

INFLUENCE OF CONVENTIONAL BANKING FACILITIES AMONG PADDY FARMING HOUSEHOLD IN AMAPARA DISTRICT OF SRI LANKA

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Introduction

Ampara district is located in the coastal dry zone in Sri Lanka and it is 4415.0 Sq. kilometres in extent. The main source of revenue of the people in the district is farming, especially paddy cultivation. The total cultivable area under paddy is 55,000 hectares and the average production is 250,000 metric tons in a season (Planning Secretariat, Ampara, 2010). In general, income of paddy farmers is uncertainty, they are intent to low income and higher expenditure finally it leads them into higher indebtedness and poverty. According to Todaro (1997) small scale farming, non- commercial, traditional agricultural practices lead to low productivity, affecting levels of income and saving of farmers especially smaller ones and pushing them in vicious circle of poverty. Especially Sri Lankan paddy farmers facing heaps of problems after liberalization circumstances because various types of import rice from Pakistan, India and other countries are available at the local market even domestic paddy production have achieved self sufficiency level. Consequently excess supply has caused to determine low level of price at the open market. Thus the sustainability of paddy farming and paddy farmers is at a critical juncture with a major threat of the deepening financial crisis. Most of the farmers are getting into the vicious circle of indebtedness and are unable to meet their household expenditures with the meager accrual of income from paddy cultivation alone. Most of the paddy farmers are gradually being trapped into mounting debt to high interest as they have to constantly depend on money lenders (Ahamed Lebbe, 2010). The credit scheme for paddy farmers and supportive institutional framework involving rural banking access, farm gate price of paddy and crop insurance all contributed positively to the successful operation of the credit scheme for rice farmers in Sri Lanka during 1980-2001 (Wickramanyake, 2004).