

# Availability, Utilization Pattern and Repayment Performance of Finance

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## Abstract

Finance is the crucial input for the economic development of the farmers as it helps in increased production through use of modern inputs. The present study was conducted to availability, utilization and repayment performance of finance in Bahraich district of Uttar Pradesh. Purposive cum random sampling techniques was used for selection of district and borrower respondents and collected the primary data through personal interview by pre-structured schedule and the secondary data were collected from block, tehsil, district and bank level. The result revealed that the Gramin Bank was playing major role in financing for agriculture in the study area, which maximum contribution of borrowing the loan for agriculture development. The availability of loan amount was maximum on crop production (41.50) followed by machinery & implement (24.64), other purpose (18.90) and diary & livestock (14.95). Similarly, in case of utilization of finance highest utilized for crop production in purchase of input material followed by borrowed amount for machinery & implements in maximum used in hired machinery implements and borrowed amount for dairy & livestock's was maximum used in purchase of animal. The loan amounts repaid by borrowers were accounted Rs. 7154870 of total loan amount Rs. 8241356 and over dues was Rs. 816140. This showed that the repayment performance of borrower is good. At last, it concluded that financial supports from institutional financing agencies to the farmers are always supportive to improve the socio-economic condition of the farmers.

**Key words:** Finance, borrower, availability of loan, utilization pattern, repayment performance.

## Introduction

Finance in agriculture is as an important for adoption of new developed technologies. Technical inputs can be purchased and used by the farmers only if sufficient money (funds) is available. Usually farmers suffer from the problem of inadequate funds/money due to poor economic backgrounds. This situation leads to borrowing from an easy and comfortable; non-institutional sources such as money lenders, big farmers, retailers, relatives and friends etc. (Banerjee, 1970). The importance of Agricultural finance for agricultural production in this country depends upon millions of small and marginal farmers. Their intensity, effort and efficiency have helped in raising yields per unit of arable land. Agricultural finance possesses its usefulness to the farmers, lenders and extension workers. The knowledge of lending institutions, their legal and regulatory environment helps in

selecting the appropriate lender who can adequately provide the credit with terms and related services needed to finance the farm business (Jugale, 1992).

The modern agriculture has increased the use of inputs especially seed, fertilizers, irrigational water, machineries and implements, which has increased demand for agricultural credit. The adoption of modern technology, which is capital intensive, has commercialized agricultural production in India. Besides, the farmer's income is seasonal while his working expenses are spread over time. In addition, farmer's inadequate savings require the uses of more credit to meet the increasing capital requirements. Furthermore, credit is a unique resource, since it provides the opportunity to use additional or optimum inputs and capital items now and to pay for them from future earnings.

Seeing the importance of finance in agriculture development, for the study on Availability, Utilization Pattern and Repayment Performance of Finance was conducted.

- 1) To examine the enterprises wise distribution of funds.
- 2) To analyse the share funds of finance amount spent on various inputs by different size of farm of borrowers.

### **Methodology:**

This study was conducted in Bahraich District of Uttar Pradesh. A purposive cum random sampling technique was used to select the district, block, villages and borrower farmers. For further study of borrower were categorized into three groups as marginal, small and medium size of farms. To justify the representation of all category of borrower "proportionate random sampling" technique was applied. The primary data were collected through personal interview with borrower by using survey schedule and secondary data were collected from block, tehsil, district and bank level. For the interpretation of data simple tabular analysis like percentage and average were applied for analysis of data and interpretation of result.

### **Result and Discussion:**

The results have been arranged in sequence of objectives of the study, summarized and discussed in tabular form given as below in sub-heads:

#### **1. Institutional-wise borrower respondents:**

The importance of the institutional credit can be realizing with the above discussion. Accordingly, the agricultural credit extended to the farmers of the study area through the various institutions had been studied and the result is presented in Table-1. It is depicted from the table that, total four institutions i.e. U.P. Gramin Bank, Allahabad Bank, State Bank of India, and HDFC Bank were functioning in the study area to offer the agricultural credit. It is observed from the table that the maximum contribution in financing the agriculture was made by U.P. Gramin Bank as 38.00 per cent of the borrower sample farmers were benefited from it. Contribution of other institution was observed as 30.00 per cent by Allahabad Bank, followed by 20.00 and 12.00 per cent by HDFC bank and State Bank of India respectively. It is concluded that Gramin Bank was playing major role in financing for agriculture in the study area. The sample borrowers had not taken any loan from private agencies non institutional sources.

**Table-1: Institution-wise borrower-respondents**

Sl. No.	Source of credit	Number of respondents			Total Respondent
		Marginal Respondent	Small Respondent	Medium Respondent	
1	U.P. Gramin Bank	09 (52.94)	04 (22.22)	06 (40.00)	19 (38.00)
2	Allahabad Bank	04 (23.53)	07 (38.89)	04 (26.67)	15 (30.00)
3	SBI	01 (5.88)	02 (11.11)	03 (20.00)	06 (12.00)
4	HDFC Bank	03 (17.65)	05 (27.78)	02 (13.33)	10 (20.00)
B.	Non-Institutional	-	-	-	-
<b>Total</b>		<b>17 (100.00)</b>	<b>18 (100.00)</b>	<b>15 (100.00)</b>	<b>50 (100.00)</b>

### 2. Institution-wise distribution of loan to borrower farmers:

Table-2 revealed that the total loan amount given to the borrower farmers was Rs. 8241356.00, which was made of Rs. 2948861.00, and Rs. 2286776.00, Rs. 1805009.00 and Rs. 1200700.00 by U.P. Gramin bank, Allahabad Bank, HDFC Bank and State Bank of India respectively. The maximum loan amount was borrowed by medium farms Rs. 3575325.00 followed by small and marginal farms which accounted for Rs. 2783506.00 and Rs. 1882525.00 respectively.

**Table-2: Institution-wise distribution of loan to the borrowers (Rs.)**

Name of institution	Size group distribution			Total
	Marginal	Small	Medium	
U.P. Gramin Bank	1085261 (57.65)	567118 (20.37)	1296482 (36.27)	2948861 (35.78)
Allahabad Bank	364122 (19.34)	1100861 (39.55)	821793 (22.98)	2286776 (27.75)
HDFC Bank	359873 (19.12)	750825 (26.97)	694321 (19.42)	1805019 (21.90)
SBI	73269 (3.89)	364702 (13.10)	762729 (2.33)	1200700 (14.57)
<b>Total</b>	<b>1882525 (100.00)</b>	<b>2783506 (100.00)</b>	<b>3575325.00 (100.00)</b>	<b>8241356 (100.00)</b>

### 3. Purpose-wise availability of credit amount on the borrower farm:

The purpose wise availability of loan through different financing institution in the study area was also studied and presented in Table-3. It is depicted from the table that the main purpose of taking the loan by sample borrowers were purchased of inputs for crop production, purchase of milch animal for milk production and purchase of farm implements. The purpose wise total amount required by the sample borrowers were Rs. 3947307.00, Rs. 1393420.00, Rs. 2222501.00 and Rs. 1771420.00 for crop production, dairy & livestock, farm

machineries and others respectively. The total loan amount demanded by the sample borrower farms was Rs. 9334648.00. The maximum availability of loan amount was recorded for purpose of crop production, followed by farm machinery and implements, other purpose and dairy & livestock, which accounted for 42.21, 24.1718.96 and 14.58 per cent of total loan demanded respectively.

It is also observed from the table the loan requirement had the direct relationship with size of farm as it was computed to Rs. 2074012.00, Rs. 3315140.00 and 3945496.00 for marginal, small and medium size of sample farms respectively. It is also observed from table that the purpose wise withdrawal of loan amount highest for crop production i.e. 41.50 per cent followed by machinery and equipment, others purpose and dairy & livestock corresponded to 24.64, 18.90 and 14.95 per cent respectively.

#### 4. Purpose-wise utilization of loan amount:

Purpose wise utilization of total loan under different size group of borrower is presented in Table-4. It reveals that a sum of Rs. 7934640.00 was distributed to different size of farms out of which 22.94 per cent on marginal, 33.90 per cent and 43.16 per cent on small and medium size group of farms respectively. The table indicates that the total amount Rs 7934640.00 spent for Rs. 3292917.00 for crop production, Rs. 1186571.00, Rs. 1955268.00 and Rs. 1499884.00 for dairy, machinery implement and other expenses respectively, were properly utilized for the purpose to which it was obtained.

**Table-3: Purpose-wise availability of credit on borrower's farm:**

Sl. No.	Type of loan	Marginal			Small			Medium			Total		
		Amount of loan applied	Amount of loan sanctioned	Amount of loan withdrawn	Amount of loan applied	Amount of loan sanctioned	Amount of loan withdrawn	Amount of loan applied	Amount of loan sanctioned	Amount of loan withdrawn	Amount of loan applied/Required	Amount of loan sanctioned	Amount of loan withdrawn
1.	Crop loan	9567 84 (47.13)	8914 73 (47.36)	8854 90 (48.66)	13941 20 (42.05)	1194 803 (42.92)	11072 35 (41.16)	1596 403 (40.46)	1399 061 (39.13)	130019 2 (39.96)	39473 07 (42.29)	348533 7 (42.21)	<b>3292917</b> <b>(41.50)</b>
2.	Dairy & livestock	2563 17 (12.36)	2109 45 (11.20)	2069 71 (11.37)	43738 0 (13.19)	3948 04 (14.18)	39070 0 (14.52)	6997 23 (17.73)	5960 77 (16.68)	588900  (16.67)	13934 20 (14.93)	120182 6 (14.58)	<b>1186571</b> <b>(14.95)</b>
3.	Machinery & equipment	5435 86 (26.21)	4906 47 (26.06)	4802 43 (26.39)	75872 5 (22.89)	6025 17 (21.65)	60201 0 (22.38)	9201 90 (23.32)	8984 55 (25.13)	873015  (25.13)	22225 01 (23.81)	199161 9 (24.17)	<b>1955268</b> <b>(24.64)</b>
4.	Others	3173 25 (15.30)	2894 60 (15.38)	2469 41 (13.57)	72491 5 (21.87)	5913 82 (21.25)	59000 0 (21.93)	7291 80 (18.48)	6817 32 (19.07)	662943  (19.07)	17714 20 (18.98)	156257 4 (18.96)	<b>1499884</b> <b>(18.90)</b>

	2074	1882	1819	33151	2783	26899	3945	3575	342502	93346	824135	
	012	525	645	40	506	45	496	325	5	48	6	7934640
Total	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Table-4: Purpose-wise utilization of loan amount:

Sl. No.	Size of farms	Spent on crop production		Spent on dairy		Spent on machinery implement		Spent on poultry		Spent on fisheries		Spent on other		Total	
		Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
1.	Marginal	885490	26.89	206971	17.44	480243	24.56	--	--	--	--	246941	16.46	1819645	22.94
2.	Small	1107235	33.62	390700	32.93	602010	30.79	--	--	--	--	590000	39.34	2689945	33.90
3.	Medium	1300192	39.48	588900	49.63	873015	44.65	--	--	--	--	662943	44.20	3425025	43.16
Total		3292917	100.00	1186571	100.00	1955268	100.00	--	--	--	--	1499884	100.00	7934640	100.00

### 5. Allocation of loan amount on various inputs for crop production:

The information regarding utilization of credit by the borrowers for crop production indicated in Table-5. It reveals that utilization of total loan amount Rs. 3292917.00 by borrowers to purchase farm inputs, payment of labour wage, payment of hired machinery and on other expenses, which computed as Rs. 2137585, Rs. 746563.00, Rs. 295536.00 and Rs. 113233.00 respectively, which accounted for 64.91, 22.67, 8.97 and 3.44 per cent respectively.

It is also observed from the Table-5 that the borrower of the study area spend maximum amount of loan on purchase of input followed by the payment of labour wage, payment of hired machinery, and for other purposes. Maximum utilization of loan amount by borrower on different inputs for crop production was found on medium farms which accounted Rs. 1300192.00 followed by small and marginal size group of farms corresponded to Rs. 1107235.00 and Rs. 885490.00 respectively.

Table-5: Allocation of loan amount (Rs.) on various inputs for crop production

Sl. No.	Particulars	Spent amount spent by marginal farms	Spent amount spent by small farms	Spent amount spent by medium farms	Total amount spent
1.	Purchase of input	558740 (63.10)	697605 (63.00)	881240 (67.78)	2137585 (64.91)

	<b>a. Seed</b>	159854 (18.05)	193429 (17.47)	269336 (20.71)	622619 (18.91)
	<b>b. fertilizers</b>	339613 (38.35)	429142 (38.76)	529279 (40.71)	1298034 (39.14)
	<b>c. chemical</b>	59273 (6.69)	75034 (6.78)	82625 (6.35)	216932 (6.58)
<b>2.</b>	<b>Payment of Labour</b>	185520 (20.95)	280981 (25.38)	280062 (21.54)	746563 (22.67)
	<b>a. Human labour</b>	185520 (20.95)	280981 (25.38)	280062 (21.54)	746563 (22.67)
	<b>b. Bullock labour</b>	0000 (00.00)	0000 (00.00)	0000 (00.00)	0000 (00.00)
<b>3.</b>	<b>Payment of hired machine</b>	92300 (10.42)	101354 (9.15)	101882 (7.84)	295536 (8.97)
	<b>a. Tractor</b>	32800 (3.70)	33500 (3.03)	41200 (3.17)	107500 (3.26)
	<b>b. Irrigation</b>	59500 (6.72)	67854 (6.13)	60682 (4.67)	188036 (5.71)
<b>4.</b>	<b>Other expenses</b>	48930 (5.52)	27295 (2.46)	37008 (2.85)	113233 (3.44)
<b>Total</b>		885490 (100.00)	1107235 (100.00)	1300192 (100.00)	3292917 (100.00)

Table-6: Utilization of loan amount by the borrower for dairy and livestock purpose (Rs.):

Sl. No.	Particular	Marginal	Small	Medium	Total
<b>1.</b>	<b>Purchase of animal</b>	134680 (65.07)	257800 (65.98)	395450 (67.15)	<b>787930</b> <b>(66.40)</b>
<b>2.</b>	<b>Animal Shed</b>	50000 (24.16)	72500 (18.56)	103290 (17.54)	<b>225790</b> <b>(19.03)</b>
<b>3.</b>	<b>Feed Expenses</b>	22291 (10.77)	60400 (15.46)	90160 (15.31)	<b>172851</b> <b>(14.57)</b>
<b>Total</b>		<b>206971</b> <b>(100.00)</b>	<b>390700</b> <b>(100.00)</b>	<b>588900</b> <b>(100.00)</b>	<b>1186571</b> <b>(100.00)</b>

**6. Utilization of loan amount by the borrower for dairy and livestock purpose:**

The details of further utilization of credit by the borrowers for dairy and livestock purposes were indicated in Table-6. It is revealed that from the table the total amount Rs. 1186571.00 were utilized for dairy purpose by borrower which included the purchase of milch animals, construction of animal shed and also for buying the on

animal feed, which computed as Rs. 787930.00, Rs. 225790.00 and Rs. 172851.00, respectively. It was observed that the amount of loan utilization was distributed as 66.40 per cent for purchase of milch animal followed by 19.03 per cent and 14.57 per cent for construction of animal shed and feed expenses respectively. The loan amount utilization maximum on medium farms which was found Rs. 588900.00 followed by the small and marginal farms was computed as Rs. 390700.00 and Rs. 206971.00 respectively

### 7. Utilization of loan amount by the borrower for machinery and equipment:

Information about the borrowers used of credit for machinery and equipment shown in Table-7. This shows that the borrower used the total amount of loan as Rs. 1955268.00 for hiring of machinery, purchase of minor machinery and equipments and paid the charges for repairs and maintenance. The amount spent for different items were accounted for Rs. 1277506.00, Rs. 363040.00 and Rs. 314722.00 respectively. These amounts corresponded to 65.35, 16.09, and 15.57 per cent of specific amounts. The share of total loan amount spent on purchase, repair and hiring charges spent by different categories of the sample farmers show that the maximum amount i.e. Rs. 873015.00 were spent by medium size group of sample farm followed by Rs. 602010.00 and Rs. 480243.00 by small and marginal size group of farms respectively. It may be concluded from the data that use of machinery & equipment and expenditure on it had the positive relationship with size of holdings.

### 8. Repayment performance of borrower:

It is depicted from Table-8 that the overall amount due in the study area was Rs. 8571010.00 which was constituted by Rs. 8241356.00 of principal amount and Rs.329654 of interest; which was charged @ 4.00 per cent of interest rate. The repaid amount against the total amount borrowed were found to Rs. 7154870.00, which accounted for 83.48 per cent of the borrowed amount the rest was overdue amount i.e. Rs.816140.00 which made the per cent share of borrowed amount as 9.52 per cent. As far as repayment propensity of the borrowers is concerned it was found of same trend. Maximum over dues was found in case of medium size group of farms i.e. 41.63 per cent followed by small and marginal, size group of farms which accounted for 36.76 and 21.61 per cent respectively. The main reason for overdue of loan as reported by borrowers was not sale of their farm produce mainly maize, sugarcane and banana at appropriate time and rate because these are mainly majorly cash crop. It is assured by the borrowers' farmers that, if the marketing of agricultural output can be done at a beneficial price and at appropriate time, the agricultural credits provided by the financial institutions would be more effective to improve the economic conditions of the farmers.

**Table-7: Utilization of loan amount by the borrower for machinery and equipments (Rs.):**

Sl. No.	Particular	Marginal	Small	Medium	Total
1.	Hired machinery	292586 (60.92)	367284 (61.01)	617636 (70.75)	1277506 (65.34)
2.	Purchase of minor machinery	96790 (20.15)	126340 (20.99)	139910 (16.03)	363040 (15.57)
3.	Repair and maintenance charge of equipment	90867 (18.92)	108386 (18.00)	115469 (13.22)	314722 (16.09)
<b>Total</b>		<b>480243 (100.00)</b>	<b>602010 (100.00)</b>	<b>873015 (100.00)</b>	<b>1955268 (100.00)</b>

**Table-8: Repayment performance of borrowers (Rs.):**

Sl. No.	Farm size of borrowers	Size of holding	Total Principle. Amt. of borrowed	Total Interest @4%	Total Amt. Due	Repaid Amt.	Over dues
1.	Marginal	11.35	1882525	75301	1957826 (21.61)	1781436	176390
2.	Small	28.59	2783506	111340	2894846 (36.76)	2594891	299955
3.	Medium	42.48	3575325	143013	3718338 (41.63)	3378543	339795
<b>Total</b>		<b>82.42</b>	<b>8241356</b>	<b>329654</b>	<b>8571010</b> <b>(100.00)</b>	<b>7154870</b>	<b>816140</b>

**Conclusion:**

In this study we have concluded that the finance would be more effective to improve the economic condition of the poor farmers by supporting them to manage the costly inputs and adoption of improved technology. This ultimately results in better yield and income as well as creates employment to their family member at their field itself. It will also help to check the migration of the rural population from villages to the city in search of employment.

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