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Pattern of Agricultural Credit Utilization

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ABSTRACT

The study was conducted during 1976-77 in Anand Taluka of Kheda District to find out the utilization pattern of the co-operative credit borrowed from the primary agricultural credit societies. Ten Primary Agricultural Credit Societies and 162 respondents were selected by random method. It was found that nearly one third of the selected members diverted the use of loans. It was also observed that out of the total loan borrowed, 20.26 per cent of the amount was diverted towards un-stipulated purpose.

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INTRODUCTION

Modern farming depends for its financial requirements largely on credit. With the introduction of improved technology of production, agricultural industry has become more and more capital intensive. Farmers' own capital resources are insufficient to meet with the capital input needs of the farms. The cultivators, therefore, have to depend, to a large extent, on borrowed funds. In some cases, if credit is not available, it may not be possible for the farmers to adopt the improved production techniques. If improved techniques of production are adopted without borrowing additional funds, there is greater possibility of decline in returns than the hope for increase, because in traditional agriculture, technology is adjusted at low level of equilibrium to the availability of capial. Thus, there is a close linkage between the adoption of new technology of agricultural production by farmers and use of agricultural credit.

The success of credit institutions and the welfare of cultivators mainly depend on productive utilization of agricultural credit. Mis-utilization of loans affects both the prestige of the co-operative credit institutions and the prosperity of the farmers. The main objective of the agricultural credit is to improve the economic conditions of the borrowers. The lending policy should ensure that the loans are given for productive and remunerative purposes and not for unproductive and wasteful expenditure. This calls for, amongst other things, an appreciation of co-operative principles and the existence of enlightened self-interest amongst members. If members resort to misutilization of co-operative agricultural credit, the fundamental principles of co-operative are not fully appreciated and/or practised amongst members. Un-productive use of credit not only checks the repaying capacity of cultivators but also makes cultivators more indebted which ultimately results in stopping of the flow of credit to them even

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for productive purposes. Thus the impact of co-operative agricultural credit is determined by the extent to which it is productively used. This study was, therefore, aimed at examining the extent, directions of diversion and utilisation of co-operative agricultural credit by 162 borrowers of randomly selected ten co-operative societies in Anand taluka of Kheda District (Gujarat).

MATERIALS AND METHODS

The study was conducted in Anand taluka of Kheda District. A random sampling design was restored to for selection of societies and borrower members. The sample consisted of ten primary agricultural credit co-operative from 76 primary agricultural credit and service societies and of 162 borrower members from randomly selected societies.

Based on the empirical measures, the interview schedules were used for collecting data from the selected societies and selected borrowers. The study was conducted during the year 1976-77. The data were processed and analysed through statistical techniques of ratios and averages.

RESULTS AND DISCUSSION

The pattern of utilization of co-operative agricultural credit by the borrowers is described in the following pages:

Utilization of Loans : The diversion in the use of loans has been ascertained from the respondents by enquiring about the purpose for which they borrowed the loan and the actual utilisation. Those who replied that they used the loan for purposes other than those for which they borrowed were considered to have diverted the use of loans. The proportion of these is considered as the extent of diversion and the use on unstipulated purposes is considered as the direction of diversion. These data are presened in Table 1.

TABLE 1

Extent of diversion of agricultural credit by selected respondents.

Audit Group	*Total No. of Respondents*	*Respondents who partially or fully diverted Agri. Credit*	
		No.	*Per cent*
1	2	3	4
A	24	7	29.10
B	109	39	35.78
C	29	7	24.14
Total	162	53	32.72

The data in Table 1 indicates that nearly one third (32.72%) of the selected members diverted the use of loans and the remaining ones utilised the loans properly. Thus, the mis-utilisation of agricutural credit was to the extent of about one-third.

Purposes and Use of Credit : It is not only important to know the number of respondents who diverted the credit but also the amount of credit which is diverted, and the purposes of diversion. This analysis was, therefore, made to get some idea of the lines on which improvemet in the lending policy can be made and for providing an insight in to the economic exigencies and other factors which compel or motivate the borrowers to divert the credit. To throw some light on this aspect, every

respondent was asked the purpose for which he borrowed credit and purposes for which he actually used it. The data were analysed in the following manner:

First the reported purposes were grouped together under major heads based mainly on the nature of economic activity implied in the purposes. Then, the relative share of these purposes in the total credit obtained by the borrowers and the relative magnitude if diversion (per cent of diverted amount to borrowed amount) were worked out, and thereby the variations in regard to the purpose of borrowing and diversion magnitude were examined. Next, the direction in which the diverted amount had gone and the relative share of the diverted amounts was analysed. The multiplicity of purposes presented some problems in classification. Another point that may be noted in this connection is that in majority of societies, the loans for current agricultural needs are advanced under the broad purposes of "Agriculture needs" or "Crop loans". This is covered under the broad category of the "Current Agricultural Expenses", e.g. from seeds to fertilizers or vice-versa, has not been treated as diversion.

Magnitude of diversions : To find out the magnitude of diversion, the proportion of the amount of credit diverted to the total amount of credit obtained by the borrowers in each of the selected societies was studied. (Table 2).

TABLE 2

Magnitude of diversion of agricultural credit.

Society	*Amount of loan borrowed from the societies (Rs.)*	*Amount utilised for stipulated purposes (Rs.)*	*Amount diverted for un-stipulated purposes (Rs.)*
1	2	3	4
A	92,980	84,023 (90.37)	8,957 (9.63)
B	5,48,855	4,21,810 (76.86)	1,27,045 (23.14)
C	66,450	58,925 (88.68)	7,525 (11.32)
Total	7,08,285	5,64,758 (79.74)	1,43,527 (20.26)

During 1976-77, an amount of Rs. 7,08,285/- as agricultural credit was obtained by the selected repondents. Out of this an amount of Rs. 92,980/- was obtained by A class society members, Rs. 5,48,855/- was obtained by B Class society members and Rs. 36,345/- was obtained by C Class society members. Out of Rs. 92, 980/- (A class society), an amount of 90.37 per cent was utilised for proper purposes and only 9.63 per cent for other purposes like house-hold, consumption, repayment of debt, etc. In B class societies, 76.86 per cent amount was utilised for agricultural purposes and 23.14 per cent amount was diverted to other use. In the case of C audit class societies, 11.32 per cent amount was misutilised. This shows that the extent of diversion was relatively greater in the case of B class societies members and less in A class societies.

The study further indicated that the big farmers utilised relatively greater production of credit for other purposes in all audit class societies as compared to small farmers. Out of the total loan borrowed, an amount of Rs. 5,64,758 (79.74 per cent) was utilised for the stipulated purposes and an amount of Rs.

1,43,527 (20.26 per cent) was diverted to purposes other than those for which they were taken.

Crop loan system : The crop loan system may be defined as a loaning system under which loans are given by credit co-operatives to the members farmers for raising crops on the basis of their productive requirements and recovered out of the sale proceeds of the crops as raised. During the last few years, various states have started implementing the crop loan system. It is a progressive credit system under which credit is linked with the cost of cultivation and production schedule of the concerned crops and with the repaying capacity of the borrowers. The main objective of this system is to supply credit in cash and kind to the farmers in time. This system has been under implementation for several years in Kheda District. Cash components have not been fixed adequately to meet with the cost of production. Secondly, the kind component is not necessarily disbursed in kind. Disbursement of credit in kind is an important feature of the crop loan system. However, the disbursement of loan in Kheda District is not done in kind but only in cash. The cash loan given in two instalments is known as cash and kind. The kind component was given only in cash due to lack of availability of inputs like fertilizers, seeds, insecticides, etc. Eventhough the kind component of the loan was given in cash, it was shown as kind in the records of the society. This is just for the sake of showing on records but it is not in actual practice.

Use of Fertilizer Credit : Fertilizer is the most important input in agriculture and its consumption determines the productivity in agriculture. The co-operatives will have to play a significant role to supply fertilizer credit which is a part of general agricultural credit.

As the fertilizer consumption goes up, it becomes increasingly necessary to use pesticides to protect the crops. If these inputs are not supplied to the farmers at the right time and in right quantities, the farmers can not derive the full benefit from their use. This study made an attempt to determine the use of fertilizer credit. The data are on attempt to determine the use of fertilizer credit. (Table 3)

The data in Table 3 reveals that out of 162 selected respondents 113

TABLE 3

Fertilizer purchased by selected members.

Society Group	*Total No. of respondents*	*Purchased from co-operative society*	*Purchased from other agencies*	*Total*
1	2	3	4	5
A	24	24	—	24
B	109	60(9)*	49	109
C	29	29	—	29
Total	162	113	49	162
Percentage		69.75	30.25	100

*The figure in the bracket indicates numbr of respondents who simultaneously purchased fertilizers from other agencies also.

(69.75 per cent) purchased fertilizers from co-operative societies and 49(30.25 per cent) respondents purchased fertilizers from other agencies like fertilizer depot, private traders, neighbouring co-operative societies, etc. It was also noticed during investigation that all selected farmer respondents purchased fertilizers by cash. Nine borrower members purchased fertilizers from the co-operative society but it was inadequate and therefore, they purchased the remaining quantity from other agencies also.

The data regarding value of fertilizers purchased by the borrower members are shown in Table 4.

TABLE 4

Value of fertilizers purchased by borrower members.

Society Group	*Purchased from*		
	Co-operative	*Others*	*Total*
1	2	3	4
A	46,778	—	46,778
	(100.00)		(100.00)
B	1,33,672	1,11,408	2,45,080
	(54.54)	(45.46)	(100.00)
C	37,288	—	37,288
	(100.00)		(100.00)
Total	2,17,738	1,11,408	3,29,146
	(66.15)	(33.85)	(100.00)
Average per purchaser	1,784.74	2,273.63	1,924.83
	(N = 122)	(N = 49)	(N = 171)*

*Including 9 members who purchased fertilizer from both co-operatives and other agencies.
N = Number of purchaser.

Data in Table 4 indicated that 9 members borrowers purchased the fertilizers both from co-operatives as well as other agencies. The member borrowers purchased fertilizers from co-operative societies worth Rs. 2,17,738 constituting 66.15 per cent value of the total fertilizers purchased. The fertilizer purchased from other agencies was worth Rs. 1,11,408 (33.85 per cent). This showed that about two third (66 per cent) of the fertilizer needs were met by the co-operative societies and there was scope to expand the distribution of fertilizers to the members. As regards average value of the fertilizer purchased from co-operative society, it came to Rs. 1,784.74 per fertilizer purchaser from the co-operative society and Rs. 2,273.63 per fertilizer purchaser from other agencies. It can be seen that in A and C audit class societies, all respondents purchased fertilizer from the societies. Only in B audit class societies, respondents purchased fertilizers from other agencies as there was no facility to sell fertilizers in these societies.

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