



FINANCIAL PROBLEMS FACED BY FARMERS IN TAMIL NADU

Dr A. M. Askar Ali Jinna, Assistant Professor, Department of Commerce (CA), V.L.B. Janakiammal College of Arts and Science (Autonomous), Kovaipudur, Coimbatore- 641 042.

ABSTRACT

Finance is one of the most crucial inputs for economic activity, growth and development of any economy. Agriculture is the largest and most important sector in India. Nearly 70% of the people in India depend on agriculture for their living. The economic development of a country depends on the development of the core industry in which the majority of its people have been engaged for quite a long time. The study is a combination of both descriptive and analytical. Primary data required for the study were collected from the selected respondents of Karur district in order to analyze the technical efficiency of the farmers. The field survey was carried out during the period from April 2010 to August 2010 to collect the primary data. It is found that large farmers have the highest percentage of borrowed fund and small farmers have the lowest level of borrowed fund. The majority of the lands are rain-fed areas. If the monsoon fails, then the farmers will be in trouble. In this situation, the Government should give financial support to farmers, especially to the small and medium farmers.

Nothing goes right”

Dr.M.S.Swaminathan

Agriculture is the largest and most important sector in India. Finance is one of the most crucial inputs for economic activity, growth and development of any economy. Nearly 70% of the people in India depend on agriculture for their living. Indian farmers particularly the vast majority of small farmers and marginal farmers and, landless rural artisans need finance for productive purposes. The peasantry needs ever increasing credit facilities to purchase high yielding variety seeds, fertilizers, etc., so they are forced to go to the money lenders either by pledging their meager land holdings or their own property.

Agricultural producers need short term, medium and long term loan for agricultural operations. Short term loan and medium term loan and medium term loan are required for purchases of seeds, fertilizers, pesticides, payment of wages, purchase of cattle, purchase of small farm equipment, etc., Long term finance are required for irrigation facilities, farm development, building bunds, farm leveling, etc., The need of credit becomes more important in the context of new strategy and introduction of high yielding varieties and also mechanized cultivation. So credit is essential for making the agriculture.

Indian agriculture continues to failure of monsoon. Hence, majority of farmer income remains low. They do not have adequate capital to purchases inputs and other required things. The rural agricultural households not only need the credit for agricultural activities but also for consumption needs.

STATEMENT OF THE PROBLEM

The economic development of a country depends on the development of the core industry in which the majority of its people have been engaged for quite a long time. Indian economy has been largely based on agriculture from time immemorial. Farmers earn their livelihood by cultivation. Cultivation requires mostly water apart from good quality seeds, application of modern farming techniques and fertilizers. Most of the farmers need to borrow even for small investments at times at very high interest rates. Due to monsoon failure, most of the small farmers no repay the loans. There is need to frame suitable legislation to improve the financial strength of farmers.

**OBJECTIVES**

1. To study the factors influencing the finance by farmers in the study area
2. To study the financial problems faced by farmers.
3. To offer suggestions to improve the financial strength of farmers.

RESEARCH METHODOLOGY**Research Design**

Research design is the arrangement of activities for the collection and analysis of the data in a manner that aims to combine relevance to the purpose with economy in procedure.

For this study the design used was descriptive. Descriptive design as the name itself implies, is conducted to describe something. This study describes the factors that lead to the **financial problems faced by farmers in Tamil Nadu**. Here the descriptive research was conducted to find out the information about the factor and to spot light the areas that need the Government's attention.

Sampling Design

The present study is empirical and hence field survey method and personal interview technique were adopted. Random sampling has been adopted for the present study.

Collection of Primary Data

Primary data required for the study were collected from the selected respondents of Karur district in order to analyze the technical efficiency of the farmers.

PERIOD OF STUDY

The field survey was carried out during the period from April 2023 to August 2023 to collect the primary data.

STATISTICAL TOOLS**Descriptive statistics**

The following descriptive statistics Percentages, mean and standard deviation were used in the preliminary analysis of data.

1. ANOVA

Analysis of variance is applied to compare the cost and expenses among the small, medium and large farmers.

2. GARRET RANKING TECHNIQUES

This technique used to find out which factor occupied the first, second, third etc., for finance problems

TYPE OF FUNDS

Table 1 shows the data of own fund and borrowed fund invested in cultivation by small farmers, medium farmers and large farmers.

TABLE No.1

TYPE OF FUND		TYPE OF FARMER		
		Small farmers	Medium farmers	Large farmers
Own fund	Mean(Rs.)	7148.6	7272.7	14849.6
	S.D (Rs.)	12657.3	16298.6	23224.4
	No.	323	133	44
Borrowed fund	Mean (Rs.)	34465.9	68022.6	88795.5
	S.D (Rs.)	26644.3	28583.3	40984.2
	No.	323	133	44

Source: Primary Data.



Table 1, brings out the details of own fund in an average of Rs.7148.6 for small farmers, Rs.7272.7 in an average for medium farmers and Rs.14849.6 in an average for large farmers, Borrowed fund of Rs.34465.9 in an average for Small farmers, Rs.68022.6 in an average for medium farmers, and Rs.88795.5 in an average for large farmers.

It is understood that large farmers have the highest percentage of borrowed fund and small farmers have the lowest level of borrowed fund.

SOURCES OF FUNDS

Table 2 shows that banks are the main source of providing funds to all types of farmers. Other sources of funds for the farmers are individual Money Lenders, Friends and Relatives and Commission Agents.

TABLE No.2

(Amount in Rs.)

TYPES OF FUNDS		TYPE OF FARMER		
		Small farmers	Medium farmers	Large farmers
Commission agents	Mean	232.2	639.1	1590.9
	S.D	2127.6	3662.5	7453.2
	No.	323	133	44
Money lenders	Mean	11834.4	9315.8	13136.4
	S.D	12073.7	10881.9	9522.5
	No.	323	133	44
Banks	Mean	18990.7	49338.3	57522.7
	S.D	21633.5	25361.0	25570.2
	No.	323	133	44
Friends and relatives	Mean	6902.5	8939.8	14113.6
	S.D	14068.1	11684.5	12963.7
	No.	323	133	44

Source: Primary Data.

From the table 2, it is observed that large farmers utilizing all the sources to borrow money. The medium farmers utilize bank source to the maximum extent to borrow money on an average they borrow Rs.49338.3 from the bank. when Compared with Large and Medium farmers, small farmers borrow less amount of money. They utilize the Bank source and money lenders to borrow money.

However all types of farmers utilize money lenders and Bank to borrow more money. Also farmers get loans from their Friends and Relatives rather than Commission Agents.

OWN FUND FOR CULTIVATION

ANOVA is used to test whether there is any significant difference in spending their **Own Fund** to cultivate crops per acre among the three types of farmers, viz., Small, Medium and Large. The analysis are presented in table.3

Null Hypothesis: There is no significant difference among the small, medium and large farmers in spending their **own fund** for cultivation.

TABLE No. 3

OWN FUND			
TYPE OF FARMER	Mean (Rs.)	N	Std. Deviation (Rs.)
Small farmers	7148.6068	323	12657.3165



<i>Medium farmers</i>	7272.7273	133	23224.3655
Large farmers	14849.6241	44	16298.6141
Total	9208.0000	500	16748.4255

TABLE No. 3. a

ANOVA

	Sum of Squares	Df	Mean Square	F	Table Value	Sig.
Between Groups	5767781373.005	2	2883890686.502	10.680	4.648	**
Within Groups	134206586626.995	497	270033373.495			
Total	139974368000.000	499				

Source: Primary Data.

** 1 % level of Significance

The ANOVA table shows that the calculated ‘F’ value 10.680 is greater than the table value 4.648 for (2, 497) degrees of freedom at 1 per cent level. Hence the null hypothesis that there is no significant difference in spending their **own fund** for cultivation of crops among the Small, Medium and Large farmers is rejected.

This indicates that there is a significant difference in the **own fund** for cultivation of crops among the Small, Medium and Large farmers.

Post Hoc test for Own Fund

To find out who spent **own fund** more while comparing with others, post - hoc test is applied.

TABLE No. 3.b

Multiple Comparisons			
Dependent Variable: OWN FUND			
		Mean Difference (I-J)	Std. Error
(I) LAND HOLDINGS	(J) LAND HOLDINGS		
Small farmers	Large farmers	-7701.0172(*)	1693.0277
	Medium farmers	-124.1205	2640.6701
Medium farmers	Small farmers	124.1205	2640.6701
	Large farmers	-7576.8968(*)	2857.8748
Large farmers	Small farmers	7701.0172(*)	1693.0277
	Medium farmers	7576.8968(*)	2857.8748

* The mean difference is significant at .05 level.

From the table, it is observed that the **own fund** utilized for the cultivation of crops by “Large” farmer differs significantly from “Small” and “Medium” farmers.

It is concluded that the **own fund** to cultivate crops by large farmers is significantly more than small and medium farmers.

BORROWED FUND FOR CULTIVATION

ANOVA is used to test whether there is any significant difference in spending their **Borrowed Fund** to cultivate per acre among the three types of farmers, viz., Small, Medium and Large. The analysis are presented in the table given below 4

Null Hypothesis: There is no significant difference among the small, medium and large farmers in spending their **borrowed fund** for cultivation.

TABLE No. 4

BORROWED FUND			
TYPE OF FARMER	Mean (Rs.)	N	Std. Deviation (Rs.)
Small farmers	34465.9443	323	26644.2590



Medium farmers	68022.5564	133	28583.3354
Large farmers	88795.4545	44	40984.1600
Total	48173.0000	500	34512.4149

TABLE NO. 4.a

ANOVA

	Sum of Squares	Df	Mean Square	F	Table Value	Sig.
Between Groups	185697068691.267	2	92848534345.634	112.918	4.648	**
Within Groups	408665216808.733	497	822264017.724			
Total	594362285500.000	499				

** 1 % level of Significance

Source: Primary Data.

The ANOVA table shows that the calculated 'F' value 112.918 is greater than the table value 4.648 for (2, 497) degrees of freedom at 1 per cent level. Hence the null hypothesis that there is no significant difference in **borrowed fund** for cultivation of crop among the Small, Medium and Large farmers is rejected.

This indicates that there is a significant difference in the **borrowed fund** for cultivation of crop among the small, medium and large farmers.

Post Hoc test for Borrowed Fund

To find out whose **borrowed fund** is more while comparing with others, post- hoc test is applied.

TABLE No. 4.b

Multiple Comparisons			
Dependent Variable: BORROWED FUND			
(I) TYPE OF FARMER	(J) LAND HOLDINGS	Mean Difference (I-J)	Std. Error
Small farmers	Medium farmers	-33556.6121(*)	2954.3435
	Large farmers	-54329.5103(*)	4607.9852
Medium farmers	Small farmers	33556.6121(*)	2954.3435
	Large farmers	-20772.8982(*)	4987.0086
Large farmers	Small farmers	54329.5103(*)	4607.9852
	Medium farmer(2.5-5 acres)	20772.8982(*)	4987.0086

*The mean difference is significant at .05 level.

From the table, it is found that the **borrowed fund** to cultivate crop differs significantly among the three types of farmers.

For medium farmers the **borrowed fund** is more significantly than the small farmers. For large farmers it differs more significantly than the medium farmers in terms of financial support from others.

Borrowed fund differs significantly among small, medium and large farmers. Large farmers borrow more than small and medium farmers. This indicates that as area of land increases the fund borrowed also increases. Also banks or private parties lend loan according to the land holdings.



DIFFICULTIES IN GETTING FINANCE

The farmers may be in need of financial help during the period of cultivation. They may approach the banks and private parties to get the financial help but there may be a lot of difficulty in getting their financial support from others.

The following table shows the opinion of farmers regarding difficulties in getting finance.

	No.	%	
Do the farmers have any difficulty in getting finance?	NO	27	5.4
	YES	473	94.6

From the table it is observed that as many as 94.6% of the farmers are finding difficulties in getting finance. Following are certain problems taken into consideration in this study. The procedural delay, limit for loan amount, complexity in procedure, security offered and rigid payment procedure. Garret’s Ranking Technique is used to identify the problems in getting finance.

TABLE No.5

Rate		1	2	3	4	5	
percentile score	X	75	60	50	40	24	TOTAL Rank
Procedural delay	F1	4	172	215	70	12	473
	XF1	300	10320	10750	2800	288	24458 III
Limit for loan amount	F2	148	124	104	89	8	473
	XF2	11100	7440	5200	3560	192	27492 II
Complexity in procedure	F3.	320	81	67	5	0	473
	XF3	24000	4860	3350	200	0	32410 I
Security offered	F4	1	77	85	302	8	473
	XF4	75	4620	4250	12080	192	21217 IV
Rigid payment procedure	F5	0	16	4	8	445	473
	XF5	0	960	200	320	10680	12160 V

From the table 5, it is concluded that “**Complexity in Procedure**” is in the first position (Rank 1) and next important factor is “**Limit for loan amount**” (Rank 2) has faced by majority of the respondents.

The least factor considered is a “**Rigid payment procedure**”.

FINDINGS

1. TYPE OF FUNDS

It is found that large farmers have the highest percentage of borrowed fund and small farmers have the lowest level of borrowed fund. (Table 1)

2. SOURCES OF FUNDS

It is found that all types of farmers utilize moneylenders and banks to borrow more money. Also farmers get loans from their friends and relatives rather than Commission Agents. (Table

3. OWN FUND FOR THE CULTIVATION

It is found that the own fund utilized for cultivation of crop by large farmers differs significantly from the small and medium farmers. It is concluded that the own fund to cultivate crop by large farmers is significantly more than small and medium farmers.(Table 3.b)

4. BORROWED FUND FOR THE CULTIVATION

It is found that the **borrowed fund** to cultivate crop differs significantly among the three types of farmers.



For medium farmers the **borrowed fund** is more significantly than the small farmers. For large farmers it differs more significantly than the medium farmers in terms of financial support from others. Borrowed fund differs significantly among small, medium and large farmers. Large farmers borrow more than small and medium farmers. This indicates that as area of land increases the fund borrowed also increases. Also banks and private parties lend loan according to the land holdings. (table 4.b.)

5. DIFFICULTIES IN GETTING FINANCE

It is concluded that the complexity in the procedure is the first important factor (Rank 1) and the next important factor is “Limit for loan amount” (Rank 2) was faced by the majority of the respondents. The least factor considered is “Rigid important procedure”.(table 5)

SUGGESTIONS

1. The study indicated that the farmers are not able get more credit facilities either from village Co-operative societies or from any other financial institutions. Therefore they fall a prey to the pre-harvesting contractors. To overcome this agony of the farmers and to protect them from the exploitation of pre-harvesting contractors the government should make necessary arrangements for more credit facility especially through district central Co-operative Bank, Primary Agricultural Co-operative Banks and nationalized Commercial banks.
2. Credit-linked marketing is compromising innovation both to get credit facilities easily through government agencies and to repay the loans in time while marketing them. The Government should take necessary steps to encourage the small and medium type of farmers.
3. To provide adequate credit to farmers at reasonable rates of interest and to protect them the clutches of money lenders. Government should properly set up to give loans and technical advice to small and medium farmers in the areas where opportunities and desire to increase agricultural production exists.

Conclusion

The agricultural growth strategy of the past has intensified the interclass inequalities. The efforts were made to relieve farmers from the traditional burden of debt, to promote thriftiness and preventing exploitation by moneylenders. In the areas chosen for the Research, two-third of the population are agriculturalists. Their agricultural lands depend on monsoon rains. The majority of the lands are rain-fed areas. If the monsoon fails, then the farmers will be in trouble. In this situation, the Government should give financial support to farmers, especially to the small and medium farmers.