

Chapter - V

Utilization of Loan, Repaying Capacity and Repayment Performance of Borrowers

5.1 Introduction

Credit is considered as one of the main inputs in any economic activity and such credit, if used properly, can create wealth for the upliftment of the weaker sections of the society. It is believed that utilisation of credit for a scheduled productive purpose has a direct bearing on the repayment behaviour of the borrowers. Productive utilization of borrowed money and timely repayment of due instalments largely determine the success of a lending institution. Repayment of loan in time is a main factor as it helps the bank to run its business. It also benefits the farmers by reducing their debt burden and helps them get a fresh loan in future¹, while unproductive utilisation and irregular repayment or non-repayment of loan has certain depressing effects on the credit institutions as these dilute the entire loaning business. For example, if credit advanced for crop production is used for consumption or unproductive purposes, the resultant impact on agricultural productivity will be different from what was expected from proper use of it. Such diversion may adversely affect the repayment performance of the borrowers which in turn leads to overdues.

In this present chapter an attempt has been made to examine the extent of utilization of agricultural loan, repaying capacity and repayment performance of the borrowers. The reasons for default of loans in the study area are also analyzed. The chapter is divided into three sections. First section deals with utilization pattern of loans. Second section presents repaying capacity and repayment performance of the borrowers and the last section examines the reasons for default of the borrowers.

5.2 Utilisation Pattern of Loans

It is generally believed that credit should be used for the required purpose for which it has been sanctioned. Productive utilization borrowed money coupled with timely repayment of loans largely determines the success of a lending institution². The usefulness of credit is determined by the extent of benefit of the farmers and the proper utilization of credit enables to raise agricultural productivity. But the difficulty arises when the credit given for the particular purposes are misutilised. It becomes the burden on the borrowers and creates the problem of overdues.

In view of the importance of the proper utilisation of loan for a scheduled productive purpose, a direct interview of the borrowers was conducted to get information regarding utilisation of loans by sample borrowers. But in collecting data we faced the greatest difficulty in eliciting replies to the questions in the schedules from the reluctant and illiterate farmers. Even after much effort we got success in knowing the responses of the sample borrowers regarding uses of credit. The utilization of agricultural credit for the allotted purpose is presented in table 5.1. The table indicates that 143 borrowers out of 160 (89.38 percent) utilized the loan for the required purposes and 10.62 percent of them did not utilise the loan for the scheduled productive purposes. During field survey some borrowers have reported that they have used the loan to meet their social needs and immediate medical requirements partly due to poverty and partly due to ignorance.

Table 5.1: Utilisation of Agricultural Credit for the Required Purposes

No. of responding borrowers	No. of borrowers who utilised the loan for the required purpose	No. of borrowers who did not utilise the loan for the required purpose
160	143	17
Percentage	89.38	10.62

Source : Interview Responses.

5.2.1: Extent of Diversion of credit

Utilisation of credit is normally examined in the context of the purpose for which the loan has been advanced and the purpose for which it has been actually used. The difference between the two represents the extent of diversion of credit. Diversion of credit from productive activities to unproductive activities creates a challenge for all people as it reduces the benefit of the borrowers. The problem of diversion of credit in the district was affecting the repaying capacity of the borrowers adversely and leading to defaults.

During field survey the borrowers were asked to state the purposes for which they availed the loan. It was found that the borrowers availed crop loans and business loans. In this present study the utilisation level is classified into three heads, viz.,

- utilised in full,
- utilised in part,
- and not utilised at all.

The utilization pattern of crop loans by the sample borrowers is presented in table 5.2. The table 5.2 reveals that 66.94 percent of the borrowers (81 out of 121 responding borrowers) have fully utilized the crop loan for the intended purposes, whereas 23.14 percent have partially utilized it for the required purpose and 7.44 percent of the borrowers did not properly utilize the loan availed. Thus overall 33.06 percent of the borrowers have misused the loan availed. It means that they have spent a part of the loan for the required purpose and another part of the loan for the unproductive purpose. This highlights the acute problem of the diversion of crop loan in the district of Jalpaiguri.

Table 5.2 : Extent of Utilisation of crop Loan in the District

No. of Borrowers					
Farm size	Total	Utilized in Full	Utilized in part	Not utilized at all	Total misutilised
SF	59	44(74.58)	13(22.05)	2(3.39)	15(25.42)
MF	42	26(61.90)	10(23.81)	6(14.29)	16(38.10)
MF*	20	11(55)	5(25)	4(20)	9(45)
AL	-	-	-	-	-

MF* indicates medium farmers

Source: Field Survey , 2006-07

The study further shows that 74.58 percent of the borrowers under small farmers category have fully utilised the loan for the required purpose whereas 25.42 percent have misused the loan advanced for crop activities. 61.90 percent of the borrowers under marginal farmers category have fully utilised the crop loan and about 38 percent have misutilised the credit advanced for crop production. While 55 percent of the borrowers under medium farmers category have fully utilised the credit for the intended purposes and 45 percent of them have not properly utilised the loan available. The extent of misutilisation of crop loan by the borrowers is depicted in diagram 5.1.

Figure 5.1: Misutilization of Crop Loan by Borrowers

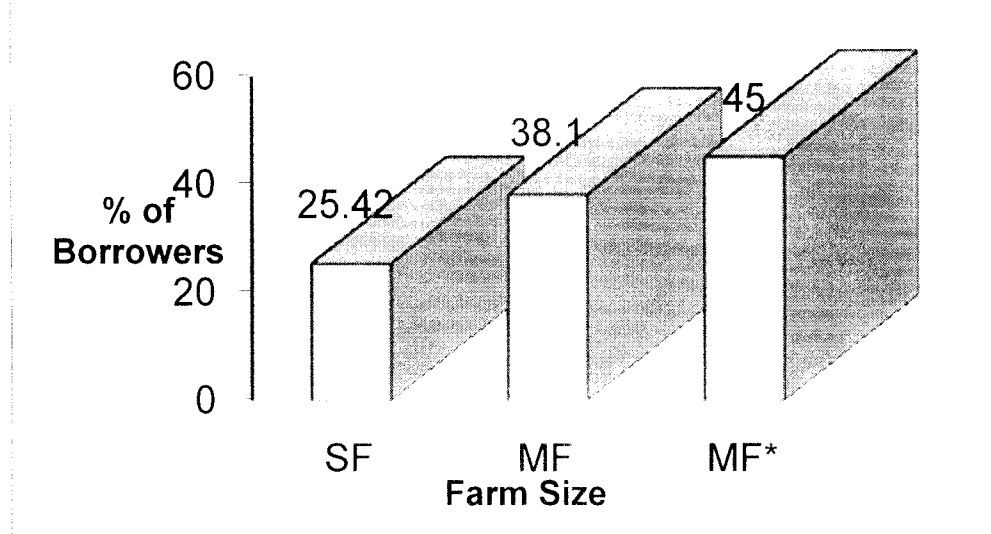


Table 5.3: Classification of Diverted Crop Loan in the District

Borrowers who have partially spent the loan for the required purpose		
Percentage	No	Percentage
1-25	4	14.29
25-50	10	35.71
50-75	5	17.86
75-100	9	32.14
Total	28	100

Source: Opinion Survey

On the basis of the analysis of table 5.3, it is clear that 14.29 percent of the borrowers have utilised 1 to 25 percent of the loan for the required purpose. Similarly 35.71 percent of the borrowers have utilised 25 to 50 percent of loan, 17.86 percent of the borrowers have utilised 50 to 75 percent of the loan and 32.14 percent of the borrowers

have spent the maximum i.e., 75 to 100 percent of loan for the required purpose. It is, therefore, clear that 50 percent of the borrowers have utilised less than 50 percent of the loan for the required purposes, spending remaining loan for unproductive purpose.

The utilization pattern of business loans availed by the borrowers is discussed with the help of table 5.4

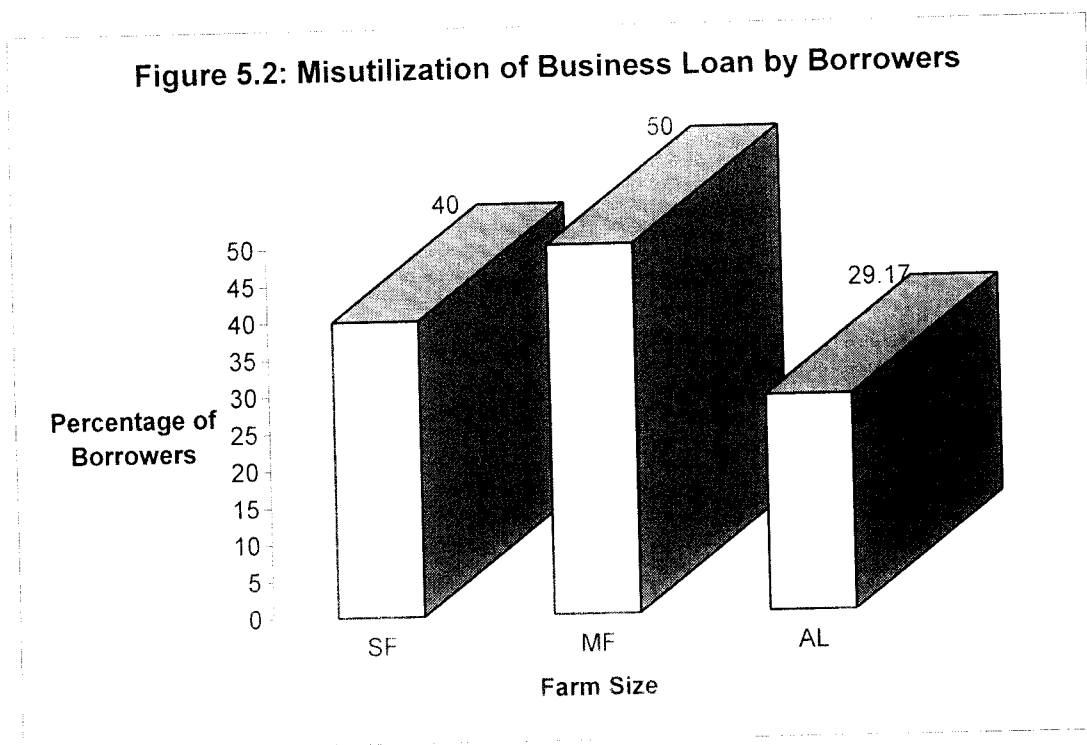
5.4: Extent of Utilisation of Business Loan*

Farm size	No .of Borrowers				
	Total	Fully utilized	Partially utilized	Not utilized	Total misused
SF	5	3(60)	1(20)	1(20)	2(40)
MF	10(100)	5(50)	4(40)	1(10)	5(50)
MF*	-	-	-	-	-
AL	24(100)	17(70.83)	4(16.67)	3(12.5)	7(29.17)
Total	39(100)	25(64.10)	9(23.07)	5(12.82)	14(35.90)

Source: Field Survey, 2006-07

* Also includes cattle loans

The Table 5.4 reveals that 64.10 percent of the borrowers (25 out of 39 responding borrowers) have fully utilised business loan whereas 23.07 percent have partially utilized the loan for the intended purposes and about 36 percent have not properly utilize the loan availed. It may be further noted that (table 5.4) 50 percent of the borrowers under marginal farmers category have misutilised the loan, while the corresponding percentages of borrowers under small farmers and agricultural laborer classes are 40 and 29.17 percent respectively . The extent of diverted business loan is shown in diagram 5.2.



On the basis of the analysis of table 5.5, it is clear that 44.44 percent of borrowers have utilised 1 to 25 percent of cattle loan for the allotted purpose, similarly 44.44 percent of borrowers have utilised 25 to 75 percent of loan and remaining 11.12 percent of borrowers have spent 75 to 100 percent of loan availed. It is thus clear from the table 5.5 that 66.66 percent of borrowers have utilised less than 50 percent of loan for the required purpose.

Table 5.5 : Classification of Diverted Business Loan in the District

Borrowers who have partially utilised the loan for the required purpose		
Percentage of Loan	No	Percentage
1-25	4	44.44
25-50	2	22.22
50-75	2	22.22
75-100	1	11.12
Total	9	100

Source : Field Survey, 2006-07

5.2.2 Causes of Diversion and Misuse of Agricultural Credit in the District

As we have stated earlier in this chapter that 17 borrowers out of 160 surveyed have not utilized the loan for the required purpose. It clearly indicates that they have diverted it from productive purposes to elsewhere while 37 borrowers have partially. Broadly, it can be concluded that 54 borrowers (17 who have not utilised the loan for intended purpose plus 37 who have partially utilised for the required purpose) out of 160 borrowers have not utilised the credit up to the mark for required purposes in Jalpaiguri district.

During field survey the borrowers were asked to state the reasons which compelled them to misuse of agricultural credit disbursed by UBKGB. The following identified reasons are responsible for the misuse of credit in the district:

- a. Inadequate amount of loan,
- b. Illiteracy and ignorance.
- c. Untimely credit.
- d. Poverty
- e. Spent on illness
- f. Lack of proper Supervision

Due to limited sources of income of borrowers, they are forced to divert the credit availed for members. It is fair to mention that the credit given to the borrowers in certain cases is found to be inadequate and this inadequacy is a cause for misuse of credit. During the visits to the borrowers for collection of data, some borrowers have reported that due to their illiteracy and ignorance they can not pull-up their credit financed activity properly and efficiently. It results in misuse of the loan. Some have borrowers reported that they can not get credit when they are in need because there is there is considerable time lag between the date of application for loan and date of sanctioning the loan. In the mean time they are forced to borrow money from local

baniyas³. Due to acute poverty a large number of borrowers have misutilised the loan availed.

It is generally believed that institutional credit is designated as “supervised credit”⁴. The credit agencies have to play a more dynamic role by stressing the supervision and guidance aspects of credit more than credit deployment. But unfortunately these aspects have not yet received due recognition in the present institutional set up. Due to inadequate number of supervisory staff, they do not devote adequate time for supervision and guidance. On account of this, there is misutilisation of credit even when it is given for productive purposes.

On the basis of table 5.6 the reasons responsible for the diversion and misuse of agricultural credit in Jalpaiguri district, the following meaningful conclusions may be derived.

It can be seen from table 5.6 that 25.93 percent of the borrowers who have misutilised the credit have reported that inadequacy.

Table 5.6 : Reasons of Diversion and Misuse of Credit

Reasons responsible for diversion and misuse of the credit	No. of Misusing Borrowers	Percentage to total
a) Inadequate amount of loan	14	25.93
b) illiteracy and ignorance	6	11.11
c) untimely credit	9	16.67
d) poverty	8	14.82
e) Spent on illness	7	12.96
f) lack of proper supervision	10	18.52
Total	54	100

Source: Field Survey, 2006-07

Of credit is the reason compelling them to do so. Diversion of loan amounts for lack of proper supervision is the second important reason for misuse as admitted by 18.52 percent of the borrowers. 16.67

percent of borrowers (9 out of 54) have reported that they can not get loan in time. The basic reason of delay in getting the loan is the lengthy formalities. That is why they can not use credit properly. 14.82 percent of the borrowers have misused the loan due to their acute poverty. Actually it seems relevant as 81.25 percent of the borrowers (130 out of 160) belong to small, marginal and landless categories in the district and only 18.75 percent are comparatively better off farmers. 12.96 percent of the borrowers have reported that the general illness of their family members is responsible for the misuse of credit on their part. 11.11 percent of the borrowers have disclosed that due to their illiteracy and ignorance they can not pull up the credit financed activity properly and efficiently, which in turn have resulted in misuse of loan.

The foregoing analysis on utilisation of loans reveals that 33.75 percent of the borrowers (54 out of 160) have misutilised the loan either partially or fully. The study further shows that 33.06 percent of the borrowers have misused the crop loan and 35.90 percent borrowers have misused the business loan. Thus the incidence of misuse of loan by borrowers is comparatively high on business loan as compared to crop loan. In the district, diversion of credit for inadequacy of loan and lack of proper supervision are the two main reasons for misuse stated by the borrowers of crop and business activities. Since only a minority of borrowers misutilised the credit disbursed by UBKGB, the hypothesis that "majority of the borrowers misutilised the credit disbursed by UBKGB" is rejected here.

5.3 Repaying capacity and Repayment performance of the Sample Borrowers.

Repayment of loan is a function both of repaying capacity and willingness to pay⁵. We first analyze in this section the repaying capacity of the borrowers of the study area. When credit is supplied by any agency, a major consideration is the repaying capacity of the person getting loan. It may be assumed that repayment performance

will be good if the activities undertaken happen to generate sufficient income. The generation of income in fact shows the repaying capacity. Although the fact that repaying capacity and repayment performance may vary, they may be taken positively associated in general .

The repaying capacity depends upon the returns from the activity or business in which the debtor is engaged. As repaying capacity depends on returns from the activity it is measured in our study in terms of surplus income from the activity. For this purpose during field survey the borrowers were asked to state whether they achieved have surplus income or not from the activity undertaken. Based on the information so collected an effort has been made in this section to find out the position of income generated from loans disbursed by the UBKGB. Table 5.7 and 5.8 discuss the income position generated from the activities against which the loan was sanctioned.

Since the repaying capacity is positively related to the viability of the activity against which the loan is sanctioned, we have shown position of income generated from the activity undertaken. The position of income generation from the activities i.e., from business and crop loans is analysed in tables 5.6 and 5.7. 121 borrowers have obtained crop loan from the UBKGB. Out of 121 borrowers 43.80 percent of them have obtained surplus income and 32.23 percent of the borrowers are in deficit. 23.97 percent of them have responded that they have neither achieved any surplus nor accrued any deficit. From crop loan 35.59 percent of the borrowers under small farmers category have achieved surplus, 40.48 percent of marginal farmers and, 75 percent of medium farmers categories are in surplus. 47.46 percent of small farmers and 26.19 percent of marginal farmers have obtained deficit income from the utilisation of loans and 16.95 percent of small farmers, 33.33 percent of marginal farmers and 25 percent of medium farmers have obtained neither a surplus nor a deficit. In all, the loans granted for crop activities seem to be beneficial for those who have comparatively strong land-base (medium farmers). This requires a case

for more equal distribution of land asset among the farmers. Table 5.7 shows the position of income generated from business activity for which UBKGB has provided loans to sample borrowers.

Table 5.7 : Position of Income Generated from Crop Loan

Farm size	Surplus	Deficit	Nil	Total
SF	21(35.59)	28(47.46)	10(16.95)	59(100)
MF	17(40.48)	11(26.19)	14(33.33)	42(100)
MF*	15(75)	-	5(25)	20(100)
AL	-	-	-	-
Total	53(43.80)	39(32.23)	29(23.97)	121(100)

Source : Interview responses.

Table 5.8 : Position of Income Generated from Loans for Business

Farm size	Surplus	Deficit	Nil	Total
SF	4(80)	-	1(20)	5(100)
MF	3(30)	5(50)	2(20)	10(100)
MF*	-	-	-	-
AL	9(37.5)	9(37.5)	6(25)	24(100)
Total	16(41.02)	14(35.90)	9(23.08)	39(100)

Source : Interview responses

In all 39 borrowers were provided loans for business, 12.82 percent of small farmers, 25.64 percent of marginal farmers and 61.54 percent of landless labourer categories of the borrowers were provided loans for business purposes out of 100 percent of marginal farmers category of borrowers. 30 percent of them have responded that they have obtained a surplus income from utilization of loan and 50 percent of them have obtained deficit while 20 percent have responded that they have not achieved any surplus nor accrued any deficit. Out of 5 small farmers, 80 percent have responded that they have achieved a

surplus income and the remaining 20 percent have responded that they have neither achieved a surplus nor a deficit from the utilisation of loan. While in the case of landless labourers, 37.5 percent of the borrowers have obtained surplus or deficit while 25 percent have neither achieved a surplus nor a deficit. Overall a majority of the borrowers (41.02 percent) who have received loans on business have responded that they have obtained a surplus from the activity, while 35.90 percent are in deficit and remaining 23.08 percent are neither in surplus nor in deficit. Thus we see that small farmers have been benefited most from the loans on business. Agricultural labourers also seem to have benefited from loans on business. This may be on account of the fact that in the absence of land they have to depend on business for their livelihood. On the other hand, medium farmers have not benefited from business activity. They are more interested in strengthening of their farm-base by taking loans for agricultural purposes.

5.3.1 Repayment Performance of the Sample Borrowers

The success, the viability and sustainability to be precise, of financing different activities of the rural poor does not depend only on the provision of financial assistance. It equally depends on the borrowers' capacity to repay their loans regularly so as to enable the banks to further recycle of funds. The credit cycle has three major segments: The first is to mobilize resources, the second to lend them to credit worthy borrowers and third to recover whatever has been lent so that the recovered amount may be recycled⁶. Recycling of fund is, therefore, an important determinant of credit expansion. This recycling of funds is seriously threatened by the tendency of the borrowers not to repay the loans. This tendency also results in increasing overdue accumulation year after year. Locking up of funds in overdue restricts the capacity to recycle and push up the loaning business of the banks. Hence the loan repayment with interest by borrowers is necessary for the smooth functioning of institutional credit system.

Based on the data so collected an effort has been made to find out the repayment habits of the loaness. The repayment performance of the borrowers have been analyzed in tables 5.9 and 5.10

Table 5.9 shows the repayment performance of the sample borrowers who were given loans for crop production. Overall 30.58 percent of the borrowers have fully repaid the loan at the due date. 51.24 percent of the borrowers have partially repaid the loan. 18.18 percent of them have not paidback any single instalment. Table 5.9 further shows that 75 percent of the borrowers under medium farmers categories have not repaid a single installment. 33.90 percent of the borrowers under small farmer categories have repaid in full at the due date and 66.10 percent have repaid the loan amount in part. Under marginal farmer categories 28.57 percent of them have repaid in full while 54.76 percent of the borrowers have repaid the debt in part and 16.67 percent have not repaid a single instalment .Here fully repaid at due date is noticed in the case of small farmers (33.90 percent) and marginal farmers (28.57 percent) and medium farmers (25 percent) respectively. However, in terms of these types of loans also, 51.24 percent of borrowers are found to be making partially repayments.

Table 5.9: Repayment Performance of the Sample Borrowers for Crop Loans

Farm size	Repayment Level			Total
	Fully Repaid at due date	Partially Repaid till date of survey	Nothing Repaid till date of survey	
SF	20(33.90)	39(66.10)	-	59(100)
MF	12(28.57)	23(54.76)	7(16.67)	42(100)
MF*	5(25)	-	15(75)	20(100)
AL	-	-	-	-
Total	37(30.58)	62(51.24)	22(18.18)	121(100)

Source : Field Survey 2006-07

Table 5.9 shows the repayment performance of the borrowers who were given loans for business purposes. While 90 percent of marginal farmers who have obtained such loans from UBKGB, are found to be repaying the loan amount partially and remaining 10 percent do not pay back any installment whereas 60 percent of the small farmers have repaid loan amount in part and 45.83 percent of the agricultural labourer classes are partially repaying the loan amount. 40 percent of the small farmers have not repaid even a single instalment and 4 Agricultural labourers or 16.67 percent of agricultural labourers do not pay back any instalment. Out of 24 agricultural labourers 37.5 percent of them have repaid the loan in full. An interesting reading is that 37.5 percent of the agricultural labourers are found to be repaying business loans in full while no other farmers come under this category. 60 percent of small farmers and 90 percent of marginal farmers are found to be repaying the loans partially while 10 percent of marginal farmers, 16.67 percent of agricultural laborers and 40 percent of small are found to be making no repayment. On the whole 58.97 percent of the total borrowers who have taken business loan are found to be making partial repayments.

Table 5.10: Repayment performance of the sample Borrowers for Business Loans.

Farm size	Repayment Level			Total
	Fully Repaid at due date	Partially Repaid till date of survey	Nothing Repaid till date of Survey	
SF	-	3(60)	2(40)	5
MF	-	9(90)	1(10)	10
MF*	-	-	-	-
AL	9(37.5)	11(45.83)	4(16.67)	24(100)
Total	9(23.08)	23(58.97)	7(17.95)	39(100)

Source: Field Survey 2006-07

Table 5.11 shows the overall repayment performance of the sample borrowers. Overall 28.75 percent of the sample borrowers had repaid the loan in full at the due date, 53.12 percent of the borrowers had paid back the loan in part till the date of survey and 18.12 percent of the borrowers did not pay back any single installment of the debt. Of all the small farmers categories 31.25 percent of borrowers had repaid the loan in full and 65.62 percent had partially repaid the debt .In marginal farmers category 12 borrowers or 23.08 percent of the borrowers were making repayments fully, 32 borrowers or 61.54 percent of the borrowers were making partial repayments and 8 borrowers or 15.38 percent did not pay any single installment. Under medium farmers category 5 borrowers or 25 percent had repaid the loan amount fully and 158 borrowers or 75 percent were making no payments at all. Finally under landless labourer classes, 9 borrowers or 37.5 percent were making repayment fully, 11 borrowers or 45.83 percent had repaid the loans in part and 4 borrowers or 16.67 percent had not paid back the loan amount. Thus from the field study in the district it is found that only 28.75 percent of the borrowers had fully repaid the loans.

Table 5.11: Overall Repayment Performance of the Sample Borrowers

Farm Size	Level of Repayment			Total
	Fully Repaid at due date	Partially Repaid till date of Survey	Noting Repaid till date of Survey	
SF	20(31.25)	42(65.62)	2(3.12)	64(100)
MF	12(23.08)	32(61.54)	8(15.38)	52(100)
MF*	5(25)	-	15(75)	20(100)
AL	9(37.5)	11(45.83)	4(16.67)	24(100)
Total	46(28.75)	85(53.12)	29(18.12)	160(100)

Source: Field Survey 2006-07

5.3.2 Repayment Performance of Loan Amount by the Borrowers

During field survey the data on Principal and interest repaid were collected by Perusing the loan Pass book and with the help of discussions with the borrowers. In this way loans outstanding and loans repaid of each borrower was determined.

Now in order to find out the loan repaid as percentage of loan outstanding we have used the following formula:

$$\frac{\text{Average loan repaid}}{\text{Average loan outstanding}} \times 100$$

Loans outstanding and loan repaid of each borrower include Principal and interest. Table 5.12 indicates that average amount of principal and interest demanded by the UBKGB is estimated at Rs. 9416.12 whereas the mean amount of loan repaid by the borrowers comes to Rs. 3449.01. Therefore loan repaid as percentage of loans outstanding is estimated as 36.63 percent. The repayment performance of the borrowers in the district according to farm-size is presented also in table 5.12. Farm-size wise analysis of loan repayment (table 5.12) reveals that in percentage terms, the repayment Performance is better for the medium farmers (48.85 percent) followed by marginal farmers (35.40 percent), agricultural labourers (29.94 percent) and small farmers (26.59 percent) respectively.

Activity-wise data contained in table 5.13 reveal that the repayment performance by the borrowers for business activity is lower than that of crop activity. For crop activity the repayment performance is better than for the medium farmers (63.90 percent) and worse for the marginal farmers (53.86 percent) whereas the repayment performance for business activity is better for the agricultural labourers (57.60 percent) and worse for the marginal farmers (35.40 percent). The diagrammatic presentation of loan repaid position of the borrowers is given in Figure 5.3.

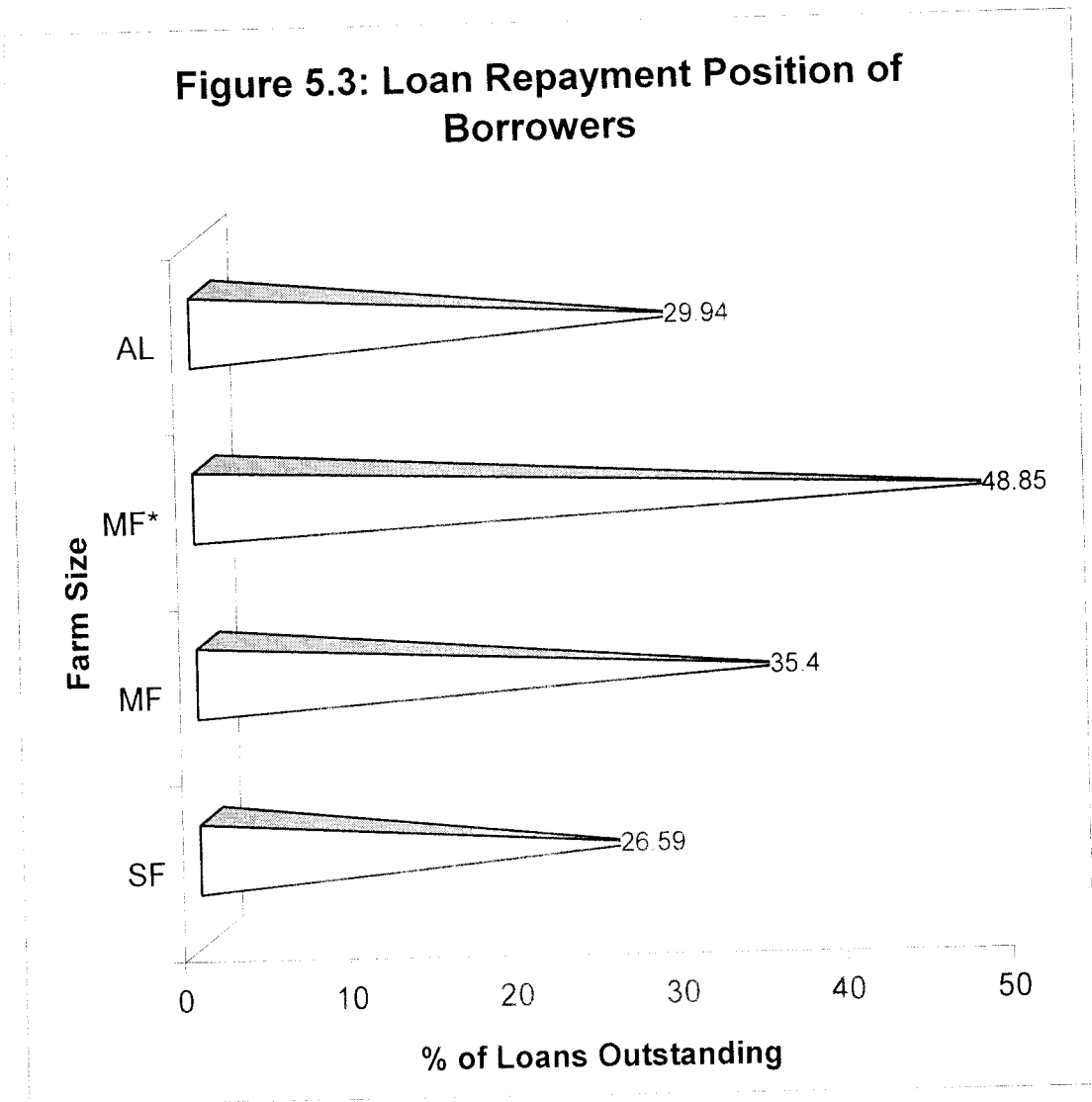


Table 5.12 : Repayment Performance of Loans by the Borrowers in the District

Farm size	Mean outstanding Loan (Rs)	Mean Loans Repaid	Loans Repaid as percent of Loans outstanding
SF	2899.88	771.08	26.59
MF	2950.75	1044.50	35.40
MF*	2993.44	1462.19	48.85
AL	572.06	171.25	29.94
Total	9416.12	3449.01	36.63

Source : Field Survey, 2006-07

Table 5.13: Activity-wise Repayment Performance of Loans by the Borrowers

	Crop Activity		Loan repaid as percentage of loan outstanding	Business activity		Loan repaid as percentage of loan outstanding
	Mean outstanding loan	Mean loan repaid		Mean outstanding loan	Mean loan repaid	
SF	11545	6374.97	55.22	1545	4429.8	38.37
MF	11803	6356.57	53.86	11803	4178	35.40
MF*	33932	21682	63.90	-	-	-
AL	-	-	-	6302	3629.92	57.60
Total	15334.88	8898.66	58.03	8384.69	3873	46.19

Source : Field Survey, 2006-07

It may be argued that the borrowers under medium farmers categories have the capacity to repay the loans regularly since 75 percent of the medium farmers has achieved surplus income obtained from the utilization of loan but they seem to be willful defaulters in repayment of loans as none of the medium farmers has repaid the loan amount in full (table 5.11). In the study it was also found that the most viable activity on which the UBKGB had sanctioned loan was crop production. Since 43.80 percent of the Sample borrowers who had received loans for such purposes the repayments habits showed that only 9 landless labourers or 23.08 percent of the borrowers do not have any overdue at the time of survey. This may be due to the fact that these loans are provided to small, marginal and agricultural labourers whose deficit income is more than surplus income what they have received for crop and business purposes. Thus they are not in a position to repay such loans regularly although they are willing to repay the loans. Hence it may be concluded that as far as repayment habits are concerned, it has been found to be poor.

The description gives also an account of the repayment performance of loan amount of the sample beneficiaries. The study shows a recovery of 36.63 percent of outstanding loan in the district. Hence the hypothesis that "there is a high amount of loan repaid" is rejected. Thus there is need to ensure the repayment of loans in order

that the resources may be recycled in different activities through UBKGB'S loan.

5.3.3 Socio-Economic Study of the Repayment Performance of Sample Borrowers

In order to study the relationship between the socio-economic factors and repayment performance of the beneficiaries who have received loan from the UBKGB in the study area, five socio-economic factors have been considered here.

5.3.3.1 Sex-wise Repayment Performance

The data presented in table 5.14 offer sex-wise classification of the sample borrowers and their repayment level.

Table 5.14: Sex-wise Distribution of Sample Borrowers and Repayment performance

Level of Repayment	Male	Female	Total
1. Repaid in full	38(27.74)	8(34.78)	46(28.75)
2. Repaid in part	81(59.12)	4(17.39)	85(53.12)
3. Not Repaid at all	18(13.14)	11(47.83)	29(18.13)
Total	137(100)	23(100)	160(100)

Source: Field Survey, 2006-07 $\chi^2= 24.73$; $df=2$, critical value at 5% level 5.99

The table 5.14 shows that of the total size of 160 sample borrowers, 28.75 percent has repaid in full, 53.12 percent has repaid in part and remaining 18.12 percent of the borrowers have not repaid the loan at all. The table further shows that 34.78 percent of the female beneficiaries have repaid the full amount while in the case of males, the percentage of the male beneficiaries is more than the female beneficiaries. Under the category of not at all repaid, the percentage of female borrowers is more than the male borrowers.

In order to test the null hypothesis that there is no association between sex and repayment performance, Chi-square test has been

applied. Since the calculated value (24.73) is greater than the table value (5.99) the null hypothesis is rejected and it has been concluded that there is a relationship between sex and repayment performance of the borrowers.

5.3.3.2 Age and Repayment Performance

Age and repayment performance of the borrowers are shown in table 5.15. It can be inferred from the table 5.15 that out of 160 borrowers in the age group up to 40 years, 29.59 percent of the borrowers have paid in full, 48.98 percent of them have paid in part and the remaining 21.43 percent do not pay at all. In the case of age-group above 40 years, improvement in percentages of partly paid is noticed but it is less under not at all and fully paid groups as compared to the age-group up to 40 years. The percentages are 29.27, 59.76 and 10.98 in the case of paid in full, party paid and not at all paid respectively.

The chi-square (χ^2) test shows that calculated value (2.402) < table value (5.99) , the null hypothesis is accepted here. Therefore it can be concluded that age and repayment performance are not associated.

Table 5.15: Age-wise Classification of Repayment Performance

Level of Repayment	Age Group (in years)		
	Up to 40	Above 40	Total
1. Repaid in full	29(29.59)	17(27.42)	46(28.75)
2. Repaid in Part	48(48.98)	37(59.68)	85(53.12)
3. Not Repaid at all	21(21.43)	8(12.90)	29(18.13)
Total	98(100)	62(100)	160(100)

Source : Field Survey, 2006-07 $\chi^2= 4.50$; $df=2$; critical value at 5% level 5.99

5.3.3.3 Social Group and Repayment Performance

In order to analyze the relationship between repayment performance and social group of the sample borrowers, social group

has been classified into scheduled caste (SC), Scheduled Tribe (ST), OBC and Forward caste (FC). Table 5.16 shows the social groups and repayment performance of the sample borrowers.

It can be inferred from the table 5.16 that in the case of ST, partly repaid is high in percentage compared to other Social groups i.e. SC and FC whereas the percentage of repaid in full is higher of the beneficiaries belonging to OBC and FC than the borrowers belonging to ST and SC. The percentages of not at all repaid are 13.89, 9.52 and 32.61 for SC, ST, OBC and FC respectively.

In order to test the relationship between caste and repayment habit, chi-square test has been formulated.

Table5.16: Caste-wise classification of Repayment Performance

Level of Repayment	Scheduled Caste (SC)	Scheduled Tribe(ST)	OBC and Forward Cast(FC)	Total
1.Repaid in full	23(31.94)	4(9.52)	17(36.96)	44(27.50)
2.Repaid in Part	39(54.17)	34(80.95)	14(30.43)	87(54.37)
3.Not Repaid at all	10(13.89)	4(9.52)	15(32.61)	29(18.13)
Total	72(100)	42(100)	46(100)	160(100)

Source : Sample Survey. 2006-07

To test the null hypothesis that is, social group of the borrowers is no influence in the repayment of loan, chi-square test has been applied. Here $\chi^2 = 25$ with $df=4$, now $\chi^2_{0.05, 4} = 9.488$ (table value) since the calculated value is greater than table value, the null hypothesis is rejected. Thus it can be concluded that caste of the borrowers has influenced the repayment of loan.

Table 5.17: Education Level Wise Classification of Repayment of Loans

Level of Repayment	Literacy Level			Total
	Illiterate	Primary	Secondary and Above	
1.Repaid in full	8(11.94)	32(50.79)	6(20)	46(28.75)
2.Repaid in Part	47(70.15)	24(38.09)	14(46.67)	85(53.12)
3.Not Repaid at all	12(17.91)	7(11.11)	10(33.33)	29(18.13)
Total	67(100)	63(100)	30(100)	160(100)

Source: Sample Survey, 2006-07

5.3.3.4 Education Level and Repayment Performance

It is believed that an educated person can make better use of credit and thus generate a surplus enough to repay the loan. Table 5.17 presents information on the education levels and repayment performance of the sample borrowers.

It is observed from the table that the repayment performance is better in the case of borrowers whose literacy level is up to primary level. In the case of beneficiaries who have no formal education, the percentage of partly repayment of loan is high (70.15 percent) whereas in the case of beneficiaries whose education level is up to primary level , the percentage of partly repayment of loan is low (38.09 percent). But under the category of not at all repaid, the percentage of borrowers whose education level is up to secondary above is more than the borrowers who have no formal education.

In order to test the relationship between literacy level and repayment performance, χ^2 test has been adopted. Here the calculated value (29.43) is greater than the table value (9.488) at 4 degree of freedom. Hence the hypothesis is rejected. Therefore, it can be

concluded that literacy level has influenced the repayment performance of the borrowers.

5.3.3.5 Occupation and Repayment Performance

The repayment performance of the borrowers on occupation is presented in table 5.18.

Table 5.18: Occupation-Wise Repayment Performance

Level of Repayment	Occupation		Total
	Borrowers who mainly depend on cultivation	Borrowers who do no depend on cultivation	
1.Repaid in full	30(24.79)	16(41.03)	46(28.75)
2. Repaid in part	68(56.20)	17(43.59)	85(53.12)
3.Not Repaid at all	23(19.00)	6(15.38)	29(18.13)
Total	121(100)	39(100)	160(100)

Source : Sample Survey 2006-07

It can be understood from the table 5.18 that repaid in full is higher in percentages in the case of beneficiaries who do not depend mainly on agriculture compared to those borrowers who depend on cultivation .The percentages of repaid in full are 24.79 and 41.03 for the borrowers who depend on cultivation and the borrowers who depend on other occupation respectively and repaid in part is high in the case of borrowers who depend on cultivation (56.20 percent) compared to borrowers who mainly depend on other occupation (43.59 percent) similarly not repaid at all are more for the borrowers who depend on cultivation (19.00) .

Now in order to find out the relationship between repayment performance and occupation χ^2 test has been applied. Here the calculated value (3.79) is less than the table value (5.99). Hence the hypothesis is accepted. Therefore, occupation and repayment performance are independent.

5.3.4 Sources for Repayment

Prompt and regular repayment of loan is indispensable for the expansion of rural credit. Repayment of any loan with having sufficient income is a problem-ridden task for the poor borrowers. It may have an adverse implication of their being debt trapped. In this study it is important to know whether the borrowers are repaying the credit from the income accruing from the loan. For this purpose during field survey borrowers were asked to state the sources which were used to repay the loans. With the help of information collected through interviews an effort has been made to analyze the monetary sources of repayment. The situation in Jalpaiguri district in this respect may be shown with the help of the table 5.19. The greatest difficulty in this study is in eliciting replies to the questions in schedules from the illiterate farmers. Even after much effort we have got success in knowing the response of cent percent borrowers regarding sources of repayment of loan.

Table 5.19: Income Earned from Credit Finance Activity and Refund of the Loan

No. of borrowers who have participated	No. of borrowers who have repaid the loan from the income earned from credit financed activity	No. of borrowers who do not pay the debt from the income earned from credit financed activity	No. of borrowers who do not expect to repay the loan from the income likely to be earned from credit financed activity
1	2	3	4
160	22	24	114
Percentage	13.75	15	71.75

Source: Field Survey, 2006-07

Table 5.19 shows that 13.75 percent have refunded the loan from the additional income earned from proper utilization of credit for the intended purpose. 24 borrowers out of 160 (15 percent) have refunded the loan from other sources because they could not get sufficient income from the credit financed activity. 71.75 percent were not hopeful of repaying the loan from the income likely to be earned from the credit financed activity. It represents that they have either misused the loan or circumstances have forced them to do so or the scheme was misconceived.

Table 5.20 shows that 24 borrowers out of 160 respondents have refunded the loan from sources other than the income earned from the credit financed activity, 66.67 percent of the sample respondents have taken loans from new type of gramin banyas (mostly school teachers) with a promise to the lenders that the borrowers will return the amount (usually with higher interest) after receiving the fresh loan from the bank. Thus the borrowers begin a new gramin loan with a deficit on the capital. This leads to the creation of "debt cycles" for the borrowers. It is also important to note that 20.83 percent have managed to raise loans from Jalpaiguri People's Co-operative Bank and other banks for the repayment of loan installments and 3 borrowers (12.5 percent) have repaid the debt from other sources like Son's money order and income from secondary occupation.

Table 5.20 : Sources of Refund other than the income from the Activity

No. of Borrowers who have participated	Other Sources			
	No. of borrowers who have responded	Raising Loans from New Types of Banyas	Raising Loans from other institutions	Others
160	24	16	5	3
Percentage	15	66.67	20.83	12.5

Source: Interview responses.

An attempt is also made in this study to present farm-size wise classification of sources of borrowers for repaying the loan. For this purpose it is important to know whether the borrowers under different farm-sizes are repaying the crop loan and business loan from the additional income obtained from the credit financed activity. The situation is presented in table 5.21. Table 5.21 shows that 40.91 percent of the borrowers under small farmers category have refunded the loan from the additional income earned from the utilization of credit followed by marginal farmers (27.27 percent) medium farmers (22.73 percent) and agricultural labourer classes (9.09 percent) respectively whereas 62.50 percent of the borrowers under small farmers categories do not pay the debt from the additional income earned from the credit financed activity followed by agricultural labourer classes (29.17 percent) and marginal farmers (8.33 percent) respectively. The highest percentage of borrowers under marginal farmers (38.60 percent) are not hope-full of repaying the loan from the income likely to be earned from the credit financed activity followed by small farmers (35.09 percent), agricultural labourers (13.16 percent) and medium farmers (13.16 percent), respectively. It indicates that the large number of marginal farmers have probably misutilised the loan. It is also interesting to note that no borrower under medium farmers category have repaid the loan from the additional income obtained from the credit financed activity although 15 borrowers out of 20 respondents have obtained surplus income from the credit financed activity (table 5.7).

Table 5.21 : Income Earned from credit Financed Activity and Refund of Loan According to Farm Size.

Farm Size	No. of borrowers who repaid loan from the additional income earned from credit financed activity	No. of borrowers who paid the loan from other sources	No. of borrowers who do not expect to repay the loan from the income likely to be earned from credit financed activity
1	2	3	4
SF	9(40.91)	15(62.50)	44(35.09)
MF	6(27.27)	2(8.33)	44(38.60)
MF*	5(22.73)	-	15(13.16)
AL	2(9.09)	7(29.17)	19(13.16)
Total	22(100)	24(100)	114(100)

Figures in the parentheses represent percentages

Source: Interview Responses

Table 5.22 shows the sources of refund other than income from the activity. Farm-size wise analysis (5.22) reveals that the highest percentage of borrowers under small farmers category have reported that raising loans from new types of gramine banyas (mostly School teachers) are the main source used by them for repayment of loan. They represent 62.50 percent of the total number of borrowers. While the lowest percentage of borrowers (12.50 percent) under marginal farmers category have taken fresh loan from Jalpaiguri People's Co-operative bank for repayment whereas 100 percent of the borrowers under landless labourer classes have repaid the debt from other sources such as income from family members, borrowing from relatives etc.

Table 5.22: Sources of Refund other than the income From the activity

Farm - size	Other Sources			
	Raising Loans from Baniyas	Raising Loans from other institutions	Other	Total
SF	10(62.50)	5(100)	-	15(62.5)
MF	2(12.50)	-	-	2(8.33)
MF*	-	-	-	-
AL	4(25)	-	3(100)	7(29.17)
Total	16(100)	5(100)	3(100)	24(100)

Source: Field Survey, 2006-07

As regards the methods adopted by the farmers to repay their principal and interest, the item "other sources for repayment" plays significant role compared to income earned from credit financed activity. The field survey reveals that out of 160 respondents 22 borrowers (13.75 percent) depend on the additional income earned from the credit financed activity, on the other hand 24 borrowers (15 percent) make, a repayment out of the income earned from the loan based activity. Among other ways and means adopted for repayment, raising loans from new types of gramin baniyas plays a significant source to the borrowers under small farmers category (62.5 percent) followed by agricultural labourers (29.17 percent) and marginal farmers (8.33 percent) respectively. The tendency of raising loans from other institutions is found to be high among the borrowers under small farmers category only and the study also reveals that the highest percentage of borrowers under landless labourer classes (cent percent) use income from other sources for repayment. The foregoing analysis of the sources for repayment reveals that out of 24 borrowers who have to depend on other sources for repayment 16 borrowers (66.67 percent) have managed to raise loans from informal sources of credit.

The study has found that the prompt and regular repayment of loan installments has largely occurred through cross financing and not through the returns from the investment undertaken with the loan. This high levels of cross financing has depleted the capital of the loan and has reduced the value of the new loan that is used to repay the old. This process may lead to a “vicious cycle”.

5.4.1 Extent of Overdues at Defaulter Level

The success or failure of any activity will be reflected to a considerable extent in the overdue loan installment position of the borrowers. In a sound functioning of any better recovery of loans and less amount of dues motivate the institution for more and more development financing in the area of operation of that institution. Repayment of loan in time is, therefore, considered as one of the prudent deployment of funds⁷. It is against this background that the present section is devoted to assessing an estimate of overdues at the farm level.

During field survey the data on principal and interest unpaid were collected by persuing the loan pass book and with the help of discussion with the borrowers. Based on the data so collected an effort has been made in this present section to get an estimate of overdues at the farm level. The distribution of defaulters on the basis of farm size is shown in table 5.23. The average amount of over due per borrower is about Rs.8,374.90 the range being Rs.4,275.33 to Rs.16,333.33.

The table 5.23 also depicts the picture with regard to defaulters as proportion of borrowers. On an average the percentage of defaulters to borrowers is 71.25. Among the farm size groups, the percentage of defaulters to borrowers is the highest in the lowest category of farmers, followed by the highest category (table 5.23).

Table 5.23: Overdues Position at Defaulter Level

Defaulters				
Land Size Group	No. of Respondents	Repaid in Part	Not Repaid at all	Average amount of overdue
SF	64	42	2	7741.09
MF	52	32	8	7625.00
MF*	20	-	15	16333.33
AL	24	11	4	4275.33
All Groups	160	85	29	8374.90

Source : Field Survey, 2006-07

It is the lowest for agricultural labourer classes (16.67 percent). A close look at table 5.23 indicates that average amount of overdues per defaulter is the highest (Rs.16333.33) in the highest category of farm households, it is the lowest for the agricultural labourer classes (Rs.4275.33). From the table 5.23 it is clear that per defaulter overdues have a tendency to increase with the increase in the size of holding.

The information about the percentage distribution of overdues among different category of farmers is presented in table 5.24. Table 5.24 reveals that among the different category of farmers, the highest share in total overdues is reported by small farmers. They accounted for nearly 36 percent of the total overdues. The marginal farmers have the second highest share and it is about 32 percent. The share of overdues to total is the lowest for the agricultural labourer classes (6.72 percent). Among the different category of farmers, the highest share in total overdues is reported by small farmers. They accounted for nearly 36 percent of the total overdues. The marginal farmers have the second highest share and it is about 32 percent. The share of overdues to total is the lowest for the agricultural labourer classes (6.72 percent).

Table 5.24 : Distribution of Overdues by Holding Size Categories

Farm Size	Loan Overdues
SF	35.68
MF	31.95
MF*	25.66
AL	6.72
All Group	100

Source : Field Survey, 2006-07

A close look at table 5.23 indicates that overdues form 63.37 percent of the outstanding debt. Amongst holding size groups, it is observed that the proportion of overdues to outstanding loans is the highest to the borrowers belonging to small farmers, followed by the agricultural labourers. The proportion is the lowest in the third holding size group of farmers. This clearly shows that the overdues problem is very serious in the case of marginal, small farmers and agricultural labourers. The diagrammatic presentation of overdues position of the borrowers in the district is given in Figure 5.4.

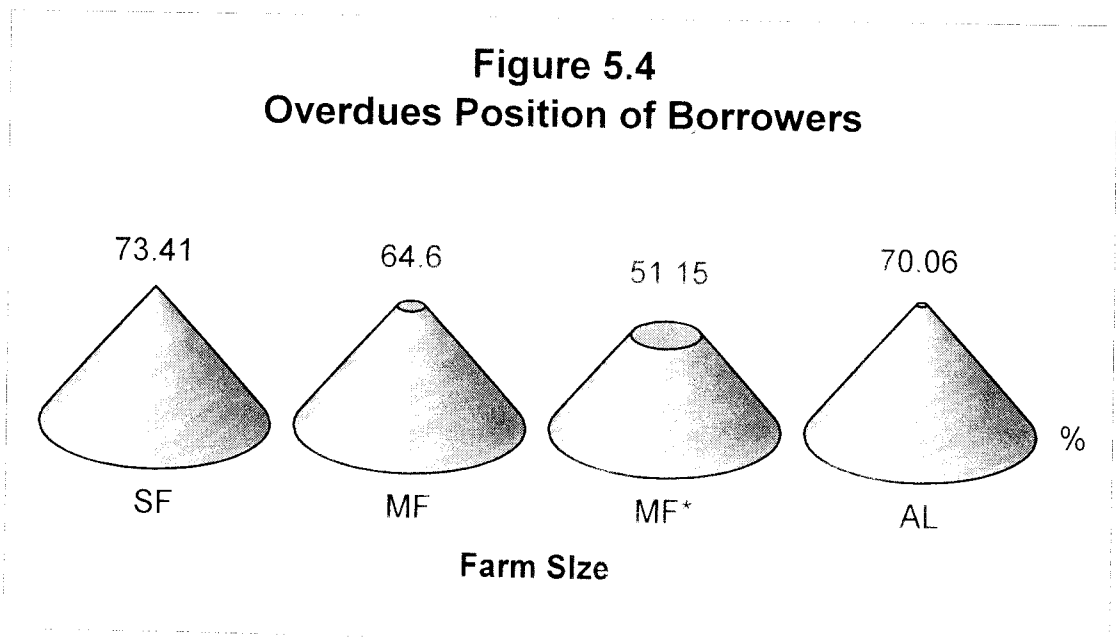


Table 5.25 : Overdues as Percent of Outstanding Loans

At Defaulter Level			
Farm Size	Total outstanding Loan (Rs)	Total overdue	Overdues as % of loan outstanding
SF	463980	340608	73.41
MF	472120	305000	64.60
MF*	478950	245000	51.15
AL	91530	64130	70.06
Total	1506580	954738	63.37

Source : Field Survey, 2006-07

5.4.2 Activity-Wise Overdues

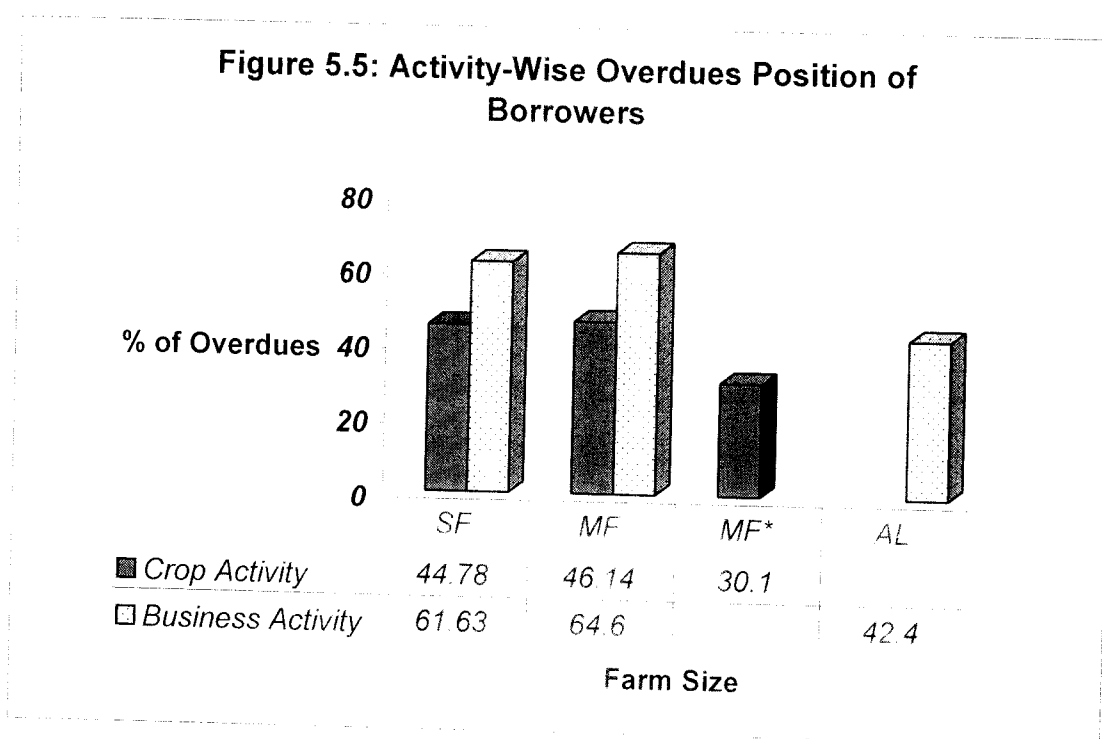
On overdues position at default level activity-wise data contained in table 5.26 reveal that the percentage of overdues to outstanding loans is 41.97 percent in the case of crop loan. It is about 54 percent for business loan. Amongst holding size groups it is observed that the proportion of overdues to outstanding loans is the highest in the lowest category

Table 5.26 : Activity-Wise Overdue Position of the Defaulters

Farm size	Crop Activity			Business Activity		
	Total outstanding loan	Total overdues	Overdues as % of loan outstanding	Total outstanding loan	Total overdues	Overdues as % of loan outstanding
SF	681155	305032	44.78	57725	35576	61.63
MF	495726	228750	46.14	118030	76250	64.60
MF*	678640	245000	36.10	-	-	-
AL	-	-	-	151248	64130	42.40
Total	1855521	778782	41.97	327003	175956	53.81

Source : Field Survey, 2006-07

(46.14 percent) followed by second category (44.78 percent) in the case of crop loans. The share of overdues to outstanding loans is the highest in the lowest category (64.60 percent) followed by second category (61.63 percent) in the case of business loan also. For small and marginal farmer categories the share of overdues to outstanding loans in the case of business loan is more than that of crop loans. The diagrammatic presentation of overdues position at defaulter level (activity wise) is given in figure 5.5.



The foregoing description gives an account of the overdue position at defaulter level. The study shows that per defaulter the amount of overdues increases with the increase in holding size. It is the highest in the highest category of farmers and lowest for the agricultural labourer classes. The proportionate share of overdues is the highest for small farmers and lowest for agricultural labourer classes. The proportion of overdues to outstanding loan is considerably high in the case of marginal and small farmers respectively.

This may be due to low return from the activity on which the loan was disbursed by the UBKGB and also due to delay in granting credit.

In activity-wise analysis the percentage of overdues is high in the case of business loan compared to crop loan. It is observed from the study that though 114 respondents (71.25 percent) are defaulters, the principal and interest due that remains unpaid (63.37 percent) constitute a large amount. Hence the hypothesis that “there is high amount of overdues” is accepted.

5.4.3 Reasons for Default in Repayment of Loan

Credit disbursed by the UBKGB for the development of agriculture has made rapid strides over the last few years as noted in the chapter II. However, on the side of recovery of loans the performance of the bank has been rather dismal. The trend in overdues of the UBKGB has been presented in the preceding section. The high level of overdues restricts the capacity of the lending institutions to recycle funds, besides threatening the prospects of the continuous flow of credit for agricultural development. In order to devise remedial measures for curtailing the overdues it is necessary to identify the nature and causes thereof. At the institutional level high overdues are attributed to faulty lending and recovery procedures⁸. On the demand side of overdues the World Bank cites three major causes – The failure of farmers to use borrowed funds for production, the failure of the investment and the refusal to repay⁹. This section is concerned with the analysis of the causes of overdues from the demand side only.

In order to ascertain the borrowers perceptions of the causality of defaults, interviewed 114 defaulters among three different blocks and the results are presented in the table 5.27. The survey reveals that out of 160 respondents, 46 (28.75 percent) have repaid their principal and interest regularly and have no dues, while the remaining 114 (71.25 percent) are defaulters. The table shows that of the 114 defaulters 38.60 percent, 35.09 percent, 13.16 percent and 13.16 percent of the borrowers belong to small, marginal, medium farmers and agricultural

labourers respectively. 45.46 percent, 40 percent and 33.33 percent of the borrowers are delinquent due to crop diseases.

5.27 : Borrowers' View of Causality of Default

Particulars	SF	MF	MF*	AL	No. of Borrowers
1.Crop diseases	20(45.46)	16(40)	5(33.33)	-	41(35.96)
2.Inadequate income generation	5(11.36)	6(15)	-	7(46.67)	18(15.79)
3.Diversion of amount for other purposes	8(18.18)	4(10)	-	5(33.33)	17(14.91)
4. Poverty	4(9.09)	4(10)	-	3(20)	9(7.90)
5. Poor monitoring	2(4.54)	2(5)	-	-	6(5.26)
6. Do not know	5(11.36)	8(20)	10(66.67)	-	23(20.18)
	44(100)	40(100)	15(100)	15(100)	114(100)

Figure in the brackets represent percentages to total
Source: Field Survey, 2006-07.

The table also shows that crop diseases and inadequate income generation from the activities for which loans are sanctioned are important reasons contributing to the problem of overdues. About 45.46 percent of borrowers under small farmers, 40 percent of borrowers under marginal farmers and 33.33 percent of borrowers under medium farmers fall under the first reason (crop diseases). Second reason for overdues viz inadequate returns from the activities, is the most prominent one in the case of agricultural labourers (46.67 percent), followed by marginal farmers (15 percent) and small farmers (10 percent) respectively. Diversion of credit for other puposes such health, education etc is reported as the third important reason for overdues by agricultural labourers (33.33 percent) followed by small farmers (18.18 percent) and marginal farmers (10 percent) respectively.

We also see from the table that the largest percentage of respondents i.e, 66.67 percent defaulters under medium farmers category, 20 percent under marginal farmers and 11.36 percent under small farmers category do not indicate any specific reason which has compelled them to default in repayment of dues to UBKGB. This is in fact a “Do not know” category. These types of defaulters are seemed to be willful defaulters another 7.90 percent of borrowers have not refunded the loan due to poverty. Only a small proportion of borrowers have cited the poor monitoring as the cause of overdues. The proportion of borrowers stating this factor as reason for overdues are 4.54 percent and 5 percent under small and marginal farmer categories respectively.

The foregoing analysis of reasons for overdues reveals that the principal reason for overdues is the crop disease. Hence the hypothesis that “inadequate income from the loan based activity is the major reason for overdues” is rejected. In our study low return from the activities is the third important reason for overdues. Inadequate return from loan based activity is the next important reason for overdues as reported by the borrowers. Poor monitoring as a reason for overdues is reported only by a small proportion of borrowers (5.26 percent).

This chapter provides an account how 89.38 percent of the borrowers have utilised the agricultural loan for the required purposes and 10.62 percent do not utilise the loan for the scheduled productive purposes. The study reveals that 33.06 percent of the borrowers have misused the crop loan either partially or fully and 35.90 percent of the borrowers have misused the business loan. The percentage of improper utilisation of crop loan is high among the borrowers under medium farmers category (45 percent) whereas the percentage of improper utilization of business loan is high among the borrowers under marginal farmers category. Inadequacy of loan obtained is the major reason inducing the borrowers to misuse the loan obtained. Lack of proper supervision and untimely credit rank as the second and third reasons as stated by the borrowers for misuse of credit.

The repayment performance of the borrowers shows that only 28.75 percent have repaid the loan. The percentage of overdues is comparatively high among the borrowers under small farmers category (73.41 percent). From activity-wise overdue position we see that the percentage of overdues is comparatively higher in the case business activity (53.81 percent) than the crop activity (41.97 percent). From the sources of repayment of loan we have that 13.75 percent of borrowers have repaid their loans from income earned from credit financed activity and out of 86.25 percent 15 percent have reported that they do not pay the loans from the loan-based activity and remaining 71.75 percent do not expect to repay the loan from income likely to be earned from credit financed activity. Among other source adopted for repayment, raising loans from banyas (mostly school teachers) play a significant role and this is followed by raising loans from other institutions. From the socio-economic study we have found that only sex and caste of the beneficiaries is related to repayment performance. The study shows that the repayment performance is better in the case of female borrowers.

While analyzing the factors responsible for overdues we have found that the highest percentage ascribe their default due to the crop diseases. Inadequacy of loans is of immediate concern to the borrowers and constitute the next important factor for overdues followed by diversion of credit for other purpose. In the next chapter an attempt is made to study the impact of credit on the borrowers.

Notes and References

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