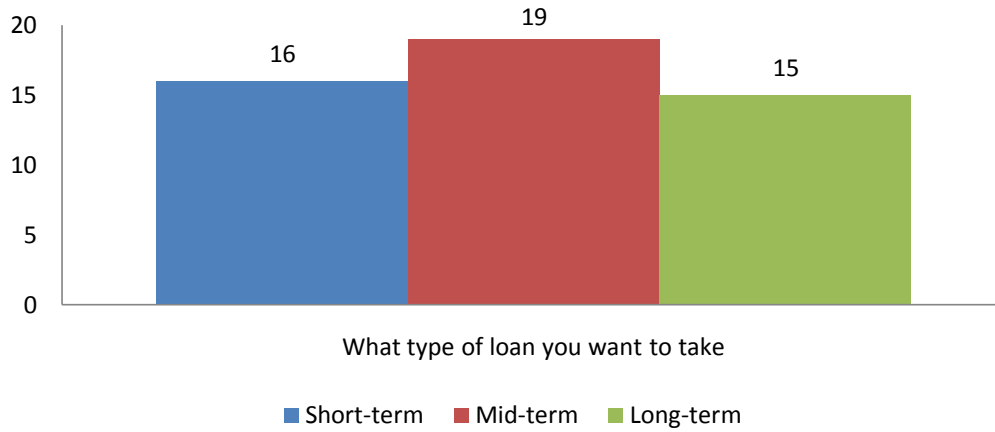
6.6. Are the farmer's willing to take Agricultural Credit



Source: Primary data

From the above table 72% respondents are willing to take credit and rest 28% are don't want to take credit.

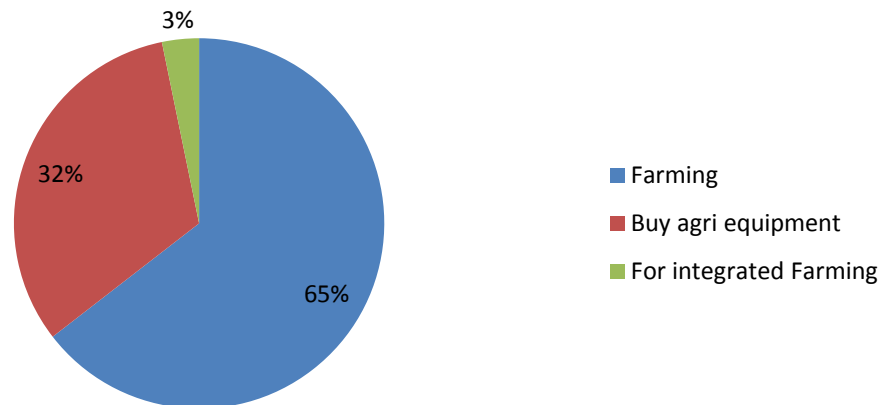
6.7 Type of Loan availed earlier or interested taking in..



Source: Primary data

From the above graph it can be seen that most of the respondents (19 out of 50) preferred mid-term loans over short term (16) and long term (15).

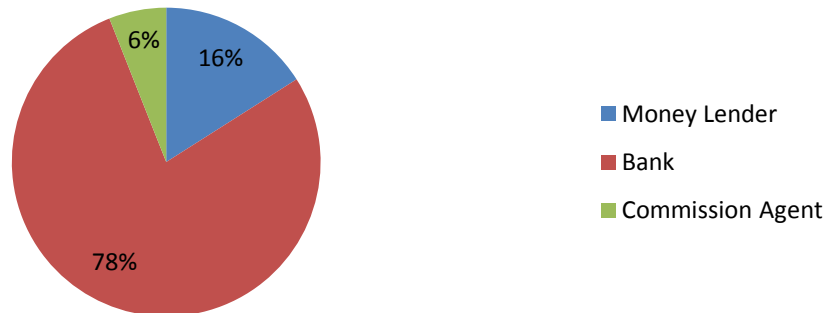
6.8. Purpose of Loan



Source: Primary data

It was found that 65% responded that purpose of loan as farming, 32% to buy agri equipments, and rest 3% for integrated farming.

6.9. Source of Information for Credit



Source: Primary data

It was found that 78% respondents get information of credit from banks and 16% from money lender and 6% from commission agents.

6.10. Types of Difficulties faced after taking loan

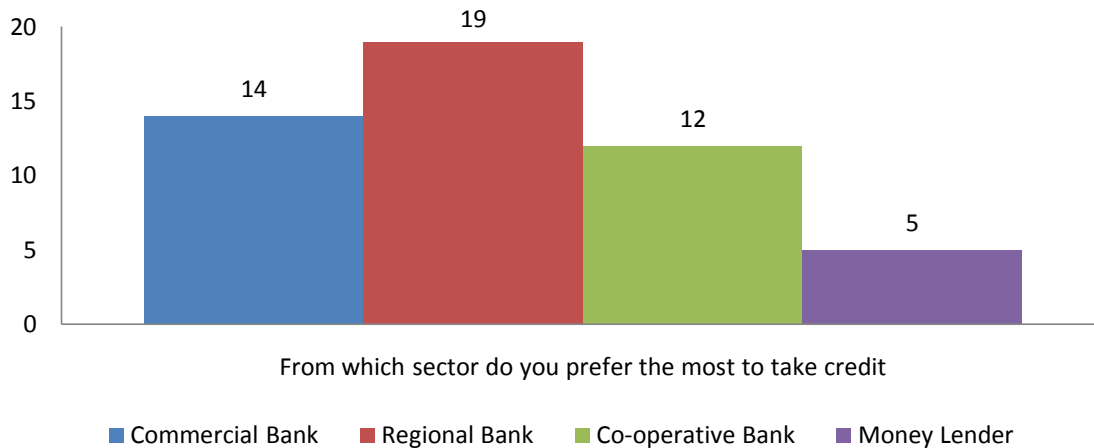


Source: Primary Data

From the above chart it is found that out of 50 responses received, 12 responded that difficulties faced during taking credit is bad behavior from banks staff; 10 responded high

interest rate; 6 responded climate change; 5 responded lack of income and lack of market value; 4 said no consideration and 8 said no problems faced.

6.11 Which sector is preferred most to take credit



Source: Primary data

From the above chart it can be seen that 19 people out of 50 preferred regional banks for credit over co-operatives and money lenders and 14 preferred commercial banks.

VII. HYPOTHESIS TESTING

7.1 Do you find the procedure of loan from bank is difficult

Q. Do you find the procedure of loan from bank is difficult	Perceptions		
	Yes	No	Partially
	37	7	6

Hypothesis Testing: Z test

H_0 = The procedure of loan from bank is not difficult

H_1 = The procedure of loan from bank is difficult

$$Z = \frac{(p_1 - p_2) - 0}{\sqrt{p(1-p)\left(\frac{1}{n}\right)}}$$

$$Z = \frac{(0.74 - 0.14) - 0}{\sqrt{0.88(1 - 0.88)\left(\frac{1}{50}\right)}}$$

Where, $p_1 = 37/50 = 0.74$

$p_2 = 7/50 = 0.14$

$p = (37+7)/50 = 0.88$

$\alpha = 5\%$

Confidence level = 95%

$$Z = \frac{0.60}{0.04595} = 13.05$$

Calculated value of $Z = 13.05$. The critical value of Z at 5% level of significance is 1.96. Calculated value is greater than critical value i.e. $13.05 > 1.96$. Hence H_0 is rejected.

7.2. Interest rate charged by bank is high

Q. Interest rate charged by bank is high	Perceptions				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	8	2	12	19	9

Hypothesis Testing: Z test

H_0 = Interest Rate Charge by Bank is not high

H_1 = Interest Rate Charge by Bank is high

$$Z = \frac{(p_1 - p_2) - 0}{\sqrt{p(1-p)\left(\frac{1}{n}\right)}}$$

Where, $p_1 = 28/50 = 0.56$

$p_2 = 10/50 = 0.20$

$p = (28+10)/50 = 0.76$

$\alpha = 5\%$

Confidence level = 95%

$$Z = \frac{(0.56 - 0.20) - 0}{\sqrt{0.76(1 - 0.76)\left(\frac{1}{50}\right)}}$$

$$Z = \frac{0.36}{0.0603} = 5.97$$

Calculated value of **Z = 5.97**. The critical value of Z at 5 % level of significance is **1.96**. Calculated value is greater than critical value i.e. **5.97 > 1.96**. Hence H₀ is rejected

Where, p₁ = 40/50 = 0.8

p₂ = 7/50 = 0.14

p = (40+7)/50 = 0.94

α = 5%

7.3. Do you agree that farmer commits suicide because of higher interest rate

Q. Do you agree that farmer commits suicide because of higher interest rate	Perceptions		
	Yes	No	Maybe
	40	7	3

Hypothesis Testing: Z test

H₀ = Farmer don't commits suicide because of high interest rate

H₁ = Farmer commits suicide because of high interest rate

$$Z = \frac{(p_1 - p_2) - 0}{\sqrt{p(1-p)\left(\frac{1}{n}\right)}}$$

$$Z = \frac{(0.8 - 0.14) - 0}{\sqrt{0.94(1 - 0.94)\left(\frac{1}{50}\right)}}$$

$$Z = \frac{0.66}{0.0335} = 19.70$$

Calculated value of **Z = 19.70**. The critical value of Z at 5 % level of significance is **1.96**. Calculated value is greater than critical value i.e. **19.70 > 1.96**. Hence H₀ is rejected.

7.4 . Do you find that farmer commits suicide because no facility of waving loan is provided in case of drought or flood

Q. Do you find that farmer commits suicide because no facility of waving loan is provided in case of drought or flood	Perceptions		
	Yes	No	Maybe
	40	7	3

Hypothesis Testing: Z- test

H₀ = farmer don't commits suicide because no facility of waving loan is provided in case of drought or flood

H₁ = farmer commits suicide because no facility of waving loan is provided in case of drought or flood

$$Z = \frac{(p_1 - p_2) - 0}{\sqrt{p(1-p)\left(\frac{1}{n}\right)}}$$

Where, p₁ = 40/50 = 0.8

p₂ = 7/50 = 0.14

p = (40+7)/50 = 0.94

α = 5%

Confidence level = 95%

$$Z = \frac{(0.8 - 0.14) - 0}{\sqrt{0.94(1 - 0.94)\left(\frac{1}{50}\right)}}$$

$$Z = \frac{0.66}{0.0335} = 19.70$$

Calculated value of **Z = 19.70**. The critical value of Z at 5 % level of significance is **1.96**. Calculated value is greater than critical value i.e. **19.70 > 1.96**. Hence H₀ is rejected.

7.5 Do you feel like taking credit from bank is safe

Q. Do you feel like taking credit from bank is safe	Perceptions		
	Yes	No	Maybe
	32	6	12

Hypothesis Testing: Z – test

H₀ = Taking credit from bank is not safe

H₁ = Taking credit from bank is safe

$$Z = \frac{(p_1 - p_2) - 0}{\sqrt{p(1-p)\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

Where, $p_1 = 32/50 = 0.64$

$p_2 = 6/50 = 0.12$

$p = (32+6)/50 = 0.76$

$\alpha = 5\%$

Confidence level = 95%

$$Z = \frac{(0.64 - 0.12) - 0}{\sqrt{0.76(1 - 0.76)\left(\frac{1}{50} + \frac{1}{50}\right)}}$$

$$Z = \frac{0.52}{0.0603} = 8.623$$

Calculated value of **Z = 8.623**. The critical value of Z at 5 % level of significance is **1.96**. Calculated value is greater than critical value i.e. **8.623 > 1.96**. Hence H₀ is rejected.

VIII. RESULT & FINDINGS

Agriculture is the backbone of Indian Economy similarly Financial Institutions also plays a huge role in running the Economy. Large number of farmers in Tripura are marginal and has no resources to get financed to continue farming and that result in poor output. In this study we have found that farmers are facing challenges to get agriculture credit and it is because of complexity in credit procedure and high interest rate and also found that is there a significant relationship between farmers suicide and agriculture credit.

After conducting the study we have found that most of the respondents like 93% are still do farming and 40% of them are having less than 1 hectare of land and only 6 % are having highest land i.e. 20-50 hectare.

In Tripura most of the farmers produce rubber (31%), rice & wheat (31%) and bambo 16% and they are producing other agricultural products like fruits and vegetables, mixed vegetables and potato 11%, 5% and 5% respectively.

Our study found that most of the farmers of Tripura are not much aware about agriculture credit policy as only 54% farmers knows about the policy and rest are partially known 12% and absolutely unknown about the policy are 34%.

Out of 50 respondents most of them preferred mid-term loan where there is not very much difference between long term and short term loan preference.

To ensure continuity in farming like to buy equipments and for integrated farming farmers are willing to take credit but farmers are facing various difficulties in getting credit are bad behavior from banks, high interest rate and climate change is a big factor.

Most of the farmers preferred regional bank over money lenders and co-operative banks where commercial banks are at the second highest preferred by farmers.

From the hypothesis testing it is found that there is a significant relationship of farmers suicide with high interest rate and no facilities of waving loan & the procedure of loan from bank is difficult and for that farmers preferred taking credit from money lenders.

IX. CONCLUSION

The study has revealed that agriculture credit policy has various impact over farmers and financial institutions. Banks charges high interest rate for credit and farmers found difficult to bear it as climate change and erratic rainfalls creates difficulties in cultivation of agricultural produce.

Every year because of climate change farmers faces huge loss and thus they fail to pay the due loan amount but because they don't get any big facility of waving loan like they only gets 10% to 30% of loan amount reduction but they has to pay the other amount and because of that they commits suicide.

From both the farmers and institutional end we found that the procedure of loan is complex and for that farmers are facing difficulties to take credit where bad behavior and high interest rate is two more big factors.

Government of Tripura should take some steps like providing 50% minimum reduction over credit due to loss occurred by natural causes and may form an institutional board or committee so that farmers get every needful support in term of taking credit or seeking waving of loan.

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