

CREDIT NEEDS OF SMALL FARMERS.

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INTRODUCTION =====

Agriculture is the Sheet Anchor of our economy. Agriculture occupies a pride of place. It supports 70% of the Indian Population and contributes half of its National Income. The Development of Agriculture holds the key to the growth of the Indian economy. In the sphere of International trade the role of agriculture is significant. It contributes 50% of our foreign exchange. In short almost all the sectors in the economy of India depend on agricultural sector for their development.

In the Indian situation small farmers have to play a significant role in the development of Agriculture. The rural scene is one of small holdings. Out of 70.5 Million farmers 70% of the farmers have land between 2 acres to 5 acres.

Credit is said to be the life blood of agriculture. In the Indian agriculture where most of the farmers are poor, they had hardly any surplus for financing farm business. Credit is the Pivot in the whole life of agricultural development.

Credit is required by all category of farmers for their agricultural production as it is an important input. In ancient time Agriculture was of subsistence type. Capital need was less for agricultural production and hence credit need was also limited. In course of time Agriculture became more capital intensive and hence credit intensive. Unless sufficient credit facilities are provided to the farmers no substantial gains can be expected. If the credits are extended at a large scale there is hope to increase the production and income of the Small Farmers.

Need for study:

The Small Farmers have many problems like finance, irrigation, power, fertilizers and labourers. The main problem is finance, which will affect the production adversely. They need credit for various purposes to improve their farm operations.

I have chosen this topic to analyse the credit needs for Small Farmers with the main aim of analysing the extent of the need for credit.

Objectives:

The specific objectives selected for the study are as follows:

1. To analyse the credit needs of Small Farmers.
2. To study the source of credit for Small Farmers.
3. To identify the factors associated with the effective utilisation of Credit by Farmers.
4. To know about the problems in getting and repaying the loans.

Scope and limitations:

The present study had the attendant limitations of time, personnel and finance. A study of this nature in detail would require considerable amount of time, men and material. For a single study to explore this area in a greater depth and in a comprehensive manner will be far from easy accomplishment. These limitations have been taken into consideration in deciding the variables and size of the sample. The study was conducted in Coimbatore District and these findings may not suit to other parts of Tamilnadu. It is visualised that the findings of this study like other studies, would provide insight into the problem. The study attempted to depict clearly the credit needs of small farmers.

REVIEW OF LITERATURE

In India Rural Development and Agricultural Development are inseparable. Since without improvement in the productivity of Agriculture there could be no rural development.

Agriculture is the Science and Arts of cultivation and the raising of live stock. It is not only a mode of livelihood but also a way of life.

Habberd (1970) defines Agriculture as the study of relationship arising from wealth getting and wealth using activity of man in Agriculture.

Agriculture is an applied phase of the social science of economics in which attention is given to all the problems related to Agriculture.

Concept of Small Farmers.

A discussion of the credit needs involves the definition of the Small Farmers. It is obvious that the definition will involve a concept of the size of farm and something else in relation to which it will be judged too small. A precise definition of the expression "Small Farmers" bristles with difficulties. The conventional measure to identify the "Small Farmer" is the size of holdings or the operation unit of cultivation.

The small Farmers Development Agency defines Small Farmers as a cultivator having a land of more than 2.5 acres but less than 5 acres.

Taylor (1930) stated that next to the number of persons employed. Area was the most satisfactory point for the discussion of the type of farmers.

Mohan Rao and Jaganathan (1972) defined Small Farmers as follows. "A Small Farmer is one who has low man land ratio in relation to labour force".

Shah (1958) in his enquiry into the problem of low income farmers in Kadiner Taluka classified the farmers families according to the aggregate size of holdings. The classification of farm families on the basis of income is not possible, because it would be difficult to obtain net income data and in the dynamic situation where in prices and production fluctuate continuously, the gross income data fail to provide a firm basis for farm family classifi- cation.

Khusro (1964) used acreage and output as measures of farm in his study of Returns to Scale in Indian Agriculture. Acreage requires standardisation, a process which is not free from arbitrariness. Output takes no account of the differential values of crops. If output is measured in value terms, there arises the problem of index numbers. The process of agricultural production are always changing.

Dandekar (1968) was of the view that small farmer does not get a net farm income sufficient for the subsistence of the farm family.

Various indicators are used to classify the farmers. They are size of owned or cultivated holdings, total gross output, man land ratio and gross income. There is no doubt in justification of using acreage as a measure of the size of farms.

IMPORTANCE OF CREDIT:

Credit is a means of obtaining resources at a certain period of time with an obligation to repay it at subsequent period in accordance with the terms and condition of the credit obtained.

It is often said that Credit has done a thousand times more to enrich man-kind than all the gold mines in the world and has built industry and extended commerce to the benefit of mankind.

The French proverb states that credit supports the farmers as the Hang Man's rope supports the hanged. It is true that credit is indispensable. It is also true that it is in some cases fatal.

Dhavan and Khalon (1978) stated that credit plays a crucial role in oiling the wheels of Agricultural Production.

Credit may be easily compared to a sharp edged knife. Proper utilisation of it usually generates higher productivity and finally results in prosperity. Misutilisation of credit will ruin the Farmer.

In the Socio Economic Ladder, the position of Small Farmer is unsound, uneconomic and unauthorised. They lead a miserable and pathetic life. Natarajan (1978) stated that credit is a vital factor of the production function. Credit is a must for the small farmers.

Haque and maji (1978) stated that farm credit plays a crucial role in stepping up and ~~establishing~~^{improving} agricultural growth in a developing country like India, especially when it is accompanied with improved production technology. In fact, with the break through in agricultural production technology in the last 60's agricultural credit has become more productive than ever before.

Naidu and Subbu Raju (1971) stated that the Agricultural Credit is one of the strategic links in the chain of inputs for achieving green revolution. The country side needs no emphasis. There is need to emphasise for a co-ordinate and integrated credit policy for Agriculture.

TYPES AND NEEDS OF CREDIT:

The credit needs of Agriculturist can broadly be divided into directly productive and indirectly productive. Again this can be divided in the short term, medium term and long term credit.

According to Subbu Rao (1979) Short Term Credit is required irrespective of various purposes. The primary need of the cultivator is for the important inputs such as fertilizers, seeds, pesticides and multiple cropping programme. It has become all the more necessary for the cultivator to apply much bigger doses of these inputs.

According to Chaudhery (1979) Small Farmers had taken more loans for production purposes. They need long term credit to enlarge their irrigation wells, and to bring about permanent development in Agriculture. Small Farmers demand more credit for ancillary activities. They need credit for purchase of equipments and machinery and for starting ancillary industries.

Hiremeth and Bisalajah (1971) stated that the adoption of modern technology would increase and stabilise income, strengthen their repaying capacity and improve risk bearing ability. The Farmer demands long term credit either to undertake land development schemes or to purchase land or both.

According to Yadav and Ramachandra Pandey (1975) adoption of new technology requires greater amount of money to be invested. According to Deal and Kalyankor (1978) the working capital needs of the farmers for meeting day to day farm expenses at the existing level of technology amounted to Rs.841 and Rs.2075 in the case of rain fed and irrigated holdings respectively. The requirement of working capital with the improved methods of cultivation is estimated at Rs.1785 and Rs.3982 in both these categories of holdings respectively indicating an increase of 119% and 65% over the existing level of technology.

According to Kuldandiswamy (1970-71) the farmers need medium term credit between Rs.4000-6000 for minor irrigation and drainage work, tree planting, improving the farm building, purchasing livestock and chemical fertilizers. Such credit is required for a period ranging from 2 to 5 years.

More so in the case of Small Farmers who are frequently confronted with the problem of scarce resources. They required credit for investment both in Kharif and Rabi seasons.

According to a survey conducted in some states by the Congress Agrarian Reform Committee, as much as 12 to 15% of the total borrowing of a farmer went to meet expenses on social occasions such as wedding and funerals. In fact, the farmers credit need is not strictly confined only to the single economic purpose of crop raising.

Parthasarathy (1973) stated that the Small Farmer not only needs production credit but also consumption credit apart from investment credit.

SOURCES OF CREDIT:

The source of credit can be divided into private source and public source. The private source includes Money Lenders, Neighbours and Relatives. While the public source includes all Commercial Banks, Co-operative Banks, Credit Societies and Land Development Banks.

Sharma (1977) stated that Small Farmer who needs the key to progress at grass roots, often lacks money to develop his land and to purchase fertilizers, quality seeds and implements. Previously his principal financiers used to be the village money lender, who gave him money at exorbitant rates of interest.

Mirchandani (1978) stated that the Nationalised banks disbursed over Rs. 2 crores to Small Farmers under the differential interest scheme from 1971 upto March 1975.

The co-operative credit society is one of the most important source of credit for Small Farmers. The co-operative credit structure consists of 2 sets of institutions viz. a three tier short term credit structure with the State Co-operative Banks at the apex level, Central Co-operative Banks at the middle level and the Primary Agricultural Credit societies at the field level. The credit structure for long term investments in agriculture provides for a two tier structure consisting of State Land Development Banks in the district. Block wise branches are affiliated to Primary Land Development Banks.

According to Kumar Kurkte (1974) nearly 80% of the Small Farmers borrowed from private sources.

Dately (1973) viewed the role of Nationalised banks in their vital function of transforming the Indian Agriculture. The extent to which these agencies provide coverage to the credit requirements influences the rate of adoption of new innovation.

According to Reddy and Reddy (1979) Co-operative Bank constituted 43.6% of long term loans and 56.4% of short and medium term loans. Of the total credit provided by the Commercial Bank the long term and marginal term loans were of the order of Rs.1.43 lakhs and Rs.1.90 lakhs respectively, that is 0.35% and 0.47% of the total disbursement. The short, medium and long term loans constitute 55.15%, 8.75% and 36.10% respectively of the Total amount distributed.

Surendranathan (1969) stated that the Central Co-operative Bank have been providing short term and medium term credit for Agriculture. The short term credit almost entirely utilised to meet current costs of cultivation. Medium term credit is generally granted for a period of one month to 3 years by Central co-operative Banks for land improvement purposes. The Co-operative Banks hardly account for about 30% of the total credit needs of the agriculturists.

Sarbjit Singh (1969) stated that in Gurdaspur village the share of money lenders in providing credit is 35%, 50% of the credit flows from Co-operative Societies. The Banks and Government accounted for only 5% of the credit advanced.

The Government of India sponsored many programmes to the Small Farmers to improve their economic conditions. Small Farmers Development Agency is one of the most specialised agencies established with the objectives of providing credit for Small Farmers. It is a follow up measure of the recommendation of All India Rural Credit Review Committee (1969).

During Fourth Plan 46 Small Farmers Development Agency were initiated. These Agencies disbursed, Small, Medium and Long term loans to Small Farmers.

PROBLEM IN GETTING CREDIT:

Nicholson Fredrick (1960) stated that the agricultural credit is a problem when it cannot be obtained and it is also a problem when it can be obtained inadequately. Timely credit is one of the important failures in the agricultural credit.

Kumar Kurkte (1979) stated that the institution base for credit supply is too inadequate to fulfil the credit needs of the Small Farmers.

Jain (1978) stated that the main credit problem in the extension of loans to the Small Farmers is the lack of adequate security that they can offer.

George and Raju (1979) stated that the reasons for delay can be broadly viewed from 3 angles; that of borrowers, institutions and that of pertaining to procedure.

National commission of Agriculture (1970) stated that the major problem faced by Small Farmers in getting credit from the cooperative was that they could not offer security in the shape of Tangible assets and as such they were not considered to be credit worthy.

PROBLEMS IN REPAYING THE LOANS:

Default is considered to be very common among Small Farmers. Timely supply of credit needs no emphasis. If credit is not issued in time it cannot be used for the purposes for which it is obtained. If the credit is misused its affects the repaying capacity of the farmers.

Moser (1920) stated that the prevailing rate of interest are too high.

Bhattacharjee (1978) stated that the Small Farmers cultivation is not intensive and not sufficient.

Arunajateson (1978) stated that failure of monsoon, failure of technology, failure of government price policy and misuse of funds and factors were affecting farmers repaying capacity.

According to the finding of the Agriculture Finance Sub-committee (1963) credit requirement of the farmer was affected by the indebtedness of farmers and the usage of money for unproductive purposes and for consumption purposes. Since they spend lavishly on these items they did not have money to spend for productive purposes. This will affect the repaying capacity of the Farmers.

EXPERIMENTAL PROCEDURE

In this chapter the procedures followed for the selection of the area, sample and the empirical measures of the variables included in the study are described.

Selection of the area:

The investigation was carried out in our community and social service adopted villages Dhaliyur and Pannimadai in Periyanaickenpalayam block, which is 14km away from Coimbatore.

Soil: Clayey loam soil was found in these villages.

Irrigation: The main irrigation source in these villages are well irrigation.

Crops: The main crops grown in these villages are sugarcane, maize and Tapico.

Period of Investigation:

The collected information for farm business cover a whole Agriculture year in order to include a complete sequence of operation. The data collected are with reference to the year 1979-80.

Collection of data:

Sixty Small Farmers in the village Dhaliyur and forty farmers in Pannimadai were visited and direct enquires were made to the cultivators.

Variables:

Variables like age, education, income knowledge and attitude towards credit were selected.

about the credit.

Age:

In the present study age was measured as the number of years completed by the respondents at the time of interview.

Education:

Score for different Educational levels were given as per the scoring system followed in the Socio Economic Status scale of Trivedi (1963). The scoring was as follows.

Illiterate	-	0
Can read only	-	1
Can read & write	-	2
Pre school	-	3
Middle school	-	4
High school	-	5
Collegiate	-	6
Above	-	7

Income:-

In this study income was measured by computing the annual income obtained by the respondent through major and subsidiary occupation. The data for this were obtained by directly questioning the respondents.

Attitude:

A knowledge schedule was prepared by the interviewer and was edited by the Agricultural Economist. This study scale developed by Hanson (1972) has been used to measure the value of credit. There were ten statements. The responses to the statements were obtained in the five point continuum ranging from strongly agree to strongly disagree. The responses to the positive statements were scored as follows.

Strongly Agree (S.A.)	-	5
Agree (A)	-	4
Un Decided (UN)	-	3
Disagree (DA)	-	2
Strongly Disagree	-	1

Negative statements were scored in the reverse manner. The score of the respondents were obtained by adding up responses pattern.

Size of the land:

2.5 acres to 5 acres of land area were taken for this study.

Credit:

The total credit needs for the production purpose for the year 1979-80 was taken into account for this study.

Method of Analysis:

Statistical method was used for the analysis purpose.

HYPOTHESIS

The following specific hypothesis were set for this study.

- Hypothesis.1. Income will have positive significant association with credit needs.
- Hypothesis.2. There is no relation between nature of land and credit needs.
- Hypothesis.3. There will be a positive and significant influence between size of land and credit needs.
- Hypothesis.4. There will be significant and positive association between age and attitude towards credit.
- Hypothesis.5. Education will have positive and significant relationship with attitude towards credit.
- Hypothesis.6. There will be positive and significant relationship between income and attitude towards credit.
- Hypothesis.7. Knowledge about the credit will have positive and significant association with attitude towards credit.

Method of Analysis:

Correlation co-efficient was used for finding the relationship between

- (a) Income and credit needs.
- (b) Size of the land and credit needs.
- (c) Age and attitude towards credit.
- (d) Education and attitude towards credit.
- (e) Income and attitude towards credit.
- (f) Knowledge about the credit and attitude towards credit.

χ^2 test was used for testing the hypothesis, which states

'There is no relationship between nature of land and credit needs'.

RESULT AND DISCUSSION

The results and discussion are presented under the following headings:-

- I. General information.
- II. Correlation between independent variables (Age, Education, Income and Knowledge about Credit), and dependent variable (Attitude towards Credit).
- III. Related Findings.

I. General information:

100 families were surveyed. All the families were of the nuclear type. This shows the present trend towards nuclear families.

a) Sex and Age composition:-

In the 100 families the total number of members were 410. 51.8% were males and 48.2% were females.

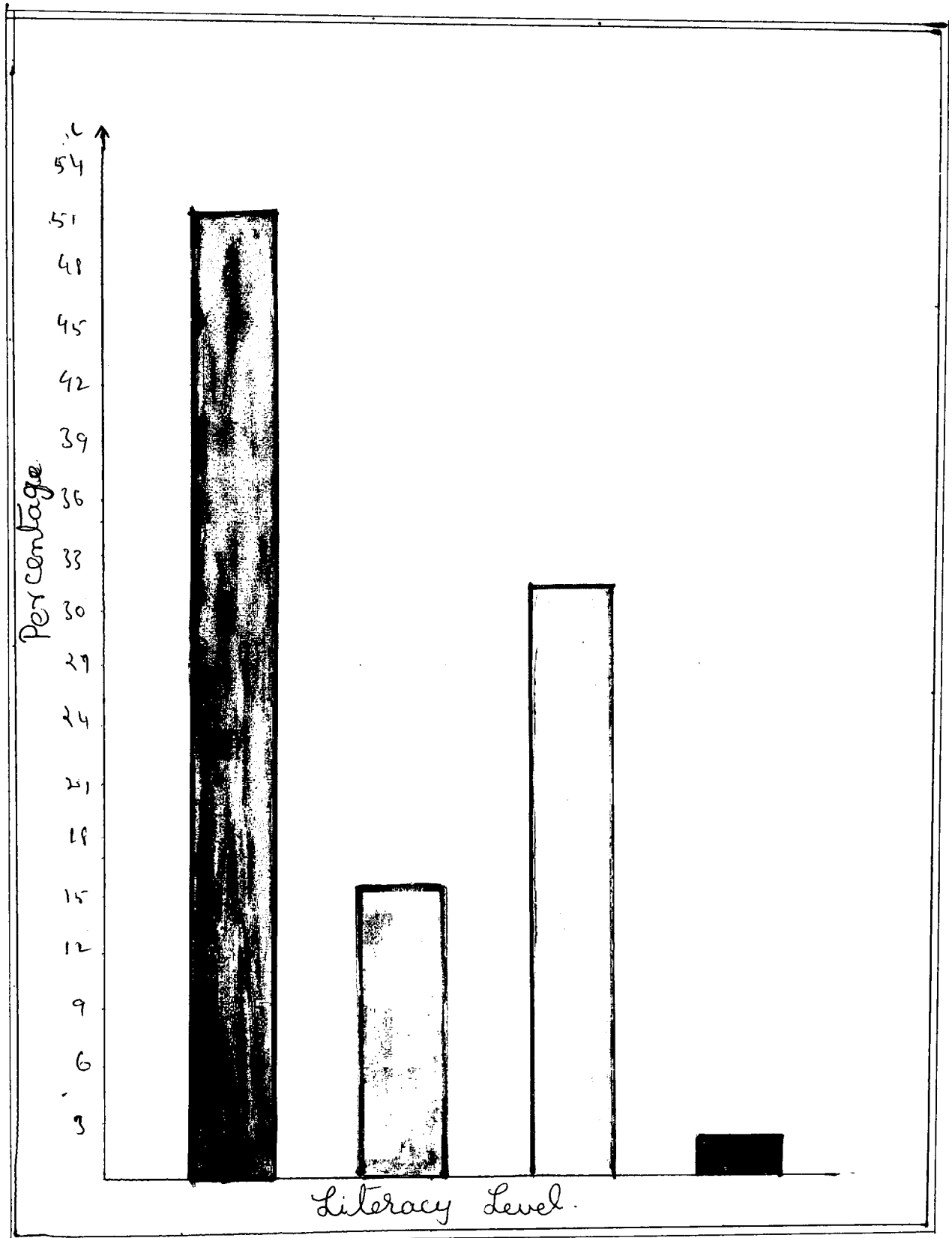
Age composition of the family members of farmers are presented below:-

TABLE I

DISTRIBUTION OF AGE COMPOSITION OF THE FARM FAMILY MEMBERS.

Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60 and above
No	23	28	35	58	37	38	38	26	36	28	23	20	20
%	5.6	6.8	8.5	14.4	9.0	9.3	9.3	6.3	8.8	6.8	5.6	4.8	4.8

Figure. 1. Literacy Level of the Farmers.



Primary High School.
Middle School Graduates

The above table shows that 5.6% were children 14.4% were in the age group of 15-19 years, 9%, 9.3% and 9.3% were in the age group of 20-24, 25-29, and 30-34 respectively. 8.8% were in the age group of 40-44. 5.6% were in the age group of 50-54. 4.8% were in the age group of 55-59 and 4.8% were in the age group of above 60 years.

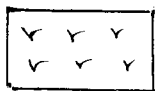
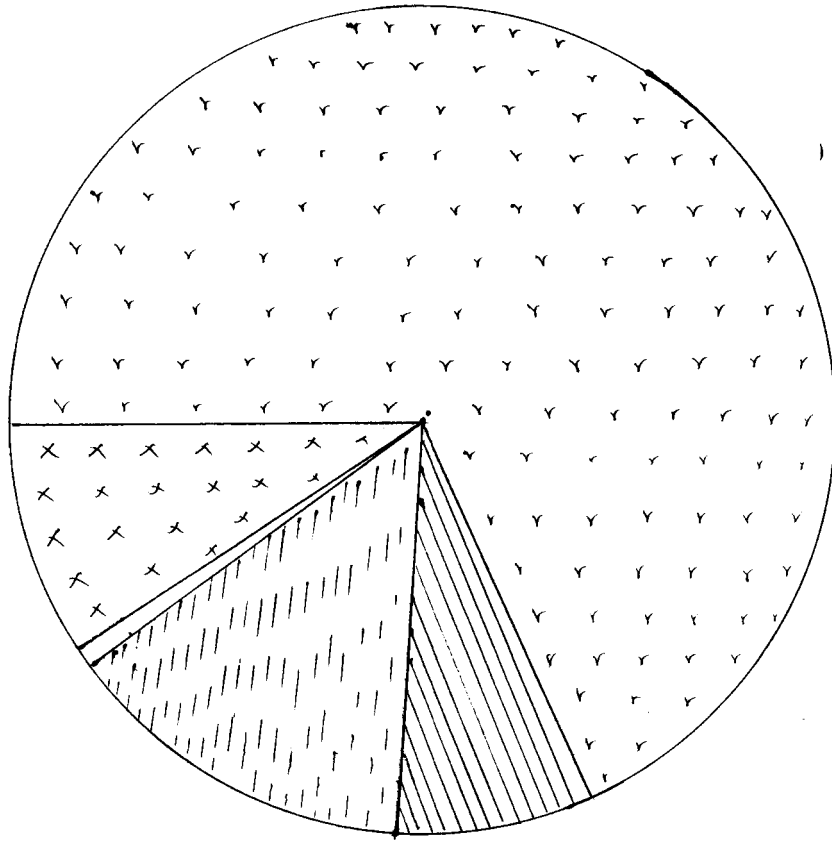
b) Education:

The data regarding literacy level of the farmers are shown in the following Table.

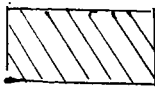
TABLE II
LITERACY LEVEL OF THE FARMERS

S.No.	Literary level	No.	%
1.	Primary school	32	51.6%
2.	Middle School	10	15.6
3.	High School	20	31.2
4.	Graduates	1	1.6
	Total	63	100

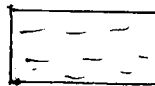
Figure 2. Occupational Pattern of the Farmers.



Agriculturist - 68%



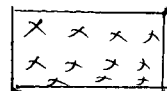
Agricultural coolies - 8%



mill workers - 14%



Teacher - 1%



Other workers - 9%

In the survey sample 37% of the farmers were illiterates and 63% were literates. The persons those who cannot read and write were considered as illiterate. Among the literates 51.6% were studied upto primary school. 15.6% were studied upto middle school. 31.2% were studied upto high school and 1.6% were graduates. Majority of the farmers were studied upto primary school. The details are illustrated in Fig.1.

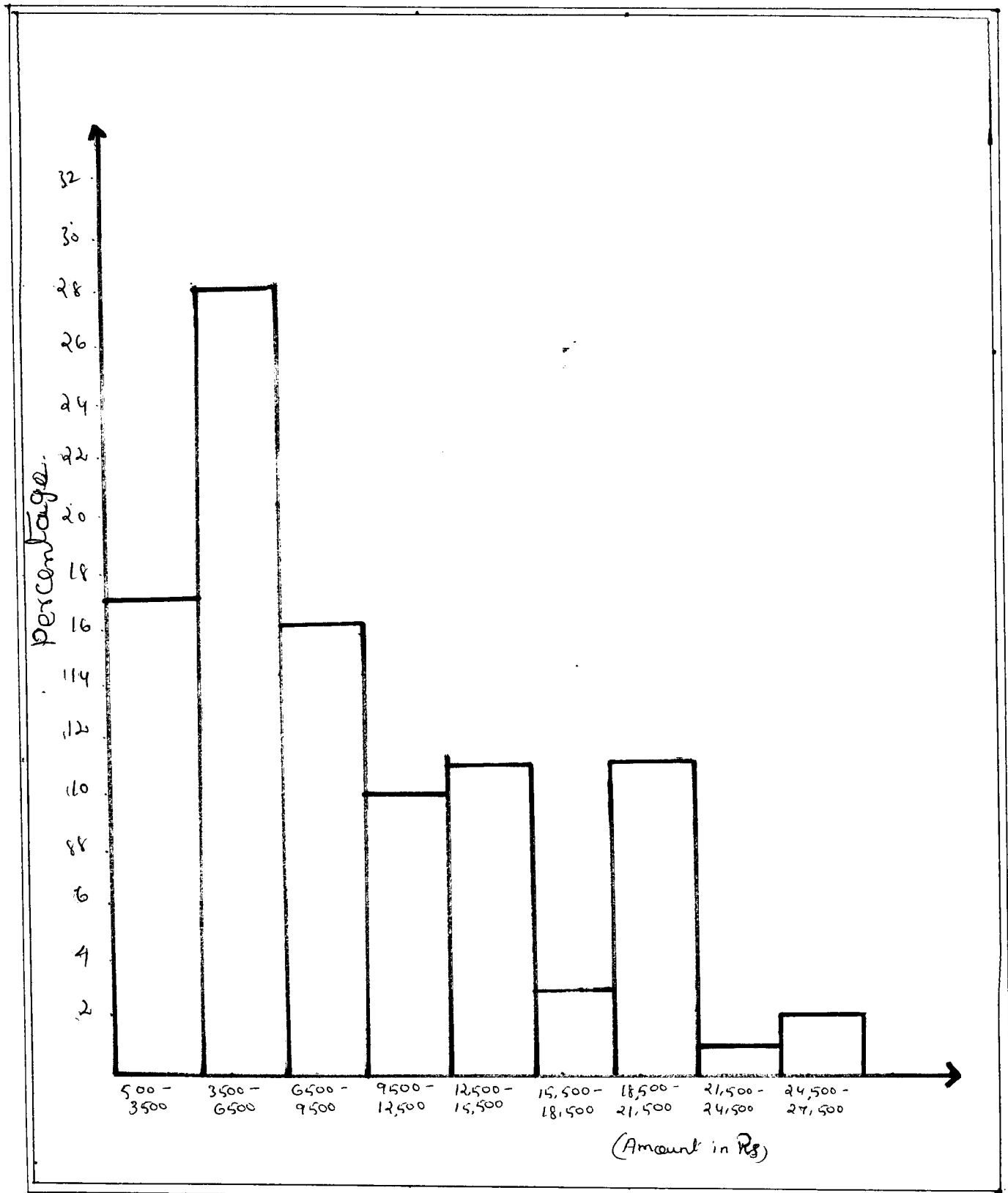
(c) Occupation.

TABLE III
OCCUPATIONAL PATTERN OF THE FARMERS

S.No.	Occupation	No.	%
1.	Agriculturist	68	68
2.	Agricultural Coolies	8	8
3.	Mill workers	14	14
4.	Teacher	1	1
5.	Other Workers	9	9
Total		100	100

The above Table explains that 68% of the farmers were fully engaged in farm works. The remaining farmers were engaged in other works apart from agriculture. 8% were Agricultural coolies 14% were mill workers. 9% were engaged in other works (Shepherds and cart drivers) and only one percent was Teacher. Illustration for these details are given in the Figure II.

Figure-3. Annual income of the Farm Family.



(d) Income

The Annual income of the farmers are shown in the following Table.

TABLE IV
ANNUAL INCOME DISTRIBUTION OF FARMERS

	500-750	750-6500	6500 - 9500	9500 - 12500	12500 - 15500	15500 - 18500	18500 - 21500	21500 - 24500	24500 - 27500
No.	17	28	16	10	11	3	11	1	2
%	17	28	16	10	11	3	11	1	2

The above Table shows that majority of the farmer's annual income was Rs.3500-6500. 17% of the farmers Annual income was Rs.500-3500. 16% of the farmers annual income was Rs.6500-9500. 2% of the farmers income was Rs.2400-27500. Majority of the farmers income was above Rs.3500 per annum. These areas were rich in water facilities and fertility. So the farmers were getting high income. This aspect is illustrated in Figure III.

Correlation co-efficient was calculated to find out the relation between Income and Credit needs.

Correlation value is $(r) = .3300$ ** which shows a positive and significant relationship between income and credit needs. Hence the hypothesis is accepted.

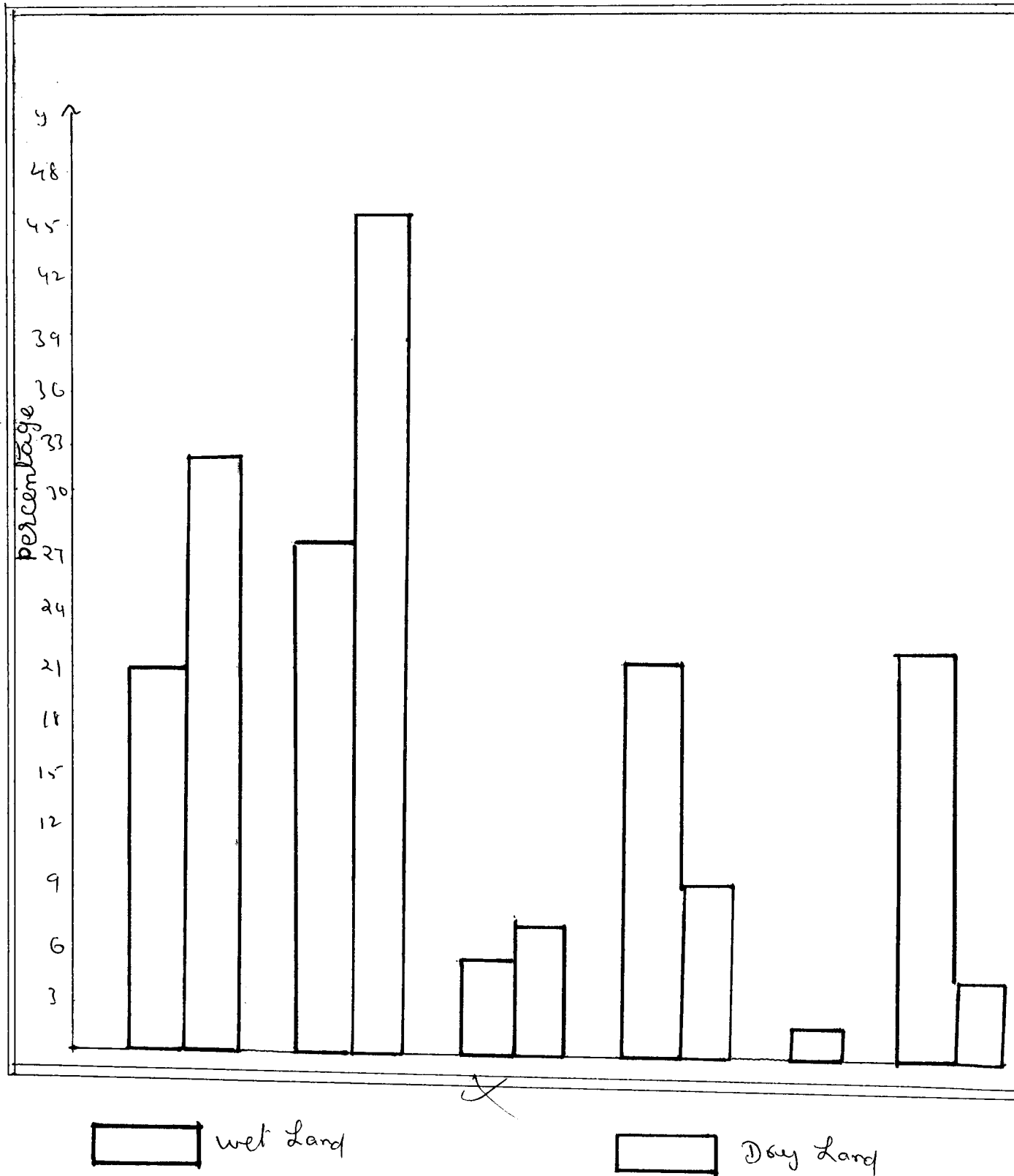
(e) Nature of Land:

In 100 farmers 57% of the farmers were having wet land and 43% were having dry land.

Nature of the land and credit requirement of the farmers were tested with the help of χ^2 test.

The obtained result is $\chi^2 = 10.66$ (Not significant at 5% level and 1% level)
Hence the hypothesis is rejected.

Figure. 4. Distribution of Land among the Farmers.



Scale:-

y axis 1cm = 3%.

(f) Distribution of land:-

A clear picture about the nature and distribution of the land is shown in the Table V.

TABLE V

DISTRIBUTION OF LAND AMONG THE FARMERS

S.No.	Size of land in acres.	Wet		Dry		Total %
		No	%	No	%	
1.	2.5	12	21	14	32.5	26
2.	3.0	16	28	20	46.5	36
3.	3.5	3	5.7	3	7.0	6
4.	4.0	12	21.1	4	9.3	16
5.	4.5	1	1.8	0	0	1
6.	5.0	13	22.8	2	4.7	15
Total		57	100	43	100	100

The above table shows that 57% of the farmers were possessing wet land and 43% were possessing dry land. In the 57%, 21% of the farmers were possessing 2.5 acres, 28% were possessing 3.0 acres, 5.7% were possessing 3.5 acres, 9.3% were possessing 4 acres, 1.8% were possessing 4.5 acres and 22.8% were possessing 5 acres of land. This is depicted in the figure IV.

Among the dry land farmers 32.5% were possessing 2.5 acres of land. 46.5% were possessing 3 acres of land. 7% were possessing 3.5 acres, 9.3% have 4 acres, 4.7% have 5 acres and majority of the farmers were possessing 3 acres of land. Among the 100 farmers 30% of the farmers were having 3 acres of land.

Correlation was calculated to find out the relation between the size of the land and credit needs. The correlation value is $(r) = .2194^*$. This shows that positive and significant correlation exists between size of the land and the credit needs. Hence the hypothesis is accepted.

(g) CULTIVATION OF LAND AND CROPS:

Regarding the cultivation of land 93% were doing own cultivation and 7% were given their lands to lease.

Different crops cultivated by the farmers were indicated in the following table:

TABLE VI
CROPS CULTIVATED BY THE FARMERS.

S.No.	Crops	No.	%
1)	Sugarcane	35	37.4
2)	Cholam	36	38.9
3)	Maize & Sugarcane	9	9.6
4)	Tapioco & Sugarcane	13	14.1
		100	100.0

The above table shows that the main crops cultivated by the farmers were sugar cane and cholam. The outstanding feature in this aspect was that 37.4% of the farmers were cultivating only sugarcane, 38.9% were cultivating only cholam, and the rest of the farmers were cultivating Tapioco and maize with sugar cane.

h) CROPS CULTIVATED IN DIFFERENT SIZE OF LAND.

A clear picture about the crops cultivated in different size of the land is shown in the following table.

TABLE VII
CROPS CULTIVATED BY THE FARMERS IN
DIFFERENT ACRES OF LAND

S.No.	Crops	1.0	1.5	2	2.5	3	3.5	4.0	4.5	5
1.	Sugarcane		3(3.2)	5 (5.3)	1 (13.9)	16 (17.20)		5 (5.3)	1 (1.0)	1 (1.0)
2.	Tapioco	1.0(1.0)	3(3.2)	(4) (4.3)	6 (6.4)					
3.	Maize	4(4.2)	4(4.2)	2 (2.1)						
4.	Cholam				14(14.9)	20 (21.5)		3 (3.2)	4 (4.3)	2 (2.1)

In 1.5 acres of land 3.2%, 3.2% and 4.2% of the farmers were cultivating sugarcane, tapioco and maize respectively, 5.3%, 4.3% and 2.1% of the farmers were cultivating cholam as their main crop (21.5%).

13.9%, 6.4% and 14.9% of the farmers were cultivating tapioco, sugar cane and cholam respectively in 2.5 acres of land. 5.3% were cultivating sugar cane and 4.3% were cultivating cholam in 3 acres of land. The area was well irrigated and the soil was suitable for sugarcane cultivation so the farmers were cultivating sugar cane as their main crop.

i) NEEDS OF CREDIT:

Finance is the life blood of agriculture. But this seems to be the important problem of small farmers. Among the total of 100 farmers 65% were in demand for finance. Among them 55.4% required short-term credit and the rest required medium term credit.

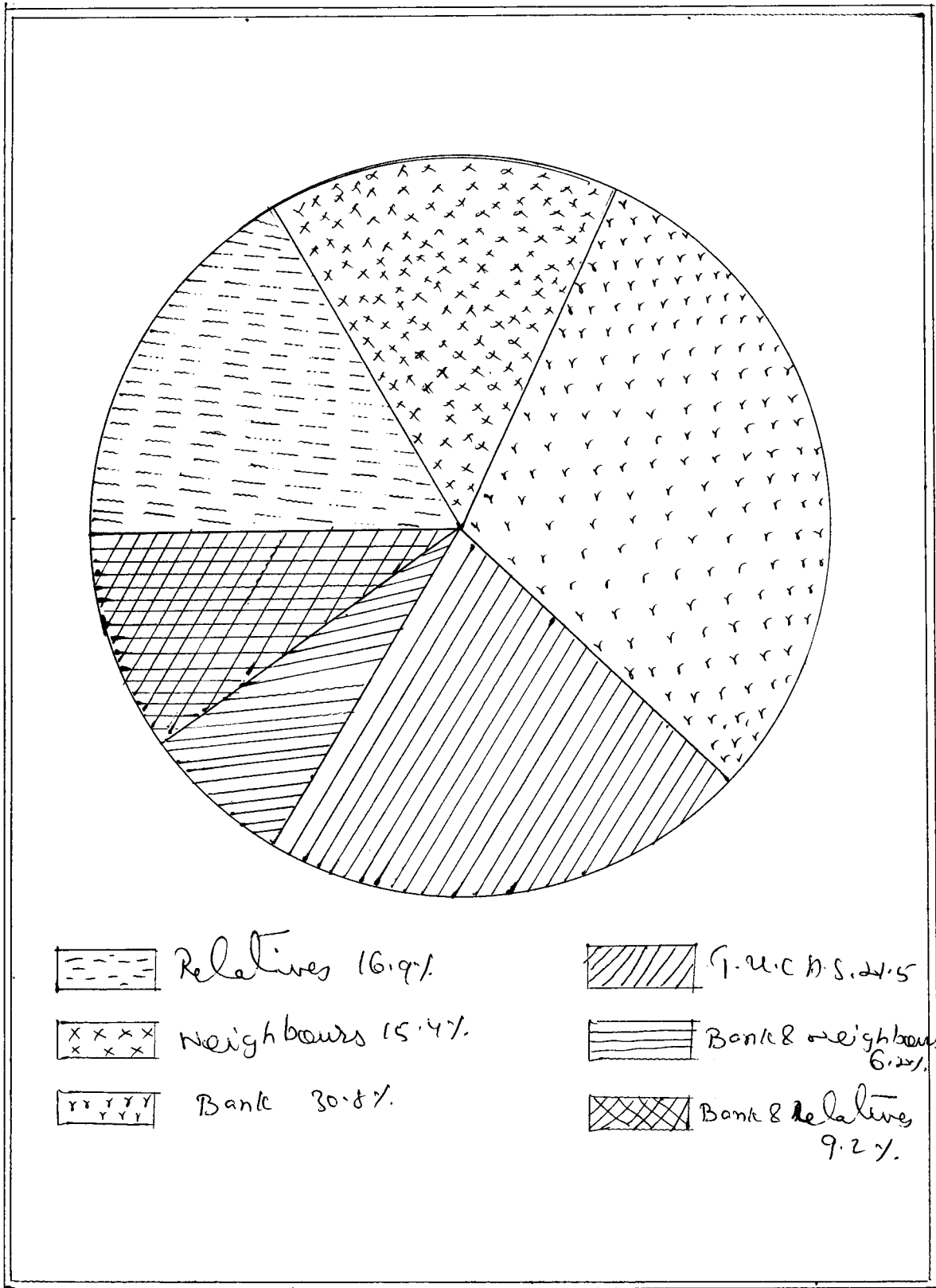
j) PURPOSE OF CREDIT:

The farmers purpose and the needed amounts of credit are shown in the following Table VIII.

TABLE VIII
PURPOSE AND THE AMOUNTS OF CREDIT

S.No.	Purposes.	1000	1000- 2000	2000- 3000	3000- 4000	4000- 5000	5000- 6000
1.	Ploughing.	14(21.5)	7(10.8)	5(7.7)			
2.	Sowing.	1(1.5)	1(1.5)				
3.	Buying milch animal.			8(123)	15(230)		
4.	Buying fertilizers.	9(13.1)	6(9.2)	5(7.7)			
5.	Buying pesticides.	6(9.2)					
6.	Digging and designing well.			3(4.6)		1(1.5)	3(4.6)
7.	Paying wages to labourers.	4(6.1)		4(6.1)	1(1.5)		
8.	Consumption.		2(3.1)				

Figure 5. Sources of Credit.



The above table shows that among the purposes, ploughing gets the primary importance. 40.2% of the farmers need Rs.1000 to 3000 to get materials for ploughing. For buying milch animals 12.3% of the farmers wants Rs.2000-3000 and 23% wants Rs.3000-4000. For the purpose of buying fertilizers, 13.1% of the farmers wants below Rs.1000. 9.2% wants Rs.1000-2000 and 7.7% wants Rs.2000-3000. Only 3.1% wants loan for consumption purpose.

h) SOURCES OF CREDIT

THE SOURCES OF CREDIT ARE DEPICTED IN THE FOLLOWING TABLE.

TABLE IX
SOURCES OF CREDIT FOR THE FARMERS.

S.No.	Sources	1000	1000-2000	2000-3000	3000-4000	4000-5000	5000-6000
1.	Relatives	9(13.8)	3(4.6)	3(4.6)			
2.	Neighbours	7(10.8)	1(1.5)	3(4.6)			
3.	Bank	2(3.1)	1(1.5)	13(20)	11(16.19)	2(3.1)	1(1.5)
4.	T.U.C.A.S.		1(1.5)	13(20)			

The above table shows the sources of credit to the farmers. 30.8% were getting the loans from Bank. The amount ranges between Rs.1000 to Rs.6000. 21.5% of the farmers were getting loan from Tudiyalur Union Co-operative Agricultural Society (T.U.C.A.S.). The rest of the farmers were getting loan from relation and neighbours. The source of credit and the amount received are shown in the figure V.

1) REPAYING METHOD AND AMOUNTS:

While taking into account of repayment method, invariably all the farmers were repaying their loans annually with interest. The repayment capacity of the farmers annually are shown in the following table.

TABLE X
ANNUAL REPAYMENT CAPACITY OF THE FARMERS

S.No.	Amount	No.	%
1.	Below 500	5	7.7
2.	500-1000	3	4.6
3.	1000-2000	22	33.9
4.	2000-3000	26	40.0
5.	3000-4000	9	13.8
TOTAL		65	100

The above table shows that the repayment capacity of 40% of the farmers was Rs.2000-3000 annually. 33.9% can repay Rs.2000 and 4.6% of the farmers can repay Rs.500-1000 annually. The wet land farmers repaying capacity was more because their income was high.

j) PROBLEMS IN CULTIVATION.

The problems of small farmers in cultivation is depicted in the following table.

TABLE XI
PROBLEMS OF CULTIVATION

S.No.	Problems	No.	%
1)	Finance	51	77.2
2)	Electricity	23	34.8
3)	Marketing	8	12.1
4)	Fertilizers	23	34.8
5)	Labourers	40	60.6

The above table explains the farmers problems in cultivation. 77.2% were having finance problem. After finance the more predominant problem was availability of labourers. 60.6% of the farmers were having this problem, 34.8% of the farmers were having electricity problems and the same percentage of the farmers were having problems of fertilizers and 2.1% of the farmers were having marketing problem.

k) PROBLEMS IN GETTING CREDIT:

In the survey only (56.9%) of the farmers expressed that they were having problems in getting credit and the rest 43.1% have no problems.

The problems in getting credit is shown in the following table.

TABLE XII

PROBLEMS IN GETTING CREDIT.

S.No.	Problems	No.	%
1.	Delay	8	21.6
2.	Less amount	15	40.6
3.	Delay & Less amount	6	16.2
4.	Security problem	3	8.1
5.	Security and delay	5	13.5
Total		37	100.0

40.6% of the farmers complained that they were getting small amount as loan and 21.6% expressed their disappointment due to delay in sanction of loans. 13.5% of the farmers were having the problem of security and delay in the sanction of loans.

1) Problems in repaying credit:-

47.7% of the farmers were having problems in repaying the loans. The problems in repaying the loans is clearly stated in the following table.

TABLE XIII

PROBLEM IN REPAYING CREDIT.

S.No.	Problems.	No.	%
1.	More input cost.	8	25.8
2.	No fixed price for agricultural commodities.	3	9.7
3.	Natural calamities	4	12.9
4.	Combined problems	16	51.6
Total		31	100

The above table depicts that 51.6% of the farmers were having more than one problem in the nature of input cost and the absence of fixed price for their crops.

m) Suggestions of the Small Farmers to Solve the problems in getting and repaying credit.

The survey indicates the suggestions given by the farmers themselves to solve these problems. Majority of the farmers suggested that government should take steps to provide sufficient credit facilities to small formers. Sanctioning the loan at proper time, easy terms of getting loans, increasing the amount of loan given by the financial institution were some of the suggestions given by them. While in repaying the loans the farmers wanted to increase the period of repayment of loans. They expressed their view to give them concession in repaying loans when they suffer loss in Agriculture due to the failure of monsoon.

II. CORRELATION BETWEEN INDEPENDENT VARIABLES AND DEPENDENT VALUABLE.

Age, Education, Income and Knowledge about credit are Independent Variables and Attitude towards credit is the dependent variable.

a) Knowledge about the credit.

Distribution of scores on knowledge about the credit are depicted in the following table.

TABLE XIV

DISTRIBUTION OF SCORES ON KNOWLEDGE ABOUT CREDIT

S.No.	Score range	No.	%
1	3-4	5	5
2	4-5	29	29
3	5-6	30	30
4	6-7	34	34
5	7 & above	2	2
Total		100	100

The above table shows that 5% of the farmers secured marks between 3-4, 29% of the farmers secured 4-5, 30% 5-6, 34% - 6.7, and 2% secured above 7. Most of the farmers were literate and they were also getting credit often, so their knowledge about the credit was more.

(b) ATTITUDE TOWARDS CREDIT:

Distribution of scores on attitude towards credit is clearly shown in the following table.

TABLE XV

DISTRIBUTION OF SCORE ON ATTITUDE TOWARDS CREDIT

S.No.	Score range	No	%
1	20-25	3	3
2	25-30	8	8
3	30-35	26	26
4	35-40	53	53
5	40-45	9	9
6	45-50	11	11
Total		100	100

The above table explains that 53% of the farmers secured marks between 35-40. 11% got highest marks between 45-50. 25% secured 30-35 and 9% secured 40-45. Maximum number of the farmers were having more *desirable* amount of Attitude towards credit.

Correlation coefficient test was used for finding the relationship between independent variables and dependent variable. The results are shown in the following table.

TABLE XVI

CORRELATION CO-EFFICIENT BETWEEN ATTITUDE TOWARDS
CREDIT AND INDEPENDENT VARIABLES.

S.No.	Independent Variable	Correlation value
1.	Age	.4657**
2.	Education	.7681**
3.	Income	.2231*
4.	Knowledge about credit	.7898**

The above table indicates that all the independent variables like age, education, income and knowledge about credit have positive relationship with attitude towards credit. Hence the hypothesis was accepted.

III) Related findings:

The survey indicated the suggestions given by the farmers to increase the food production. Their suggestions are represented in the following table.

TABLE XVII

SUGGESTION TO INCREASE THE FOOD PRODUCTION.

S.No.	Suggestions.	No.	%
1.	Availability of labourers and fixed price.	30	30
2.	Good credit facility.	45	45
3.	Less input cost.	20	20
4.	All needed facilities	10	10
5.	No response.	20	20

The above table explains the suggestion of the different farmers to increase the food production. Majority of the farmers stated that good credit facilities should be available to increase the food production because the main problem of the small farmer is finance. 30% suggested that good labourers should be available at proper time. 20% of the farmers suggested that all the facilities should be available to increase the food production and no response from 20% of the farmers. Majority of the farmers suggested that credit and labourers should be available at proper time.*

SUMMARY AND CONCLUSION

The survey made an earnest effort to find out the credit needs of Small Farmers and the details regarding the financial facilities available to them. The conclusions are:

1. Agriculture was the main occupation of the small farmers 51.6% of them have education upto primary school level and majority of the farmers earn more than Rs.3500/= annually.
2. Ploughing and buying milch animals were the main purposes for which credit was required.
3. Small Farmers got their credit facilities mainly from Banks and T.U.C.A.S. As an average they got Rs.5000-6000 annually from these institutions.
4. 50% of the farmers expressed their problems in getting credit. Delay in sanction of loans was their main problem.
5. There is positive and significant correlation between size of the land and credit needs. So credit needs are influenced by the size of the lands.
6. It is also observed that there is relation between the nature of land and credit needs. Wet lands require more credit than the dry lands.
7. There is positive and significant correlation between income and credit requirement. It proves that higher the income greater will be the credit needs.

8. Positive and significant correlation exists between Age, Education, Income, Knowledge about the credit and attitude towards credit.

Suggestions:-

From the findings of the study we recommend the following suggestions.

1. Government should take steps to provide more easy and accessible credit to small farmers.
2. It is essential to change the criterion of credit worthness from tangible assets to production potential.
3. Red Tapism in sanctioning and granting loans should be avoided.

*

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*

APPENDIX I

CREDIT NEEDS OF SMALL FARMERS I

I. Name of the Village : Door No.

II. General information

- a. 1. Name of the interviewee :
- 2. Head of the family :
- 3. Occupation :
- 4. Total Income/month :
- 5. Type of family : Nuclear Joint

b. Size of the family:

S.No.	Name of the family members	Age	Occupation	Income

c. Education: Illiterate/can read only/can read & write/primary/Middle school/High school/Graduates.

III. Information regarding the size of the land:

a. Size of the land in (Acres)	Wet	Dry

- 0-2
- 2-3
- 3-4
- 4-5
- 5-6
- 6 & above

IV. Knowledge about the credit

a. What type of credit available to you in your village?

- 1. Short term Medium term Long term

b. What do you mean by short term credit?

- 1. The amount will be less
- 2. It has to be repaid within 12 months

c. What do you mean by medium term credit?

- 1. The amount will be more than short term credit
- 2. It has to be repaid after one to five year.

d. What do you mean by long term credit?

- 1. The amount will be more
- 2. This credit is required for periods ranging from 5 to 10 years.

V. Attitude towards credit.

- | | SA | A | N | DA | SDA |
|---|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. Only better utilisation of credit will bring prosperity to agriculture. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Getting credits from Co-operatives are more easy than money-lenders. | | | | | |
| 3. Getting of credits will solve cultivation problems to all the farmers. | | | | | |
| 4. Getting of credits are complex. | | | | | |
| 5. It is not profitable to get the credits. | | | | | |
| 6. If you want to produce enough crop the best way is to get credit and utilise it effectively. | | | | | |
| 7. Credits should be intensively supplied to all farmers. | | | | | |
| 8. All type of farmers will be casually benefited by the availability of credits. | | | | | |
| 9. If there is discussion on credits I will definitely attend with others. | | | | | |
| 10. There must be a law to force farmers to utilise the credit effectively. | | | | | |

VI.a. Do you cultivate the land yourself Yes No

b. If no, who cultivates the land 1. Given to Lease

2. Relatives

c.

Areas in cultivation	Cropping pattern	Crops cultivated in that area.
-----	-----	-----

VII. Is there any problems in cultivation Yes

No

(11)

b. If yes what one the problems.

- 1. Finance
- 2. Water
- 3. Electricity
- 4. Marketing
- 5. Availability of fertilizer
- 6. Availability of Chemicals
- 7. Availability of labourers
- 8. Machinery & Tools.
- 9. Others

VIII. A. Do you need Credit?

Yes

No.

b. What types of (credit you want)

Short-term

Medium-term

Long-term

IX. Purpose of Credit:

a.

Items	Amount (Rs.)
-------	---------------

- 1. Ploughing :
- 2. Sowing :
- 3. Buying Milch Annals :
- 4. Fertilizers & Seeds :
- 5. Harvesting :
- 6. Buying pesticides :
- 7. Digging wells :
- 8. Paying Wages to labourers. :
- 9. Modernization. :
- 10. Soil Analysis :
- 11. Others :

b. Consumption.

c. Others (specify)

V

APPENDIX II

CORRELATION MATRIX

S.No.	Independent Variables.	fdx	fdx ²	fdy	fdy ²	fdxdy
1.	Age	193	731	-41	601	134
2.	Education	-2	348	-150	618	287
3.	Income	92	454	-148	414	2
4.	Knowledge about credit.	61	67	97	179	71
5.	Income and Credit needs.	-67	923	-138	464	271
6.	Size of the Land & Credit needs.	-28	48	-41	57	25

$$r = \frac{\sum fxdy - \frac{\sum fdx \times \sum fdy}{N}}{\sqrt{\left(\sum fdx^2 - \frac{(\sum fdx)^2}{N} \right) \times \left(\sum fdy^2 - \frac{(\sum fdy)^2}{N} \right)}}$$

χ^2 Method for finding out the relationship between nature of land and credit needs.

Nature of land.	2.5-3	3.5-4	4.5-5	Total
Wet	6	16	13	35
Dry	10	19	1	20
Total	16	35	14	65

O	E	(O-E)	(O-E) ²	(O-E) ² / E
6	8.86	-2.26	5.10	.58
16	19.38	-3.38	11.42	.59
13	7.76	5.24	27.46	3.59
10	7.14	2.86	7.99	1.12
19	15.62	3.38	11.42	.73
1	6.24	-5.24	27.46	4.40
				10.06
				10.06

$\frac{(r-1)(c-1)}{(2-1)(3-1)}$ at 5% = 5.991.

** Significant at 0.01% level

* Significant at 0.05% level.