

# Credit Utilisation, Decision-Making Pattern and Marketing Behaviour of Farmers in Different Coastal Farming Systems

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Farming system is a way of life for Indian Farmers where different enterprises are combined at farm to produce more synergistic total effect than individual component enterprises. These enterprise combinations also ensure variable level of food and nutritional security in addition to generation of additional income and employment for farm family depending upon the enterprise combinations. However, these systems also encounter various socio-economic and bio-physical constraints including the availability of credit and market for various farm operations. In addition, how the farm family takes decisions with regard to various farm activities also matters a lot in sustaining any farming system. Among the five agro-eco systems in the country, coastal agro-eco system offers numerous opportunities for growth as well as faces various farm related problems. Rampal and Gill (2005) emphasised that the major problems faced by the farmers require intervention on timely availability of production credit, assured product marketability and elimination of intermediaries in the market. Against this backdrop, a study was conducted to find out the credit utilisation, decision-making pattern and marketing behaviour of farmers in different coastal farming systems.

## Methodology

The study was conducted in 8 coastal villages namely Kattur, Tattamanji, Keelmudhalampedu and Periyaoblapuram in Tiruvallur district and Enathi, Santhankadu, Nadiam and Kuruvikarambai in Thanjavur district during January, 2005 to June, 2005. Participatory Rural Appraisal tools were employed to ascertain the existing enterprise combinations in the selected villages. A sample of 150 farmers was drawn using proportional allocation in different farming systems. Later, sample farmers were post-stratified based on enterprise combinations. A pre-tested Interview schedule was adopted to collect the data from farmers. Percentage analysis was used to analyse the data and interpret the results.

In the 8 villages, cropping, dairying, backyard poultry, horticulture, fisheries, sheep and goat were identified as the major farm enterprises which were practised in different combinations by the farmers. In this study, credit utilisation was studied with respect to borrowing behaviour and source of utilisation while decision-making

pattern pertaining to different farming activities was analysed based on farmers' self-decision or consultation with family, fellow farmers/friends and experts in the relevant field. The marketing behaviour was studied with dimensions such as place of sale, selling pattern, to whom sold and terms and conditions of sale.

## Results and Discussion

The results pertaining to credit utilisation, decision-making pattern and marketing behaviour were presented in Table 1, 2 and 3 respectively and discussed as under.

### Credit Utilisation

Timely and adequate credit availability at the hands of the farmers plays a significant role in executing various critical farm operations. At this present juncture, numbers of farmers utilising own credit for entire farm activities is very low. In this study, majority of the respondents (88.67%) borrowed money from different sources such as Primary Agricultural Cooperative Banks (11.33%), nationalized banks (36.67%) and private money lenders (59.33%). Only 11.33 per cent of respondents utilised their own money for farming purposes. Except C+D+P+F, the remaining systems mostly used borrowed money which was also largely from private money lenders. The wide variation might be attributed to the meagre profit of C+D, C+D+P and C+D+P+S/G systems, malfunctioning of cooperative societies at village level, convenience and easy approachability to money lenders, inability to submit documents specified by the nationalised banks, wrong policy prescriptions of ruling Governments etc. Desai and Namboodiri (2001) pointed out that the informal agencies largely extend credit for consumption and social ceremonies and their interest and other terms of conditions of loans are onerous and yet they co-exist with formal financial institutions. The amount of credit, its timeliness, interest rate, prior evaluation of proposals and continuous monitoring are essential to make credit a positive determinant. Rural indebtedness has been a serious and continuous characteristic of Indian farming due to intermittent failures of the monsoons and other customary vicissitudes of different farming systems. Ramachandran and Swaminathan (2005) observed that since there are limits to formal credit system, it is better to reduce the interest rates in the informal credit market by creating competition in the form of developing several non-banking financial

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institutions while Dev (2006) revealed that reduction in the interest rate on credit is not the solution as farmers are

interested in availability of credit from formal sources without much transaction costs.

TABLE 1—DISTRIBUTION OF RESPONDENTS AS PER THEIR CREDIT UTILISATION IN DIFFERENT FARMING SYSTEM

(N=150)

Status of Borrowing	Systems						Total
	C+D	C+D+P	C+D+P+F	C+D+P+S/G	C+D+P+H	C+D+P+S/G+H	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Borrowed	31 (20.67)	40 (26.67)	8 (5.33)	28 (18.67)	11 (7.34)	15 (10.00)	133 (88.67)
Not borrowed	4 (2.66)	5 (3.33)	4 (2.67)	2 (1.33)	2 (1.33)	0 (0.00)	17 (11.33)
<b>Total</b>	<b>35</b> (23.33)	<b>45</b> (30.00)	<b>12</b> (8.00)	<b>30</b> (20.00)	<b>13</b> (8.67)	<b>15</b> (10.00)	<b>150</b> (100)
<b>Source</b>							
Banks	15 (10.00)	15 (10.00)	4 (2.67)	15 (10.00)	3 (2.00)	3 (2.00)	55 (36.67)
PACBs	6 (4.00)	8 (5.33)	2 (1.33)	0 (0.00)	1 (0.67)	0 (0.00)	17 (11.33)
Private Agencies	17 (11.33)	25 (16.67)	5 (3.33)	19 (12.67)	9 (6.00)	14 (9.33)	89 (59.33)

C—Crop; D—Dairy; P—Poultry; F—Fishery; S/G—Sheep/Goat and H—Horticulture

Figures in parentheses indicate percentage

Percentage exceeds 100 due to multiple responses

### Decision-Making Pattern

In order to critically analyse the decision-making pattern in different farming systems, seven major areas requiring precise decisions were identified and conceptualised in terms of willingness to make self-decisions, deciding after consulting the family, fellow farmers/friends and experts in the relevant field. A glance at the Table 2 revealed that majority of the respondents consulted family members and fellow farmers for taking decisions related to different IFS activities such as selection of enterprises, resource allocation to different enterprises, utilisation of available farm resources, marketing of products and engagement of labourers. Since these sources were readily available in proximity to the respondents in the villages and farmers also needed to take timely decisions in relation to above mentioned activities, majority of them consulted these locally available sources. But more than one-third of respondents (38.67%) also consulted experts with regard to management of enterprises particularly the

aspects involving risk management like pest and diseases purchase of critical inputs, soil and water management and new innovations. Farmers of C+D+P+F predominantly consulted the experts for taking decisions whereas those systems with sheep and goat component relied on family members. Farmers used to consult their spouse in allied activities like dairying, sheep and goat rearing due to the traditional knowledge of the rural women and their interest in getting quick and regular source of additional income from the sale of products besides catering the household needs.

### Marketing Behaviour

As seen in the Table 3, majority of the respondents (60.67%) sold their produce in the village itself, sold the produce fully (60.00%), mostly to local merchants (74.67%) and received delayed payment (71.33%). It is implied that backward production and forward integration of market still desired to be improved as dominance of middlemen



continuing and farmers are still encountering the so called marketing problems. While going through the systems, it was found that C+D+P+F had a better marketing behaviour due to the presence of organised marketing facilities for aquaculture and C+D+P+H and C+D+P+S/G+H had a higher level of marketing behaviour due to peri-urban scenario prevailing in the study area like readily available consumers, need to dispose in nearby cities due to perishability of horticultural commodities, receiving on the spot payment and easy availability of transport facilities like bus, train, lorry and tempo. Farmers of Thanjavur district had the advantage of disposing paddy to the Direct Procurement Centre (DPC) operated by Tamil Nadu Civil Supplies Corporation. Farmers of both Tiruvallur and Thanjavur districts did not wish to utilise the services of regulated markets due to their improper functioning. The investigator observed that vast majority of the respondents were unable to tell the locality and role of regulated markets although they were existing for long time in nearby towns. Having a small land holding in C+D, C+D+P and C+D+P+S/G systems, they overwhelmingly relied on village merchants due to their easy availability and approachability for getting credit and disposal of the farm produce and the produce was sold at a slightly lesser than the market rate and got split payment. Few enterprising farmers in Tiruvallur district processed paddy into rice, packed in bags of 75 kgs. and sold directly to groceries in Chennai and thereby earning a considerably higher profit for their produce. When the marketable surplus of vegetables was large, farmers directly sold the produce in Chennai suburban market; while the lesser marketable surplus was being sold through direct selling as well as to merchants in local market. Similar findings were reported by Ponnusamy and Ravi (2002). The resource poor farmers cannot hold their produce and they are forced to sell their produce immediately after the harvest. Their marketable surplus becomes spot arrivals in the market as soon as the crop is harvested. They have to invariably operate in a buyers' market. The quantity of distress sale increases with the fall in the price of the product. A lower price means that a larger quantity will be sold to meet some fixed cash requirements. Farmers may substitute one crop for another crop either for family consumption purpose or for feeding their livestock because of variation in prices. Marketed surplus may be equal to the marketable surplus when the farmer neither retains more nor less than his requirement. This holds true for perishable commodities and of the average farmer (Acharya and Agarwal, 2004).

#### Implications of Findings

Streamlining the functioning of Primary Agricultural Cooperative Banks (PACBs) and the procedural formalities of public sector banks will facilitate the farmers to access working capital easily from institutional sources of

finance. There is a need for rehauling regulatory mechanisms and streamlining the mission, membership, manpower, management and money in the cooperative sector so that farmers can better utilise the finance from institutional sources at reasonable rate of interest. Regular repayment culture should be inculcated among the members through training and extension methods. The elections to the cooperative societies should be conducted on non-political lines. Cooperatives can sustain themselves if the interference from ruling Governments and other local influentials are stopped. Mechanisms should be developed to provide credit to tenant farmers also.

Arrangements should be made to provide access to right information from reliable sources which will help farmers to make rational decisions leading to reduced risk and uncertainty and higher profitability. Farmers need to be educated on choice of farming systems, cropping systems, product planning, selection of market outlets and source of market information. Mechanisms should be developed to aggregate products produced by fragmented rural producers and distribute these farm products to widely dispersed consumers by setting up of 'rural hubs' or 'economic activity centres' which can function like 'mini distribution houses'. It can effectively address the issues related to market intelligence and also reduce inconsistent quality, transportation costs, poor infrastructure and low access to high quality goods available to urban consumers. Uzhavar Sandies (farmers markets) established in Tamil Nadu facilitated the farmers to get good quality seeds and other inputs in the market yard itself and also interaction with departmental personnel apart from getting good price for their produce. More such innovative projects should be set up in coastal areas for all farm products including fish with cold storage facilities.

In view of lack of infrastructure as a deterrent for practising appropriate farming systems by the farmers, creation of certain common assets like nursery, drying yard, storage godown, tools and implements etc. at every village will help to reduce enormous external dependence and mobilize the community for the common sake and good will.

Broad based extension is the need of the hour as extension agent visiting their assigned field areas need to answer multidisciplinary queries arising from any of commodity grower such as field crops, vegetables, flowers, fruits, livestock, poultry, sheep and goat, apiary, mushroom and sericulture. The Government cannot appoint extension agents for dealing each enterprise separately at this juncture. All the departments are to be brought under single umbrella at the block level to perform the facilitative role of agricultural development by the extension agents. Policy decision on Broad-based Extension System (BBES) needs to be taken on priority basis by the Government in order to

find out the amicable solutions to constraints the experienced by farmers. This will not only help to use the manpower in a most productive manner but also to serve the clientele to his best satisfaction.

Low profitability of rice crop was one of the constraints as expressed by the respondents during the group interaction meetings. The world of agriculture beyond cereals offers higher income for the small farmer and hence there is an ample scope for farming system and development with multiple enterprise combinations if the Government takes away the price incentives for both inputs and outputs of rice production.

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**TABLE 2**

Decision-ma

(1)

**1. Selection**

- a) Self dec
- b) Consult
- c) Consult
- d) Consult

**2. Placing ent**

- a) Self decisi
- b) Consult fa
- c) Consult f
- d) Consult e

**3. Allocation of**

- a) Self decis
- b) Consult fam
- c) Consult fel
- d) Consult ex

**4. Managing ent**

- a) Self decisio
- b) Consult fam
- c) Consult fell
- d) Consult exp

**5. Utilization of ar**

- a) Self decision
- b) Consult family
- c) Consult fellow
- d) Consult exper

**6. Marketing of pr**

- a) Self decision
- b) Consult family
- c) Consult fellow
- d) Consult exper

**7. Managing labour**

- a) Self decision
- b) Consult family m
- c) Consult fellow f
- d) Consult experts

Total

Source: Survey, P-Pool  
 based on premises in



TABLE 2—DISTRIBUTION OF RESPONDENTS ACCORDING TO THEIR DECISION-MAKING PATTERN IN DIFFERENT FARMING SYSTEMS (N=150)

Decision-making Pattern	C+D	C+D+P	C+D +P+F	C+D +P+S/G	C+D +P+H	C+D+P +S/G+H	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>1. Selection of Enterprises</b>							
a) Self decision	3 (2.00)	4 (2.67)	0 (0.00)	0 (0.00)	1 (0.66)	0 (0.00)	8 (5.33)
b) Consult family members	12 (8.00)	18 (12.00)	3 (2.00)	17 (11.33)	4 (2.67)	8 (5.33)	62 (41.33)
c) Consult fellow farmer	15 (10.00)	15 (10.00)	5 (3.33)	12 (8.00)	7 (4.67)	4 (2.67)	58 (38.67)
d) Consult experts	5 (3.33)	8 (5.33)	4 (2.67)	1 (0.67)	1 (0.66)	3 (2.00)	22 (14.67)
<b>2. Placing enterprises in suitable area</b>							
a) Self decision	6 (4.00)	7 (4.67)	2 (1.33)	7 (4.67)	1 (0.67)	0 (0.00)	23 (15.33)
b) Consult family members	26 (17.33)	32 (21.33)	5 (3.33)	22 (14.67)	12 (8.00)	15 (10.00)	112 (74.67)
c) Consult fellow farmer	3 (2.00)	6 (4.00)	4 (2.67)	1 (0.67)	0 (0.00)	0 (0.00)	14 (9.33)
d) Consult experts	0 (0.00)	0 (0.00)	1 (0.67)	0 (0.00)	0 (0.00)	0 (0.00)	1 (0.67)
<b>3. Allocation of resources to different enterprises</b>							
a) Self decision	9 (6.00)	8 (5.33)	3 (2.00)	10 (6.67)	10 (6.67)	2 (1.34)	36 (24.00)
b) Consult family members	22 (14.67)	25 (16.67)	2 (1.33)	18 (12.00)	18 (12.00)	9 (6.00)	87 (58.00)
c) Consult fellow farmer	4 (2.67)	12 (8.00)	7 (4.67)	2 (1.33)	2 (1.33)	2 (1.33)	27 (18.00)
d) Consult experts	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)
<b>4. Managing enterprises</b>							
a) Self decision	2 (1.33)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	2 (1.33)
b) Consult family members	3 (2.00)	1 (0.67)	0 (0.00)	2 (1.33)	0 (0.00)	1 (0.67)	7 (4.67)
c) Consult fellow farmer	19 (12.67)	26 (17.33)	1 (0.67)	20 (13.34)	8 (5.34)	9 (6.00)	83 (55.33)
d) Consult experts	11 (7.33)	18 (12.00)	11 (7.33)	8 (5.33)	5 (3.33)	5 (3.33)	58 (38.67)
<b>5. Utilisation of available farm resources</b>							
a) Self decision	8 (5.33)	6 (4.00)	0 (0.00)	7 (4.67)	0 (0.00)	4 (2.67)	25 (16.67)
b) Consult family members	22 (14.67)	18 (12.00)	1 (0.67)	11 (7.33)	8 (5.33)	10 (6.67)	70 (46.67)
c) Consult fellow farmer	3 (2.00)	18 (12.00)	6 (4.00)	12 (8.00)	4 (2.67)	1 (0.66)	44 (29.33)
d) Consult experts	2 (1.33)	3 (2.00)	5 (3.33)	0 (0.00)	1 (0.67)	0 (0.00)	11 (7.33)
<b>6. Marketing of produce</b>							
a) Self decision	0 (0.00)	1 (0.67)	0 (0.00)	5 (3.33)	0 (0.00)	0 (0.00)	6 (4.00)
b) Consult family members	7 (4.67)	11 (7.33)	0 (0.00)	9 (6.00)	2 (1.33)	5 (3.33)	34 (22.67)
c) Consult fellow farmer	27 (18.00)	29 (19.33)	10 (6.67)	16 (10.67)	11 (7.34)	10 (6.67)	103 (68.67)
d) Consult experts	1 (0.66)	4 (2.67)	2 (1.33)	0 (0.00)	0 (0.00)	0 (0.00)	7 (4.66)
<b>7. Engaging labourers</b>							
a) Self decision	3 (2.00)	2 (1.33)	1 (0.67)	0 (0.00)	0 (0.00)	0 (0.00)	6 (4.00)
b) Consult family members	22 (14.67)	42 (28.00)	9 (6.00)	30 (20.00)	13 (8.67)	15 (10.00)	131 (87.33)
c) Consult fellow farmer	10 (6.66)	1 (0.67)	2 (1.33)	0 (0.00)	0 (0.00)	0 (0.00)	13 (8.67)
d) Consult experts	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)	0 (0.00)
<b>Total</b>	<b>35 (23.33)</b>	<b>45 (30.00)</b>	<b>12 (8.00)</b>	<b>30 (20.00)</b>	<b>13 (8.67)</b>	<b>15 (10.00)</b>	<b>150 (100)</b>

C-Crop; D-Dairy; P-Poultry; F-Fishery; S/G-Sheep/Goat and H-Horticulture  
 Figures in parentheses indicate percentage.

TABLE 3.—DISTRIBUTION OF RESPONDENTS ACCORDING TO THEIR MARKETING BEHAVIOUR IN DIFFERENT FARMING SYSTEMS (N=150)

Items	Systems						Total	
	C+D	C+D+P	C+D +P+F	C+D +P+S/G	C+D +P+H	C+D+P +S/G+H		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Place of sale	Village	27(18.00)	35(23.33)	3(2.00)	22(14.67)	3(2.00)	1(0.67)	91(60.67)
	Outside	8(5.33)	10(6.67)	9(6.00)	8(5.33)	10(6.67)	14(9.33)	59(39.33)
	Wholly	23(15.33)	24(16.00)	5(3.33)	23(15.33)	8(5.34)	7(4.67)	90(60.00)
Selling pattern	In parts	12(8.00)	21(14.00)	7(4.67)	7(4.67)	5(3.33)	8(5.33)	60(40.00)
	Merchant	28(18.66)	30(20.00)	4(2.67)	25(16.67)	10(6.67)	15(10.00)	112(74.67)
To whom sold	DPC	7(4.67)	15(10.00)	8(5.33)	5(3.33)	3(2.00)	0(0.00)	38(25.33)
Terms & Conditions of sale	Ready Cash	5(3.33)	13(8.67)	2(1.33)	2(1.33)	1(0.67)	3(2.00)	26(17.33)
	Contract	3(2.00)	3(2.00)	1(0.67)	7(4.67)	0(0.00)	3(2.00)	17(11.34)
	Credit	27(18.00)	29(19.33)	9(6.00)	21(14.00)	12(8.00)	9(6.00)	107(71.33)
<b>Total</b>		35(23.33)	45(30.00)	12(8.00)	30(20.00)	13(8.67)	15(10.00)	150(100)

C-Crop; D-Dairy; P-Poultry; F-Fishery; S/G-Sheep/Goat and H-Horticulture  
DPC- Direct Procurement Centre

Figures in parentheses indicate percentage.