

LEVEL OF MICRO FINANCING IN DAIRY FARMING-A CASE STUDY OF DAIRY FARMERS OF TINSUKIA TOWN

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Abstract

Dairy farming is a class of agriculture for long-term production of milk, which is processed (either on the farm or at a dairy plant, either of which may be called a dairy) for eventual sale of a dairy product. A dairy farmer manages dairy cows and milking operations to ensure maximum milk production. Typical responsibilities include monitoring the health of the cows, administering medication, feeding, using milking equipment, managing the herd and managing waste.¹Dairy farmers are a class of entrepreneurs in the field of agriculture where micro finance is a useful means to obtain finance to develop their agricultural business. Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services.² This study makes an attempt to analyse the extent of utilisation of Micro finance facilities by the dairy farmers of Tinsukia town. The study also makes an attempt to find out the difficulties faced by the dairy farmers while attempting to avail micro finance facilities. A total of 50 samples have been selected purposively through structured schedule and then it is interpreted in the form of tables and then the results are tested through various statistical tools like averages, percentages and level of impact. A total of 10 review of literature has been made so far.

The objectives of the study are:

- 1. To analyze the extent of utilization of microfinance facilities available in the town by the dairy farmers.*
- 2. To find out the difficulties faced by the dairy farmers while availing or attempting to avail the micro finance facilities.*

¹ https://en.wikipedia.org/wiki/Dairy_farming Accessed on 03/01/2019 at 10:15AM.

² https://en.wikipedia.org/wiki/Micro_finance Accessed on 03/01/2019 at 10:15AM.

Introduction:

Dairy Farmer and Dairy Farming-Meaning³:

Dairy farming is a class of agriculture for long-term production of milk, which is processed (either on the farm or at a dairy plant, either of which may be called a dairy) for eventual sale of a dairy product. A dairy farmer manages dairy cows and milking operations to ensure maximum milk production. Typical responsibilities include monitoring the health of the cows, administering medication, feeding, using milking equipment, managing the herd and managing waste. Some dairy farms process the milk on site, while others supply milk to dairy processing companies.

Micro Finance-Meaning⁴:

Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are: (1) relationship-based banking for individual entrepreneurs and small businesses; and (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group. In some regions, for example Southern Africa, microfinance is used to describe the supply of financial services to low-income employees, which is closer to the retail finance model prevalent in mainstream banking.

Microfinance is a broad category of services, which includes microcredit. Microcredit is provision of credit services to poor clients.

Statement of the problem:-

Tinsukia, which is known as a business capital of Assam has been getting highly populated because of migration of people from the different parts of the country. Dairy farming is one of the most promising businesses in present business environment. So there is a rise of dairy farmers in the town, but it is usually seen that most of the dairy farmers are unorganized having financial problems. Specifically unorganized means of doing business, traditional ways of farming, poor financial management, lack of knowledge have been leading managerial problems of the firm. So for them microfinance facilities which are available from the banks or from any co-operative institutions available in the town? During the informal personal interaction it has been found that most of the dairy farmers have not availed microfinance facilities due to lack of awareness or procedure of availing the facilities & also some of them who has tried to avail the facilities find it difficult due to excess paper procedures & documentations. While some of them have already availed microfinance facilities. This research paper makes an attempt to analyze the extent of utilization of microfinance by the dairy farmers and to find out the difficulties faced by the dairy farmers while availing & while attempting to avail microfinance facilities available in the town.

³ https://en.wikipedia.org/wiki/Dairy_farming Accessed on 03/01/2019 at 10:15AM.

⁴ https://en.wikipedia.org/wiki/Micro_finance Accessed on 03/01/2019 at 10:15AM

Review of literature:-

Husain (1988)⁵ conducted a study regarding impact assessment of Garmin Bank's micro finance programmed in Bangladesh. The study took a comparison between 30 the Garmin Bank members and eligible non-participants in Garmin Bank situated villages. It was found that participation in Garmin Bank's microfinance Programme had a positive impact on various economic activities of members and helped in alleviating poverty. The average household income of Garmin Bank members was 43 percent higher than that of target non-participants, and 28

per cent higher than eligible nonparticipants. Garmin Bank members spent 8 per cent more per capita on food and 13 per cent more on clothing than target non-participants and 35 per cent more on food and 32 per cent on clothing than target households in comparison villages. Pitt and Chandler (1998)⁶ had studied the impact of microfinance on poverty in Bangladesh. Data was collected through a survey in 1991-92 containing 1798 households (1538 participants and 260 non-participants) in three Bangladeshi programmers', i.e. microfinance programmers' of the Garmin Bank, Bangladesh Rural Advancement Committee (BRAC) and of Bangladesh Rural Development Board (BRDB). For finding the impact borrowers were compared to the people in non-programmed villages. Results showed that for every Taka (currency of Bangladesh) lent to a female member, the consumption increased by 18 Taka and for men this figure was 11 Taka. Further, the study showed that the poverty rate of BRAC members fell by around 15 per cent for moderate poor and 25 per cent for ultra-poor. Similar results were found for the other two programmers'. This rate of poverty reduction appeared to decline with the duration of membership and with cumulative loan size. Thus, the reduction of level of poverty was variable and declined with the passage of time.

⁵Hossain, Mahabub (1988), "Credit for Alleviation of Rural Poverty: The Grameen Bank in Bangladesh", *IFPRI Research Report*, No. 65, International Food Policy Research Institute, Washington, DC.

⁶Pitt, Mark M.; and Khandker, Shahidur R. (1998), "The Impact of Group-based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?", *Journal of Political Economy*, Vol. 106, No. 5, pp. 958-96.

Murdoch (1998)⁷ in his study investigated a cross-section data of nearly 1800 households in Bangladesh served by microfinance programmers' of the Garmin Bank, BRAC and BRDB in 1991-92. The sample also included a control group of households in areas not served by any microfinance programmed. There was strong evidence available that micro-credit contributed to reducing household vulnerability. Participant households had substantially and significantly lower variation in consumption and labor supply across seasons relative to the control groups. The study showed that consumption variability was 47 per cent lower for eligible Garmin households, 54 per cent lower for eligible BRAC households and 51 per cent lower for eligible BRDB households as compared to a control group.

Khandker et al. (1998)⁸ reported substitutions from wage employment to self-employment in the survey of 29 districts (thanes) in Bangladesh undertaken for the 31 World Bank and the Bangladesh Institute of Development Studies (BIDS). They concluded that microfinance as delivered by Garmin Bank, BRAC and Rural Development-12 (RD-12) accelerated the shift from wage employment in the informal rural sector to self-employment among the poor participants. But they added that absence of technological development had slowed down the overall increase in production and employment.

⁷Morduch, J. (1998), “Does Microfinance Really Help the Poor? New Evidence from Flagship Programs in Bangladesh”, *Research Program in Development Studies Working Paper*, No. 198, Woodrow Wilson School of Public and International Affairs, Princeton University, Princeton, New Jersey.

⁸Khandker, S. R.; Hussain, S.; and Zahid, K. (1998), “Income and Employment Effects of Microcredit Programmes: Village-level Evidence from Bangladesh”, *Journal of Development Studies*, Vol. 35, No. 2, pp. 96-124.

International Labor Organization (ILO) (1998)⁹ in its different projects concluded that microfinance had successfully increased micro-enterprises and self-employment of the clients. An ILO survey of 46 Microfinance Institutions (MFIs) in 24 different countries showed that 74 per cent of MFIs had “the self-employed” as clients, leaving it open whether these had some wage laborers or not, 17 per cent had primarily self-employed in their clientele and just 4 (9 per cent) had only a minority of self-employed amongst their clients.

Research gap:- Well number of research works have been undertaken at different level, but:- (i) No study has been making on microfinance covering Tinsukia town.
 (ii) No studies have been made on dairy farmers of Tinsukia town.
 (iii) No studies have been made on the utilization of microfinance of Tinsukia town.

Objectives of the study: - The objectives of the study are:

1. To analyze the extent of level of micro financing availed by dairy farmers in Tinsukia town.
2. To find out the difficulties faced by the dairy farmers while availing or attempting to avail the micro finance facilities.

Research Query: - The following has been the research queries of the study:

1. Whether proper awareness has been there among the dairy farmers regarding various micro finance facilities available in the town?
2. Whether any difficulties has been faced by the dairy farmers while attempting to avail micro finance facilities?

Scope of the study:-

The scopes of the study are as follows:

- 1) Since no study has been made on the utilization of microfinance by the dairy farmers of Tinsukia town, so these will bridge the gap
- 2) These study will help the banks to gather some idea about the financial problems of the dairy farmers.
- 3) These study will help in generating awareness about microfinance for dairy for the dairy farmers of Tinsukia town.
- 4) These study will help the other researchers to do more works on the related field.

⁹ILO (1998), "Enterprise Creation by the Unemployed: The Role of Microfinance" Paper Presented in International Conference on Self-employment, Burlington, 24-26

Significance of the study:-

A case study on "Level of Microfinancing in dairy farming-A case study of dairy farmers of Tinsukia town" is necessary to understand various procedures involved in the production business of dairy farmers so, it becomes important to highlight their social and economic status in the society. The study is conducted to have knowledge about their level of social and economic status of business and also the problems faced by them. The scope of the study is to access social and economic condition of the dairy farmers of Tinsukia town.

Limitations of the study:

The limitations of the study are as follows:

- 1) Due to lack of time and money the study is based on only 50 sample dairy farmers.
- 2) Dairy farmers do not have records of their production practices and so have provided information based on their memory.
- 3) The study is purely for academic purpose. So the study was not made in detail, it is just a brief \short study. So the findings of the study may not depict the real position about the extent of utilization of microfinance by the dairy farmers.
- 4) The study is based on the information collected by sample respondents. So there may be possibility that such farmers may not disclose all true fact and figures.

Data Source and Methodology:

1) **Research Methodology:** As research design techniques the researcher has followed the analytical approach to describe the basic characteristics of the data in a research. The Analytical Descriptive methodology is the best methodology to be used because it is non-experimental and it deals with the relationships existed between non-manipulated variables in a natural, rather than artificial setting.¹⁰

2) **Research Plan:** The research plan has been designed keeping in mind both the qualitative and quantitative data that the researcher has to deal with during the analysis phase. An extensive research has been undertaken to gain insights into the general nature of the research problems and objectives, the possible decisions alternatives and the relevant variables that has been considered while designing the questionnaire. With the help of this questionnaire, a survey has

been conducted from the general public's point of view. For the purpose of the survey, a sample survey has been undertaken from various areas of Tinsukia town.

¹⁰ Chambers, R L, and Skinner, C J (2003), "Analysis of Survey Data", Wiley. Pp 11-15

3) **Research Population:** The research population consists of all the dairy farmers living and operating in Tinsukia Municipal area.

- 4) **Sample Size:** An attempt has been made to select 50 dairy farmers living in Tinsukia town.
- 5) **Sampling Technique:** Purposive Random sampling technique has been used.
- 6) **Sources of Data:** The data has been collected both from primary as well as secondary sources. The responses from the respondents through a structured questionnaire is the main source of data source.
 - a) **Primary Data:** This data has been collected from the field by structured questionnaire and it has been distributed to get responses from target group.
 - b) **Secondary Data:** Secondary data has been collected from various, journal, books, websites, previous studies which are relevant to the study.
- 7) **Questionnaire of the study:** The questionnaire has been prepared keeping in mind the objectives of the study. Each question in the questionnaire was closed ended in general.
- 9) **Statistical tools:** The various statistical tools like percentages, averages, Level of impact has been found out using Customer Satisfaction Index formula.
- 10) **Periodicity of the study:** This study has been conducted from the period of January1, 2019- April 30, 2019.

Analysis and Interpretation

The analysis and interpretation is based on the responses of the dairy farmers included in the sample in the form of table given below:

S.N	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
01	You believe that you are aware of various micro finance facilities available in the banks	00	10	10	29	1
02	The banks available in the town can provide adequate micro finance credit for the dairy farmers	12	13	12	13	0
03	The public sector banks available in the town are playing a great role in providing micro finance credit to the dairy farmers	00	12	13	8	17

04	The private sector banks available in the town are playing a great role in providing micro finance credit to the dairy farmers.	08	22	8	8	4
05	The public sector banks available in the town are playing a great role than private sector banks in providing micro finance credit to the dairy farmers	00	12	13	8	17
06	Micro finance facilities offered by the banks are very attractive	00	12	13	8	17
07	Borrowing money from local money lenders like “Kabuliwala” is more preferable than taking money from the banks	00	12	13	8	17
08	You have obtained more than 50% of your capital through micro financing facilities.	12	13	12	13	0
09	You have obtained your working capital through micro financing facilities.	12	13	12	13	0

10	You have obtained your micro finance facilities through local money lenders like “kabuliwala”	12	13	12	13	0
11	You have obtained your micro finance facilities through public banks.	00	12	13	8	17
12	You have obtained your micro finance facilities through private banks.	12	13	12	13	0

13	The process of obtaining micro finance facilities from public sector banks is a very cumbersome process	12	13	12	13	0
14	The process of obtaining micro finance facilities from private sector banks is a very cumbersome process	00	12	13	8	17
15	The process of obtaining micro finance facilities from private sector banks is less cumbersome process than public sector banks.	00	23	2	25	0
16	The mortgage required for obtaining loan from public sector banks is very high.	4	25	10	10	1
17	The mortgage required for obtaining loan from private sector banks is very high.	00	23	2	25	0
18	The mortgage required for obtaining loan from local money lenders is very high.	00	02	05	28	15
19	The mortgage required for obtaining loan from local money lenders as compared to banks is very low.	8	22	10	8	2
20	The employees of public sector banks are not good responsive to those who approaches for micro finance facilities.	22	25	3	0	0
21	The employees of private sector banks are not good responsive to those who approaches for micro finance facilities.	12	12	10	16	0

22	There is corruption in public sector banks for obtaining micro finance facilities.	00	12	14	12	14
23	You are benefitted by micro finance facilities offered by banks.	00	23	2	25	0

Interpretation and finding from Statement No.1: It is observed that majority of the respondents 29 respondents out of 50 believe that they are aware of micro finance facilities, 1 strongly disagree, 10 are neutral in their opinion while only 10 agree about the statement that that they are aware of micro finance facilities.

Interpretation from Statement No.2: It is evident from the above table that 12 respondents strongly agree about the statement that the banks available in the town can provide adequate micro finance credit for the dairy farmers, 13 number of respondents agree, 12 number of respondents are neutral in their opinion while 13 disagree while none strongly disagree.

Interpretation from Statement No.3: It is found from the above table that none strongly agree about the statement that public sector banks available in the town are playing a great role in providing micro finance credit to the dairy farmers; 12 respondents agree; 13 respondents are neutral in their opinion while 8 respondents disagree and 17 strongly disagree about the statement that public sector banks available in the town are playing a great role in providing micro finance credit to the dairy farmers.

Interpretation from Statement No.4: It is found from the study that 8 respondents strongly agree, 22 respondents agree about the statement that the private sector banks available in the town are playing a great role in providing micro finance credit to the dairy farmers; 8 respondents are neutral in their opinion, 8 respondents disagree while 4 respondents strongly disagree.

Interpretation from Statement No.5: It is evident from the study that none of the respondents strongly agree, 12 respondents agree about the statement that the public sector banks available in the town are playing a great role than private sector banks in providing micro finance credit to the dairy farmers; 13 respondents are neutral in their opinion; 8 respondents disagree while 17 strongly disagree

Interpretation from Statement No.6: The above table implies that none of the respondents strongly agree about the statement that micro finance facilities offered by the banks are very attractive; 12 respondents agree; 13 respondents are neutral in their opinion; 8 respondents strongly disagree while 17 strongly disagree.

Interpretation from Statement No.7: It is evident from the study that none of the respondents strongly agree, 12 respondents agree about the statement that borrowing money from local money lenders like “Kabuli Wala” is more preferable than taking money from the banks; 13 respondents are neutral in their opinion; 8 respondents disagree while 17 strongly disagree

Interpretation from Statement No.8: It is evident from the study that 12 respondents strongly agree, 13 respondents agree about the statement that the dairy farmers obtained more than 50% of your capital through micro financing facilities; 12 respondents are neutral in their opinion; 13 respondents disagree while none of the respondents strongly disagree

Interpretation from Statement No.9: It is evident from the study that 12 respondents strongly agree, 13 respondents agree about the statement that the dairy farmers obtained working capital through micro financing facilities; 12 respondents are neutral in their opinion; 13 respondents disagree while none of the respondents strongly disagree.

Interpretation from Statement No.10: It is evident from the study that 12 respondents strongly agree, 13 respondents agree about the statement that the dairy farmers obtained your micro finance facilities through public banks; 12 respondents are neutral in their opinion; 13 respondents disagree while none of the respondents strongly disagree.

Interpretation from Statement No.11: It is evident from the study that none of the respondents strongly agree, 12 respondents agree about the statement that the dairy farmers obtained your micro finance facilities through public banks; 13 respondents are neutral in their opinion; 8 respondents disagree while 17 respondents strongly disagree.

Interpretation from Statement No.12: The above table implies that 12 respondents strongly agree about that the dairy farmers have obtained micro finance facilities through private banks; 13 respondents agree; 12 respondents are neutral in their opinion; 13 respondents disagree while none of the respondents strongly disagree.

Interpretation from Statement No.13: The above table implies that 12 respondents strongly agree about the statement that the process of obtaining micro finance facilities from public sector banks is a very cumbersome process; 13 respondents agree; 12 respondents are neutral in their opinion; 13 respondents disagree while none of the respondents strongly disagree.

Interpretation from Statement No.14: It is evident from the study that none of the respondents agree that the process of obtaining micro finance facilities from private sector banks is a very cumbersome process; 12 respondents agree; 13 respondents are neutral in their opinion; 8 respondents disagree while 17 respondents strongly disagree.

Interpretation from Statement No.15: It is evident from the study that none of the respondents agree that the process of obtaining micro finance facilities from private sector banks is less cumbersome process than public sector banks; 23 respondents agree; 2 respondents are neutral in their opinion; 25 respondents disagree while none of the respondents strongly disagree.

Interpretation from Statement No.16: The above table implies that 4 respondents strongly agree about the statement that the mortgage required for obtaining loan from public sector banks is very high; 25 respondents agree; 10 respondents are neutral in their opinion; 10 respondents disagree while only 1 respondents strongly disagree.

Interpretation from Statement No.17: It is evident from the study that none of the respondents agree that the mortgage required for obtaining loan from private sector banks is very high; 23 respondents agree; 2 respondents are neutral in their opinion; 25 respondents disagree while none of the respondents strongly disagree.

Interpretation from Statement No.18: It is evident from the study that none of the respondents agree that the mortgage required for obtaining loan from local money lenders is very high; 2 respondents agree; 5 respondents are neutral in their opinion; 28 respondents disagree while 15 respondents strongly disagree.

Interpretation from Statement No.19: The study reveals that 8 respondents strongly agree and 22 respondents agree that the mortgage required for obtaining loan from local money lenders as compared to banks is very low; 10 respondents are neutral in their opinion; 8 respondents disagree while 2 respondents strongly disagree.

Interpretation from Statement No.20: The study reveals that 22 respondents strongly agree and 25 respondents agree that the employees of public sector banks are not good responsive to those who approaches for micro finance facilities; 3 respondents are neutral in their opinion; none of the respondents disagree or strongly disagree.

Interpretation from Statement No.21: It is evident from the study that 12 respondents agree that the employees of private sector banks are not good responsive to those who approaches for micro finance facilities; 12 respondents agree; 10 respondents are neutral in their opinion; 16 respondents disagree while none of the respondents strongly disagree.

Interpretation from Statement No.22: The study reveals that none of the respondents strongly agree and 12 respondents agree that there is corruption in public sector banks for obtaining micro finance facilities; 14 respondents are neutral in their opinion; 12 respondents disagree while 14 respondents strongly disagree.

Interpretation from Statement No.23: It is found from the study that none of the respondents agree that they are benefitted by micro finance facilities offered by banks; 23 respondents agree; 2 respondents disagree while 25 respondents disagree while none strongly disagree about the statement that they are benefitted by micro finance facilities offered by banks.

Therefore, it is evident from the study that:-

- 1) There is no proper awareness has been there among the dairy farmers regarding various micro finance facilities available in the town as majority of the respondents disagree about the statement that they are aware of various micro finance facilities available with banks in the town
- 2) The dairy farmers face difficulties while attempting to avail micro finance facilities as majority of the respondents the process of obtaining micro finance facilities from public sector as well as private sector banks is a very cumbersome process.

Suggestions of the study

The suggestions of the study are as follows:

- 1) The public sector banks should make a provision for zero mortgage for those poor dairy farmers seeking micro finance facilities.
- 2) The government should make a special provision of micro finance schemes for dairy farmers.
- 3) Awareness programmes of various schemes of micro finance for dairy farmers should be conducted properly.

Conclusion

The concept of Micro Finance is still new in India. Not many people are aware the Micro Finance Industry. So apart from Government programmers, we the people should stand and create the awareness about the Micro Finance.

Micro-Finance refers to —small savings, credit and insurance services extended to socially and economically disadvantaged segments of society, for enabling them to raise their income levels and improve living standards. The main idea behind microfinance is that poor people, who can provide no collateral, should have access to some sort of financial services. Microfinance began with microcredit: the provision of small loans to very poor families to help them engage in productive and self-sustaining activities. Since the successful initiation of formalized microcredit in the 1980's a number of other complementary services have popped up around the globe, including micro savings, micro insurance etc.

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- c) Pitt, Mark M.; and Khandker, Shahidur R. (1998), "The Impact of Group-based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?" *Journal of Political Economy*. pp.34-28

2) Website:

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- b) Website of Government of Bangladesh <http://www.gov.bd/global/moa/dairy%20farming%20handbook.pdf> at 5th March 10, 2019 on 8:00 p.m.