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Agricultural credit repayment performance of borrower and over dues of term loan

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Abstract

The present study was conducted in Bikaner region of Rajasthan to analyse repayment performance, overdues. Four districts viz., Sriganganagar, Hanumangarh, Bikaner and Churu district. A lead bank of each selected district was selected purposively for collection of secondary and primary data in respect of agricultural loan supplied to the farmers. The selected banks were Oriental Bank of Commerce from Sriganganagar, State Bank of Bikaner and Jaipur from Hanumangarh and Bikaner districts and Bank of Baroda for Churu district. A sample of 30 farmers was drawn as borrower farmers from each selected district by probability proportion to the number of borrower farmers in each group (small, medium and large farms). Similarly, 30 non-borrower farmers were also selected from each district using the similar method as borrower farmers to analyse the impact of credit. The extent of overdues increase of term loan was ranged 15 to 33 per cent. The repayment performance and overdues in the study area that the repayment performance was better on small and medium farmers than the large farmers however, no major difference was observed in repayment performance among small, medium and large farmers of Sriganganagar and Hanumangarh and Bikaner district but in case of the farmers of Churu district the larger difference (7%) was observed among the various group of the farmers. About 65 to 85 per cent difference from large to small farms was found in repayment performance in the study area. At overall level about 75 per cent repayment performance was estimated of the borrower farmers of Bikaner region and extent of overdues was 25 per cent.

Keywords: Repayment capacity, overdues, term credit

Introduction

Agricultural credit in itself is not an input but it helps in creating environment for the adoption of modern production technology and encouraging private investment on the farms. Thus, credit in agriculture acts as lubricant which helps to run the machine swiftly and smoothly. It is more so in the context of Indian agriculture which is predominated by small and marginal farmers and agricultural labourers who have less resources and are in dire need of them. Unless the problem of inadequacy and defective credit system is solved, it will continue to hamper the development and modernized of agriculture. It is needed not merely for running the agriculture operation but more importantly to import an element of dynamism or growth oriented change in the traditional agriculture.

Recognizing the importance of credit, the National Agricultural policy adopted in July 2000 envisages a growth of 4 per cent of agriculture to achieve 8 per cent economic growth of the country and emphasizes adequate and timely supply of institutional credit to farmers. The agricultural credit institutions will therefore, have to gear up to meet this challenge.

Institutional finance has even a greater role to play in a country like India where the majority of the farmers are unable to generate enough farm surpluses and re-invest due to their low level of income. Moreover, introduction of modern technology in agriculture has led to intensive use of inputs and the package of practices, resulting in manifold increase in the requirement of production credit Also the institutional credit plays an important role to free from their depending on unorganised sector.

Financing institutions and as a result of this expansion of rural financing instructions; their participation in rural credit has increased significantly while that of money lenders has declined (Misra and Puri, 2004) ^[1]. This signifies that the instructional sources have increased their participation in rural credit considerably. Millions of first generation, depositors and borrowers have been introduced to the banking system and they have shifted their loyalties from the non- instructional money landers and pawnbrokers to the banking institutions and Cooperatives.

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Since nationalization, Indian banking sector has witnessed several reforms and commercial banks have expanded their network in rural areas, the banking network in Rajasthan too, has expanded considerably during the past and organizational and functional setup of the financial institutional have changed considerably. Gradually the number of such banks of commercial banks increased and presently 28 commercial and 14 Regional Rural Banks are in Rajasthan. The extent of expansion of branches can be judged by the facts that the number of banking offices has risen from 369 in 1969 to 2101 in 1993 and 4944 in 2012. Out of these network of bank branches 2087 are in rural areas 1813 in semi urban and 1044 in urban areas of commercial banks. However, the total branches of Regional Rural Banks were 2349 in 2012 in which 1283 are in rural areas, 933 are in semi urban and 133 in urban areas. Thus in 2012, the total rural branches were 3370 and semi urban branches were 2746 in Rajasthan. This share in rural branches justifies the basic purpose of their establishment in Rajasthan and commercial banks have been playing a significant role in providing financial assistance to the needy farmers. In the state of Rajasthan the total agricultural disbursement by all groups during 2012 was Rs 228109 million.

Methodology

The present study was conducted in the Bikaner region of Rajasthan. The Bikaner region of Rajasthan comprises with four districts namely, Bikaner, Sriganganagar, Hanumangarh and Churu. The Sriganganagar and Hanumangarh district agriculturally developed district. However, Bikaner and Churu district of this region are an agriculturally backward district which required extra care of the financial institutions for bringing it at par with other areas.

Both primary and secondary data were required to arrive at the stated objectives. The secondary data to analyses the growth of formal credit to agriculture over the period of time, the periodical data were collected for 10 year (from 2003-04 to 2012-13) from lead bank office of the selected lead banks. Similarly, the information relating to credit amount actually disbursed to the selected farmers was collected from the respective selected branch for the agricultural year 2011-12. However, to analyses the repayment performance and overdues of agricultural loan, the secondary data were collected up to June 2014 from the records maintain by concerned bank branch in the study area.

Repayment performance and overdues

To examine the repayment performance of the borrower farmers, the information regarding repayment of the loan was collected from the respective selected branches of the bank from where the loan was advanced to the borrower farmers up to June 2014 and collected data were analyzed by tabular method.

Loan overdues

The amount of credit repayable but not repaid on or before due date to the lending agency by the borrower farmers was considered as loan overdues. It was calculated as:

$$O = A + B - C$$

Where

O = Loan overdues

A = Amount to be paid during the year

B = Amount overdue at the beginning of the year

C = Amount actually paid during the year

Extent of overdues and Repayment performance

$$\text{Extent of overdues (\%)} = \frac{\text{Amount overdue}}{\text{Amount due for repayment}} \times 100$$

$$\text{Repayment performance (\%)} = \frac{\text{Amount repaid}}{\text{Amount due for repayment}} \times 100$$

Result and Discussion

The repayment performance of the borrower farmers of the study area was measured in term of percentage of amount repaid to the amount due for repayment in the given period. The total amount of loan due for repayment included the old debt, principal amount and the interest, the payable amount of loan, unpaid amount up to due date, was considered as the amount of over dues. The extent of over dues was measured as the ratio of amount over dues to the amount of loan due for repayment and was expressed in term of percentage.

The information with regard to per farm term loan advanced during the agriculture year 2011-12 by the selected branch of the bank for purchasing of minor irrigation system, farm machinery and implements and for land development and amount repayable as on 30-06-12, amount actually repaid up to 30-06-14 amount and overdues as 30-06-14 was collected from the available records of the bank and its repayment performance are presented in table 1 to 4.

The payable amount, amount paid and repayment performance of term loan for the farmers of Sriganganagar district. Indicated (Table 1) that per farm overall payable amount of term loan was ₹ 48,381.37 and overdues amount was ₹ 10,721.91. Thus, the repayment performance was about 78 per cent and extent of over dues was 22 per cent. The per hectare on overall basis the repayment performance was about 78 per cent and the overdues amount was increasing with the increasing size of land holding it was ₹ 8,190.42 for small farms and ₹ 15,513.77 on large farms. Similarly the repayment performance was ranged from 76.59 (large farm) to 79.36 per cent (Small farm). The per hectare payable amount, amount actually paid and overdues amount on overall basis was ₹ 12454.62, ₹ 9769.92 and ₹ 2,684.37, respectively.

Table 1: Repayment performance and overdues of term credit as on due dates of the farmers of Sri Ganganagar district.

Farm size	Borrowed Amount (₹)	Amount payable up to due date (₹)	Amount Actually paid up to due date (₹)	Overdues (as on 30.06.14) (₹)	Repayment Performance (%)	Extent of overdues (%)
1	2	3	4	5	6	7
Small						
Per farm	72978.60	39682.26	31491.84	8190.42	79.36	20.64
Per hectare	34423.86	18718.05	14854.64	3863.40		
Medium						
Per farm	97980.75	39192.00	30726.53	8461.55	78.41	21.59
Per hectare	24073.90	9629.48	7549.52	2079.00		
Large						
Per farm	188747.16	66269.86	50756.09	15513.77	76.59	23.41
Per hectare	25679.89	9016.31	6905.59	2110.71		
Overall						
Per farm	119902.17	48381.37	37658.15	10721.91	77.74	22.26
Per hectare	28059.22	12454.62	9769.92	2684.37		

It is clear from the (Table 2) that on an overall average per farm the payable amount of Hanumangarh district on 30-06-14 was 78638.48 out of which 82.57 per cent (₹ 65,216.23) was repaid by the due date and remaining 17.43 per cent (₹ 13,422.25) stood as over dues. The per hectare payable amount of term loan by the due date was ₹ 23,274.22 and paid amount up to due date (30-06-14) was ₹ 19,515.58 which is

83.60 per cent of the total payable amount. The table shows that there was positive relationship among small, medium and large farms in overdues with increasing in size of land holding. The repayment performance was ranged from 81.41 to 85.16 per cent for large farms to small farms and extent of overdues 18.59 to 14.84 per cent for the same group of the farms.

Table 2: Repayment performance and overdues of term credit as on due dates of the farmers of Hanumangarh district.

Farm Size	Borrowed Amount (₹)	Amount payable up to due date (₹)	Amount Actually paid up to due date (₹)	Overdues (as on 30.06.14) (₹)	Repayment Performance (%)	Extent of overdues (%)
1	2	3	4	5	6	7
Small						
Per farm	88489.98	49836.47	42440.73	7395.74	85.16	14.84
Per hectare	56363.04	31742.97	27032.31	4710.66		
Medium						
Per farm	156190.60	93536.55	77869.17	15667.38	83.25	16.75
Per hectare	46624.05	27921.35	23244.52	4676.82		
Large						
Per farm	214305.23	92542.43	75338.79	17203.64	81.41	18.59
Per hectare	23524.17	10158.33	269.90	1888.43		
Overall						
Per farm	152995.27	78638.48	65216.23	13422.25	82.57	17.43
Per hectare	42170.42	23274.22	19515.58	3758.64		

The per farm overall amount of term loan payable as on 30-06-12 by the farmers of Bikaner district was ₹ 73,969.06 (Table 3) out of which the farmers paid 73.75 per cent amount of the total payable amount up to due date and remaining 26.25 per cent amount of the total payable amount was overdues on due date. The overall per hectare payable amount was 10,796.04 out of which farmers actually paid ₹ 8,047.64

(74.55%) and remaining 25.45 per cent term loan as per hectare basis was due for repayment. The repayment performance of the borrower farmers of Bikaner district was about 72, 74 and 77 per cent on large, medium and small farms respectively. The result indicated the inverse relationship with increase the farm size.

Table 3: Repayment performance and overdues of term credit as on due dates of the farmers of Bikaner district.

Farm Size	Borrowed Amount (₹)	Amount payable up to due date (₹)	Amount Actually paid up to due date (₹)	Overdues (as on 30.06.14) (₹)	Repayment Performance (%)	Extent of overdues (%)
1	2	3	4	5	6	7
Small						
Per farm	52155.68	39816.36	30602.85	9213.51	76.86	23.14
Per hectare	13725.17	10477.98	8053.38	2424.60		
Medium						
Per farm	138391.19	84744.19	63159.84	21584.35	74.53	25.47
Per hectare	21522.73	13179.50	9822.68	3356.81		
Large						
Per farm	180576.13	97346.63	69875.41	27471.22	71.78	28.22
Per hectare	16195.17	8730.64	6266.85	2463.79		
Overall						
Per farm	123707.67	73969.06	54546.03	19423.02	73.75	26.25
Per hectare	17147.69	10796.04	8047.64	2748.40		

The repayment performance together with extent of overdues of the term loan for the farmers of Churu district are presented in table 4. It is obvious from the table that the amount repayable, repaid and overdue as on 30.06.14 of term loan was ₹ 81,446.81, 54,159.75 and ₹ 27,287.06 respectively on overall per farm. This shows that the repaid amount was 66.85 per cent of the total repayable amount and 33.15 per cent amount were overdues (extent of overdues). The overall per hectare repayment performance was worked out 68.41 per

cent and the extent of overdues was 31.59 per cent. Per farm repayable amount was highest (₹ 14, 1977.52) on large farms and lowest (₹31, 474.25) on small farms. It was 70, 888.61 on medium farms. The repayment performance was work out 71.33 per cent on small farm, 67.59 percent on medium farm and 64.88 per cent on large farms. This indicates the inverse relationship among size of land holding. The extent of overdues was varied from 67 per cent for small farms and 35.12 per cent for large farms.

Table 4: Repayment performance and overdues of term credit as on due dates of the farmers of Churu district.

Farm Size	Borrowed Amount (₹)	Amount payable up to due date (₹)	Amount Actually paid up to due date (₹)	Overdues (as on 30.06.14) (₹)	Repayment Performance (%)	Extent of overdues (%)
1	2	3	4	5	6	7
Small						
Per farm	46513.71	31474.25	22450.58	9023.67	71.33	28.67
Per hectare	11048.38	7476.06	5332.67	2143.38		
Medium						
Per farm	118147.69	70888.61	47913.61	22975.00	67.59	32.41
Per hectare	10939.60	6563.76	4436.45	2127.31		
Large						
Per farm	218091.43	141977.52	92115.02	49862.50	64.88	35.12
Per hectare	10239.03	6665.61	4324.65	2340.96		
Overall						
Per farm	127584.28	81446.79	54159.75	27287.06	66.85	33.15
Per hectare	10742.34	6901.81	4697.92	2203.88		

Thus, it is clearly indicated from the above discussion is respect of repayment performance and overdues in the study area that the repayment performance was better on small and medium farmers than the large farmers however, no major difference was observed in repayment performance among small, medium and large farmers of Sriganganagar and Hanumangarh and Bikaner district but in case of the farmers of Churu district the larger difference (7%) was observed among the various group of the farmers. About 65 to 85 per cent difference from large to small farms was found in repayment performance in the study area. At overall level about 75 per cent repayment performance was estimated of the borrower farmers of Bikaner region and extent of overdues was 25 per cent. Highest was recored (14, 1977.52) in large farms and lowest (31,474.25) was observed in small farms. It was ₹ 70, 888.61 on medium farms. The repayment performance was work out 71.33 per cent on small farm, 67.59 percent on medium farm and 64.88 per cent on large farms. This indicates the inverse relationship among size of land holding. The extent of overdues was varied from 67 per cent for small farms and 35.12 per cent for large farms.

Conclusion

Thus, it is clearly indicated from the above discussion is respect of repayment performance and overdues in the study area that the repayment performance was better on small and medium farmers than the large farmers however, no major difference was observed in repayment performance among small, medium and large farmers of Sriganganagar and Hanumangarh and Bikaner district but in case of the farmers of Churu district the larger difference (7%) was observed among the various group of the farmers. About 65 to 85 per cent difference from large to small farms was found in repayment performance in the study area. At overall level about 75 per cent repayment performance was estimated of the borrower farmers of Bikaner region and extent of overdues was 25 percent

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