

## Impact of institutional finance on farmers economy in North Konkan region of Maharashtra, India

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### ABSTRACT

Credit enables farmers to use various input to the recommended levels and thereby increase agricultural production through increased employment opportunities. The present study was undertaken to know the impact of institutional credit on cost, returns on profitability in the north Konkan region of Maharashtra state. A sample of 120 borrowers and 120 non-borrowers was selected randomly from twelve villages of four selected tahsils of Thane and Raigad district of North Konkan region. The analysis revealed that cropping intensity on beneficiary farm category was higher than non-beneficiaries. Area under irrigation was also more (1.06 ha.) on beneficiary farms than non-beneficiaries (0.39 ha.). The borrower farmers availed loan to the extent of Rs.10076.18 per farm (Rs.5503 per ha.). Per farm amount of loan increased with increase in the size of holding. Regarding size groupwise disbursement it was observed that maximum crop loan was taken by large size group (Rs.6075/-) followed by medium (Rs.5440/-) and small group (Rs.2450/-). Similar trend was observed for other purpose of loan. The per farm income and profit on beneficiary farms was higher than non-beneficiary farms. The per farm gross return from beneficiary farm was Rs.99288 as against Rs.32889 from non-beneficiary farm. This indicated that gross income on beneficiary farm was about three times higher than non-beneficiary farms. The farm business income, which represents the profit for direct cost for beneficiary farmers, was four times more than that of non-beneficiary farms. The output-input ratio at cost on beneficiary and non-beneficiary farm was 1.10 and 0.95 respectively. This showed that crop production was profitable on beneficiary farms. The effect of short-term loan in production process was found significant on all size groups. The value of regression coefficient indicated that with increase of one rupee short-term loan, gross income of small farmers increased by Rs. 5.03, medium farmers by Rs.1.25 and large farmer by Rs.2.93. The results have clearly demonstrated that there is positive impact of agricultural credit on per hectare yield of different crops. Thus the flow of farm credit has resulted in improving the economy of the borrower farmers.

**Key words:** Finance, Cost, Returns, Profit and Farmer economy.

### INTRODUCTION

Agricultural finance is one of the most vital resource for agricultural sector. With the technological breakthrough in Indian agriculture, the farmers are inclined to use more and more capital to meet the cash requirements for purchasing different farm inputs. Inadequate and inefficient use of capital is the major cause of low productivity on our farms. In order to sustain and accelerate the technological change in agriculture, the availability of adequate amount of credit and its use in proper direction is of prime importance.

### MATERIALS AND METHODS

The study was conducted in North Konkan region of Maharashtra state. A sample of 120 farmers (borrowers) who availed institutional credit for last three years and equal number of sample farmers (non-borrowers) who did not availed any credit were selected randomly from 12 villages of four selected tahsil of Thane and Raigad districts of North Konkan region. The selected farmers were classified on the basis of land holding

namely small, medium and large group in borrower and non-borrower groups. In addition to simple tabular analysis, The multiple regression analysis was carried out to study the impact of credit on agricultural production.

### RESULTS AND DISCUSSION

#### *Utilization of loan:*

The credit was made available to the borrower by Co-operatives, Commercial banks and Land Development Banks. The pattern of utilization of loan is presented in Table 1.

It is observed from the Table 1 that at the overall level, out of total amount of loan disbursed by Co-operative Banks (50.14 %) highest proportion of loan (36.98 per cent) was availed for crop production followed by purchase of livestock with 6.59 per cent and for purchase of pump sets for irrigation with 3.31 per cent amount. Digging of well and installation of irrigation system together accounted for 3.26 per cent of total outlay. Regarding size groupwise disbursement, it was revealed that maximum crop loan was taken up by large size group

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