



AGRICULTURAL FINANCE (SUBSIDY BASED FINANCE) BY PUBLIC AND COOPERATIVE SECTOR IN COIMBATORE DISTRICT

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ABSTRACT-----

Agricultural finance plays a crucial role in sustaining the farming community by ensuring access to financial resources for investments in productivity-enhancing activities. In the Coimbatore district, public and cooperative sector initiatives have introduced subsidy-based finance programs to address the financial constraints faced by farmers. This study examines the effectiveness, accessibility, and impact of subsidy-based agricultural finance on small and marginal farmers. Using a structured survey of 200 farmers, the research analyzes key financial challenges, awareness levels, and the role of cooperative banks in agricultural finance. Findings indicate that while interest subsidies on loans are widely preferred, issues such as delayed disbursement, lack of awareness, and insufficient funding hinder the full realization of these benefits.

KEYWORDS: Farmer Credit Access, Loan Subsidies, Rural Development.-----

INTRODUCTION

- Agricultural finance subsidy-based finance, introduced by the public and cooperative sectors, plays a vital role in supporting the agricultural community by providing affordable financial assistance. This system aims to address the financial constraints faced by farmers, enabling them to invest in modern technologies, inputs, and infrastructure to enhance productivity and ensure sustainable development. By offering subsidies on credit, these institutions bridge the gap between farmers and financial resources, contributing to rural development and food security. However, the sector often faces challenges such as limited access to affordable credit, lack of infrastructure, and vulnerability to climate risks. To address these issues, public and cooperative sectors have introduced subsidy-based agricultural finance programs. These initiatives aim to enhance agricultural productivity, ensure food security, and improve the livelihoods of farmers. Agricultural finance refers to the financial services and products designed to support agricultural activities, from production to marketing. The sector faces unique challenges, such as crop failures, price fluctuations, and limited access to formal financial services.
- Agriculture, being the backbone of many economies, often suffers from inadequate access to affordable credit, limiting farmers' ability to invest in essential inputs and modern technologies. Despite various financial schemes, small and marginal farmers struggle to meet their financial needs due to high interest rates, lengthy loan processes, and lack of collateral. This creates a significant gap in agricultural productivity and sustainability. Public and cooperative sector initiatives offering subsidy-based finance aim to address these challenges, yet the effectiveness and accessibility of these schemes remain critical issues that need to be explored to ensure equitable and efficient support for the farming community.
- The cooperative sector plays a vital role in providing financial services to farmers, particularly smallholders and marginalized groups. Cooperatives are member-owned and member-controlled organizations that aim to improve the economic and social well-being of their members. Subsidy-based finance refers to financial assistance provided to farmers at a subsidized interest rate or with other forms of support, such as grants or guarantees.

SCOPE OF AGRICULTURAL FINANCE

- This study focuses on understanding how the cooperative sector provides subsidy-based agricultural finance to farmers. It aims to examine how these programs help small and marginal farmer's access affordable credit to improve their agricultural productivity.



- The study is limited to the functioning of cooperative societies in rural and agricultural areas, with a focus on small-scale farmers.
- This study focuses on understanding how the cooperative sector provides subsidy-based agricultural finance to farmers. It aims to examine these programs help small and marginal farmer's access affordable credit to improve their agriculture.
- 1. Analyze the role of cooperative societies in offering financial support to farmers.
- 2. And Identify the challenges faced by farmers in accessing subsidy-based finance.
- 3. Assess the effectiveness of subsidy programs in improving farming practices and livelihoods.

STATEMENT OF PROBLEM

Lack of Awareness and Outreach

Farmers, especially in remote areas, are often unaware of subsidy-based finance programs offered by cooperatives, leading to low participation and underutilization

Challenges in Accessing Credit

Small and marginal farmers face barriers such as lack of collateral, complex loan application processes, and insufficient awareness of cooperative finance programs.

Financial Instability of Cooperatives

Overdependence on government subsidies and frequent loan waivers create financial instability in cooperatives, affecting their long-term sustainability.

OBJECTIVES OF THE STUDY

- To analyze and understanding the role of banks in agricultural development.
- To Identifying the challenges and opportunities faced by the farmers while accessing subsidies.

RESEARCH METHODOLOGY

1. Data Collection Methods

Primary Data: Data will be collected directly from farmers, cooperative officials, and other stakeholders through surveys, structured interviews, and focus group discussions.

2.Sampling Technique

A purposive sampling method will be used to select respondents, focusing on small and marginal farmers, as well as cooperative societies operating in rural and agricultural areas.

3.Sample Size

The sample size for data collection will consist of 200 farmers selected based on the study of requirements to ensure comprehensive and representative analysis.

4. Data Analysis

It is based on the quantitative methods will be employed to analyze the collected data. Statistical tools such as percentages, charts, and graphs will be used for quantitative data.

5. Scope of the Methodology

The study is limited to specific regions or areas where cooperative societies are active, ensuring the findings are relevant and context-specific.

REVIEW OF LITERATURE

1.Hanna Hottenrott, Elmar Lins, Eva Lutz Year2018, Public subsidies and new ventures' use of bank loans:

We study the interaction of private and public funding of innovative projects in the presence of adverse-selection based financing constraints. Government programs allocating direct subsidies are based on ex ante screening of the subsidy applications. This selection scheme may yield valuable information to market-based financiers.

2. T. Takalo, Tanja Tanayama 2008.Adverse selection and financing of innovation: is there a need for R&D

subsidies: This paper investigates the impact of state subsidy on the behaviour of the entrepreneur under asymmetric information. Several authors formulated concerns about state intervention as it can aggravate moral hazard in corporate financing. In the seminal paper of Holmström and a two-player moral hazard model is presented with an entrepreneur initiating a risky scalable project and a private investor (e.g. bank or venture capitalist) providing outside financing.

3. E. Berlinger, Anita Lovas, P. Juhasz2017, State subsidy and moral hazard in corporate financing: This agenda was supported by more general policies of liberalisation and privatisation, and particularly by the growth in asset values during the 1970s and 1980s and by macro-economic stabilisation during the 1990s. Based on the desktop analysis undertaken for the Evaluation of English Housing Policy Review this paper takes four specific policies and clarifies how political priorities and the economic environment came together to make policy change possible.



4. K. Gibb, C. Whitehead 2007 Towards the More Effective Use of Housing Finance and Subsidy: In this paper, we argue that obtaining government R&D subsidies has a certification effect and is used by innovative entrepreneurial firms as a legitimization strategy to access bank finance. We extend the extant literature on the certification effect by combining legitimacy theory with information asymmetry to build our theoretical framework.

5. Allan Rosenbaum 2006, Cooperative service delivery: the dynamics of public sector-private sector-civil society collaboration: Cooperative service delivery the utilization by the public sector of civil society and/or the private sector for the delivery of public goods and services is a growing phenomenon. In this article, the author examines three important aspects of these emerging relationships.

ANALYSIS AND INTERPRETATION OF THE STUDY

TOOLS FOR ANALYSIS

- Simple Percentage
- Chi-Square

Table:4.1.7
Services Consumed by the respondents

Category	No of Respondents	Percentage
Credit Accessibility	38	19.0
Providing Low Interest Loans	95	47.5
Subsidy Distribution	66	33.0
Total	200	100.0

Source: Primary data

Interpretation

Providing low interest loans (47.5%) is commonly used services indicating the farmers rely on financial wise for agricultural activities. Subsidy distribution (33%) is also significant suggesting that a substantial portion of farmers benefit from and government or cooperative subsidies. Credit accessibility (19%) has lowest percentage could indicate in obtaining financial support

IfereenceHigh dependence on low interest loans of 47.5% and moderate use of subsidy distribution (33%) Low credit accessibility (19%)

Table:4.1.19
Challenges to reach office

Category		Gender		Total
		Female	Male	
Challenges to reach office	Frequently	12	35	47
	Occasional	21	76	97
	Rarely	15	41	56
Total		48	152	200

Source: Primary data

Chi-Square Test

Symmetric Measures			
		Value	Approximate Significance
Nominal by Nominal	Phi	.054	.744
	Cramer's V	.054	.744
No of Valid Cases		200	

Interpretation

Chi-Square Test Results:

- Pearson Chi-Square Value: 0.593
- Degrees of Freedom (df): 2
- Significance Level (p-value): 0.744 (Not statistically significant)



Symmetric Measures (Phi & Cramer's V):

- Phi Value: 0.054
- Cramer's V Value: 0.054
- Significance Level: 0.744

Inference

- No significant relationship between gender and challenges in reaching the office ($p = 0.744$).
- Both male and female farmers face similar accessibility issues, though more males report challenges.

FINDINGS

SIMPLE PERCENTAGE

- Providing Low-Interest Loans is the most consumed service by farmers, with 47.5% of respondents relying on it.
- Subsidy Distribution is the next widely used service, accounting for 33% usage, showing substantial benefit from cooperative and government programs.
- Credit Accessibility ranks lowest, with only 19% of farmers reporting access, indicating a major barrier to financial support.

CHI-SQUARE

- Challenges in reaching cooperative offices were categorized as: Frequently: 47 respondents (23.5%), Occasionally: 97 respondents (48.5%), Rarely: 56 respondents (28%).
- The Chi-square test showed no significant relationship between gender and accessibility challenges (p -value = 0.744), indicating both male and female farmers face similar issues.

SUGGESTIONS

- 1. Increase Awareness:** Implement more outreach programs to educate farmers about subsidies.
- 2. Improve Accessibility:** Simplify the loan and subsidy application process.
- 3. Enhance Digital Adoption:** Promote digital platforms for faster and easier subsidy distribution.
- 4. Ensure Timely Disbursement:** Address delays in fund allocation.
- 5. Encourage Sustainable Practices:** Support long-term solutions like climate-resilient agriculture.

CONCLUSION

The study concludes that subsidy-based finance plays a crucial role in agricultural development in Coimbatore District. However, to maximize its impact, policymakers must focus on improving efficiency, awareness, and accessibility. Moving towards digital solutions and targeted subsidies can enhance financial inclusion and long-term agricultural sustainability.

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