

Accessibility of Institutional Credit and Its Impact on Agricultural Output: A Case Study

Authors : Showkat Ahmad Bhat, M. S. Bhatt

Abstract : The study evaluates the ex-post impact of institutional credit on agricultural output. It first examines the key factors that influence the accessibility of institutional credit by farm households. For quantitative analysis both program participant and non-participant respondents were drawn and cross-sectional survey data were collected from 412 households in Pulwama District of Jammu & Kashmir (India). Propensity Score Matching Method was employed to analyze the impact of the institutional credit on agricultural output. Results show that institutional credit has a positive and significant impact on the agricultural output measured in terms of farm income and crop productivity. To estimate the accessibility of credit, an examination of both demand side and supply side factors were carried out. The demand for credit was measured with respect to respondents who applied for credit. Supply side credit allocation measured in terms of the proportion of 'credit amount' farmers obtained. Logit and Two-limit Tobit Regression Models were used to investigate the determinants that influence the accessibility of formal credit for Demand for and supply of credit respectively. The estimated results suggested that the demand for credit is positively and significantly affected by the factors such as: age of the household head, formal education, membership, cash crop grown, farm size and saving account. All the variables were found significantly increasing the household's likelihood to demand for and supply of credit from banks. However, the impact of these factors varies considerably across the credit markets. Factors which were found negatively and significantly influencing the accessibility of credit were: 'square of the age', household assets and rate of interest. The credit constraints analysis suggested that square of the age; household assets and rate of interest were the three most important factors that increased the probability of being constrained. The study finally discusses these results in detail and draws some recommendations.

Keywords : institutional credit, agriculture, propensity score matching logit model, Tobit model

Conference Title : ICAFUS 2015 : International Conference on Agriculture, Food and Urbanizing Society

Conference Location : Amsterdam, Netherlands

Conference Dates : May 14-15, 2015