



## IMPACT OF INSTITUTIONAL CREDIT ON FARM ECONOMY AND LIVELIHOOD OF FARMERS IN GODDA DISTRICT OF JHARKHAND STATE

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### ABSTRACT

*The present study was conducted in the year 2010-11 & 2011-12 on three categories of farmers of schedule caste (SC), schedule tribe (ST) and other caste (OC) in five villages of Sunderpahadi block of Godda district. The results indicate that the percentage of borrower farmers of other caste were higher from the institutional agencies as compare to tribal & schedule caste farmers. The total amount of farms loan advanced by different institutional agencies, about 4.2 per cent, 1.8 per cent and 9.1 per cent as crop loan and 27.3 per cent, 19.0 and 38.6 percent in form of investment loan to ST, SC and other caste of farmers respectively. During observation it is also found that mis-utilization of farm loans were higher on schedule caste of farms as compared to tribal and other caste of farms. The results revealed that the impact of institutional loans significantly increased the farm income as well as the livelihood option on small farms and medium size of farms in all categories of farmers. The most important financial constraint faced by the farmers was inadequate supply of farm loans by the financial institution.*

### Introduction

Institutional credit is not only one of the critical inputs of our Indian agriculture but is also an effective means of rural development. A large number of agencies, including co-operatives, regional banks (RRBs), commercial banks, self-help group (SHGs) and well-spread informal credit outlets together constitute the Indian rural delivery system. In the recent past years with the technological breakthrough in Indian Agriculture the face of the rural India is now changing fast and more inclined of capital to meet the cash requirement for purchasing of various inputs like fertilizers, pesticides, high yielding variety etc. According to All India Rural Survey Committee Report 1954, cooperative Society accounted for only about 3.3 per cent of the total quantum of agricultural credit and the share of Commercial Banks was less than 1 per cent. Keeping this in view the present study has been undertaken in Godda district of Santhal Pragana is to find out the impact of the financial institutional on the economy and the livelihood of different social classes of the farmers.

### Review Of Literature

The pertinent literature that has been reviewed in my study related to borrowing pattern, pattern of credit utilization, the potential impact of farm credit on the farm economy and farm financial constraints etc. Singh et al (1971) in their study of 146 farmers of 12 villages of Gyanpur block, Varanasi district (U.P.) found that investment on irrigation and fertilizer has significant and positive impact on farm productivity. They also observed that productivity per rupee investment was increased much higher. They study indicated that the progressive farmers were using the credit in the right direction and properly allocating

the credit between irrigation and fertilizers. Singh (1972) found that the impact of bank loan on farm economy of Ranchi district, results revealed that there was significant increase in land use and irrigation, change from less remunerative crop to more remunerative crop. He further observed that due to increase in intensity of cropping, per acre fixed and variable expenses gross income, net income were also increased significantly. Parida (1984) in his study on impact of small farmers of Ranchi district of Bihar concluded that cropping intensity was increased much higher in case of beneficiary tribal farms in comparison to non-beneficiary tribal farms. The study also revealed that the gross income, net incomes were increased more on beneficiary tribal farms as compared to non-beneficiary tribal farms.

### Material And Methods

A complete list of all the farmers in each of the selected villages was prepared along with their total holding. A sample of 85 farmers from five villages namely Sundermore, Kalajore, Chandana, Mohanpur and Bara Sindari consisting of 33 tribal borrower farmers, 24 schedule castes and 28 other caste were selected purposively. The farmers were classified into three categories viz: marginal, small and medium farm. Required data from selected farmers were collected with help of the pre-tested schedule/questionnaires through survey method in the year 2010-11 & 2011-12. In order to examine the hypothesis by using “t” test for independent sample for testing the differences between the different size group of ST, SC & other class farms to know the difference are significant or not. Formula used for ‘t’ test is

$$t = \frac{X_1 - X_2 - X_3}{s \sqrt{1/n_1 + 1/n_2 + 1/n_3}}, \text{ Where } S = \sqrt{\frac{(n_1-1)S_1^2 + (n_2-1)S_2^2 + (n_3-1)S_3^2}{n_1 + n_2 + n_3 - 3}}$$

Where  $X_1$ ,  $X_2$  and  $X_3$  will be the sample mean of three group/ categories  $S_1$ ,  $S_2$  &  $S_3$  are respective standard deviation and in  $n_1$ ,  $n_2$  &  $n_3$  are the sample size of three respective group/categories.

### Results And Discussion

The land use pattern & cropping intensity of different size of groups are presented in table-1. The result revealed that the higher percentage (more than 75%) of area was devoted under kharif crops for all three categories of farms. The coverage of rabi crops were about 18% which are higher on other caste of farm as compared to tribal & SC categories of farms in all size of group of the farmers. The cropping intensity was much higher by all size of farms of the other caste of farmers as compared other two categories of size of farms due to positive impact of farm credit to sample farmers.

Results (table-2) showed that per farm total amount of loans advanced by different Commercial institutional agencies to other caste of farmers of all size groups were much higher as compared to all size group of tribal & SC farmers. The per farm loan ranged from marginal to medium farmers were 29 per cent to 33 per cent for other caste, 20 per cent to 23 per cent for tribal and 44 per cent to 51 per cent for schedule caste in the area under investigation. Farmers’ Cooperative Society & Block were given more emphasis to the tribal farmers as compare to other classes.

Total cost of cultivation, gross return and net return per farm (table-3) on all size group

of other caste of farms were higher as compare to all size groups of schedule caste and tribal on medium size group of the farms. It was because of the fact the farm resources were better utilized on medium size group of the farms as compared to other group of the farmers in the study area.

**Table-1: Land Use Pattern & Cropping Intensity on Different Categories of Farms**  
(Area in Ha)

S.N.	Farm size/ Farm Group	Net cultivated area	Kharif	Rabi	Summer	Total	Cropping intensity
1	<b>MARGINAL</b>						
	Tribal	0.78	0.656	0.139	0.025	0.820	105.077
	SC	0.42	0.355	0.062	0.019	0.436	103.857
	Other	0.62	0.546	0.163	0.027	0.736	118.742
2	<b>SMALL</b>						
	Tribal	1.58	1.409	0.243	0.032	1.684	106.608
	SC	1.22	1.036	0.230	0.019	1.285	105.344
	Other	1.45	1.301	0.352	0.077	1.729	119.241
3	<b>MEDIUM</b>						
	Tribal	4.52	4.121	1.019	0.185	5.325	117.814
	SC	2.50	2.278	0.456	0.054	2.788	111.504
	Other	4.30	3.922	1.368	0.274	5.564	129.386

**Table 2: Institutional Loan To Different Categories of Sample Farms ( Rs. Per farm)**

Farm size	State bank of India			Bananchal Garmin Bank			Farmers Services Cooperatives Society			Allahabad bank			Block		
	Tribal	SC	Other	Tribal	SC	Other	Tribal	SC	Other	Tribal	SC	Other	Tribal	SC	Other
Marginal	8500	7520	12500	6500	5500	7500	4500	2200	3500	6500	4500	15000	5200	1800	3500
%	9	8	13	7	6	8	5	2	4	7	5	16	5	2	4
Small	9500	6800	15200	6500	4500	6500	4500	1800	4200	8500	5200	18000	4800	2200	5200
%	9	7	15	6	4	6	4	2	4	8	5	17	5	2	5
Medium	10500	8500	25000	5200	2800	4500	5700	3500	5200	6700	4800	15000	4200	2500	6500
%	9	8	23	5	3	4	5	3	5	6	4	14	4	2	6
Total	28500	22820	52700	18200	12800	18500	14700	7500	12900	21700	14500	48000	14200	6500	15200
%	9	7	17	6	4	6	5	2	4	7	5	16	5	2	5

Based on five capitals, livelihood improvement of all social classes are presented in table-4, it was found that out of five capitals physical capital was increased by highest of 46 per cent as compared to the other capitals like social, human, financial and natural capitals followed by social capital, financial capital, human capital and least improvement were found in natural capital.

**Table-3: Farm size wise cost of cultivation, gross return and net return (Rs. per farm)**

Farm size group	Per farm cost of cultivation			TOTAL	Per farm Gross return			TOTAL	Per farm Net return			GROSS TOTAL
	Tribal	SC	Other		Tribal	SC	Other		Tribal	SC	Other	
Marginal	18750	12870	22550	54170	27400	19410	34120	80930	8650	6540	11570.0	26760.0
%	35	24	42	100	34	24	42	100	32	24	43	100.0
Small	32650	18760	45500	96910	51400	27510	71250	150160	18750	8750	25750.00	53250.0
%	34	19	47	100	34	18	47	100	35	16	48	100
Medium	45750	24580	58500	128830	74500	40330	91250	206080	28750	15750	32750	77250
%	36	19	45	100	36	20	44	100	37	20	42	100.0
Total	97150	56210	126550	279910	153300	87250	196620	437170	56150	31040	70070	157260
%	35	20	45	100	35	20	45	100	36	20	45	100.0

**Table-4: Livelihood Improvement of the sample farmers (value in score)**

Size of farmers	A: Social Capital											
	Tribal			SC			Other			Total		
	Before	Now	% increase	Before	Now	% increase	Before	Now	% increase	Before	Now	% increase
Marginal	12	16	33	11	14	27	19	27	42	42	57	36
Small	18	26	44	13	17	31	24	35	46	55	78	42
Medium	25	37	48	16	25	56	26	39	50	67	101	51
Total	55	79	44	40	56	40	69	101	46	164	236	44
	B: Financial Capital											
Marginal	10	13	30	12	15	25	18	24	33	40	52	30
Small	16	22	38	13	17	31	23	34	48	52	73	40
Medium	22	32	45	15	21	40	26	39	50	63	92	46
Total	48	67	40	40	53	33	67	97	45	155	217	40
	C: Physical Capital											
Marginal	11	14	27	11	14	27	18	27	50	40	55	38
Small	18	25	39	13	17	31	24	37	54	55	79	44
Medium	24	36	50	17	25	47	26	42	62	67	103	54
Total	53	75	42	41	56	37	68	106	56	162	237	46
	D: Natural Capital											
Marginal	15	18	20	11	12	9	19	25	32	45	55	22
Small	22	30	36	13	16	23	22	32	45	57	78	37
Medium	25	36	44	16	21	31	28	42	50	69	99	43
Total	62	84	35	40	49	23	69	99	43	171	232	36
	E: Human Capital											
Marginal	18	25	39	13	16	23	21	30	43	52	71	37
Small	19	27	42	14	19	36	26	38	46	59	84	42
Medium	28	41	46	19	26	37	28	43	54	75	110	47
Total	65	93	43	46	61	33	75	111	48	186	265	42

### **Test Of Singnificance:**

In computation of “t” test value of net return from farm activities of marginal, small & medium size group of farms. The differences were significant at 5 per cent and 1 per cent level of probability for small & medium size of group respectively. Thus most important conclusion coming out from the above discussion is that the impact of loan advanced by instructional agencies significantly increased the income of small farms as well as medium farms. But the increments were not significant on marginal farms which indicate the neutral impact of institutional loan on income of these farms.

### **CONCLUSION**

On the basis of empirical analysis and results obtained from the present investigation, the following conclusions can be drown:

1. Other castes of farmers are more conscious obtaining the farm loan as compared to tribal and schedule caste of farmers. Therefore, special consideration and campaign should be given to the tribal & schedule caste farmers.
2. The study showed that mis-utilization of farm loans was higher on schedule caste of farms as compared to tribal and other caste of farms.
3. It was observed that the farm income was higher on other caste farms as compared to tribal and schedule caste of farms. It is concluded that impact of farm financing was much better on the economy of the other caste farmers as compared to tribal as well schedule caste of the farmers
4. The results revealed that the impact of institutional loans significantly increased the farm income as well as the livelihood option on small farms and medium size of farms in all categories of farmers.
5. The most important financial constraint faced by the farmers was inadequate supply of farm loans by the financial institution.

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