

## **Role of Rural Development Banks and Its Impact on Paddy Harvest in Puttalam District in Sri Lanka**

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### ***Abstract***

This paper examines the role of rural development banks and its impact on paddy harvest in Puttalam district in Sri Lanka. To achieve these objectives of the study, the primary data were collected through the questionnaires from the respondents who are cultivating paddy in the study area for the period 2017. Totally fifty samples were selected randomly from two villages and the collected data were analyzed using the paired sample t-test to identify whether there is any difference in average paddy yield pre and post receive the loans. In addition to that, descriptive statistics were used to analyze the socio-economic characteristics of the respondents while multiple regression analysis was used to quantitatively determine the impact of major contributions given by the banks on average paddy yield among small-scale farmers in the study area. Average paddy harvest considered as the dependent variable and the major contributions of rural development banks such as providing the loans benefits from the insurance and frequency of participated the meetings by farmers were used as explanatory variables in the analysis. The findings of the paired sample t-test show that the average yield of paddy has increased significantly due to the loans given by the banks. Results of multiple regression analysis prove that the use of credit in paddy farming has a negative and significant impact on farmers' paddy yield while benefits from insurance have a positive significant impact on average paddy harvest in Puttalam district. However, the impact of given loans by the banks on average paddy yield is negative illustrates that, there is an urgent need for monitoring and supervising the farmers regarding their usage of loans in paddy cultivation to appreciate the real effect of role given by the banks especially providing the loans on average paddy yield income of the farmers in Sri Lanka.

**Keywords:** rural development banks, paddy farmers, insurance benefits, paired

samples t-test, average paddy yield.

### **Introduction**

Sri Lanka is a naturally gifted country for the agricultural development and the agriculture is the cornerstone in the economy with 28.2% (labor force survey,2017) of the population living in rural areas depending on the agricultural sector for their livelihoods and income generation. The agricultural sector currently contributes 6.9% to the GDP and out of this