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Loan utilization pattern of the small farmers

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Abstract

The present study entitled "Formal and Informal credit utilization pattern by the small farmers" was undertaken in Buldhana district of Vidarbha region of Maharashtra state. The ex-post facto analytical research design was used for the study. A total sample comprising 100 farmers were respondents selected from ten villages by using random sampling method. The data was collected with the help of pre-tested interview schedule by personally interviewing the respondents. The findings revealed that maximum number of the respondents (68.00%) *dah* utilized formal loan from Commercial Bank, maximum number of the respondents (58.00%) had partially repaid defaulter status, relatively higher proportion of the respondents (40.00%) had debt Rs.50001/- to Rs.100000/-Maximum number of the respondents (61.00%) had high loan utilization pattern.

Keywords: informal, credit, loan, defaulter, debt

Introduction

One of the objectives of planned economy development in our country is to achieve self-sufficiency in agricultural production. This can be achieved only by the use of modern new farm technology in agriculture along with making the other existing rural socio-economics institutional conditions more conducive to rapid growth in agriculture, no doubt, new farm technology is capital intensive.

In other words, the success of the modern farming depends on investment of larger doses of capital input in farm business. the farmers require not only short term loans for rising of their crops and meeting consumption needs but also the term loans for the purpose of maintenance or replacement of existing production farm assets with a view to maintain the income earning capacity of the farm and investing in development of their farm business, with a view to increases their income earning capacity. As the new farm technology is divisible and neutral to scale the demand for the credit is not only in case of larger farmers but also by all categories of farmers.

Credit is the critical input for agricultural operation, particularly for small and marginal farmers. It plays a crucial role in stepping up and stabilizing growth in developing country like India, especially when it is accompanied with Resource Conservation Technology (RCT). The credit provided through the banks is given in the form of different types of loan schemes like Kisan Gold Card, Krishi Plus etc. which he 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.

Methodology

Present study was carried out in the year 2017-18 with the jurisdiction of Dr. Panjabrao Deshmukh Krishi Vidyapeeth, Akola (Maharashtra State). The present investigation was undertaken in Buldhana district of the Vidarbha region of Maharashtra state. In Buldana District there are thirteen blocks, out of which two blocks namely Chikhali and Mehkar were selected on the basis of more number of crop loan beneficiaries in these blocks. From these two blocks, out of total villages in these blocks only five villages from each block were identified in consultation of Block Officer of Buldhana District Credit Co-operative Bank, Buldhana. The 10 villages namely Dongaon, Hiwara, Pimpalgaon (Unda), Gajarkhed, Shivaji Nagar from Mehkar block and Eklara, Shelgaon, Khandala, Shelud, Aanvi from Chikhali block. The list of farmers who borrowed crop loan were obtained from the primary credit

society offices at the respective villages and from these, a list of ten respondent farmers who borrowed crop loan were drawn randomly from each selected villages. Thus, in all 100 respondents were constituted the sample respondents for the study.

Results and Discussion

1. Age

Little less than half of the respondents (47.00%) belonged to middle age category followed by old age (30.00%) and Only 23.00 per cent of the respondents belonged to young age category.

Table 1: Distribution of the respondents according to age

| Sl. No. | Character | Category | Frequency | Percentage |
|---------|-------------------|-----------------------------|-----------|------------|
| 1. | Age (years) | Young (up to 35 years) | 23 | 23.00 |
| | | Middle (36 to 50 years) | 47 | 47.00 |
| | | Old (Above 50 years) | 30 | 30.00 |
| 2. | Education | No school | 15 | 15.00 |
| | | Primary school | 10 | 10.00 |
| | | Middle school | 34 | 34.00 |
| | | High school | 23 | 23.00 |
| | | Intermediate | 11 | 11.00 |
| | | Graduate | 07 | 07.00 |
| 3. | Irrigation source | No source | 54 | 54.00 |
| | | River | 01 | 01.00 |
| | | Canal | 06 | 06.00 |
| | | Well | 35 | 35.00 |
| | | Tube well | 00 | 00.00 |
| | | Farm pond | 04 | 04.00 |
| 4. | Risk orientation | Low | 07 | 07.00 |
| | | Medium | 36 | 36.00 |
| | | High | 57 | 57.00 |
| 5. | knowledge | Poor knowledge | 11 | 11.00 |
| | | Medium knowledge | 71 | 71.00 |
| | | Good knowledge | 18 | 18.00 |
| 6. | Attitude | Highly unfavourable | 00 | 00.00 |
| | | Unfavourable | 00 | 00.00 |
| | | Undecided | 21 | 21.00 |
| | | Favourable | 48 | 48.00 |
| 7. | Indebtedness | Highly favourable | 31 | 31.00 |
| | | Up to Rs. 50,000 | 25 | 25.00 |
| | | Rs. 50,001 to Rs.1,00,000 | 40 | 40.00 |
| | | Rs.1,00,001 to Rs.1,50,000 | 20 | 20.00 |
| | | Rs. 1,50,001 to Rs.2,00,000 | 10 | 10.00 |
| 8. | Defaulters status | Above Rs. 2,00,000 | 05 | 05.00 |
| | | Non defaulter | 07 | 07.00 |
| | | Partially repaid | 58 | 58.00 |
| | | Defaulter | 35 | 35.00 |

2. Education

Nearly one third of the respondents (34.00%) were educated up to middle school level, followed by below one fourth of the respondents (23.00%) were educated up to high school level whereas, 15.00 per cent of respondents were illiterate and 11.00 per cent of the respondents were educated up to intermediate level and only 7.00 per cent respondents were graduated.

3. Irrigation status

Relatively higher proportion of the respondents (54.00%) were not having any irrigation source whereas, (35.00%) respondents had well and only 6.00 per cent and 1.00 per cent respondents having canal and river source respectively and only 4.00 per cent of the respondents use farm ponds for their irrigation purpose.

4. Risk orientation

Maximum number of the respondent (57.00%) were found high risk oriented whereas, 36.00 per cent respondents were medium and 07.00 per cent were found low risk oriented.

5. Knowledge

Majority of the respondents (71.00%) possessed medium knowledge about agricultural credit facilities followed by good knowledge 18.00 per cent and 11.00 per cent of the respondents had low knowledge.

6. Attitude

Nearly half of the (48.00%) respondents were having favourable attitude towards crop loan followed by 31.00 per cent highly favourable and 21.00% of the respondents were undecided.

7. Indebtedness

Relatively higher proportion of the respondents (40.00%) had debt in range between Rs.50,001/- to Rs.1,00,000/- followed by one fourth (25.00%) of the respondents had debt up to Rs. 50,000/-, (20.00%) of the respondents had debt in range between Rs.1,00,001/- to Rs.1,50,000/-, (10.00%) of the respondents had debt in range between Rs.1,50,001/- to 2,00,000/- and only 5.00 per cent of the respondents had debt above Rs.2,00,000/-.

8. Defaulter status

Maximum number of the respondents (58.00%) partially repaid the loan followed by not at all repaid i.e. defaulter

35.00 per cent. The farmer who regularly repaying the loan was only 07.00 per cent.

Table 2: Distribution of the respondents according to purpose wise loan utilization pattern

| Sl. No. | Type of loan | Purpose | Percentage | Utilization pattern | |
|---------|--------------|-------------------------------|------------|---------------------|--------------------|
| | | | | Fully utilized | Partially utilized |
| 1 | Formal | Crop loan | 82 | 64 | 18 |
| | | Well construction | 07 | 05 | 04 |
| | | Drip irrigation | 03 | 02 | 01 |
| | | Total | 92 | 71 | 23 |
| 2 | Informal | Agriculture | 32 | 12 | 20 |
| | | House construction/ repairing | 16 | 09 | 07 |
| | | Social function | 22 | 12 | 10 |
| | | Medical | 27 | 10 | 17 |
| | | Livestock | 02 | 02 | 00 |
| | Total | | 99 | 45 | 54 |

Majority (92.00%) of the respondents had used formal source of credit amongst 71.00 percent farmers had utilized it fully for productive purpose whereas 23.00 percent of them had partially utilized. An informal type of loan was obtained by 99.00 percent of the respondents which was utilized partially by 54.00 percent and fully utilized by 45.00 percent.

Table 3: Correlation coefficients of independent variable with loan utilization pattern.

| Sl. No. | Independent Variables | 'r' value |
|---------|-----------------------|-----------|
| 1 | Age | 0.0724 NS |
| 2 | Education | 0.2994** |
| 3 | Irrigation status | 0.2652** |
| 4 | Risk orientation | 0.2864** |
| 5 | Knowledge | 0.436** |
| 6 | Attitude | 0.4886** |
| 7 | Indebtedness | 0.2820** |
| 8 | Defaulter status | -0.2264* |

** Significant at 0.01 percent level

NS-non-significant

* Significant at 0.05 percent level

Table 3 indicate that, education, irrigation status, risk orientation, knowledge about agricultural credit facilities, attitude towards loan utilization, indebtedness showed positive and highly significant correlation with loan utilization pattern while age and show non-significant correlations with loan utilization pattern and defaulter status showed negative and significant correlation with loan utilization pattern.

Conclusion

This study clears that cent per cent of the respondents were in debt. They are not eligible for getting loan from the various banks. Therefore it is conclude that government should provide loan to the farmers at low interest rate by considering old loan (back loan) also the credit policy makers have to think critically about the change in economic condition of the farmers in Buldhana district.

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