Research Article

RELATIONSHIP BETWEEN ECONOMICAL STATUS AND LOAN REPAYMENT BEHAVIOUR OF FARMERS

MARATHA P.*[1], BADODIYA S.K.[2] AND GOYAL M.C.[3]

[1]Department of Agriculture Extension Education, Career Point University, Alaniya, Kota, 325003, Rajasthan, India
[2]Principal Scientist & Head, ICAR-Krishi Vigyan Kendra, Badwani, 451551, Rajmata Vijayaraje Scindia Krishi Vishwa Vidyalaya, Gwalior, 474002, India
[3]Professor & Associate Director (Extension Education), Agriculture University, Kota, 324001, Rajasthan, India
*Corresponding Author: Email - prashantmaratha@gmail.com

Abstract: The study was conducted in Bundi district of Rajasthan. Total number 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 like- mean, S.D., percentage, and Karl Pearson's coefficient of correlation, multiple correlation and regression analysis. The study found that 67.60 percent borrowers paid their dues on time and to be called as "Regular" or standard borrowers. It was observed that correlation coefficients in respect to caste, education, social participation, size of land holding, annual income, occupation, and knowledge about credit schemes were found positive and moderately 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 eleven traits *viz.*, caste and annual income were found positive and highly significant relationship with repayment behaviour of farmers.

Keywords: *Economic Status of borrowers, Social participation, Size of land holding, Annual income*

Academic Editor / Reviewer: Dr Devesh Thakur, Sumalatha Nallabeema, Rafael Rodriguez-hernandez

Introduction

It is hard to exaggerate the role that agriculture credit plays very important role in human development. It shows the multi-faceted contributions of the global food system to all pillars of sustainable development. It fulfils the need to eradicate poverty and hunger in our generation, and it also points out the importance of having an integrated agricultural and rural development goal in the sustainable development agenda. Along with this credit is seen as a powerful instrument in promoting economic development with equity and social justice and more particularly to increase agricultural production and improve the standard of living of rural population. This is why credit to agricultural sector has always commanded special attention in terms of both policy issues and institution building. Increasing commercialization and diversification through the use of modern technologies have enhanced the credit need in the agricultural sector. Therefore, ensuring the access to rural credit and improving the efficiency of the rural credit delivery system for augmenting agricultural production has been an area of constant focus in the planning process in our country. 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 [1]. 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-fourth 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 [2 ,3]. 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 [4-6]. 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 and hence their repayment behaviour also goes differently. Thus, keeping in view, the importance of the credit utilization pattern in our production process, the study has been taken up with following objectives: -
1 To find out the Economic Status of borrowers.
2 To determine the level of repayment behaviour of the borrowers.
3 To find out the association between Economical Status of the borrowers with their repayment behaviour.

Materials and Methods

The study was conducted purposively in Bundi district of Rajasthan, due to vast variety of crop production and technology and greater portfolio of agriculture and convenience of the researcher. The study was made use of information and statistics from various publications of the Reserve Bank of India and other government departments. Bundi district has five tehsils namely Bundi, Hindoli, Nainwa, Keshoraipatan, Indergarh. For this study, 10 villages from each tehsil were selected purposively and after that 10 loanee farmers were selected randomly from each village. Thus, in 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 also discussed thoroughly with the researchers and other experts and their suggestions were incorporated. The statistical tests and procedures were used for analyzing the data like-mean, S.D., percentage, and Karl Pearson's coefficient of correlation, multiple correlation and regression analysis.

Results and Discussion
Economic Status of borrowers
The study of Economical Status of agriculture loan borrowers was made with reference to age, caste, education, social participation, farming experience, size of land holding, annual income, occupation, credit facilities, loan period, and knowledge about credit scheme. Information regarding age of the respondents has been summarized in [Table-1] which 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 percent belonged to SC/ST category, more percentage of the borrowers (23.00%) were educated up to graduation level and above, whereas 19.00 percent were educated up to high school and above, 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 percent belonged to medium level of farming experience category. The data in [Table-1] also revealed that maximum borrowers (28.80%) had marginal size of land holding and more than one half of the borrowers (52.60%) had rupees one lakh and above of annual income, while 28.00 percent had annual income between rupees 50,000 to 1,00,000. Near to half of the borrowers (47.20%) engaged in agriculture + business, while 42.60 percent engaged in agriculture only. It is indicated in the [Table-1] that majority of the borrowers (62.60%) were found medium level of credit availability, whereas 25.40 percent were found low level of credit availability. Near about half of the borrowers (46.60%) belonged to medium term loan period; while 38.20 percent belonged to short term loan period and 15.20 percent borrowers belonged to long term loan period. It was also revealed that majority (60.80%) of respondents have medium level of knowledge about credit schemes.

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 those who failed to repay their loan in time were treated as' Defaulters'.

Table-1 *Distribution of the borrowers according to their Economical Status (n=500)*

SN	Category	Frequency	Percentage	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	2.696
	Primary school	91	18.20	1.813
	Middle school	58	11.60	
	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 < 5yrs	90	18.00	2.232
	Experience between 5 to 10 years	204	40.80	0.734
	Experience > 10 yrs	206	41.20	
6	Size of land holding			
	Marginal (< 1 ha)	144	28.80	2.356
	Small (1.1 - 2 ha)	135	27.00	1.1
	Medium (2.1- 5 ha)	120	24.00	
	Large (> 5.1 ha)	101	20.20	
7	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	
8	Occupation			
	Agriculture	213	42.60	1.676
	Agri.+ Business	236	47.20	0.651
	Agri.+ Business+ Other	51	10.20	
9	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	
10	Loan period			
	ST (6 months 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	
11	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

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

SN	Repayment behaviour	Frequency	Percentage
1	Defaulter	162	32.40
2	Regular	338	67.60

The data in [Table-2] indicated that 67.60 percent borrowers paid their dues on time and to be called as "Regular" or standard borrowers and 32.40 percent of borrowers had not repaid their loans on time and to be called as "Defaulter".

Association between attributes of borrowers with repayment behaviour

The coefficient of correlation of each given characteristics of respondents with their repayment behaviour have been furnished in [Table-3]. The zero order correlation coefficient of attributes of borrowers with repayment behaviour is furnished, which can be observed that correlation coefficients in respect of caste (0.257), education (0.28), social participation (0.566), 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*

SN	Characteristics	'r' value
1	Age	-0.033NS
2	Caste	0.257*
3	Education	0.28*
4	Social participation	0.566*
5	Farming experience	0.055NS
6	Size of land holding	0.243*
7	Annual income	0.332*
8	Occupation	0.279*
9	Credit availability	-0.028NS
10	Loan period	-0.081NS
11	Knowledge about credit schemes	0.484*

= Moderately Significant, 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 percent of variation in repayment behaviour of farmers was explained by all the eleven 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 eleven traits *viz.*, caste and annual income were found positive and highly significant relationship with repayment behaviour of farmers. And 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.

Conclusion

The study revealed that 67.60 percent borrowers paid their dues on time and to be called as "Regular" or standard borrowers and 32.40 percent of borrowers had not repaid their loans on time and to be called as "Defaulter". It can be observed that correlation coefficients in respect of caste, education, social participation, 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 eleven traits *viz.*, caste and annual income were found positive and highly significant relationship with repayment behaviour of farmers.

Application of research: 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.

Author Contributions: All authors equally contributed

Author statement: All authors read, reviewed, agreed and approved the final manuscript. Note-All authors agreed that- Written informed consent was obtained from all participants prior to publish / enrolment

Study area / Sample Collection: Bundi district of Rajasthan

Cultivar / Variety / Breed name: Nil

Conflict of Interest: None declared

Ethical approval: This article does not contain any studies with human participants or animals performed by any of the authors.
Ethical Committee Approval Number: Nil

References

[1] Fatollahi A. (2015) *International Finance and Banking*, 2(1), 27-37
[2] Adegbite D.A. (2009) *American-Eurasian Journal of sustainable Agriculture*, 3(1), 117-125.
[3] Al-Karaki M.A. (1998) *Dirasat Agricultural Sciences*, 25(2): 147-156.
[4] Fikirte K. (2011) *Addis Abba, Ethiopi: M.Sc. Thesis. Wageningen University the Netherlands*.
[5] Sunil Kumar G.M. (2004) *M.Sc. (Agri.) Thesis, University of Agricultural Sciences, Dharwad, India.*
[6] Tripathi (2007) MSc (Ag) *Thesis, Jawaharlal Nehru Krishi Vishwa Vidyalaya, Jabalpur, Madhya Pradesh 482004*