

## **Use of agricultural credit by borrower farmers in Manihari block of Ghazipur district of Uttar Pradesh- An analysis**

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### **Abstract**

*It is well known that institutional agencies have made significant progress in meeting the credit needs of the farmers. The present study is based on 90 borrower farmers of marginal, small medium and large farmers respectively which were collected from five Villages of manihari block of Ghazipur district of eastern Uttar Pradesh. The study showed that major finance to sample borrower farmers were made available by commercial bank i.e 84.46 percent. The term and Crop loan were reported 80.77 and 19.23 percent respectively. PACS has made available Agricultural credit in cash and kind both which were accounted 8.67 and 91.33 percent respectively. It is Very interesting that unproductive utilization was found more in large farmers i.e 20.73 percent. Consumption was reported a major reason to divert the credit by the borrower farmers. Autmost care to be taken at the time of sanction the credit and its use to avoid the misutilization*

Key words: Credit, financing institutions, Utilization, diversions

### **Introduction**

It is well known that institutional agencies have made significant progress in meeting the credit needs of the farmers. With the introduction of improved techniques of production, agriculture is becoming more and more capital intensive to meet the increasing demand for credit, a multi agency approach for financing agriculture has been adopted by the government. However, financing agencies are facing very critical problem of mounting over dues. The proper utilization of credit increases the agricultural production and consequently the repaying capacity of borrower farmers. But On the other hand if the available credit is not utilized for production purpose, it will not increase the rate of capital formation in agricultural sector. The study of utilization of available credit is equally important as it indicates that whether the credit taken is being used properly or it is diverted are the aims of this present study.

### **Methodology**

The study was based on the 90 borrower farmers comparing of 25, 25, 25, 15 for marginal, small, medium and large farmers respectively which were selected from five villages of Manihari block of Ghazipur district of eastern Uttar Pradesh. The primary data were collected from the sample borrower farmers

about the amount of credit borrowed for different purposes from different sources and different form, productive and unproductive utilization of credit, reason's for diversion of credit etc. The simple average and percentage were used to attain the Objectives.

### **Results and discussion**

#### *Source wise break –up of loan*

The source wise break –up of credit of sample borrower farmers is showed in table 1. Out of total amount of credit Rs. 27,880.44, the shares of PACS, U.P co- operative rural development bank, commercial bank were found 14.31, 1.23 and 84.46 percent respectively. This showed that commercial bank has financed much to the sample in the study area. Probably this happened because commercial bank has opened its branches to the rural areas to facilitate the farmers.

#### *Purpose wise distribution of credit*

Purpose wise distribution of credit in presented in table 2. The average amount of credit per borrower farmers were found Rs. 13,549.20, Rs. 36,188.00, Rs. 43,628.00, Rs. 82,086.67 and 27,880.44 for marginal, small, medium, large and overall average of the all farmers respectively. The percentage of term loan of the total loan was accounted 78.53, 86.66, 78.11, 80.44 and 80.77 for marginal, small, medium,

Table 1: Amount of outstanding loan from different sources on sample borrower farmers of Manhari Block (In Rs.)

Sources of credit	Marginal	Small	Medium	Large	Overall average
Primary agriculture cooperative credit society (PACS)	2109.20(15.57)	4348.00(12.02)	9548.00(21.88)	4386.67(5.34)	3989.35(14.31)
U.P. Cooperative rural development bank (L.D.B.)	-	800.00(2.21)	1120.00(2.57)	-	44.27(1.23)
Commercial Bank	1,440.00(84.43)	31,040.00(85.77)	32,960.00(75.55)	77,700.00(94.66)	323,546.82(84.46)
Total	13,549.20(100.00)	36,188.00(100.00)	43,628.00(100.00)	82,086.67(100.00)	27,880.44(100.00)

large and overall average of farmers respectively. The share of crop loan to the total loan was accounted 21.47, 13.34, 21.89, 19.56 and 19.23 percent on marginal, small, medium large and overall farmers respectively. In case of marginal farmers, the share of pump set was 35.72 percent which was highest among all, followed by crop loan, tractor, buffalo, dairy which were 21.47, 16.53, 16.24 and 6.50 respectively. Mostly marginal farmers have taken credit on pump set which they rent out it and earn money. Small and medium farmers have taken credit more for tractor which accounted 69.64 and 72.80 percent of the total loan. Large farmers have taken more credit to dairy and crop loan i.e 40.65 and 19.56 percent respectively.

*The break –up of credit in cash and kind form*

The table 3 shows the break –up of crop loan taken from primary agriculture co-operative credit society in the form of cash and kind both which accounted 8.67 and 91.33 percent. The fertilizer, seed and pesticide were given by the society in the form of kind to the borrower farmers so that they use their credit in the crop production.

*Productive and unproductive utilization of credit*

The table 4 depict the category and source wise utilization of the credit and its diversion to unproductive purposes in sample area. The table indicate that unproductive utilization of credit source wise found in PACS, UPC, RDB and commercial bank 15.55, 16 and 15.48 percent respectively. Farmer wise unproductive utilization was found 17.77 percent in marginal 13.45 percent in small, 11.17 percent medium and 20.73 percent in large farmers.

*Reason's for diversion of credit*

It is not sufficient to know the extent of diversion of credit but it becomes necessary to know the reasons for diversion. The sample borrower farmers were reported the following reason's for diversion of credit. Due to pressure of consumption expenditure on social obligation and deficit budget there were always chances of diversion of loan to the unproductive purposes by the majority of the sample borrower farmers in the study area. The table 5 depict that about 36 to 72 percent of borrower farmers were found to divert their credit for consumption purposes on all categories of farmers. The 44 to 76 percent borrower farmers of all categories were reported that due to delay in disbursement of loan by different financing source were caused to divert the credit to some other purposes. The inadequacy of loan was also the cause for diversion of loan as reported by 12 to 24 percent of the sample borrower farmers on all categories of borrower farmers. The another important reason as reported by the farmers and revealed during the study period was the lack of proper technical guidance and bank official's supervision over using of credit by borrower farmers to proper place, the 12 to 32 percent borrower farmers admitted the above facts for diversion of credit on all categories of borrower farmers.

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Table 2: Purpose-wise description of the amount of outstanding loan from different sources on sample borrower farmers of Manhari Block (In Rs.)

Purpose of loan	Marginal	Small	Medium	Large	Overall average
Tractor	2240.00(16.53)	25200.00(69.64)	31760.00(72.80)	5333.33(6.49)	11880.19(42.61)
Pumpset	4840.00(35.72)	960.00(2.65)	1120.00(2.56)	666.67(0.81)	3173.84(11.38)
Tubewell	-	800.00(2.21)	-	-	147.87(0.53)
Buffalo	2200.00(16.24)	2800.00(7.74)	-	-	1768.72(6.35)
Dairy	880.00(6.50)	1600.00(4.42)	-	33366.67(40.65)	3168.24(11.37)
Bullock	480.00(3.54)	-	-	-	72.99(0.98)
Others	-	-	1200.00(2.75)	26666.67(32.49)	2106.16(7.55)
Total term loan	10640.00(78.53)	31360.00(86.66)	34080.00(78.11)	6033.34(80.44)	22518.01(80.77)
Crop loan	2909.20(21.47)	4828.00(13.34)	9548.00(21.89)	16053.33(19.56)	5362.43(19.23)
Grand Total	13549.20(100.00)	36188.00(100.00)	43628.00(100.00)	82086.67(100.00)	27880.44(100.00)

(Figures in Parentheses indicate percentage to total.)

Table 3: Amount of loan taken in cash and kind from Primary agricultural cooperative credit society by borrower in Manihari block (In Rs.)

Farm Size	Cash	Kind	Total
Marginal	608.00(28.83)	1501.20(71.17)	2109.20(100.00)
Small	-	4348.00(100.00)	4348.00(100.00)
Medium	-	9548.00(100.00)	9548.00(100.00)
Large	-	4386.67(100.00)	4386.67(100.00)
Average	345.78(8.67)	3643.57(91.33)	3989.35(100.00)

(Figures in Parentheses indicate percentage to total)

Table 4: Reason's of Diversion of Loan in Different categories of borrower farmers in Manihari Block

S. No.	Reasons of diversion of loan	Marginal		Small		Medium		Large	
		No.	%	No.	%	No.	%	No.	%
1.	Pressing consumption needs and excess expenditure on social Obligation	12	48	18	72	9	36	16	64
2.	Delay in disbursement of loan	11	44	15	60	19	76	14	56
3.	Inadequacy of loan	6	24	4	16	5	20	3	12
4.	Lack of Technical guidance/bank officials doesn't supervise time to time	8	32	5	20	8	32	3	12

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