

AN EXAMINATION OF FARMERS' PERCEPTIONS OF PROSPECTIVE LOSSES

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ABSTRACT

Agriculture is the biggest economical sector in the country. With growth in technology, constant unpredictable monsoon and lack of government support has contributed to the distress of Indian farmers. This study focuses on analysing the perception of the farmers of Thanjavur district with respective prospective losses.

Key words: farmers, distress, prospective losses

Cite this Article: G. Raviselvam and N. Prabha, An Examination of Farmers' Perceptions of Prospective Losses, *International Journal of Management (IJM)*, 11(12), 2020, pp. 4141-4145.

<https://iaeme.com/Home/issue/IJM?Volume=11&Issue=12>

1. INTRODUCTION

Prospective theory is a behavioural economics, when people dislike losses as more than equivalent gain. Hence they are willing to take risk to avoid a loss.

The revenue from agriculture sector has reduced to a great extent in the last decade. The reasons being:

- Fast growth of service sector
- Failure of monsoon
- Wrongful water management
- Better and easy employment opportunities in service sector
- Farmers reliability on government schemes and concession

With this scenario as the background a study was undertaken to assess the perception of farmers with respect to prospectus losses.

2. REVIEW OF LITERATURE

Prospect theory is a behavioural model that shows how people decide between alternatives that involve risk and uncertainty (e.g. % likelihood of gains or losses). It demonstrates that people think in terms of expected utility relative to a reference point (e.g. current wealth) rather than absolute outcomes. Prospect theory was developed by framing risky choices and indicates that people are loss-averse; since individuals dislike losses more than equivalent gains, they are more willing to take risks to avoid a loss. Due to the biased weighting of probabilities (see certainty/possibility effects) and loss aversion, the theory leads to the following pattern in relation to risk (Kahneman&Tversky, 1979; Kahneman, 2011):

GerdGigerenzer's work on "fast and frugal" heuristics later built on Simon's ideas and proposed that the rationality of a decision depends on structures found in the environment. People are "ecologically rational" when they make the best possible use of limited information-processing abilities, by applying simple and intelligent algorithms that can lead to near-optimal inferences (Gigerenzer& Goldstein, 1996).

Lakshminarayanan, V., Chen, M. K., & Santos, L. R. (2008) in their social pscholgy stud of prospective theory states that when making choices between risky options, human decision-makers exhibit a number of framing effects. One of the most prominent framing effects is the tendency for decision makers to evaluate gambles relative to a reference point, and to act risk-seeking when prospects are framed as losses but risk-averse when identical prospects are framed as gains. This tendency for risk-preferences to reverse between loss and gain frames has been termed the reflection effect, and is one of the primary predictions of Prospect Theory.

3. RESEARCH DESIGN

A pilot study on was undertaken among 50 farmers of Thanjavur district for the purpose of this study.

4. OBJECTIVE

- To find out the perception of farmers on prospective losses
- To rank the reason of fear of prospective loss

5. TOOLS USED

- Likert Scale
- Garette Ranking

6. SCOPE OF THE STUDY

The data for the study was collected by preparing an interview schedule. Secondary data was obtained through journals, magazines and web pages

7. LIMITATION OF THE STUDY

The period of study was limited, so it was not possible to collect large data. Also the introvert attitude of the farmers could have biased their response.

8. DATA ANALYSIS AND INTERPRETATION

1. Farmers perception on prospective losses

Table 1 Farmers Perception on Prospective Losses

S. No	Frequency of fear of Prospective losses	No. of Respondents	% of respondents
1	Always	27	54%
2	Sometimes	15	30%
3	Never	8	16%
Total		50	100%

From the above table it is clear that majority of the farmer fear prospective loss with 54%, opining that they always fear prospective losses, 30% have fear sometimes and 16% dated to say that they never fear losses.

2. Ranking of factors which dominate the fear of prospective losses among farmers

Garett ranking scores reveal the following rank of factors which dominate the fear of prospective losses among farmers

Table 2 Ranking of Factors dominating fear of Prospective Losses

Factor No	Factor	Rank
F1	Finding the right market	8
F2	Inability to repay debts	2
F3	Loss of crop due to adverse climate	1
F4	Lack of government support	6
F5	Changes in government policy	7
F6	Lack of demand for produce	4
F7	Lack of clarity in procurement price	5
F8	Shortage of labour force	3

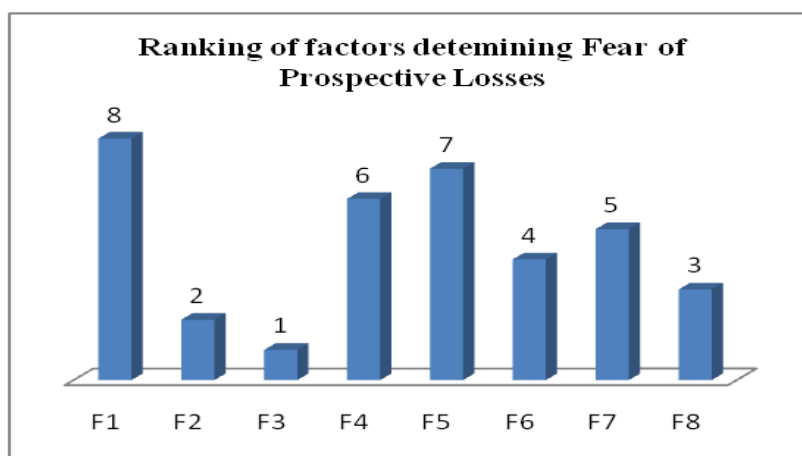


Chart 1 Ranking of Factors dominating fear of Prospective Losses

The above table and diagram reveals the following ranking of factors of the fear of prospective losses:

Rank 1 is given to the factor of loss of crop due to adverse climate, rank 2 to the farmers inability to repay debts, rank 3 to shortage of labour force for doing agricultural activities, rank 4 to the lack of demand for the farm produce, rank 5 is for lack of clarity in procurement prices, rank 6 for lack of government support for the farmers and their activities, rank 7 for constant changes in government policies and rank 8 for finding a market for their produce.

9. SUGGESTIONS

Following are the suggestions given to farmers to overcome their fear of prospective losses:

- To insure their crops from any form of damage
- To educate the farmers on the use of technology to predict weather conditions, for finding market for their produce and also to utilize the benefits of e-commerce.
- To also develop a secondary source of income for the farmer and his family.

10. CONCLUSION

Farming is an essential activity, hence the farmers should be motivated to practice agriculture in a more professional way, blending both the best of technology for knowing the market and weather conditions and traditional methods of farming.

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