

A study of various constraints regarding credit utilization in Jaunpur district of Uttar Pradesh

ABSTRACT

Background: Credit is the crucial input for the economic development of the farmers as it helps in increased production through use of modern inputs. The study was carried out to examine the various constraints faced by the different groups of farmers in the Jaunpur district in regards to credit utilization .

Aims: To study the various Constraints regarding credit utilization and credit acquisition by the borrowers

Place and Duration of Study: Jaunpur district of Uttar Pradesh, between year 2020 and 2021.

Methodology: A total of 120 respondents were selected randomly from the Karanzakala block of Jaunpur district, Uttar Pradesh and a pre-structured questionnaire was used to collect the data from the farmers. Respondents were classified into two categories and 60 respondents from borrower and 60 from non-borrower were selected for study purpose

Results: It is revealed by the Garrett scores that maximum number of borrower with 71.61 mean score borrowers reported that hectic documentation as main problem faced in acquiring the credit.

Conclusion: From the findings of the study, it has been stated that there was a high level of constraints associated with access to credit. Highly responded constraints for bank credit were hectic documentation (71.61 mean score), repayment period not being sufficient (68.25 mean score) and insufficient loan amount (60.25 mean score) were the major constraints. Due to having these constraints, farmers faced a lot of troubles to get credit which hampered agricultural activities, increased cost of credit, led to selling of agricultural crops at low prices.

Keywords: [Credit ,credit utilization,constraints,agricultural loan ,economic development]

1. INTRODUCTION

Agriculture plays an important role in the economic life of India. The unprecedented fall in global poverty, especially in Asia, in recent decades reflects a large contribution from the successful agricultural transformation (Datt and Ravallion, 1998). Indian economy largely depends upon agriculture as more than 72 per cent of its population is employed in it. Indian agriculture is relying on the mercies of monsoons for its survival. One of the key drivers of progress in any sector is the proper availability of finance. In the case of agriculture, it is not only the availability of credit but also the access to adequate institutional credit that matters, since most of agriculturists belong to small and marginal farmer categories.

In fact farmers need much more capital than they can afford to save. Credit is a condition that enables a person to extend his or her control over ownership of resources. It represents mobilization of the savings by intermediaries or government from the people and through such credit operations financial savings are transformed into capital. However credit is not capital, the money obtained from credit provides a command over enough funds to exploit opportunities. Credit is an important input in the development. It plays the role of an accelerator in the agricultural development provided it is adequate in quantity, cheap and development oriented. Therefore, understanding the gap and necessity the present study was undertaken to investigate the detail scenario of the constraints faced by the farmers associated with credit.

2. MATERIAL AND METHODS

Karanzakala block which had highest loan availing was selected purposively. Out of 185 villages, top five villages where maximum financing was availed through bank namely

Ladlepur, Piyarepur, Shikarpur, Nadiyapara, Palhamaukhurd, were selected for the study purposively. First the farmers were categorized in three different groups' marginal, small and medium farmers. Out of all respondents 10 % of samples are selected randomly.

Marginal farmers: farmers having land holding less than 1 hectare.

Small farmers: farmers having land holding 1 to 2 hectares.

Medium farmers: farmers having land holding above 2 hectares.

After the random selection of respondents now the farmers were categorized in two different groups randomly.

Borrowers

Non borrowers

From these lists a sample of 120 respondents (60 from borrower and 60 from non-borrower) were selected for study purpose. The structured and pilot-tested questionnaire was used to collect the data, and then collected data were calculated and analyzed by using average and percentage and Garrett ranking technique was used. The period of the study was: 1st December 2020 –31st May 2021.

3. RESULTS AND DISCUSSION

To study the various constraints regarding credit utilization Garrett's ranking technique was used. Garrett's ranking gives the change of orders of constraints and advantages into numerical scores. The major advantage of this technique as compared to simple frequency distribution is that the constraints and advantages are arranged based on their importance from the point of view of respondents. Hence the same number of respondents on two or more constraints can be given different rank (Kumar and Pandey, 1999). Garrett's formula for converting ranks into per cent was given by,

$$\text{Per cent position} = 100 (R_{ij} - 0.5) / N_j$$

Where,

R_{ij} = rank given for i^{th} factor by j^{th} individual

N_j = number of factors ranked by j^{th} individual

The per cent position of each rank is then converted into scores referring to the Table given by Garret and Woodsworth (1969). For each factor, the scores of individual respondents was added together and divided by the total number of the respondents for whom scores was added. These mean scores for all the factors were arranged in descending order, ranks were given and most important factors will be identified. Garrett's ranking technique was adopted for studying problems faced by borrowers regarding credit utilization.

The general problems faced by the sample farmers of the study in acquiring the credit from banks during the study period is clear from the table 1 and it is revealed by the Garrett scores that maximum number of borrower with 71.61 mean score borrowers reported that hectic documentation as main problem faced in acquiring the credit, whereas with 68.25 mean score borrower reported that repayment period is not sufficient, with 60.06 mean score reported insufficient loan amount as major problem. Whereas with 59.67 mean score faced bribery as major problem, with 52.84 mean score delay in disbursement of loan and with 47.47 mean score borrowers faced poor cooperation from bank staff as major problem while 45.93 mean score borrowers had expressed no technical guidance as major problem and with 44.36 mean score borrowers has reported higher interest rate as major problem at the time of obtaining agricultural loan.

Table 1 : Problems experienced by sample borrower in acquiring credit from banks in the study area :

**Total no. of Respondents=120
B+NB=60+60=120**

S.no	Constraint	Mean score	Rank
1	Insufficient loan amount	60.06	3
2	Higher interest rate	44.36	8
3	Hectic documentation	71.61	1

4	Bribery	59.67	4
5	Delay in disbursement of loan	52.84	5
6	Poor cooperation from bank staff	47.47	6
7	Repayment period is not sufficient	68.25	2
8	No technical guidance	45.93	7

UNDER PEER REVIEW

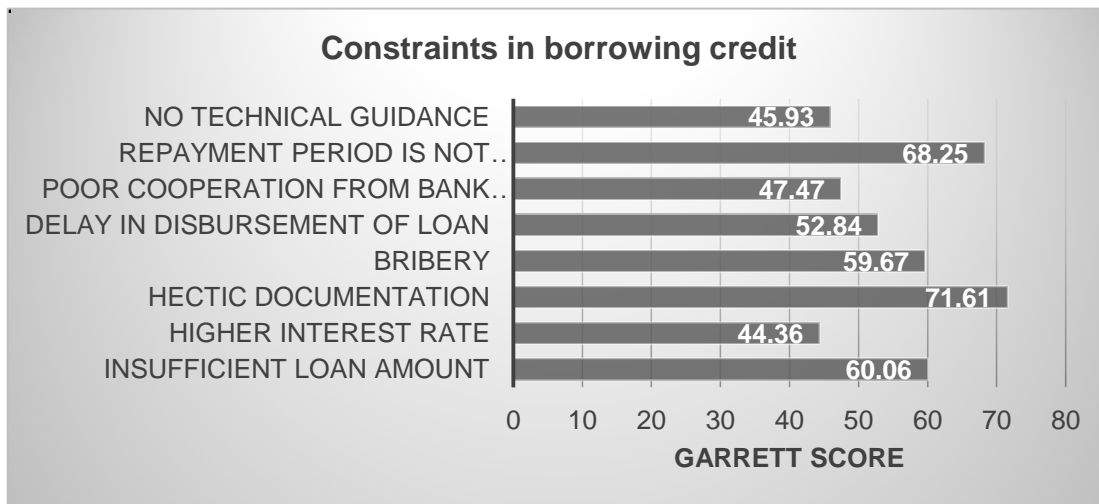


Fig. 1. Graphical representation of Garrett mean score of problems experienced by sample borrower in acquiring credit from banks in the study area

4. CONCLUSION

From the findings of the study, it has been stated that there was a high level of constraints associated with access to credit. Highly responded constraints for bank credit were hectic documentation (71.61 mean score), repayment period not being sufficient (68.25 mean score) and insufficient loan amount (60.25 mean score) were the major constraints. With 59.67 mean score faced bribery as major problem, with 52.84 mean score delay in disbursement of loan and with 47.47 mean score borrowers faced poor cooperation from bank staff as major problem while 45.93 mean score borrowers had expressed no technical guidance as major problem and with 44.36 mean score borrowers has reported higher interest rate as major problem at the time of obtaining agricultural loan. Due to having these constraints, farmers faced a lot of troubles to get credit which hampered agricultural activities, increased cost of credit, led to selling of agricultural crops at low prices.

REFERENCES

Barros; C. , P. , Managi; S. and Matousek; R. (2012). The technical efficiency of the Japanese banks : Non-radial directional performance measurement with undesirable output . *Omega* 40 : 1-8 .

Banerjee; A. (2011) Risk management in banking sector. *An overview* . *Mgmt Acct*, 46 : 679-682 .

Briggeman, B. C.; Akers, M.M.(2010) The credit advantage of farm and rural small business ownership. *Agricultural Finance Review*; 70(3): 353-364.

Bagchi; S.K. (2003). Credit risk management A panacea or conundrum? *SBI Monthly Rev.* 42 : 497-504 .

Dodson, C. B.; Ahrendsen, B. L.(2017). Farm and lender structural change: implications for federal credit. (Special Issue: Commemorating 100 years of agricultural credit.) *Agricultural Finance Review*, 77(1): 78-94.

Das, A., Senapati, M., & John, J. (2009). Impact of agricultural credit on cultural agriculture production: an Empirical analysis in India. *Reserve Bank of India Occasional Papers*, 30(2), 77-107.

Deepak Shah.(2005). Mapping Strategies for Efficient Rural Credit Delivery System Through co-operatives in Maharashtra. *Indian Journal of Agricultural Economics*, 60(3): 362

Escalante, C.; Song MinRong; Dodson, C.(2016). FSA farm loan repayment under economic recession and drought conditions: evidence from US Southeastern and Midwestern farms. *Agricultural Finance Review*, 76(4): 445- 61.

Folefack, A. J. J.; Tegua, J. S. \L(2016). Factors influencing loan repayment by credit beneficiaries of microfinance institutions in the far North Region, Cameroon. *Russian Journal of Agricultural and Socio-Economic Sciences*, 3(51): 44-51.

UNDER PEER REVIEW