

International Journal of Agriculture Extension and Social Development

Volume 7; Issue 5; May 2024; Page No. 96-98

Received: 07-02-2024
Accepted: 18-03-2024

Indexed Journal
Peer Reviewed Journal

Study on credit utilization pattern and repayment behaviour of agriculture loan borrowers of lead bank

¹Badigi Pavan Naik, ²V Shirke, ³Jyotishree Anshuman and ⁴VK Gogi Reddy

^{1,3,4}Ph.D., Scholar, Odisha University of Agriculture and Technology, Bhubaneswar, Odisha, India

²Professor, Department of Agriculture Extension, College of Agriculture, Pune, Maharashtra, India

DOI: <https://doi.org/10.33545/26180723.2024.v7.i5b.600>

Corresponding Author: Badigi Pavan Naik

Abstract

Credit is a valuable financial resource enabling individuals to acquire necessary goods and services with the commitment to repay the borrowed amount within an agreed-upon timeframe. In the realm of agriculture, where many farmers lack sufficient capital to invest in their operations, credit plays a vital role. Farmers often require short-term loans to fund crop cultivation and address immediate consumption needs, as well as medium-term loans for asset replacement and maintenance. The utilization of credit varies among borrowers depending on their specific circumstances. In designated districts, Lead Banks are expected to play a pivotal role in fostering banking and credit development. A significant portion (55.00 percent) of respondents exhibit a high level of credit utilization, with medium and low levels accounting for 22.50 percent each. The majority of loan recipients (84.17 percent) are categorized as Regulars, while 15.83 percent are labeled as Defaulters. The primary expenditures for loan funds among respondents include seed procurement (ranked first), followed by fertilizer purchases (second), and spending on herbicides, pesticides, and other chemicals (third). This indicates a preference for utilizing loan funds towards essential agricultural inputs. Among the identified patterns of credit utilization, the highest-ranked activities include frequent procurement of seeds (1st rank), followed by fertilizer purchases (2nd rank), and spending on herbicides, pesticides, and other chemicals (3rd rank).

Keywords: Credit, repayment behaviour, loan, lead bank

Introduction

In agriculture, farmers commonly rely on loans to finance various aspects of their operations, including seed purchases, equipment acquisition, and operational expenses. The utilization pattern of credit in this sector revolves around how farmers manage and deploy the credit extended to them, mainly through loans. The repayment behavior associated with these loans holds significant importance for both farmers and lenders. It serves as an indicator of the farmers' capacity to generate income from agricultural activities and their dedication to meeting financial obligations. For lenders, repayment behavior acts as a critical gauge of creditworthiness. A favourable credit utilization pattern for farmers entails the prudent use of credit to boost agricultural productivity and income, coupled with prompt repayments. This not only aids in establishing a positive credit history but also paves the way for accessing larger credit facilities in the future. Conversely, an unfavorable credit utilization pattern characterized by delayed or missed payments can lead to adverse consequences. These may include heightened interest costs, difficulties in securing future loans, and a detrimental impact on the overall financial well-being of the farming enterprise. Effective comprehension and management of credit utilization patterns, alongside maintaining a robust repayment behaviour, are fundamental for fostering

sustainable agricultural practices and ensuring financial stability within the farming community.

Materials and Methods

An *Ex post facto* research design was used to study the credit utilization pattern and repayment behavior of agriculture loan borrowers of lead bank in Pune district. *Ex post facto* is a Latin phrase that essentially means "retroactive" or affecting something that's already happened. (Kerlinger, F. N. (1964) ^[2]).

In Pune District, there are a total of 14 Tehsils. Among them, Baramati and Indapur were chosen purposively due to their higher number of loan beneficiaries. Five villages were purposively selected from each Tehsil based on the presence of loan beneficiaries. From each of these villages, 12 beneficiary farmers were randomly chosen.

The structured interview schedule was prepared keeping in view of the objectives of the study. The pattern of credit utilization was operationalized as the way the loan was spent on various agricultural operations. The variable was measured with the help of schedule developed by consulting the experts and reviews with help of advisory committee members and study of Shashikant Divakar (2013) ^[6]. The schedule contained of 8 statements. The respondents were requested to rate each statement on three point continuum viz., often, occasional and never with scoring of 3, 2 and 1

respectively. The total score of each respondent was worked out by summing up scores of all statements. Further, the respondents were grouped into three categories as below by using Mean and \pm SD. Data were collected by personally

interviewing 120 Beneficiary farmers with the help of interview schedule.

Results and Discussion

Table 1: Distribution of Respondents according to Credit utilization Pattern

Sr. No.	Credit Utilization pattern	Respondents(n=120)	
		Frequency	Percentage
1.	Low (Up to 17.78)	27	22.50
2.	Medium (17.78 to 21)	66	55.00
3.	High (Above 21)	27	22.50
	Total	120	100.00

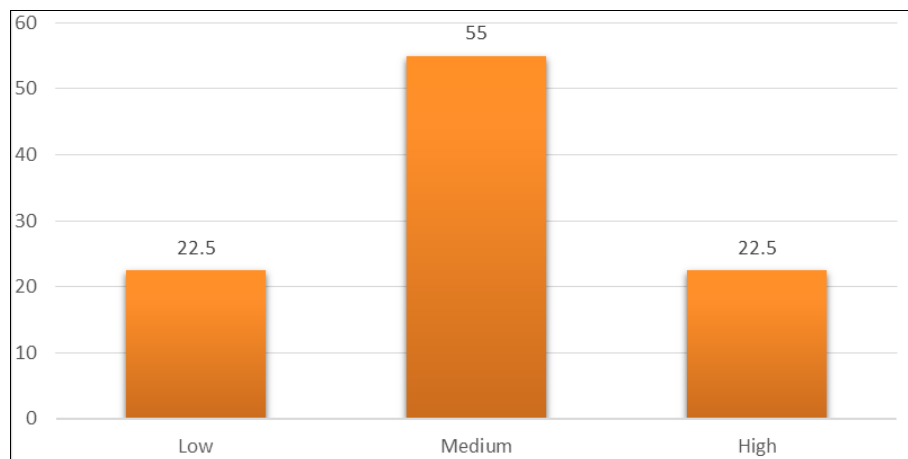


Fig 1: Credit utilization pattern

In Table 1, the data reveals that the majority (55.00 percent) of respondents exhibited a high level of credit utilization pattern. Following this, 22.50 percent each indicated a medium and low level of utilization pattern for loans.

The preference for a medium credit utilization pattern over high or low among farmers can be attributed to their conscientious approach in utilizing borrowed funds for specific purposes. These purposes include the procurement of seeds, fertilizers, pesticides, meeting labor charges, resource renovation, hiring charges, acquiring new

equipment, and engaging in animal husbandry. Given that the available loan amount was earmarked primarily for agricultural purposes, farmers tended to allocate funds accordingly, without deviating towards non-productive or unspecified uses such as personal or household expenses. This rationale contributes to the observed medium percentage in credit utilization pattern. Interestingly, these findings align closely with those of Shashikant Divakar (2013)^[6], indicating consistency in trends across studies.

Table 2: Distribution of respondents according to their statements towards Credit utilization pattern of loan

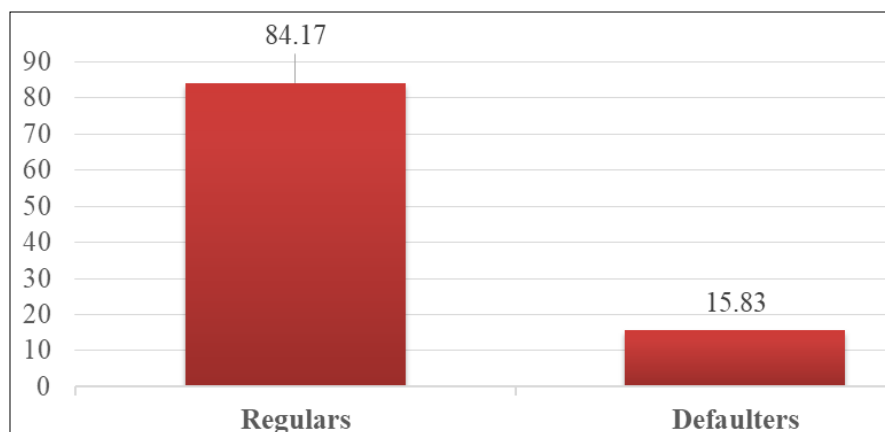
S.no	Statements related credit utilization pattern	Often		Occasionally		Never		Total score	Rank
		F	%	F	%	F	%		
1	Purchase of seeds	82	68.34	29	24.17	9	0.07	313	I
2	Procure of fertilizers	88	73.34	4	3.33	28	23.33	300	II
3	Spending on herbicides, pesticides and other chemicals	70	58.33	33	27.50	17	14.17	293	III
4	To meet labour expenses	73	60.83	25	20.83	22	18.34	291	IV
5	For the purchase of new equipment's	69	57.50	35	29.17	16	13.33	289	V
6	Agriculture allied activities (Animal husbandry)	69	57.50	24	20.00	27	22.50	282	VI
7	Renovation of resources	63	52.50	33	27.50	24	20.00	279	VII
8	To Incur hiring charges	44	36.67	66	55.50	10	14.83	274	VIII

According to Table 2, the analysis reveals that the majority of respondents allocated their loan funds primarily towards seed procurement (ranked first), followed by fertilizer purchases (ranked second), and expenditure on herbicides, pesticides, and other chemicals (ranked third). Subsequent expenditure categories included labor costs, purchasing new equipment, engaging in agriculture-related activities such as animal husbandry, resource renovation, and incurring hiring charges. This pattern suggests that among the eight

statements regarding credit utilization, the highest-ranked activities were consistently those related to the procurement of seeds, followed by fertilizer purchases and spending on herbicides, pesticides, and other chemicals. This trend could be attributed to farmers' habitual tendency to allocate a significant portion of their available loan towards seed procurement, thus prioritizing this essential aspect of their agricultural operations.

Table 3: Distribution of Respondents according to their Repayment Behaviour

S. No.	Repayment Behaviour	Respondents (n=120)	
		Frequency	Percentage
1.	Regulars	101	84.17
2.	Defaulters	19	15.83
	Total	120	100

**Fig 2:** Repayment Behaviour

The data presented in Table 3 indicates that the vast majority of loan-borrowing farmers, comprising 84.17 percent, fall under the category of "Regulars," while the remaining 15.83 percent are classified as "Defaulters." This finding corroborates the results reported by Reena Rawat (2016)^[4], confirming a similar distribution pattern observed in previous studies.

Conclusion

The analysis of the data presented in Tables 1, 2, and 3 sheds light on several key insights regarding credit utilization patterns among farmers. Firstly, a significant majority of respondents demonstrated a high level of credit utilization, indicating a conscientious approach towards utilizing borrowed funds for specific agricultural purposes. This finding aligns with previous studies and underscores the importance of earmarking loan amounts primarily for agricultural activities. Secondly, the allocation of loan funds was predominantly directed towards essential agricultural inputs such as seed procurement, fertilizer purchases, and expenditure on herbicides, pesticides, and other chemicals. This consistent prioritization reflects farmers' habitual tendencies to prioritize these crucial aspects of their operations. Finally, the classification of loan-borrowing farmers into "Regulars" and "Defaulters" further emphasizes the importance of adherence to repayment schedules, with the majority falling under the category of "Regulars." Overall, these findings highlight the prudent and purposeful utilization of credit among farmers, contributing to the sustainability and productivity of agricultural practices.

References

1. Gottemukkula B. Utilization pattern of crop loan by the farmers in Akola district. M.Sc. (Agri) Thesis. Department of Extension Education, Post Graduate Institute, Dr. Panjabrao Deshmukh Krishi Vidyapeeth, Akola, Maharashtra; c2018.
2. Kerlinger FN. Fundamentals of Behavioral Research. New Delhi: Prism Books Private Limited; c1964.
3. Om Narayana Cheetan. Study on Utilization Crop loan Borrowed by the farmers through cooperative societies in Jaipur District. MSc (Agri) Thesis. Department of Extension Education, S.K.N College of Agriculture, S.K.N Agriculture University, Jobner; c2019.
4. Rawat R. Study on credit utilization pattern and repayment behavior of farmers through cooperative societies. MSc (Agri) Thesis. Department of Extension Education, College of Agriculture, R.V.S. Krishi Vishwa Vidhayalya, Gwalior (M.P.); c2016.
5. Jaiswal R. Study on the role of lead bank in Agriculture development in district Faizabad. MSc (Agri) Thesis. Department of Extension Education, Narendradev Agriculture University, Faizabad, Madhya Pradesh; c2018.
6. Divakar S. A study on Attitude and utilization of crop loan by farmers in Bihar State. MSc (Agri) Thesis. Acharya N G Ranga Agricultural University, Rajendranagar, Hyderabad; c2013.