

PROBLEMS AND CHALLENGES OF FARMERS IN AGRICULTURE CREDIT FROM COOPERATIVE BANKS A CASE STUDY OF BHIWANI DISTRICT

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ABSTRACT: The present research paper deals with problems and challenges encountered by farmers in agriculture credit from cooperative banks. Bhiwani district has been taken as study region. The study is based purely on primary source of data which derived through self administered schedule. The paper aims to achieve the objective about the problems of farmers in availing and factors responsible for overdues of agriculture credit. The study concludes that farmers are facing acute problem in availing the agriculture credit from financial institutions.

Keywords: Cooperative, Challenges, Credit, Overdues, Farmers and Agriculture.

Introduction: Government of India and RBI has been asking to give preference to agriculture finance. However Co-operative banks are unable to eliminate money lenders and indigenous bankers who are providing finance at various rates. The important questions that arise in this context are whether the credit supplied by these banks could meet the credit requirement of the farmers and whether the loans given are recovered in time. Finance in agriculture sector holds same importance as other inputs being used in agricultural produce. A farmer can purchase and use the technical inputs only if he has money (funds). But his own money is always insufficient and he needs outside finance. Till 1935, professional money lenders were the only source of credit to agriculture. They used to charge high interest rates and follow serious practices while giving and recovering loans to them. As a result, farmers were heavily burdened with debts and many of them perpetuated debts. With the passing of Reserve Bank of India Act 1934, District Central Co-op. Banks Act and Land Development Banks Act, agricultural credit received impetus and there were improvements in agricultural credit. A powerful alternative agency came into being. Large-scale credit became available with reasonable rates of interest at easy terms, both in terms of granting loans and recovery of them.

Addressing the Krishi Unnati Mela 2018 based on the theme double farmers' income by 2022 the Prime Minister said "we are working for those farmers who rent agriculture land". To ensure that such farmer we are in talk with State governments to provide easy agriculture credit. He added in his speech the difficulty of farmers in availing loans from co-operative societies. To address this problem all primary co-

operative societies are being computerized across the country. Focussing on price of crop he said while fixing MSP of crops various inputs i.e. labour, cost of fertilizers and seeds, rent of machinery, revenue being given to state government, interest on working capital and lease rents of land will be included. He laid 25 foundation stones of Krishi Vigan Kendras and launched e-marketing portal for organic products. PM said that the aim of government is to double the farmers income and make the farmers lives easier for this more than 11 crore soil health cards have been issued and to lowering the expenditure of farmers 100% neem coater urea have been distributed. He also added the benefits of Solar farming using solar pumps for irrigation and he also suggested farmers about the harmful effects for burning of crop residue. Prime Minister also ensured the farmers to cope up with distress of fall in price of most commodities the present PSS (price support scheme) and MIS (market intervention scheme) will discontinue after implementation of new policy.

Literature Review: The present paper contains an exhaustive review of the existing literature available on the subject. The studies have been presented in chronological order so that the latest studies are presented first followed by the subsequent studies. Research gaps have been identified and a case for the present study has been built in the end.

Hananu et al. (2015) examined the factors affecting the farmers in Northern Ghana i.e. gender, age group, education, family size, family income and source of credit and revealed that gender was negatively related to access agricultural credit means female farmers were more likely to take agriculture credit from conventional source. Study also revealed that 50% of household's access to credit and that decision to access to credit is firmly determined by age, education, group membership, source of credit, sex and family size.

Enotu et al. (2015) examined the structural agriculture finance challenges of Standard Chartered bank in Uganda and reported that banks do not engage experienced people in agriculture finance department and do not carry out advertisement of agriculture finance product and also disclosed that bank does not receive any support from government for extending agriculture loan to farmers and bank also does not hold workshops for their customer awareness.

Mehmood et al. (2012) carried out study on different factors influencing the repayments of agricultural loan in district Kasur of Punjab. He found that poor follow-up by the bank employees, high interest rate, mis-utilization of loans and change in business or residential place of the borrowers etc resulted delay in repayments of agricultural loan.

Chahal (2011) investigated the utilization pattern and source wise borrowings of agricultural credit by the sample borrowers. Out of total 82.02 % of the institutional finance have been utilized for agricultural purposes and 17.43 percent have been used for diversified purposes. In case of district Bhiwani 83.64% credit has been used for agricultural purpose and 15.86% credit has been used for diversified purposes. The percentage of diversification was found more in district Rohtak, in comparison to district Bhiwani. In case

of PACs 84.01 percent credit has been used for agricultural activities and 14.72% has been used for diversified purposes. In commercial banks 80.97% credit has been used for agricultural activities 18.75 percent credit has been used for diversified purposes. In case of Grameen Banks 81.85% and 17.80% credit has been used for agricultural activities and diversified activities respectively. Study also recommended that borrowing must be used in productive way because productive borrowing generates its own means of repayment of loan.

Research Objectives

Present study is taken up to achieve the following research objectives:

RO₁: To study the problems encountered by the farmers in availing of agriculture credit.

RO₂: To study the significant difference between problems of male and females farmers in availing of agriculture credit.

RO₃: To study the factors responsible for agriculture loan overdues.

Research Methodology

This section outlines the research methodology employed, describing the selected sampling technique, method for data collection and the statistical tools used for analysing the data.

Sample Design

In most of the cases of research studies, it becomes almost impossible to examine the entire universe; the only alternative thus, was to resort to sampling. The present study is also of the same nature According to Manheim (1977), “a sample is a part of the population which is studied in order to make inferences about the whole population”. The sample design of the present study comprises the following elements:

- **Universe and Population** – All farmers residing in Haryana constitute the universe of the present study.
- **Survey Population:** All farmers who are availing loan from co-operative banks and all employees of co-operative banks except Class-IV employees working in Haryana.
- **Sample Unit (Unit of Analysis)-** Sampling unit of present study consists of borrowers/farmers of Co-operative banks under consideration.
- **Sample Technique-**In the present study, Purposive sampling method was followed to gather the data from the targeted respondents.
- **Sample Size-** For the purpose of this study, 10 Blocks out of Bhiwani District Central Co-operative Banks were taken. For this a sample of 500 farmers/ borrowers in all with 50 farmers each from each block out of two districts of Haryana were selected by adopting the method of purposive sampling. While selecting the sample, farmers belonging to different occupations, age groups, income groups, educational qualification included.

- **Area of Study-** Borrowers of Bhiwani district are taken into consideration under present study.

Method of Data Collection

The present study used primary data in the light of the requirement of the research objectives. The primary data was collected by conducting a survey through self-administered structured questionnaire.

Primary Data

The primary data was collected by conducting a survey through schedule for farmers and employees of Central Co-operative Banks in Haryana.

Schedule for Farmers: Schedule is administered to farmers to know about their perceptions about Co-operative Banks in Haryana. This schedule gives importance to all factors which increase the need of agriculture finance. This schedule shows the opinions of farmers in regard to problems faced by them. The questionnaire included purpose of taking loan, total amount of sum borrowed, satisfaction with amount sanctioned and timings in sanctioning and disbursement of loans. By combining all these questions, the study enables to take an in-depth sight of Central Co-operative Banks of Haryana.

Analysis and Interpretation:

TABLE 1.1

Problems for Availing of Agriculture Finance from Co-Operative Banks by Farmers

Problems	S.A	A	N	D.A	S.D	N	Mean	Standard Deviation	Rank
Documentation	252 (50.4)	151 (30.2)	49 (9.8)	32 (6.4)	16 (3.2)	500	4.18	1.056	I
Proximity of banks	82 (16.4)	217 (43.4)	110 (22)	84 (16.8)	7 (1.4)	500	3.57	.998	VIII
Lack of knowledge	114 (22.8)	222 (44.4)	109 (21.8)	38 (7.6)	17 (3.4)	500	3.76	.999	V
Awareness about facilities	103 (20.6)	225 (45.0)	136 (27.2)	28 (5.6)	8 (1.6)	500	3.77	.892	IV
High interest rates	99 (19.8)	149 (29.8)	97 (19.4)	72 (14.4)	83 (16.6)	500	3.22	1.362	XI
Insufficient amount	96 (19.2)	282 (52.4)	95 (19.0)	32 (6.4)	25 (5.0)	500	3.74	1.002	VI
Role of middlemen	78 (15.6)	179 (35.8)	139 (27.8)	80 (16.0)	24 (4.8)	500	3.41	1.079	X
Lack of required security	111 (22.2)	183 (36.6)	97 (19.4)	66 (13.2)	43 (8.6)	500	3.50	1.215	IX
Complicated rules and regulation	175 (35.0)	203 (40.6)	73 (14.6)	27 (5.4)	22 (4.4)	500	3.96	1.053	III
Noncooperation of	84 (16.8)	196 (39.2)	169 (33.8)	36 (7.2)	15 (3.0)	500	3.60	.950	VII

staff									
Lengthy procedure	195 (39.0)	192 (38.4)	70 (14.0)	33 (6.6)	10 (2.0)	500	4.06	.986	II

*Source: Primary Data

** Note: Figures in parenthesis are percentage

It depicts from the table 1.1 that complex documentation is ranked most faced problem i.e. (\bar{X} =4.18), followed by lengthy procedure of loan (\bar{X} = 4.06), complicated rules and regulations (\bar{X} = 3.96), Awareness about facilities (\bar{X} = 3.77), lack of knowledge (\bar{X} = 3.76), Insufficient Amount (\bar{X} = 3.74), Non-corporation staff (\bar{X} = 3.60), Proximity of banks (\bar{X} = 3.57), lack of required security (\bar{X} = 3.50), Role of Middlemen (\bar{X} = 3.41) and High Interest Rate (\bar{X} = 3.22).

Table 1.2

Difference between Male and Female Borrowers of Co-operative Banks of Haryana on Problems for Availing Agriculture Finance

	Gender	N	Mean	Std. Deviation	P value	Decision
Complex Documentation	Male	429	4.19	1.063	.723	Accepted
	Female	71	4.14	1.018		
Proximity of banks	Male	429	3.59	1.019	.294	Accepted
	Female	71	3.45	.858		
Lack of knowledge	Male	429	3.78	1.012	.215	Accepted
	Female	71	3.62	.916		
Awareness about facilities	Male	429	3.78	.893	.672	Accepted
	Female	71	3.73	.894		
High interest rates	Male	429	3.19	1.389	.187	Accepted
	Female	71	3.39	1.177		
Insufficient amount	Male	429	3.83	.908	.001	Rejected
	Female	71	3.24	1.347		
Role of middlemen	Male	429	3.38	1.089	.135	Accepted
	Female	71	3.59	1.008		
Lack of required security	Male	429	3.56	1.182	.040	Rejected
	Female	71	3.20	1.369		
Complicated rules and regulation	Male	429	3.94	1.064	.298	Accepted
	Female	71	4.08	.982		
Non-cooperation of staff	Male	429	3.59	.959	.821	Accepted
	Female	71	3.62	.900		
Lengthy procedure of	Male	429	4.06	.978	.784	Accepted

loan	Female	71	4.03	1.042	
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To test the significance difference between male and female borrower regarding problems for availing agriculture finance on different dimensions t test applied by the researcher and 'p' value is calculated. If the calculated 'p' value is more than the significance level 0.05 hence there is no significance difference between two groups therefore accepted the null hypothesis and vice-versa.

The Table 1.2 revealed that the 'p' value of the following dimensions of problems in availing agricultural finance i.e. complex documentation (p=.723), Proximity of Banks (p=.294), lack of knowledge (p=.215), Awareness about facilities (p=.672), High Interest rates (p=.187), Role of middlemen (p=.135), complicated rules and regulations (p=.298), non-co-operation of staff (p=.821) and lengthy procedure of loan (p=.784) are (p>.05). Therefore, there is no significance difference between males and females regarding these problems while availing the agriculture finance.

The p value of problem insufficient amount (p=.001) and lack of required security (p=.040). The (p<.05) is less than significance level. Hence there is significance difference between male and female for availing loan.

Table 1.3

Factors Responsible for Overduess of Agriculture Loan from Farmers Point of View

Factors	S.A	A	N	D.A	S.D	N	Mean	Standard Deviation	Rank
Delay rain	212 (42.4)	188 (37.6)	56 (11.2)	37 (7.4)	7 (1.4)	500	4.12	.972	I
Insufficient rain	141 (28.2)	275 (55.0)	68 (13.6)	12 (2.4)	4 (0.8)	500	4.07	.763	III
Flood and Drought	96 (19.2)	235 (47.0)	92 (18.4)	40 (8.0)	37 (7.4)	500	3.63	1.107	X
Pest attack	175 (35.0)	213 (42.6)	73 (14.6)	35 (7.0)	4 (0.8)	500	4.04	.921	IV
Lack of marketing facilities	115 (23.0)	202 (40.4)	109 (21.8)	55 (11.0)	19 (3.8)	500	3.68	1.062	IX
Unexpected price of crops	159 (31.8)	202 (40.4)	104 (20.8)	28 (5.6)	7 (1.4)	500	3.96	.936	V
Unforeseen family expenses	190 (38.0)	202 (40.4)	83 (16.6)	17 (3.4)	8 (1.6)	500	4.10	.404	II
Hope for loan waive-off	121 (24.2)	212 (42.4)	105 (21.0)	43 (8.6)	19 (3.8)	500	3.75	1.037	VII

Crop failure	99 (19.8)	220 (44.0)	137 (27.4)	36 (7.2)	8 (1.6)	500	3.73	.913	VIII
Willful default	85 (17.0)	157 (31.4)	148 (29.6)	68 (13.6)	42 (8.4)	500	3.35	1.160	XII
High transaction cost	92 (18.4)	268 (53.6)	86 (17.2)	46 (9.2)	8 (1.6)	500	3.78	.906	VI
High Cost of NFI's lending	113 (22.6)	168 (33.6)	124 (24.8)	62 (12.4)	33 (6.6)	500	3.53	1.161	XI
Political interference	74 (14.8)	189 (37.8)	112 (22.2)	58 (11.6)	68 (13.6)	500	3.29	1.246	XIII

*Source: Primary Data

** Note: Figures in parenthesis are percentage

It is depicted from table 1.3 that delay rain ranked first as reason for agricultural loan overdues (\bar{X} = 4.12), followed by unforeseen family expenses (\bar{X} = 4.10), insufficient rain (\bar{X} = 4.07), Past attack (\bar{X} = 4.04), unexpected price of crops (\bar{X} = 3.96), high loan transaction cost (\bar{X} = 3.78), hope for loan waive off (\bar{X} = 3.75), crop failure (\bar{X} = 3.73), lack of marketing facilities (\bar{X} = 3.68), flood and drought (\bar{X} = 3.63), high cost of NFI's lending (\bar{X} = 3.53), wilful default (\bar{X} = 3.35), and political interference (\bar{X} =3.29).

Conclusion and Suggestions

Complex documentation is a big challenge for farmers in availing of loan. To avail loan the borrowers has to submit various documents which is a tedious process and consume lot of time and energy. To cope up with this difficulty the banks should share information of revenue department land records and other financial information to have easy access of the required information. The Bank may be evolved to get officially the documents from the concerned department instead of demanding from farmers. The co-operative banks take extra-ordinary time in processing the loan application of borrower. Such procedural delays defeat the very need of the farmers when they fact to get support at critical time. So, co-operative banks should reduce the processing time as short as possible. It is suggested that the poor farmer's should not be required to furnish any physical security except personal security. The co-operative banks should just ensure that the borrower is a genuine person and that the loan given to him would be used for productive purpose. As security requirement condition for tenant farmers and share croppers keeps them away from

loan. It is suggested that state govt. should recognize the legal right of tenant farmers and share croppers to enter their names into official record which provide them easy access of agriculture credit.

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