



REASONS OF RESORTING TO BORROWINGS: A CASE STUDY OF MALWA ZONE

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Abstract

On the basis of the nature and type of reasons, broadly, all reasons of borrowing were classified into economic and social reasons. It is worth to say that the crop production cycle cannot be completed without credit. The farmers need credit at the various stages of crop production. Therefore all reasons related the economic activity of the farmers may be regarded as economic reasons, while the circumstances that force the farmers to borrow loan for social use may be regarded as social reasons. The importance of the reasons of borrowings was assessed on the basis of the rank assigned by the sample respondent to particular reason. The study suggested that all economic and social reasons which obtained mean score more than 50 may be treated as important causes of borrowings and needs to be considered by policy planners, stake holders and farmers to minimize the extent of indebtedness.

Introduction

Amongst many reasons, twelve important economic reasons of indebtedness were reported by the sample farmers. The responses of the sample respondent farmers with regard to these problems were given by assigning rank from 1 to 12 on the basis of the importance of the reason. Rank 1 is given to the most important reason, while rank 2,3so on was given to next important reasons of borrowings. The first four reasons named as 'Unproductive and wasteful expenditure of loans on social ceremonies', 'Purchasing of durable goods', 'Over expenditure of home construction' and 'High expenditure on children education', were the most influential social reasons which force the farmers to go for borrowings.

Data Base and Methodology

Three districts (Bathinda, Moga, and Patiala) have been selected for the present study 12 farmers will be selected from every village and every district will be selected 8 villages through stratified random sampling technique. There will be a selection of 4 Marginal, 4 small and 4 large farmers. Therefore, the total sample consists of 288 farmers.

Table 1: Distribution of sample farmers according to economic reasons of borrowings (N=288)

S. No	Reasons	Rank											
		1	2	3	4	5	6	7	8	9	10	11	12
1	Low income from farming	47.57	19.79	0.00	14.24	0.00	10.76	6.25	0.00	0.00	1.39	0.00	0.00
2	High input cost	6.25	30.21	0.00	5.56	11.81	35.76	10.42	0.00	0.00	0.00	0.00	0.00
3	Low price of farm produce	10.76	26.39	11.81	2.43	9.03	0.00	16.67	0.00	6.94	6.60	9.38	0.00
4	Lack of non-farm employment	0.00	6.25	10.76	5.56	4.86	33.68	4.86	34.03	0.00	0.00	0.00	0.00
5	Low production	0.00	5.90	30.21	8.68	0.00	0.00	12.50	10.42	32.99	0.00	0.00	0.00
6	Small holdings	7.29	6.25	5.56	1.74	35.07	8.33	0.00	13.99	11.11	0.00	11.46	0.00
7	Low income from dairy and high cost of purchasing animals	13.89	2.08	0.00	26.04	0.00	4.86	0.00	4.17	48.96	0.00	0.00	0.00
8	Unjustified purchase of farm machinery	0.00	3.13	15.28	0.00	13.99	0.00	40.28	23.96	0.00	4.17	0.00	0.00
9	High cost on Irrigation structure i.e. deepening of bore-well	14.24	0.00	25.35	0.00	0.00	0.00	3.47	0.00	0.69	36.81	6.25	13.19
10	No earning members in family	0.00	0.00	0.00	15.97	24.31	6.60	5.56	14.24	0.00	12.15	7.64	13.54
11	Weaker marketing system of banking facilities and services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.21	62.50	7.29
12	Low educations and poverty	0.00	0.00	1.04	19.79	1.74	0.00	0.00	0.00	0.00	8.68	2.78	65.97

Source: Field survey

The results have shown that about 48 per cent of the sample respondents were given rank 1 to 'Low income from farming'. Similarly, about 14 per cent were assigned rank 1 to 'High cost on Irrigation structure i.e. deepening of bore-well', 13.89 per cent to 'Low income from dairy and high cost of purchasing animals', 10.76 per cent to 'Low price of farm produce', 7.29 per cent to 'small holdings and 6.25 per cent were given rank 1 to 'High input cost' as important reasons of borrowings.

Like-wise about 30.21 per cent of the sample respondents were given rank 2 to 'High input cost' followed by 26.39 per cent to 'Low price of farm produce' and 19.79 per cent to 'Low income from farming'. Each 6.25 per cent of the sample respondent given rank 2 to 'Lack of non-farm

employment' and 'Small holdings', while the per cent share of all other respondents who were given rank 2 was less than six per cent, respectively. In-depth overview of the analysis revealed that the maximum i.e. 30.21 per cent of the sample respondents were given rank 3 to 'Low production' followed by 25.35 per cent to 'High cost on Irrigation structure i.e. deepening of bore-well'. On similar pattern, the highest proportion i.e. 26.04 per cent were given rank 4 to 'Low income from dairy and high cost of purchasing animals' 35.07 per cent were given rank 5 to 'Small holdings', 35.76 per cent were assigned rank 6 to 'High input cost', 40.28 per cent were given rank 7 to 'Unjustified purchase of farm machinery', 34.03 per cent were assigned rank 8 to 'Lack of non-farm employment', 48.96 per cent were given rank 9 to 'Low income from dairy and high cost of purchasing animals Low production', 36.81 per cent were assigned rank 10 to 'High cost on Irrigation structure i.e. deepening of bore-well', 62.50 per cent were given rank 11 to 'Weaker marketing system of banking facilities and services' and 65.97 per cent were assigned rank 12 to 'Low education and poverty'

Social reasons of borrowings

Amongst many reasons, eight important social reasons of indebtedness were reported by the sample farmers. The responses of the sample respondent farmers with regard to these problems were given by assigning rank from 1 to 8 on the basis of the importance of the reason. Rank 1 is given to the most important reason, while rank 2,3so on was given to next important reasons of borrowings and lastly, the rank 8 was given least important reason. The percent distribution according to ranks assigned by the sample farmers to the various reasons of borrowings is given in table 2.

The results have shown that about 52 per cent of the sample respondents were given rank 1 to 'Unproductive and wasteful expenditure of loans on social ceremonies'. Similarly, about 20 per cent were assigned rank 1 to 'Over expenditure of home construction', 15.63 per cent to 'Purchasing of durable goods', 8.33 per cent to 'Over-expenditure for sending family member abroad' and 3.82 per cent were given rank 1 to 'High expenditure on children education' as important social reasons of borrowings.

Like-wise about 28 per cent of the sample respondents were given rank 2 to 'High expenditure on children education' followed by 26.39 per cent to 'Purchasing of durable goods', 17.36 per cent to 'Unproductive and wasteful expenditure of loans on social ceremonies', 9.03 per cent to 'Long illness i.e health issue' and 6.94 per cent to 'Over-expenditure for sending family member abroad', while the per cent share of all other respondents who were given rank 2 to the reasons such as 'Over expenditure of home construction (5.56%)', 'Drug addicts (3.82%)' and 'Legal issue i.e. waste of money on litigation (3.13%)' was less than six per cent, respectively. In-depth overview of the analysis revealed that the maximum i.e. 40.28 per cent of the sample respondents were given rank 3 to 'Long illness i.e health issue' followed by 19.44 per cent to 'Purchasing of durable goods' and 15.28 per cent to 'Legal issue i.e. waste of money on litigation'. On similar pattern, the highest proportion i.e. 40.97 per cent were given rank 4 to 'Over expenditure of home construction' 40.97 per cent were given rank 5 to 'Over-expenditure for sending family member abroad', 34.38 per cent were assigned rank 6 to 'High expenditure on children education', 41.67 per cent were given rank 7 to 'Legal issue i.e. waste of money on litigation' and 34.38 per cent were assigned rank 12 to 'Drug addicts', respective

Table 2: Distribution of sample farmers according to social reasons of borrowings

(N=288)

S. No	Reasons	Rank							
		1	2	3	4	5	6	7	8
1	Unproductive and wasteful expenditure of loans on social ceremonies	52.08	17.36	0.00	15.28	0.00	10.07	5.21	0.00
2	Purchasing of durable goods	15.63	26.39	19.44	5.90	14.24	0.00	18.40	0.00
3	Over expenditure of home construction	20.14	5.56	2.43	40.97	4.17	13.19	3.82	9.72
4	High expenditure on children education	3.82	27.78	0.00	10.07	14.58	34.38	9.38	0.00
5	Over-expenditure for sending family member abroad	8.33	6.94	10.42	5.90	40.97	10.76	0.00	16.67
6	Long illness i.e health issue	0.00	9.03	40.28	15.28	0.00	0.00	17.71	17.71
7	Drug addicts	0.00	3.82	12.15	6.60	7.64	31.60	3.82	34.38
8	Legal issue i.e. waste of money on litigation	0.00	3.13	15.28	0.00	18.40	0.00	41.67	21.53

Source: Field survey

Conculsion

The sample farmers have reported many reasons of borrowing which are classified into economic and social reasons on the basis of the nature and type of reasons. As reported by the sample farmers' ever-increasing prices of farm inputs and stagnant productivity has squeezed the returns from farming. whereas 'High input cost', 'Low price of farm produce', 'Lack of non-farm employment', 'Low production', 'Small holdings', 'Low income from dairy and high cost of purchasing animals' and 'Unjustified purchase of farm machinery', were also identifies as the most influential economic reasons which force the farmers to go for borrowings. The value of mean score in favour these reasons was more the 50. Other reasons such as 'High cost on Irrigation structure i.e. deepening of bore-well', 'No earning members in family', 'Weaker marketing system of banking facilities and services' and 'Low educations and poverty' were also important reasons but the value of mean score was less than 50 in favour of these reasons.

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