

Farm credit its sources and pattern of Utilisation - An empirical analysis

ABSTRACT :

The present study is based on the Ninety borrower farmers who were selected randomly from five villages of Manihari block of Ghazipur district. The study aims to find out the socio-economic profile of the sample borrower farmers, pattern of utilization of credit, its sources, productive and unproductive uses of credit etc. The study revealed that on an average 15.54 and 84.46 percent credit was made available from cooperative and commercial bank respectively. The major finance was made available to purchase tractor, which is used to perform various farm operations. The term and cooperative loan was reported 81 and 19 percent respectively and least misutilisation of credit was found among sample borrower farmers.

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In India, about 76 percent population depend on agriculture. Most of these are small and marginal farmers. Agriculture contributes about 26 percent towards national income. Therefore, speedy development of agriculture is vital to the progress of our country with the introduction of modern farm technology, the demand for credit has increased considerably. In order to sustain the production the use of inputs in agriculture, provision of timely and adequate credit facilities is an imperative necessity. Since cooperatives were unable to fulfil the increased demand for farm credit, major commercial banks were nationalised to accelerate the flow of bank credit to agriculture. Not only this a number of efforts have also been made by the government to strengthen the cooperatives to fulfil the credit needs of changing agriculture. Although at present both cooperatives and commercial banks have been financing agriculture vigorously. The present study is an attempt to examine the socio-economic profile of the sample borrower farmers, contribution made by different financing institutions in financing the credit to the sample borrower farmers, pattern of utilization of credit, productive and unproductive use of credit by sample borrower farmers.

Methodology

1. Selection of the District :

The State of Uttar Pradesh is divided into four Economic zones.

1. Eastern Zone
2. Western Zone
3. Bundelkhand Zone
4. Central Zone

The study is confined in eastern Uttar Pradesh which is one of the largest zone to select the district, the seven agro-economic characteristics (table -A) namely cropping intensity, rainfall, food grain production, holding size, fertilizer consumption, irrigated area and literacy were taken in to account for all the 27 districts falling under the eastern Uttar Pradesh. The average of all the districts for all the seven characteristics were worked out and the district having 10 percent higher or 10 percent lower range from the average for all the seven characteristics were identified and of these identified districts, one of the district was randomly selected for indepth study. Finally on random selection basis, district Ghazipur was selected.

2. Selection of the Block :

Out of 16 blocks of the district, Manihari block was selected randomly for the study.

3. Selection of the Villages :

The village wise list of the selected block (total village 239) was prepared and following five village were selected for the study.

- (i) Hansrajpur
- (ii) Naseerpur
- (iii) Pahetia
- (iv) Yusufpur
- (v) Mohabbatpur

4. Selection of the Farmers :

A complete list of the borrower farmers of sample villages alongwith size of their operational holding was prepared and based on the operational size of their holding. The borrower farmers were categorised into following groups.

- (i) Marginal (0 - 1 ha)
- (ii) Small (1 - 2 ha)
- (iii) Medium (2 - 4 ha)
- (iv) Large (Above 4 ha)

Then 25 borrower farmers from each of the above four categories (except in large where only 15 borrower farmers were found) were selected randomly. In this way, 90 borrower farmer were selected finally.

Table -1

Village wise distribution of the selected borrower farmers

Name of Villages	Total no of borrower farmers	No. of borrower farmers selected
Hansrajpur	22	11
Naseerpur	59	21
Yusufpur	78	40
Pahetia	33	09
Mohabbatpur	19	09
Total	211	90

Table No. 2

The distribution of the sample borrower farmers belonging to each categories

Categories of borrower farmer	Total no. of borrower farmers	No. of borrower farmers selected
Marginal	120	25
Small	39	25
Medium	37	25
Large	15	15
Total	211	90

5. Study Year :

The primary data collected for this study pertains to agricultural year 1 June 1999 to 31st May 2000.

6. Data Collected :

- (i) Socio-economic data of sample borrower farmers.
- (ii) Detailed information of loan borrowed by sample farmers from different sources for different purpose.
- (iii) Productive and unproductive uses of agricultural loan on borrower farmers in different types of loan.

7. Financial institutions operating in the sample district showed in table -B.

Table - A
Agro-economic features of the Eastern Uttar Pradesh

S. No.	District	Cropping Intensity	Rainfall (in mm)	Food grain Production	Average Holding	Irrigation area in	Fertilizer consumption	Literacy % age
1.	Pratapgarh	142.87	977	93.37	0.53	78.30	124.56	40.40
2.	Allahabad	130.55	954	98.58	0.82	60.20	143.20	42.66
3.	Bahraich	156.68	1125	92.40	0.86	32.70	53.99	24.39
4.	Gonda	153.02	1152	89.39	0.72	49.30	70.39	27.34
5.	Faizabad	165.33	1035	86.71	0.59	81.20	223.20	39.90
6.	Ambedkar-Nagar	165.33	1035	86.71	0.59	81.20	223.20	39.90
7.	Sultanpur	146.56	1005	86.57	0.59	72.00	92.68	38.69
8.	Siddarth-Nagar	146.80	1378	94.00	0.66	55.90	75.11	27.09
9.	Maharajganj	148.76	1448	88.80	0.65	77.20	128.74	28.90
10.	Basti	146.80	1166	88.91	0.66	66.90	118.70	35.54
11.	Gorakhpur	148.76	1221	91.90	0.65	75.70	156.11	43.30
12.	Deoria	144.72	1203	78.18	0.61	74.90	203.64	37.30
13.	Mau	158.48	1070	90.68	0.59	88.70	129.04	43.80
14.	Azamgarh	158.48	1031	89.92	0.59	84.40	102.08	39.22
15.	Jaunpur	150.64	987	89.91	0.47	70.80	123.07	42.22
16.	Ghazipur	145.22	1034	87.32	0.82	79.40	135.80	43.27
17.	Varanasi	150.72	1019	90.12	0.53	85.00	192.13	47.70
18.	Mirzapur	138.87	1043	91.08	1.37	60.30	65.23	39.68
19.	Sonbhadra	138.87	1065	85.16	1.37	24.50	36.74	34.40
20.	Ballia	151.20	983	89.97	0.77	71.90	116.89	43.89
21.	Chandauli	150.72	1019	90.12	0.53	85.00	192.13	47.70
22.	Bhadohi	150.72	1019	90.12	0.53	85.00	192.13	47.70
23.	Kushinagar	144.72	1203	78.18	0.61	74.90	203.64	37.30
24.	St. Kaveri Nagar	146.80	1166	88.91	0.66	66.90	118.70	35.54
25.	Balrampur	153.02	1152	89.39	0.72	49.30	70.39	27.34
26.	Shravasti	156.68	1125	92.40	0.86	32.70	53.99	24.39
27.	Kaushambi	130.55	954	98.58	0.82	60.20	143.20	42.66
	Average	148.96	1099.79	89.57	0.72	68.54	122.88	37.98

Source : 1. Statistics diary, U.P.
2. Uttar Pradesh ke Krishi Aakade

Table - B
**Number of rural and urban branches of various financial institutions
operating in Ghazipur district**

S.No.	Name of Bank	Number of Branches		Totalm
		Rural	Urban	
1.	Union Bank of India	38	13	51
2.	State Bank of India	05	04	09
3.	Allahabad Bank	06	02	08
4.	Punjab National Bank	-	3	3
5.	Central Bank of India	-	1	1
6.	Bank of Baroda	-	1	1
7.	Bank of India	-	1	1
8.	Benares State Bank	-	3	3
9.	Samykt Kshetriya Gramin Bank	64	4	68
10.	Distt. Coop. Bank	17	4	21
11.	U.P. Sahakari Gram Vikas Bank (LDB)	-	4	4
12.	Urban Cooperative Bank	-	2	2
	Total	130	42	172

Source : Union Bank of India (Lead Bank Office), Ghazipur

Result and Discussion

(1) Socio-Economic features of sample borrower farmers :

(Table -1 revealed) The average size of operational holding was found 0.61, 1.35, 3.91, 7.27 and 1.80 ha for marginal, small, medium, large and overall the sample borrower farmers. The age of the head of the sample borrower farmer families were found 53 years. Among the head of the sample farm families 22 percent were illiterate, 16 percent were primary education, 51 percent were intermediate and rest 11 percent were graduate. The caste-wise distribution of the sample borrower farmers shows that 10 percent sample farmers belonging to SC/ST, 24 percent OBC and 66 percent general caste. Farming was the main source of income of 57 percent sample borrower farmers and 43 percent farmers were found generated their major income from service, business, wage earning and off-farm income. About 99 percent of net cultivated area was covered with assured irrigation facilities, mostly by tubewell. Paddy and wheat were found the most important crops in the study area. The other crop grown on sample farmers were Potato, sugarcane, gram, urd, pea, chari etc. On an average more than 183 percent cropping intensity was found on sample farmers.

2. Average value of farm assets :

(Table - 2 revealed) The average value of farm assets ie. land house, machinery and equipment, livestock and cattle shed/godown/poultry shed owned by the sample borrower farmers. The total value of these assets at current price were worked out at Rs. 3,19,810.00, Rs. 6,43,420.00, 1,64,7,670.40, 28,42,799.99 and 7,92,263.44 respectively for marginal, small, medium, large and overall average of sample borrower farmers. On an average the share of land, house, farm machinery and equipment, farm livestock and cattle shed in total value of assets owned by sample borrower farmers were accounted 68.16, 21.63, 5.73, 1.87 and 2.61 percent respectively.

3. Source-wise break-up of loans :

(Table - 3 revealed) The source-wise break-up of out standing loans of the marginal, small, medium, large and overall average of sample farmers. In the total amount of outstanding loan of Rs. 27,880.44, on an average the share of primary agriculture cooperative credit society (PACS), U.P. Cooperative rural development bank (Land development Bank), Commercial bank were found 14.31, 1.23 and 84.46 percent respectively. This shows that commercial bank has financed much to the sample borrower farmers in the study area. Probably this was because the commercial banks has opened their branches to the rural areas to facilitate the farmers.

4. Term-wise distribution of loan :

Present status of loan on term basis worked out and presented in table -4. Out of total amount of loan short, medium and long term loan was accounted 19.23, 14.40 and 63.34 percent respectively.

5. Purpose-wise description of loan :

Purpose-wise description of loans per sample farmers was worked out in table - 5. The average amount of loans per sample farmer during the study area was Rs. 13,549.20, 36,188.00, 43,628.00, 82,086.67 and 27,880.44 for marginal, small, medium, large and overall averages of all farmers respectively. The percentage of term loan of the total loan was accounted 78.53, 86.66, 78.11, 80.44 and 80.77 for marginal, small, medium, large and overall average of farmers respectively.

The share of crop loan of the total loan was accounted 21.47, 13.34, 21.89, 19.56 and 19.23 percent on marginal, small, medium, large and overall farmers respectively. Major finance was made for tractor for all category of farmers in the study area. The other items for which loan was given to the farmers was dairy, buffalo, flour and oil milk, tubewell.

6. Bank-wise break-up loan :

The loans taken by borrower farmers from different commercial banks operating in the study area were presented in table - 6. The union bank of India has contribution to

provide the finance to the borrower farmers were 67.81 percent, 21.68 percent by S.K.G.B. and only 10.51 percent by State bank of India. This shows that union bank of India has provided more credit to the sample borrower farmers since this bank was working as a lead bank in the district which is monitoring the credit plan development work of the agriculture, Horticulture and fisheries etc.

7. Purpose-wise break-up of loans taken from Commercial banks :

The purpose-wise details of loans taken by the sample borrower farmers from the commercial bank is given in table - 7. The share of tractor loan in the total loan taken by farmers from the commercial banks were found 19.58, 81.19, 96.36, 6.86 and 50.45 percent on marginal, small, medium, large and overall average farmers , respectively. The major financed was made for tractor which is used for various agricultural operation for enhance the agricultural production. The other items financed by commercial banks were dairy, pumpset, floor and oil mill, buffalo, croploan tubewell and bullock.

8. Break-up of loans taken from U.P. Cooperative and Rural development bank (Land Development Bank) and PACS :

Table 8 and 9 shows the details of the loans taken by the sample borrower farmers from the U.P.C. RDB (land development bank) and primary agriculture cooperative credit society. In the total loan taken from U.P.C. RDB. The share for pumpset was 57.05 percent only in case of medium farmer and 42.95 percent for buffalo in case of small farmer only. The break-up of crop loan taken from PACS were in the form of cash and kind which were accounted 8.67 and 91.33 percent. The Fertilizer, seed and persticide, were given by the society in the form of kind to the borrower farmers so that they used these inputs in the crop production. This shows that these PACS has vital role in agricultural production by providing these inputs directly to the borrower farmers.

9. Productive and Unproductive Utilization of loan :

Table - 10 revealed the productive and unproductive uses of loans taken from primary agriculture cooperative credit society. The 1.32 and 3.94 percent unproductive utilization was found in cash and kind loan respectively taken by borrower farmers. Marginal and large borrower farmer were reported to misutilize their loan.

Table No. 1

Socio-economic features of sample farmers (Borrowers)

Particulars	Marginal	Small	Medium	Large	Overall average
1. No. of farmers	25	25	25	15	90
2. Average age (Year)	50.44	54.76	58.92	48.80	52.61
3. Average size of family (no.)	12.68	11.72	19.40	18.40	14.09
4. Source of Income					
(a) Agriculture	14	17	14	12	57
(b) Others (Service/Business/ off farm income)	11	8	11	3	33
5. Size of operational holding (ha.)	0.61	1.35	3.91	7.27	1.80
6. Percentage area under irrigation	100.00	100.00	97.86	97.62	99.46

Table No. 2
Average value of farm assets owned by the sample borrower farmers

Particulars	Marginal	Small	Medium	Large	Overall average
1. Average value of land owned (Rs.)	1,83,000.00 (57.22)	4,05,000.00 (62.94)	11,72,400.00 (71.16)	21,81,000.00 (76.72)	5,40,000.00 (68.16)
2. Av. value of house (Rs.)	1,02,584 (32.08)	1,51,848 (23.60)	3,36,200 (20.40)	3,44,333.33 (12.89)	1,71,405.46 (21.63)
3. Av. value of farm machinery and equipment (Rs.)	17,254.00 (5.36)	57,472.00 (8.93)	82,470.40 (5.00)	1,47,333.33 (5.18)	45,371.06 (5.73)
4. Av. value of farm livestock	11,384.00 (3.56)	12,012.00 (1.87)	23,700.00 (1.44)	27,600.00 (0.97)	14,812.55 (1.87)
5. Average value of cattle shed/godown/poultry shed etc.	5,588.00 (1.75)	17,088.00 (2.66)	32,900.00 (2.00)	1,20,533.33 (4.24)	14,812.55 (2.61)
Total	3,19,810.00 (100.00)	6,36,420.00 (100.00)	16,47,670.40 (100.00)	28,42,799.99 (100.00)	7,92,263.44 (100.00)

(Figures in Parentheses indicate percentage to total.)

Table No. 3
**Amount of outstanding loan from different sources on
sample borrower farmers**

(In Rs.)

Particulars	Marginal	Small	Medium	Large	Overall
Primary agriculture cooperative credit society (PACS)	2109.20 (15.57)	4348.00 (12.02)	9548.00 (21.88)	4386.67 (5.34)	average 3989.35 (14.31)
U.P. Cooperative rural development bank (L.D.B.)	-	800.00 (2.21)	1120.00 (2.57)	-	344.27 (1.23)
Commercial bank	11,440.00 (84.43)	31,040.00 (85.77)	32,960.00 (75.55)	77,700.00 (94.66)	23,546.82 (84.46)
Total	13,549.20 (100.00)	36,188.00 (100.00)	43,628.00 (100.00)	82,086.67 (100.00)	27,880.44 (100.00)

(Figures in Parentheses indicate percentage to total.)

Table No. 4
Term wise distribution of loans

(In Rs.)

	category of Loan			Total
	Short term	Medium term	Long term	
Farm size				
Marginal	2909.20	3120.00	7520.00	13549.20
	(21.47)	(23.03)	(55.50)	(100.00)
Small	4828.00	2920.00	28440.00	36188.00
	(13.34)	(8.07)	(78.59)	(100.00)
Medium	3548.00	1920.00	32160.00	43628.00
	(21.89)	(4.40)	(73.71)	(100.00)
Large	16053.33	31200.00	34833.34	82086.67
	(19.56)	(38.01)	(42.43)	(100.00)
Overall average	5362.43	4015.73	17649.19	27880.44
	(19.23)	(14.40)	(63.34)	(100.00)

(Figures in Parentheses indicate percentage to total.)

Table No. 5

**Purpose-wise description of the amount of outstanding loans
per sample borrower farmer**

Purpose of loan	Marginal	Small	Medium	Large	Overall average
Tractor	2240.00 (16.53)	25200.00 (69.64)	31760.00 (72.80)	5333.33 (6.49)	11880.19 (42.61)
Pumpset	4840.00 (35.72)	960.00 (2.65)	1120.00 (2.56)	666.67 (0.81)	3173.84 (11.38)
Tubewell	- -	800.00 (2.21)	- -	- -	147.87 (0.53)
Buffalo	2200.00 (16.24)	2800.00 (7.74)	- -	- -	1768.72 (6.35)
Dairy	880.00 (6.50)	1600.00 (4.42)	- -	33366.67 (40.65)	3168.24 (11.37)
Flour and Oil Mill	- -	- -	1200.00 (2.75)	26666.67 (32.49)	2106.16 (7.55)
Bullock	480.00 (3.54)	- -	- -	- -	272.99 (0.98)
Total term loan	10640.00 (78.53)	31360.00 (86.66)	34080.00 (78.11)	66033.34 (80.44)	22518.01 (80.77)
Crop loan	2909.20 (21.47)	4828.00 (13.34)	9548.00 (21.89)	16053.33 (19.56)	5362.43 (19.23)
Grand Total	13549.20 (100.00)	36188.00 (100.00)	43628.00 (100.00)	82086.67 (100.00)	27880.44 (100.00)

(Figures in Parentheses indicate percentage to total.)

Table No. 6

Bank wise distribution of loans taken from commercial banks

(In Rs.)

Farm Size	U.B.I.	S.K.G.B.	S.B.I.	Total
Marginal	10160.00	1280.00	-	11440.00
	(88.81)	(11.19)		(100.00)
Small	14520.00	520.00	16000.00	31040.00
	(46.78)	(1.68)	(51.54)	(100.00)
Medium	32960.00	-	-	32960.00
	(100.00)			(100.00)
Large	73200.00	4500.00	-	77700.00
	(94.21)	(5.79)		(100.00)
Overall	19445.49	1143.98	2957.35	23546.82
Average	(82.58)	(4.86)	(12.56)	(100.00)

(Figures in Parentheses indicate percentage to total.)

Table No. 7

Purpose-wise break-up of loans taken from commercial banks

(In Rs.)

Purpose of loan	Marginal	Small	Medium	Large	Overall
					average
Tractor	2240.00 (19.58)	25200.00 (81.19)	31760.00 (96.36)	5333.33 (6.86)	11880.19 (50.45)
Buffalo	2200.00 (19.23)	2000.00 (6.44)	- -	- -	1620.85 (6.88)
Dairy	880.00 (7.69)	1600.00 (5.15)	- -	33366.67 (42.94)	3168.24 (13.46)
Flour and Oil Mill	- -	- -	1200.00 (3.64)	26666.67 (34.32)	3168.24 (8.94)
Crop loan	800.00 (6.99)	480.00 (1.55)	-	11666.66 (15.02)	1373.08 (5.83)
Pumpset	4840.00 (42.31)	960.00 (3.09)	-	666.67 (0.86)	2977.44 (12.65)
Bullock	480.00 (4.20)	- -	- -	- -	272.99 (1.16)
Tubewell	- -	800.00 (2.58)	- -	- -	147.87 (0.63)
Total	11,440.00 (100.00)	31,040.00 (100.00)	32,960.00 (100.00)	77,700.00 (100.00)	23,546.82 (100.00)

(Figures in Parentheses indicate percentage to total.)

Table No. 8
**Purpose-wise break-up of loans taken from U.P. Cooperative rural
development bank (L.D.B.)**

(In Rs.)

Farm Size	Purpose of loan		Total
	Pumpset	Buffalo	
Marginal	-	-	-
Small	-	800.00	800.00
		(100.00)	(100.00)
Medium	1120.00	-	1120.00
	(100.00)		(100.00)
Large	-	-	-
Overall Average	196.40	147.87	344.27
	(57.05)	(42.95)	(100.00)

(Figures in Parentheses indicate percentage to total.)

Table No. 9
Amount of loan taken in cash and kind from Primary agricultural cooperative credit society

(In Rs.)

Farm Size	Cash	Kind	Total
Margianl	608.00	1501.20	2109.20
	(28.83)	(71.17)	(100.00)
Small	-	4348.00	4348.00
		(100.00)	(100.00)
Medium	-	9548.00	9548.00
		(100.00)	(100.00)
Large	-	4386.67	4386.67
		(100.00)	(100.00)
Average	345.78	3643.57	3989.35
	(8.67)	(91.33)	(100.00)

(Figures in Parentheses indicate percentage to total.)

Table No. 10

**Productive and unproductive utilisation of cash and kind credit taken from
primary Agricultural cooperative credit society**

(In Rs.)

Size of	Productive		Unproductive		Total	
	Cash	Kind	Cash	Kind	Cash	Kind
Family						
Marginal	600.00	1501.20	8.00	1. -	608.00	1501.20
	(98.68)	(100.00)	(1.32)		(100.00)	(100.00)
small	-	4308.00	-	40.00	-	4348.00
		(99.08)		(0.92)		(100.00)
Medium	-	9448.00	-	100.00	-	9548.00
		(98.95)		(1.05)		(100.00)
Large	-	2720.00	-	1666.67	-	4386.67
		(62.01)		(37.09)		(100.00)
Average	341.23	3500.16	4.55	143.41	345.78	3643.57
	(98.68)	(96.06)	(1.32)	(3.94)	(100.00)	(100.00)

(Figures in Parentheses indicate percentage to total.)