Factors Associated with Repayment Behaviour of Crop Loan users

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INTRODUCTION

Institutional credit agencies were the major source of financing to bridge the gap between demand and supply of credit for agriculture sector. The crop loan is most popular source of short-term investment in the farming for adoption of improved farm practices through use of inputs like : seed, fertilizer and plant protection chemicals. These loans are generally provided for a short duration and is generally scheduled for repayment in one instalment after harvest of crop. But with the increased demand for this type of credit a subsequent deployment, the commercial banks are also saddle with the pressure of mounting overdues to will-full defaults by borrowers instigated by political propaganda. These resulted in blockage of funds ultimately derieving the others to take advantages of credit.

In context of this, a present study on factors associated with repayment behaviour of crop loan was undertaken in Sehore block of Sehore district, Madhya Pradesh.

METHODOLOGY

For the purpose of present investigation, Sehore block of Sehore district was selected purposively. All the 99 crop loan users who borrowed loan from 'A.D.C.' Branch of Bank of India' (Lead bank of the district) were selected for the purpose of this study. After collecting data on their repayment behaviour from official records of the bank, they were classified into three categories, viz. "Regular" (who repaid their loan in time), Irregular (who repaid their loan after scheduled time) and "Defaulters" (who failed to repay their loan). After collection of data on relevant characters of crop loan users through survey method using pre- tested question schedule from the respondents, the data were analysed.

RESULTS AND DISCUSSION

The analysis of the data yielded the following fruitful results :

I. Repayment Behaviour

Repayment behaviour of crop loan users was determined on the basis of their nature of repayment of crop loan and data on the same are boxed in Table 1.

The data depict that, out of total 92 borrowers, 44.57 per cent were defaulters. Only 31.52 per cent repayed their loan in time and 23.91 per cent paid their loans after scheduled time. This revealed that maximum number of borrowers of crop loan not repaid their loans.

II. Socio-personal factors and repayment behaviour of borrowers :

The socio-personal characteristics which includes age, education and social

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Table 1.   Repayment behaviour of Crop loan users.

Sr.No.	Repayment Behaviour	Beneficiaries	
		Number	Per cent
1	Regular	29	31.52
2	Irregular	22	23.91
3	Defaulters	41	44.57
	Total	92	100.00

participation of borrowers.The data on association of these characteristics with repayment behaviour of borrowers are presented in Table 2.

From the data and value of Chi-square test presented in Table 2, clearly indicate that only social participation was significantly influencing the repayment behaviour of crop loan borrowers.

The distribution of respondents clearly indicate that, the majorityof defaulters had participation with social organisation, while majority of regular or irregular borrowers had no participation with any organisation. It indicated that borrowers with strong socio-political background do not repay their loans. Regarding age and education, these factors were not influencing the repayment behaviour of the crop loan users, since the Chi-square value of association was not significant.

Table 2   Association between Socio-personal factors and Repayment Behaviour.

	Repayment Behaviour				Chi-square value (X^2)
	Regu-lar N=29	Irre-gular N=22	Defaul-ters N=41	Total N=92	
Age :					
Less than 35 years	07	06	17	30	
35 to 55 years	15	11	18	44	2.97 NS
More than 55 years	07	05	06	18	
Education :					
Low	06	06	19	31	
Medium	13	08	14	35	6.28 NS
High	10	08	08	26	
Social participation :					
No participation	19	06	07	32	
Participation with social organisation	10	16	34	60	18.66**

** Significant at 0.01 level of probability.   NS = Not Significant.

III. Agro-economic factors and repayment behaviour

Agro-economic factors like: size of holding, economic status etc. are the main determinants of estimation of repayment capacity and risk bearing ability of the borrowers. Therefore, these factors were put forward for examining their association with repayment behaviour and data on the same are presented in Table 3.

It is evident from the data that, only economic status of the borrowers was strongly associated with repayment behaviour, revealing that borrowers with better economic position were repaying their loans in time. It may be due to that these farmers are able to repay the loan even

Table 3. Association between Agro-economic factors and repayment behaviour.

| Agro-economic factors | Repayment Behaviour | | | | Chi-square value (X^2) |
	Regular N=29	Irregular N=22	Defaulters N=41	Total N=92	
Farm size					
Small	08	06	11	25	
Medium	15	14	25	54	0.90 NS
Large	06	02	05	13	
Irrigation Potentiality					
Low	06	05	12	23	
Medium	15	13	16	44	2.10 NS
High	08	04	13	25	
Economic status					
Low	04	04	29	37	
Medium	19	14	07	40	25.19**
High	06	04	05	15	
Annual Income					
Low	18	19	31	68	
Medium	04	02	06	12	2.92 NS
High	07	01	04	12	
Cropping intensity					
Low	09	04	12	25	
Medium	14	15	17	46	2.66 NS
High	06	03	12	21	
Farm mechanization					
Low	05	04	10	19	
Medium	20	16	25	61	0.94 NS
High	04	02	06	12	
Marketed surplus					
Low	06	06	07	19	
Medium	18	15	19	52	7.47 NS
High	05	01	15	21	

** = Significant at 0.01 level of probability.   NS = Not significant.

with the failure of the crop. Other agro-economic factors like farm size, irrigation potentiality etc. were not associated with repayment behaviour, significantly.

IV. Psychological factors and repayment behaviour of borrowers

Psychological factors such as management orientation, occupational aspiration, credit orientation, economic motivation and attitude towards nationalized bank were considered in this study.

The data presented in the Table 4 show that, management orientation, economic motivation, credit orientation and attitude towards nationalized banks were associated with repayment behaviour of the borrowers. This revealed that borrowers orientation towards scientific farm management including farm planning and budgets which ultimately influences his economic motivation for taking advance of borrowed loan in terms of his attitude towards nationalized banks influenced the repayment of borrowed loan directly.

Table 4.   Association between Psychological factors and repayment behaviour.

Psychological factors	Repayment Behaviour				Chi-square
	Regular N=29	Irregular N=22	Defaulters N=41	Total N=92	value (X^2)
Management Orientation					
Low	01	02	10	13	
Medium	17	16	28	61	9.55*
High	11	04	03	18	
Occupational aspiration					
Low	05	05	08	18	
Medium	09	05	17	31	2.74
High	15	12	16	43	
Economic motivation					
Low	01	01	05	07	
Medium	12	19	33	64	22.44**
High	16	02	03	21	
Credit Orientation					
Low	01	00	12	13	
Medium	11	09	13	33	9.95*
High	07	13	10	46	
Attitude towards Nationalized bank					
Low	03.	00	06	09	
Medium	17	20	34	71	10.73*
High	09	02	04	12	

* Significant at 0.05 level of probability.   ** Significant at 0.01 level of probability.

IMPLICATION

The overall results of thestudy leads to draw the following policy implications :

(i) Financing agencies generally conduct a re-sanction inspection in order to judge the economic viability and technical feasibility of the loanable proposal. In this direction, the results of the present study suggested that, while estimating economic viability and technical feasibility of the loanable project, the characteristics of borrowers specially his level of social participation, management orientation, economic motivation, credit worthiness and attitude towards their banks may also be taken into consideration before sanctioning of the loan. This may lead to proper recovery of loans.

(ii) Creation of general awareness amongst the farmers about the various scheme of assistence of the commercial banks and their advantages will help to bring a desirable change in attitude of the borrowers towards nationalized banks and enrich the economic motivation, credit and management orientation for proper recovery of loans.

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