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Evaluating the Magnitudes of Finance Availed by Farmers from Different Financial Agencies in the North-East Indian State of Tripura

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Authors' contributions

This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.

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ABSTRACT

The current research was carried out in the West Tripura district of Tripura to examine the magnitude of agricultural financing availed by borrowers. A total of 120 farmers were chosen by implementing a multistage random sampling design to conduct a comprehensive analysis. Sector-wise advances of banks in West Tripura showed an increasing trend, and the percentage share to the agricultural sector was 34.27 %, whereas it was 65.72 % in the non-farm sector in 2020-21. The amount of loans availed by sample borrowers from Regional Rural Bank (42.88%) was the highest, followed by public sector banks (34.48%), cooperative banks (19.80%) and least from private sector banks (1.84%). Loans for both crop and allied activities were obtained by the beneficiaries from the selected bank branches of the district.

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1. INTRODUCTION

India's economy has long relied heavily on agriculture. It considerably raises the nation's GDP and employs a sizable workforce. Financial institutions are known to significantly impact the economy by gathering savings from individuals and directing them toward profitable economic ventures [1]. Hence, the significance of financial institutions cannot be overstated in the growth of every industry, including agriculture. The development of agriculture appears to depend heavily on the banking sector, as a significant majority of farmers (80%) are considered small and marginal [2]. These farmers often struggle to save and invest due to their limited income. The agricultural sector is of utmost importance to the country as it effectively serves the primary objectives of output, growth, poverty reduction, social justice, and equity. One of the primary impediments to agriculture's continued growth and diversification is the dearth of financial support from banks in the form of loans and advances within the region [3].

Therefore, enhancing the credit flow toward the agricultural sector is necessary. However, the agricultural industry in India faces numerous difficulties, including low productivity, poor infrastructure, and limited access to financing. The growth of India's agricultural sector depends on having access to money [4,5]. The government and other financial institutions have taken several actions to increase farmers' access to financing. For farmers to invest in farming endeavours, purchase inputs, and develop their enterprises, they must have access to loans [6]. Increasing productivity, enhancing farming methods, and raising farmer income are all benefits of agricultural finance. Additionally, it promotes rural development and lowers poverty [7].

Through various laws and programs, the Indian government has promoted agricultural finance. A target for loan flow to the agriculture sector has been set by the Reserve Bank of India (RBI). The aim for agricultural credit disbursement for the fiscal year 2021–2022 is ≠16.5 lakh crore, an increase of 10% from the prior year's target. The government has also introduced a number of programs to increase farmers' access to finance, including the Kisan Credit Card (KCC) program, Interest Subvention Program, and Pradhan Mantri Fasal Bima Yojana (PMFBY).

Tripura is a hilly state in northeast India. The state has many small and marginal farmers who face issues such as restricted access to capital and technology and inadequate infrastructure for storing and transporting their produce [8]. Continuous agricultural growth demands significant financial support. However, one of the most significant hurdles to the continued development and expansion of agriculture in the state is a shortage of bank finance in the form of loans and advances [3]. In a study conducted in the state it was found that the majority of the sample beneficiaries obtained agricultural loans rather than allied activity loans, and it was discovered that marginal and small farmers diverted a greater part of the loan than medium farmers [8]. Although financial intermediation is widespread in Tripura, there is a lack of comprehensive research on the involvement of farmers in agricultural development through institutional financing. Therefore, the present research was conducted to investigate the extent of agricultural credit obtained by the farming population from different institutional agencies as rural institutional finance is anticipated to provide intense credit service and supervision to farmers as an alternative to scattered financing, ensuring excellent performance and expanded financial inclusion in the country's economically backward regions.

2. METHODOLOGY

The study was carried out in Tripura's West Tripura district based on a survey done in that area. To create a sample, a multistage random sampling technique was used. As this technique simplifies data collection when we have large, geographically spread samples, and we can obtain a probability sample without a complete sampling frame. With the assistance of the district's Lead Bank Manager, a list of farmers who have received bank loans from various financial institutions was created. The district has nine development blocks, and the farmers were scattered throughout each block in the three subdivisions. Based on the increased number of farmers who had obtained bank loans, one development block from each subdivision was selected for the in-depth research. Dukli, Old Agartala, and Mohanpur were the three development blocks ultimately decided upon. Maheshkhala and Bikramnagar from the Dukli block, Khayerpur and D.C. Para from the Old

Agartala block, and Bijoynagar and Kalagachiya from the Mohanpur block were chosen at random as the two villages from each block. Due to time and budget limitations, twenty farmers from each village were finally chosen using a random sample procedure. The selected households were again divided into marginal, small, and medium households based on their operational holdings.

A properly designed and validated schedule was used to collect primary data from the sample households. Secondary data were acquired from the lead bank of the chosen district. The data was analysed and tallied independently for each farmer-size group. Percentage and average analysis were followed in most of the study. Also compounding technique was used to analyse the data.

3. RESULTS AND DISCUSSION

The overall performance of banks in agricultural lending in the West Tripura district during the 2016–17 fiscal year was displayed in Table 1. In the West Tripura district, the total targets for the public, private, cooperative, and RRB were set at ≠ 43974.28, Rs 196178, Rs 36534, and Rs 35018.23 lakhs, respectively. But compared to the goal, success was quite high. Except for private sector banks, the banks dispersed more agricultural loans than the aim. Private Sector Banks fell short of their (38%) target during the 2021-22 fiscal year. Excess disbursement of agricultural credit was found to be highest in the case of Regional Rural Bank (101%). It was followed by the district's Cooperative Bank (93%) and Public Sector Bank (70%) during 2016-17 [9-11].

Additionally, it was noted that the agriculture sector's advance was substantially smaller than the non-farm sector's. The farm sector's percentage contribution to overall advances climbed from 24.32 per cent in 2016–17 to 34.27 per cent in 2021-22. On the other hand, the non-farm sector's share of total advances dropped from 75.68 per cent in 2016–17 to 65.27 per cent in 2021-22. Although both the agricultural and non-farm sectors saw increases in absolute values over time (Table 2 and Fig. 1), it was discovered that the non-farm sector's relative share of overall advances had decreased.

Table 3 shows the magnitude of farm finance availed by sample borrowers from different financial institutions**.** The total amount of farm finance availed by the beneficiary borrowers was observed to be≠34,69,057, of which the beneficiary borrower farmers availed 42.88 per cent from Regional Rural Bank, 34.48 per cent from Public Sector banks, and 19.80 per cent from Cooperative Banks. On the other hand, only 1.8 per cent of farm finance was availed from Private Sector Banks. The percentage of medium farmers availing loans from Public Sector Banks, Private Sector Banks, Regional Rural Banks (RRB), and Cooperative Banks were 36.49, 4.20, 42.76 and 18.98 per cent, respectively.

List 1. Farm size and operational holding capacity

Farm size	Operational holding (Ha)	No. of beneficiaries
Marginal	0 - 1	56
Small	1.01- 2	38
Medium	2.01- 4	26

Table 1. Performance of banks in relation to agricultural credit in Tripura during the year 2021-22

(Amount in lakh)

Banks	Target	Achievement	Achievement as % of target
Public Sector Bank	43974.28	30927.64	70
Private. Sector Bank	196178.4	75076.29	38
Regional Rural Bank	36534	36778.98	101
Cooperative Bank	35018.23	32455.73	93
Grand total	311704.9	175238.64	56

Source: Reports of State Level Bankers Committee, Tripura

Table 2. Sector-wise advances of banks in West Tripura district

Year / Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Farm sector	32696.03 **(24.32)**	42569.99 **(27.57)**	47985 (28.91)	58462 (31.93)	65987 (34.27)
Non farm	101744.9 **(75.68)**	111818.9 **(72.43)**	117965 (71.08)	124587 (68.06)	126527 (65.72)
Total	**134440.9 (100)**	**154388.9 (100)**	**165950 (100)**	**183049 (100)**	**192514 (100)**

Source: Reports of State Level Bankers Committee, Tripura

Table 3. Magnitudes of farm finance availed by sample borrowers from different financial agencies

(Amount in ≠)

Size group of farmers	Total beneficiaries	Institutional lending agencies				All banks
		Public sector banks	Private sector banks	Regional rural bank	Cooperative banks	
Marginal	56	431347 (37.24)	41768 (3.61)	481937 (41.61)	203278 (17.55)	1158330 (100)
Small	38	346096 (32.41)	- -	474178 (44.40)	247747 (23.20)	1068021 (100)
Medium	26	453460 (36.49)	21989 (4.20)	531435 (42.76)	235822 (18.98)	1242706 (100)
All groups	120	1230903 (34.48)	63757 (1.84)	1487550 (42.88)	686847 (19.80)	3469057 (100)

Figures in parentheses are per cent of the total

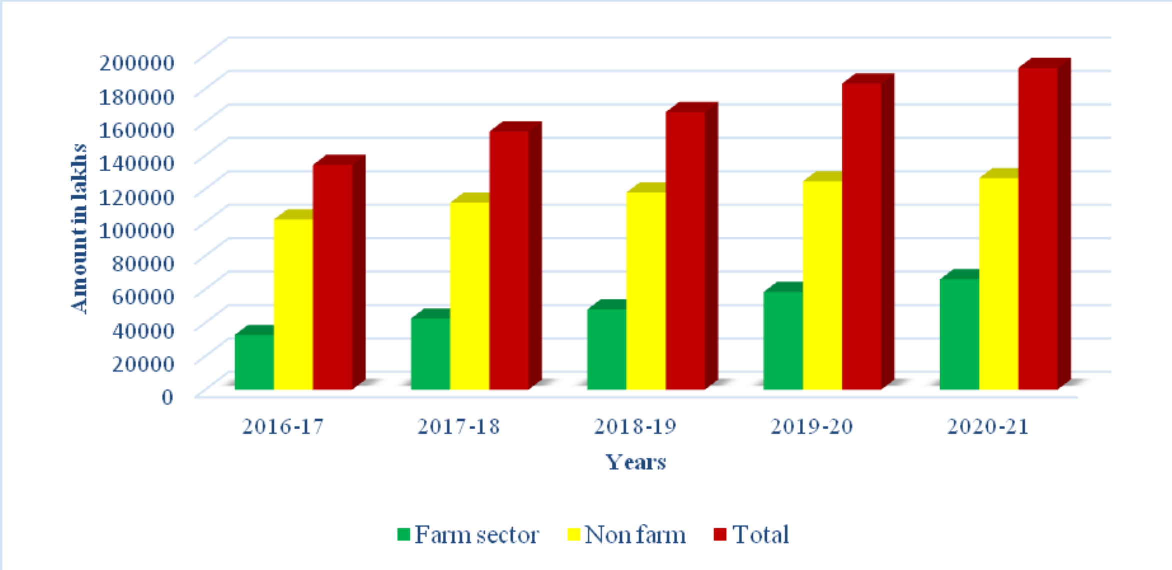

Fig. 1. Sector-wise advances of banks in West Tripura District

Regional Rural Bank was the major source of farm finance for all categories of borrower farmers. The amount of farm finance taken from Regional Rural Bank was ≠4,81,937, ≠4,74,178, and ≠5,31,435 for marginal, small, and medium-sized groups of farmers, respectively. In percentage terms, the amount of loan taken from Regional Rural banks was 41.61 per cent for marginal farmers, 44.40 per cent for small farmers and 42.76 per cent for medium farmers. Public Sector Banks were the second most important source of farm finance. The per cent of loan amounts obtained from Public Sector Banks by the marginal, small and medium farmers were 37.24, 32.41 and 36.49 per cent of the total finance, respectively. Cooperative Banks emerged as the third important source of farm finance for borrower farmers of all size groups. About 37.24, 32.41 and 38.49 per cent of total farm finance was availed by marginal, small and medium farmers from the Cooperative banks. Private Sector Banks were the least important source of farm finance for all categories of borrower farmers. It was found that only marginal (3.61% of total farm finance) and medium farmers (4.20% of total farm finance) availed of finance from Private Sector Banks.

Table 4 shows the per-farm magnitudes of farm finance availed by sample borrowers from different financial agencies. It was evident from the table that the amount of farm finance availed by an average farm was ≠28,908.81, which varied from ≠20,684.46 in the case of marginal farms to ≠47,796.38 in the case of medium farms. Among the different financial agencies, average farm finance per farm was found to be ≠30,022.02, ≠29,167.65, ≠27,473.88 and ≠21,252.33 for Public Sector Banks, Regional Rural Banks, Cooperative Banks and Private Sector Banks, respectively. In the case of Public Sector Banks, farm finance per farm was as high as ≠45,346.00 in medium farms and as low as ≠22,702.47 in marginal farms. Similarly, in case of Regional Rural Banks, it varied from ≠20,953.78 in marginal farms to ≠48,312.27 in medium farms. In the case of Cooperative Banks, it ranged from ≠16939.83 in marginal farms to ≠58955.50 in medium farms. The amount of farm finance per farm from Private Sector Banks varied from ≠20, 884.00 in marginal farms to ≠21,989.00 in medium farms.

Table 5 revealed that among beneficiary sample borrowers, around 42.50 per cent of sample beneficiaries availed of crop and allied agricultural loans from Regional Rural Bank. The percentages of sample borrowers availing crop loan from Public Sector Bank and Co-operative Banks was found to be 34.17 and 20.83 per cent, respectively. The least percentage (2.50%) of sample beneficiaries availed of loans from Private Sector Banks. The percentage of marginal farmers availing crop loans from Public Sector Banks, Private Sector Banks, Regional Rural Banks and Cooperative Banks were 33.93, 3.57, 41.07 and 21.43 per cent, respectively.

Table 4. Per-farm magnitudes of farm finance availed by sample borrowers from different financial agencies

(Amount in ≠)

Size group of farmers	Total beneficiaries	Institutional lending agencies				All Banks
		Public sector banks	Private sector banks	Regional rural banks	Cooperative banks	
Marginal	56	22702.47	20884.00	20953.78	16939.83	20684.46
Small	38	28841.33	-	27892.82	27527.44	28105.82
Medium	26	45346.00	21989.00	48312.27	58955.50	47796.38
All groups	120	30022.02	21252.33	29167.65	27473.88	28908.81

Table 5. Number of sample borrowers availing crop & allied agricultural loans from different financial agencies

Size group of farmers	Total beneficiaries	Institutional lending agencies			
		Public sector banks	Private sector banks	Regional rural banks	Cooperative banks
Marginal	56 (100)	19 (33.93)	2 (3.57)	23 (41.07)	12 (21.43)
Small	38 (100)	12 (31.58)	-	17 (44.74)	9 (23.68)
Medium	26 (100)	10 (38.46)	1 (3.85)	11 (42.30)	4 (15.38)
All groups	**120 (100)**	**41 (34.17)**	**3 (2.50)**	**51 (42.50)**	**25 (20.83)**

Figures in parentheses indicate per cent of total

No sample beneficiary farmers from a small group borrowed money from Private Sector Banks, but 31.58% borrowed from Public Sector Banks, 44.74% borrowed from Regional Rural Banks, and 23.68% borrowed from Cooperative Banks, according to the study. The percentage of medium farmers availing crop loans from Public Sector Banks, Private Sector Banks, Regional Rural Banks and Cooperative Banks was 38.46, 3.85, 42.30 and 15.38 per cent, respectively.

4. CONCLUSION

The amount of loan obtained by sample borrowers was largest from RRBs (42.88%), followed by public sector banks (34.48%), cooperative banks (19.80%), and private sector banks (1.84%). Amounts borrowed by medium farmers from Public Sector Banks, Private Sector Banks, Regional Rural Banks, and Cooperative Banks were 38.46, 3.85, 42.30, and 15.38 per cent, respectively. Some recommendations or implications of this study comes out as; In order to draw in new borrowers and customers, a banking awareness program is required in rural areas. The bank should expand its services into unbanked areas to increase deposits that can be used to fund various agricultural and allied agricultural operations, which would ultimately raise the bank's C-D ratio. The bank should set separate microfinance and financial inclusion targets. And such steps would incentivise the poorer sections of society, aiding overall economic growth.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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