



An Analysis on the Credit and Repayment Behaviour of Rural Households in Kerala

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The study has investigated the sources of credit, its utilization, repayment and impact through an in depth micro level analysis among 125 households randomly selected from the service area of SBT, Venganoor, Kerala. The distribution of respondents on various ranges of loan amount reveals that one fourth of the respondents have a loan of more than 4 lakhs. It is observed that there is not even a single respondent without any loan and the number of loans have gone up to 5. The average number of loans at the overall level is 2.42. Agency wise, the major group is commercial banks, which constitute 45.87 per cent and service area bank has occupied the third position next to other public sector banks and co-operatives. On analysing the demand for credit for various purposes, it is found that agriculture forms the major need followed by housing and business undertakings on number of loans, but it is in the reverse order considering the amount of loans. Regarding misutilization of credit, the extent of misutilization is only 8.85 per cent. But, the maximum of 56.64 per cent misutilization is recorded for loans from co-operatives and that for agricultural loans, it is 69.60 per cent. Among institutions, maximum over dues is seen for loans from co-operatives. One glaring finding is that the extent of wilful defaulters are to the extent of 62.07 per cent, the maximum of the upper strata respondents without any valid reason for non repayment of loan in time. While analysing the impact of credit on the standard of living, it can be seen that more than one-third of the respondents are able to improve their living status and is more favourable for the upper strata. The improvement may be due to better housing facilities, purchase of assets or increased income from business or agriculture. However, the living status of 16.8 per cent has deteriorated, while availing credit facilities due to the inability to repay in time due to unforeseen constraints.

Key words: Credit utilization, Repayment behavior, Rural households, Kerala

In a country where nearly half the population lives below the poverty line, effectiveness of rural lending is a matter of concern and can be judged through evaluation of the benefits derived at the primary level. Unemployment is undoubtedly the most important socio-economic problem that confronts Indian economy. Therefore, efforts are made to provide productive employment through the promotion of income generating occupation, development of cottage and small scale industries, trading or modernization of agriculture so that a healthy socio-economic-political atmosphere may be created in a developing country like India. The stipulation of 40 per cent to priority sector still continues in the era of liberalization with large number of priority sector advances and substantial proportion of priority sector lending, even though the Committee on Financial Sector Reforms headed by Narasimham recommended reducing it to 10 per cent, taking into account social justice to the society. An in depth micro level study is envisaged to assess the qualitative aspects of banking including the magnitude and pattern of financing and recovery of credit from the view point of effectiveness of service area approach.

Materials and Methods

The study was based on data collected from primary sources using a well structured interview schedule. The location of the study was confined to the service area of State Bank of Travancore (SBT), Venganoor which falls in the panchayats of Venganoor and Vizhinjam. The area, which has a rural orientation and agriculture and allied activities as the main stay of the population, is purposively selected. On the whole, 125 respondents were interviewed for the study and the data pertains to the year 2013. The sample was classified into three classes S1, S2 and S3 which corresponds to an area of less than 25 cents, 26 to 50 cents and more than 50 cents for the sake of analysis.

Results and Discussion

Land holding status

A perusal of Table 1 reveals that the average size of holding is only 40.5 cents. The average size of the landholding of the lowest class is 11.81 cents and that of the highest class is 113.19 cents. According to the distribution of respondents based on the landholding pattern, it can be seen that more than 50 per cent belongs to the lowest class followed by intermediate

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class (28 per cent) and the highest class (20.8 per cent) Further it is evident that about 58 per cent of the area is constituted by third strata which is about 20 per cent of the respondents. In the case of the middle level classification the distribution of respondents and area are more or less proportional.

Credit availing behavior

The analysis on extent of loans pertains to the distribution based on the number of loans and amount

of loans. A perusal of Table 2 makes clear that at the overall level 31.2 per cent of the sample are having 3 loans followed by 29.6 per cent with single loan and 21.6 per cent having two loans. The same trend is seen with S1 and S3. In the case of S2 maximum of 37.14 per cent is having a single loan followed by 25.71 per cent with 3 loans. The respondents with maximum percentage of four and five loans are in S3 (15.38) and S2 (8.57), respectively.

Table 1. Distribution of the respondents based on the land holding status

| | Size of holding (cents) | Frequency | % to total | Area of land (cents) | % to total area | Average size |
|-------|-------------------------|-----------|------------|----------------------|-----------------|--------------|
| S1 | <25 | 64 | 51.2 | 756 | 14.93 | 11.81 |
| S2 | 26-50 | 35 | 28.0 | 1364 | 26.94 | 38.97 |
| S3 | >51 | 26 | 20.8 | 2943 | 58.13 | 113.19 |
| Total | | 125 | 100.0 | 5063 | 100.0 | 40.50 |

The details of amount of loan availed by the sample are given in Table 3. It shows that 25.6 per cent of the respondents have a loan of more than 4 lakhs followed by 18.4 per cent with a loan of 1-2 lakhs and 17.6 per cent having 0.5 to 1 lakhs. Considering size groups, it is worth noticing that more than 50 per cent of S3 category is having loan of above 4 lakhs

and for S1 about 60 per cent is having a loan of less than 2 lakhs. In the case of S2 about 50 per cent is having a loan of more than 2 lakhs. It is striking to note that all the loans belongs to the category of priority sector lending except those taken for consumption purposes which forms only a minor proportion.

Table 2. Distribution of respondents according to number of loans (group size)

| Particulars | 1 | 2 | 3 | 4 | 5 | Total |
|-------------|---------------|---------------|---------------|---------------|-------------|--------------|
| S1 | 17 (26.56) | 16 (25.00) | 22 (34.38) | 6 (9.38) | 3 (4.68) | 64 (100) |
| S2 | 13 (37.14) | 5 (14.29) | 9 (25.71) | 5 (14.29) | 3 (8.57) | 35 (100) |
| S3 | 7 (26.92) | 6 (23.08) | 8 (30.77) | 4 (15.38) | 1 (3.85) | 26 (100) |
| Total | 37 (29.60) | 27 (21.60) | 39 (31.20) | 15 (12.00) | 7 (5.60) | 125 (100) |

Multiple financing

Multiple financing has been analysed in terms of the number of loans taken from different agencies including service area branch and average amount from various agencies supplying credit. The distribution of loans agency wise reveals that the total number of loans is as high as 303. The average number of loans at the overall level is 2.42 and there is no much variation between strata. The major source is public sector banks which constitute 45.87 per cent. (Table 4) It is striking to note that about 25 per cent of loans are taken from co-operatives and also Public sector banks other than the service area branch. Invariably for all size groups the extent of loans availed from service area branch is lower than the loans from co-operatives and other public sector banks. The table also reveals a higher dependence of lower strata on private banks and moneylenders.

But an increasing trend can be seen with regard to access to the co-operatives with highest in the upper stratum. An important observation is that even though money lender and private banks charge a higher rate of interest they have an influence even among the customers of banks.

On an average the amount of loan at overall level is Rs.3,20,800 and an increasing trend from S1 to S3 with a maximum of Rs.6,08,017 for S3 (Table 5). While analyzing the percentage contribution of various institutions, 32.68 percent is contributed by other public sector banks followed by service area branch (28.96 per cent). The share of Co-operative and Private banks are to the extent of 17.96 and 11.25 per cent respectively. In terms of amount, the dependence on money lenders is meager at overall level and more in S2 with 5.6 per cent. At the same time, loans are availed from friends and relatives to the extent of 6.78 per cent, which is referred as others. The lowest stratum is more favoured by other public sector banks (42.25 per cent) followed almost equally by service area bank and co-operatives (about 20 per cent). In the case of S2, 32.8 per cent loan is obtained from service area branch followed by co-operatives (20.66 per cent) and other public sector banks (18.97) per cent. For S3 one third contributions is equally made by service area branch and other public sector banks followed by co-operatives. The finding of this study is not in conformity with as reported by Singh et al (2014) and Samal (2002), where the large farmers met their major credit requirement from institutional sources when compared to small farmers.

It can be inferred that the major players are public

Table 3. Distribution of respondents according to extent of loans (group size)

| Particulars | <0.5L | 0.5-1L | 1-2L | 2-3L | 3-4L | >4L | Total |
|-------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| S1 | 12 (18.75) | 13 (20.31) | 14 (21.88) | 9 (14.06) | 5 (7.81) | 11 (17.19) | 64 (100) |
| S2 | 5 (14.28) | 7 (20.00) | 4 (11.43) | 4 (11.43) | 8 (22.86) | 7 (20.00) | 35 (100) |
| S3 | 1 (3.85) | 2 (7.69) | 5 (19.23) | 2 (7.96) | 2 (7.69) | 14 (53.85) | 26 (100) |
| Total | 18 (14.40) | 22 (17.60) | 23 (18.40) | 15 (12.00) | 15 (12.00) | 32 (25.60) | 125 (100) |

sector banks followed by cooperatives considering both number of loans and amount of loans. In the case of number of loans equal contribution is made by other public sector banks and cooperatives. But, for amount, equal contribution was by service area branch and other public sector banks. This makes clear that more number of small loans are provided

by co-operatives when compared to public sector banks. A slightly more inclination of service area branch towards higher strata can be noticed from the analysis and the reverse with the co-operatives. The performance of other public sector banks may be due to better customer service and lack of concentrated efforts by the service area bank.

Table 4. Institution wise distribution of number of loans (group size)

| Particulars | Service area bank | Other PSBs | Co-op Bank | Private Bank | Money lenders | Others | Total | Average/ Household |
|-------------|-------------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------------|
| S1 | 33 (21.43) | 39 (25.32) | 32 (20.78) | 22 (14.29) | 14 (9.09) | 14 (9.09) | 154 (100) | 2.41 |
| S2 | 20 (23.53) | 20 (23.53) | 24 (28.23) | 8 (9.41) | 7 (8.24) | 6 (7.06) | 85 (100) | 2.43 |
| S3 | 11 (17.19) | 16 (25.00) | 19 (29.69) | 6 (9.37) | 2 (3.12) | 10 (15.63) | 64 (100) | 2.46 |
| Total | 64 (21.12) | 75 (24.75) | 75 (24.75) | 36 (11.88) | 23 (7.59) | 30 (9.90) | 303 (100) | 2.42 |

Purpose of financing

The purpose of financing has been analysed in terms of the distribution of the number of loans and amount for different purposes. On analyzing the demand for credit for various purposes, (Table 6) it is found that agriculture forms the major need, which constituted 27.06 per cent followed by housing (23.10 per cent) and business undertakings (20.46 per cent).

Agricultural and housing credit needs increased with the size of holding and it is the maximum in S3 with 34.37 per cent and 31.25 per cent, respectively. In contrast to overall trend the housing is pushed to the third position by business needs in S1 and S2. In the case of S3 the third position is occupied by other credit needs (15.63 per cent,) which mainly includes loan taken for the purchase of land and other self employment programmes.

Table 5. Institution wise distribution of amount of loans (group size)

| Particulars | Service Area bank | Other PSBs | Co-op Bank | Private Bank | Money lenders | Others | Total |
|-------------|-------------------|-------------------|------------------|------------------|-----------------|-----------------|-----------------|
| S1 | 44530 (20.57) | 91453 (42.25) | 43531 (20.11) | 20578 (9.51) | 5109 (2.36) | 11250 (5.20) | 216451 (100) |
| S2 | 97828 (32.80) | 56572 (18.97) | 61642 (20.67) | 36114 (12.11) | 16714 (5.60) | 29371 (9.85) | 298241 (100) |
| S3 | 205346 (33.77) | 202692 (33.34) | 86808 (14.28) | 74230 (12.21) | 1538 (0.25) | 37403 (6.15) | 608017 (100) |
| Total | 92904 (28.96) | 104824 (32.68) | 57604 (17.96) | 36088 (11.25) | 7616 (2.37) | 21764 (6.78) | 320800 (100) |

On analyzing Table 7 on the amount of credit, it can be seen the credit requirement for housing assumes top priority, which accounts for 40.15 per cent followed by business (25.10 per cent) and

agriculture (20.15 per cent). A change in the order of importance can be noted in relation to the number of loans for different purposes. It can be seen that about 10 per cent is availed for other purposes,

which includes self employment and purchase of land. For both S1 and S3, the requirement of loans for housing is the maximum with 46.26 and 40.42 per cent, respectively, whereas, for S2 more credit was required for business (37.94 per cent) followed by housing (31.6 per cent).

Credit utilization

The utilization of credit is a matter of concern from

the point of view of repayment. Proper utilization of the loan for the purpose for which it is availed leads to generation of incremental income, which is required for repayment without over dues. An attempt is made to assess the extent to which loans are utilized for purposes other than for which, it is availed and it is referred to diversion of loans or misutilization. The extent of misutilization is analysed institution wise and purpose wise in terms of amount of loans.

Table 6. Purpose wise distribution of number of loans of respondents (group size)

| Particulars | Ag | Dairy | Business/ SSI | Housing | Consumption | Others | Total |
|-------------|---------------|--------------|------------------|---------------|---------------|---------------|--------------|
| S1 | 35 (22.73) | 15 (9.74) | 32 (20.78) | 31 (20.13) | 23 (14.93) | 18 (11.69) | 154 (100) |
| S2 | 25 (29.41) | 3 (3.53) | 23 (27.06) | 19 (22.35) | 6 (7.06) | 9 (10.59) | 85 (100) |
| S3 | 22 (34.37) | 0 (0.00) | 7 (10.94) | 20 (31.25) | 5 (7.81) | 10 (15.63) | 64 (100) |
| Total | 82 (27.06) | 18 (5.94) | 62 (20.46) | 70 (23.10) | 34 (11.22) | 37 (12.21) | 303 (100) |

Institution wise misutilization

On perusal of Table 8 it can be noted that the amount of loan misutilized is only 8.85 per cent of total amount and the misutilisation relates more to small loans. The misutilization shows an increasing trend with size of holding. The institution wise trend reveals

that the share of co-operatives is maximum with 56.64 per cent followed by service area branch.(33.53 per cent) The share of co-operatives is maximum in S3 with 79.81 per cent followed by S1 with 63.62 per cent. For S2 the amount misutilised is very high for loans from service area bank, which is 82.66 per cent.

Table 7. Purpose wise distribution of amount of financing (group size)

| Particulars | Ag | Dairy | Business/ SSI | Housing | Consumption | Others | Total |
|-------------|-------------------|-----------------|-------------------|-------------------|-----------------|------------------|-----------------|
| S1 | 26359 (12.18) | 12000 (5.54) | 53515 (24.72) | 100156 (46.27) | 9093 (4.20) | 15328 (7.08) | 216451 (100) |
| S2 | 38714 (12.98) | 2285 (0.77) | 113157 (37.94) | 94257 (31.60) | 5571 (1.87) | 44257 (14.84) | 298241 (100) |
| S3 | 193846 (31.88) | 0 (0.00) | 103076 (16.95) | 245769 (40.42) | 15057 (2.48) | 50269 (8.27) | 608017 (100) |
| Total | 64656 (20.15) | 6784 (2.11) | 80524 (25.10) | 128792 (40.15) | 9348 (2.91) | 30696 (9.57) | 320800 (100) |

Purpose wise misutilization

While analyzing purpose wise misutilization of amount of loans (Table 9), it is higher in agriculture with 69.6 per cent followed by business (14.79 per cent). For agriculture, the maximum misutilization in S3 with 79.81 per cent followed by S1 with 63.17 per cent. The share of misutilization for S2 is 59.54 per cent for agriculture and 36.1 per cent in business.

Repayment behaviour

The default has been analysed considering the amount of over dues both institution wise and purpose wise. In addition the extent of delinquency is also assessed.

Institution wise default of loans

A perusal of Table 10 reveals that that the average

amount of default came to Rs. 71,432 and it varies with strata and maximum in the third strata with Rs.1,14,788. Co-operatives account for the maximum defaulted amount, which comes to 39.13 per cent followed by the service area bank (25.69 per cent). The amount of default is less than 10 per cent for money lenders, private banks and other public sector banks, but in the increasing order. S1 and S3 record the maximum default on co-operative loans, whereas S2 shows the maximum default in the case of loans from service area bank.

Purpose wise default

Analysis on the default of loans purpose wise (Table 11) reveals that agriculture contributes to about 30 per cent of the defaulted loans which is followed by housing where the default was 22.35 per cent. The

over dues on other loans assumes the third position with 19.75 per cent and business with 17.88 per cent. There is variation between strata on purpose wise default of amount of loan with maximum default for housing, business and other loans in S1, S2 and S3 respectively. Agriculture has recorded the second major area of default in all the strata.

Delinquency of loans

Delinquency measures the extent of over dues to the total amount due for repayment. In other words, it shows the failure to repay an obligation when due as agreed in the repayment plan. At the overall level the delinquency rate is 29.37 per cent (Table 12).

Table 8. Institution wise misutilisation of amount of loans (group size)

| Particulars | Service area bank | Other PSBs | Co-op Bank | Private Bank | Total | % of loan amount misutilised |
|-------------|-------------------|-----------------|------------------|---------------|----------------|------------------------------|
| S1 | 4062 (23.13) | 1484 (8.45) | 11171 (63.62) | 843 (4.80) | 17560 (100) | 8.11 |
| S2 | 20428 (82.66) | 2857 (11.56) | 1428 (5.78) | 0 (0.00) | 24713 (100) | 8.29 |
| S3 | 8269 (13.78) | 3846 (6.41) | 47884 (79.81) | 0 (0.00) | 59999 (100) | 9.87 |
| Total | 9520 (33.53) | 2360 (8.31) | 16080 (56.64) | 432 (1.52) | 28392 (100) | 8.85 |

Comparing strata, there is not much variation in delinquency. Between institutions, maximum over dues is seen for co operatives (59.77 per cent) at overall level and third strata reports the maximum of 67.56 per cent. The co-operatives are followed by the category of others with 41.51 per cent, which also has

the maximum in the third strata (72.63 per cent). The delinquency rate is the lowest for money lenders (5.97 per cent) followed by other public sector banks (10 per cent). In the service area bank, the delinquency is 35.6 per cent and maximum in the second strata with 78.59 per cent.

Table 9. Purpose wise misutilisation of amount of loans (group size)

| Particulars | Ag | Dairy | Business/SSI | Housing | Consumption | Others | Total |
|-------------|------------------|----------------|-----------------|----------------|-----------------|----------------|----------------|
| S1 | 11093 (63.17) | 1015 (5.78) | 1718 (9.79) | 0 (0.00) | 2250 (12.81) | 1483 (8.45) | 17560 (100) |
| S2 | 14714 (59.54) | 1000 (4.05) | 9000 (36.41) | 0 (0.00) | 0 (0.00) | 0 (0.00) | 24714 (100) |
| S3 | 47884 (79.81) | 0 (0.00) | 3846 (6.41) | 5769 (9.61) | 2500 (4.17) | 0 (0.00) | 59999 (100) |
| Total | 19760 (69.60) | 800 (2.82) | 4200 (14.79) | 1200 (4.22) | 1672 (5.89) | 760 (2.68) | 28392 (100) |

On comparing the delinquency of loans taken for different purposes, maximum over dues is for consumption loans, which accounts for 59.70 per cent followed by loans for other purposes (50.59 per cent) and agriculture (38.92 per cent) (Table 13).

The lowest for housing, which is 18.13 per cent. For consumption and other purposes the variation between strata is high and records the maximum in S3 with 67.03 and 94.7 per cent, respectively, whereas minimum delinquency is noted for agricultural loans and housing loans in the third strata.

Table 10. Institution wise default of amount of loans (group size)

| Particulars | Service area bank | Other PSBs | Co-op Bank | Private Bank | Money lenders | Others | Total |
|-------------|-------------------|------------------|------------------|-----------------|----------------|------------------|-----------------|
| S1 | 5078 (9.90) | 10296 (20.07) | 18812 (36.66) | 8109 (15.80) | 1562 (3.05) | 7453 (14.52) | 51310 (100) |
| S2 | 51685 (67.99) | 4000 (5.26) | 14357 (18.89) | 5114 (6.73) | 857 (1.13) | 0.00 (0.00) | 76013 (100) |
| S3 | 6153 (5.36) | 2692 (2.35) | 68730 (59.88) | 1057 (0.92) | 0.00 (0.00) | 36153 (31.50) | 114785 (100) |
| Total | 18352 (25.69) | 6952 (9.73) | 27948 (39.13) | 5804 (8.13) | 1040 (1.45) | 11336 (15.87) | 71432 (100) |

Reasons of default

The reasons for default is also ascertained and presented in Table 14. One glaring finding is that the extent of willful defaulters are to the extent of 62.07 per cent and the maximum of 80.77 per cent is seen in the third strata, who are not having any valid reason for non repayment of loans in time. The major reason for over dues is lack of generation of sufficient income

from investment (15.52 per cent) followed by other unforeseen problems (10.34 per cent). Crop and dairy loss accounts for default of 6.9 per cent and is reported only in the lowest strata. Anticipation of write off is given as the reason of non repayment by 5.17 per cent of the defaulters. Singh et al., (2014) also reported low price of the produce and low profit margin as major reasons for the indebtedness of Punjab farmers.

Table 11. Purpose wise default of amount of loan (group size)

| Particulars | Ag | Dairy | Business/ SSI | Housing | Consum ption | Others | Total |
|-------------|------------------|----------------|------------------|------------------|-----------------|------------------|-----------------|
| S1 | 13515 (26.34) | 2578 (5.02) | 6046 (11.78) | 14640 (28.53) | 7859 (15.32) | 6672 (13.00) | 51310 (100) |
| S2 | 20715 (27.25) | 0.00 (0.00) | 24357 (32.04) | 21685 (28.53) | 1714 (2.26) | 7542 (9.92) | 76013 (100) |
| S3 | 38652 (33.67) | 0.00 (0.00) | 13730 (11.96) | 11538 (10.05) | 9615 (8.38) | 41250 (35.94) | 114785 (100) |
| Total | 20760 (29.06) | 1320 (1.85) | 12772 (17.88) | 15968 (22.35) | 6504 (9.11) | 14108 (19.75) | 71432 (100) |

Impact on standard of living

The impact of credit is measured in terms of changes in the standard of living of the beneficiaries on the basis of their perception and given in Table 15.

The beneficiaries feel an improvement or decline due to indebtedness or no change in the standard of living. It is worth mentioning that majority of the respondents are benefitted (83 per cent) from

Table 12. Delinquency rate of amount due for repayment towards various institutions (group size)

| Particulars | Service Area bank | Other PSBs | Co-op Bank | Private Bank | Money lenders | Others | Total |
|-------------|----------------------|------------|---------------|-----------------|------------------|--------|-------|
| S1 | 16.54 | 19.65 | 56.90 | 27.83 | 9.77 | 53.41 | 29.28 |
| S2 | 78.59 | 9.09 | 46.34 | 13.55 | 2.69 | 0.00 | 30.98 |
| S3 | 7.35 | 1.85 | 67.56 | 4.17 | 0.00 | 72.63 | 28.14 |
| Total | 35.60 | 10.00 | 59.77 | 18.86 | 5.97 | 41.51 | 29.37 |

credit either improvement of status or maintain same status. It is striking to note that more than one-third of the respondents (36 per cent) are able to improve their living status. The improvement may be due

to better housing facilities, purchase of assets or increased income from business or agriculture. More over credit facilities help 47.2 per cent of the beneficiaries to remain in the same status, which is

Table 13. Delinquency rate of amount due for repayment towards various purposes (group size)

| Particulars | Ag | Dairy | Business/ SSI | Housing | Consum ption | Others | Total |
|-------------|-------|-------|------------------|---------|-----------------|--------|-------|
| S1 | 40.13 | 30.49 | 15.57 | 22.00 | 57.58 | 47.48 | 29.28 |
| S2 | 49.9 | 0.00 | 26.18 | 33.80 | 52.00 | 18.18 | 30.98 |
| S3 | 32.85 | 0.00 | 23.25 | 6.66 | 67.03 | 94.70 | 28.14 |
| Total | 38.92 | 27.08 | 21.94 | 18.13 | 59.70 | 50.59 | 29.37 |

comforting. Apart from that the living status of 16.8 per cent deteriorated while availing credit facilities due to the inability to repay in time due to unforeseen

constraints. The decline is mainly due to the failure of dairy enterprise and misutilization of loans in certain cases. The root causes for indebtedness are lack

Table 14. Reasons of the defaulters of loans (group size)

| Particulars | Insufficient income | Crop/Dairy loss | Anticipation of write off | Other unforeseen problems | Wilful default | Total |
|-------------|---------------------|-----------------|------------------------------|------------------------------|----------------|--------------|
| S1 | 10 (16.13) | 8 (12.90) | 2 (3.23) | 7 (11.29) | 35 (56.45) | 62 (100) |
| S2 | 7 (25.00) | 0 (0.00) | 2 (7.14) | 3 (10.72) | 16 (57.14) | 28 (100) |
| S3 | 1 (3.85) | 0 (0.00) | 2 (7.69) | 2 (7.69) | 21 (80.77) | 26 (100) |
| Total | 18 (15.52) | 8 (6.90) | 6 (5.17) | 12 (10.34) | 72 (62.07) | 116 (100) |

of technical knowhow, declining irrigation facilities, increasing biotic and abiotic constraints, lower crop yields and farm income, burden of higher family expenditure, insufficient institutional credit availability and easy credit from non institutional sources as reported by Kumari,(2005). On comparing strata, it can be noted that the upper strata could make more advantage of loans, where the improvement in standard of living is 57.69 per cent in S3 followed by 48.57 per cent in S2. In the case of S1, 54.68 per cent could maintain their status, 20.32 per cent improves the status and a decline is seen for 25 per cent. If loans are utilized properly, with prudence they can certainly improve the standard of living unless mis happenings occur.

Table 15. Distribution of beneficiaries according to changes in the standard of living (group size)

| Particulars | Improved | Remained same | Declined | Total |
|-------------|---------------|---------------|---------------|--------------|
| S1 | 13 (20.32) | 35 (54.68) | 16 (25.00) | 64 (100) |
| S2 | 17 (48.57) | 14 (40.00) | 4 (11.43) | 35 (100) |
| S3 | 15 (57.69) | 10 (38.46) | 1 (3.85) | 26 (100) |
| Total | 45 (36.00) | 59 (47.20) | 21 (16.80) | 125 (100) |

Constraints

The problems faced by the respondents in the context of borrowing is ascertained and given in Table.16. The table shows that about 47.2 percent have not raised any problem while borrowing from various institutions and the maximum of 51.56 per cent are without problems in the first strata.

Table 16. Constraints faced by respondents (group size)

| Particulars | Procedure complex | Amount inadequate | No Problems | Total |
|-------------|-------------------|-------------------|---------------|--------------|
| S1 | 15 (23.44) | 16 (25.00) | 33 (51.56) | 64 (100) |
| S2 | 12 (34.29) | 9 (25.71) | 14 (40.00) | 35 (100) |
| S3 | 8 (30.77) | 6 (23.08) | 12 (46.15) | 26 (100) |
| Total | 35 (28.00) | 31 (24.80) | 59 (47.20) | 125 (100) |

The complexity of the procedure for the loans is cited as the major problem (28 per cent) followed by the inadequacy of the amount (24.80 per cent). Both the problems are more seriously reported in the second strata. The complicated and time consuming procedure of availing credit from institutional agencies is cited as the major problem by Punjab farmers (Singh *et al.*, 2014)

Conclusion

In a nutshell, the area under study is served reasonably well by the financial institutions, which include the public sector banks and the co-operatives. The respondents have not expressed any grave problem regarding the availability of credit facilities. The sample forms a typical cross section of the population, the major proportion of the respondents having landholding less than 50 cents, engaged in agriculture and allied activities along with some self-employment or business ventures. The downtrodden are taken care of in the efforts of institutions to enhance business by meeting targets and efficiency. Almost all the loans taken belong to priority sector as the purview of sector has been widened including housing, education *etc.* Agriculture occupies the prime position, while, considering the number of loans, but housing overtakes agriculture in the case of amount of loans. Public sector banks contribute substantially toward rural lending compared to co-operatives and private sector banks. Even the customers of Public sector banks avail small loans from money lenders for meeting their immediate needs and are not much bothered about high rate of interest. They find it as a convenient method of repayment. Actually, the cheap credit acts as deterrent factor for prompt repayment resulting in wilful default. All the respondents are the beneficiaries of financial institutions availing loans from different institutions leading to multiple financing. The study reveals that the priority sector lending is not adversely affected on account of financial liberalisation. The first and foremost policy suggestion, is that credit counseling and credit literacy programme should be intensified as a means to ensure credit discipline among borrowers for reducing the possibility of the problem of indebtedness, which often leads to suicides and related issues. The diversion of loans is more in agriculture, which is to be viewed seriously in the context of interest subvention given to agricultural credit for economic development of the country and it entails enormous burden to the country. By strict adherence to service area approach and providing a mandatory role for cooperatives can mitigate the problems due to multiple financing. Strengthening of crop and livestock insurance schemes can be an alternative for improving recovery of credit at times of disasters, wherein the government should intervene to enhance repayment.

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