

Constraints Perceived by Dairy Farmers in Adoption and Repayment of Dairy Loans: A Case study of Amritsar

Renuka Rani^{1*}, Anita Gill², Gagan Bajaj³ and Puneet Malhotra⁴

¹ Govt. Ranbir College, Sangrur, Punjab, India

² Punjabi University, Patiala, Punjab, India

³ Vety Officer, Civil Vety. Hospital, Harkishanpura, India

⁴ Dairy Manager, Deptt. of Animal Genetics and Breeding, GADVASU Ludhiana, Punjab, India

*Email: bajajvet123@gmail.com

Paper no: 89 Received: 15 August, 2013 Revised: 20 October, 2013 Accepted: 19 November, 2013

Abstract

The present study was conducted on two villages of one block of Amritsar District of Majha region of Punjab to find constraints perceived by dairy farmers in adoption and repayment of dairy loans. Majority of dairy farmers belongs to different categories according to herd size. Most of dairy farmers considered, high rate of interest, too many intermediates, lengthy complicated loan procedure, problem of financial guarantor, attitude of the loan officer, low price of milk, high cost of feed & fodder, low milk production, failure of milk animal to conceive every year, exploitation by milk vendors and animal trader as the serious problems.

Keywords: Adoption, constraint, dairy farmers, intermediates, guarantor

Introduction

The rice-wheat cropping pattern in the farming economy of Punjab has not only attained its potential but also led to depletion of soil and water resources of the state (Sidhu and Johl 2002). Recently the agriculture is facing a serious economic & ecological crisis. In this critical situation it is desirable to encourage alternative farming systems such as dairy farming, vegetable growing, fruit cultivation, agro forestry etc. From all these options dairy farming is being considered as one of the most viable option for diversifying the agricultural economy of the state (Govt. of Punjab 2002). Livestock economy in India is an integral part of the farming system and play an important role in national economy as well as in socio-economic development of millions of rural households (Sharma 2004). A symbiotic relationship exists between man, land and livestock eco. System, live stock comprising mainly cattle and buffalo have a complementary, supplementary and sustainable relationship with crops in the mixed farming system. Punjab is one of the most progressive states of India. The total milk production in Punjab is 955.4 thousand tones per annum. Though the situation of total milk production in Punjab is better than rest of the country, still production level and adoption of animal husbandry innovations have been far from satisfactory. The dairy farmers are facing many problems in this profession, which leads to stagnation in minds of dairy farmers. There are many constraints in dairy farming due to which farmers are not adopting the recommended practices.

Credit is one of the major components whose contribution plays very important role in adoption of dairy farming. In the present study an attempt was made to ascertain the constraints perceived by dairy farmers in adoption and repayment of dairy loans.

Materials and Methods

The present study was conducted in Amritsar District of Majha Region of Punjab. Amritsar districts has many villages in different blocks. The sampling procedure employed to select ultimate unit of sample was multistage sampling technique. One block (Verka) was selected from the district and then two villages (Dhattal and Khankot) were selected from block. This was in accordance with the study done by Sharma *et al.*, (2010). Three categories of dairy farmers were prepared on the basis of number of animals possessed by them. Namely small dairy farmers (<10 animals), Medium dairy farmers (10-20 animals) and large dairy farmers (>20 animals). (Kumar *et al.*, 2009). A separate list of all dairy farmers were prepared from selected villages and total of fifty respondents were selected randomly by using proportional size of sampling technique (Aulakh *et al.*, 2010).

In present study to find out the constraints perceived by dairy farmers in adoption and repayment of dairy loans, a list of various constraints was prepared in consultation with extension scientists, available literature and progressive dairy owners. Then the information was collected on three point continuum i.e. extreme, moderate and negligible and score values of 3, 2 and 1 were awarded respectively. The ranks were assigned on the basis of mean constraint scores.

Results and Discussion

The results obtained in the study are described in the following sections.

Constraints Perceived in Adoption of Dairy Loans

There are many constraints which hinder in adoption of dairy loans by dairy farmers. Some constrains contribute more in hindrance and other less. As Table I shows in loan procedures constraints like high rate of interest, too many intermediates, lengthy complicated loan procedure, problem of financial guarantor, attitude of the loan officer are considered most severe while mode of payment, inadequate loan amount and role of other departments are considered least severe by dairy farmers having less than 10 animals. Rate of interest for agricultural allied sectors is much higher as compare to agriculture sector. Role of intermediates like guarantor, insurance agents, etc. makes the loan procedure complicated. Role of other departments play a major role but due to ignorance of small farmers about the role of other departments and mode of payment of loan they considered these factors as least severe problems.

Moderate dairy farmers having 10-20 animals consider high rate of interest, too many intermediates, attitude of the loan officer, lengthy complicated loan procedure, inadequate loan amount and illiteracy of the borrowers as major problems. Most of the dairy farmers are illiterate. They cannot understand loan procedure of banks easily. Procedure of bank should be simple and loan amount given to them should be adequate. They consider problem of financial guarantor, role of other department, policy of banks and mode of payment as negligible problems.

Large dairy farmers having more than 20 animal consider too many intermediates, inadequate loan amount, high rate of interest, problem of financial guarantor and attitude of the loan officer as major problem. Dairy farming require very high investment. The farmers need high amount of loan for starting dairy business but the loan which is sanctioned by the banks is inadequate and charges very high rate of interest. It cannot fulfill

Table 1: Constraints Perceived by the Dairy farmers in the growth and distribution of dairy loans

S. No. Aspect	Category	Less than 10 animals N = 26		10-20 animals N = 14		More than 20 animals N=10		Overall 50 percentage
		Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	
1. Too many intermediates	Extreme	13	50	8	58	7	70	56
	Moderate	11	42	3	21	2	20	32
2. Illiteracy of the borrowers	Negligible	02	08	3	21	1	10	12
	Extreme	06	23	3	22	2	20	22
	Moderate	17	65	9	64	6	60	64
	Negligible	03	12	2	14	2	20	14
3. Attitude of the Loan Officer	Extreme	11	42	6	43	5	50	44
	Moderate	11	42	5	36	3	30	38
	Negligible	04	16	3	21	2	20	18
4. High Rate of Interest	Extreme	18	69	10	72	5	50	66
	Moderate	07	27	02	14	4	40	26
	Negligible	01	04	02	14	1	10	08
5. Problem of Financial Guarantor	Extreme	13	50	03	21	5	50	42
	Moderate	10	38	07	50	4	40	42
	Negligible	03	12	04	29	1	10	16
6. Inadequate Loan Amount	Extreme	06	24	05	36	6	60	34
	Moderate	10	38	05	35	4	40	38
	Negligible	10	38	04	29	0	00	28
7. Lengthy complicated loan procedure	Extreme	15	58	05	36	3	30	46
	Moderate	06	23	07	50	6	60	38
	Negligible	05	19	02	14	1	10	16
8. Policy of Banks	Extreme	08	31	3	21	2	20	26
	Moderate	12	46	5	36	5	50	44
	Negligible	06	23	6	43	3	30	30
9. Role of other departments	Extreme	03	12	5	36	3	30	22
	Moderate	12	46	3	21	2	20	34
	Negligible	11	42	6	43	5	50	44
10. Sanction of Loans	Extreme	08	31	3	21	3	30	28
	Moderate	09	34.5	5	36	3	30	34
	Negligible	09	34.5	6	43	4	40	38

Source: Sample Survey

Table 2: Constraints Perceived by the Dairy farmers in the growth and distribution of dairy loans

S.No. Aspect	Less than 10 animalsN=26			10-20 animalsN=14			More than 20N=10			OverallN=50		
	Total constraint score	Mean score	Rank Order	Total constraint score	Mean score	Rank Order	Total constraint score	Mean score	Rank Order	Total constraint score	Mean score	Rank Order
1. Too many intermediate	63	2.42	II	33	2.4	II	26	2.6	I	122	2.44	II
2. Illiteracy of the borrower	55	2.1	VI	29	2.0	V	20	2.0	VII	104	2.08	VI
3. Attitude the loan officer	59	2.26	V	31	2.2	III	23	2.3	V	113	2.26	IV
4. High rate of Interest	69	2.65	I	36	2.6	I	24	2.4	III	129	2.58	I
5. Problem of financial guarantor	62	2.38	III	27	1.9	VII	24	2.4	III	113	2.26	IV
6. Inadequate loan amount	48	1.84	IX	29	2.0	V	26	2.6	I	103	2.06	VII
7. Lengthy complicated loan procedure	62	2.38	III	31	2.2	III	22	2.2	VI	115	2.3	III
8. Policy of Banks	54	2.0	VII	25	1.7	IX	19	1.9	VIII	98	1.96	VIII
9. Role of other departments	44	1.69	X	27	1.9	VII	18	1.8	X	89	1.78	X
10. Mode of Payment	51	1.96	VIII	25	1.7	IX	19	1.9	VIII	95	1.9	IX

Source: Sample Survey

their requirements. These farmers consider policy of banks, role of other department and mode of payment as negligible problem.

On pooled analysis of all 50 respondents it was observed that they consider high rate of interest, too many intermediates, lengthy complicated loan procedure, attitude of the loan officer and problem of financial guarantor as severe problems while policy of banks, mode of payment and role of other department as least severe problems.

Table 2 shows the mean score and ranking order of different constraints that small, medium and large farmers are facing. The first three ranks attained in all categories are high rate of interest (2.58), too many intermediates (2.44) and lengthy complicated loan procedure (2.3) respectively. It is suggested that rate of interest on dairy loans should be lowered as in agricultural loan and procedure of loan sanction should be easy and without intermediates.

Constraints Perceived by Dairy Farmers about the Repayment of Loan

There are many factors which cause problems in repayment of dairy loans. Table 3 shows the various constraints which are perceived by dairy farmers in repayment of dairy loans. Small dairy farmers consider low price of milk, high cost of feed and fodder, failure of milk animals to conceive every year, low milk productivity, shortage of quality breed animal and loan income generation as the major problems. Quality of milk is dependent on good quality animals and type of feed given to them. Due to lack of fulfilling both conditions, the animals produce low quality of milk resulting in less price of milk. Due to poor financial status of small dairy farmers they can not purchase good quality animals as they very expensive. According to them diversion of funds, heavy investment on project and mode of repayment are negligible problems, most of small farmers are not calculative of keeping animals, as they consider these problems as negligible.

Medium farmers consider costly feed and fodder, exploitation by animal traders, expensive animals, low price of milk, absence of good marketing system, exploitation by milk vendors, failure of milk animals to conceive every year as major constraints. In Punjab state due to monopoly of few companies there is exploitation of dairy farmers, leading to low price of milk. Shortage of quality breed animals, expansion of farm, mode of payment, delay in payment by co-operative societies as negligible problem by this category of farmers.

Large farmers consider low price of milk, low milk production, costly feed and fodder, absence of good marketing system, shortage of quality breed animals and expensive animals as major constraints while exploitation by animal traders, expansion of farm, diversion of funds and mode of payment are considered negligible problems.

The pooled analysis of all 50 respondents revealed that low price of milk, costly feed and fodder, low milk productivity, failure of milk animals too conceive every year, loan income generation, exploitation by milk vendors and animal traders as major constraints while delay in payment by co-operative societies, expansion of farm, diversion of fund and mode of payment are negligible problems.

Table 4 shows that when mean score and rank order of these constraints are calculated in all categories of farmers, low price of milk was ranked first with mean score (2.46), costly feed and fodder was ranked second with mean score (2.44), low milk productivity was third with mean score (2.32). It is therefore suggested that quality of animal should be improved so that milk productivity of animals can be increased. Government should take appropriate steps to increase the price of milk and give subsidies on raw material of feed of animals. These findings are online with the result of Kumar *et. al.*, (2009) and Sharma *et. al.*, (2008).

Table 3: Constraints Perceived by the Dairy farmers about the repayment of Loans

S. No.	Aspect	Category	Animals less than 10N=26		10-20 animals N=14		Animals more than 20N=10		Total animals 50 percentage
			Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	
1.	Shortage of quality breed/Animals	Extreme	10	39	14	28	4	40	36
		Moderate	12	46	65	36	3	30	40
		Negligible	4	15	45	36	3	30	24
2.	Animals are very expensive	Extreme	6	23	4	28	3	30	26
		Moderate	16	62	6	44	5	50	54
		Negligible	4	15	4	28	2	20	20
3.	Less knowledge about quality breed/Animals	Extreme	8	30	5	36	1	10	28
		Moderate	9	35	6	44	6	60	42
		Negligible	9	35	3	20	3	30	30
4.	Feed and Fodder is costly	Extreme	12	46	9	64	5	50	52
		Moderate	12	46	4	29	4	40	40
		Negligible	2	8	1	7	1	10	08
5.	Milk Productivity is low	Extreme	13	50	6	44	6	60	50
		Moderate	09	35	5	36	2	20	32
		Negligible	04	15	3	20	2	20	18
6.	Price of milk is low	Extreme	16	62	7	50	7	70	60
		Moderate	7	27	4	29	2	20	26
		Negligible	3	11	3	21	1	10	14
7.	Delay in payment by co-operative societies	Extreme	6	23	2	14	2	20	20
		Moderate	12	46	4	29	5	50	42
		Negligible	8	31	8	57	3	30	38
8.	Absence of good marketing system	Extreme	5	19	6	43	6	60	34
		Moderate	9	35	6	43	2	20	34
		Negligible	12	46	2	14	2	20	32
9.	No knowledge about ration formulation	Extreme	6	23	5	36	2	20	26
		Moderate	8	31	6	43	6	60	40
		Negligible	12	46	3	21	2	20	34

Contd.

S. No.	Aspect	Category	Animals less than 10N=26		10-20 animals N=14		Animals more than 20N=10		Total animals 50 percentage	
			Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
10.	Exploitation by Animal traders	Extreme	9	35	7	50	2	20	36	
		Moderate	11	42	6	43	3	30	40	
11.	Exploitation by Milk Vendors	Negligible	6	23	1	7	5	50	24	
		Extreme	8	31	6	43	4	40	36	
		Moderate	14	54	6	43	1	10	42	
		Negligible	4	15	2	14	5	50	22	
12.	Animal could not conceive every year	Extreme	12	46	8	57	3	30	46	
		Moderate	12	46	2	14	5	50	38	
		Negligible	2	8	4	29	2	20	16	
13.	Loan Income Generation	Extreme	10	39	6	43	6	60	44	
		Moderate	11	42	6	43	2	20	38	
		Negligible	5	19	2	14	2	20	18	
		Extreme	5	19	1	7	1	10	14	
14.	Expansion of farm	Moderate	14	54	10	72	5	50	58	
		Negligible	7	27	3	21	4	40	28	
		Extreme	2	8	6	43	1	10	18	
		Moderate	12	46	3	21	4	40	38	
15.	Diversion of funds	Negligible	12	46	5	36	5	50	44	
		Extreme	4	15	5	36	4	40	26	
		Moderate	7	27	5	36	1	10	26	
		Negligible	15	58	4	28	5	50	48	
17.	Mode of Repayment	Extreme	1	4	2	14	1	10	8	
		Moderate	7	27	8	57	1	10	32	
		Negligible	18	69	4	29	8	80	60	

Source: Sample Survey

Table 4: Constraints Perceived by the Diary farmers about the repayment of loans

S. No.	Aspect	Less than 10 animalsN=26			10-20 animalsN=14			More than 20N=10			OverallN=50		
		Total constraint score	Mean score	Rank Order	Total constraint score	Mean score	Rank Order	Total constraint score	Mean score	Rank Order	Total constraint score	Mean score	Rank Order
1.	Shortage of quality breed Animals	58	2.23	V	27	1.92	XIV	21	2.1	VI	106	2.12	VII
2.	Animals are very expensive	54	2.07	IX	28	2.0	XIII	21	2.1	VI	103	2.06	IX
3.	Less knowledge about quality breed Animals	51	1.96	XI	30	2.14	IX	18	1.8	XIII	99	1.98	XI
4.	Feed and Fodder is costly	62	2.38	II	36	2.57	I	24	2.4	II	122	2.44	II
5.	Milk Productivity is low	61	2.34	IV	31	2.21	VIII	24	2.4	II	116	2.32	III
6.	Price of milk is low	65	2.5	I	32	2.28	III	26	2.6	I	123	2.46	I
7.	Delay in payment by co-operative societies	50	1.92	XI	22	1.57	XVII	19	1.9	X	91	1.82	XIV
8.	Absence of good marketing system	45	1.73	XIV	32	2.28	III	24	2.4	II	101	2.02	X
9.	No knowledge about ration formulation	46	1.76	XIII	30	2.14	IX	20	2.0	VIII	96	1.92	XII
10.	Exploitation by Animal traders	55	2.11	VIII	34	2.42	II	17	1.7	XIV	106	2.12	VII
11.	Exploitation by Milk Vendors	56	2.15	VII	32	2.28	III	19	1.9	X	107	2.14	VI
12.	Animal could not conceive every year	62	2.38	II	32	2.28	III	20	2.0	VIII	114	2.28	IV
13.	Loan Income Generation	57	2.19	VI	32	2.28	III	24	2.4	II	113	2.26	V
14.	Expansion of farm	50	1.92	XII	26	1.85	XV	17	1.7	XIV	93	1.86	XIII
15.	Diversion of funds	42	1.61	XV	29	2.07	XI	16	1.6	XVI	87	1.74	XVI
16.	Heavy Investment on Project	41	1.57	XVI	29	2.07	XI	19	1.9	X	89	1.78	XV
17.	Mode of Repayment	35	1.34	XVII	26	1.85	XV	13	1.3	XVII	74	1.48	XVII

Source: Sample Survey

Conclusion

From the above analysis it was observed that shortage of quality breed animals, high rate of interest, low price of milk, high cost of feed and fodder, animals are expensive, problem of financial guarantor, exploitation by animal traders and milk vendors were considered as the major problems by all the respondents. So it is suggested that there is a need of good quality animals and to reduce the cost of feed and fodder. Banks should come forward and play positive role to provide loan and repayment of loan for the future growth of dairy sector in Punjab.

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