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Research Paper

COST ELASTICITY OF DEMAND FOR AGRICULTURAL CREDIT

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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.

Cost elasticity, credit demand, terms of credit.

مقدمة

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.

able-1: Cost elasticity of credit with respect to farm sizesT

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

able-2: Cost elasticity of credit with respect to sources of creditT

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

Source: Primary field survey

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

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

Source: Primary field survey

able-4: Cost elasticity of credit with respect to purpose of T credit

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

Source: Primary field survey

استنتاج

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.

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