

A Study on The Problems Faced by The Farmers in Repayment of Microfinance Loan in Palladam Taluk, Tiruppur

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ABSTRACT - Access to finance by farmers is foremost important for their farming activities to succeed. The present study was carried out with the main objective of studying the problems faced by the farmers in repayment of microfinance loan in Palladam Taluk of Tirpur District. To capture the repayment risks in study area a total of 110 female borrowers whose occupation would be agriculture were randomly selected through a multi stage random sampling technique. The questionnaire was used to collect the data and statistical tools like percentage analysis, descriptive analysis and One- way ANOVA is used to analyze the collected data. In study area, lack of irrigation facility, unseasonal rain and old debts are very serious problems for the farmers during their repayment of loan. Therefore these cause inability to repay the loan amount by the farmers. The government should help farmers by providing more credit schemes to avoid the various risks which incurred during planting crops to marketing farm produce.

Keywords - Agriculture, Farmers, Farming, Repayment risks, Microfinance loan.

I. INTRODUCTION

Agriculture remains the pillar of the Indian Economy and it is the major source of livelihood for rural people of India since the majority of the population is still engaged with agricultural industry. It plays a significant role in providing food to the people, raw materials for other industrialized sectors and employment opportunities to a very large proportion of population. Agricultural growth depend on a number of following main factors they are capital, farming policy, farming inputs, weather, marketing and education.

The farmers required the credit facilities in all stages of farm activities, hence microfinance loan. Microfinance loan has become an important financial resource for farmers to invest in farm inputs range from seeds, fertilizers, irrigation, pesticides, farm equipments etc. Microfinance helps rural farmers for their agriculture production and also it improve farmers' lives by increasing income generating activities and promoting the adoption of new technologies. In India farmers face many problems from planting crops to finding a market for their agriculture produce. Farmers generally experienced peaks and troughs cycles both before and after harvesting and between seasons. The major problems being faced by farmers are low productivity, unseasonal rain, droughts, floods, lack of new technology and scarcity of capital etc. These problems affect the share of income available for loan repayment of borrowers.

1.2 STATEMENT OF THE PROBLEM

The agriculture sector has been considered as the important sector in Indian economy and development of this sector is one of the significant needs for the overall economic growth. On account of that the government give credit facilities to the agricultural sector in order to enhance the use of farm inputs, range of farm operations, and adoption of new mechanisation and to increase farm production. Many commercial banks and cooperative banks in India provide microfinance loan through Self Help Groups for various income generating activities. Hence microfinance appears to be one of the effective solutions for farmers. Unfortunately, despite of significance of the loan in farming activities, its repayment is worried with number of problems in farming. This study discovers the problems faced by the farmer in repayment of their loan in Palladam taluk of Tripur district.

1.3 OBJECTIVES OF THE STUDY

- To study the socio-demographic profile of the farmers
- To analyze the problems faced by the farmers in repayment of microfinance loan.

1.4 SCOPE OF THE STUDY

Microfinance loan to the farmers through Self Help Groups is one of the most significant inputs for agriculture

development. However the farmers had many difficulties and problems during their repayment. Therefore the present study investigates the problems of the farmers in repayment of microfinance loan. Thus, the findings will be useful to identify the leading problem which the farmers faced. The findings of the study also help the banks who provide microfinance loan where they should be focused in terms of their procedures. While analyzing the problems towards repayment of microfinance loan, the study is restricted to Palladam taluk out of seven taluks in Tiruppur district.

1.5 HYPOTHESIS OF THE STUDY

The following null hypothesis has been framed to test the above objectives.

The average overall score on repayment risks do not vary significantly among the selected socio-demographic factors.

II. REVIEW OF LITERATURE

Florence Angaine and Daniel Nderi Waari (2014) made a study to determine the factors that influencing loan repayment in Microfinance institutions in Kenya. Descriptive survey was used in this study. A total of 399 farmers was selected which consists of 185 loan defaulters, 185 consistent payers and the 39 loan officers. Percentage, descriptive and regression analysis was used to analyze the collected data. The result shows that the borrowers involved in agriculture and its allied activities were more likely to have a problem in repaying their loan amount than borrowers involved in small business activities. The problems like weather that caused variations in agriculture productions that were beyond the control of farmers. The study concludes that the factors namely inherent characteristics of borrowers and their business, suitability of loan product to the borrowers and systematic risks are influencing non-repayment of loans.

Ahmad Fatollahi and Ebrahim Samani (2015) in their study identify the factors have an effect on repayment behaviour of microloans by farmers in Agricultural Bank of Meshkinshahr. A sample of 150 farmers who defaulted in paying their loans was selected for this study. Logistic regression analysis was used to analyze the collected data. Findings of the study shows that loan supervision found to be a better forecast of non repayment, non-farm occupation

are not usually integrated with risks that are inborn in agriculture, farmers who receive loan from other banks may faced with trouble in the repayment of the loans and educated farmers is able to control the problems in some farming activities than uneducated farmers. Finally these four factors such as loan supervision, occupation, other credit and education were found to be notable predictors of repayment in Agricultural Bank of Meshginshahr.

Nwafor Grace O, Agu Aguiyi Fortune, Anigbogu Thersa and Umebali E.E. (2018) analysed the loan repayment behaviour of farmers' cooperative societies in Anambra State. In this study the researchers particularly examined the amount of loan applied, amount approved, amount disbursed and amount repaid by the farmers. The data collected from 146 farmers who are members of agricultural cooperatives in Anambra State by using multi stage random sampling method. The collected data were analyzed using t-test statistics and a multiple econometric model of the Ordinary Least Square. The findings of the study revealed that there is a significant difference between the amount of loan received and amount repaid by the farmers. Age, membership duration and income of the farmers are not significant but they show a positive relationship with loan repayment. The study recommended cooperative societies should educate the farmers about the effective use of amount borrowed in productive purposes to reduce the loan defaulters.

III. RESEARCH METHODOLOGY

The Palladam Taluk was selected purposively for the study. It is one of the seven taluks of Tripur District. There are 5 towns and 25 villages in Palladam taluk. Nearly 57% of the population in Palladam Taluk lives in rural area and 43% lives in urban area. The study has been adopted Multi-stage random sampling method. In the first stage Palladam Taluk has been selected from Tiruppur district. In second stage, out of 25 villages in Palladam Taluk 11 villages were selected randomly. In third stage, from each village 10 farmers especially women who borrowed microfinance loan for farming activities were selected randomly thus constituting 110 farmers for the study. The instrument for data collection is questionnaire in a fixed response type. The statistical tools like percentage analysis, descriptive analysis and One-way ANOVA are used to analyse the data.

IV. DATA ANALYSIS AND INTREPRETATION

4.1 SIMPLE PERCENTAGE ANALYSIS

Table 1: Socio-Demographic Profile

Personal Factors	Particulars	No	%
Age	30-40 yrs	5	4.5
	41-50 yrs	39	35.5
	51-60 yrs	57	51.8
	Above 60 yrs	9	8.2
Marital Status	Married	97	88.2
	Unmarried	1	.9
	Widow	12	10.9
Educational Level	Illiterate	22	20.0
	Primary education	36	32.7
	Secondary education	48	43.6
	Higher Secondary	4	3.6
Monthly income(Rs)	5000-10000	11	10.0
	10001-20000	37	33.6
	20001-30000	60	54.5
	Above 30000	2	1.8
No of times availed the loan	Two	2	1.8
	Three	23	20.9
	Four	30	27.3
	5 & above	55	50.0
Bank	Public	90	81.8
	Private	20	18.2
Amount of loan received	Up to Rs. 35000	20	18.2
	Rs.36000-45000	53	48.2
	Rs.46000-55000	34	30.9
	Above Rs.55000	3	2.7
Duration of the present loan	1-2 years	10	9.1
	3-4 years	100	90.9
Regular re-payer of loan or defaulter	Regular	106	96.4
	Defaulter	4	3.6

Source: Primary Data

The majority of the farmers are between the age group of 51-60 years engaged in agriculture and. 97 percent of the farmers are married. In case of educational qualification 48 percent of the farmers completed secondary level of education whereas 36 percent of the farmers completed primary education, 22 percent is illiterate and only 4 percent got higher secondary. It is clear that the educations are lack in farmers. It is observe from the table, most of the farmers i.e. 60 percent have per month income between Rs 20,001 to Rs 30,000.

It is seen that 55 percent farmers borrowed above 5 times and 30 percent farmers borrowed 4 times. Hence microfinance loan play an important role in livelihood of farmers. Regarding Bank sector, 90 percent of the farmers obtained loan from public sector banks and the remaining 10 percent obtained from private sector banks because of interest rates. Majority of the farmers i.e. 53 percent received Rs 36,000 to Rs 45000 as loan amount. 90.9 percent of the farmers' loan duration period is between 3 to 4 years and 96.4 percent of the farmers repaying their loan due amount without fail and only 3.6 percent of the farmers fail to repay their loan amount because of loss in agriculture.

4.2 DESCRIPTIVE ANALYSIS

Descriptive analysis is used to find the mean ratings for the various repayment risks of farmers. Ratings were assigned for each level, namely 1 for "Strongly disagree", 2 for "Disagree", 3 for "Neutral", 4 for "Agree" and 5 for "Strongly agree". Thus the ratings will indicate higher the value; more is the level of satisfaction. The table below shows the various repayment risks of the farmers.

Table 2: Descriptive Analysis - Risks of Repayment

Risks Factors	N	Minimum	Maximum	Mean	S.D
Unprofitable scale of operations	110	1.00	4.00	1.5818	.56474
Shortage of skilled man power	110	1.00	4.00	2.9091	.68463
Inadequate and ill-time supplies of required production	110	1.00	3.00	1.3727	.57244
Old debts	110	1.00	4.00	3.0364	.44777
Unexpected Financial problems	110	1.00	4.00	2.8545	.66134
Crop failure	110	1.00	3.00	1.4545	.53564
Unseasonal rain	110	2.00	5.00	3.9273	.55370
High cost of production	110	1.00	5.00	1.0545	.40266
Low and unremunerated prices for farm produce	110	1.00	3.00	1.9000	.46826

Poor marketing facility for agricultural produce	110	1.00	4.00	1.2091	.52629
Lack of irrigation Facility	110	2.00	4.00	3.2000	.46531
Improper utilization of loan	110	1.00	4.00	2.8727	.79111
Poor education	110	1.00	2.00	1.2182	.41490
Untimely disbursement of loan	110	1.00	2.00	1.2636	.44262

Source: Computed

The risks “Unseasonal rain” is rated as the highest risks with a mean value (3.9273), on average the risks level of the farmers is close to “Strongly agree”. The next highest mean rating is (3.2000) for the risk “Lack of irrigation facility”. The lowest mean rating is (1.0545) for the risk “High cost of production” i.e. the farmers on average have their risk level between strongly disagree and disagree.

The statement “Old Debts” is considered major risks because it’s level between neutral and agree. The statements such as “Shortage of skilled man power”, “Unexpected Financial risks” and “Improper utilization of loan” have risk levels disagree and neutral. The above are also riskss in repayment of loan. “Unprofitable scale of operations”, “Inadequate and ill-time supplies of required production”, “Crop failure”, “Low and unremunerated prices for farm produce”, “Poor marketing facility for agricultural produce”, “Poor education”, “Untimely disbursement of loan” have risks level between strongly disagree and disagree.

4.3 ONE-WAY ANOVA

ANOVA is applied with the null hypothesis to find the difference in the overall score on repayment risks based on the selected socio-demographic factors.

H_0 : “The average overall score on repayment risks do no vary significantly among the selected socio-demographic factors”.

Table 3 : Socio-Demographic factors VS Repayment Risks

Socio-demographic factors	Particulars	Repayment Risk			F	Table Value	Sig
		Mean	S.D	No.			
Age	30 -40 yrs	2.0143	.21665	5	2.015	2.6802	NS
	41-50 yrs	2.1740	.18085	39			
	51-60 yrs	2.1128	.14090	57			
	Above 60 yrs	2.1429	.18211	9			
Educational Level	Illiterate	2.0942	.16699	22	1.538	2.6802	Ns
	Primary Level	2.1052	.16509	36			
	Secondary Level	2.1667	.16096	48			
	Higher Secondary	2.1786	.17003	4			
Monthly income(Rs)	5000-10000	2.0974	.16985	11	1.028	2.6802	Ns
	10001-20000	2.1023	.17621	37			
	20001-30000	2.1571	.15825	60			
	Above 30000	2.1429	.00000	2			
No of times availed loan	Two	1.9643	.15152	2	.890	2.6802	Ns
	Three	2.1273	.20426	23			
	Four	2.1548	.14899	30			
	5 & above	2.1286	.15577	55			
Current Loan Amount	Up to Rs. 35000	2.0679	.16135	20	1.379	2.6802	Ns
	Rs.36000-45000	2.1550	.17705	53			
	Rs.46000-55000	2.1366	.14433	34			
	Above Rs.55000	2.1190	.14869	3			

Ns – Not significant

* - Significant at 5% level

** - Significant at 1% level

It is seen from the above table the average score is found to be high (2.1429) among age group of the farmers above 40 years and found to be low (2.0143) among the age group of 30 – 40 years of the farmers. The mean scores are found to be high among the farmers educational level as higher secondary (2.1786). In case of monthly income the mean score is found to be high (2.1571) for the farmers who received Rs 20,001- Rs 30,000 and found to low (2.0974) who received between Rs.10,001 – Rs. 20,000. The mean score is found to be high (2.1548) for the farmers who

availed loan 4 times and found to low (1.9643) for the farmers who availed the loan 2 times. The average score is found to be higher (2.1550) for farmers who received the loan amount between Rs.36000 to Rs.45000.

The ANOVA result shows that there is a no significant difference in the mean score of repayment problem level with regards to age, educational qualification, monthly income, no of times availed loan and current loan amount of the farmers. Hence the null hypothesis is accepted at 5% level of significance.

V. FINDINGS AND SUGGESTIONS

5.1 FINDINGS

The youngsters in study area mostly are not engaged in agriculture activity because the majority of the farmers are under the age group of 51 to 60 years and most of the farmers are married. Majority of the farmers are completed secondary and primary education only and there is no graduates. Hence the educations are lack in farmers. It is seen that 60 percent of the farmers per month income are between Rs 20,001 to Rs 30,000. Microfinance loan play an income generating activities of the farmers because 55 percent of the farmers borrowed loan more than 5 times and mostly borrowed from public sector banks. Majority of the farmers i.e. 53 percent received Rs 36,000 to Rs 45000 as loan amount. 90.9 percent of the farmers' loan duration period is between 3 to 4 years. Farmers faced many problems during their repayment in spite of that only 3.6 percent of the farmers fail to repay their loan amount because of loss in agriculture. From Descriptive analysis it is observed that unseasonal rain is the most important problem for their repayment and lack of irrigation facility comes next important problem. The ANOVA result shows that there is a no significant difference in the mean score of repayment problem level with regards to age, educational qualification, monthly income, no of times availed loan and current loan amount of the farmers.

5.2 SUGGESTIONS

Based on the findings of the study the following suggestions are offered

- The farmers should adopt suitable cropping patterns based on climate and land availability since the most important problem identified from the analysis is unseasonal rain.
- The government implements many schemes to improve the irrigation facility of the farmers like Pradhan Mantri Krishi Sinchayee Yojana - Per Drop More Crop, on farm water management etc., but still the farmers are not aware of such schemes. So the government should create awareness among the farmers about such schemes to improve the irrigation facility.
- The farmers should be educated to use modern technologies in farming activities to increase the production and income.

VI. CONCLUSION

The study revealed that the microfinance loan facilities from banks are a good source of capital to the farmers but obtaining the maximum profitability in agriculture by farmers was a difficult task at the present time. Nowadays, the farmers facing a plenty of problems in farming such as floods, drought, high cost of production, low price, lack of irrigation, unseasonal rain, poor marketing facility etc.

From the study it was established that unseasonal rain, lack of irrigation facility and old debts are a very serious problems for the farmers in the study area. Therefore these cause inability to repay the loan amount by the farmers in correct time. Thus the farmers not only need credit but also guidance aimed at solving a problem or difficulty in cultivation. They must also be provided with adequate marketing facilities to get higher return from their farm produce. The study therefore concludes that there are various risks faced by the farmers during their repayment of loan amount. Hence the government should help farmers by providing more credit schemes and awareness programme to implement modern technologies to reduce the problems.

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