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Study on the requirement, availability and utilization pattern of credit in Jaunpur district of Uttar Pradesh

Ankita Maurya¹, Harendra Pratap Singh Choudhri², Supriya³, Pavan Kumar Singh⁴, Kadir Karakaya⁵ and R. P. Joshi⁶

^{1,2,3,4}Department of Agricultural Economics, Acharya Narendra Dev University of Agriculture & Technology, Kumarganj, Ayodhya (U.P.)-224229, India

⁵Selçuk University, Faculty of Science, Department of Statistics, Konya, Turkey

⁶AICRP on small millets, College of Agriculture, Rewa, JNKVV, 486001, India

²Correspondence: harendra1992chaudhri@gmail.com

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Abstract

Keeping in view the importance of credit in agriculture. A study was conducted in Jaunpur district of Uttar Pradesh. Sixty borrowers and sixty non-borrowers were selected through the multistage stratified purposive cum random sampling technique. Primary data were collected through the personal interview method with the help of pre structural schedule and secondary data were collected from respective banks and offices at the district and block level. Simple tabular analyses showing percentage and average were done for the presentation of the result. A maximum of 55.47 percent loans were borrowed for crop production followed by farm machinery and equipment (16.53 percent), another purpose (20 percent) and dairy purpose 7.90 percent. Utilization of borrowed amount was done a maximum of 38.10 percent on the use of farm machinery, 30.00 percent other charges and 27.50 percent on variable inputs. Similarly in the case of dairy 55.26 percent spent on the purchase of milch animal 25.78 percent for construction and 18.94 percent concentrate feed. Expenditure in the case of machinery and implements were distributed as 46.00 percent repair and maintenance. 30 percent on purchase of minor implements and 24.00 percent on a hired charge of machinery. It was observed that expenditure on other purposes were high which should be restricted to its main objective.

Keywords: Borrower, agriculture credit, requirement, availability, utilization pattern of credit.

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INTRODUCTION

Agriculture is the backbone of Indian economy. Since time immemorial, agriculture has occupied an important place in the economic development of India and is considered a major economic powerhouse that has an impact on the entire economy. It has been realized that the success of economic planning in India depends largely on the growth of the agricultural sector.

The Indian economy relies mostly on agriculture as more than 72 percent of its population is employed in it. Indian agriculture is dependent on the mercy of the monsoon for its survival. But still, certain other factors such as irrigation facilities, labor, fertilizers, pesticides, and seeds, etc., contribute significantly to the growth of agriculture. For acquiring these essential inputs, Indian farmer needs credit as their financial base, is very weak. Of late, traditional sources of credit i.e. indigenous bankers and moneylenders are being replaced by institutional credit. The distribution system of Indian rural credit is represented by a huge number of agencies including cooperatives banks, regional rural banks, commercial banks, self-help groups, non-banking financial agencies which well-spread informal credit outlets. Other than this, several initiatives like Kisan Credit Card Scheme, RIDF Scheme, etc. have been put in place to increase the flow of credit in the agriculture sector. KCC has emerged as the most effective means of credit delivery system for agriculture in terms of timeliness, hassle-free operation and loan adequacy with minimal transaction costs and documentation (A.N. Shukla et al., 2010).

Therefore, the role of credit is important in the development of any sector and agriculture is no exception to it. Credit is a critical input for agricultural operations, particularly for small and marginal farmers. It plays a crucial role in stepping up and stabilizing growth in developing countries like India. Credit has been recognized as the lifeblood of all the economic activities of stakeholders at the farm level such as producers and agriculturists also need credit. Accordingly, an old proverb "credit

supports the farmers as the hang man's rope support the hanged." This statement is fully true in the context of Indian farmers. Thus, for stimulating the tempo of agricultural production, not only adequate and timely credit but also purposive credit utilization is most essential.

Therefore, in this context the following objectives have been formulated for the study entitled "Study on the availability of rural credit, utilization and repayment of credit in Jaunpur district of Uttar Pradesh":

1. To study the requirement and availability of loans to the borrower through financing institutions.
2. To study the loan utilization pattern by the borrower.

METHODOLOGY

Sampling technique:

Multistage stratified cum purposive random sampling design was used to select district, block, village and cultivators in the ultimate stage of the study.

A) Selection of district:

The study was purposively undertaken in Jaunpur district of Uttar Pradesh in order to avoid operational inconvenience and constraints of money and time of the investigator.

B) Selection of block:

The selection of blocks formed the first stage of the sampling technique. At first, a list of all 21 blocks of Jaunpur district of Uttar Pradesh was arranged in descending order of the magnitude of the loan to the farmers. One block, namely Karanzakala which has the highest loan availing was selected purposively.

C) Selection of village:

A separate list of all the villages falling under Karanzakala block were prepared and arranged in ascending order of the magnitude of loan. Out of 185 villages, the top five villages where maximum financing was availed through bank namely Ladlepur, Piyarepur, Shikarpur, Nadiyapara, Palhamaukhurd, were selected purposively for the study.

D) Selection of borrowers:

A separate list of the farmers of five selected villages was prepared. From these lists, a sample of 120 respondents (60 from borrowers and 60 from non-borrowers) were selected for study purposes. The distribution of borrowers and non-borrowers respondents in different villages is given in Table:1.

Table-1: Sample details of village and farmers of selected block of the study area

Village	Borrowers		Non-borrowers	
	Total	Selected	Total	Selected
Ladlepur	26	19	117	13
Piyarepur	11	8	88	10
Shikarpur	11	8	113	13
Nadiyapara	25	17	121	13
PalhamauKhurd	11	8	103	11
Total	84	60	542	60

Method of enquiry and collection of data:

The primary data were collected through a survey method by a personal interview with the use of a pre-structured schedule specially designed for this purpose, while secondary data were collected from Block headquarter, financing institutions journals, books and internet, etc.

Analytical tools:

For the interpretation of data, simple tabular analysis like percentage and average were applied for analyses of data and interpretation of results.

RESULTS AND DISCUSSIONS

This section deals with the purpose wise availability of loan, utilization of loan amount and loan repayment performance of borrowers.

Purpose wise requirement and availability of loan amount to the borrower

The information regarding purpose wise availability and requirements of the loan through financing institution in the study area was presented in Table-2.

It is depicted from the table that the main purpose of taking the loan by sample borrowers was purchase of inputs for crop production, purchase of milch animal and purchase of farm implements. The purpose wise total amount required by the sample borrowers were Rs.2260671 (\$30781.09), Rs.303498 (\$4131.40), Rs.556413 (\$7576.07) and 770418 (\$10489.94) for crop production, livestock, farm machinery, and others (i.e. Marriage ceremony, business) purposes respectively.

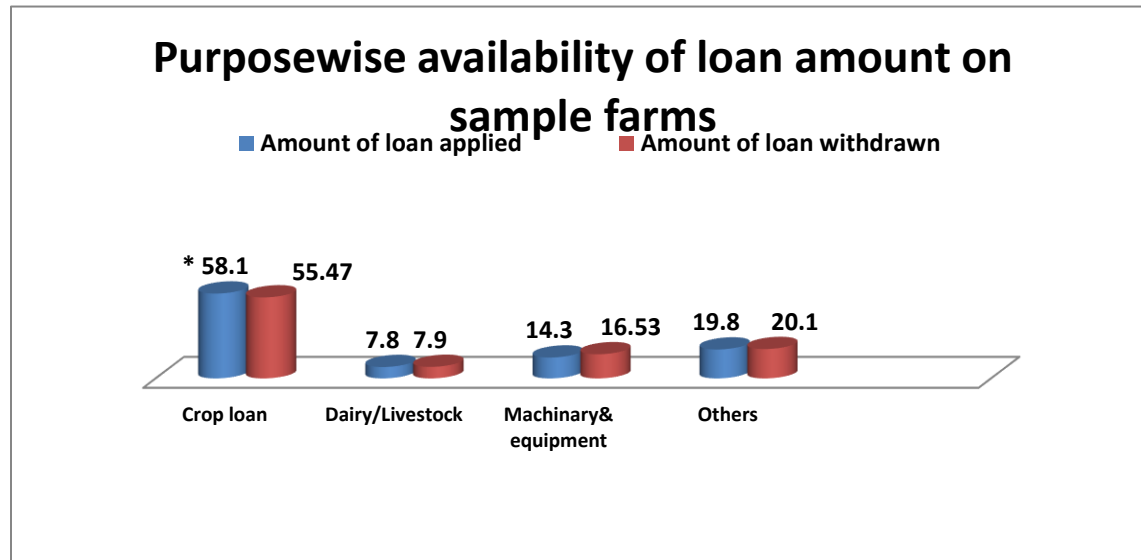
The total loan amount demanded by the sample borrower farms was Rs. 3891000 (\$ 30781.09). Which was made of maximum of 58.10 percent for crop production, 19.80, 14.30 and 7.80 percent for other purposes like purchase of machinery and implement and livestock respectively.

Table 2: Purpose wise requirement and availability of loan amount for borrower in the study area:

Sl. No.	Type of loan	Number of marginal borrower	Details loan amount						Amount of interest (@4%)	
			Amount of loan applied		Amount of loan sanction		Amount of loan withdrawn		Rs.	\$
			Rs.	\$	Rs.	\$	Rs	\$		
1.	Crop loan	35	2260671 (58.10)	30781.09	135725 2 (55.90)	18480.22	1333000 (55.47)	18150.0 1	53320	247.13
2.	Dairy/ Livestock	5	303498 (7.80)	4132.40	189384 (7.80)	2578.64	190000 (7.90)	2587.02	7600	103.48
3.	Machinery & equipment	8	556413 (14.30)	7576.07	400620 (16.50)	5454.81	400000 (16.53)	5446.36	16000	217.85
4.	Others	12	770418 (19.80)	10489.94	480744 (19.80)	6545.77	480000 (20.10)	6535.64	19200	261.43
Total		60	3891000 (100)	52979.51	242800 0 (100)	33059.43	2403000 (100)	32719.0 3	96120	1308.7 6

It was also observed from the table-2 that the purpose wise availability/sanction of loan amount were 55.90, 7.80, 16.50 and 19.80 percent of amount demand for various purposes. The amount withdrawn by the borrower were also found of a similar trend like the amount required and amount sanctioned.

The overall availability of loan demand in the study area was found to 62.40 percent. The total amount of interest on the amount withdrawn was found to Rs 96120 (\$ 1308.76) @ 4.00 percent.



*Amount is the percent of the total.

Purpose wise utilization pattern of credit by the borrowers:

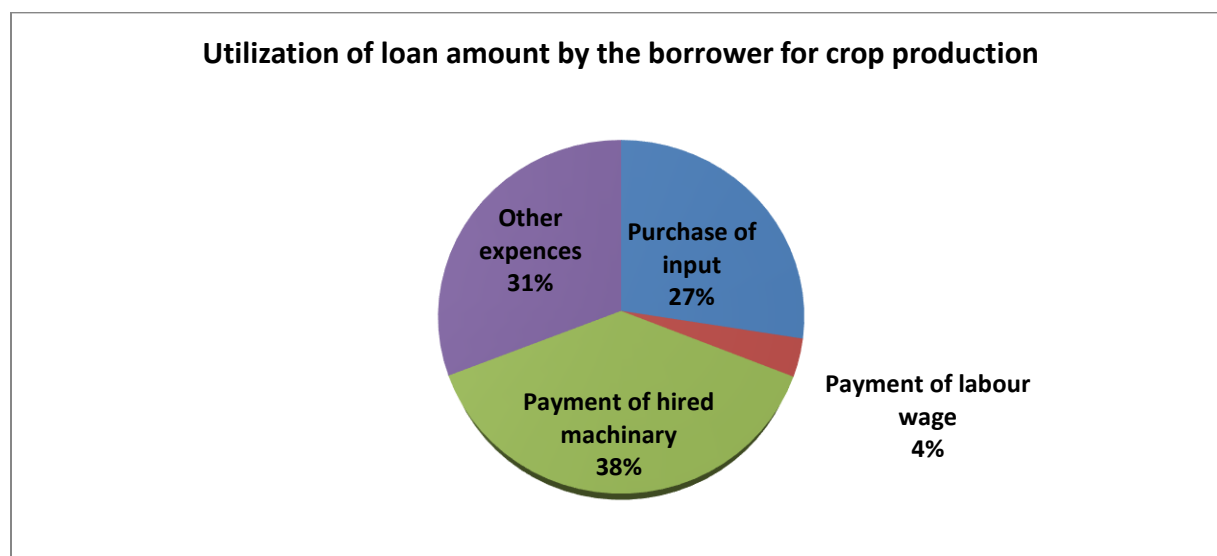
a) Utilization of credit for crop production:

The information regarding utilization of credit by the borrowers was done for crop production indicated in Table 3.a. It reveals that utilization of loan amount by borrowers to purchase of farm inputs, payment of labor wage, payment of hired machinery and on other purposes, which computed as Rs.366575 (\$ 4984.28), Rs. 46655 (\$634.36), Rs. 507873 (\$6905.50) and Rs. 411897 (\$5600.52) respectively.

It is also revealed from Table 3.a. that the borrower spent the maximum amount of loan on payment on machinery charges (38.10%), and for other purposes (30.90%) followed by the purchase of farm inputs and payment of labor wage which accounts for a minimum of 3.50 percent.

Table: 3.a: Utilization of loan amount by the borrower for crop production

Sl. No.	Particular	Amount spent		Percent
		Rs.	\$	
1.	Purchase of input	366575.00	4984.28	27.50
	a. Seed	97309.00	1323.10	7.30
	b. Fertilizer	189286.00	2573.70	14.20
	c. Chemical	79980.00	1087.48	6.00
2.	Payment of labor wage	46655.00	634.36	3.50
	a. H.L.	46655.00	634.36	3.50
	b. B.L.	00.00	00.00	00.00
3.	Payment of hired machinery	507873.00	6905.50	38.10
	a. Tractor	192485.20	2617.20	14.44
	b. Irrigation	315387.80	4288.30	23.66
4.	Other expenses	411897.00	5600.52	30.90
	Total	1333000.00	18124.66	100



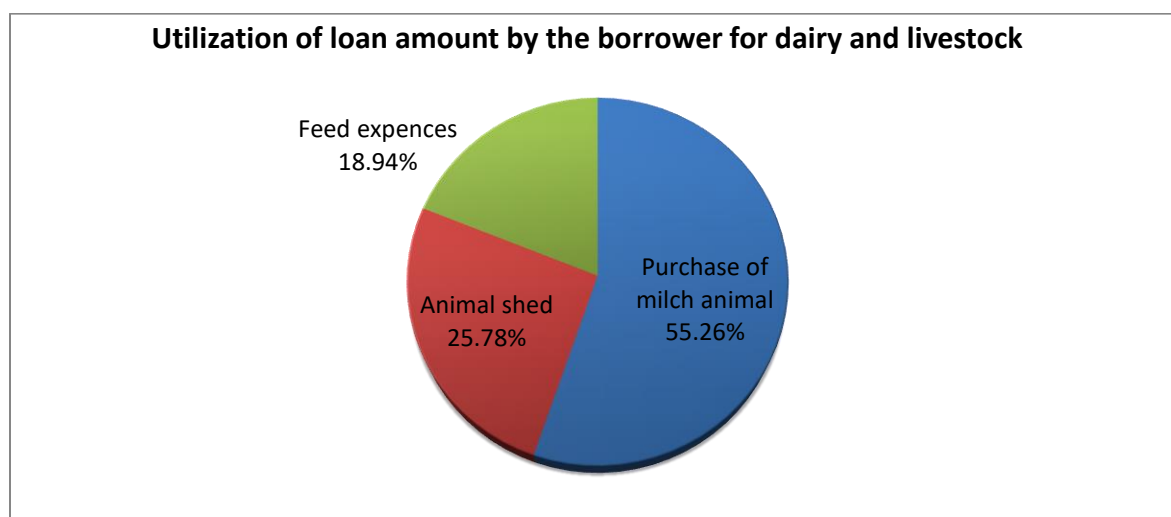
b) Utilization pattern of credit for dairy and livestock:

The details of the utilization of credit by the borrowers for dairy and livestock purposes are indicated in Table 3.b. It is revealed from the table that utilization of loan amount by borrower were done to purchase of milch animals, construction of animal shed and also purchase of animal feed, which computed as Rs. 105000 (\$ 1427.67), Rs. 49000 (\$ 666.25) and Rs. 36000 (\$ 489.49), which account for 55.26, 25.78 and 18.94 percent of total loan expenditure respectively.

It is also observed from Table 3.b. that the borrower spent the maximum amount of loan on the purchase of milch animal followed by the construction of animal shed and feed expenses.

Table: 3.b: Utilization of loan amount by the borrower for dairy and livestock purposes

Sl. No	Particular	Borrower(n= 5)		
		Amount		Percent
		Rs.	\$	
1.	Purchase of milch animals	105000	1427.67	55.26
2.	Animal Shed	49000	666.25	25.78
3.	Feed expenses	36000	489.49	18.94
Total		190000	2583.17	100



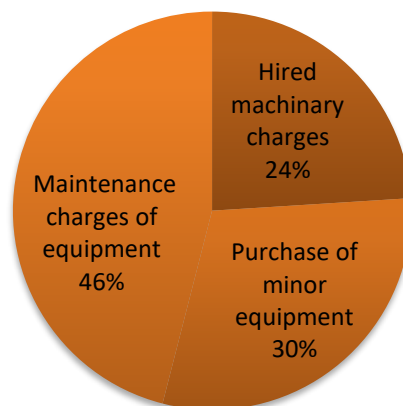
C) Utilization of credit for machinery and equipment:

The details of the utilization of credit by the borrowers for purpose, hiring and repair of purpose are given in Table 3.c. It is clear from the table that utilization of loan amount by borrower to pay hired machinery charges, purchase of minor equipment and repair and maintenance charges of equipment, which computed as Rs. repair and maintenance charges of equipment 96000 (\$ 1305.30), Rs. 120000 (\$ 1631.63) and Rs. 184000 (\$ 2501.83), respectively.

It is also observed from table 3.c. that the borrower spent the maximum amount of loan on repair and maintenance charges of equipment followed by, purchase of minor equipment and to pay for hired machinery charges, which computed as 46.00, 30.00 and 24.00, percent respectively.

Table 3.c: Utilization of loan amount by the borrower for machinery and equipment:

S.No	Particular	Borrower(n= 8)		
		Amount		Percent
		Rs.	\$	
1.	Hired machinery charges	96000	1305.30	24.00
2.	Purchase of minor equipment	120000	1631.63	30.00
3.	Repair and maintenance charges of equipment	184000	2501.83	46.00
Total		400000	5438.76	100

Utilization of loan amount by the borrower for machinery and equipment**CONCLUSION**

Seeing the importance of credit in farming especially for resource poor marginal farmers in order to generate the income and employment to raise the standard of living of their family. This study was conducted on seed availability and utilization pattern of credit in Jaunpur district of U.P. sixty sample borrowers were selected randomly from 5 villages of one block. Primary data were collected through the interview method on a pre-structured schedule. A simple tabular analysis was used for the presentation of the result.

The study revealed that the total loan requirement of Rs.2428000 (\$ 33059.43) by the sample farmers were Rs.3891000 (\$52979.51) out of which Rs.2428000 (\$ 33059.43) were sanctioned which accounted for 62.00 percent of total requirement of the total amount sanctioned 98.997 percent were withdrawn by the borrower farmers and used for various purposes like- crop and livestock production purchase and hiring of machinery and equipment and also for some other purposes the total interest paid by the borrowers farmers were Rs.9612012 (\$130876.29) which were charged @4%.

As for as utilization of the loan was concerned of total amount withdrawn 55.47, 7.90, 16.53 and 20.10 percent were spent on crop production, dairy enterprises, machinery and implement and on other expenditure respectively. It shows that borrowers spent a considerable share of the credited amount on other than agricultural purposes.

Further utilization of loan amount among various purposes are distributed as 27.50 percent for wage payment 38.10 percent for purchase and payment hiring charges of machinery & equipment and 30.90 percent for other purposes in crop production enterprises.

It may be concluded that expenditure on other purposes is too high and it should be checked and diverted towards the productive expenditure.

Similarly, the total amount spent on dairy enterprises is distributed as 55.26, 25.78 and 18.94 percent on the purchase of milch animal, construction of animal shed and purpose of feed and fodder.

Likewise, share and loan amount spent on machinery and equipment were accounted for 24.00, 30.00 and 46.00 percent on hired charges, purchase of equipment and repair and maintenance charges respectively. At last, it may be concluded that credit plays a major role in conducting the farm activity successfully and directly support the socio-economic development of the marginal farmers.

On the basis of the study, it may be suggested that monitoring of the expenditure of loan amount should be done by agencies and expenditure on purpose other than agriculture should be restricted.

Further, the poor farmer may technically be advised by extension agencies for better utilization of loan amount in more beneficial enterprises.

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