

**THE ANALYSIS OF AGRICULTURAL CREDIT DISBURSED BY
STATE BANKS IN NINTAVUR AREA OF AMPARA DISTRICT**

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ABSTRACT

A study on the credit is very important in agricultural sector. Agriculture, like all other sectors of the economy, needs credit for its development. Profitable agriculture can obtain the credit it needs. This study reviews the key messages from past work on this subject, including some observations from the experience. These messages pertain to the essential framework conditions for access to credit; the importance of agricultural credit, and access to credit for financing the agriculture and rural sectors.

The objective of the study is to analyze the impact of agricultural credit disbursed by banks in the development of farming, fishing and livestock development; the problems related to repayment of the credit and performance of the banks in providing farm credit and also has the following specific objectives such as assess the farm credit requirement, identify the characteristics of loan defaulters and non defaulters and evaluate the problems faced by farmers when accessing credit.

The role of credit in agricultural economy is crucial and its constraint which can affect farmer's investment behavior necessitated the investigation of sources of agricultural credit and its uses in Nintavur area. Seventy five farmers purposively selected for this study were interviewed using structured questionnaire. Most of the information pertaining to this study was collected from primary and secondary sources. The methodology adopted here selected the farmers who had taken credit from State banks (Peoples Bank and Bank of Ceylon) in Nintavur and special references, files and ledgers related them were examined. Questionnaire was used to collect the information related to farmers used agricultural credit which was not available in banks, which was analyzed using SPSS package.

The study found that most of the respondents obtained loans through formal sources with banking sector being the most popular source. The results also showed that majority of the borrowers were farmers (92%) while the rest were involved in other occupations. Credit obtained in this area was used for investment purpose (56%) and smaller volume used for cultivation purpose (38.7%). Larger percentage of the credit obtained by most of the respondents were utilized for the purpose of obtained.

Accessibility to agricultural credit was constrained by certain factors identified in the study, such as difficulties to access bank, securities not available, not known about bank procedures, high installments and higher rate of interest. From survey the results shows that farmers are facing some other problems such as time, charges recovered from banks in this area when access of credit. Most of the farmers satisfied with agricultural credit. They are repaying the credit satisfactorily. And also agricultural credit disbursed by state bank increase farmer's income. The average farm income for non-defaulted borrowers was Rs.117, 346 per annum, which was lower for defaulted borrowers. The farmers use their credit to settle their previous debts also, rather than the main purpose for which it was taken. The non defaulters fail to repay the credit regularly due to certain reasons such as crop losses, lower income and lower yield.

State banks should look for the socio-economic characteristics that significantly influence loan repayment of borrowers before granting loans and advances to farmers to reduce the incidence of loan delinquencies and defaults in future.

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