



COOPERATIVE BANK LOAN UTILIZATION BEHAVIOR OF FARMERS IN NAGALAND.

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ABSTRACT

The paper is based on a study of Nagaland State Cooperative Bank Ltd (NSCB) loan utilization behaviour of farmers under Kohima, Dimapur and Mokokchung Districts of Nagaland State. 120 farmers obtaining loan during the period 1998-1999 were selected for the present study. It was found that 35.00 percent of the respondents had fully utilized the loan for the purpose for which the loan was obtained. 9.17 per cent of the borrowers were found to have invested the full amount into some other productive purpose, which means that 44.17 per cent of the respondents had made wise decision by investing the loan in productive purpose. Near about half (49.17 %) of borrowers, which constitute the majority of the respondents invested the loan partially on both specific purpose as well as on unproductive purposes. Remaining 6.66 per cent of the respondents had fully mis utilized by investing the loan in unproductive purpose. Correlation coefficient of borrowers' utilization behaviour showed positive significance with age, socio-economic status and annual income whereas, adoption behaviour, earner's percentage, perceived adequacy and easy availability of loan were found to be positive but non-significantly correlated. However, timely availability of loan reflected negative correlation with utilization behaviour.

KEYWORD: loan utilization, Borrowers, Productive purpose, unproductive.

Agriculture development is an integral part of our country. It involves constant change in strategy, structure and procedures to achieve a higher level of development. Agriculture being the backbone of the Indian economy will continue to remain a single sector contributing to the general prosperity of the nation. The trend of agriculture farming will be commercialized, which would require more investment. The Indian farmers in general and Nagaland farmers in particulars have small and little resources for which external credit are required for their operation. In Nagaland most farmers approach the Nagaland State Cooperative Bank (NSCB) as and when they need credit. The NSCB bank is



fully sponsored by Nagaland State Government and disburses loans to the farming community. Proper utilization and repayment behavior of the borrowers help in mobilization of the bank loan for better circulation of money among the larger members.

METHODOLOGY:

The study was conducted in randomly selected three district of Nagaland i.e. Kohima, Dimapur and Mokokchung District respectively. Six cooperatives branches two from each selected district were randomly selected. Twenty Beneficiaries from each bank obtaining loan during the period 1998-1999 were selected in consultation with the Branch office. Utilization behavior of loans refers as the degree to which the loan obtained from the bank has been fully utilized for the purpose as mentioned by the lending institute. It was categorized under four subjects viz. "fully utilized in specified purpose", "fully utilized in other purpose but productive", "partially utilized for specific purpose and partially misutilized" and "fully misutilized". Direct personal interview cum discussion technique was used to ascertain the required information using a well structured and pre-tested schedule. The whole information was subsequently compiled and is presented

RESULT AND DISCUSSION:

The data presented in Table 1. Reveals that 35.00 percent of the total respondents had fully utilized the loan for the specified purpose for which the loan was obtained. Another 9.17 per cent of the borrowers were found to have invested the full amount into some other productive purpose, which means that 44.17 per cent of the respondents had made wise decision by investing the loan in productive purpose. Near about half (49.17 %) of borrowers, which constitute the majority of the respondents invested the loan partially on both specific purpose as well as on unproductive purposes. However, it was found that remaining 6.66 per cent of the respondents had fully misutilized by investing the loan in unproductive purpose. This indicated that majority of the respondents did not utilized the loan for specific purpose. Therefore, it can certainly affect the repayment behavior and income generating sources. This finding were in consonant with the report of Jaulkar *et al.* (2001) which reported that 46.00 percent had fully utilized their loan while 32.00 percent and 22.00 percent of the respondents had partially utilized and misutilized their loan, respectively.



Table 1: Loan utilization behavior of the Borrowers under NSCB Ltd.

| Sl. No | Category | Districts | | | Total N=120 |
|--------|---|----------------------|----------------------|----------------------|----------------------|
| | | Kohima (n=40) | Dimapur (n=40) | Mokokchung (n=40) | |
| 1. | Fully utilized in specified purpose | 9 (22.50) | 15 (37.50) | 18 (45.00) | 42 (35.00) |
| 2. | Fully utilized in other purpose but productive | 3 (7.50) | 2 (5.00) | 6 (15.00) | 11 (9.17) |
| 3. | Partially utilized for productive purpose & partially misutilized | 26 (65.00) | 21 (52.50) | 12 (30.00) | 59 (49.17) |
| 4. | Fully misutilized | 2 (5.00) | 2 (5.00) | 4 (10.00) | 8 (6.66) |

Figures in parenthesis indicate percentage.

To establish the relationship between independent variables and utilization and utilization behaviour of the bank loan borrowers, the zero order correlation was computed. The result from Table 2. reveals that socio-economic status ($r=0.423$) had positive and highly significant correlation (at 0.01 level of probability) with utilization behavior of respondents. The age ($r=0.209$) and annual income ($r=0.189$) is observed to be positive and significant correlation (at 0.05 level of probability) with utilization behavior of the borrowers. Whereas adoption behavior, perceived adequacy, earners percentage and easy availability have positive correlation but did not play any significant role with the utilization behavior, while timely availability reflected negative correlation with utilization behaviour. Based on the finding of this study, it can be inferred that socio-economic status, annual income and age of the borrowers' improve the economic condition, general understanding of the respondents, which help the respondents in proper utilization of money.



Table 2: Correlation coefficient between independent variables and utilization behavior of the respondents.

| Sl. No | Independent variables | Correlation coefficient |
|--------|-----------------------|-------------------------|
| 1. | Age | .209* |
| 2. | Socio-economic status | .423** |
| 3. | Earners' percentage | .004 |
| 4. | Adoption behavior | .005 |
| 5. | Perceived adequacy | .028 |
| 6. | Timely availability | -.014 |
| 7. | Easily availability | .108 |
| 8. | Annual income | .189* |

*significant at 5% level

**significant at 1% level

SUGGESTION:

Based on the findings of the present study, the following few suggestion are made which may be helpful to policy makers, administrators and other banking agencies to encourage the beneficiaries to make better use of the institutional credit source.

1. The Bank should take the initiative in setting up a screening committee consisting of experts in the field of agriculture and rural development in order to identify the genuine and needy people and prepare bankable schemes to suite their requirements.
2. To increase proper utilization the bank authority should provide loan to meet out the basic requirement of the borrowers before providing the loan for specific projects or developmental loan.
3. Incentives should be given to those beneficiaries who fully repay the loan in time which will help others to follow suite
4. In order to minimize the problems of over dues, urgent steps must be taken to "create recovery cells" in each village with the responsibility rested on the village council.



5. Willful defaulters must be checked by taking coercive action in case persuasion method fails, which will act as a warning against other defaulters.

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