



UTILIZATION PATTERN OF DEBT IN MALWA REGION, PUNJAB

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ABSTRACT

The present paper analysis revealed that all sample farmers were found to utilize the loan both for productive and non-productive purposes. The worth of utilizing debt was observed to be more economical on large farms as compared to all other farms. The major part of the total loan utilized for economic purposes was more on large farms. It was also observed that the share of loan that was utilized for productive purposes was very high in the case of institutional loan. Hence, the outreach of institutional loan could be enhanced on account of making the worth use of loan for economic purposes. Moreover, institutional loan is available to the farmers at subsidized rate of interest which could control over the malpractices being practiced by the non-institutional sources especially the commission agents.

KEYWORDS: Productive, Non-productive, Institutional, Non-institutional, Loan

INTRODUCTION

The main aim of extending loan facilities to farmers was to use this loan for productive uses. The productive uses of loan refer to the utilization of loan for economic activities. Crop production and cattle tending i.e. dairy farming were two main economic activities of sample farmers. Dairy farming could generate cash income to the farmers at consecutive days which could meet the cash requirement of farming community. But it was seen that many of farmers in the study area have left over dairy farming in the last few years due to low price of milk and exorbitant high price of input like feed, fodder, labour etc. Now the dairy farming has been

converting from commercial production to subsistence production. This factor could also divert the loan to un-productive uses which could earlier being met by the income generated from dairy. The regular feature of this practice by the farmers may trap the farmers into debt cycle. Therefore, in-depth study is needed to examine the utilization pattern of loan taken by the sample farmers from different sources.

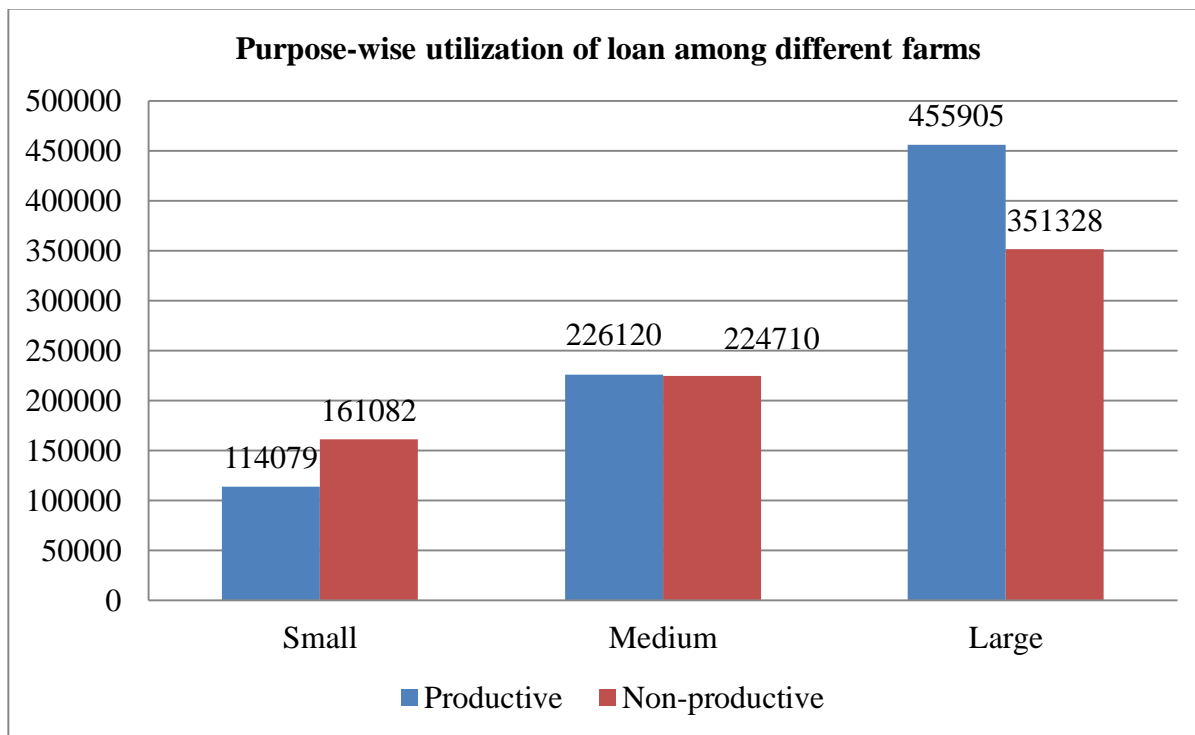
Table 1: Source-wise utilization pattern of debt

Source	Small		Medium		Large		Overall	
	Rs/farm	% to total	Rs/farm	% to total	Rs/farm	% to total	Rs/farm	% to total
Institutional Loan								
Productive	100930	49.48	214149	55.33	416391	65.43	243823	59.60
Non-productive	103033	50.52	172879	44.67	220008	34.57	165307	40.40
Sub-total	203963	100.00	387028	100.00	636399	100.00	409130	100.00
Non-institutional Loan								
Productive	13149	18.47	11971	18.76	39514	23.13	21545	21.13
Non-productive	58049	81.53	51831	81.24	131320	76.87	80399	78.87
Sub-total	71198	100.00	63802	100.00	170834	100.00	101944	100.00

The utilization pattern of debt is given in Table 1. It could be seen that out of total institutional debt (Rs 409130/farm), about 60 per cent was utilized for productive purposes, while remaining about 40 per cent was used for non-productive purposes. On contrary, major part i.e. 78.87 per cent of the non-institutional loan was used for non-productive purposes. Only, 21.13 per cent of the total non-institutional loan was used for productive uses, respectively.

Table 2: Productive and non-productive uses of debt

Type of uses	Small		Medium		Large		Overall	
	Rs/farm	% to total	Rs/farm	% to total	Rs/farm	% to total	Rs/farm	% to total
Productive	114079	41.46	226120	50.16	455905	56.48	265368	51.92
Non-productive	161082	58.54	224710	49.84	351328	43.52	245706	48.08
Total	275161	100.00	450830	100.00	807233	100.00	511074	100.00



The level of loan utilized for productive purposes observed to be increased with increase in farm size. In absolute terms, an amount of Rs 114079 was consumed for productive uses by the small farmers, which was Rs 226120 on medium and Rs 455905 on large farms, respectively. In percentage terms, the share of loan used for productive uses worked out to be 41.46, 50.16 and 56.48 per cent on small, medium and large farmers, respectively. The main aim of all lending institutions is to provide credit to farming community for economic the purposes. But the analysis revealed that nearly half of the borrowed loan was consumed by the sample farmers for non-economic activities which is matter of serious concern. Farm-category-wise the utilization pattern was quite worth in case of medium and large farmers, but it was not worthwhile in case of small farmers, as the share of total loan used for non-economic i.e. non-productive purposes (58.54%) was more than that of economic or productive purposes (41.46%). Graphically, it can be seen in the following figures. The level of loan utilized for productive purposes observed to be increased with increase in farm size.

PRODUCTIVE USES OF DEBT BY SAMPLE FARMERS

In order to have a more clear picture on loan utilization, the share and level of debt amount being used for different productive and non-productive purposes were estimated and the results are presented in Table 8.5.3 and Table 8.5.4. The important figures in this regard were presented graphically also.

It could be seen from Table 3 that out of total loan used for productive purposes (Rs 265368/farm), an average farmer used Rs 185576 for purchasing farm inputs, Rs 45849 for purchasing of farm machinery and equipments and Rs 33943 for the development of irrigation structure, dairy etc which constituted 69.93, 17.28 and 12.79 per cent share to the total loan consumed for productive purposes.

Farm category-wise, the level of utilization of productive loan used for purchasing farm inputs was the highest on large farms in absolute terms (Rs 301721/farm), but in terms of percentage share, it was the highest on small farms (78.36%), followed by medium (73.24%) and least on large farms (66.18%), respectively.

Table 3: Productive uses of debt by sample farmers

Particulars	Small		Medium		Large		Overall	
	Rs/farm	% to total	Rs/farm	% to total	Rs/farm	% to total	Rs/farm	% to total
Purchasing of farm inputs	89396	78.36	165611	73.24	301721	66.18	185576	69.93
Purchasing of farm machinery and equipments	6744	5.91	29365	12.99	101439	22.25	45849	17.28
Development of irrigation structure, dairy etc	17939	15.73	31144	13.77	52745	11.57	33943	12.79
Total	114079	100.00	226120	100.00	455905	100.00	265368	100.00

The extent of productive loan consumed for the purchasing of farm machinery and equipments observed to vary with farm size both in absolute and percentage terms. It was the highest on large farms (Rs 104439: 22.25%) and the lowest on small farms (Rs 6744: 5.91%). As the farm mechanisation is the basic requirement of large farmers to operate large area in cost-effective manner. Therefore, the magnitude of loan in favour of this component was more on large farms as compared to all other farms.

The magnitude of productive loan consumed for the development of irrigation structure and dairy development vary farm size in absolute terms, but in terms of percentage terms, the estimated figure was the highest on small farms (15.73%), followed by medium (13.77%) and large farms (11.57%), respectively.

Credit is the most important component and its importance can be analyzed from the results shown in above analysis. The major part of the productive loan (69.93%) was utilized for purchasing inputs like seeds, fertilisers. This shows that farmers depends upon credit for basic component required for growing of crops which further reveals the significance of credit among farmers.

Table 4: Non-productive uses of debt by sample farmers

Particulars	Small		Medium		Large		Overall	
	Rs/farm	% to total	Rs/farm	% to total	Rs/farm	% to total	Rs/farm	% to total
Social ceremonies	65225	40.49	70023	31.16	102112	29.06	81898	33.33
Education of Children	19544	12.13	51233	22.80	100561	28.62	57113	23.24
Purchasing of durable goods	17547	10.89	33256	14.80	65214	18.56	42695	17.38
Home construction	35455	22.01	45466	20.23	56561	16.10	38494	15.67
Health treatment	15728	9.76	19254	8.57	22145	6.30	19042	7.75
Other (household expenditure)	7583	4.71	5478	2.44	4735	1.35	6464	2.63

etc)								
Total	161082	100.00	224710	100.00	351328	100.00	245706	100.00

Farm category-wise, the level of utilization of non-productive loan observed to vary with farm size in absolute terms, but in percentage terms, except education of children and durable goods, it was declined with increase in farm size. This showed that, the share of loan used for non-productive uses was the highest on small farms in case of social ceremonies, home construction, health treatment and other minor items as compared to all other categories, respectively. However, the share of non-productive loan used for education of children and durable goods was the highest on large farms, followed by medium and small farms, respectively.

The present estimates on utilization of debt observed to be very un-favourable for farmers in terms of economic earnings. The utilization of loan for non-productive purposes could bring the farmers towards heavy debt burden. Therefore, the study suggested that farmers should consume the loan for economic purposes for better utilization of loan. Farmers should also avoid heavy investment on social ceremonies, durables goods to reduce the over-expenditure.

CONCLUSION

The purpose-wise uses of institutional and non-institutional loan were calculated in the above section. The total loan (Rs 511074/farm), an average farmer used Rs 265368 for productive uses and Rs 245706 for non-productive uses. In percentage terms, an average farm household consumed 51.92 per cent of the total for productive and remaining 48.08 per cent for non-productive purposes. It is also very important to find out the various components of non-productive uses of loan. It could be seen out of total loan used for non-productive purposes (Rs 245706/farm), an average farmer consumed Rs 81898 on social ceremonies, Rs 57113 on education of children, Rs 42695 for purchasing of durable goods, Rs 38494 on construction of home, Rs 19042 on health treatment and Rs 6464 for other uses which constituted 33.33, 23.24, 17.38, 15.67, 7.75 and 2.63 per cent share to the total loan consumed for non-productive purposes.

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