



An Analysis of Agricultural Loan Repayment Performance of Regional Rural Bank: A case study of District Sirsa, India

Kiran Bala

Economic's Department, C.M.K National P.G Girls College Sirsa, Haryana, INDIA

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Abstract

The establishment of Regional Rural Banks have started a new era in the country's banking system with the objective of developing rural economy by providing credit facilities. Regional Rural Bank Ordinance as promulgated by the President of India on 26 September, 1975. The smooth function of any source of finance in general and institutional agencies in particular depends on recovery of loan and credit deposit ratio. Thus, the present study analyzes the recovery performance of agricultural loan and problem faced by the respondents in repayment. The study has been conducted in Sirsa district of Haryana and the study is based on primary data collected through well structured interview schedule. The results of the study have been compiled by using average and percentage method. The present study revealed that 40 per cent of the borrowers have repaid 25 to 50 per cent of loan. Only 5 per cent, borrowers have been repaid above 70 per cent of agriculture loan. 17.5 per cent of borrowers were found to be defaulters. 60 per cent of the respondents attributed that high level of crop failure would translate to lower income to them. It was their major difficulty in meeting loan obligation and hence the higher incidence of loan defaults.

Keywords: Regional Rural Bank, repayment and performance.

Introduction

Three factors in every economy i.e. agriculture, industry and commerce are highly related to each other. If there is expansion in one sector other two will also expand or develop. It means these factors are positively interrelated to each other¹. No doubt, for the overall economic development Banks cannot be overlooked. Banking sector in India has attained an orientation from recent period of time to time and occupies a prominent position as infrastructural factors for development of economy². Agriculture in India is the cultivation of land involves production of crops, livestock and forestry, fishery, processing and marketing of those agricultural productions and also provides food for man, animals and industries³. The crop productivity is directly related with use of manures and fertilizers. But small and marginal farmers are unable to purchase and use chemical fertilizers⁴. With the technological breakthrough in Indian agriculture, farmers need to borrow more credit for capital requirements to purchase different farm inputs⁵. Our Indian farmers are not able to meet the expenditure, due to low size of the holdings, low productivity of per acre, low income and high level of consumption. So that agricultural finance has to increase for farmers and for rural development⁶. To meet the financial objectives of small and marginal farmers there are a large numbers of banks in the country both in public and private sector, catering to the credit and financial needs of a large numbers of people⁷. These financial services sector is undergoing many changes to increase their advances in different sector⁸. In the multi-agency approach, Regional Rural Banks have occupied a special place by providing credit to agricultural

sector. Regional Rural Bank Ordinance as promulgated by the President of India on 26 September, 1975 after the acceptance of the recommendations of the working group headed by Shri M. Narsimham and constituted by the Ministry of Finance, Government of India on July 01, 1975. The establishment of Regional Rural Banks have started as a new era in the country's banking system with the objective to develop rural economy by providing credit facilities for agricultural trade, commerce, industry and other productive activities in the rural areas, particularly to small and marginal farmers, agricultural laborers, artisans and small entrepreneurs. The smooth function of any source of finance in general and institutional agencies in particular depends on recovery of loan and credit deposit ratio⁹. Now a day's one of the most important challenges facing the banking system is growing of deferred loans¹⁰.

Thus, it is important to analyze the repayment performance of the borrower at which success of the bank and other institutional depends.

Objectives of the study: i. Our aim is to analyze the recovery performance of agricultural loan of Regional Rural Bank in Sirsa District of Haryana. ii. To found out what are the problems faced by the respondents in repayment of loan.

Methodology

Sampling Design: Sirsa district of Haryana was selected randomly. Out of seven blocks, two blocks Sirsa and Nathusari chopta were selected by lottery method. Two villages from

each block and out of four villages, ten borrowers from each village were also selected randomly. All selected farmers were KCC (Kissan Credit Cards) holders. A total of 40 respondents have been selected for the successful conduct of the study.

Sources of the Data: The random sampling technique has been used to get primary data and interview schedule method has been used to analyze the study objective.

Statistical Techniques: average and percentage method have been used to analyze the agriculture loan repayment performance of the selected farmers and problem in repayment.

Results and Discussion

A good recovery of loan makes credit flow easier and encourages economic activities. It is also an important factor on which the success of any institutions both public and private depends. Recovery of loans depends upon the volume of loan, annual income, total farm size, etc. which has been discussed below.

Volume of Loan and the Repayment Behavior: Table-1 revealed that about 40.0 per cent of the total borrowers repaid 25 to 50 per cent of the loan taken by them. The highest proportion of loan repayment was in the loan slabs up to Rs 320000-100000 and Rs100000-500000 (45.45 per cent and 47.61 per cent respectively). During field survey it was found that some of farmers have recently borrowed amount from bank and have not repaid any amount. Their percentage was 17.5 that can be shown in table. While 22.5 percent of borrowers made less than 25 per cent repayment for all types of loan. Only 5 per cent of sample borrowers repaid more than 75 per cent loan taken by them.

Table-2 exhibits the distribution of the sample farmers belonging to various size groups by different repayment levels. Among the small farmers about 33.33 per cent farmers have repaid 25 to50 per cent of loans. The majority of the farmers belonging to General size group were good re-payers which show their obligation to repay the loan. It can conclude from the above table that about 17.5 per cent of borrowers were declared defaulters. Out of that big farmers made more over dues. This indicates that farmers were not much more conscious of the fact that they had to repay their loan timely

Annual Income and Repayment Behavior: Table-3 revealed that the majority of farmers (15) have annual income between Rs 400000-600000. Out of those 8 farmers has repaid loan 25 to 50 per cent in expectation of getting another loan and to keep social status. The number of defaulters was also observed in this category i.e. 2 farmers. About 17.5 per cent were found defaulter due to improper use of credit in non income generating activities which increase their over dues.

Problems faced by the borrowers to repay loan on time depicted in figure-1 and figure-2 and their corresponding is given in table-4. During the period under reference it was found that 60 per cent of the respondents attributed that high level of crop failure would translate to lower income to them. It was their major difficulty in meeting their loan obligation. While 22.5 per cent of them claimed that family commitment was their problem which increased their total expenses to fulfill family needs and would reduce the income level available to them and cause for loan defaults. About 17.5 per cent of total borrowers didn't find any problem in repayment of a loan

Table-1
Distribution of the Sample Farmers According to Loan is taken and Proportion of Repayment during 2010-11

Loan taken in Rs.	Repayment in Percentage					Total
	Nil	Less than 25	25-50	50-70	Above70	
Up to 32000-100000	02 (18.18)	05 (36.36)	05 (45.45)	-	-	12 (99.99)
100000-500000	01 (4.76)	01 (4.76)	10 (47.61)	07 (33.33)	02 (9.52)	21 (99.98)
500000-1000000	03 (42.85)	03 (42.85)	01 (14.28)	-	-	07 (99.98)
1000000-1500000	01 (100)	-	-	-	-	01 (100)
Total	07 (17.5)	09 (22.5)	16 (40.0)	07 (17.5)	02 (5)	40 (100)

Source: Primary Data, Note: Figures in parentheses represent the percentage.

Table-2
Size Wise Distribution of the Farmers and their Repayment during 2010-11

Farm Size group (acre)	Repayment in Percentage					Total
	Nil	Less than 25	25-50	50-70	Above70	
Marginally Less than 2.5	01 (33.33)	02 (66.66)	-	-	-	03 (99.99)
Small 2.5-5	01 (16.67)	03 (50.0)	02 (33.33)	-	-	06 (100)
General 5-10	-	-	09 (75.0)	03 (25.0)	-	12 (100)
Big more than 10	05 (26.31)	03 (15.78)	05 (26.31)	04 (21.05)	02 (10.52)	19 (99.97)
Total	07 (17.5)	08 (20.0)	16 (40.0)	07 (17.5)	02 (5.0)	40 (100)

Source: Primary Data, Note: Figures in parentheses represent the percentage

Table-3
Distribution of the Sample Farmers According to Annual Income and Repayment during 2010-11

Annual income (in Rs.)	Repayment in Percentage					
	Nil	Less than 25	25-50	50-70	Above70	Total
Up to 200000	01 (14.28)	02 (28.57)	03 (42.85)	01 (14.28)	-	07 (99.98)
200000-400000	01 (16.66)	02 (33.33)	02 (33.33)	01 (16.66)	-	06 (99.98)
400000-600000	02 (13.33)	03 (20.0)	08 (53.33)	02 (13.33)	-	15 (99.99)
600000-800000	-	-	01 (33.33)	01 (33.33)	01 (33.33)	03 (99.99)
Above 800000	03 (33.33)	01 (11.11)	02 (22.22)	02 (22.22)	01 (11.11)	09 (99.99)
Total	07 (17.5)	08 (20.0)	16 (40.0)	07 (17.5)	02 (5.0)	40 (100)

Source: Primary Data, Note: Figures in parentheses represent the percentage

Table-4
Problem Face by the Farmers to Repay Loan on Time 2010-11

Family	No. of farmers	%
Reasons		
The largest expenditure on social and other Religious activities	02	5
High consumption expenses	05	12.5
Medical expenses	01	2.5
Other reasons	01	2.5
Total	09	22.5
Agriculture		
Low income	04	10
Irrigation facility	07	17.5
Weather condition	04	10.0
Failure of crop	08	20.0
Other reason	01	2.5
Total	24	60.0
No problem in repayment	07	17.5
Total	40	100

Source: Primary Data

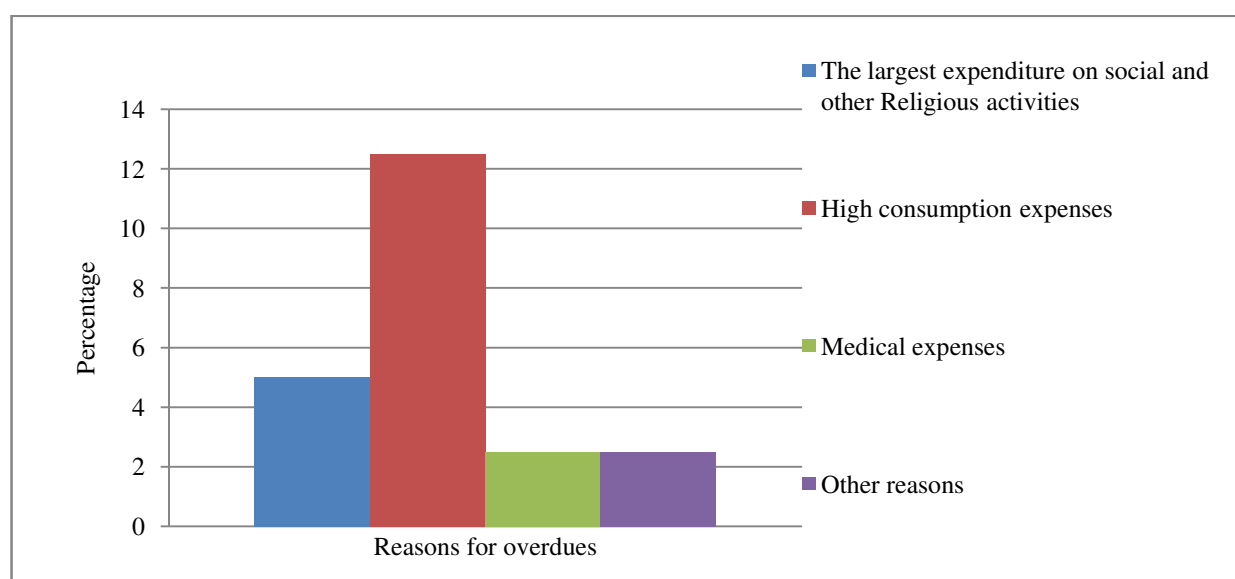


Figure-1
Family Reasons for over dues

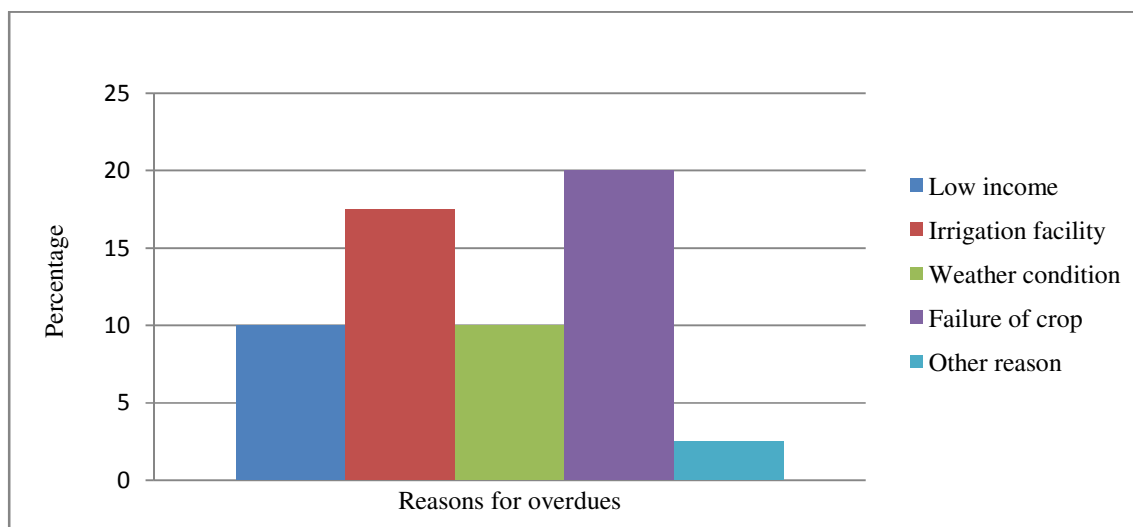


Figure-2
Agricultural reasons for over dues

Conclusion

A good recovery of loan makes credit flow easier, in order to encourage economic activities and pushes up the rate of the economic growth. The study revealed that 40 per cent of the borrowers have repaid 25 to 50 per cent of the loan. Further 20, 17.5 and 5 per cent of borrowers have repaid less than 2.5 per cent, 50 to 75 per cent and more than 75 per cent of the borrowed amount respectively. Rests (17.5 per cent) of borrowers were found to be defaulters. 60 per cent of the respondents attributed agriculture was their major difficulty to meet in their loan obligation. High level of crop failure among the respondents would translate to lower level of income and hence the high incidence of loan defaults.

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