

PERCEIVED EFFECTIVENESS OF CREDIT SERVICES OF DIFFERENT DAIRY SERVICE DELIVERY SYSTEMS IN NAMAKKAL DISTRICT OF TAMIL NADU

S. KARTHIKEYAN

*Veterinary Clinical Complex
Veterinary College and Research Institute
Tamil Nadu Veterinary and Animal Sciences University
Theni – 625 534*

ABSTRACT

The present study was conducted in Namakkal District of Tamil Nadu to explore the perceived effectiveness of credit services offered by different dairy service delivery systems. A total of 120 respondents were selected for the study by stratified proportionate random sampling method and the data were collected by personal interview method using pre-tested interview schedule. The respondents predominantly availed the credit facilities from credit service providers like commercial banks and cooperative banks (38.33%) followed by dairy cooperatives (26.67%) while meagre percentage of the respondents received the credit benefit from the milk vendors (5.0%) and private integrators (4.17%). Based on the mean weighted score, the dairy farmers perceived the credit facilities of dairy cooperatives are effective than that of the commercial and cooperative banks in terms of their accessibility, timeliness, interest rate, administrative procedure and their flexibility in repayment.

Key words: Banks, Cooperatives, Credit, Dairy, Insurance, Service.

Received :18.09.2025

Revised : 02.12.2025

Accepted : 15.12.2025

INTRODUCTION

Dairying plays a crucial role in the rural economy as it serves as a vital source of income and employment for the landless, small and marginal farmers in India. India is the largest milk producer in the world and its success is deeply intertwined with the financial health and productivity of the dairy farmers in different parts of the country.

However, farmers access to credit at the right time at affordable rates are required for investment in dairy farm sector to sustain and to enhance the milk production in Indian subcontinent.

To address the problem of fund requirement in the dairy sector, dairy cooperatives, various commercial banks, cooperative banks and Non-Banking

Assistant Professor, *Corresponding Author Email : drkarthiknkl@gmail.com

Financial Companies (NBFCs) offer various credit facilities to dairy farmers across the country. Dairy cooperatives often provide loans for purchase of input, cattle and working capital related to milk procurement. Commercial banks in India also extend financial assistance to dairy farmers under schemes like Kisan Credit Card (KCC), NABARD refinancing and government-sponsored initiatives. These credit mechanisms not only support dairy operations but also play a critical role in poverty alleviation and rural development. This article explains the extent of credit services availed by the dairy farmers from different dairy service delivery systems and their perceived effectiveness of the credit services offered by them for inclusive and sustainable dairy farming in the contemporary India.

MATERIALS AND METHODS

The study was undertaken in Namakkal district of Tamil Nadu state under the Salem District Co-operative Milk Producers Union, which is one of the largest milk procuring union of Tamil Nadu Cooperative Milk Producers Federation. Apart from cooperatives, various private dairies, vendors and cream separation units are also procuring milk from the farmers and offering dairy related services to them. All the four taluks of Namakkal district were purposively included for the study to have a complete representation of the district. For each taluk, the revenue villages which are having a female bovine population of above 1000 animals were listed out. From this list, one village from each taluk was randomly

selected for the research study. Respondents were selected based on the criteria that the farmers should have milch animal either a cow or a buffalo in milking condition and availing services from different dairy service delivery systems aforementioned. A total of 30 respondents from each village were selected by using random sampling method. Thus, a total of 120 respondents were selected for the study. The data were collected by personal interview method using a pre-tested interview schedule. The perceived effectiveness of different dairy service delivery systems for credit services was ascertained in terms of accessibility, timeliness, rate of interest, administrative procedure and flexibility in repayment. The scores were assigned on a three - point continuum for the indicators in order to analyze their perceived effectiveness. Weighted score for each dairy service delivery system was calculated by assigning 3 for 'good', 2 for 'average' and 1 for 'poor' and then multiply the per cent of observation by the respective score and finally adding the total observation.

RESULTS AND DISCUSSION

A. Credit services availed from different dairy service delivery systems

It could be inferred from Table 1 that credit services offered by various dairy service delivery systems were not used extensively by the dairy farmers in the study area. The dairy farmers in the Namakkal district had availed the credit services primarily from four dairy service providers viz., dairy cooperatives, private integrators,

milk vendors and banks. A considerable proportion of respondents (38.33%) have received the credit from commercial banks and cooperative banks. The dairy farmers usually maintain savings account in these banks and they also used to be a member in the local primary agricultural cooperative banks in their locality for availing loans and subsidies pertaining to agriculture and animal husbandry activities like purchase of dairy cows, construction of sheds and purchase of fertilizers, etc.

Only 26.67 percent of the dairy farmers received the credit from the dairy cooperatives. District cooperative milk union and state federation used to implement various schemes for the benefit of the members, offering loans and subsidizes for purchase of dairy cows, construction of shed, purchase of concentrate feed, etc. A meagre 5.00 percent of the respondents expressed that they had received the credit benefit from the milk vendors. Some of the vendors pay advance money to the respondents for their urgent needs and during the lean season while their debt will be adjusted through the milk sale during the flush season. Just 4.17 percentage of the dairy farmers received the credit facilities from the private integrators. These findings supported the findings of Guha (2022) who revealed that the maximum number of respondents (38.00%) have availed KCC or availed loan from commercial bank while 24.50% respondents availed loan from micro credit and 12.00% respondents have availed loans from Self Help Groups (SHGs).

B. Perceived effectiveness of credit service offered by different dairy service delivery systems

Only two service providers i.e., dairy co-operatives and banks (both commercial and cooperative banks) who were providing credits to the dairy farmers in the study area were considered for the comparison and the results are presented in Table 2. Since the number of observation for the dairy service providers viz., private integrators and milk vendors were less, they were not included for analyzing their perceived effectiveness of credit services.

I. Dairy Cooperatives

With a maximum weighted score of 300.00, all the selected dairy farmers in Namakkal district perceived that the credit facilities from dairy cooperatives are effective in terms of their accessibility, timeliness, interest rate, administrative procedure and flexibility in repayment. These findings are in line with the findings of Bekele and Pillai (2011) who observed that majority (86.90%) of the members of cooperative societies had access to credit whereas remaining 13.10 per cent had no access to credit. Among them 53.80 per cent, 14.20 per cent, 9.70 per cent and 6.30 per cent borrowed money for the purpose of procuring crossbred cows, milking equipment, marketing expenses and construction of sheds for cattle respectively. Rathod *et al.*, (2012) also opined that 85 per cent of the respondents had better access to credit services of dairy cooperatives in Maharashtra.

Mugabekazi (2014) identified that access to credit through cooperative membership facilitates reliable and cheaper credit compared to that from formal lending institutions like banks and their associated collaterals. Nowfal *et al.*, (2025) revealed cooperative members were significantly more likely to obtain larger loans, and express greater satisfaction with loan terms than non-members. Majority of the co-operative members (72.09%) obtained loans in the past 2 years, compared to only 45.40% of non-members.

II. Commercial and Cooperative Banks

Based on the calculated weighted scores, it is evident that the dairy farmers perceived the service of commercial and cooperative banks were accessible (286.96) with cumbersome administrative procedures (234.78) and formalities that lead to unnecessary delay in timeliness (221.73) and high interest rate (247.82) with little rigid repayment norms (273.91) made it difficult for the farmers to avail credit facilities from those banks.

Gupta and Agrawal (2018) identified that untimely credit disbursement, complex documentation, lack of information about loan procedure were the farmer's perception regarding the agricultural credit provided by District Co-operative Bank, Raipur, Chhattisgarh. Farmers also perceived that the loan is not in time, the loan procedure is complicated and the banker's behaviour is discourteous with regard to agricultural credit. Guha (2022) also concluded that cumbersome process, high rate of interest,

delays in loan acquisition, loan diversion and lack of collateral security were the most crucial component perceived by the respondents in availing credit facilities from the institutional credit organisations like cooperative and commercial banks.

Dey *et al.*, (2023) also reported that service quality variables like prompt service and employee behaviour; and service characteristics variables like interest rate, loan sanction time, repayment period and documents required for loan application significantly affect institutional credit adoption across the smallholders. Raj *et al.*, (2025) identified that sanctioning loans based on the overall cost of milk production is the optimal strategy to minimize the credit gap, ensuring that financial support aligns with the actual needs of farmers.

Overall, with a weighted mean score of 300.00, it was perceived by the dairy farmers that credit services offered by the dairy cooperatives was better than that of the commercial and cooperatives banks (253.04) in the Namakkal district of Tamil Nadu.

CONCLUSION

The study concludes that credit services offered by various dairy service delivery systems in the Namakkal district were underutilized by dairy farmers. While the respondents mainly accessed credit from commercial and cooperative banks, they perceived that procedural complexities, interest rates and repayment terms are better

in dairy cooperatives than the banks. To enhance the adoption of institutional credit, simplification and reforms in the commercial banking procedures will be an effective measure, particularly for encouraging non-borrower farmers to engage with formal

financial systems. Policy interventions should also focus on improving awareness, reducing administrative bottlenecks and tailoring credit products to meet the specific needs of dairy farmers, ensuring more inclusive and sustainable growth of the dairy sector.

Table.1. Credit service availed from different service delivery systems

Sl. No	Dairy service delivery systems (N = 120)	Credit Service	
		Frequency*	Percentage
1	Dairy Cooperatives	32	26.67
2	Private Integrators	5	4.17
3	Milk Vendors	6	5.00
4	Banks (Cooperative and commercial)	46	38.33

* Multiple response

Table.2. Perceived effectiveness of creditservice offered by different dairy service delivery systems

Indicators	Dairy cooperatives (n = 32)				Commercial and Cooperative Banks (n = 46)			
	Good (%)	Average (%)	Poor (%)	Weight Score	Good (%)	Average (%)	Poor (%)	Weight Score
Accessibility	100.00 (32)	0.00 (0)	0.00 (0)	300.00	93.48 (43)	0.00 (0)	6.52 (3)	286.96
Timeliness	100.00 (32)	0.00 (0)	0.00 (0)	300.00	41.30 (19)	39.13 (18)	19.57 (9)	221.73
Rate of interest	100.00 (32)	0.00 (0)	0.00 (0)	300.00	47.82 (22)	52.18 (24)	0.00 (0)	247.82
Administrative procedure	100.00 (32)	0.00 (0)	0.00 (0)	300.00	47.82 (22)	39.14 (18)	13.04 (6)	234.78
Flexibility in repayment	100.00 (32)	0.00 (0)	0.00 (0)	300.00	73.91 (34)	26.09 (12)	0.00 (0)	273.91
Overall	300.00				253.04			

REFERENCES

- Bekele, A. D. and Pillai, G. B. (2011). Training needs of members in cooperative dairy marketing in Ethiopia. *African Journal of Agricultural Research*, **6**(2): 488-507.
- Dey, S., Singh, P.K. and Mhaskar, M.D. (2023). Determinants of institutional agricultural credit access and its linkage with farmer satisfaction in India: a moderated-mediation analysis. *Agricultural Finance Review*, **83**(2):211–241. <https://doi.org/10.1108/AFR-02-2022-0028>
- Guha, A. (2022). Agricultural credits: its access, utilisation and repayment behaviour among farmers. Ph.D. thesis submitted to Uttar BangaKrishiViswavidyalaya.
- Gupta, U. and Agrawal, K. (2018). Farmer's perception towards agricultural credit provided by district cooperative bank. *International Research Journal of Management Sociology & Humanity*, **9**(1): 267-275.
- Mugabekazi, D. (2014). Evaluation of factors influencing membership in coffee cooperatives in Huye district, Rwanda. M.Sc. thesis submitted to University of Nairobi.
- Nowfal, S.H., Nanduri, S., Theresa, W.G., Samhitha, B.K., Vinoth, R., Veerapandi, A. and Bommisetti, R.K., (2025). The role of agricultural cooperatives in enhancing credit access, market information, and smart farming among rural farmers. *Research on World Agricultural Economy*, **6**(1): 654–672. DOI: <https://doi.org/10.36956/rwae.v6i1.1536>
- Raj, N.K., Dixit, A.K., Singh, A., Bhandari, G., Sen, B. and Verma, A. (2025). Narrowing the credit divide: Strategies to bridge credit gap among the dairy farming community of Tamil Nadu, India. *Journal of Investment, Banking and Finance*, **3**(1): 01-07.
- Rathod, P.K., Nikam, T. R., Landge, S. and Hatey, A. (2012). Farmers' perception towards livestock marketing service delivery by gokul dairy cooperatives, Maharashtra. *Indian Journal of Dairy Science*, **65**(3):256-261.