International Journal Of Scientific And University Research Publication

ISSN No 2017/2364

Listed & Index with
ISSN Directory. Paris

Multi-Subject Journal

Volum : (3) | Issue : 211 |

INTERNATIONAL JOURNAL OF SCIENTIFIC AND UNIVERSITY RESEARCH PUBLICATION

Research Paper

COST ELASTICITY OF DEMAND FOR AGRICULTURAL CREDIT

Shakti Kumar || Assistant Professor
Department of Economics and Rural Development
Dr. R.M.L. Avadh University
Faizabad.

ABSTRACT **Cost elasticity of demand for agricultural credit is more than unity in all the case of farm sizes, sources of credit, and terms of credit and purpose of credit. Cost elasticity of demand for credit increases as on switches over from marginal to big farm size, institutional to non-institutional, short to long term and from production purpose to investment purpose.**

KEYWORDS :Cost elasticity, credit demand, terms of credit.

INTRODUCTION

Introduction

The degree of elasticity depends on (a) size of farms (b) terms of credit (c) purpose of demand for credit and (d) source of sup- ply of credit

Literature review

Study of Kumar Joshi and Murlidharan (1978) says that demand elasticity for credit w.r.t input and output prices are very high. In this case, interest rate depends on agricultural growth, price fluctuations, monetization and the growth of organized agencies (Ghatak, 1975). Study of Patel and Khankhoje (1993) shows that the rate of interest on term loan has been lower than on the working capital loan. Rath (1989) argued that term loan advance had an important role to play in capital formation in agriculture. In the similar view, Binswangar (1993) study shows that a rising interest rate has a negative effect on draft animal, milk animal and investment for pump sets.

Objective

To know the cost elasticity of demand for agricultural credit.

Methodology

Cost of production includes material (seeds, manures and fertilizers, pesticides, tractors charges, threshers charges, waters), wages to labour and financial cost. Crop loan is production credit ahile credit for agricultural implements is investment credit. Field survey comprises 208 borrowers of Faizabad district, Uttar Pradesh.

Analysis

Cost elasticity of demand for agricultural credit depends on four factors-farm size, sources of credit, terms of credit and purpose of credit. All these four situations have been shown in ta- ble-1,2,3 and 4. Findings show that cost elasticity of demand for credit is more than unity in all cases. It infers that Cost elasticity of demand for agricultural credit is high. Credit becomes more and more elastic as farm size as increases.

Table-1: Cost elasticity of credit with respect to farm sizes

Farm size	Marginal (upto 2.50 acres)
Per acre Credit demand (Rs.)	3785

Table-2: Cost elasticity of credit with respect to sources of credit

Source	Institutional	Non-institutional	Elasticity
Per acre Credit demand (Rs.)	2406	4125	
Per acre Cost of production (Rs.)	5881	4671	3.47

Source: Primary field survey

Table-3: Table-2: Cost elasticity of credit with respect to terms of credit

Terms	Short (upto 15 months)	Long (more than 5 years)	Elasticity
Per acre Credit demand (Rs.)	2754	1676	
Per acre Cost of production (Rs.)	5437	5802	5.83

Source: Primary field survey

Table-4: Cost elasticity of credit with respect to purpose of credit

Purpose	Production	Investment	Elasticity
Per acre Credit demand (Rs.)	2832	1892	
Per acre Cost of production (Rs.)	5398	5703	2.01

Source: Primary field survey

CONCLUSION

Cost elasticity of demand for agricultural credit is more than unity in all the case of farm sizes, sources of credit, and terms of credit and purpose of credit. Cost elasticity of demand for credit increases as on switch over from marginal to big farm size, institutional to non-institutional, short to long term and from production purpose to investment purpose.

ref_str

1. **Ghatak, S.,** (1975). Rural Interest Rates in the Indian Economy, Journal of Development Studies, Vol. II, No. 3, April |
2. **Patel, K.V.** and D.P.Khankhonje (1993) "Rural Banking: Basic Issues and Scope for Restructuring", Pranjan, 21(4) |

3. **Rath, N.,** (1989).“ Institutional Credit for Agriculture in India”, Journal of Indian School of Political Economy, Vol. I, No. 2, July-December |
4. **Binswanger,** Hans P. (1980). “Attitudes towards Risk: Experimental Measurements in Rural India”, American Journal of Agricultural Economics, 62, PP: 395-407.

IJSURP Publishing Academy

International Journal Of Scientific And University Research Publication

Multi-Subject Journal

Editor.

International Journal Of Scientific And University Research Publication

+965 99549511

+90 5374545296

+961 03236496

+44 (0)203 197 6676

www.ijsurp.com