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## Credit gap analysis of paddy farmers in delta region of Tamil Nadu

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### Abstract

This study was based on cross sectional data collected from randomly selected 120 respondents from Delta region of Tamil Nadu. Out of which, 72 borrowers were non-defaulters and 48 borrowers were defaulters. In order to estimate the credit requirement, 7 criteria were adopted. At overall level, the per hectare credit requirement of Paddy as per first, second, third, fourth, fifth, sixth and seventh criteria was Rs.80,869, Rs.60,651, Rs.86,732, Rs.88,467, Rs.88,424, Rs.88,914, Rs.90,693, respectively. The credit gap estimated by using first, second, third, fourth, fifth, sixth and seventh criteria was Rs.4,631 (5.72 per cent), Rs.24,849 (40.9 per cent), Rs.-1,232 (-1.4 per cent), Rs.-2,967 (-3.3 per cent), Rs.-2,924 (-3.3 per cent), Rs.-3,414 (-3.8 per cent), Rs.-5,193 (-5.7 per cent), respectively. Thus, from the estimated credit gap, it was found that the first two criteria favours financial institutions and the rest of the criteria were in the favour of farmers.

**Keywords:** Credit requirement, financial institutions, farmers

### Introduction

Paddy is the most widely cultivated & produced cereal crop in India. As it is the staple crop, majority of the people in India are cultivating paddy for feeding their population, despite earning livelihood. In India, the total production of food grains is about 305.44 million tones. Among that paddy contributes 122.27 million tones. As paddy is a capital intensive crop, it need huge capital to purchase seeds, manures, fertilizers etc., This need can be met through obtaining credit from commercial banks & co operative societies. Despite, there are some unavoidable questions arising out of crop loan such as, What percentage of loans does the financial institutions provide to farmers? Are the farmers getting required credit in time formal financial institutions? Or Whether the institutions meet the credit requirements of borrowers? However, in order to find out the solutions to the above problems, this study was carried out in the limited areas of Delta region in Tamil Nadu. Cauvery Delta Zone has been purposively chosen for this research purpose as it fulfills major part of the food grain requirements of Tamil Nadu. Also, Paddy is the principle crop in this region as it is cultivated over 3.5 lakh hectares and producing 6 lakh tonnes of in one season.

### Methodology

This study was conducted in limited area by selecting two districts (Tiruchirapalli and Karur) in Cauvery Delta Zone. From that selected districts, two delta blocks were purposively selected based on area under paddy. Three villages from each block were selected and 10 farmers were selected from each village by simple random sampling method. Finally, 120 farmers were interviewed by using specially designed questionnaire. The data collected during survey pertains to the agricultural year 2021-2022.

### a) Credit requirement

The credit requirement of farmers was estimated by considering 7 criteria

- Based on 100 per cent variable cost
- Based on 75 per cent variable cost
- Cost A1 + Family Labour cost
- Cost A1 + Insurance premium + Family labour cost
- Cost A2 + Insurance premium
- Cost A2 + Family labour cost
- Cost A2 + Insurance premium + Family labour cost

**b) Credit gap**

The Credit gap was estimated by deducting the credit requirement of the borrowers from the actual amount which they have borrowed from financial institutions.

$$C_g = C_a - C_r$$

Where,

$C_g$  = Credit gap

$C_a$  = Credit Available

$C_r$  = Credit requirement

**Results and Discussion**

The credit requirement of the farmers was estimated by using 7 criteria. For estimating credit requirement, the farmers were classified into tenant cultivators and owner cultivators and the estimated credit requirement of both farmers is presented in Table 1.

**Table 1:** Per hectare credit requirement of sample respondents (Fig.in Rs.)

S. No	Particulars	Owner Cultivator		Tenant Cultivator		Overall
		Non – defaulter	Defaulter	Non – defaulter	Defaulter	
a)	Based on 100% variable cost	80,204	85347	77,374	79,707	80,869
b)	Based on 75% of Variable Cost	60,153	64010	58,030	59,780	60,651
c)	Cost A1 + Family Labour Cost	86,771	92188	83,283	83,844	86,732
d)	Cost A1 + Family Labour Cost +Insurance Premium	88,506	94,032	84,944	85,522	88,467
e)	Cost A2+ Insurance Premium	-	-	92,727	94,860	88,424
f)	Cost A2 + Family Labour cost	-	-	93,414	95,539	88,914
g)	Cost A2 + Family Labour cost + Insurance Premium	-	-	95,283	97,450	90,693

It was observed that at overall level, the per hectare credit requirement of paddy farmers based on first, second, third, fourth, fifth, sixth and seventh criteria was estimated to Rs.80,869, Rs.60,651, Rs.86,732, Rs.88,467, Rs.88,424, Rs.88,914, Rs.90,693, respectively. As the owner cultivators are cultivating their owned land, the rent paid to the leased in land by the owner cultivators was negligible. Hence, while

estimating the credit requirement for fifth, sixth and seventh criteria, the owner cultivators were not taken into account as it includes Cost A2. This foregoing analysis revealed that the credit requirement of owner cultivators was more than that of tenant cultivators and the credit requirement of defaulters was more than that of non-defaulters.

**Table 2:** Credit gap of the sample respondents (Value in Rs.)

	Particulars	Owner Cultivator		Tenant Cultivator		Overall
		Non -defaulter	Defaulter	Non –defaulter	Defaulter	
<b>1</b>	Scale of Finance	85500	85500	85500	85500	85500
<b>2</b>	<b>Credit Gap</b>					
a)	Based on 100% variable cost	5296	153	8126	5793	4631
b)	75% of Variable Cost	25347	21490	27470	25720	24849
c)	Cost A1 + Family Labour Cost	-1271	-6688	2222	1656	-1232
d)	Cost A1 + Family Labour Cost +Insurance Premium	-3006	-8532	556	-22	-2967
e)	Cost A2 + Insurance Premium			-7227	-9360	-2924
f)	Cost A2 + Family Labour Cost			-7914	-10039	-3414
g)	Cost A2 + Family Labour cost + Insurance Premium			-9783	-11950	-5193
<b>3</b>	<b>Percentage of credit gap to total credit requirements</b>					
a)	Based on 100% variable cost	6.6	0.17	10.5	7.26	5.72
b)	Based on 75% of Variable Cost	42.13	33.57	47.33	43.02	40.96
c)	Cost A1 + Family Labour Cost	-1.46	-7.25	2.66	1.97	-1.42
d)	Cost A1 + Family Labour Cost +Insurance Premium	-3.39	-9.07	0.65	-0.02	-3.35
e)	Cost A2 + Insurance Premium			-7.79	-9.79	-3.3
f)	Cost A2+ Family Labour Cost			-8.47	-10.5	-3.84
g)	Cost A2 + Family Labour cost +Insurance Premium			-10.26	-12.26	-5.72

The scale of finance fixed by the State level banker's committee for paddy was taken into account for credit availability. At overall level, the credit gap estimated by using first, second, third, fourth, fifth, sixth and seventh criteria was Rs.4,631 (5.72 per cent), Rs.24,849 (40.9 per cent), Rs.-1,232 (-1.4 per cent), Rs.-2,967 (-3.3 per cent), Rs.-2,924 (-3.3 per cent), Rs.-3,414 (-3.8 per cent), Rs.-5,193 (-5.7 per cent) respectively. The above result indicated that the farmers would enjoy surplus credit in first two criteria and in the rest of criteria, the credit amount was inadequate. The tenant cultivators enjoyed surplus credit according to first, second and third criteria whereas, the owner cultivators had surplus

credit according to first two criteria. The tenant non-defaulters had surplus credit in fourth criteria but the credit amount was inadequate for tenant-defaulters.

**Conclusion**

As per the credit gap estimated, it was revealed that the farmers in the delta region avail less amount of credit from the financial institutions than they actually required. The farmers are getting surplus credit, if only variable costs are considered. The rest of the criteria are in favour of financial institutions. Therefore, the financial institutions should consider implicit costs and insurance premium along with

explicit costs while fixing the scale of finance.

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