



REPAYMENT PERFORMANCE AND CREDIT OPINION OF BORROWERS IN BALLARI AND KALABURAGI DISTRICT

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Abstract

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 other. 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 economy. 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 industries. The crop productivity is directly related with use of manures and fertilizers. But small and marginal farmers are unable to purchase and use chemical fertilizers. With the technological breakthrough in Indian agriculture, farmers need to borrow more credit for capital requirements to purchase different farm inputs. 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 development. Indian economy has been passing through a rapid transition phase with structural transformation and rapid growth of the service sector. But this growth is sustainable only if it is followed by stability of income and production in agriculture to generate adequate market potential. India still has a dominant agriculture sector in the economy in terms of revenue generation as well as employment.

Keywords: Agriculture, Industry, Rural Development, Livestock.

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 other. 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 economy. 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 industries. The crop productivity is directly related with use of manures and fertilizers. But small and marginal farmers are unable to purchase and use chemical fertilizers. With the technological breakthrough in Indian agriculture, farmers need to borrow more credit for capital requirements to purchase different farm inputs. 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 development.

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 people. These financial services sector is undergoing many changes to increase their advances in different sector. 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 ratio. Now a day's one of the most important challenges facing the banking system is growing of deferred loans. Thus, it is important to analyze the repayment performance of the borrower at which success of the bank and other institutional depends. The recovery performance shows at Kalaburagi and Ballari district in this analysis.

REVIEW OF LITERATURE

Gagan Bhihari Sahu, Rajsekhar D (2002) in their study entitled on Paper observed that trends in the flow of institutional credit to agricultural and contributing factors during the study period with the objective banking system changing, the flow of credit to agriculture has declined, their discussion suggested that ceiling in lending rate has tow kind of impact on institutional credit market first type of impact can be observed in access to credit different category borrowers and second can be observed in the flow of credit and it resulted that many villages seem to appear in the banking map with less bossiness potential , if there will be declining trends of rural and semi-urban bank branches it may adversely affect on credit widening and access to banking facility. Besides it may increase their borrowing costs and they may be reluctant to approach the financial institutions for credit.

Brent A. Gloy et al (2004) in their study titled on has assessed that several factors influence the costs and returns of extending agricultural credit with the characteristics of agricultural borrowers and their demand for various financial products and services are described also estimated of the costs and returns of agricultural lending and the extent to which these costs and returns are influenced by factors which lender/borrower relationship factors as well as indicated that economies of size exist in agricultural credit delivery and that lenders pass most of these benefits on to borrowers through lower interest rates and then length of the lender/borrower relationship also influences the costs and returns of lending Unlike loan volume, it does not appear that lenders pass the benefits of reduced servicing and monitoring costs to borrowers through lower rates.

Okerenta, S.I. and Orebiyi, J. S (2005) in their studied topic on the study analysed that evaluation of the critical factors that are considered by financial institutions in disbursement of credit to farmers in the Niger the study determinants of credit supply for agricultural purposes were found to be profitability of the investment, level of assets of the farmer-borrower interest rate, availability of credit, loan transaction costs, and level of risk bearing and availability of credit was considered an extremely important factor in the supply of agricultural credit to farmers with transaction costs was observed to be the least important factor considered by financial institutions in order to supply credit to farmers.

Nasiru et al (2005) in their study designated on have analysed that the impact of ACGSF in stimulating growth and minimizing of risk in Agricultural lending resulted that farmers farm size increased considerably after taking the loan and the farm income also increased also showed that the educational level of the farmers does not affect loan amount directly even though there is strong positive correlation between the level of farmers' education and their ability to meaningfully utilize the credit facility. The major constraints identified with the scheme include cumbersome procedures in processing the loan insufficient loan amount and late approval of the loan that the scheme should do more to ease the constraints farmers faced, so as to achieve the objective of the scheme.

OBJECTIVES OF THE STUDY

- To study the Repayment of Loan, Nature of Repayment and Nature of Repayment.
- To study the Repayment schedule of the Loan Study area.

Methodology

Choice of the sample is based on Multi stage stratified random sampling method. At first stage Two districts –One developed and one most backward district in agricultural development. CMDR Dharwad has prepared the District level index for different components based on Nanjundappa Committee report data and the indicators for different sectors brought out by CMDR Dharwad -2010. Ballari in the region is at the top with index of 1.12 at 15th Place in the State and Kalaburagi (Including Yadgir) is at the bottom with Agricultural Development Index of 0.67 and is placed at 29th among the then 29 districts. At Second stage the criteria for performance of the Bank as measured by the size of Non Performing Assets was used. On the basis of the information given by PKGB the district with lowest NPA is Ballari and the district with highest NPA is Kalaburagi. Thus these two districts were included in the sample.

Table-1
Repayment of Loan

SN	Repayment	Kalaburagi			Bellary			Overall sample
		Salagera VK	Gobbur B	Total	Sidaragadda	Muddatanur	Total	
1	Yes	54 (11.7)	13 (2.8)	67 (19.20)	59 (12.80)	38 (8.20)	97 (85.84)	164 (35.5)
2	No	159 (34.4)	123 (26.6)	282 (80.80)	11 (2.40)	5 (1.10)	16 (14.16)	298 (64.5)
Total		213 (46.1)	136 (29.4)	349 100.00	70 100.00	43 (9.3)	113 100.00	462 100.00

Note: Figures in the parentheses indicate percentages

Source: field survey

The table 7.1 discussed that loan repayment situations in the study area. Accordingly 64.5 percent of the respondents were not repaying paying loans and only 35.5 percent of borrowers repaying the loans. As compare to Kalaburagi the repayment situation was high in Ballari district i.e., 85.84 percent but 80.80 percent of the farmer were not repaid the loan amount in Kalaburagi district than Ballari 14.16 percent.

Table-2
Nature of Repayment

SN	Nature of repayment	Kalaburagi			Bellary			Overall sample
		Salagera VK	Gobbur B	Total	Sidaragadda	Muddatanur	Total	
1	NA	159 (34.4)	123 (26.6)	282 (80.80)	11 (2.4)	5 (1.1)	16 (14.16)	298 (64.5)
2	Regular	48 (10.4)	11 (2.4)	59 (16.91)	48 (10.4)	33 (7.1)	81 (71.68)	140 (30.3)
3	Irregular	6 (1.3)	2 (0.4)	8 (2.29)	11 (2.4)	5 (1.1)	16 (14.16)	24 (5.2)
Total		(213 (46.1)	136 (29.4)	349 100.00	70 100.00	43 (9.3)	113 100.00	462 100.0

Note: Figures in the parentheses indicate percentages

Source: field survey

According to above table 7.2 explained Nature of Repayment, 30.3 percent of the loan borrowers regularly were paying the loans and rest of them repaying the loan often i.e., 5.2 percent. However, 71.68 percent of the farmer are paying loan regularly, but 2.29 percent of the respondents were paying loan irregularly in Kalaburagi district. It found that majority of the Ballari district loan holder are paying loan in a regular manner but not in Kalaburagi district.

Table-3
Reason for Non-Payment

SN	Name of branch	Kalaburagi			Bellary			Overall sample
		Salagera VK	Gobbur B	Total	Sidaragadda	Muddatanur	Total	
1	NA	56 (12.1)	13 (2.8)	69 (19.77)	57 (12.3)	38 (8.2)	95 (84.07)	164 (35.5)
2	Inadequate income	50 (10.8)	50 (10.8)	100 (28.65)	8 (1.7)	5 (1.1)	13 (11.50)	113 (24.5)
3	Diversion of loan	19 (4.1)	21 (4.5)	40 (11.46)	0 (0.0)	0 (0.0)	0 (0.00)	40 (8.7)
4	Non follow up by bank officials	0 (0.0)	12 (2.6)	12 (3.44)	0 (0.0)	0 (0.0)	0 (0.00)	12 (2.6)
5	unable repayment schedule	0 (0.0)	1 (0.2)	1 (0.29)	0 (0.0)	0 (0.0)	0 (0.00)	1 (0.2)
6	Hoping for loan waive off	88 (19.0)	39 (8.4)	127 (36.39)	5 (1.1)	0 (0.0)	5 (4.42)	132 (28.6)
Total		213 (46.1)	136 (29.4)	349 100.00	70 100.00	43 (9.3)	113 100.00	462 100.00

Note: Figures in the parentheses indicate percentages

Source: field survey

According to the above table 7.3 stated the reasons to not repaying the loans. About 35.5 percent of the borrowers not paying the loan for the reason of non-payment, 28.6 percent of the borrowers not paying due to hoping for loan wave off situations, 24.5 percent not paying due to inadequate income, 8.7 percent diversion reason, 2.6 percent not paying loan due to non follow up by bank officials, 0.2 percent not paying the loan for unable repayment scheduled.

However, in comparative analysis explains 100 (28.65%) sample farmer weren't paying due to inadequate income, 127 (36.39%) sample farmer were Hoping for loan waive off in forthcoming days in Kalaburagi district but in Ballari non repayment percent was very low for example 13 sample farmer not paying loan because of inadequate income.

Table-4
Repayment schedule of the Loan

SN	Repayment schedule of the loan	Kalaburagi			Ballari			Overall sample
		Salagera VK	Gobbur B	Total	Sidaragadda	Muddatanur	Total	
1	Not Paid	39 (8.4)	74 (16.0)	113 (32.38)	9 (1.9)	10 (2.2)	19 (16.81)	132 (28.6)
2	Yearly	174 (37.7)	62 (13.4)	236 (67.62)	61 (13.2)	33 (7.1)	94 (83.19)	330 (71.4)
Total		213 (46.1)	136 (29.4)	349 100.00	349 100.00	43 9.3	113 100.00	462 100.0

Note: Figures in the parentheses indicate percentages

Source: field survey

In an above table 7.4 points out Repayment schedule of the Loan, about 71.4 percent of the borrower repayment scheduled was annual time period and only 28.6 percent of them not paid the loans. In comparative analysis evidence display that 32.38 percent of the respondents in Kalaburagi district not paid the loan than Ballari district i.e., 16.81 percent and 83.19 percent of the respondents were paid the loan amount annually in Ballari district than Kalaburagi district i.e., 67.62 percent. Thus, it concluded that loan repayment situation was highest appeared in Ballari district because of there is irrigation facilities in the district.

Opinion of credit situation:

One of the most fascinating skin textures of India's agrarian system in now a day is the perseverance of agrarian crisis in many areas, even while agricultural credit flow has increased penetratingly. Increasing flow of credit to agriculture is by and large connected with enthusiasm in the agriculture sector. A closer look at the data on agricultural credit reveals that what is termed agricultural credit may have very little to do with agriculture, the way we know it. As loan takers stated the different statements to getting loans in the study area and these areas opine to find out the good results.

Conclusion:

The analysis on the repayment performance of the loans reveals that in Kalaburagi and Ballari district. Average loan defaulter's percent was high in Kalaburagi district. While analyzing the factors responsible for over dues we have found that highest percentage ascribe their default due to crop failure, less irrigation facilities, scanty rainfall, crop dieses. An inadequacy of loans is immediate concern to the borrowers and constitutes the next important factor for over dues followed by diversion of credit for other purpose. The high incidence of over dues in the agriculture credit system has became a major constraint to the expansion and smooth delivery of credit.

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