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RESEARCH ARTICLE

ACCESSIBILITY OF RURAL CREDIT AMONG COCONUT FARMERS IN COIMBATORE DISTRICT

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ABSTRACT

India has a greater part of area, around 60.3 per cent land as agricultural land, according to World Bank, with 50 per cent population engaged in agricultural activities while over 70 per cent of the rural households depend on agriculture as their principal means of livelihood. Agriculture sector in India contributes 16 per cent - 18 per cent to GDP. In Tamil Nadu, agriculture is the most over riding sector in the economy. Tamil Nadu is the highest producer of bananas and coconuts in the whole country. The national output share of coconut is 29.1 per cent. The Present agricultural credit structure in India has several sources and agencies engaged in extending credit to the rural people. Some agencies are in the organized sector, some others are in the unorganized sector, Similarly, some agencies are engaged in providing credit directly to the farmers, others are engaged in indirect financing, i.e., through refinancing.

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INTRODUCTION

"Agriculture is the backbone of the Indian Economy"- said Mahatma Gandhi six decades ago. As we have entered the new millennium, the situation remains the same, with almost the entire economy being sustained by agriculture, which is the mainstay of the villages. Not only the economy, but also every one of us looks up to agriculture for our sustenance too. The agriculture sector is important for food security, employment generation and economic growth. However, concern now is on the decline in agricultural growth. Agriculture accounts for 54.6 per cent of total employment. While production is growing up and also exports are growing, there is also growing distrust among the farmers. Farmers are affected by varying weather conditions, droughts and floods. Soil fertility is another issue. Agriculture credit is an important prerequisite for agricultural growth. Agricultural policies have been reviewed from time to time to provide adequate and timely availability of finance to this sector. According to Annual Report 2017-18 by Ministry of Agriculture , Agricultural credit flow has increased consistently over the years and it reached Rs. 10,65,756 crore against the target of Rs. 9,00,000 crore during 2016-17. The agriculture credit target for the year 2017-18 has been fixed at Rs. 10,00,000 crore and the achievement against this target till October, 2017 is Rs. 6,71,113.42 crore. Joseph L. Masawe (1994) pointed that agricultural credit is considered an important factor in stimulating agricultural production, particularly among small farmers. The performance of the credit programme was below the expected level because of insufficient examination of the socioeconomic situation of the farms and lack of provision of supportive services to the programme. Kadidia Konare (2001) analysed that in Mali, like in many Sub-Saharan countries, inadequate access to credit has remained a central concern for farmers and a key constraint to the modernization and diversification of their activities. The commercial banks" limited participation in agricultural financing and the hard terms and conditions for obtaining individual loans have penalized many smallholders and small traders. The majority of these people have little to no access to financial services, limiting their productivity, income, investment and overall quality of life. Saeed Yazdani (2006) revealed the credit system, offers the prospect of risk sharing between the borrower and the lender. Farmer's decision making behaviour with regard to risk under the borrowers and interest based credit systems are explored with aid.

Research gap of the current study

In the present Scenario, Credit plays an important role in agricultural development and it is believed that expansion of credit programmes will have beneficial effects on agricultural production and incomes of small farmers. It is also a key to poverty alleviation, livelihood diversification, and increasing the business skills of coconut farmers. In the Coimbatore, small-scale and subsistence agriculture source their loans mostly from informal lenders, thus access to formal credit remains low. There is a need to examine further, coconut famers access to credit and investigate their preferences and perceptions regarding credit in order that their access can be improved and their needs through credit can be more effectively met. This research attempts to explore and understand the perceptions of coconut farmers toward rural credit, and to collect information in proposing an appropriate credit system for them. Tamil Nadu has been divided into five Agricultural Zones, based on the agro - climatic conditions and the soil profile. Coimbatore district falls under Zone-II. The total main cultivators are 1.72 lakhs while main agricultural laboureres are 3.36 lakhs. Thus more number of people who depend on agriculture in the district are wage earners. Coimbatore has the largest area under coconut cultivation with 1.016 lakh ha and accounted for 28.2 percent of the total area under cultivation. It has also accounted for maximum production of coconut in the state. There are 18 regulated markets, 2 sub markets and one marketing committee in Coimbatore district. Regulated Markets for Coconut are located at Pollachi, Udumalpet, Anamalai, Kinathukadavu and Negamum. The data required for the study will be collect from both the primary and secondary sources. The primary data will be collected directly from Farmers by using Interview schedule. The secondary data will be collected from the published journal, books, magazines and websites. The coconut farmers will select on basis of random sampling method. An Interview schedule will be prepared for the purpose of data collection consists of Socio Economic and Demographic profile of Coconut farmers, land holdings, inter cropping, credit access from the banking and non banking institutions and savings pattern of the coconut farmers. Appropriate statistical tools will be used to drawn inferences from the data collection.

Innovativeness in the research

The rural network and communication in the place are good, which provides opportunity for developing agro based industries. TNAU has been maintaining incubator units for agro processing wherein farmers/ plantation and fruit crop growers could process their produce at cost and then could commence processing product on a commercial basis. There is also good scope for drying of coconut units. As the Coconut oil producing companies are demanding copra, dried coconut, there is growing demand for drier unit. Similarly, it was indicated that there is a great scope for bakery units. Because of the advantages of high concentration of industries, especially small and medium, there is good potential for engineering industries under this sector. Banks have witnessed a spike in agriculture bad loans of Rs 11,400-crore in fiscal 2017 to cross Rs 60,000 crore. Demonetisation and farm loan waivers have also added to the woes of the bank. A Reserve Bank of India data NPAs rose over 23 per cent from Rs 48,800 crore in 2016 to Rs 60,200 crore in 2017. Bad loans in the agriculture sector have jumped 142.74 per cent from Rs 24,800 crore in fiscal 2012, indicating distress in the segment in the last five years. The data further shows that the maximum default took place in 2017 while significant four years- 2012 to 2017 only showed defaults of Rs 24,000 crore. Farming sector has a bad loan which constitutes 8.3 per cent of the total banking sector NPAs of Rs 728,500 crore as of March 2017. Farm credit, which forms part of priority sector lending, includes short-term crop loans and medium-term or long-term credit to farmers. Out of the total beneficiary farmers of 1.76 million in Tamil Nadu, 1.43 million small and marginal farmers were given a debt waiver and 0.33 million other famers were given debt relief (GoI, 2014). Tamil Nadu accounted for 5.2 per cent of the total amount provided by GoI as debt waiver/relief and 4.8 per cent in terms of the number of beneficiary farmers under the scheme. Out of the total outstanding debt of Rs.33.5 billion waived off for small and marginal farmers in Tamil Nadu, only Rs.1.25 billion constituted the outstanding debt from co-operative institutions. Debt relief for other farmers who had borrowed from co-operative institutions in the state amounted to Rs.0.18 billion.

Policy-making

The banks need to involve micro-finance agencies like SHGs, NGOs and the like. and other grass root level financial intermediaries who have better understanding of the credit needs and recovery situations. 2. To improve the efficiency of the financial system, and thereby increasing the access of unbanked rural people in an efficient manner.3.Credit counseling, awareness and financial education regarding the benefits of institutional financing are important for effective expansion of financial services in rural areas. To do this, banks may utilize the services of non-governmental organisations, village youth clubs, village panchayats, farmer clubs and self-help groups into confidence 4. Since the problem of rural indebtedness has two major dimensions, to solve the problem we have to adopt a two-fold strategy. Since the magnitude of debt is quite high, steps may be taken to cancel old debts. There is a strong case for reduction of ancestral debt and even for their liquida-tion. Secondly, it is to be ensured that the quantum of fresh borrowing is reduced to the minimum, keeping in view the repayment capacity of farmers. It is equally important to ensure that new borrowing is strictly for productive purposes and not for meeting consumption needs.5. Study tours should be arranged for the coconut growers to visit Coconut Research Station, Kasargode, Kerala. Tirupur, Hebbal (Karnataka).

Relevance of the proposed study for society

Finance is required by farmers not only for the production and marketing of crops but also to keep a stagnant agricultural economy alive. Most Indian farmers live near the brink of starvation. A bad monsoon, a poor harvest, an accident or illness in the family forces him to approach the moneylender for a loan. In India, there is the preponderance of such ‘distress’ or unproductive loans. Agricultural finance in India is not just one requirement of the agricultural business but a symptom of the distress prevailing among the majority of the farmers. Rural credit includes not only credit provided to farmers but also credit extended to artisans, owners of small and medium industries in rural areas, small transport operators and so on. Two main sources of rural credit are private and institutional. The former includes private moneylenders, traders and commission agencies, relatives and landlords. Farmers not only need credit but also guidance in adopting improved methods of cultivation. To provide relief to farmers affected by natural calamities, the interest subvention on crop loan continues to be available to banks for the first year on the restructured amount. Such restructured loans may however attract normal rate of interest from the second year onwards as per the policy laid down by the Reserve Bank of India (RBI) vide their Master. Directions dated 3rd July, 2017. Release of funds to RBI/NABARD for settling the claims under Interest Subvention Scheme Agricultural Debt Waiver Scheme, 2016. The Government of Tamil Nadu waived off all crop loans, as well as medium-term and long-term agricultural loans availed by small and marginal farmers from co-operative societies that were outstanding in their books as on March 31, 2016. As per the scheme, the principal and interest on all outstanding loans would be reimbursed to the co-operative institutions, while the institutions themselves would have to bear penal interest and other charges on overdue loans. As the reimbursement will be spread over five years, the state government is paying an interest of 8 per cent on reduced balance for the staggered reimbursements. Thus, although the loan waiver benefit to the farmers was Rs.53.19 billion, the total cost to the state exchequer on account of the debt waiver scheme amounts to Rs.60.95 billion

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