

## Determinants of farm credit utilization by farmers

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### ABSTRACT

Present investigation was carried out in Amravati district to find out the relationship between profile and loan utilization pattern of loan borrower farmers and to know the farm credit utilization pattern of farmers. From study, it was observed that majority of loan borrower farmers were having middle age, secondary level education, small land holding, medium annual income, low social participation and medium mass media utilization. Regarding loan utilization pattern, majority of loan borrower farmers fully utilized the available loan for specific purpose. Mass media utilization was significantly related with the credit utilization pattern of loan borrower farmers.

### INTRODUCTION

India is an agricultural country and since an average Indian farmer is a poor cultivator having his unit of land below one hectare, he always lives in a state of confusion for the agricultural production in his field. Agriculture provides raw material to various industries and has a potential to earn foreign exchange. The development of agriculture mainly depends upon the value of inputs and the proper utilization of the inputs by the farmers and through adoption of improved technology. The farmer is always in need of working capital and cash in hand for improved farming. The normal saving pattern of the Indian farmer is such that he cannot earn any capital gain on his investment in the farm. Credit thus has become a highly essential aspect for mobilizing agricultural development and breaking the vicious circle.

It is therefore an essential part of farming that the farmers must be provided financial assistance by the Indian government through the banking system *viz.*, commercial banks, co-operative banks/societies, land development banks, schedule banks etc. However, leading commercial banks kept themselves aloof from financial need of agriculture sector and were alleged of not performing proper role in planned national development. Hence, in 1969 the government of India decided the nationalization of banks. After nationalization of banks, the credit system was improved and loan facilities

were provided by the banks. The credit provided through these banks is given in the form of different types of loan schemes like Kisan Gold Card, Krishi Plus etc. which help for the cultivation of crops, purchase of livestock, development of dairy industries, development of irrigation and farm mechanization etc. In present investigation, efforts have been made to know the profile of loan borrower farmers, loan utilization pattern of borrower farmers and to find out relationship between characteristics of loan borrower farmers and the farm credit utilization pattern.

### METHODOLOGY

The present study was carried out in Amravati block of Amravati district of Maharashtra state. Agricultural loan borrower farmers of the State Bank of India and Central Bank of India from study area were purposively selected for the study as these banks were leading banks in the area for supply of agricultural finance. Ten villages from the block were selected for the study on the basis of maximum number of farmers taken loan. List of loan borrower farmers was obtained from concerned bank officers and 15 borrower farmers from each village were selected randomly for the study which constituted the sample of 150 respondents. The data were collected with the help of pretested interview schedule from the identified loan borrower farmers by visiting personally at home or at

### Key words :

Farm credit,  
Correlation,  
Utilization and  
Loan Borrower  
Farmers

Accepted :  
April, 2010

farms as per their convenience. Collected data were analysed with the help of statistical tools like frequency, percentage, mean, standard deviation and correlation.

## RESULTS AND DISCUSSION

The findings of the present study as well as relevant discussion have been summarized under following heads:

### Profile of loan borrower farmers:

#### Age:

Most of the loan borrower farmers (58.00%) were from the middle age group while, 32.67% and 09.33% loan borrower farmers were from old and young age group category, respectively (Table 1).

#### Education:

As regard to the education, most of the loan borrower farmers (47.33%) were having education up to Secondary School level, followed by 45.34% of them possessed Primary education, while 17.33% loan borrower farmers had College level education (Table 1).

Sr. No.	Character	Category	Frequency	Per cent
1.	Age	Young	14	09.33
		Middle	87	58.00
		Old	49	32.67
		Total	150	100.00
2.	Education	Primary	53	35.34
		Secondary	71	47.33
		College	26	17.33
		Total	150	100.00
3.	Land holding	Low	70	46.67
		Medium	34	22.67
		High	46	30.66
		Total	150	100.00
4.	Annual income	Low	52	34.67
		Medium	53	35.33
		High	43	30.00
		Total	148	100.00
5.	Social participation	Low	130	86.66
		Medium	10	06.67
		High	10	06.67
		Total	150	100.00
6.	Mass media utilization	Low	26	17.33
		Medium	90	60.00
		High	34	22.67
		Total	150	100.00

#### Land holding:

Near about half of the loan borrower farmers (46.67%) were having small land and 30.66% of them were from large land holding category. Remaining 22.67% loan borrower farmers were having medium land (Table 1).

#### Annual income:

More or less annual income of all the loan borrower farmers was the same *viz.*, medium category (35.33%), low category (34.67 %) and high category (30.00%) (Table 1).

#### Social participation:

Great majority of the loan borrower farmers (86.67%) had low social participation and equal per cent of them (06.67%) had medium and high social participation (Table 1).

#### Mass media utilization:

Majority of the loan borrower farmers (60.00%) had medium mass media utilization followed by high (22.67%) and low (17.33%) mass media utilization (Table 1).

#### Loan utilization pattern of borrower farmers:

Table 2 indicates that near about equal number of crop loan borrower farmers (51.19 %) fully and partially (48.81 %) utilized the crop loan. In case of farmers availed credit for farm machinery and implements, majority of them (64.28 %) shown full utilization while, 35.72 % partially utilized the available loan for purchasing farm machineries and implements. Regarding livestock loan, most of them (59.25 %) fully utilized and 40.75 % loan borrower farmers partially utilized the available loan. Majority of farmers availed loan for development of drip irrigation (63.15 %)

Sr. No.	Purpose of loan	Loan utilization pattern		Total
		Full utilization (n=84)	Partial utilization (n=66)	
1.	Crop loan	43 (51.19)	41 (48.81)	84
2.	Farm machinery and implements	09 (64.28)	05 (35.72)	14
3.	Livestock	16 (59.25)	11 (40.75)	27
4.	Drip irrigation development	12 (63.15)	07 (36.85)	19
5.	Other (Bio gas and other)	04 (66.66)	02 (33.34)	06
	Total	84 (100.00)	66 (100.00)	150

Figures in parentheses indicate percentage

while, 36.85 % of them partially utilized the available loan for the specific purpose. Majority of the farmers who availed loan for construction of biogas and other projects (66.66 %) utilized full loan and 33.34 % of them partially utilized the available loan (Table 2).

The observations showed that most of the loan borrower farmers availed loan for crop cultivation. The observations also indicated the trend of partial loan utilization which indicates that they diverted available loan to other purposes but the number of such loan borrowers was found to be less. The above findings are contrast with that of Londase (2004) and Vaikunthe and Palaniswamy (1991).

**Table 3: Relationship between characteristics of loan borrower farmers and credit utilization pattern**

Sr. No.	Independent variables	Credit utilization pattern 'r' value
1.	Age	0.0133
2.	Education	0.0118
3.	Land holding	0.1408
4.	Annual income	0.1424
5.	Social participation	-0.0227
6.	Mass media utilization	0.2256*

\* indicates significance of value at P=0.05

### Relationship between characteristics of loan borrower farmers and credit utilization pattern:

Table 3 clearly indicates that the mass media utilization of loan borrower farmers established positive and significant relationship with credit utilization pattern of the farmers. On the other hand, age, education, land

holding, annual income and social participation did not establish any relationship with credit utilization pattern of the loan borrower farmers. Similar finding were reported by Agrawal and Sathawane (1998).

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