

IMPACT OF COOPERATIVE CREDIT ON FINANCIAL INCLUSION IN AGRICULTURE AND FARM INCOME

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ABSTRACT

The small and marginal farmers constitute 80% of the operational holdings and cultivate about 36% of the area in India. Due to their small holdings, they are disadvantageously placed with respect to their access to technology, capital, credit and other institutional support (Sidhu and Gill, 2006). The share of commercial banks in their lending to marginal farmers was around 20–30% during 1972–2004, whereas the medium and large farmers had received more than 50% of the share in the same period. The *All India Debt and Investment Survey* (2000) showed that rural households with assets less than Rs. 20,000/- had access to institutional loans for their credit need only up to 35–37%, while the share of non-institutional agencies in the outstanding debt was as high as 50–52%. (Gandhimathi,2012).

Primary Agricultural Credit Societies, the credit institutions at the grass-root level deal directly with individual members / clients. The co-operatives played a major role in the dispensation of agricultural credit during 1970-1971 (76.69 percent) and 1980-1981 (62.74 percent) and commercial banks and regional rural banks had less share (23.31 percent and 37.27 percent respectively) during this period. In the year 1990-1991, the share of co-operatives declined to 44.23 percent and it increased to 61.82 percent in 1992-1993. The commercial and regional rural banks disbursed only 38.18 percent in 1992-1993. But from the year 1995-1996 onwards, commercial banks and regional rural banks had a major share in the total institutional credit to agriculture (more than 50 percent). The share of co-operatives was accounted to be less than 50 percent. In this backdrop, an attempt was made to analyse the impact of **cooperative credit on financial inclusion in agriculture and farm income**

The cooperatives play a significant role in providing agricultural credit to the marginal and small farmers. It fulfills the credit needs of marginal and small farmers. Hence the objective of financial inclusion had been achieved through cooperative credit. Among the selected factors, the amount of credit availed was statistically significant to determine the farm income.

KEY WORDS: cooperative, agricultural.

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