

A STUDY ON SOCIO-ECONOMIC IMPACTS OF
INDEBTEDNESS ON FARMERS IN MAHAWELI SYSTEM C



NIROSHANI RENUKA CHAMILA

1101



FDR1101



Project Report
Library - EUSL

DEPARTMENT OF COMMERCE
FACULTY OF COMMERCE AND MANAGEMENT
EASTERN UNIVERSITY, SRI LANKA

2009

ABSTRACT

This study was "A study on socio-economic impacts of indebtedness on farmers in Mahaweli System C". When funds rose at their own farms and through other supplementary sources of income are insufficient to meet the required working capital during certain times of cultivation season, the farmers have to resort to borrowing either from institutional or from private sources. Most of farmers meet to threat of indebtedness. So, this research was conducted to study socio-economic impacts of indebtedness on farmers in Mahaweli System C. Therefore, based on research had found that what extent of impacts of indebtedness on income level, poverty and personal psychological and what are the reasons for defaulting loan.

Mainly, three variables were included in the study which was impacts of indebtedness on income level, poverty and personal psychological. To measure these variables, data were collected from hundred of farmers who got loan from Uva Development Bank in Girandurukotte by using simple random sampling technique. The collected data were presented in the form of tables and bar charts and data were analyzed using the univariate method.

Based on three variables, one of variables of impact of indebtedness on income level of farmers was shown high level of impact with mean value 3.59, second variable of impact of indebtedness on poverty was shown moderate level of impact with mean value 3.18 and third variable of impact of indebtedness on personal psychological was shown moderate level of impact with mean value 3.26. Overall view of socio-economic impacts of indebtedness on farmers was moderate level.

CONTENTS

Acknowledgement	v
Abstract	vi
Abbreviations	iii
List of Tables	ix
List of Figures	x
CHAPTER 01: OVERVIEW OF THE STUDY	1-8
1.1 Background of the study	1
1.2 Problem statement	5
1.3 Research questions	5
1.4 Objectives of the study	6
1.5 Scope of the study	6
1.6 Significance of the study	7
1.7 Limitations of the study	8
1.8. Summary	8
CHAPTER 02: LITERATURE REVIEW	9-31
2.1 Introduction	9
2.2 Definition of indebtedness	9
2.3 Household income	9
2.4 Poverty	10
2.5 Personal psychological	11
2.6 Definition of loan	11
2.7 Sources of credit	11
2.8 Past credit policies and programs	13
2.8.1 The period before independence	13
2.8.2 The period after independence	13
2.8.3 New Agricultural Credit Scheme	14
2.8.4 New Comprehensive Rural Credit Scheme	15
2.8.5 Regional Rural Development Banks	16
2.9 Reasons for non-repayment loans	17
2.9.1 Crop failure	18

2.9.2 Low incomes	19
2.9.3 No intention to repay	19
2.9.4 Interest payments	20
2.9.5 Non-use of loans for productive purposes	20
2.9.6 Other causes	21
2.10 Structure of Mahaweli System C	21
2.10.1 Sectoral opportunities for investments:	21
2.10.1.1 Agribusiness- production and processing	25
2.10.1.2 Livestock, dairy and aquatics	26
2.10.1.3 Inland fisheries and aquaculture	27
2.10.1.4 Seed production	27
2.10.1.5 Manufacturing	27
2.10.1.6 Leisure industries	27
2.10.1.7 Minerals	27
2.10.2 Industrial Parks	28
2.10.2.1 Girandukotte Industrial Park	28
2.11 Development Bank	29
2.11.1 Mission of Development Bank	31
2.12 Summary	31

CHAPTER 03: CONCEPTUALIZATION AND OPERATIONALIZATION 32-41

3.1 Introduction	32
3.2 Conceptualization	32
3.2.1 Family income	33
3.2.2 Poverty	33
3.2.3 Personal Psychological	34
3.3 Dimension	34
3.3.1 Per capita income	34
3.3.2 Purchasing power	35
3.3.3 Level of savings	35
3.3.4 Family members	35
3.3.5 Malnutrition	36
3.3.6 Literacy	36

3.3.7 Sanitation	37
3.3.8 Stress	38
3.3.9 Suicide	38
3.3.10 Violence	38
3.4 Operationalization	39
3.5 Summary	41
CHAPTER 04: METHODOLOGY	42-47
4.1 Introduction	42
4.2 Population and Sample selection	42
4.2.1 Study population	42
4.2.2 Sample size	42
4.2.3 Sampling method	44
4.3 Method of data collection	44
4.3.1 Primary data	45
4.3.2 Secondary data	45
4.4 Structure of questionnaire	45
4.5 Method of data analysis	45
4.6 Method of data evaluation	46
4.7 Summary	46
CHAPTER 05: DATA PRESENTATION AND ANALYSIS	48-67
5.1 Introduction	48
5.2 Analysis of reliability and Validity of the instruments	48
5.3 Personal information	48
5.3.1 Village name	49
5.3.2 Gender	50
5.3.3 Age of farmers	50
5.3.4 Monthly income	52
5.3.5 Loan necessities	53
5.3.6 Cultivation season	54
5.3.7 Family members	55
5.3.8 Monthly expenditure (except installment)	56
5.4 Research information	57

5.5 Impact of indebtedness on income level of farmers	57
5.5.1 Variable view (impact of indebtedness on income level of farmers)	57
5.5.1.1 Per-capita income	58
5.5.1.2 Purchasing power	58
5.5.1.3 Savings	59
5.5.1.4 Family members	60
5.6 Impact of indebtedness on poverty	60
5.6.1 Variable view (impact of indebtedness on poverty)	60
5.6.1.1 Malnutrition	61
5.6.1.2 Educational level	62
5.6.1.3 Sanitation	63
5.7 Impact of indebtedness on personal psychological	64
5.7.1 Variable view (impact of indebtedness on personal psychological)	64
5.7.1.1 Suicide	64
5.7.1.2 Stress	65
5.7.1.3 Violence	66
5.8 Overall view of socio-economic impacts of indebtedness on farmers	66
5.9 Summary	67
 CHAPTER 06: DISCUSSION	 68-77
6.1 Introduction	68
6.2 Discussion on personal information	68
6.3 Discussion on research variables	69
6.3.1 Impact of indebtedness on income level of farmers	70
6.3.1.1 Per-capita income	70
6.3.1.2 Purchasing power	70
6.3.1.3 Savings	71
6.3.1.4 Family members	72
6.3.2 Impact of indebtedness on poverty	72
6.3.2.1 Malnutrition	72
6.3.2.2 Educational level	73
6.3.2.3 Sanitation	74
6.3.3 Impact of indebtedness on Personal psychological	75
6.3.3.1 Suicide	75

6.3.3.2 Stress	75
6.3.3.3 Violence	76
6.4 Overall view of socio-economic impacts of indebtedness on farmers	76
6.5 Summary	77
CHAPTER 07: CONCLUSIONS AND RECOMMENDATIONS	78-81
7.1 Introduction	78
7.2 Conclusions and Recommendations on research variables	78
7.3 Recommendations for increase the income level among farm families	78
7.4 Recommendations for poverty alleviation	79
7.5 Recommendations for improving personal psychological	80
7.6 Summary	81
REFERENCES	82
APPENDIX- 01: QUESTIONNAIRE	85