
Rural Credit to Farmers in Kasaragod District and its Effectiveness

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Abstract: *Credit is essential for rural development, especially for farming sector. Financial requirements of the farming sector have increased tremendously over the last few decades due to the extended use of fertilizers, improved seeds and mechanization. Credit flows for rural economic development initially made through cooperative societies have contributed much to the improvement of the financial condition of agriculture and rural economy. Institutional credit has been viewed as an important instrument for serving rural development especially in the agricultural sector. The role of banking institution in rural development in India has undergone vast changes since the nationalization of major commercial banks. The study evaluated the economic effectiveness of rural credit among farmers in Kasaragod district. The analysis on agricultural production, income, standard of living, saving and investment of farmers before and after credit revealed the effectiveness of rural credit. The result shows that rural credit influenced agricultural production level, income, standard of living and saving of farmers effectively.*

Key Words: *Rural Credit, Farmers, Effectiveness, Kasaragod.*

1. Introduction

Growth of rural economy primarily depends on infusion of capital from time to time, to realize high productivity in agricultural and non-agricultural sector mainly for the purpose of agriculture and small scale business. Along with other inputs, credit is essential for establishing sustainable and profitable farming system in the rural sector. Most of the farmers are small producers engaged in agricultural activities in area of widely varying potential. Easy access to financial service at affordable cost increases productivity, asset formation, income and food security of rural poor (Prakash P and Pramod Kumar, 2016).

Government has made many initiatives for strengthening farm credit at lower rate of interest to support the resource requirements of agricultural sector. The emphasis of these policies has been on providing timely and adequate credit support to farmers with particular focus on small and marginal farmers and weaker sections of society (Subramanian R and Sunil Shivananjappa, 2017)). Agricultural credit flow in India has increased during the last five years. In the 12th Five Year Plan, it has risen and constituted 5.68 percent of total agricultural credit in the country. Commercial banks, RRBs and cooperative banks play predominant role in the advanced credit to agriculture (Govt. of Kerala, 2019). Like other parts of Kerala, agriculture plays a vital role in the economy of Kasaragod district. Majority of the population directly or indirectly are in farming sector for their livelihood. Therefore the economic effectiveness of rural credit among farmers in the district in terms of agricultural production level, income, investment, saving and standard of living of farmers is quite relevant. The main focus of the study is: (i) to analyze the main changes brought out by rural credit in the standard of living of farmers in terms of income, housing, education and health; and (ii) to examine how rural credit influenced the saving and investment capacity of farmers in the district.

2. Review of Literature

Anjalikumar, et. al (2017) and Mainakumari, et.al (2014) studied the institutional credit to agricultural sector in India. Prakash and Pramod (2016) and Diwas, et. al (2013) conducted a study on the performance of Kisan Credit Card Scheme. Krishna Kishore K T (2012) studied the rural credit and agricultural development in India. Valentina Hartairska, et.al (2015) and Sudha Narayanan (2015) conducted a study on agricultural credit and economic growth in rural area. Vijay (2017) and Manoj P K (2014) conducted a study on credit for rural development. Devaraja T S (2011) and Dushyant Kumar (2010) conduct a study on productivity of agricultural credit in India.

3. Methodology and Materials

The study used both primary and secondary data. Effectiveness of rural credit among farmers in Kasaragod was analysed by studying a sample of 60 farmers from the Madikkai and Kinanoor Karindalam Panchayaths of Kasaragod district. In primary data collection, information was collected

through structured questionnaire. Secondary data were collected from economic review of government of India and Kerala and annual reports of RBI.

4. Results, Analysis and Discussion

There are several agencies providing rural credit, which are classified under two categories, institutional and non institutional. Institutional credit includes commercial banks, Regional rural banks, and cooperatives. Non institution source include money lenders, indigenous bankers, traders and commission agents.

In the study area, 75 percent of farmers are cultivating commercial crops, 2 percent farmers both commercial and vegetables and 10 percent farmers both commercial and food crops; only 13 percent of farmers cultivating all crops (Table 1).

Table 1: Type of Crops Cultivated in the Study Area

Type of Crop	Percentage of Farmers
Commercial crops	75.0
Commercial crops and vegetables	1.7
Commercial crops and food crops	10.0
All crops	13.3
Total	100.0

Source: Primary data

Table 2 shows the sources of rural credit in the study area. It reveals that 62 percent farmers take credit from cooperative bank and 15 percent of farmers from both cooperative bank and commercial bank simultaneously. 8.3 percent of farmers depend on commercial bank and both cooperative bank and RRBs respectively. Only 2 percent of them depend on both commercial and RRBs bank simultaneously.

Table 2: Sources of Credit in the Study Area

Source	Percentage of Farmers
Cooperative Banks	61.7
RBBs	5.0
Commercial bank	8.3
Co-operative bank and RRBs	8.3
Co-operative bank and commercial bank	15
Commercial bank and RRBs	1.7
Others	13.5
Total	100.0

Source: Primary data

Among the total farmers, 65 percent indicates that rural credit is fully sufficient and remaining 15 percent response is that, it is not sufficient for their purpose (Table 3).

Analysis on the effectiveness of rural credit on agricultural production, changes brought about by rural credit in the standard of living of farmers and changes in saving and investment brought about by rural credit are presented in table 4. It indicates that 86 percent of farmers' agricultural production increased due to credit for agricultural activity.

Table 3: Farmers Response about Loan Sufficiency

Response	Percentage of Farmers
Not Sufficient	15.0
Partially Sufficient	20.0
Fully Sufficient	65.0
Total	100.0

Source: Primary data

Figure 1 show the repayment of loan by farmers and it is seen that 88 percent of farmers repay the loan before the due date and the rest 12 percent after the due date.

Figure 1: Repayment of Loan by Farmers in the Study Area

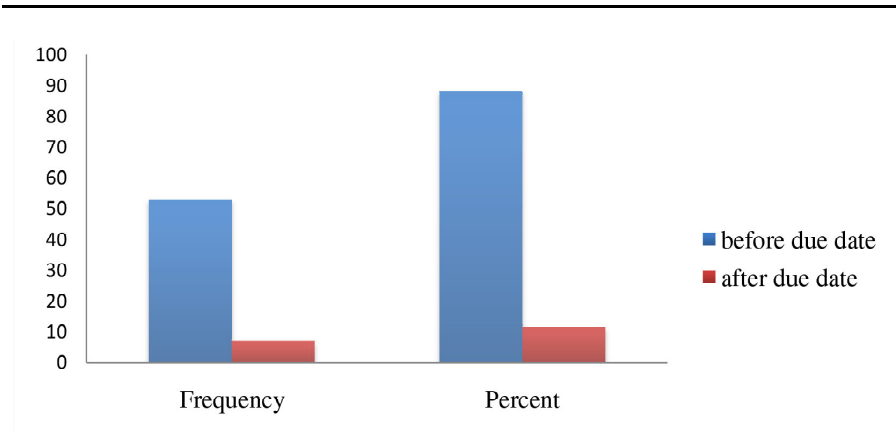


Table: 4. Changes Brought out by Rural Credit to Farmers in the Study Area

Sl. No.	Components	Changes Brought out by Rural Credit to Farmers (in percentage)
1	Agricultural Production	86
2	Income	17
3	Housing	50
4	Health	50
5	Education	27
6	Profits	92
7	Saving	68
8	Investment	90

Source: Primary data

Table 4 also reveals that comparison of aggregate income level of farmers in the study area shows that there is 17 percent increase in income. It is seen that after taking credit 50 percent farmer's housing status raised from semi pakka to pakka. 92 percent are of the opinion that they have a profit by selling agricultural output raised through credit. It also reveals that there is 68 percent increase in the saving of farmers. Figure 2 and 3 show the different kinds of savings and investment of farmers. It is also seen that 90 percent of farmer's investment capacity increased.

Figure 2: Different Kinds of Savings of Farmers

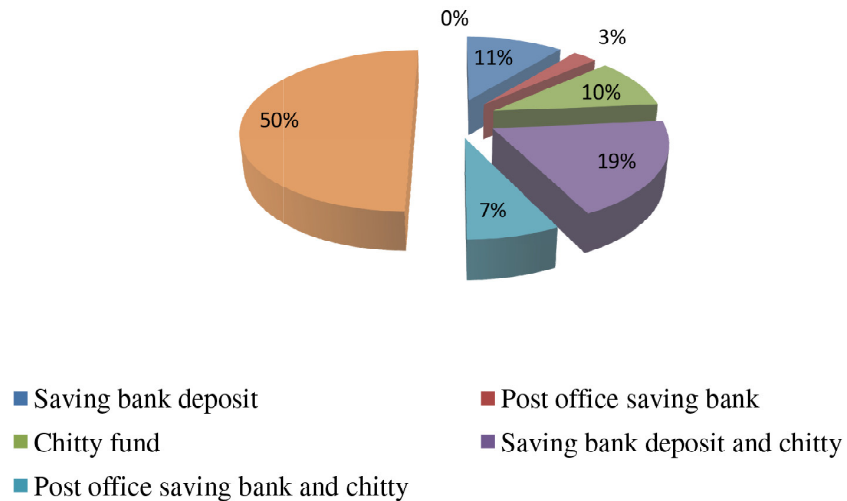
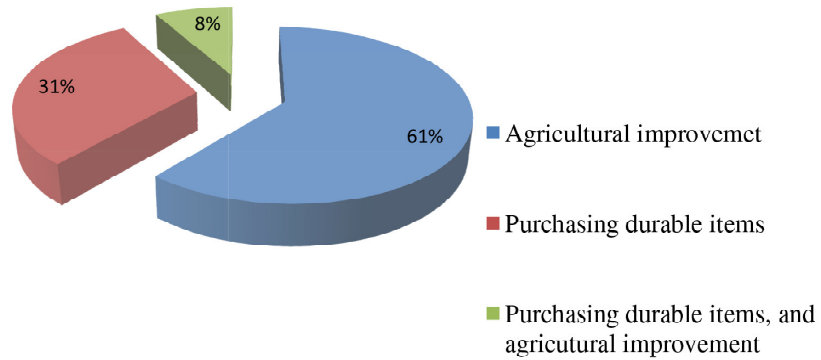
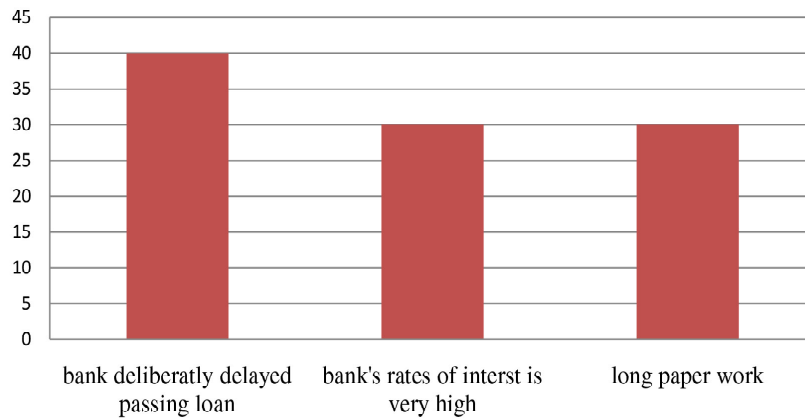


Figure 3: Different Kinds of Investment of Farmers



Various difficulties faced by farmers are presented in figure 4. 40 percent farmers faced the problem of delay in getting loan, 30 percent farmers say that interest rate is very high and 30 percent mentioned about high paper work process for getting credit.

Figure 4: Various Difficulties Faced by Farmers in Getting Credit



5. Conclusion

A large proportion of the population in India is rural based and depends on agriculture for a living. Three main factors that contribute to agricultural growth are increased use of agricultural input, technological change and technical efficiency. Since saving being negligible among the farmers, agricultural credit appears to be an essential input along with modern technology for higher productivity. An important aspect that has emerged in last three decades is that the credit is not only obtained by the small and marginal farmer for survival, but also by the large farmer for enhancing their income. Agricultural credit flow in India has increased tremendously. In Kerala too, advances to agricultural sector has increased significantly in the last ten years. The study clearly revealed that the agricultural credit influenced the production level and increased the income level of farmers. Credit also helps in increasing housing status, health, saving and investment capacity of farmers.

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