UTILISATION AND REPAYMENT OF AGRICULTURAL CREDIT - THE CASE OF MADURAI DISTRICT, TAMIL NADU

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ABSTRACT

The present paper attempts to examine and analyse the extent of utilisation and the repayment of agricultural credit by the farmers in Madurai district of Tamil nadu. It was carried out with both the primary and the secondary data. Secondary data required for the present study were collected and compiled for a period of 13 years, that is, from 2000 to 2012. A well designed interview schedule was developed and used to collect the required data from 350 sample farmers selected from the study area by adopting the convenient sampling technique. The Percentage Analysis, Linear Trend Model, Semi-log Trend Model and the Factor Analysis Approach were employed to analyse the data. The results of the paper show that a large proportion of the respondents have fully and properly utilised the loan amount and the delay in getting loan was identified as the main reason for misutilisation of the loan amount. Though full and proper utilisation of the loan amount is made by a vast majority of the sample farmers, the other side of the coin presents a gloomy picture as full and prompt repayment is made by only less than 30 per cent of beneficiaries. The fall in income from agriculture is cited as the primary reason for the partial repayment made by most of the farmers. Of various factors leading to the non-repayment of the agricultural credit, exorbitant irrigational expenses, monsoon failures, crop failures, low returns for agricultural produce, and high cost of inputs are found to be the most influencing ones.

Introduction

The rapid development of agriculture and its allied activities lays the strong base for steady economic growth of our country which clearly indicates that agriculture is the most important component of the development process in the rural areas. Agriculture remains as the perennial source of livelihood and support for more than half of our rural population. Agriculture accounts for about 10 per cent of the total export earnings and provides raw materials to a very large number of industries. Agriculture in India contributes to nearly 14 per cent of the Gross Domestic Product (GDP) of the country (Tripathy, 2011).

Agricultural credit is one of the most crucial inputs in various agricultural development programmes. For a long time, the major source of agricultural finance was the village private moneylenders who cunningly exploited the pathetic plights of the peasants by advancing small sums at exorbitant rate of interest. In order to relieve farmers from such exploitative practices and free them from the clutches of the heartless moneylenders, advancing of loans to farmers by the formal agencies has become very imperative.

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Productive utilisation as well as timely repayment of borrowed funds is very important for the efficient functioning of rural credit delivery system. Productive utilisation of the loan amounts not only ensures the means of repayment but also improves the repaying capacity of the farmers. Moreover, timely repayment of loans is considered as one of the most important factors for the prudent deployment of funds by the financial institutions. Prompt and full repayment by the borrowers enables the financial institutions to retain their position in the rural credit market and function as a strong and a viable institution.

Madurai district is basically agrarian in its character with necessary and sufficient assistance extended by a good network of banks and bank branches. The farmers of Madurai district have been depending upon formal as well as informal sources of credit for their agricultural activities. In this context, it is but natural that a microscopic analysis of the extent of the utilisation as also the repayment of the agricultural credit by the farmers in Madurai district of Tamil nadu is absolutely necessary and relevant as well.

Literature Review

Complicated procedure in sanctioning of loans and inadequate and inordinate delay contributed to the problem of giving rise to overdues in Pali district of Rajasthan (Rajasekhar and Vinod, 1990). A study conducted in the districts of Gajan and Pulbani in Odisha reveals that the concept of write-off induced most of the sample borrowers not to repay institutional loans, even though many of them have repaying capacity (Patnaik and Mishra, 1991). Social and religious ceremonies and purchase of essential commodities have been found to be the foremost reasons for unproductive use of loan amounts by the borrowers of Primary Agricultural Cooperative Societies of Himachal Pradesh (Kulwant Singh, 1996). Most of the rural households in the villages of Raichur district in Karnataka State utilised the loan amount for long-term productive purposes. Utilisation of loan amount for short-term purposes include construction of houses, marriages, purchase of clothes, consumer durables and such other purposes (Mahajan and Ramola, 1996). The borrowers have used formal loans almost entirely for purposes of production and for assets' accumulation, while informal loans have been used for consumption purposes in the rural credit market in four provinces of Vietnam (Barslund and Tarp, 2002). Analysis of the pattern of rural indebtedness in Hathibinda village in Jharkhand State shows that 66 per cent of the households had indebtedness of some kind or other. Among the scheduled tribes of the village, the incidence of indebtedness was found to be at the highest level (Manish Ranjan, 2006). The variables that influenced repayments have been their income, distance from their dwelling place and bank, amounts of business investments, socio-cultural expenses, amounts of loan borrowed, and access to business information. Poverty was found to have hampered repayments of credit (Oke, et.al., 2007).

Climatic risks, price risks, market risks and production risks have all contributed to affect the farmers' repayment capacity (Hans Dellin and Elizebeth, 2008). Environmental factor was the most influencing factor leading to defaults in repayments of loans (Edwin Gnanadas and Geetha, 2009). Farming experience, gender and marital status of the farmers have exerted a positive and significant effect on the farmers' decision to make proper use of the credit obtained (Sebopetji and Belete, 2009). It was found that a large proportion of respondents belonging to the farming community in Tehisil Faisalabad from the Zarai Tariqati Bank Limited utilised the credit fully for the purpose for which it was obtained. Moreover, it was also found that the middle and the old age respondents were more inclined towards proper utilisation of credit as compared to the younger respondents (Aamir Riaz et.al, 2012). Sloppy supervision by bank employees, misutilisation of loans, high interest

rates, change in the business or residential places of the borrowers and the like have caused delay in the repayments of agricultural credit (Yasir Mehmood et.al, 2012).

Though a number of studies had been conducted in different geographical regions of Tamil Nadu, a comprehensive study covering various dimensions of agricultural credit has not been carried out in Madurai district so far. The present paper is a comprehensive one which has attempted to analyse farmers' attitude towards the utilisation and the repayment of the agricultural credit in this region of Tamil Nadu.

Objectives

1. To analyse the trend and growth of lending to agriculture and its allied sectors in the study area;

2. To investigate into the utilisation pattern of loan amounts by the farmers in the study area and

3. To analyse the factors influencing the repayment behaviour of the farmers in Madurai district.

Scope

The present study has confined itself to an analysis of the behavioural patterns of the farmers towards utilisation and repayment of agricultural credit in Madurai district. While analysing the farmers' attitude towards repayment of their loans, the study is restricted to an analysis of the farmers who have availed themselves of the loans from the formal agencies only and excluded farmers who borrowed from informal agencies. The enlightenment through review of existing literature that all informal agencies have a very good record in their recovery performance with regard to the agricultural loans advanced by them is the primary reason for exclusion of borrowers of informal agencies from the study.

Methodology

Data for the present study were collected both from the primary and the secondary sources. Primary data were collected from the farmer respondents in the study area directly by using a well designed interview schedule during the months of January to April 2010. Secondary data were collected from the published as well as the unpublished sources. Important sources include the Annual Credit Plans prepared by the Canara Bank (the Lead Bank of Madurai district), Madurai, and the Statistical Handbooks prepared by the Department of Economics and Statistics, Madurai. Secondary data for the present study were collected for a period of 13 years, from 2000 to 2012. The collected data, primary as well as secondary, were analysed with the help of statistical approaches such as the Percentile Analysis, the Linear Trend Model and the Semi-log Trend Model, and the Factor Analysis Approach.

Sampling Design

Madurai district consists of seven Taluks, namely, Madurai North, Madurai South, Melur, Peraiyur, Thirumangalam, Usilampatti and Vadipatti. Five revenue villages from each of these seven taluks were selected by using the simple random sampling approach and by adopting the lottery method. Of these 35 revenue village, 10 respondents from each were selected by adopting the convenient sampling approach. Thus, a total number of 350 sample farmers were selected for the purpose of the present study.

In the study area, a list of the number of farmers engaged in cultivation during the study period was obtained from the records available with the Village Administrative Officers. Data were collected from the farmer respondents by direct personal interview method. A pre-test was initially conducted and necessary corrections were made and final draft of the interview schedule was then prepared.

Banking Profile of Madurai District- A Glance

Madurai district has a good bank and branch network. As on March 2013, 528 branches of various financial agencies operating in Madurai

district include the SBI Group of Banks, Nationalised Commercial Banks, Private Sector Commercial Banks and other agencies. Other agencies include Pandyan Grama Bank (RRB), Madurai District Central Cooperative Bank (MDCCB), Tamil Nadu State Cooperative Agricultural and Rural Development Bank (TNSCARDB), Tamil Nadu Industrial Cooperative Bank (TAICO), Land Development Banks (LDBs) and Tamil Nadu Industrial Investment Corporation (TIIC). Average population serviced by each bank branch is about 9549 against the State average of 12,930. Classification of the financial agencies operating in Madurai district is presented in Table 1.

Table 1 : Financial Agencies in Madurai District

Financial Agencies	Number of Branches			Total
	Rural	Semi-urban	Urban	
Commercial Banks	68 (22.82)	37 12.42)	193 (64.76)	298 (100)
RRBs	1 (11.11)	6 (66.67)	2 (22.22)	9 (100)
MDCCB	14 (45.16)	3 (9.68)	14 (45.16)	31 (100)
TNSCARDBs	0 (0)	7 (100)	0 (0)	7 (100)
PACBs	181 (100)	0 (0)	0 (0)	181 (100)
TIIC	0 (0)	0 (0)	2 (100)	2 (100)
All Agencies	264 (50.09)	53 (10.04)	211 (40.01)	528 (100.00)

Source: Annual Credit Plan, 2012-13, Lead Bank Cell, Canara Bank Regional Office, Madurai.
Note: Figures in brackets denote percentages to totals.

Table 1 clearly reveals that the concentration of bank branches is thicker in the rural areas of Madurai district. Agency-wise classification shows that commercial banks have most of their branches located in urban areas and a large proportion of branches of cooperative banks are located in rural areas of Madurai district.

Disbursement of Loans to Agriculture and its Allied Sectors

Disbursement of loan to agriculture and its allied sectors by the various financial agencies operating in Madurai district from 2000 to 2012 is presented in Table 2.

Table 2 : Disbursement of Loan to Agriculture and its Allied Sectors

(₹ in lakh)

Year	SBI and its Subsidiaries	Nationalised Banks	Private Sector Banks	Other Agencies	Total
2000	3785.34 (23.25)	7205.47 (44.27)	1677.29 (10.30)	3609.84 (22.18)	16277.94 (100.00)
2001	3575.77 (20.45)	8339.63 (47.69)	1793.39 (10.26)	3777.95 (21.60)	17486.74 (100.00)
2002	4007.05 (19.92)	9468.67 (47.07)	1515.17 (7.53)	5126.07 (25.48)	20116.96 (100.00)
2003	4785.13 (16.69)	12232.88 (50.32)	1386.29 (5.70)	5903.56 (24.29)	24307.86 (100.00)
2004	5687.73 (20.33)	13764.67 (49.20)	3306.43 (11.82)	5217.57 (18.68)	27976.40 (100.00)
2005	7659.99 (20.01)	19357.77 (50.57)	4110.35 (10.74)	7148.70 (18.68)	38276.81 (100.00)
2006	7301.11 (14.73)	28045.97 (56.58)	10588.66 (21.36)	3633.23 (7.33)	49568.97 (100.00)
2007	10008.16 (15.51)	36527.73 (56.62)	14167.57 (21.96)	3812.68 (5.91)	64516.14 (100.00)
2008	10187.69 (13.21)	40752.89 (52.83)	19181.64 (24.87)	7018.43 (9.10)	77140.65 (100.00)
2009	13454.45 (14.70)	50626.66 (55.30)	19272.17 (21.05)	8191.27 (8.95)	91544.55 (100.00)
2010	19224.51 (16.27)	70846.33 (59.96)	22581.43 (19.11)	5505.75 (4.66)	118158.02 (100.00)
2011	19701.49 (14.69)	78288.21 (58.36)	24594.90 (18.33)	11568.56 (8.62)	134153.16 (100.00)
2012	25150.80 (15.19)	98044.24 (59.20)	29864.08 (18.03)	12552.02 (7.58)	165611.14 (100.00)
Total	134529.20 (15.92)	473501.10 (56.03)	154039.40 (18.23)	83065.63 (9.83)	845135.34 (100.00)

Source: Annual Credit Plan (Various Issues), Lead Bank Cell, Regional Office,
        Canara Bank, Madurai.

Note: Figures in brackets denote percentages to totals.
      Other agencies include RRBs, MDCC, TAICO, and LDBs.

As far as Madurai district is concerned, the Nationalised Banks have played a key role in disbursing credit to agriculture and its allied sectors followed by Private Sector Banks, the SBI and its subsidiaries and various other agencies. Though, the SBI group has bettered the Private Sector Banks in lending loans to agriculture sector in the early years of study period, its share in the total amounts of loans distributed has decreased significantly at the later years of study period. Despite the fact that cooperative banks have more number of branches in rural areas, their share in the total loan amounts is found to be very low compared to the other financial agencies particularly the Scheduled Commercial Banks.

Trend and Growth of Lending to Agriculture and its Allied Sectors

The computed results of the trend and growth of lending to agriculture and its allied sectors by various financial agencies in Madurai district from 2000 to 2012 are presented in Table 3.

Table 3 : Trend and Growth of Lending to Agriculture and its Allied Sectors

S. No.	Variables	Model	Regression Co-efficient (β)	R^2 Value	'F' Value	C G R
1.	SBI and its Subsidiaries	Y = a + bt	1687.073* (8.688)	.873	75.477	-
		Log Y = a + bt	0.169* (20.558)	.975	422.614	12.41
2.	Nationalised Banks	Y = a + bt	7289.087* (9.770)	.897	95.451	-
		Log Y = a + bt	0.231* (35.307)	.991	1246.611	25.96
3.	Private Sector Banks	Y = a + bt	2543.173* (11.700)	.926	136.895	-
		Log Y = a + bt	0.296* (10.628)	.911	112.964	34.45
4.	Other Agencies	Y = a + bt	556.339 (3.692)	.553	13.632	-
		Log Y = a + bt	0.079 (3.555)	.535	12.640	8.22

Note :   Figures in the parentheses are 't' values;
           * Significant at 5 per cent level;

Table 3 brings to limelight the fact that according to both the Models, the R^2 values are found to be very high, which indicates that nearly 99 per cent of the variations in the dependent variables have been explained in the case of various financial agencies except, in the case of 'other agencies'. The 'F' values in the case of all independent variables show that the Models are found to be statistically significant at 5 per cent level. The estimated values of 'â' in both the Models for all variables (financial agencies) are found to be positively significant at 5 per cent

level, except for the variable 'Other Agencies'. Among the various groups of financial agencies in Madurai district, the Private Sector Banks top the list with a compound annual growth rate of 34.45 per cent followed by other agencies and SBI and its subsidiaries.

Demographic Characteristics of the Sample Respondents

Information regarding the demographic characteristics of the sample farmers in the study area is presented in Table 4.

Table 4 : Demographic Characteristics

Variables	Categories	Number of Respondents	Per cent
Age	Below 30 Years	22	6.29
	31-40 Years	116	33.14
	41-50 Years	163	46.57
	Above 50 Years	49	14.00
	Total	350	100.00
Sex	Male	313	89.42
	Female	37	10.57
	Total	350	100.00
Community	SC/ST	126	36.00
	MBC	59	16.86
	BC	165	47.14
	Total	350	100.00
Education	Illiterate	94	26.86
	Primary Level	195	55.71
	Plus Two Level	52	14.86
	College Level	9	2.57
	Total	350	100.00
Family Type	Nuclear Family	234	66.86
	Joint Family	116	33.14
	Total	350	100.00

From Table 4 it is learnt that a majority of the sample farmers in the study area are males and most of them belong to the age group of 41 to 50 years. Only 22 respondents (6.29 per cent) are below 30 years of age. Further, it is noted that most of the respondents in the study area belong to the backward community. It is also understood that more than one-fourth of the respondents are illiterates while more than two-thirds belong to the nuclear family category.

Extent of Utilisation of the Formal Loans

Provision of agricultural credit at reasonable rates of interest and at the right time is very important for promoting agriculture. Equally important is repayment of loans by the farmers. Proper utilisation of loan amounts is one of the important variables influencing the repayment behaviour of the farmers. Besides, proper utilisation of the loans raised by the farmers has a favourable impact in generating additional income.

An attempt to find as to whether or not the farmers have utilised the loans raised by them in a proper way leads to the fact that 271 out of the 350 sample respondents have borrowed from the formal sources while the remaining 79 from informal sources of credit. For the purpose of analysing the repayment behaviour of the sample farmers in the study area, the present study has excluded the farmers who have availed themselves of the loans from the informal agencies. Table 5 shows the extent of utilisation of the loan amounts received from the formal financial institutions by the sample farmers in the study area.

Table 5 : Extent of Utilisation of the Formal Loans

Variables	Categories	Number of Respondents	Per cent
Extent of utilisation	Full utilisation	212	78.23
	Diversion	59	21.77
	Total	271	100.00
Reasons for full utilisation	Availability of loans on time	64	30.19
	Expectation of a good yield	85	40.09
	Strict monitoring mechanism	18	8.49
	Less unexpected expenses	45	21.23
	Total	212	100.00
Reasons for diversion or misutilisation	Drought or monsoon failure	8	13.56
	Delay in getting loans	31	52.54
	Clearance of old debts	6	10.17
	Unexpected family expenses	5	8.48
	Social ceremonies	7	11.86
	Other reasons	2	3.39
	Total	59	100.00

Table 5 shows that a vast majority of the respondents have properly utilised the credit because of reasons like expectation of a good yield from their agricultural activities. Among the various reasons identified for misutilisation of loan amounts, belated disbursement of loans is cited as main factor for misutilisation and diversion of loans availed of from the formal agencies. It is also found that social ceremonies also play a major role in misutilisation or diversion of the loans obtained by them.

Repayment Behaviour of the Borrowers

The success of providing finance for agricultural activities mainly depends upon proper utilisation and the repayment behaviour of the borrowers. Repayment of loans on time is one of the most important factors for the prudent development of funds by the financial institutions. A good recovery performance of the formal financial institutions would enable them to further recycle their scarce and limited

funds while the poor recovery performance would hamper the progress of these institutions by rendering them ineligible for obtaining fresh finance from their refinancing agencies. It is against this background that the present section attempts to assess the repayment behaviour of the sample farmers in the study area.

Table 6 : Repayment Behaviour of the Borrowers

Variables	Categories	No. of Respondents	Per cent
Extent of Repayment	Fully repaid	79	29.15
	Partly repaid	44	16.24
	Fully not repaid	148	54.61
	Total	271	100.00
Reasons for the Full Repayment	To take another loan	21	26.58
	To maintain credibility	18	22.78
	Incomes from agriculture	27	34.17
	Proper supervision by the bank	7	8.86
	Others	6	7.59
	Total	79	100.00
Sources for Repayment	Farm income	39	49.36
	Loans from Institutional sources	21	26.58
	Sale of assets	5	6.32
	Loans from informal sources	14	17.72
	Total	79	100.00
Reasons for the Partial Repayments of Loan	Expecting debt waiver and debt relief	6	13.63
	Insufficient income	16	36.36
	Non-remunerative prices for the agricultural produce	9	20.45
	Heavy consumption expenses	2	4.54
	Unexpected expenses	7	15.90
	Others	4	9.09
	Total	44	100.00

Table 6 shows that 148 out of 271 of the sample respondents have totally failed to repay the loans taken from the formal sources of credit, while 79 have fully repaid the loans. Further, it is understood that the 'income earned by the sample farmers from their agricultural activities' was the main reason for the full repayment of their loans. The remaining borrowers who have made partial repayments had reported that insufficient income from agricultural operations has been the foremost reason for partial repayment.

Reasons for Non-Repayment

An intensive enquiry was made to identify the factors responsible for non-repayment of loans availed of by the sample farmers from various financial agencies functioning in the study area. An analysis of the reasons as reported by them revealed that out

of the 271 respondents who have borrowed from the institutional agencies, 79 (29.15 per cent) of the respondents have fully repaid their loans while out of the remaining 192 respondents, 44 (16.23 per cent) had partially repaid their loans and 148 respondents (54.61 per cent) have not repaid any amount at all.

On being questioned about their utter failure to repay, they cited several reasons like insufficient income, drought conditions, crop failures, high irrigation expenses, heavy family expenses, unexpected family expenses, expectations of a loan waiver, the absence of pressure from the banks and the attitude of 'not to repay' the loans. The Factor Analysis Approach has been employed to identify the factors which have influenced the non-repayment behaviour of the sample farmers in the study area.

Factors Influencing the Non-Repayment Behaviour of the Respondents

Before applying the Factor Analysis, the data adequacy for applying the Factor Analysis was checked. In this regard, the Data Adequacy Test for Factor Analysis has been applied. The Correlation Matrix was computed and there was found to be enough correlation to proceed with the Factor Analysis. The Anti-Image Correlation Matrix has shown very small values for all the off-diagonal elements and most of them were found to be negative implying that the true factors have existed in the data. The value of the Keiser-Meyer Oklin (KMO) measure for sample adequacy was calculated. The cumulative percentage, Eigen Values and variances explained by the factors are presented in Tables 7 and 8.

Table 7 : Rotated Component Matrix (a)

S.No.	Variables	Components					
		1	2	3	4	5	6
1.	High irrigational expenses	.931	.099	.223	.057	.096	.100
2.	Flood/drought/monsoon failures	.923	.087	.220	.169	.072	.115
3.	Crop failures	.921	.104	.188	.024	.077	.156
4.	Low price for the agricultural produce	.656	.118	.162	.107	.089	.120
5.	High costs of inputs	.602	.222	.125	.183	.216	.153
6.	Heavy farm expenses	.145	.961	.076	.034	.002	.040
7.	Less of agricultural incomes	.145	.961	.076	.034	.002	.040
8.	High family expenses	.129	.899	.091	.064	.029	.025
9.	Family problems and expenses on health problems	.062	.145	.916	.016	.039	.037
10.	Children's educational expenses	.380	.071	.810	.221	.001	.007
11.	Expecting debt waivers and debt reliefs by the Government	.078	.069	.010	.841	.163	.132
12.	Wrong guidance by political parties	.092	.079	.209	.612	.124	.264
13.	Heavy burden of loans of informal sources	.093	.207	.048	.355	.629	.036
14.	Misutilisation of loans	.233	.150	.148	.048	.565	.394
15.	No pressure from the Bankers or the SHGs	.206	.047	.126	.071	.547	.243
16.	Institutional credit gaps	.464	.203	.265	.173	.474	.375
17.	Belated disbursement of loans	.094	.078	.032	.074	.006	.671
18.	Inadequacy of loans	.197	.135	.057	.036	.069	.585
	Cumulative Percentage	27.04	40.92	50.06	57.82	64.81	71.05

Extraction Method   :   Principal Component Analysis.
Rotation Method   :   Varimax with Kaiser Normalisation.
a. Rotation converged in 8 iterations.

Table 8 : Variables Loaded on Factors, Eigen Values and Variances Explained by the Factors

Name of the Factor	Variables Loaded	Factor Loading	Eigen Values	% of Variance explained
I Agricultural losses	1. High irrigational expenses 2. Flood/drought/monsoon failures 3. Crop failures 4. Low price for the agricultural produce 5. High costs of inputs	.931 .923 .921 .656 .602	4.86	27.04
II Economic problems	6. Heavy farm expenses 7. Less of agricultural incomes 8. High family expenses	.961 .961 .899	2.50	13.88
III Family problems	9. Family problems and expenses on health problems 10. Children's educational expenses	.916 .810	1.64	9.13
IV Political interferences	11. Expecting debt waivers and debt reliefs by Government 12. Wrong guidance by political parties	.841 .612	1.39	7.76
V Diversion of loans	13. Heavy burden of loans of the informal sources 14. Misutilisation of loans 15. No pressure from the Bankers or the SHGs	.629 .565 .547	1.25	6.98
VI Institutional problems	16. Belated disbursement of loans 17. Inadequacy of loans 18. Institutional credit gaps	.671 .585 .375	1.12	6.24

The Factor Analysis Approach by using the Varimax Rotations has resulted in the six derived factors having an Eigen value which was greater than one. In the Rotated Component Matrix, only those variables that have a factor loading greater than 0.5 (ignoring the sign) have been grouped under their respective derived factors. Hence, the eighteen different variables were loaded on the Eigen derived factors.

Though initially, eighteen variables have been identified for analysing the factors influencing the non-repayment of the formal institutional loans, the Factor Analysis has reduced them to six important factors. The derived factors were "Agricultural Losses", "Economic Problems" "Family Problems", "Political Interferences", "Diversion of Loans", and the "Institutional Problems".

Factor I (agricultural losses) has an Eigen value of 4.86 and it has explained 27.04 per cent of the variations. The Eigen values of the Factor II (economic problems), Factor III (family problems), and Factor IV (political interferences) were found to be 2.50, 1.64, and 1.39, respectively. The total variations accounted for by these six factors were 71.05, which was found

to be satisfactory and hence, it has established the validity of the study.

Summary and Conclusion

Agriculture is the most important component of development in rural areas. As far as the rural credit delivery system is concerned, both the effective utilisation of the loans and the timely repayment of the agricultural credit obtained are essential for the smooth and successful functioning of the financial institutions. The repayment behaviour of the borrowers has an important impact on the performance of the term lending institutions and their sustainability. The present study has made an attempt to examine the extent of utilisation and the repayment of agricultural credit by the farmers in Madurai district in Tamil Nadu.

The results of the study show that the Nationalised Banks have played a major role in lending to agriculture and its allied sectors. A very high proportion of the respondents has fully utilised the loan amount on expectation of high yield. The delay in getting loans is identified as the main reason for misutilisation of the loan amounts. Though full and proper utilisation of the loan amount is made by a vast majority of the sample farmers, the other side of the coin presents a gloomy picture as full and prompt repayment is made by only less than 30 per cent of beneficiaries. The fall in income from agriculture is cited as the primary reason for the partial repayment made by most of the farmers.

Among the various factors identified for non-repayment of the agricultural credit by the sample farmers in the study area, it is found that high irrigational expenses, monsoon failures, crop failures, low price for agricultural produce, and the high cost of inputs have been the most influencing factors followed by the problems such as economic problems, family problems, problem of political interferences, diversion of loans and the institutional problems.

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