



Loan Utilisation Pattern and Repayment Behaviour of Farmers: A Study on Alathur Primary Cooperative Agricultural and Rural Development Bank in Palakkad District

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Abstract: PCARDBs have been assigned a vital role in agricultural development of our country. It is through the branches of these banks that various programmes of the government are being implemented in the agricultural sector. The basic task of these banks is to develop agriculture sector, which is the main occupation of the majority of people in our country and a major contributor to national income. However, the PCARDBS in Kerala are passing through its rough stage today. Many number of them are running at loss. The present study attempts to analyse the performance of these banks by specially considering the loan utilisation pattern and repayment behaviour of farmers who have availed loan from these bank. Data for the study was collected from sixty farmers who availed loan from Alathur PCARDB in Palakkad district of Kerala and was subjected to analysis using the statistical tools such as percentage analysis, indices and logistic regression analysis.

Keywords: PCARDB, Loan utilisation pattern, repayment behaviour.

1. Introduction

Agriculture in India has shared the thought, outlook and culture of the people of India for centuries and constitutes the backbone of Indian economy. Over 58 per cent of rural households depend on agriculture as their principal means of livelihood (Annual Report, RBI, 2016). Indian agriculture mainly depends on the availability of resources and inputs of which credit is a vital component. To develop and improve the productivity of agriculture, the government is providing loans to the farmers through various micro finance institutions such as banks. Thus, agricultural credit is one of the main tools to improve the standard of living of the farmers and also it will help to enhance the production capacity of the farm. Cooperative banks are the pioneers in providing agricultural credit to the farmers. The cooperatives were the sole agency in the area of institutional agricultural credit (as a matter of the government policy, until the introduction of social control (1968) and nationalization of 14 major commercial banks in 1969.



Since nationalization, the commercial banks entered into the field of agricultural finance along with the cooperatives. The establishment of NABARD by merging the Agricultural Credit Development Corporation and Agricultural Credit Department in 1982 was another landmark in the history of rural credit system. In fact, this triggered the cooperative credit movement to gain momentum for the development of agriculture in India and also created new hopes and inspirations in the minds of rural community.

Cooperative banking in Kerala has a twofold structure. Urban areas served by the Urban Cooperative Banks and rural areas served by two wings of Cooperative Banks viz., one that extends the short-term production credit and the other extending the long-term investment credit. The short-term cooperative credit structure have a three tier structure comprising State Cooperative Banks at the apex level, District Cooperative Banks at the district level and Primary Agricultural Credit Societies at the grass root level. The long term cooperative credit structure have a two tier structure comprising of the State Cooperative Agricultural and Rural Development Bank (SCARDB) at the state level and Primary Cooperative Agricultural and Rural Development Banks (PCARDBs) at the Taluk level.

2. Statement of the Problem

The Cooperative Agricultural and Rural Development Banks were the pioneers in providing investment credit for agriculture and were started primarily for this purpose. In the present economic environment characterized by deregulation and global competition, the crucial role of cooperative banks in satisfying the socio economic necessities of the farming community has been duly recognized and accepted. Long term cooperative credit structure is the main agency for providing credit both for crop production and investment in agriculture. As such, strengthening and promoting the cooperative banks assumes greater significance.

PCARDBs have been assigned a vital role in agricultural development of our country. It is through the branches of these banks that various programmes of the government are being implemented in the agricultural sector. The basic task of these banks is to develop agriculture sector, which is the main occupation of the majority of people in our country and a major contributor to national income. The PCARDB's in Kerala are passing through a critical stage of their growth. A good number of them are incurring loss and their overdue are mounting over the years (Annual Report, RBI, 2015). Among the co-operative credit institutions, PCARDB's were enjoying the monopoly status in long-term agricultural lending till recently. However, at present, the short-term co-operative credit institutions have started lending for long-term credit requirements for agricultural and rural development. Moreover, the interest rates charged by the PCARDBs are not at all competitive and results in dwindling demands for long-term loans. Even in the case of existing loans, the bank faces the threat of takeover by the other lending agencies. Besides, these banks are also facing stiff competition from commercial banks and Regional Rural Banks, the new entrants in the field of long term agricultural credit. However, the need for survival and growth of PCARDBs are vital for the sustained development of



agricultural sector in Kerala. In this backdrop, the study was undertaken with the objective of analysing the loan utilisation pattern and repayment behaviour of farmers who have availed loan from the PCARDB.

3. Objective

To study the loan utilisation pattern and repayment behaviour of farmers who have availed loan from Alathur PCARDB of Palakkad district.

4. Methodology

The study was conducted at Alathur PCARDB of Palakkad district in Kerala. The study was exclusively based on primary data collected from sixty farmers who have availed loan from the bank prior to the year 2015. Additionally, secondary data collected from websites and journals were also used for substantiating and supporting the study wherever necessary. Percentage analysis, indices and logistic regression analysis were administered for the analysis of data. The calculated indices were compared to a standard derived as follows:

Scores Obtained	Problems/Constraints Category
0 - 20	Negligible
21 - 40	Tolerable
41 - 60	Risk
61 - 80	Severe
81 - 100	Chronic

5. Review of Literature

Verma and Reddy (2000) conducted a study for analysing the causes of overdue in Cooperatives under SWOOD, to assess the recovery mechanism and to ascertain NPAs position in the selected banks. The results of the study categorically concluded that policy distortions in liberalized economy and inefficient management were identified as main reasons for poor recovery. Mis-utilisation of credit, political interference at every level, successive crop failures, non-remunerative prices of agriculture produce, inadequate income and natural calamities, were the other factors which affect the working culture of co-operative banks considerably. The study suggested that available credit size should be need based and production-oriented. Effective supervision of loans to minimize mis-utilisation and close social relations with loanee members were two other suggestions put forth to improve profitability and productivity as well as the working of these banks.

Namasivayam and Ramachandriaiah (2000) conducted a study titled “End use of Credit and Repayment Performance of the Institutional Borrowers: An Integrated Analysis” with a view to examine the underlying causes for default in loan repayment. The study observed that the proportion of productive loan to total loan was higher for marginal farmers and they constituted



the majority of defaulters. The marginal farmers and control groups were utilising loans predominantly for non- agricultural purposes including digging and deepening of wells. The crop loan which primarily aimed for the improvement in production and productivity of crops tended to be more often misused than term loans. The reason for the misuse is partly due to untimely issue of loans followed by procedural delays in loan issue caused due to red tapism, absence of post loan inquiry, government waiver schemes etc.

Ravichandran (2000) in his study “Crop Loan System and Overdues” in Tamil Nadu concentrated on scrutinizing the factors causing mounting overdues in banks. The study concluded that political exploitation contributed to be the major cause for delinquency in repayment of loans. While considering other major causes for overdues which included crop failures may or not addressing to natural calamities, increasing family expenditure and unavoidable social obligations. A significant portion of defaulters were of the opinion that different loan waiving schemes announced by the Government was also a major cause for delinquency from the borrowers, which can be viewed as willful default.

Mahmood *et al.* (2012) analysed the various factors affecting repayment of agricultural credit in Kasoor area in the Punjab province of Pakistan. The study adopted purposive sampling and sixty respondents were selected from the list of defaulters from respective branches of the selected banks. A well- structured questionnaire was administered to elicit necessary information from the defaulting farmers and the bank employees regarding the actual cause of delay in repayment of loans. It is obvious that the productive use of agricultural credit in Pakistan is quite limited, and it affects the repayments behaviour of the farmers and ultimately categorisation of loans into default stages and finally result in the auction of their lands. The collected data were analysed using descriptive statistics and found that trivial supervision by the bank employees, miss-utilisation of loans, high interest rate and change in business/residential place of the borrowers etc. caused delay in repayments of agricultural credit by borrowers in the study area.

6. Results and Discussion

The present study analysed the data and categorised the results into following three heads:

- 6.1 Socio-economic profile of farmers
- 6.2 Loan utilisation pattern of farmers
- 6.3 Repayment behaviour of farmers

6.1 Socio-economic profile of farmers

The socio-economic profile of the borrower farmers was examined with the help of selected socio- economic variables such as age, gender, marital status, religion, caste, education, economic status, employment status, income, sources of income and land ownership. These variables were selected for the reason that they are expected to substantially contribute and influence the loan utilisation pattern and repayment behaviour of the farmers.



Table 6.1. Socio-economic profile of farmers

Variables	Category	Respondents
Age	Up to 40 years	15 (25)
	41-50	17(28)
	51-60	21(35)
	Above 60	07(12)
	Total	60 (100)
Gender	Male	33 (55)
	Female	27 (45)
	Total	60 (100)
Religion	Hindu	29 (48)
	Christian	15 (25)
	Muslim	16 (27)
	Total	60 (100)
Caste	SC	07 (12)
	ST	0
	OBC	21 (35)
	OEC	08 (13)
	General	24 (40)
	Total	60 (100)
Marital status	Married	57 (95)
	Unmarried	03 (05)
	Widow	0
	Total	60 (100)
Education Status	Illiterate	02 (03)
	Primary	33 (55)
	High school	16 (27)
	Graduate	09 (15)
	PG	0
	Total	60 (100)



Economic status	BPL	36 (60)
	APL	24 (40)
	Total	60 (100)
Employment status	Self-employed	20 (33)
	Wage employed	35 (58)
	Unemployed	05 (8)
	Total	60 (100)
Self-employment-Nature	Agriculture	07 (35)
	Service	09 (45)
	Business	04 (20)
	Others	0
	Total	20 (100)
Wage employment-Nature	Government	05 (14)
	Private	0
	Agri. Labourers	10 (29)
	Non-agri labourers	20 (57)
	Total	35 (100)
Monthly Income (Rs)	Below 10000	11 (18)
	10000-15000	39 (65)
	15000-20000	05 (08)
	20000-25000	05 (08)
	Above 25000	0
	Total	60 (100)
Sources of Income	Agriculture	07
	Salary	10
	Rent	07
	Wages	40
	Profit	14
	Others	0
Land Holdings	Below 50 cents	43 (72)
	50 cents-1 acre	17 (28)



	1-2 acres	0
	Total	60 (100)

Note: Figures in parentheses represents percentage to total

Source: Compiled from primary data

It is evident from the table that majority of the respondents i.e. 35 percent of farmers of Alathur bank were in the age category of 51-60. Males dominated the borrower farmers (55 percent). The religion wise distribution revealed that Hindu community dominated (48 percent). The caste wise cross section of the respondents revealed that majority of the borrowers of Alathur bank belonged to the general category (40 percent) followed by OBC (35 percent), OEC (13 percent) and SC/ST (12 percent). Ninety five percent of the borrowers were married. The education status of the respondents ranged from illiterate to post graduation. Alathur bank which is demographically categorised as located in a village area owns majority borrowers had only primary education (55 percent). 27 percent of the borrowers had high school education, 15 percent were graduates and 3 percent were illiterate. The economic status of the respondents as to whether they belong to BPL or APL families was ascertained from the ration cards of the farmers. Thus it was evident that 60 percent of the farmers were in BPL category. The study on the employment status of the farmers revealed that 58 percent of the borrowers were wage employed, 33 percent were self-employed and the rest were unemployed. Among the self-employed borrowers, majority (45 percent) were engaged in service activities, 35 percent were agriculturalists and 20 percent were businessmen. Whereas, in the wage employed category majority were non-agricultural labourers (57 percent) followed by agricultural labourers (29 percent) and Government (14 percent). The study on the monthly income revealed that 65 percent of the farmers of Alathur bank had income between Rs. 10,000 and Rs. 15,000. Also, It was obvious from the study that majority of the borrowers had land below 50 cents. Seventy two percent of farmers had land below 50 cents.

6.2 Loan utilisation pattern of borrower farmers

Loan utilisation pattern of borrower farmers are studied under the following heads:

a. Type of loan availed by borrower farmers

This section examines the type of loans availed by the borrowers which is also an indirect measure of efficiency of the bank in deployment of funds.



Table 6.2 Type of loans availed by the borrower farmers

Sl. No	Type of loan	Respondents
1.	Agricultural	18 (30)
2.	Housing	33 (55)
3.	Commercial	9 (18)
	Total	60 (100)

Note: Figures in parentheses represents percentage to total

Source: Compiled from primary data

It is very clear from the table that housing, agricultural and commercial loans constituted the major type of loans availed by the farmers from the selected banks. In case of Alathur bank, 55 percent of borrowers availed housing loan, 30 percent availed agricultural loan and 18 percent availed commercial loan. Thus it could be inferred that the farmers rely on PCARDB's primarily for housing loans.

b. Farmers' opinion on structure and characteristics of loan availed

This section attempts to examine the details regarding the loans availed by the borrowers from the selected banks.

Table 6.3 Farmers' opinion on structure and characteristics of loan availed

Sl. No.	Particulars	Respondents	
		Yes	No
1.	Loan is secured	60(100)	0
2.	Loaning procedure is satisfactory	55 (92)	05 (8)
3.	Loan has subsidy component	0	60 (100)
4.	Qualified for interest subvention	16 (27)	44 (73)
5.	Interest rate is satisfactory	4 (7)	56 (93)
6.	Period of loan is satisfactory	33 (55)	27 (45)
7.	Repayment schedule is satisfactory	34 (57)	26 (43)
8.	Loan is overdue	42 (71)	18 (29)

Note: Figures in parentheses represents percentage to total

Source: Compiled from primary data

It is obvious from the table that cent per cent of the loans were secured because the loans were advanced only on the security of title deed of land owned by the borrowers. Majority of the borrowers of the selected banks were of the opinion that the loaning procedure was convenient.



Majority of the borrower farmers under study were not eligible for the subsidy component because they had availed housing loans which had no subsidy component. The selected bank provided interest subvention to the tune of 10 per cent of the annual interest accrued or Rs. 5000/- whichever is less. However, majority of the borrowers had not qualified for the benefits of interest subvention for various reasons. Every single borrower desires to avail loan at low interest rate and therefore, majority of borrowers opined that the banks should bring in a reduction in the present interest rate. The opinion of the borrowers on the period of loan concluded that they were convenient and satisfactory for 55 percent. Correspondingly, for majority i.e. 57 percent of the borrowers, the repayment schedule was also convenient. It is evident from the survey that, the loan was overdue for 71 percent borrowers and the rest were prompt repayers.

c. Sufficiency of loan sanctioned to the borrowers

Sufficiency of loan is important because if the loan is insufficient/partially sufficient the borrowers will be forced to depend on multiple sources on the one side and diversification on the other.

Table 6.4 Sufficiency of loan sanctioned to the borrowers

Particulars	Respondents
Loan was Sufficient	20 (33)
Loan was Insufficient	40 (56)
Total	60 (100)

Note: Figures in parentheses represents percentage to total

Source: Compiled from primary data

It is clear from table that majority of the borrowers were of the opinion that the loan was insufficient to meet their requirements. Fifty six percent of the borrowers of Alathur bank opined that the loan was insufficient.

d. Bridging sources for farmers with sufficient/ insufficient loan

The present section attempts to examine the alternative sources resorted by the borrowers for whom the loan sanctioned was partially sufficient/insufficient.

Table 6.5 Alternate sources of borrowings of the borrower farmers

Sl. No	Bridging sources	Respondents
1.	Personal savings	40 (67)
2.	Borrowed from friends & relatives	33 (55)
3.	Private financiers	2 (3)



4.	Other cooperative banks	3 (5)
5.	Commercial & private banks	3 (5)

Note: Figures in parentheses represents percentage to total

Source: Compiled from primary data

It is understood from table that the farmers with insufficient loans from the PCARDB borrowed from more than one source at a time. However, majority of the borrowers had their own personal savings which assisted them in meeting their financial requirements. Besides personal savings, the borrowers depended on their friends and relatives as well as other cooperative banks for financial assistance. However, the positive fact is that the borrowers' dependence on private financiers was trivial. Therefore, it could be concluded that various sources of financial assistance in par with loans from PCARDBs are used by the borrowers in meeting their financial requirements.

e. Amount of loan availed by the borrower farmers under various categories

Among the total loan amount availed, different categories under which the loan amount used is shown below:

**Table 6.6 Amount of loan availed by the borrower farmers under various categories
(Amt in Rs. Lakhs)**

Category of loan	Respondents
Agricultural	27.08 (14)
Housing	138.50 (72)
Commercial	27.95 (14)
Total	193.53 (100)

Note: Figures in parentheses represents percentage to total

Source: Compiled from primary data

Table shows the amount of loan availed by the borrower farmers of sample banks. It is evident from the table that the borrower farmers of the selected bank had availed Rs. 193.53 lakhs respectively. It is also evident from the table that majority (72 percent) of the borrowers had availed loans for housing purposes followed by commercial loans (14 per cent) and agricultural loans (14 per cent). Thus, it could be concluded that the banks under study have deviated from the mandate and purpose of setting PCARDBs.

f. Utilisation of loan by borrower farmers

It is important to examine whether the loan has been utilised for the designated purpose and is presented in following table.



Table 6.7 Utilisation of loan for designated purpose by borrower farmers

Sl.No	Loan utilised for designated purpose	Respondents
1.	Yes	29 (48)
2.	No	31(52)
	Total	60 (100)

Note: Figures in parentheses represents percentage to total

Source: Compiled from primary data

It is understood from table that the majority of the borrowers (52 percent) of Alathur bank had diverted the loan for other purposes which may in the long run will increase the repayment burden of the farmers.

g. Pattern of loan utilisation by borrower farmers

The present section attempts to highlight the various heads under which the loans were utilised by the borrowers.

Table 6.8 Pattern of utilisation of loan by borrower farmers (Amt in Rs. Lakhs)

Sl.	Head of expenditure	Respondents
Utilisation of housing loan		
1.	Addition of plinth area	56.12 (29)
2.	Renovation & maintenance of house	9.68 (5)
Utilisation of commercial loan		
3.	Establishment of institution	5.81 (3)
4.	Building of commercial space	13.55 (7)
5.	Purchase of stock	5.81 (3)
Utilisation of agricultural loan		
6.	Land preparation	1.94 (1)
7.	Purchase of livestock	7.74 (4)
8.	Purchase of inputs	7.74 (4)
9.	Payment of wages	9.68 (5)
10.	Digging wells /water storage facilities	5.81 (3)
Diversion of loan		
11.	Consumption expenses	5.81 (3)



12.	Marriage purposes	32.90 (17)
13.	Medical expenses	3.87 (2)
14.	Repayment of old debt	9.68 (5)
15.	Emergency needs of friends or relatives	9.68 (6)
16.	Educational expenses	7.74 (4)
	Total	193.53 (100)

Note: Figures in parentheses represents percentage to total

Source: Compiled from primary data

Table presents the loan utilisation pattern of borrower farmers of the selected banks. It is conspicuous from the table that the farmers had utilised the loan for various purposes in addition to the designated purpose for which the loan was applied and sanctioned. Among the different expenditure heads of loan utilisation addition of plinth area of house, expenses for marriage ceremony and renovation of houses were the major heads of expenditure for which the loans were utilised. The borrowers of Alathur bank had utilised 29 per cent for extension of plinth area of their house, 17 per cent for marriage ceremony and 7 per cent for building of commercial space, 6 per cent for meeting emergencies of friends and relatives, 5 per cent each for payment of wages and redemption of old debts.

h. Factors affecting the utilisation of loan by borrower farmers

In order to understand the loan utilisation pattern of the borrower farmers, the major factors affecting the loan utilisation was also examined. Indices were worked out to identify the factors contributing to utilisation of loans by borrowers. The computed indices were compared with a standard to determine the relative importance of the factors that influence utilisation of loans by borrowers.

Table 6.9 Factors affecting the utilisation of loan by borrower farmers

Statements	Respondents		
	Score	Index	Rank
Climatic factors	124	41	5
Non- availability of input	244	81	2
Market fluctuations	128	43	3
Delay in sanctioning the loan	60	20	7
Personal sickness /illness	125	42	4
Non-availability of labour	257	86	1



Change in technology	94	31	6
Lack of support from Development Dept.	60	20	7
Overall Index	1092	46	

Note: Figures in parentheses represents percentage to total

Source: Compiled from primary data

It is evident from the table that the borrowers of Alathur bank were of the opinion that the major factors affecting loan utilisation pattern were “non-availability of labour” and “non-availability of inputs” which were in the category 81-100, termed ‘chronic’. At the same time, “climatic” factors” and “market fluctuations” were considered as the ‘risk’ factors. “Change in technology” was included in the category 21-40, called ‘tolerable’ and the rest of the statements were negligible factors, otherwise known as least affected factors. The composite index was administered at 46.

6.3 Repayment behaviour of farmers

The repayment behaviour of farmers, reasons for loan default and suggestions for reducing the loan default is presented in the following section and was examined with the help of indices and binary logistic regression model.

a. Logistic regression model of factors affecting the repayment behaviour of farmers of Alathur bank

Table 6.10 logistic regression model

Socio-economic indicators	Variables in the equation						
	B	S.E	Wald	df	Sig.	Exp(B)	P
Age	-.308	0.496	0.385	1	0.535	0.735	0.423
Gender	2.254	1.402	2.583	1	0.108	9.523	0.904
Education status	-3.110	1.428	4.744	1	0.029**	0.045	0.403
Economic status	-.441	0.921	0.229	1	0.632	0.643	0.391
Employment status	-.301	0.852	0.125	1	0.724	0.740	0.425
Membership in bank	0.571	0.490	1.358	1	0.244	1.770	0.638
Income status	3.041	1.624	3.508	1	0.061*	20.934	0.954
Land holding	3.920	1.582	6.137	1	0.013**	50.405	0.980

Source: SPSS output

*significant at 10 % level **significant at 5 % level



The logistic regression analysis showed the variables namely, education status (0.029**,.) income status (0.061*) and landholding (0.013**) were statistically significant. This means that these three variables can be a good predictor of farmers' repayment behaviour. By contrast, the variables age, gender, economic status, employment status and years of membership in bank were not significant. The Odds ratio Exp(B) for the variable 'education status' was 0.045 & P 0.403 which means with a unit increase in education class of farmers, there is 40 percent probability that the farmer will default the loan. Similarly, the Odds ratio Exp(B) for the variable 'income status' was 20.934 & P 0.954 which means, a unit change in category of income status of a farmer, the probability that a farmer will repay loan increases by 95 percent. Finally, Odds ratio for the variable 'landholding' was 50.405 & P 0.980 which means with a unit change in the category of landholding of farmer, there is 98 percent probability that the farmer will repay the loan.

b. Reasons for loan default by borrower farmers

The following section attempts to examine the reasons for default by borrower farmers.

Table 6.11 Reasons for loan default by borrower farmers

Reasons	Respondents		
	Score	Index	Rank
Fall in price of agricultural commodities	288	96	1
Crop failure	176	59	4
Lack of irrigation facility	111	37	10
Low quality seeds	71	24	15
Natural calamities	111	37	10
Non availability of labourers in time	142	47	7
Loan diversion	161	54	5
Ancestral debt	115	38	9
Non institutional loan	105	35	11
High interest rate	288	96	1
Defective loan policies	76	25	14
Lack of recovery efforts	70	23	16
Illness of borrower/family member	132	44	8
Ceremonies	155	52	6
Faith in loan waiver/write off	92	31	13
Inaccessibility to consumption loans and diversion of income for consumption purposes	222	74	3



Non availability of input in time	101	34	12
Reduction in employment	252	84	2
Composite Index	2668	49	

Note: Figures in parentheses represents percentage to total

Source: Compiled from primary data

From the table it is clear that for Alathur bank, the reasons “high interest rate”, “reduction in employment” and “fall in price of agricultural commodities” were in the index category 81-100, termed ‘chronic’. Likewise, the reasons “crop failure” and “lack of access to the consumption loans and diversification of income for consumption purposes” fell in ‘severe’ category with index in between 61-80. The reasons “non-availability of labourers in time”, “illness of borrower/family member”, “ceremonies”, “loan diversion” fell in the category 41-60, termed ‘risk’. Similarly, the reasons with index within 21-40 range categorised as ‘tolerable’ were “lack of irrigation facility”, “low quality seeds”, “natural calamities”, “ancestral debt”, “non-institutional loan”, “defective loan policies”, “lack of recovery efforts”, “faith in loan waiver/write off” and “non- availability of input in time”.

c. Suggestions for reducing loan default by borrower farmers

The foregoing section had examined the reasons for loan default and this section presents the suggestions set forth by the borrowers for reducing and containing loan default.

Table 6.12 Suggestions for reducing loan default by borrower farmers

Statements	Respondents		
	Score	Index	Rank
Provisions for adequate staff for project supervision	261	87	5
Incentives for proper repayment	289	96	1
Creation of awareness through good customer- banker relations	219	73	10
Provide adequate loan amount	224	75	8
Smaller installments	262	87	4
Timely credit	244	81	7
Timely reminders	283	94	2
Adoption of appropriate schedules for repayment	216	72	11
Reduction in interest rates	279	93	3
Fixation of recovery period in coincidence with harvest/income period	256	85	6



Loan waiver/ write off policies for default due to natural calamities	222	74	9
Provide adequate production, distribution and marketing support	165	55	12
Overall Index	2920	81	

Note: Figures in parentheses represents percentage to total

Source: Compiled from primary data

It is clear from the table that, incentives for prompt repayment (Index 96), timely reminders (Index 94), reduction in interest rate (Index 93), provisions for adequate staff for project supervision (Index 87) and smaller installments (Index 87) were the main suggestions put forward by the borrowers of Alathur bank.

7. Conclusion

The study entitled “Loan utilisation pattern and repayment behaviour of farmers; A study on Alathur primary cooperative agricultural and rural development bank in Palakkad district” was conducted with the objective of analysing the loan utilisation and repayment behaviour of farmers who have availed loan from the bank. The survey was conducted among sixty farmers who have availed loan from the bank prior the year 2015. The collected data was analysed using percentage analysis, indices and logistic regression analysis. The study found that majority of the borrowers have availed housing loan followed by commercial loan and agricultural loan. It was found that the borrowers had a varied loan utilisation pattern, most of which was for unproductive purposes such as marriage ceremonies, medical expenses, educational expenses, redemption of old debts etc. which later added on to their responsibility for prompt repayment of the loan.. The loan utilisation pattern of the farmers were mostly affected by the factors non-availability of labour, non-availability of input, climatic factors and market fluctuations. The logistic regression model of factors affecting the repayment behaviour of farmers of Alathur bank resulted that the variables education status, income status and land holding found to be statistically significant. The reasons behind the loan default identified by the study were high interest rate, reduction in employment, fall in price of agricultural commodities, inaccessibility to consumption loans, and crop failure. Finally, the suggestions put forth by the farmers for reducing the loan default were, incentives for prompt repayment, timely reminders, and reduction in interest rates, small installments and fixation of recovery period in coincidence with the harvest/income period.



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