



INTERNATIONAL JOURNAL OF RESEARCH IN COMPUTER APPLICATION AND MANAGEMENT

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SUPPLY AND UTILISATION PATTERN OF AGRICULTURAL CREDIT: A STUDY OF SELECTED CREDIT INSTITUTIONS OF HARYANA

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ABSTRACT

Productive utilization of borrowed money coupled with timely repayment of installments due largely determines the success of a lending institution. Repayment of loan in time is a primary factor as it helps the business running, benefits the farmers by reducing their debt burden and keeps them eligible for getting a fresh loan in future and further helps in planning the system, successfully. On the contrary unproductive utilization coupled with irregular repayment or non-repayment of loan within its stipulated time has certain depressing effects on the entire structure and organization of credit institutions as it dilutes the entire loaning structure. Use of credit for productive and unproductive purposes depends upon the nature of utilization of credit. In the present paper, an attempt has been taken to analysis of source wise borrowings of agricultural credit and their utilization pattern by the sample borrowers for different purposes.

KEYWORDS

Agricultural Credit, Repayment of Loans, Regular Borrowers, Defaulter Borrowers, Primary Agricultural Cooperative Societies, Regional Rural Banks, Commercial Banks.

INTRODUCTION

Source of credit is an important factor which influences the propensity to borrow. The availability of credit is major factor which controls the capacity as well as the decision of the farmer to adopt modern techniques. Farmers continue to depend for credit on institutional credit agencies. Credit plays a crucial role in oiling the wheel of agricultural production. Credit supply and its proper use are two main important instruments for agricultural growth. Productive utilization of borrowed money coupled with timely repayment of installments due largely determines the success of a lending institution. Repayment of loan in time is a primary factor as it helps the business running, benefits the farmers by reducing their debt burden and keeps them eligible for getting a fresh loan in future and further helps in planning the system, successfully. On the contrary unproductive utilization coupled with irregular repayment or non-repayment of loan within its stipulated time has certain depressing effects on the entire structure and organization of credit institutions as it dilutes the entire loaning structure. Use of credit for productive and unproductive purposes depends upon the nature of utilization of credit. The success of financing different activities to the agricultural beneficiaries is determined to a great extent by the effective recovery of loans and effective utilization of loans advanced, so that banks can recycle their funds for further lending. So the repayment of loans in time and effective utilization of loans these are two important indicators for prudent deployment of funds. There is a common feeling that farmers are not using the loan for the purpose for which they apply for it and spend the same for non agricultural purposes such as household expenditure, loan repayment and social customs. If borrowing is utilized for productive purposes it may generate its own means of repayment. But diversion of credit creates some major problems and ultimately restricts the repayment.

IMPORTANCE OF THE STUDY

Productive utilization of borrowed money coupled with timely repayment of installments due largely determines the success of a lending institution. Repayment of loan in time is a primary factor as it helps the business running, benefits the farmers by reducing their debt burden and keeps them eligible for getting a fresh loan in future and further helps in planning the system, successfully. On the contrary unproductive utilization coupled with irregular repayment or non-repayment of loan within its stipulated time has certain depressing effects on the entire structure and organization of credit institutions as it dilutes the entire loaning structure. Use of credit for productive and unproductive purposes depends upon the nature of utilization of credit. The success of financing different activities to the agricultural beneficiaries is determined to a great extent by the effective recovery of loans and effective utilization of loans advanced, so that banks can recycle their funds for further lending.

REVIEW OF LITERATURE

Many studies have been conducted on the issue of rural and agricultural financing. The studies were based both on primary as well as secondary informations. The role of various institutions has also been studied by various scholars from different angles. In fact, the area of rural credit and agricultural financing offers such a large scope that scholars may attempt to investigate various new issues. Hence, in every study one finds a different approach and different aspects which were not covered by earlier studies. There is still a large scope of research in this area. A review of a few important and relevant studies in this area has been made in the study.

Wangikar S.D., Mohd. Abdul Rub and R.K. Digraskar (1991) – this study made an attempt to know the credit use behaviour of the beneficiaries majority of the respondents (77.22%) had completely utilized the loan for the purpose for which it was sanctioned. About 15.56% had partially utilized the loan and the remaining (7.22%) respondents had completely diverted the loan sanctioned. Out of total amount advanced in the form of kind and cash 88.96%, 1.32% and 9.72% were utilized for stipulated, other productive and unproductive purposes respectively.

In a study of "Credit utilization pattern on different categories of farms in district Kurukshetra, Haryana" by M.K. Modi and K.N. Rai (1993) it was revealed that borrowers are still attracted to the non institutional sources because of simple methods and less formalities adopted by them. The study reported that major share of credit was utilized for the purposes it was taken. However, out of total amount diverted about 50 percent was further used for productive purposes other than specified one in case of crop production credit, whereas in case of term credit, it was even more than need based loans should be given to the farmers keeping in view their credit worthiness. The lending agencies must keep a watch on the utilization pattern of the borrowers from the very beginning to ensure proper utilization of term credit. Efforts need to be made to avoid under and over financing. In a study, "Repayment capacity of defaulter and non-defaulter borrowers of cooperative societies in Haryana", by S.K. Goyal, R.N. Pandey and M.K. Modi (1993) it was revealed that the non-defaulters were well off and better placed with respect to average yield of major crops, value of farm assets, total cash returns of the household and repayment capacity as compared to defaulter borrowers the defaulter borrowers utilized a relatively larger proportion of their total earnings for consumption purposes and thereby leaving less for investment in production process. This resulted into low repaying capacity of the loan on the part of defaulter borrowers.

From the present study entitled "A study of overdue of loan in agriculture by Balishtar, A.K. Singh and Viswajit (1994) the following main conclusions emerge. The large and medium farmers together account for about 37 percent of the total defaulters and for over 57 percent of the total overdue while the marginal and small farmers together account for about 63 percent of the total defaulter and about 42 percent of the total overdue. Out of 175 defaulters 67 or about 38 percent are willful defaulters. It is important here that willful defaulter is mainly confined to medium and large farmers to the extent over 90 percent. Out of 175 defaulters 108 or about 62 percent are those who could not repay their loan due to lack of their repayment capacity. For these defaulters liberal measures such as extending the repayment period over a reasonable time and making adequate loans available in time. Besides, measures for improvement in crop yields,

remunerative prices for the crop products crop insurance are also necessary to enhance the repayment capacity of the farmers particularly marginal and small farmers.

Y.C. Sale, V.G. Pokharkar and D.B. Yadav (2005) in their study attempt to estimate the critical requirement of the farmers and the availability of credit on western Maharashtra and examine the utilization and repayment pattern of credit borrows and the major constraints inhibiting the lenders and the borrowers. The data on the list of villages was obtained from the District Central Cooperative Bank and the offices of the cooperative societies. It is observed that the per hectare requirement of loan went on increasing with increase in the size of holding. The average for family borrowings increased with the increase in the size of holdings. Misutilization of crop loan was more i.e. 30 percent especially among the small and medium group of the farmers. Ramakrishna and K.V. Aiyanna (2008) in their study, "Institutional Financing of Agriculture under Service Area Approach" have analyzed the utilization pattern and repayment performance of the borrower under service area approach. It is concluded in the study that in spite of adopting "service area approach" there exists the problem of double finance due to lack of coordination among different institutional agencies operating in-the area. The study reveals that repayment performance of investment loan as well as short term crop loan is not satisfactory in case of all categories of farmers. However, repayment performance is higher in case of investment loan as compared to short term crop loan in all categories of farmers. However, repayment performance is higher in case of investment loan as compared to short term crop loan in all categories of farmers. There is a need to take appropriate measures by the financing institutions to improve the repayment performance.

The review of literature highlights that this particular field need comprehensive study regarding many aspects of utilization pattern of agriculturists financed by the credit institutions. The present study has made an attempt to overcome almost all the problems of the existing studies by focusing on all the three types of credit institutions considering both primary and secondary data and combining the behavioural, technical and managerial aspects of agricultural finance and their utilization pattern on the basis of their status of repayment.

OBJECTIVES AND HYPOTHESES OF THE STUDY

This paper comprises an analysis of source wise borrowings of agricultural credit and their utilization pattern by the sample borrowers for different purposes. It is hypothesized that there is no relationship between the status of repayment and the utilization pattern of the borrowers.

METHODOLOGY OF THE STUDY

The study is based on sample taken from among the institutions and beneficiaries. A multistage sampling has been used for this purpose. Two districts in Haryana state where all the three types of rural based credit institutions exist, viz., Bhiwani and Rohtak have been selected. Rohtak district is comparatively an irrigated area and Bhiwani district a dry district. They represent the two typical agricultural regions: irrigated and dry.

A sample of two branches of each institution from both the districts has been taken as sample for the study. Basically, the branches of each credit institution selected for the study have been taken from the rural areas. From among the cooperative banking we have selected the primary agricultural cooperative societies which have been working in the rural areas. These societies give short term loans to their members for productive purposes. The societies can also provide upto certain limit, medium period loans. From among the commercial banks we have selected the branches of Punjab National Bank, because the maximum number of branches has been established by Punjab National Bank. The problem such as these related to selection does not exist in case of regional rural banks. Except district Gurgaon all the branches of regional rural banks in Haryana are sponsored by the Punjab National Bank (PNB). In district Gurgaon these branches are sponsored by the Syndicate Bank. A sample of 40 farmer beneficiaries in the area of each sample credit institution has been drawn adopting systematic random sampling method. The procedure adopted for selecting the sample farmers have been given as under. From each of the sample credit institution the list of the village wise farmers, it serves have been collected in person. Forty farmer beneficiaries have been taken from each branch in both the districts making the number of respondents to 480 in all. The beneficiaries have been categorized further in marginal small, medium and big farmers. From each category representative beneficiaries have been selected proportionately.

ANALYSIS AND INTERPRETATION OF THE STUDY

TABLE 1 SHOWING INSTITUTION WISE SUPPLY OF CREDIT (Amount ` in lakhs)

Name of Districts	PACs		Commercial Banks		Grameen Banks		Total	
	B	A	B	A	B	A	B	A
Bhiwani	80	71.14 (23.66)	80	117.52 (39.10)	80	111.98 (37.24)	240	300.64 (100)
Rohtak	80	67.15 (24.11)	80	108.22 (38.87)	80	103.04 (37.02)	240	278.41 (100)
Total	160	138.29 (23.88)	160	225.74 (38.98)	160	215.02 (37.14)	480	579.05 (100)

Source: Compiled from the questionnaire.

Figures in brackets under each column indicate percentage to total

Table 1 depicts the institution wise borrowings by the sample loanees of both the districts during the reference period. According to the table, primary agricultural cooperative societies supplied 23.88 percent, commercial banks supplied 38.98 percent and Grameen Banks supplied 37.14 percent of the total institutional credit.

TABLE 2 SHOWING TERM WISE SUPPLY OF AGRICULTURAL CREDIT IN THE SAMPLE DISTRICTS (Amount ` in lakhs)

Name of Districts	Name of the Bank	Short Term		Medium Term		Long Term		Total	
		B	A	B	A	B	A	B	A
Bhiwani	PACs	75	67.85	5	3.29	—	—	80	71.14 (23.66)
	Commercial	71	104.46	6	4.91	3	8.15	80	117.52 (39.10)
	RRB	73	99.79	3	2.54	4	9.65	80	111.98 (37.24)
		219	272.10 (90.50)	14	10.74 (3.58)	7	17.80 (5.92)	240	300.64 (100)
Rohtak	PACs	74	63.17	6	3.98	—	—	80	67.15 (24.11)
	Commercial	76	101.32	2	1.65	2	5.25	80	108.22 (38.87)
	RRB	72	92.67	5	4.12	3	6.25	80	103.04 (37.02)
		222	257.16 (92.36)	13	9.75 (3.50)	5	11.50 (4.14)	240	278.41 (100)
Total		411	529.26 (91.40)	27	20.49 (3.54)	12	29.30 (5.06)	480	579.05 (100)

Source: Compiled from the Questionnaire.

B = Borrower

A = Amount

Borrowings according to types of loans: The banks generally provide three types of loans; short term, medium term and long term. The short term loan is usually spent on meeting current agricultural expenditure (like buying of seeds, fertilizers, payment of wages to the workers etc). The medium term loan is used to buy

farm animals, purchase of implements and machinery etc. The long term loans are utilized for making capital investments in agriculture like land improvements construction of wells etc.

Borrowings on the basis of types of loan are presented in the Table 2. Of the total borrowings, short term loan accounts for 91.40 percent of the total borrowings of the sample borrowers of two districts during the reference period. Medium term loans accounts 3.54 percent and long term loan accounts 5.06 percent of the total borrowings of the sample borrowers of two districts. The supply of short term loan is more in case of district Rohtak. In case of medium term, the percentage of finance is more or less equal in both districts. In long term, the percentage of finance is slightly more in district Bhiwani.

TABLE 3 SHOWING TERM WISE SUPPLY OF CREDIT BY DIFFERENT INSTITUTIONS (Amount ` in lakhs)

Name of the Bank	Short Term		Medium Term		Long Term		Total	
	B	A	B	A	B	A	B	A
PACs	149 (93.12)	13.02 (94.74)	11 (6.88)	7.27 (5.26)	—	—	160 (100)	138.29 (120)
Commercial	147 (91.88)	205.78 (91.15)	8 (5)	6.56 (2.90)	5 (3.12)	13.4 (5.95)	160 (100)	225.74 (100)
RRB	145 (90.60)	192.46 (89.50)	8 (5)	6.66 (3.00)	7 (4.40)	15.9 (7.40)	160 (100)	215.02 (100)
Total	441 (91.88)	529.26 (91.40)	27 (5.62)	20.49 (3.53)	12 (2.5)	29.30 (5.07)	480 (100)	579.05 (100)

Source: Compiled from the Questionnaire.

The table explains the supply of credit in all types of credit institutions. Of the total borrowings short term loan accounts 94.74 percent and medium term loan accounts 5.26 percent in case of primary agricultural cooperative societies. Primary agricultural cooperative societies do not provide long term loan. The supply of short term finance is 91.15 percent, medium term 2.90 percent and long term is 5.95 percent in case of commercial banking. In case of regional rural banks, the supply of short term finance is 89.50 percent, medium term finances 3.10 percent and long term finance is 7.40 percent of the total finance. The supply of short term and medium term is more in case of primary agricultural cooperative societies. The supply of long term finance is more in case of Haryana Grammen Banks.

TABLE 4 SHOWING MODE OF BORROWINGS BY THE SAMPLE BORROWERS (Amount ` in lakhs)

Name of Districts	Name of the Bank	In Cash		In Kind		Cash & Kind		Total	
		B	A	B	A	B	A	B	A
Bhiwani	PACs	5	3.29	—	—	75	67.85 (95.38)	80	71.14 (100)
	Commercial	78	112.37	2	5.15 (4.39)	—	—	80	117.52 (100)
	RRB	79	109.58	1	2.40 (2.15)	—	—	80	111.98 (100)
	Total	162 (68.75)	225.29	3	7.55 (2.51)	75	67.85 (22.57)	240 (100)	300.64 (100)
Rohtak	PACs	6	3.98 (6)	—	—	63.17 (74)	63.17 (94)	80	67.15
	Commercial	79	105.62	1	2.60 (2.40)	—	—	80	108.22 (100)
	RRB	79	100.29	1	2.75 (2.67)	—	—	80	103.04 (100)
	Total	164 (69.16)	209.89	2	5.35 (1.92)	74 (30.84)	63.17 (22.70)	240 (100)	278.41 (100)
G. Total		326 (68.95)	435.13 (75.14)	5	12.90 (2.22)	149 (31.05)	131.02 (22.64)	480 (100)	579.05 (100)

Source: Compiled from the Questionnaire.

B = Borrower, A = Amount

MODE OF BORROWINGS

The credit agencies provide funds to sample borrowers either in cash or in kind or both in cash and kind. Generally cash credit is provided to the loanees to meet the direct expenses relating to agricultural activities like, payment of wages to the agricultural labourers, purchase of fertilizer, seeds, pesticides etc. In case of PACs, loans both in cash and kind are provided to the beneficiaries. In certain cases only loans in kind are provided to the loanees in the form of machinery like tractor etc. The mode of borrowings by the sample beneficiaries of the two districts during the reference period is given in the Table 4.

Table reveals that the loans provided in terms of cash are the maximum. It is 75.14 percent of the total borrowing of the sample borrowers. The loan supplied in cash and kind accounts for 22.64 percent of the total borrowings. The loans advanced only in kind make the lowest percentage of the total borrowings. The table clearly shows that the PACs do not provide the finance in 'kind' form. Similarly commercial banks and Grameen Banks do not provide the finance in 'Cash and Kind' form.

TABLE 5 SHOWING DISTRIBUTION OF CREDIT ACCORDING TO FARM SIZE (Amount ` in lakhs)

Land holding pattern	Bhiwani		Rohtak		Total		Average Amount per borrower
	B	A	B	A	B	A	
Marginal farmers	80	57.02	85	47.64	165	104.66	0.63
Small farmers	99	128.83	104	137.77	203	266.6	1.31
Medium large	61	114.79	51	93.00	112	207.79	1.85
Total	240	300.64	240	278.41	480	579.05	1.2

Source: Compiled from the Questionnaire.

LOANS ADVANCED ACCORDING TO THE LAND HOLDING

The entire land holdings of sample borrowers of both the sample districts have been divided into three categories. The distribution of the credit according to the size of the farm is explained in the table 5. As per the table marginal farmers (having 0 to 2.5 acres of land) constitutes 165 or 35 percent of the total borrowers, and these borrowers have availed loans of ` 104.66 lacks. On an average marginal farmers have availed ` 62000 per head.

But when the size of land holdings increases the average amount per borrower also increases. The small farmers (having 2.5 to 5 acres of land) constitutes 203 or 42 percent of the total borrowers. These borrowers have availed loans of ` 266.60 lacks or 46 percent of the total amount supplied. On an average small farmers have availed loans of ` 1.32 lack per head. When the size of land holding increases the average amount per borrower also increases, but the number of loanees decreases when size of land holding increases. The medium and large farmers (having above 5 acres of land) constitutes 112 or 22.90 percent of the total borrowers. These borrowers have availed loans of ` 207.79 lacks or 36 percent of the total amount supplied.

In an average medium and large farmers have availed loans of ` 1.85 lack per head. The borrowers whose land holding is above 5 acres, the average amount supplied to them is the highest i.e., ` 185000 per borrower

TABLE 6 SHOWING SUPPLY OF CREDIT ACCORDING TO IRRIGATED/NON IRRIGATED LAND HOLDING (Amount ` in lakhs)

Name of District	Irrigated regions		Non irrigated regions		Total	
	B	A	B	A	B	A
Bhiwani	196 (81.66)	262.07 (87.17)	44 (18.34)	38.57 (12.83)	240 (100)	300.64 (100)
Rohtak	240 (100)	278.41 (100)	—	—	240 (100)	278.41 (100)
Total	436 (90.83)	540.48 (93.33)	44 (9.17)	38.57 (6.67)	480 (100)	579.05 (100)

Source: Compiled from the Questionnaire.

Supply of credit on the basis of availability of irrigation facilities: The classification of borrowing according to irrigated and been irrigated regions is illustrated in Table 6.

According to the table out of total borrowing 93.33 percent is borrowed by the loanees of irrigated regions and 6.67 percent is borrowed by the loanees of non irrigated regions. In the district Bhiwani 81.66 percent borrowers have irrigated regions and 18.34 percent borrowers have non irrigated regions. In the district Rohtak 100 percent borrowers have irrigated land. The table clearly indicates that in the district Bhiwani 87.17 percent credit has been supplied to the irrigated regions and 12.83 has been supplied to the non irrigated regions. In the district Rohtak 100 percent credit has been supplied to the irrigated regions. It is revealed from the survey that non irrigated land does not exist in the district Rohtak.

UTILIZATION PATTERN OF THE INSTITUTIONAL CREDIT

Borrowing must be used in a productive way. Productive borrowing creates its own means of repayment. Diversion of credit or misuse of credit in other than selective purposes creates undesirable problems. Such credit being unproductive does not help the borrower in repayment and ultimately the debt accumulates. Therefore, proper utilization of credit is as important as the supply.

TABLE 7 SHOWING INSTITUTIONAL CREDIT LEFT FOR ULTIMATE USE (Amount ` in lakhs)

Name of District	No. of Borrower	Supply of Credit	Pre Borrowing exp.	Balance with the borrower for use
Bhiwani	240	300.64 (100)	1.51 (.50)	299.13 (99.49)
Rohtak	240	278.41 (100)	1.66 (.60)	276.75 (99.40)
Total	480	579.05 (100)	3.17 (.55)	575.88 (99.45)

Source: Compiled from the Questionnaire.

DISTRICT WISE USE OF CREDIT

For the supply of institutional credit, middlemen village touts and others help the loanees to obtain loans. These people charge commission for their services and borrowers helplessly pay it under the bureaucracy of lending institutions. The details are furnished in the Table 7.

Table reveals that out of the total supply of institutional credit only .55 percent or ` 3.17 lacks have been spent for pre borrowing expenditure. There is no significant difference in the style of pre borrowing expenses by the sample loanes of the districts under study. It clearly seems that a very little amount has been spent on the pre borrowing expenses. So the middlemen are not influencing the borrowers in taking loans.

TABLE 8 SHOWING INSTITUTE WISE CREDIT AVAILABLE FOR END USE Amount ` in lakhs)

Name of District	No. of Borrower	Supply of Credit	Pre Borrowing exp.	Balance with the borrower for use
PACs	160	138.31 (100)	1.76 (1.28)	136.55 (98.72)
Commercial Banks	160	225.7 (100)	.64 (.30)	225.06 (99.70)
RRBs	160	215.04 (100)	.77 (.36)	214.27 (99.64)
Total	480	579.05 (100)	3.17 (.55)	575.88 (99.45)

Source: Compiled from the Questionnaire.

BANK WISE CREDIT UTILIZATION

Cooperatives, commercial banks and Grameen banks are the institutional agencies for providing credit to the agriculturists of the districts under study during the period under reference. The use of institutional credit supplied by these banks is illustrated in Table 7. According to the table cited above, there is no significant difference in the style of pre-borrowing expenses of three institutions. But the pre-borrowing charges paid by the beneficiaries to secure cooperative loan is slightly higher. It is 1.28 percent.

TABLE 9 SHOWING UTILIZATION OF AGRICULTURAL CREDIT TOWARDS AGRICULTURAL ACTIVITIES (Amount ` in lakhs)

Name of District	No. of Borrower	Supply of Credit	Pre Borrowing exp.	Loan use for agriculture activities	Loan diversified
Bhiwani	240	300.64	1.51 (.50)	251.47 (83.64)	47.66 (15.86)
Rohtak	240	278.41	1.66 (.60)	223.50 (80.27)	53.25 (19.13)
Total	480	579.05	3.17 (.55)	474.97 (82.02)	100.91 (17.43)

Source: Compiled from the Questionnaire.

USE OF CREDIT IN AGRICULTURAL ACTIVITIES

The irony of agricultural lending is that it is mostly being used exclusively for the purpose for which it is borrowed. Thus to assess the extent of credit use in agricultural activities and non-agricultural activities are well explained in the Table 8.

Deducting the pre borrowing expenditure from the total institutional supply, at last the balance left is expected to be used on farm activities. But some part of this credit has been diversified. Out of total 82.02 percent of the institutional credit have been utilized for agricultural activities. In case of district Bhiwani, 83.64 percent credit has been used for agricultural activities and 15.86 percent credit has been used for diversified purposes. In district Rohtak, 80.27 percent credit has been used for agricultural activities and 19.13 percent credit has been used for diversified purposes. Table clearly shows that the percentage of diversification is more in the district Rohtak in comparison to district Bhiwani.

TABLE 10 SHOWING BANK WISE USE OF AGRICULTURAL CREDIT TOWARDS AGRICULTURAL ACTIVITIES (Amount ` in lakhs)

Name of District	No. of Borrower	Supply of Credit	Pre Borrowing exp.	Loan use for agricultural activities	Loan used for diversified purpose	Total loan misused
PACs	160	138.29 (100)	1.76 (1.27)	116.18 (84.01)	20.35 (14.72)	22.12 (15.99)
Commercial	160	225.75 (100)	.64 (.28)	182.79 (80.97)	43.32 (18.75)	42.95 (19.03)
RRB	160	215.01 (100)	.77 (.35)	176 (81.85)	38.24 (17.80)	39.01 (18.75)
Total	480	579.05 (100)	3.17 (.55)	474.97 (82.02)	100.91 (17.43)	104.08 (17.98)

Source: Compiled from the Questionnaire.

Of the total 84.01 percent credit has been used for agricultural activities and 14.72 percent credit has been used for diversified activities in case of primary agricultural cooperative societies. But of the total 80.97 percent credit has been used for agricultural activity 18.75 percent credit has been used for diversified activities in case of commercial banks. In case of Grameen Banks, 81.85 percent of the total credit has been used for agricultural activities and 17.80 percent credit has been used for diversified purposes. The percentage of diversification is lowest in case of PACs and it is highest in case of commercial banks. But the behaviour of attitude of the sample borrowers of both the agencies (commercial banks and Grameen Banks) is more or less same with regard to the utilization of the institutional credit and also about the diversification of credit.

TABLE 11 SHOWING ADEQUACY OF INSTITUTIONAL CREDIT TO MEET THE PURPOSE OF SAMPLE BORROWERS (Amount ` in lakhs)

Name of District	No. of Borrower	Adequate to meet the purpose	Not adequate to meet the purpose
Bhiwani	240	221 (92.08)	19 (7.92)
Rohtak	240	216 (90)	24 (10)
Total	480	437 (91.04)	43 (8.96)

Source: Compiled from the Questionnaire.

According to the Table 11, 8.96 percent borrowers are not satisfied due to insufficient of loan amount. Out of 480 borrowers 437 or 91.04 percent borrowers are satisfied with the adequacy of loans because the loans are sufficient to meet their purposes. The gap between supply of credit and use ultimately leads the borrowers not to repay the institutional loans.

TABLE 12 SHOWING TERM WISE GAP BETWEEN SUPPLY AND USE OF INSTITUTIONAL CREDIT (Amount ` in lakhs)

Name of district	Bank	No. of borrowers	Short Term			Medium Term			Long Term			Total		
			S	PU	NPU	S	PU	NPU	S	PU	NPU	S	PU	NPU
Bhiwani	PACS	80	67.85	57.7	10.16	3.28	2.78	0.5	—	—	—	71.14	60.48	10.66
	Comm.	80	104.46	90	14.46	4.91	4.91	—	8.15	5.95	2.2	117.52	100.86	16.66
	RRB	80	99.79	83.94	15.84	2.54	2.54	—	9.65	3.65	6.01	111.98	90.13	21.85
	Total	240	272.1	231.64	40.46	10.73	10.23	0.5	17.8	9.6	8.21	300.64	251.47	49.17
Rohtak	PACS	80	63.17	53.97	10.47	3.98	3.48	0.5	—	—	—	67.15	57.45	10.97
	Comm.	80	101.32	83.67	19.4	1.65	1.65	—	5.25	2.55	2.7	108.22	87.87	22.1
	RRB	80	92.67	71.64	18.31	4.16	3.64	0.52	6.25	2.9	3.01	103.04	78.18	21.84
	Total	240	257.16	209.28	48.18	9.79	8.77	1.02	11.5	5.45	5.71	278.41	223.5	54.91
G. Total		480	529.26	440.92	88.64	20.52	19	1.52	29.3	15.05	13.92	579.05	474.97	104.08

Source: Compiled from the Questionnaire.

- S = Supply of Credit
- PU = Productive Use
- NPU = Non productive use

Term wise gap between use of institutional credit out of the total supply of ` 579.05 lacks, ` 474.97 lacks or 82.02 percent has been utilized for productive purposes. The remaining 104.08 lacks or 17.98 percent has been diversified by the sample borrowers during the reference period. Out of the total non productive loan ` 88.64 lacks or 85.16 percent has been diversified out of short term loans.

Out of the total non productive loans ` 13.92 lacks or 13.38 percent has been diversified from long term loans. However diversion of loan from medium term category is the least that is 1.46 percent only. The percentage of diversification from short term loans is 82.28 percent in district Bhiwani, it is 87.74 percent in district Rohtak. The percentage of diversification from long term loans is 16.72 percent in the district Bhiwani, it is 10.41 percent in case of district Rohtak.

TABLE 13 SHOWING DIVERSION OF INSTITUTIONAL CREDIT BY THE SAMPLE BORROWERS OF DIFFERENT NON PRODUCTIVE PURPOSE (Amount ` in lakhs)

Name of District	Pre borrowing exp.	Repayment of old dues	Marriage	Health	Education	Litigation	Liquor	Construction of Houses	Total
Bhiwani	1.51 (3.07)	2.68 (5.45)	12.45 (25.32)	5.04 (10.25)	16.91 (34.40)	0.65 (1.32)	2.24 (4.55)	4.69 (15.64)	49.17 (100)
Rohtak	1.66 (3.02)	3.12 (5.68)	11.73 (21.36)	4.12 (7.50)	20.89 (38.04)	1.12 (2.03)	2.29 (4.17)	9.98 (18.2)	54.91 (100)
Total	3.17 (3.04)	5.80 (5.57)	24.18 (23.23)	9.16 (8.80)	37.80 (36.31)	1.77 (1.70)	4.53 (4.35)	17.67 (17)	104.08 (100)

Source: Compiled from the Questionnaire.

Diversion of credit towards different activities: This table reveals that the total credit of Rs.104.08 lacks have been diverted in different directions by the sample beneficiaries. It constitutes 17.97 percent of the total supply of the institutional loan. Out of this lion's share has been diverted towards education expenditure. It constitutes 36.31 percent.

Out of total 23.23 percent share has been diverted towards marriages expenditure and 17 percent of total diverted funds 8.80 percent, 5.57 percent, 4.35 percent and 3.04 percent has been diverted towards the expenditure in health, repayment of old dues, liquor, and pre borrowing expenditure respectively. Total amount of non productive funds is Rs. 49.17 lacks in district Bhiwani.

Table 14 Showing institute wise distribution of beneficiaries according to their status of repayment and their utilization pattern

Nature of borrower	Bhiwani									Rohtak								
	PACS			Comm.			RRB			PACS			Comm.			RRB		
	R	D	T	R	D	T	R	D	T	R	D	T	R	D	T	R	D	T
Utilized	33	32	65	59	9	68	62	2	64	25	42	67	58	10	68	69	4	73
Misutilised	5	10	15	4	8	12	8	8	16	2	11	13	7	5	12	5	2	7
Total	38	42	80	63	17	80	70	10	80	27	53	80	65	15	80	74	6	80

Source: Field Survey.

Note: R = Regular
D = Defaulter
T = Total

TABLE 15 SHOWING UTILIZATION OF CREDIT AND THEIR STATUS OF REPAYMENT

	Utilized	Misutilised	Total
Regular	306 (90.80)	31 (9.20)	337 (100)
Defaulter	99 (69.23)	44 (30.77)	143 (100)
Total	405 (84.38)	75 (15.62)	480 (100)

Source: Field Survey.

Out of total 23.23 percent, 17 percent, 8.80 percent, 5.57 percent, 4.35 percent and 3.04 percent has been diverted towards the expenditure in marriages, construction of houses, health repayment of old dues, liquor and pre-borrowing expenditure respectively.

TESTING OF HYPOTHESIS

H₀: It is hypothesized that there is no relationship between the status of repayment and the utilization pattern of the borrowers.

The chi-square test was conducted to test the hypothesis.

Calculated value of chi-square (χ^2) : 36

Table value : 3.84 / 6.63

Degree of freedom (df) : 1

Level of significance : 5 percent / 1 percent

FINDINGS

The institutions supplying agricultural credit are primary agricultural cooperative societies, commercial banks and Haryana Grameen Banks. Out of the total institutional supply, PACS have supplied 23.88 percent, commercial banks have supplied 38.98 percent and HGBs have supplied 37.14 percent. The banks generally provide three types of loans; short term, medium term and long term. Out of the total borrowings, short term loan accounts for 91.40 percent, medium term loans accounts 5.06 percent of the sample borrowers of two districts. All types of loans have been supplied by all the credit institutions except PACs, because PACs do not provide long term loans. The credit agencies provide funds to sample borrowers either in cash or in kind. The loans provided in terms of cash are maximum it is 75.14 percent of the total borrowings of the sample borrowers. The loan supplied in cash and kind accounts for 22.64 percent of the total borrowings. The loans advanced only in kind make the lowest percentage of the total borrowings. The study reveals that PACs do not provide the finance in 'kind' form. Similarly commercial banks and Grameen Banks do not provide the finance in 'cash and kind' form.

LOANS ADVANCED ACCORDING TO THE LAND HOLDINGS

The entire land holdings have been divided into three categories. Marginal farmers (having upto 2.5 acres of land) constitute 35 percent of the total borrowers and these borrowers have availed loans of Rs. 104.66 lacks. Small farmers constitute 42 percent of the total borrowers, these borrowers have availed loans of Rs. 266.60 lacks or 46 percent of the total amount supplied. The medium and large farmers (having above 5 acres of land) constitute 22.90 of the total borrowers, these borrowers have availed loans of Rs. 207.79 lacks or 36 percent of the total amount supplied. On an average marginal farmers have availed loans of Rs. 63000 per borrowers, small farmers have availed Rs. 1,32000, medium and large farmers have availed Rs. 1,88000 per borrower.

SUPPLY OF CREDIT ACCORDING TO IRRIGATED AND NON IRRIGATED LAND HOLDINGS

The study reveals that out of total borrowings 93.33 percent is borrowed by the loanees of irrigated region and 6.67 percent is borrowed by the loanees of non-irrigated regions. In the district Bhiwani 81.66 percent borrowers have irrigated regions and 18.34 percent borrowers were related to non-irrigated regions. In district Rohtak 100 percent credit has been supplied to farmers of the irrigated regions. It has been revealed from the survey that non irrigated land was not found in the district Rohtak.

UTILISATION PATTERN OF INSTITUTIONAL CREDIT

Borrowing must be used in a productive way. Productive borrowing creates its own means of repayment. Diversion of credit or misuse of credit for other than selective purposes creates undesirable problems. Out of total 82.02 percent of the institutional credit have been utilized for agricultural activities and 17.43 percent have been used for diversified purposes. In case of district Bhiwani, 83.64 percent credit has been used for agricultural activities and 15.86 percent credit has been used for diversified purposes the percentage of diversification was found more in district Rohtak in comparison to district Bhiwani.

In case of PACs 84.01 percent credit has been used for agricultural activities and 14.72 percent credit has been used for diversified purposes. In commercial banks 80.97 percent credit has been used for agricultural activities 18.75 percent credit has been used for diversified purposes. In case of Grameen Banks 81.85 percent and 17.80 percent credit has been used for agricultural activities and diversified activities respectively. Out of total non-productive loans Rs. 88.64 lacks or 85.16 percent has been diversified from short term loans, Rs. 13.92 lacks or 13.38 percent has been diversified from long term loans. Diversion of loan from medium term category is the least that is 1.46 percent only. Diversion of credit towards different activities out of total credit supply of Rs. 579.05 lacks, Rs. 104.08 lacks or 17.58 percent supply has been diversified by the sample borrowers in different activities. Out of this major share has been diverted for meeting education expenditure, it constitutes 36.31 percent. Out of total diverted amount 23.23 percent, 17 percent, 8.80 percent, 5.57 percent, 4.35 percent and 3.04 percent has been spent for meeting expenditure in marriages, construction of houses, health, repayment of old dues, liquor and pre-borrowing expenditure respectively.

SUGGESTIONS

A few humble suggestions are putforth hereunder to contain the situation.

- Pre-lending appraisal like evaluation of agricultural product, assessment of external forces, local market structure etc. should be taken into consideration. Credit may not be sanctioned according to the approved schemes of the lending institutions alone. Repaying capacity of the borrowers should be judged carefully before such a decision. Similarly, post lending supervision and approaching the borrower in right time for repayment may prove effective in early recovery of overdues.

- The employees of lending institutions should develop a positive attitude in creating friendly relation with borrowers. They have to create a good climate of personal touch with the borrowers by meeting their express demand instantly. They should gain fairly adequate knowledge about the behaviour, credit worthiness, personal need and character of the borrower. Such an attitudinal change amongst bank officials may bring both borrowers and lenders close and this relationship ultimately motivate the borrowers to repay the dues in time.
- There must be a vigorous attempt for educating the farmers that institutional loan is not a help and it is required to be repaid. It may be suggested that non-repayment of loan ultimately would turn bank into red affecting farmers interests. Such a mental shake-up is essential, so that farmers make productive use of the loan and get enough return to repay the loan.

CONCLUDING REMARKS

To study the behavioural attitude of sample beneficiaries about the utilization pattern of institutional credit according to their status of repayment the chi-square test has been used both at 5 percent and 1 percent level of significance. Since the calculated value is greater than the table value the hypothesis is rejected it means the borrowers do not show any similar tendency regarding the utilization pattern and their status of repayment. Since the sample borrowers are different in their repayment status and their utilization patterns also differ.

The beneficiaries of the sample districts have been divided into two categories on the basis of their status of repayment. The pattern of utilization of both the categories of loanees have been shown in the Table 4.15. Among the regulars the percentage of utilization arise 90.80 which is higher than the defaulters. In the category of defaulters 69.23 percent borrowers have utilized the credit for the stipulated purpose. Among the regulars only 9.20 percent borrowers have misutilized the credit, while in case of defaulters 30.77 percent borrowers have misutilized the credit. Out of the total 84.38 percent borrowers have utilized the credit while 15.62 percent borrowers have misutilized the credit. Out of the total 480 borrowers have 405 utilized the credit.

Out of which 306 or 75 percent are regulars and 25 percent are defaulters. Out of total 480 borrowers 75 borrowers have misutilized the credit out 59 percent of which borrowers are defaulter and 41 percent are regular. Of the total 75 borrowers have misutilized the credit out of which 59 percent borrowers are defaulter and 41 percent are regular.

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State Level Bankers Committee, Haryana various issues.

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