

CREDIT FOR PADDY : EXPERIENCE FROM AN
IRRIGATION SETTLEMENT SCHEME

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Paddy agriculture has made significant achievements during the past few decades within the context of small holdings. The programmes for provision of agricultural credit through institutions, however, still remains a problem. It has come to manifest in high rate of delinquency and high incidence of non-institutional sources of credit despite the intensification of delivery mechanism and refinement of procedures. This paper examines the problem in terms of productivity differentials among the different farmers in Gal Oya Left Bank in 1984/85 Maha season, housing placed the Gal Oya case within the context of the national situation with regard to the performance of the paddy sector.

The study revealed that the credit requirements are not homogeneous and credit policies and programmes based on the assumption that the peasantry is homogeneous is erroneous. The higher strata of peasant society, in this case the big farmer, dominates the low-interest institutional credit market as well as the interest-free non-commercial credit market, a reflection of the viability of the type of farm operated by this particular category of farmer. The small farmer inclusive of micro farmer is dependent on the commercial source of credit and this is due to lack of viability of the type of agriculture pursued by this particular group. Rather than uniform, across-the-board credit policies, credit policies with differential rates of interest for different production activities is suggested as the credit problem is associated with the problem of transforming small holder agriculture into a more developed form. In the alternative, a subsidy scheme for small farmers and rationalising interest rates in line with the prevailing market-rates may be implemented. Only very broad policies may be conceived at the national level. Considerable flexibility will have to be given to the local institutions in designing credit programmes suited to the specific conditions of the particular localities concerned.