A study on repayment behaviour of agricultural loan borrowers through commercial banks

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SUMMARY : The study was conducted in purposively selected Bundi district of Rajasthan. Total of 500 agricultural loan borrowers were formed the sample for the study. The primary data were collected through personal interview method with the help of pre-tested interview schedule, which was prepared on the basis of objectives of investigation and variables. The statistical tests and procedures were used for analyzing the data with the help of statistical tools like- mean, S.D., percentage and Karl Pearson's co-efficient of correlation, multiple correlation and regression analysis. We found that 67.60 per cent borrowers paid their dues on time and to be called as "Regular" or standard borrowers It was observed that correlation co-efficients in respect of sources of information, Cosmo-politeness, scientific orientation and risk preference were found positive and highly significant with repayment behaviour of farmers. Co-efficient of determination value of 0.5514 with highly significant 'F' value revealed the significance of regression equation in the prediction of repayment behaviour of farmers. Out of sixteen traits *viz.,* caste, annual income, cosmopoliteness, scientific orientation and risk preference were found positive and highly significant relationship with repayment behaviour of farmers. Crop raze due to natural hazards as major constraints for effective repayment behaviour by borrowers and curb less financing, effective crop insurance and procedure of loaning should be more sophisticated were the main suggestion offered by borrowers for effective repayment behaviour of the borrowers.

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BACKGROUND AND OBJECTIVES

Finance plays a pivotal role in carrying out any economic activity and more so in agriculture. As a result of the new agricultural strategy, the higher prices for fertilizers, increased wages of labour and other cultivation expense, low return, and high rate of rent, a large number of cultivators cannot manage the needed finance without recourse to borrowing. Sophisticated farm production technology and scientific crop planning have also created a heavy demand for credit. Finance is required not only to meet the shortage arising in the production activity, but it is also required to bolster up a chronically deficit agricultural economy, because farmers generally live at the brink of starvation (Fatollathi, 2015). A serious concern for the

farmers relates to the availability of rural credit in adequate amounts at reasonable rate of interest. Taken into account the concern of farmers, the Government of India policies and programmes have led to an increase in the flow of agriculture credit through various financial institutions by three times during 2012-13 to 2016-17. Though agriculture provides employment to about three-fourths of the working population and contributes the major share of the national income, yet, in India, it is more a way of life than a pure business. As cultivation becomes uneconomic, the cultivator is forced into a hand-to-mouth existence, which, in turn, presses him to borrow either for consumption or for investment in agriculture (Adegbite, 2009). The Indian farmer borrows year after year but he is not in a position to clear off the loans, either because the loans are larger or because his agricultural output is not large enough to pay off his debt. In this way, the debt of the farmer goes on increasing (Al-Karaki, 1998). This is what is known as rural indebtedness. It is the burden of debt which shackles agriculture and condemns the cultivator to a life of penury and slavery which deprives him of the incentive to increase his production. As farming becomes uneconomic, the cultivator: is forced to reduce himself to the level of mere subsistence' which, in turn, compels him to borrow both for consumption and agricultural operations. It is only common knowledge that rural masses borrow almost habitually. Neither the condition of the country nor the nature of land tenures, nor the position of agriculture affects the basic fact that agriculturists must borrow (Fikirte, 2011). Individual tend to use different credit utilization pattern for obtaining the technology. For accepting any innovation by the farmers in varying socio-personal and farm situation, different types of credit utilization pattern are required. Thus, keeping in view the importance of the credit utilization pattern in our production process, this study is taken up with following objectives:

– To find out the socio-economic profile of borrowers.

– To determine the level of repayment behaviour of the borrowers.

– To find out the association between socio-economic profile of the borrowers with their repayment behaviour.

– To assess the constraints and suggestion for effective repayment behaviour of the borrower.

RESOURCES AND METHODS

The study was conducted in purposively selected Bundi district of Rajasthan, due to convenience of the researcher and due to vast variety of crop production and technology and greater portfolio of Agriculture. The study was made use of information and statistics from various publications of the Reserve Bank of India and other govt. departments. Bundi district has 5 tehsil namely Bundi, Hindoli, Nainwa, Keshoraipatan, Indragarh. For present study, 10 villages from each tehsil were selected purposively and after that 10 loanee farmers will be selected randomly from each village. And by this way, researcher made a sample size of 500 farmers. The primary data were collected through personal interview method with the help of pre-tested interview schedule, which was prepared on the basis of objectives of investigation and variables. The interview schedule was thoroughly discussed with the member of the advisory committee and their suggestions were incorporated. The statistical tests and procedures were used for analyzing the data with the help of statistical tools like- mean, S.D., percentage and Karl Pearson's co-efficient of correlation, multiple correlation and regression analysis were used for analysis of data.

OBSERVATIONS AND ANALYSIS

The results obtained from the present study as well as discussions have been summarized under following heads:

Socio-personal, socio-economic, communication and psychological traits of borrowers:

The study of socio-personal, socio-economic, communication and psychological traits of agriculture loan borrowers were made with reference to age, caste, education, social participation, farming experience, irrigation potentiality, size of land holding, annual income, occupation, credit facilities, loan period, sources of information, cosmopoliteness, scientific orientation, risk preference and knowledge about credit scheme. Information regarding age of the respondents has been summarized in Table 1 revealed that majority of the borrowers (42.00%) belonged to middle age groups, maximum number of borrowers (47.60%) belonged to OBC category, while 29.80 per cent belonged to SC/ST category, more percentage of the borrowers (23.00%)

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Table 1: Distribution of the borrowers according to socio-personal, socio-economic, communication and psychological traits (n=500)

Sr. No.	Category	Frequency	%	Mean, S.D.
1.	**Age**			
	Young (<35 yrs)	100	20.00	2.18
	Middle (36 to 55 yrs)	210	42.00	0.74
	Old (>55 yrs)	190	38.00	
2.	**Caste**			
	ST/SC	149	29.80	1.928
	OBC	238	47.60	0.721
	General	113	22.60	
3.	**Education**			
	Illiterate	79	15.80	
	Primary School	91	18.20	2.696
	Middle School	58	11.60	1.813
	High School	62	12.40	
	Above high school	95	19.00	
	Above graduation	115	23.00	
4.	**Social participation**			
	Low (<1.26 score)	154	30.80	9.716
	Medium (1.26 to 18.17 score)	216	43.20	8.456
	High (>18.17 score)	130	26.00	
5.	**Farming experience**			
	Experience < 5 yrs	90	18.00	2.232
	Experience between 5 to 10 years	204	40.80	0.734
	Experience > 10 yrs	206	41.20	
6.	**Irrigation Potential**			
	Low (<41.77 score)	67	13.40	68.310
	Medium (41.77 to 94.85 score)	351	70.20	26.544
	High (>94.85 score)	82	16.40	
7.	**Size of land holding**			
	Marginal (< 1 ha)	144	28.80	2.356
	Small (1.1 - 2 ha)	135	27.00	
	Medium (2.1- 5 ha)	120	24.00	1.1
	Large (> 5.1 ha)	101	20.20	
8.	**Annual income**			
	Low (Rs. 50,000)	97	19.40	2.332
	Medium (Rs. 50,000 to 100,000)	140	28.00	0.781
	High (above Rs. 100,000)	263	52.60	
9.	**Occupation**			
	Agriculture	213	42.60	1.676
	Agri.+ Business	236	47.20	0.651
	Agri.+ Business+ Other	51	10.20	
10.	**Credit availability**			
	Low (<10.90 score)	127	25.40	15.682
	Medium (10.90 to 20.46 score)	313	62.60	4.779
	High (>20.46 score)	60	12.00	

Table 1: Contd…….

11.	**Loan period**			
	ST (6 month to less than 1 yr)	191	38.20	1.77
	MT (1 to 5 yrs)	233	46.60	0.694
	LT (above 5 yrs)	76	15.20	
12.	**Source of information**			
	Low (<6.62 score)	115	23.00	13.294
	Medium (6.62 to 19.97 score)	319	63.80	6.678
	High (>19.97 score)	66	13.20	
13.	**Cosmopoliteness**			
	Village level	98	19.60	1.556
	Block level	151	30.20	
	District level	126	25.20	1.068
	Division level	125	25.00	
14.	**Scientific orientation**			
	Low (<8.67 score)	151	30.20	17.022
	Medium (8.67 to 25.38 score)	217	43.40	8.357
	High (>25.38 score)	132	26.40	
15.	**Risk preference**			
	Low (<13.46 score)	160	32.00	20.074
	Medium (13.46 to 26.69 score)	277	55.40	6.619
	High (>26.69 score)	63	12.60	
16.	**Knowledge about credit scheme**			
	Low (<4.52 score)	135	27.00	
	Medium (4.52 to 10.13 score)	304	60.80	7.326
	High (>10.13 score)	61	12.20	2.807

were educated upto above graduation level, whereas 19.00 per cent were educated upto above high school, majority of the borrowers (43.20%) had medium level of social participation; whereas majority of borrowers (41.20%) belonged to high farming experience category, followed by 40.80 per cent belonged to medium level of farming experience category.

Repayment behaviour of the borrowers:

Repayment behaviour of agricultural loan borrowers was determined on the basis of the time on which they repaid their loan. Those who repaid their loan in time were treated as 'Regulars' and failed to repay their loan were treated as' Defaulter'.

The data in Table 2 indicated that 67.60 per cent borrowers paid their dues on time and to be called as "Regular" or standard borrowers and 32.40 per cent of borrowers had not repaid their loans on time and to be

Table 2 : Distribution of the borrowers according to level of repayment behaviour of the borrowers (n=500)

Sr. No.	Repayment behaviour	Frequency	%
1.	Defaulter	162	32.40
2.	Regular	338	67.60

called as "Defaulter".

Association between attributes of borrowers with repayment behaviour :

The co-efficient of correlation of each of socio-personal, socio-economic, communication and psychological characteristics with repayment behaviour have been furnished in Table 3. The zero order correlation co-efficient of attributes of borrowers with repayment behaviour is furnished and it can be observed that correlation co-efficients in respect of sources of information (0.642), cosmo-politeness (0649), scientific

orientation (0.635) and risk preference (0.616), were found positive and highly significant while caste (0.257), education (0.28), social participation (0.566), irrigation potentiality (0.318), size of land holding (0.243), annual income (0.322), occupation (0.279) and knowledge about credit schemes (0.484) were found positive and moderately significant with repayment behaviour.

Table 3: Association between attributes of borrowers with repayment behaviour

Sr. No.	Characteristics	'r' value
	Socio-personal traits	
1.	Age	-0.033[NS]
2.	Caste	0.257*
3.	Education	0.28*
4.	Social participation	0.566*
5.	Farming experience	0.055[NS]
	Socio-economic traits	
6.	Irrigation potentiality	0.318*
7.	Size of land holding	0.243*
8.	Annual income	0.332*
9.	Occupation	0.279*
10.	Credit availability	-0.028[NS]
11.	Loan period	-0.081[NS]
12.	Sources of information	0.642**
	Communication traits	
13.	Cosmo-politeness	0.649**
14.	Scientific orientation	0.635**
	Psychological traits	
15.	Risk preference	0.616**
16.	Knowledge about credit schemes	0.484*

* and ** indicate significance of values at P=0.05 and 0.01, respectively
NS = Non-significant

Multiple regression analysis of predictor variables with repayment behaviour of borrowers:

Regression analysis pertaining to repayment behaviour of farmers with their selected traits revealed that 55.14 per cent of variation in repayment behaviour of farmers was explained by all the sixteen traits of the respondents included in the study. Multiple R^2 value of 0.5514 with highly significant 'F' value revealed the significance of regression equation in the prediction of repayment behaviour of farmers. Out of sixteen traits *viz.,* caste, annual income, cosmopoliteness, scientific orientation and risk preference were found positive and highly significant relationship with repayment behaviour of farmers. And irrigation potentiality, land holding and knowledge about credit schemes were found positive and moderately significant relationship with repayment behaviour of farmers whereas credit availability and loan period were found negative and highly significant relationship with repayment behaviour of farmers.

Constraints for effective repayment behaviour of the borrowers:

During investigation, there were many reasons due to which the proper repayment behaviour of loan as not expressed by the borrowers. Such constraints as expressed by the borrowers are explained below: crop raze due to natural hazards as major constraints for effective repayment behaviours by borrowers and ranked first. Unavailability of suitable price was ranked second. The other constraints perceived in the descending order of importance were poor marketing facilities and low crop production with ranked III and IV, respectively. unavailability of loan at proper time, less financing, presence of middle man and corrupt bank staff, lack of proper transportation facilities, due to spent of loan amount on unproductive purpose or family use rather than for farming, this tends to low production and subsequently borrower became defaulter, lack of facilities of ware houses or storage, lack of interest of bank employers towards loan sanctioning and sometimes, due bumper production, price of produce goes down, were ranked as V, VI, VII, VII, VIII, IX, X, XI and XII.

Suggestion offered by borrowers for effective repayment behaviour of the borrowers:

While talking to the borrowers it was found that the major constraints discussed above were the majority in the effective repayment of behaviour. In order to cope up with these constraints borrowers had suggested several possible solutions which are as below: Curb less financing was ranked first, effective crop insurance was ranked second. The other suggestions perceived in the descending order of importance were procedure of loaning should be more sophisticated; there should be practical timing of installment and interest collection with rank III and IV, respectively. The process of obtaining required certificates from village officials and other department should be more simple and easy, there should also be a loan facilities for post harvest period and processing of produce, there should be a transparency

and proper complain redressal system against middle man and corrupt bank officials, loaning should be effortless process, farmers should grow high yielding crop-verities according to their soil and other environmental factors, farmers should be aware of terms and conditions of subsidy in KCC and other subsidized loans and Bank officer should timely monitor the utility of loan should timely monitor the utility of loan, were ranked as V, VI, VII, VIII, IX, X and XI.

Conclusion:

The study revealed that 67.60 per cent borrowers paid their dues on time and to be called as "Regular" or standard borrowers and 32.40 per cent of borrowers had not repaid their loans on time and to be called as "Defaulter".

It can be observed that correlation co-efficients in respect of sources of information, cosmo-politeness, scientific orientation and risk preference were found positive and highly significant while caste, education, social participation, Irrigation potentiality, size of land holding, annual income, occupation and knowledge about credit schemes were found positive and moderately significant with repayment behaviour, whereas age, farming experience, credit availability and loan period were found not significant association with repayment behaviour. Co-efficient of determination value of 0.5514 with highly significant 'F' value revealed the significance of regression equation in the prediction of repayment behaviour of farmers. Out of sixteen traits *viz.,* caste, annual income, cosmopoliteness, scientific orientation and risk preference were found positive and highly significant

relationship with repayment behaviour of farmers. And irrigation potentiality, land holding and knowledge about credit schemes were found positive and significant relationship with repayment behaviour of farmers whereas credit availability and loan period were found negative and highly significant relationship with repayment behaviour of farmers. Crop raze due to natural hazards as major constraints for effective repayment behaviour by borrowers and unavailability of suitable price were the main constrains for effective repayment behaviour of the borrowers. Curb less financing, effective crop insurance and procedure of loaning should be more sophisticated were the main suggestion offered by borrowers for effective repayment behaviour of the borrowers.

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