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Problems Associated with the Performance of Rural Credit: A Case Study of South Tripura and Gomati District of Tripura

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Abstract

Agriculture functions as the principal sustenance source for most Indian residents after sixty years of aggressive industrialization. The agriculture sector and its allied industries remain the prime force that generates income for India so agriculture functions as the fundamental support behind the country. The recent Indian agriculture field experienced significant development through green revolution despite its restricted application to specific agricultural regions and production types. The lack of credit facility remains a major issue among the many limitations and problems present in Indian agriculture. The rural population especially those belonging to weaker sections cannot achieve better living conditions due to limited access to credit facilities. The organized segment of cooperative banks and non-banking financial companies along with regional rural banks and commercial banks

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should create proper procedures and processes to address rural credit accessibility issues. Credit interventions in rural areas serve as a crucial agricultural component and constitute an efficient mechanism for economic development throughout rural territories. Rural credit acts as a means for millions of rural Indians to sustain their livelihood because they lack alternative sources of income.

Keywords: *Agriculture, Rural Credit, Economic Development, Livelihood Sustainability, Financial Accessibility.*

Introduction

Indian people depend mainly on farming activities as their primary source of income although the country pursued rigorous industrialization during the past six decades. Agriculture together with its related fields produces the highest contribution to India's national income thus it functions as the core element supporting our country. During the recent decades India's agricultural development through green revolution successfully expanded into restricted crop sectors and confined geographical domains. The primary agricultural sector faces several limitations in India while credit facility shortages stand as a fundamental problem among them. Rural population particularly the weaker section fails to grow and prosper because they lack access to credit facilities. Continuous agricultural development depends heavily on adequate credit resources. The rural development process gets faster because of the important role that credit plays as a catalyst. The credit sector in India provides uninterrupted service to excluded populations to help them improve their living conditions and economic status. The rural credit system in India operates through two separate segments which are the unorganized money lender, trader and input supplier segment and the organized segment of cooperative banks and regional rural banks alongside commercial banks and non-banking financial companies. The paper follows this scenario to develop eight sections. Present serves as the first section followed by a review of literature as the second segment. The third segment of this paper presents details about research objectives together with methodology and statistical tracking tools. The fourth and fifth sections thoroughly explain both economical and social standing of surveyed households and credit access conditions for low-income groups within the rural area. Section six deals with finding while section seven brings discussion about the findings. The eighth section contains the closing remark.

Review of Literature

Various researchers continue to investigate how rural credit affects agricultural productivity together with rural development but they identify multiple ongoing obstacles to its most valuable performance. According to Brandt and Otzen (2007) faulty credit delivery processes alongside ineffective intervention strategies restrict the effectiveness of rural credit programs in poverty-oriented agriculture and rural development.

Nath and Das (2017a) conducted research on rural credit performance in South Tripura District to identify obstacles including insufficient funding amounts, complex procedures alongside delayed credit disbursement that restricts agricultural production and generates lower income. The accessibility of rural credit for weaker sections remains limited according to Nath and Das (2017b) because institutions face problems with poor efficiency and high collateral restrictions. Mishra (2005) examined the relationship between rural financing institutions and farm income along with productivity in Orissa yet discovered that although farms perform better with credit yet bureaucratic matters and fund misuse together with poor financial literacy cause the system to operate sub optimally.

Nath (2016) evaluates the fisheries sector in North East India by identifying inadequate microfinance opportunities together with excessive interest rates as major barriers for small-scale fishers to utilize credit benefits. Nath and his colleagues report in their 2013 study about microfinance possibilities in Arunachal Pradesh fishery while revealing that operational issues and insufficient awareness obstruct credit penetration. Nath and Nochi (2014) together with Nochi and Nath (2014) evaluated North Eastern India microfinance while identifying structural and regulatory barriers that impede MFIs from achieving financial inclusion success. According to their research findings better policies should be established to solve credit accessibility problems.

Ray (2007) conducted research on the crop pattern patterns of West Bengal farmers based on their access to credit rights and discovered that credit limitations limit their usage of better farming methods which creates inefficient agricultural outputs. The study by Sharma, Gupta and Bala (2007) explores hill farm credit in Himachal Pradesh to reveal that small farmers face barriers from expensive credit services combined with limited formal banking institutions and strict credit requirements. Shivamagi (2000) explains why rural banking requires reform because current policies do not solve the financial requirements of rural loan seekers. This research demonstrates that rural credit policies would work better when they offer adaptable conditions and reduced rates of interest along with streamlined lending procedures.

The reviewed research emphasizes how rural credit continues to face fundamental performance issues because of bureaucratic complications, excessive interest rates and mandatory asset guarantees and deficient financial capability. Equitable economic growth and effective rural credit utilization demand targeted policy reforms alongside enhanced financial mechanisms to tackle existing problems.

Objectives, Research Methodology and Statistical Tools

The present study is based on the two important objectives i.e., (1) to understand the socio-economic characteristics of the surveyed beneficiaries in the study area and (2) to understand the accessibility of rural credit in the study area among the weaker section of the society.

The present study is an empirical in nature based on primary data. The data was collected with the help of detailed questioners based on multi-stage sampling technique. In the first stage, South Tripura and Gomati district was selected by purposive sampling. In the second stage, four blocks namely Belonia, Bakafa & Rupaichari under South Tripura district and Tepania, Kakraban, Amarpur & Silachhari under Gomati district were selected by purposive sampling on the basis of extent of operation of rural credit pattern. In the third stage, five villages were selected from each block, villages with large number of scheduled tribe and scheduled cast population. Finally households were selected on the basis of composition of population in various villages. The total sample sizes selected was 250 households.

Tabular and graphical methods are used to present the field data. Percentages are used to illustrate the scenario regarding the socio-economic indicators and the performance of rural credit in the study area.

Socio-economic Status of Surveyed Households

This section deals with socio-economic characteristics of the surveyed households of the study area. Socio-economic characteristics like gender, category, age, educational level, family size, economic group were discussed.

The heads of the households surveyed were categorized on the basis of gender i.e. male and female.

Table 1: Gender-wise Distribution of surveyed Beneficiary

Gender	Percentage
Male	87
Female	13

Source: Primary Data.

Table 1 shows that the most of the surveyed households i.e., 87 percent were male and rest 13 percent were found to be female.

From the survey it was found that 33 percent respondents were from Schedule Tribe category, 38 percent were from Schedule Caste, Other Backward Class comprises of 22 percent of population and rest 7 percent were found to be General. So it was found that a majority i.e., 71 percent of the respondents were form weaker or marginalized section of the society. The details are given in Table 2.

Table 2: Category-wise Distribution of the Surveyed Beneficiary

Category	Percentage
Schedule Tribe	33
Schedule Cast	38
Other Backward Class	22
General	7

Source: Primary Data.

Beneficiary under the study area were grouped into five age group, i.e., (a) 30 years or less, (b) 31-40 years, (c) 41-50 years, (d) 51-60 years and (e) more than 60 years.

Table 3: Age-wise Distribution of the Surveyed Beneficiary

Age Group	Percentage
30 years or less	10
31-40 years	42
41-50 years	29
51-60 years	10
More than 60 years	9

Source: Primary Data.

Table 3 shows that 10 percent of the beneficiary belongs to very young age group i.e., 30 years or less. 42 percent of the beneficiary belonged to the young age group i.e., 31-40 years followed by 29 percent in matured age group i.e., 41-50 years. 10 percent belongs to 51-60 age group and only 9 percent of the beneficiary surveyed belongs to more than 60 years age group.

Education level of the surveyed beneficiary were analysed since it affects the knowledge level as well as exposure to the rules and regulations related to the credit market and banking institution etc. In order to examine the educational level of the beneficiary under the study area they are divided into four groups (a) illiterates, (b) primary, (c) Secondary and (d) higher secondary and above. It is clear that overall education level of the surveyed beneficiary is low. The number of illiterates were 11 percent. It was also observe that only 42 percent of the surveyed beneficiary were having educational level of higher secondary and above. The details are given in Table 4.

Table 4: Educational Level of the Surveyed Beneficiary

Educational Level	Percentage
Illitrates	11
Primary	19
Secondary	28
Higher Secondary and above	42

Source: Primary Data.

As agriculture was found to be the main source of livelihood in the study area, the family size was examined to have an idea about the supply of human labours. A comparatively large family is excepted to take care of agriculture and allied activities through family labour. The beneficiary family was divided into three categories according to the number of family members, i.e., (a) small family (less than 5 members), (b) medium (5-8 members) and (c) large (more than 8 members). The details are given in following table.

Table 5: Family Size of Surveyed Beneficiary

Family Size	Percentage
Small (less than 5 members)	58
Medium (5-8 members)	30
Large (More than 8 members)	12

Source: Primary Data.

From Table 5, it was found that 58 percent of the surveyed households had small family, 30 percent had medium family and 12 percent has large family.

It was found that 58 percent of the surveyed household belongs to BPL (Below Poverty Line) category and rest 42 percent is from APL (Above Poverty Line) as given in Table 6. It shows that the economic condition of the surveyed area is not good.

Table 6: Distribution of Surveyed Beneficiary on Economic Group

Economic Group	Percentage
Below Poverty Line (BPL)	58
Above Poverty Line (APL)	42

Source: Primary Data.

Accessibility of Rural Credit in the Study Area among the Weaker Section of the Society

In this particular section an attempt is made to analyse the performance of rural credit in the study area. First the surveyed households were divided into two categories: (a) households having bank account and (b) households without account in any types of bank. It was found that 90 percent of the surveyed households are having bank account and rest 10 percent doesn't have account in any bank, as shown in Table 7.

Table 7: Number of Surveyed Households with Bank Account

Bank Account Status	Percentage
Household with Bank Account	90
Household without Bank Account	10

Source: Primary Data.

It was interesting to observe that 65 percent of the surveyed households having bank account in the Nationalized Bank as shown in Table 8.

Table 8: Distribution of Surveyed Beneficiary as per Bank's Type

Types of Bank Account	Percentage
Nationalized Bank	65
Others	35

Source: Primary Data.

It shows that the outreach of the rural bank in the surveyed area is very limited, although the survey is done in the rural area of the State. It was further found that 30 percent of the surveyed households having account in Tripura Gramin Bank (rural bank), 20 percent in United Bank of India, 18 percent in the State Bank of India, 15 percent each in UCO Bank and Canara Bank. The details are given in Table 9.

Table 9: Distribution of Surveyed Beneficiary as per Bank's Name

Bank Name	Percentage
Tripura Gramin Bank	30
United Bank of India	20
State Bank of India	18
UCO Bank	15
Canara Bank	15
Others	2

Source: Primary Data.

It was found that 90 percent of the beneficiary have borrowed loan in last five years and rest 10 percent didn't borrow in last five years, as shown in the table below:

Table 10: Classification of surveyed Households on the basis of Loan

Status of Loan	Percentage
Borrowed Loan (in last 5 years)	90
Didn't Borrowed Loan (in last 5 years)	10

Source: Primary Data.

Table 11: Classification of Surveyed Households on the basis of Source of Loan

Source of Loan	Percentage
Bank	16
MFI	59
Co-operative	4
Money Lenders	13
Relatives	6
Others	2

Source: Primary Data.

If we classify the beneficiary on the basis of the source of loan or borrowing we found that majority (59 percent) of the surveyed household borrow from MFI (Micro Finance Institutions) followed by loans from various banks (16 percent). It was interesting to observe that a good number of surveyed borrow form village money lenders i.e., unorganized segment (13 percent). The details are given in Table 11.

Table 12: Classification of Surveyed Households on the Basis of Amount of Loan *(In INR)*

Amount of Loan	Percentage
Less than 50,000	75
50,000 – 1,00,000	18
More than 1,00,000	7

Source: Primary Data.

From Table 12 it was found that 75 percent of the surveyed households borrow an amount of less than INR 50,000, 18 percent of surveyed households taken loan between INR 50,000 - INR 1,00,000 and only 7 percent of surveyed households taken loan more than INR 1,00,000. So it is clear that most of the surveyed households were small borrower of loan i.e., less than INR 50,000.

It was also found that 23 percent of borrowing is for agriculture, 10 percent is for fishery related activity, 28 percent for personal task and 12 percent for animal husbandry. The detail is given in Table 13.

Table 13: Classification of Purpose of Borrowing

Purpose of Borrowing	Percentage
Agriculture	23
Animal Husbandary	12
Fishery	10
Personal	28
Others	27

Source: Primary Data.

Table 14: Classification on the Basis of Distance of Bank from Household

Distance of Bank	Percentage
Less than 5 km.	5
5-10 km.	75
More than 10 Km	20

Source: Primary Data.

From the survey it was found that there were only 5 percent households having banking services in the rage of less than 5 km. Majority of the surveyed household i.e., 75 percent having banking services in the rage of 5-10 km and rest 20 percent of respondents have to travel more than 10 km to avail the basic banking facility. The details are given in Table 14.

It was observed from the survey that 80 percent of the respondents have said that they faced problems in the official procedures for borrowing loan. The details are given in table (Table 15) below:

Table 15: Problems Faced by the Borrowers while getting Loan form Bank

Problem faced for getting the Loan	Percentage
Yes	80
No	20

Source: Primary Data.

Findings

Rural inhabitants in the study area base their activities on farm work along with manual labor together with modest businesses. The research outcomes demonstrate a cardinal socio-economic arrangement because male-led households make up 87% of the analyzed families yet female-led families represent only 13%. A study reveals that 71% of the social group members belong to disadvantaged categories including 38% Scheduled Castes, 33% Scheduled Tribes and 22% Other Backward Classes. A significant portion of surveyed respondents (42%) belong to the prime working age of 31-40 years and 29% reside between 41-50 years as the communities demonstrate their economic battle. The educational situation poses difficulties because 11% of the respondents were illiterate yet 42% had obtained higher secondary education or more but lacked sufficient understanding of financial systems.

The study region demonstrates family clusters consisting of less than five persons making up 58% of the total households because agriculture functions as the main economic activity. The economic standing of surveyed households shows distressing data since 58% of them fell into the Below Poverty Line category (BPL). The banking system reached a wide range of people since 90% of households maintained bank accounts despite facing financial difficulties. According to data only 65% of account holders received services from nationalized banks yet 30% used Tripura Gramin bank and another 20% relied on United Bank of India. The practice of borrowing proved prevalent among the loan respondents since 90% of them took loans in the last five years. People tend to borrow from Microfinance Institutions than traditional banks since Microfinance Institutions have better accessibility (59% versus 16%). Government efforts to improve formal loans have not prevented 13% of families from getting funds from traditional village money lenders because they remain financially excluded. Most loans distributed by MFIs had modest values because 75% of borrowers received amounts below INR 50,000 which they used primarily for personal (28%) agricultural (23%) and animal husbandry (12%) needs.

The data revealed extensive challenges regarding rural banking services since 5% of households accessed banks at 5 km distance while 75% needed to travel 5-10 km and another 20% had to go beyond that range. Official banking procedures together with documentation requirements along with loan delays made the entire process challenging for 80% of borrowers due to extensive distances between establishment. Research results show that rural domestic operations face financial limitations while demonstrating needs for enhancements in credit opportunities and financial education to support marginalized social groups.

Discussion

The organised segment comprised of cooperative banks and regional rural banks and commercial banks and non-banking financial firms should create proper systems for solving rural loan access challenges. Banking and nonbanking institutions must make the establishment of rural branches their main organizational objective. Agriculture along with its related industries reinforce the economy yet require focus as the main beneficiary of loan facilities. Every village should receive proper financial literacy outreach programs at regular intervals.

Conclusion

Rural credit plays an essential role as agricultural input while serving as a development tool that benefits rural economic growth. Through this tool rural Indians obtain sustainable income because they lack other sources of money. The present study demonstrates that renovated banking services have failed to achieve substantial progress in providing rural agricultural groups with accessible credit. The agricultural market forces rural farmers to take credit from unorganized money lenders particularly the village money lenders through high-interest rates than commercial financial institutions. Organized financial institutions need to create adaptable products and services which will suit the various needs of rural households. Financial institutions need to develop practical educational strategies that will overcome education-level obstacles faced by their potential borrowers. A further simplification process needs to be implemented for lending procedures.

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