



## **Credit Utilization Pattern of Famers in Punjab: A Study of Patiala District**

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### **Abstract**

The mounting burden of rural debt has crippled the rural economy. This study analyses utilization of the credit availed by the farmers for various purposes on the basis of various socio-economic factors. The lending agencies need to observe the utilization pattern of the borrowers from the beginning to ensure proper utilization of credit. Efforts need to be made to avoid under and over financing to ensure proper utilization and smooth flow of credit.

### **Introduction**

Indian population mainly consists of small, marginal farmers in rural areas. Two third of our rural workforce derives their livelihood from agriculture and allied activities, the performance of this sector still holds the key to improvement in real income and living standards of the bulk of India's population.

In Punjab during last century, the percentage of farmers caught in the debt trap was never less than 83 per cent and now it is more than 92 per cent. The situation of Indian farmers has not changed much in last 60 years and the level of indebtedness of the farmers has considerably increased during past years (Ray 2001, Tanwar 1998).

### **Research Methodology**

It has been observed that consequences of credit depend upon pattern of credit utilization by the farmers. A sample comprising of total 120 farmers was selected for intensive investigation from Samana Block (Mavikalan, Kakrala, Kularan and Chupki) and Patran Block of Patiala District (Hemcheri, Duggal, Ghagga and Kangarh). Data was collected with the help of structured questionnaire pertaining very simple questions in respect of credit utilization from four categories of farmers i.e. Marginal farmers (Upto 2.5 acres), Small farmers (2.5-5.0 acres), Medium farmers (5.0-10.0 acres) and large farmers (10.0 acres and above).



### Annual expenditure pattern on day to day needs

Table 1 presents the data related to the annual expenditure pattern of the respondents on day to day needs which include spending on food, clothing, medicare, education, fuel, washing, housing, etc. The data shows that about one third of the respondents (35.83%) spent between Rs 20,000- 40,000 on day to day needs followed by 26.67 per cent of the respondents who made expenditure between Rs 40,000-60,000 on day to day needs. [20.83 per cent of the respondents had spent an amount upto Rs 20,000 while 16.67 per cent of the respondent had made the expenditure of above Rs 60,000.

**Table 1: Distribution of the respondents according on the basis of annual expenditure pattern of farmers on day to day needs**

Expenditure (Rs)	Marginal	Small	Medium	Large	Grand Total
Upto 20000	10(50.00)	8(21.62)	6(15.79)	1(4.00)	25(20.83)
20000-40000	3(15.00)	21(56.76)	13(34.21)	6(24.00)	43(35.83)
40000-60000	7(35.00)	6(16.22)	8(21.05)	11(44.00)	32(26.67)
60000 and above	-	2(5.40)	11(28.95)	7(28.00)	20(16.67)
<b>Total</b>	<b>20(100.00)</b>	<b>37(100.00)</b>	<b>38(100.00)</b>	<b>25(100.00)</b>	<b>120(100.00)</b>
<b>Average</b>	<b>28500</b>	<b>31730</b>	<b>43105</b>	<b>49320</b>	<b>38458</b>

Figures in parentheses indicate percentages

Table further shows that 28.95 and 28.00 per cent of the medium and large farmers respectively spent above Rs 60,000 while 35.00, 16.22, 21.05 and 44.00 'per cent of the marginal, small, medium and large farmers, respectively spent an amount between Rs 40000-60000.

### Annual socio-religious expenditure

During the course of study, it was also attempted to know the spending of sampled farmers on socio religious ceremonies and data pertaining to this issue are given in Table 2. Socio-religious ceremonies usually include expenditure of attending marriages, giving shaguns, death ceremony, birth ceremony, Akhandpath and birthday celebrations and recreations. The Table shows that 32.50 per cent respondents spent an amount between Rs 10000- 20000 while a little more than half i.e. 54.17 per cent of the respondents made expenditure upto 10000. About 13 per cent of the respondents spent more than Rs 20000.



Table further shows that 80.00, 78.37, 44.74 and 12.00 percent of the marginal, small, medium and large farmers spent up to Rs 10,000 while 44.00 per cent of the large farmers spent more than Rs 20000 and. an equal percentage of large farmers spent between Rs 10000-20000.

**Table 2: Distribution of the respondents according on the basis of annual socio-religious expenditure.**

Expenditure (Rs)	Marginal	Small	Medium	Large	Grand Total
Upto 10000	16(80.00)	29(78.37)	17(44.74)	3(12.00)	65(54.17)
10000-20000	4(20.00)	7(18.92)	17(44.74)	11(44.00)	39(32.50)
20000 and above	-	1(2.71)	4(10.52)	11(44.00)	16(13.33)
<b>Total</b>	<b>20(100.00)</b>	<b>37(100.00)</b>	<b>38(100.00)</b>	<b>25(100.00)</b>	<b>120(100.00)</b>
<b>Average</b>	<b>7800</b>	<b>8257</b>	<b>12184</b>	<b>18980</b>	<b>11658</b>

Figures in parentheses indicate percentages

The average socio-religious expenditure by the respondents was Rs 7,800, Rs 8,257, Rs 12,184 and Rs 18,980 for marginal, small, medium and large farmers respectively and statistically the differences in socio-religious expenditure pattern of different categories were significant..

### Annual expenditure pattern on beverages and drugs

Table 3 highlights the expenditure made by the respondents on beverages and drugs. Table shows that 44.17 per cent, the respondents spent upto Rs 5000 on beverages and drugs while 17.50 per cent of the respondents had made expenditure between Rs 5000-10000. Five per cent of the respondents spent more than Rs 10000 whereas 33.33 per cent of the respondents had not made any expenditure on beverages and drugs.

**Table 3: Distribution of the respondents according on the basis of annual expenditure on beverages and drugs.**

Expenditure (Rs)	Marginal	Small	Medium	Large	Grand Total
No expenditure	11(45.00)	10(27.02)	13(34.21)	8(32.00)	40(33.33)
Upto 5000	7(35.00)	22(59.45)	16(42.10)	8(32.00)	53(44.17)
5000- 10000	4(20.00)	4(10.81)	5(13.61)	8(32.00)	21(17.50)
>100000	-	1(2.70)	4(10.52)	1(4.00)	6(5.00)



<b>Total</b>	<b>20(100.00)</b>	<b>37(100.00)</b>	<b>38(100.00)</b>	<b>25(100.00)</b>	<b>120(100.00)</b>
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Figures in parentheses indicate percentages

Table 3 also depicts that 35.00, 59.45, marginal, small, medium and large farmers, respectively spent upto Rs 5,000 on beverages and drugs while 2.70,10.52 and 4.00 per cent of the small, medium and large farmers respectively spent the amount of Rs 10,000 above.

The average annual expenditure of the marginal, small, medium and large farmers on beverages and drugs was Rs 2250, Rs 2622, Rs 3303 and Rs 3760 respectively. Statistically, the differences in expenditure pattern of different farm categories on beverages and drugs were significant.

### Amount of credit taken by farmers

The information regarding the amount of credit taken by farmers is given in Table 4.2.7

The data indicates that except one-tenth of the respondents rest have taken credit in varying degree. Data indicates that 16.67 percent had taken credit upto Rs 100000 followed by 15.00 per cent who had taken credit between Rs 200000 to 300000. About 14 per cent of the respondents availed the credit between Rs 400000 to 500000 while 11.67 per cent borrowed the amount between Rs 300000 to 400000. Further, 10.83 per cent of the respondents had taken credit between Rs 50000 to 60000 and an equal percentage of the respondents borrowed the amount above Rs 600000. Few respondents (7.50%) had taken credit between Rs 100000 to 200000.

**Table 4: Distribution of the respondents according on the basis of credit taken**

Amount(Rs)	Marginal	Small	Medium	Large	Grand Total
Nil	3(15.00)	5(13.51)	5(13.16)	3(12.00)	16(13.13)
Upto 100000	9(45.00)	6(16.22)	4(10.53)	1(4.00)	20(16.67)
100000-200000	1(5.00)	5(13.51)	2(5.26)	1(4.00)	9(7.50)
200000-300000	-	7(18.92)	8(21.05)	3(12.00)	18(15.00)
300000-400000	3(15.00)	5(13.51)	3(7.89)	3(12.00)	14(11.67)
400000-500000	2(10.00)	4(10.81)	7(18.42)	4(16.00)	17(14.17)
500000-	1(5.00)	3(8.10)	5(13.16)	4(16.00)	13(10.83)



600000					
600000 and above	1(5.00)	2(5.41)	4(10.53)	6(24.00)	13(10.83)
<b>Average</b>	<b>189750</b>	<b>252162</b>	<b>317632</b>	<b>396200</b>	<b>292500</b>
<b>Per acre</b>	<b>106001.12</b>	<b>61804.41</b>	<b>39359.60</b>	<b>19969.76</b>	<b>35497.57</b>

Figures in parentheses indicate percentages

The data given in table further shows that 45.00, 16.22, 10.53 and 4.00 per cent of the marginal, small, medium and large farmers had taken loan upto Rs 100000. Fifteen per cent of the marginal farmers, 13.51 per cent small farmers, 7.89 per cent medium farmers and 12.00 per cent large farmers availed the credit between Rs 300000-400000. Twenty four per cent of the large farmers followed by 10.53 per cent of the medium farmers, 5.41 per cent of the small farmers and 5.00 per cent of the marginal farmers borrowed the amount above Rs 600000.

Table further reveals that as the average size of farm increased, the amount borrowed also increased. However, on per acre basis the average amount borrowed decreases with increase in farm size. The average amount of credit availed was Rs 189750, 252162, 317632 and 396200 for marginal, small, medium and large farmers respectively. On per acre basis. the average amount of credit was Rs 106001.12, Rs 61804.41, 39359.60, Rs 19969.76 for marginal, small, medium and large farms respectively. On minutely observing the table, it becomes clear that the majority of the respondents have taken loan from Rs 100000 to 500000 and some of them have taken even more than Rs 600000 of loan indicating to the high level of credit prevalence among the Punjab farmers.

### **Purpose of borrowing credit**

After knowing the extent of loan among the farmers, the investigator tried to pinpoint the purposes of taking loans and the data in this regard is presented in Table 4.2.8 which shows that a little above one-third (36.54%) of the respondents availed loan for the purchase of agricultural inputs. Further, 14.42 per cent of the respondents borrowed the credit for purchase of farm machinery among which purchase of tractor was the main reason and same percentage of respondents (14.42%) borrowed the credit for construction work and repair. It was found that 18.27 per cent of the respondents took the loan to meet their socio-religious expenditure among which spending on marriages was the prime reason. About 9 per cent of the respondents borrowed the money to meet their day to day needs followed by 7.69 per cent of the respondents who availed the credit for the purchase of livestock. Few of the respondents (3.85%) borrowed the credit for the purchase of durable household good like furniture, refrigerator, television set, etc.



Category wise distribution of the respondents shows that 47.06, 43.75, 27.27 and 31.82 per cent of the marginal, small, medium and large farmers respectively borrowed credit for the purchase of agricultural inputs.

**Table5: Distribution of the respondents according on the basis of purpose of borrowing credit**

Purpose*	Marginal	Small	Medium	Large	Grand Total
Purchase of agri. Inputs	8(47.06)	14(43.75)	9(27.27)	7(31.82)	38(36.54)
Purchase of farm machinery	2(11.76)	5(15.63)	7(21.21)	1(4.55)	15(14.42)
Purchase of Lives stock	2(11.76)	3(9.37)	2(6.06)	1(4.55)	8(7.69)
Contraction work and repairs	<b>1(5.88)</b>	1(3.12)	10(30.30)	3(13.64)	15(14.42)
Purchase of durables	3(17.65)	-	-	1(4.55)	4(3.85)
Day to day needs	4(23.53)	2(6.25)	3(9.09)	-	9(8.65)
Socio-religious expenditure	3(17.65)	7(21.88)	6(18.18)	3(13.64)	19(18.27)

\*Multiple responses, Figures in parentheses indicate percentages

The percentage of respondents who borrowed credit to meet their socio-religious expenditure was maximum for small farmers i.e. 21.88 per cent followed by 18.18, 17.65 and 13.64 per cent of the medium and marginal and large farmers respectively. It is further clear from the table that 23.53 percent of the marginal farmers borrowed the loan to meet their day to day needs while none of the large farmers borrowed money for this purpose.

Data further reveal that 11.76, 15.63, 21.21 and 4.55 per cent of the marginal, small, medium and large farmers respectively availed credit for the purchase of farm machinery while 11.76, 9.37, 6.06 and 4.55 per cent of the marginal, small, medium and large farmers, respectively borrowed 'money for the purchase of livestock.



\* During the data collection, it was found that the some people gave more importance to their social status than their economic capacity due to which they borrowed money. Purchase of the durable household goods, the construction of big houses and spending on socio-religious ceremonies like marriage, birth ceremony, death ceremony were the main reasons among farmers to borrow the money due to which the debt burden accumulates.

### Conclusion

so the loan sanctioned by the societies is found to have been used for specific purposes in case of certain beneficiaries whereas it is used for some other purposes in other cases. If the loan is used for the specific or stated purposes, it will definitely, improve the beneficiary's earnings and enable them to repay the borrowed funds. On the contrary, if the beneficiaries used borrowed funds for other than stated purposes it will definitely have adverse impact on the farmers. The lending agencies need to observe the utilization pattern of the borrowers from the beginning to ensure proper utilization of credit. Efforts need to make to avoid under and over financing to ensure proper utilization and smooth flow of credit.

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