



Research Article

DETERMINANTS OF CROPLOAN OVERDUE OF FARMERS OF MALURTALUK IN KOLAR DISTRICT OF KARNATAKA

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ABSTRACT

Credit is considered as a vital input required by farmers for farm investment and adoption of new technology. The present study was confined to the farmers in four villages in Malur taluk in Kolar district of Karnataka. Data were collected from primary sources. A multistage random sampling technique was adopted in selecting the sample of crop loan overdue of farmers. The statistical technique used in the analysis are multiple regression analysis. An analysis was carried out to find out the factors which have a greater influence on the croploan over dues. A set of factors namely crop loan overdue (X1), amount of credit (X2), land holdings (X3), consumption expenditure (X4), capital expenditure (X5), farm income (X6), non-farm income (X7) and total variable cost (X8) were selected. The farmers had the larger share in the crop loan overdue as the loan had been distributed among various crops like vegetables, leafy vegetables, spices and grains in Agrahara, Kambipura, Koduru and Araleri area. The recovery of loans depends upon the cumulative efforts of the borrowers and the institutional factors.

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INTRODUCTION

Agriculture is a predominant sector in a developing country like India where the GDP of the country is determined by the production in agriculture sector. Credit plays a dominant role among farmers in agriculture production, farm investment and adoption of new technology. Access to institutional credit to farmers and quantity and quality of agriculture credit are crucial for realising the full potential of agriculture as a profitable activity. Credit can be obtained from both institutional and non-institutional sources for various agricultural activities.

One of the problems in rural financial institutions is the non-recovery and overdues and the percentage of overdues was very high in primary agricultural societies. One of the major problems of primary agricultural societies is high crop loan overdues posing threat to financial health and soundness of financial institutions. The various reform initiatives are required to improve the financial soundness of rural financial institutions.

The purpose of this paper is to empirically investigate the determinants of crop loan overdues of farmers of Malur taluk in agriculture sector. With the structural changes that agriculture is undergoing and higher volume of agriculture financing, analysed the crop loan overdue of the farmers in agriculture sector.

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REVIEW OF LITERATURE

Sudhakara Rao (2016) in his study on “The Causes of Primary Agricultural Credit Societies Overdue in Andhra Pradesh: A Study of West Godavari District” identified that institutional credit in India is the incidence of ever-increasing overdues. The increase in overdues restricts the capacity of lending institutions to recycle funds and it affects the process of agricultural development. The study showed that majority of the large farmers are wilful defaulters of Co-operative Credit institutions. It concluded that co-operative credit is useful for improving socio-economic conditions of the farmers and suggested that timely supply of credit, proper supervision and recovery of loans should be done.

RituRathore *et al.* (2017) in their study on the “Factors Affecting Non-Repayment of Agricultural Loan: A Case Study of Rajasthan MarudharaGraminBank” analysed the various factors influencing the repayment of credit in Jobner branch of Rajasthan. The reasons for the delay in repayment of agricultural loan was low income, high living expenditure on social and other religious activities, higher interest rate and unremunerated prices of farm produce. It revealed that increasing non-performing loan ratio of bank results in bad functioning of the bank. The study concluded that low and unremunerated prices of agriculture produce with poor marketing facilities led to low income of the farm borrowers. The study suggested that banks should provide advisory services to borrowers for the efficient utilization of agriculture loan they have taken.

Profile of Malur

The present study was confined to the farmers in four villages in Malur taluk in Kolar district of Karnataka. Malur is 46 kilometers (29 mi) from Bangalore City and 26 km from Kolar. Most of the villages in the Malur taluk grows grains, vegetables and flowers and they sell their agricultural produce in Bangalore market. The taluk has adequate number of Commercial Bank branches and Primary Co-operative Banks. It has 35 Commercial Banks and 75 Primary Co-operative Banks, providing short term and medium-term credit to the farmers.

METHODOLOGY

The study was conducted in Malur taluk of Kolar district of Karnataka. Data were collected from primary sources. A multistage random sampling technique was adopted in selecting the sample of crop loan overdue of farmers. In the first stage, the area of Malur was selected. In the second stage, four highly intensive credit blocks were chosen. In the third stage 500 respondents were selected from four areas that is 125 each from Agrahara, Kambipura, Koduru and Araleri area. The statistical technique used in the analysis are multiple regression analysis.

Limitation

The study has few limitations. The respondents were reluctant to provide correct details regarding their crop loan overdues.

Finding of the study

Socio-Economic Characteristic of Farmers

An examination into the socio-economic conditions of farmers is highly essential for determining the living conditions and standard of living of the farmers. The variables associated with these are 'age', 'religion', 'family', 'education', 'years of experience' and 'income'.

Most of the respondents were in the age group of 25-50 years. About 62.8 percent of the farmers belonged to the age group of 25 -50 years. Around 30.6 percent of the farmers belonged to the age group of 50-75 years and 6.6 percent of respondents were below 25 years.

The study revealed that 82 percent of the farmers followed 'Hindu' religion, 10 percent were Christians and 8 percent were Muslims. In the study area both nuclear and joint family exist among farmers and most of them belong to nuclear family (85percent), whereas in joint family there are 15 percent of total farmers.

Majority of the farmers are literate and educated. About 29.8 percent of them have studied upto primary level, 9.8 percent of the farmers are illiterates, 16.2 percent have studied upto secondary level and 17.2 percent upto higher secondary level. About 23 percent of them were graduates and 4 percent were technically educated.

Around 45.4 percent of the respondents in the research area is involved in farming for 20 to 30 years, 34.6 percent of the farmers are engaged in farming for 10 to 20 years, 14.2 percent of the farmers are involved in farming for above 40 years. Only 5.8 percent of the farmers are engaged in farming for below 10 years. The study area revealed that 41.6 percent of Agrahara area, 57.6 percent of Kambipura area, 70.4 percent

of Koduru area and 52 percent of Araleri area farmers had a monthly income of ` 15000-` 30000.

Determinants of Crop Loan Overdues: Regression Analysis

An analysis was carried out to find out the factors which have a greater influence on the croploan overdues. A set of factors namely crop loan overdue (X₁), amount of credit (X₂), land holdings (X₃), consumption expenditure (X₄), capital expenditure (X₅), farm income (X₆), non-farm income (X₇) and total variable cost (X₈) were selected. It is essential to compare the farmers in four areas to find out the reason for crop loan overdue.

To find out the extent of influence of the variables of crop loan overdue made by the farmers of four areas, step wise multiple regression equations was estimated.

Table 1 Determination of Crop Loan Overdues-Multiple Regression Analysis

Group	Agrahara	Kambipura	Koduru	Araleri	Total
Intercept X ₁	-5590.276 (-0.871)	-9279.769 (-1.728)	-10162.855 (-2.784)	366370.328*** (8.255)	-16549.507 (-15.593)
Amount of Credit (°) X ₂	0.232*** (16.788)	0.168*** (4.854)	0.446*** (15.496)	0.223*** (5.951)	-
Land Holdings(ha) X ₃	-	7489.209*** (3.507)	---	---	-
Consumption Expenditure (°) X ₄	-	---	---	---	0.254*** (2.904)
Farm Income (°) X ₆	---	---	---	---	0.107*** (6.009)
Non-Farm Income (°) X ₇	---	---	-0.151 (-2.826)	---	-0.170 (-4.878)
Total Variable Cost (°) X ₈	---	---	0.275** (20.359)	---	---
R ²	0.694*	0.462*	0.723*	0.224*	0.915*
F*	281.845	12.301	5.712	35.411	8.436
Durbin-Watson Total	1.660	1.513	1.616	1.173	1.034

Source: Calculation based on field survey, 2017

Dependent variables: Crop loan Overdues

***Statistically significant at 1 percent level

Figures in bracket denote 't' Values

From the derived results, in Agrahara area the amount of credit had an impact on the crop loan overdues. With every unit increase in the amount of credit, crop loan overdues of farmers in Agrahara area increased by Rs.232. About 69.4 percent of the variation in crop loan overdues was due to the amount of credit. The F-Value was 281. 845. The Durbin -Watson statistic is 1.660, which proved that there is no auto correlation.

In Kambipura area the amount of credit and landholdings had a positive impact on the amount of crop loan over dues. With every unit increase in the amount of credit, the croploan overdues increased by Rs. 168, where as with increase in landholdings the crop loan overdues increased by Rs. 7489. The amount of credit and landholdings brought about 46 percent variation in croploan overdues. The F-value was 12.301 which was significant. The Durbin-Watson statistic is 1.513 which proved that there is no auto correlation.

In the case of the farmers in Koduru area, the amount of credit and total variable cost had a positive impact on the crop loan overdues and non-farm income had a negative impact on croploan overdues. With an increase in the amount of credit, crop loan overdues increased by Rs. 446. In the case of totalvariablecost there was an increase in the crop loan overdues to the extent of Rs. 275. When non-farm income

increased, the crop loan overdues decreased by Rs. 151. Overall, the amount of credit and total variable cost could bring about 72.3 percent variations in crop loan overdues. The F-value was 5.712 which was significant. The Durbin -Watson statistic is 1.616 which proved that there was no auto correlation.

In Araleri area, the amount of credit had a positive impact on the crop loan overdue. With an increase in the amount of credit, the crop loan overdues increased by Rs. 223 which implies that there is an increase in the consumption expenditure and capital expenditure which led to a decrease in the farm income of the farmers. The amount of credit could bring about 22.4 percent of the variation in crop loan overdues. The F-value was 35.411. The Durbin -Watson statistic was 1.173, which shows that there is no auto correlation.

In total, farm income and consumption expenditure had a positive impact on the crop loanoverdues, whereas non-farm income had a negative impact on the crop loanoverdue. With an increase in the farmincome, there was an increase in the crop loan overdues of Rs. 107 and consumption expenditure could bring about an increase crop loanoverdues by Rs. 254. With an increase in the non-farm income, croploan overdues decreased by Rs. 170. All the three variables brought about 91.5 percent variations in the profit. The F-value is 8.436 and Durbin-Watson statistic is 1.034. Crop loan over dues was high in Agrahara area compared to Araleri, Kambipura and Koduru areas due to the increase in their capital and consumption expenditure.

CONCLUSION

The farmers had the larger share in the crop loan overdue as the loan had been distributed among various crops like vegetables, leafy vegetables, spices and grains in Agrahara, Kambipura, Koduru and Araleri area . It was observed that the commitment of formal and informal sources increased with the size of farm and larger the amount of borrowing and overdue from the farmers. The recovery of loans depends upon the cumulative efforts of the borrowers and the institutional factors.

Suggestions

- Appropriate policy measures should be adopted to reduce crop loan overdue.
- Loan should be sanctioned based on the productivity of agriculture crop.

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