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A COMPARITIVE STUDY ON CHALLENGES FACED BY THE FARMERS TOWARDS AGRICULTURAL LOANS FROM COMMERCIAL AND CO-OPERATIVE BANKS WITH REFERENCE TO PALAKKAD DISTRICT, KERALA.

Mr. M. M. Vishnu[1]
Ph.D Research Scholar, Department of Commerce, Sree Narayana Guru College, Coimbatore-641105
Dr. P. Sekar[2]
Associate Professor & Head, Department of Commerce, Sree Narayana Guru College, Coimbatore-641105

ABSTRACT

This study has looked into farmers' borrowing preferences between commercial and cooperative banks. For the Indian agricultural sector, agriculture finance is still an evolving tactic. The current study has concentrated on the difficulties Palakkad district farmers face when applying for loans and the potential outcomes from commercial and cooperative banks. It demonstrates the growing tendency of the farming community's institutional credit requirements. The three-stage, non-probability sampling strategy with stratification was used. The first stage was selection of strata i.e. the area Palakkad was selected. In the second stage, based on production level five villages in Palakkad namely Nallepilly, Kozhinjampara, Chittur, Elapully and Polpully were selected. In the third stage based on simple random sampling about 120 respondents were selected. From each village, about 25 farmers—marginal, small, medium, and large were chosen. Chi-square, ranking, and the percentage approach are the statistical methods applied in the analysis. According to the report, agricultural loans from commercial and cooperative banks have been growing quickly, but they are still insufficient to meet the demands of farmers in Palakkad. As a result, farmers are forced to turn to alternative unofficial loans to cover some of their needs, both productive and unproductive. This study mostly compares commercial and cooperative banks because farmers' access to loans has been limited by their inability to provide collateral, high interest rates, a difficult loan application process, and a lack of knowledge about interest subsidy schemes.

Key Words: Agriculture Loans, Farmers, Commercial banks, Co-operative banks.

INTRODUCTION

Agriculture is the backbone of Indian economy and it contributes 17.4% to GDP but its contribution is much higher than the world average of 6.1%. Majority of the population in rural areas depends directly or indirectly on agriculture for their livelihood. The recent technological enhancement in agriculture sector which was incepted by green revolution has not resulted in increasing productivity and output, but brought about a significant change in the structure and magnitude in the production process. But the new technology is capital intensive, which is not affordable to small and marginal farmers. The farmers must depend on credit for meeting farm expenses. Therefore, agriculture credit is of prime importance for enhancing production and for removing inequalities. Agricultural financing plays a pivotal role in the agricultural market, an essential component of modernization, and acts as a stimulant for other production aspects. It gives farmers the ability to expand into new production areas, take advantage of economies of scale, use cutting-edge technology, and supply utilities to a growing market. Loans assist farmers in making investments in assets so they can use science, technology, and contemporary business management techniques to produce goods and earn revenue. A farm investment can result in significant farm income. In India, loans are still an emerging tactic for the agriculture industry. Agricultural financing is in high demand due to farmers' enormous contributions to the agricultural economy. Farmers' access is often restricted by financial institutions' need for collateral, which lowers the risk of default. However, informal lenders appear to have an advantage in terms of lower transaction costs when reaching farmers; as a result, informal lenders continue to be a supplementary source of credit in India. On the other hand, it is also the rules, regulations, and lending procedures of the financial institutions that cause the gap between the farmers. The issues facing farmers draw attention to the need for a sufficient supply of financing to enhance agricultural operations. The goal of the loans that financial institutions handle should be fulfilled, and any delays in loan approval hinder agricultural production. Large farmers can obtain agricultural loans and can do so for larger sum. Farmers have significant transaction costs when applying for loans because of the expense of making many trips to the commercial and cooperative banks, the time invested, the paperwork needed, and the high interest rates associated with small loans. The problems that farmers in the Palakkad district face with loans and their potential consequences have been the main subject of this study. It demonstrates the growing tendency of the farming community's institutional credit requirements. Examining farmers' socioeconomic traits and identifying the difficulties they encounter in obtaining agricultural loans from commercial and cooperative banks are the study's goals.

OBJECTIVES OF THE STUDY

- To investigate from farmers regarding financing for agriculture and the difficulties they encounter
- To examine the different agricultural credit plans that commercial and co-operative banks offer, as well as the loans that are approved under those plans.

STATEMENT OF THE PROBLEM

Six decades ago, Mahatma Gandhi remarked, "The backbone of the Indian economy is agriculture." In the new millennium, the situation is still the same, with agriculture serving as the backbone of the communities and supporting nearly the whole economy. Not only does agriculture benefit the economy, but it also provides food for all of us. The agriculture industry is critical to economic expansion, job creation, and food security. The isolation of agriculture needs to cease because it is an important industry in India. Kerala's economy is dominated by the agricultural sector. Farmers engage in active farming from the age of 25 to older than 60. Debt from both private and bank debts has accumulated. They mortgage every land they own and sell all of their gold. In the end, they believe that managing the dire family situation is unlikely. Farmers lack full-time employment, are despised and deserving of little respect in society, and are not guaranteed a living wage. There is underemployment and unemployment, and most of the time people are forced to migrate due to natural disasters like floods, droughts, and hunger. There has been an unusual decline in institutional credit and lending. Due to their reliance on commercial and cooperative banks, farmers are forced to sell their goods for less than what it costs to produce them. They therefore cannot afford to return the loan on time. Due to their limited land holdings, farmers approach banks but are unable to obtain a loan from them. Due to the numerous problems and difficulties farmers have with bank-provided agricultural loans, this study compared commercial and cooperative banks in terms of agricultural loan availability and examined the different difficulties farmers confront.

SIGNIFICANCE OF THE STUDY

Since agriculture typically feeds the whole population of a country, it interacts and correlates with all other connected businesses in that country, playing a key part in the economy of every nation. A nation is generally seen as socially and politically stable if it has a relatively strong agricultural foundation. In most nations, the primary industry for employment is agriculture. In order to properly cultivate the lands and tend to the associated farm animals, larger farms typically need to hire more workers. For the purpose of generating their by-products and finishing their agricultural products, the majority of these sizable farms include processing units situated in adjacent facilities. The majority of contemporary farms and agriculture-related businesses effectively employ both contemporary machinery and scientific and technological concepts. The financial resources and ability of farmers to adapt to these agricultural technological improvements impact how farming uses technology. These are the current issues of the agriculturists and farmers. In this regard, this study gets prominence in focusing on the comparative study on challenges faced by the farmers for getting agricultural loans from commercial bank and co-operative banks for the development of agriculture.

SCOPE OF THE STUDY

This study is limited to land cultivators in the Palakkad district, namely those in the villages of Nallepilly, Kozhinjampara, Chittur, Elapully, and Polpully. It gives information about the socioeconomic background of the farmers as well as their current situation and perceptions of agricultural finance and the difficulties they face in obtaining loans for their operations from commercial and cooperative banks. It compares agricultural loan options offered by commercial and cooperative banks in the Palakkad district.

SOURCE OF DATA

- Primary Data
- Secondary Data

SAMPLING DESIGN OF THE STUDY

- The population is very large and is difficult to redefine and to get the complete frame, the study was conducted based on the simple random sampling method for 120 respondents from various villages in Palakkad district.

- The sample size comprises of different types of farmers who are potential to getting agricultural credits from commercial bank and cooperative banks in study area.

STATISCAL TOOLS USED

- Simple percentage method
- Chi square test
- Likert's scale

LIMITATIONS OF THE STUDY

- This Study contains only in five villages in Palakkad District
- Sample size of the study is limited
- Period study is constrained

➢ **Simple Percentage**

S.No	**Age**	**%**	**S.No**	**Marital Status**	**%**	**S.No**	Family	**%**
1	Below 30	12%	1	Married	71%	1	Joint	38%
2	31 – 40	11%	2	Unmarried	29%	2	Nuclear	62%
3	41 – 50	18%		**Total**	100	**S.No**	**Education**	**%**
4	51 – 60	27.8%	**S.No**	**Gender**	**%**	1	Primary Education	38%
5	Above 60	31.2%	1	Male	84%	2	SSLC	14.6%
	Total	**100**	2	Female	16%	3	HSE	12%
S.No	**Occupation**	**%**		**Total**	**100**	4	UG	19.4
1	Farming	43%	**S.No**	**Income**	**%**	5	PG	7%
2	Own business	16%	1	Below 20,000	33%	6	Professional	9%
3	Private employee	22%	2	20,001-30,000	21%		**Total**	**100**
4	Govt employee	11%	3	30,001-40,000	24%	**S.No**	**Expenses**	**%**
5	Professional	8%	4	40,001-50,000	15%	1	Food	21%
	Total	**100**	5	Above 50,000	7%	2	Clothing	11%
S.No	**Activity**	**%**	**S.No**	**Types of Farming**	**%**	3	Education	32%
1	Yes	74%	1	Small	45	4	Medical	16%
2	No	26%	2	Medium	38	5	Travelling	7%
	Total	**100**	3	Large	16	6	Festival	5%
S.No	**Own Agricultural Land**	**%**		**Total**	**100**	7	Miscellaneous	8%

1	Yes	87%	**S.No**	**Land Holding**	**%**	**Total**		**100**
2	No	13%	1	Below 2 Acre	11%	**S.No**	**Time Spending for Agricultural activities (Per Day)**	**%**
Total		**100**	2	3 – 5 Acre	29%	1	Less Than 2 Hr	9%
S.No	**Land**	**%**	3	5 – 10 Acre	47%	2	2-4 Hours	51%
1	Own Land	80%	4	Above 10 Acre	13%	3	4-8Hours	29%
2	Lease Land	6%	**Total**		**100**	4	Above 8 Hours	11%
3	Rental Land	8%	**S.No**	**Irrigation**	**%**	**Total**		**100**
4	Relative Land	4%	1	Well	38%	**S.No**	**Agriculture Produce**	**%**
Total		**100**	2	Cannel	29%	1	Paddy	42%
S.No	**Farming Types**	**%**	3	Lift Irrigation	21%	2	Vegetables, Melons, Grains	18%
1	Substance Farming	2%	4	Others	12%	3	Coconut	25%
2	Shifting Agriculture	8%	**Total**		**100**	4	Turmeric, Ginger, Other Spices	11%
3	Plantation	19%				5	Banana and Others	4%
4	Intensive	32%	**S.No**	**Year**	**%**	**Total**		**100**
5	Dry Agriculture	9%	1	Once	21.4%	**S.No**	**Amount**	**%**
6	Mix And Multiple	6%	2	Twice	53%	1	Less Than 10,000	14.7%
7	Crop Rotation	24%	3	Thrice	25.6%	2	10,001-20,000	26.7%
Total		**100**	**Total**		**100**	3	20,001-30,000	11.5%
S.No	**Sources of Funds**	**%**	**S.No**	**Receiving Agri Income (P.a)**	**%**	4	30,001-40,000	33.9%
1	Commercial Bank	28%	1	Below Rs. 100000	24%	5	Above 40,000	13.2%
2	Co-Operative Bank	66%	2	Rs.100000-200000	39%	**Total**		**100**
3	Money Lenders and other sources	6%	3	Rs.200000-300000	18%	**S.No**	**Rate of Interest of Cooperative Bank**	**%**
Total		**100**	4	Rs.300000-400000	10%	1	Below 5%	37.5%

S.No	**Borrowing Amount (Rs)**	**%**	5	Above Rs.400000	9%	2	5-10%	7.5%
1	Below 100000	31.7%	**Total**		**100**	3	11-15%	31.7%
2	100001-200000	40.8%	**S.No**	**Repayment Status**	**%**	4	Above 15%	23.3%
3	200001-300000	10%		Regular	74.2%	**Total**		**100**
4	300001-400000	8.3%		Defaulters	25.8%	**S.No**	**Level of Service Satisfaction of Commercial bank**	**%**
5	Above 400000	9.2%	**Total**		**100**	1	Highly Satisfied	9%
Total		**100**				2	Satisfied	13%
S.No	**Factors Effecting for getting Loan in Commercial Bank**	**%**	**S.No**	**Factors Effecting for getting Loan in Co-operative Bank**	**%**	3	Neutral	23%
1	More Documentation Process	11%	1	More Documentation Process	13%	4	Dissatisfied	39%
2	Demand for Collateral Securities	31%	2	Demand for Collateral Securities	29%	5	Highly Dissatisfied	15%
3	More Rate of Interest	26%	3	More Rate of Interest	8%	**Total**		**100**
4	Restriction for Repayment Period	9%	4	Restriction for Repayment Period	6%	**S.No**	**Level of Service Satisfaction of Co-op bank**	**%**
5	More Legal Formalities (Cybil Score, Loan Amount Etc...)	18%	5	More Legal Formalities (Cybil Score, Loan Amount Etc...)	16%	1	Highly Satisfied	20%
6	Restriction for loan amount	2%	6	Restriction for loan amount	18%	2	Satisfied	44%
7	Biased Treatment	3%	7	Biased Treatment	10%	3	Neutral	19%
Total		**100**	**Total**		**100**	4	Dissatisfied	10%

S.No	**Rate of Interest of Commercial Bank**	**%**	**S.No**	**Recommendation Co-operative bank to other farmers**	**%**	5	Highly Dissatisfied	7%
1	Below 5%	9%	1	Yes	89	**Total**		**100**
2	5-10%	20%	2	No	11	**S.No**	**Recommendation Commercial bank to other farmers**	**%**
3	11-15%	48%	**Total**		**100**	1	Yes	20%
4	Above 15%	23%	**S.No**	**Government Scheme through Co-operative Bank**	**%**	2	No	80%
Total		**100**	1	Yes	88%	**Total**		**100**
			2	No	12%	**S.No**	**Government Scheme through Commercial Bank**	**%**
			Total		**100**	1	Yes	21%
						2	No	79%
						Total		**100**

(Source: Primary Data)

- **CHI - SQUARE TEST**

Results						
	Below 10000	10001-20000	20001-30000	30001-40000	Above 40000	***Row Totals***
Below 20000	5 (8.70) [1.57]	9 (8.40) [0.04]	6 (7.20) [0.20]	10 (4.80) [5.63]	6 (6.90) [0.12]	36
20001 - 30000	10 (5.80) [3.04]	3 (5.60) [1.21]	5 (4.80) [0.01]	2 (3.20) [0.45]	4 (4.60) [0.08]	24
30001 - 40000	9 (8.22) [0.07]	11 (7.93) [1.19]	5 (6.80) [0.48]	2 (4.53) [1.42]	7 (6.52) [0.04]	34
40001 - 50000	4 (4.35) [0.03]	3 (4.20) [0.34]	6 (3.60) [1.60]	1 (2.40) [0.82]	4 (3.45) [0.09]	18
Above 50000	1 (1.93) [0.45]	2 (1.87) [0.01]	2 (1.60) [0.10]	1 (1.07) [0.00]	2 (1.53) [0.14]	8
Column Totals	29	28	24	16	23	**120 (Grand Total)**

(Source: Primary Data)

- **LIKERT' S SCALE**

Level of Satisfaction of Farmers about Co-operative Bank

Level of Satisfaction	Respondents	Total Score	Mean	Rank
Highly Satisfied	24	120	1	**II**
Satisfied	53	212	1.7	**I**
Neutral	23	69	0.575	**III**
Dis Satisfied	12	24	0.2	**IV**
Highly Dis Satisfied	8	8	0.06	**V**

(Source: Primary Data)

Level of Satisfaction of Farmers about Commercial Bank

Level of Satisfaction	Respondents	Total Score	Mean	Rank
Highly Satisfied	11	55	0.45	**IV**
Satisfied	16	64	0.53	**III**
Neutral	28	84	0.7	**II**
Dis Satisfied	47	94	0.78	**I**
Highly Dis Satisfied	18	18	0.15	**V**

(Source: Primary Data)

FINDINGS

- Majority of the respondents 31.2 % are above 60 years.
- Most of the respondents 71% are married.
- Most of the respondents 62% are nuclear family.
- Majority of the respondents 43% respondent's occupation is farming
- Most of the respondents 84% are male.
- Majority of the respondents 38% are primary education.
- Majority of the respondents 33% are salaried below Rs. 20000.
- Majority of the respondents 32 % are faced more expenses in Education
- Most of the respondents 74% are doing agricultural activities.
- Majority of the respondents 45% are belongs to small type of agriculture.
- Most of the respondents 87% are have their own agricultural land.
- Majority of the respondents 47 are having 5 - 10 acres of agricultural land.

- Most of the respondents 51% are spending 2 - 4 hours in agriculture land.
- Majority of the respondents 38% are having well irrigation facility for agricultural.
- Majority of the respondents 32 % are belonging to intensive agriculture.
- Majority of the respondents 42% are belongs to Paddy cultivation.
- Most of the respondents 53% are cultivated twice in their land.
- Majority of the respondents 33.9% are spent 30001 -40000 amount for the fertilizers and seeds
- Most of the respondents 66% are raised funds through cooperative banks.
- Majority of the respondents 39% are earning an income of Rs. 100000 - 200000 through agriculture.
- Majority of the respondents 40.8% are borrowing of Rs. 100001-200000 from banks.
- Majority of the respondents 37.5% are belongs to the rate of interest below 5% in co-operative bank.
- Majority of the respondents 48% are belongs to the rate of interest below 11-15% in Commercial bank.
- Most of the respondents 74.2% are repaying of interest in regular basis.
- Majority of the respondents 31% are effecting lack of collateral securities in commercial banks
- Majority of the respondents 29% are effecting lack of collateral securities in co-operative banks
- Majority of the respondents 44% are satisfied with the cooperative banks services.
- Majority of the respondents 39% are dissatisfied with the commercial banks services
- Most of the respondents 88% are receiving government schemes through co-operative banks
- Most of the respondents 79% are not receiving any government schemes through commercial banks.
- Most of the respondents 89% are recommend cooperative banks to other farmers.
- Most of the respondents 80% are not recommend commercial banks to other farmers.
- The chi-square statistic is 19.122. The p-value is .262385. The result is not significant at $p < .05$.
- Under Likert's scale technique respondents are provide 1st rank for their satisfaction about cooperative bank.
- Under Likert's scale technique respondents are provide 1st rank for their dissatisfaction about commercial bank.

SUGGESTIONS

In order to increase productivity, farmers must inspire their female family members to begin farming in this region and motivate their young people to engage in agricultural pursuits. To increase their crop yield and increase their revenue, farmers need to change from cultivating traditional crops to commercial ones. Additionally, when cultivating them, utilize organic fertilizers and seeds. Farmers from this study region need to organize into an association, purchase the newest equipment, and start cultivating. Farmers need to secure additional bank loans and make their loan payments on time. Bank financing must only be used by farmers for agricultural purposes; it cannot be used for any other reason. Farmers need to be informed about the several loan programs that are available for agricultural production. Only after farmers consistently pay interest would banks be willing to lend money for farming. Bank employees and farmers need to get along well for them to be able to consistently supply financing. Farmers need to adjust their perspective on loan waivers because the majority of them anticipate loan waivers from the government. Farmers may only improve their agricultural operations with the least amount of borrowing if they receive low-interest loans from cooperative banks.

CONCLUSION

Institutional financing makes it possible for farmers to acquire the supplies they need for full production, and it fosters an environment that leads to increased yield. Given that institutional finance has a "push effect" and catalyzes development, giving farmers access to sufficient, timely, and liberal financing is becoming a crucial component of India's agricultural development strategy. Therefore, there are three primary routes through which agricultural finance is offered in the nation: commercial banks (which have recently included private sector banks), regional rural banks, and cooperatives. According to this survey, farmers had more difficulties obtaining agricultural loans from commercial banks than from cooperative banks. Similar to cooperative banks, commercial banks also offer agricultural loans, although the interest rates for farmers are higher. In order to improve agricultural productivity and the social situations of farmers in this research region, commercial banks should take extra care to provide financing on time and at a reasonable interest rate.

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