RESEARCH ARTICLE

LOAN REPAYMENT PATTERN AND THE REASON OF DEFAULT IN THE LOAN REPAYMENT OF MARGINAL FARMER HOUESHOLDS IN SONEPAT DISTRICT OF HARYANA

*Surender Kumar and Dr. Hariom Duggal

Department of Commerce, Indira Gandhi University, Meerpur (Rewari), India

ABSTRACT

The present study conducted for study the loan repayment pattern and reasons of madding default in the loan repayment by the marginal farmers and to provide suggestions to overcome the problem of non repayment of loan amount of marginal farmer households. The present study is empirical nature and mainly based on primary data collected by using stratified random sampling and direct interview method and open ended schedule will prepare for data collection. The total sample size is 600 marginal farmer households. The secondary data collected mainly from Haryana statistics abstracts and Sonepat district statistics abstract. The collected data analyzed by using wind range of appropriate statistics techniques such as Percentage, Average, Ratio, Proportions, Range and Chi- Square test etc. The study concludes that the maximum marginal farmers adopt the lump sum method with the 69.88percent, then the installment method with the 29.81percent of loan repayment in the institutional sources and repayment of loan in lump sum create one time burden of repayment, so the study suggest that the institutional loan repayment must be in installments. In the non institutional sources maximum marginal farmers adopt the installment mode of repayment of loan with the 45.55percent. The main reasons of making default in the loan repayment by the marginal farmers found less income and any other with the 62.25percent and 44.58percent respectively and in the any other reason maximum farmers expect that the government will relax their outstanding loan amount, so the study suggests that loan is provided for the more income generated activities and subsidies in the interest should be given to the good debtors by the government.

INTRODUCTION

Repayment means return of original or principle amount of loan taken and interest on this amount. Repayment may be made in installments or lump sum or any other mode. Installments mean periodical payment and lump sum mean paying the entire amount after a specified time in one time or any other mean any other way of payment. The reasons of making default in the loan repayment may be such as crop failure, less income, diversion of loan amount, higher amount of installments etc. Balishter (1989) found that the main reason of non repayment of loan found high interest rate for both agencies. Verma (1992) found reason for non repayment of loan was increase in the cost of cultivation due to increase in the cost of farm inputs and borrowers expectations to government for relaxation in the loan amount. Kumari R.Vijaya in 2005 found that the reasons for the making default in the repayment of debt 31 percent defaulter said crop failure, 29 percent said low yields, 20 percent said lack of irrigation

facilities and 11percent said low market price. B.A. Parkash (2007) concludes that the repayment of debt to the institutional sources found unsatisfactory but the repayment of the non institutional sources found satisfactory situation. The main reason for the non repayment of institutional loan found the expectation of relaxing the debt amount by the government and others debt relief agencies. Panda and Chand, (2009) the major reasons for default in the loan repayment by the small and marginal farmer households in the irrigational developed block found as level of education, net income and amount of debt and the diversion of the productive purposes loan with the dependency ratio and in the irrigational less development block the main reason for default found the small and marginal farmer's amount of loan and diversion of the productive loan and dependency consider the more important reason. Kaur Gurpreet (2009) wrote the main reason for farmer's high indebtedness, the high interest rate and more dependency on only two crops. Kumar Kush, Singla, (2010) found the net return on per acre basis was found not sufficient for repay of debt and interest; due to this the burden of the indebtedness increased which becomes the reason for farmer's suicide. Rawat *et al.* (2010) found the non institutional loan and non ability of repayment of loan were found major reasons for

*Corresponding author: **Surender Kumar,**
Department of Commerce, Indira Gandhi University, Meerpur (Rewari), India.

farmers suicides. Singh *et al.* (2014) concludes the main cause for the indebtedness found by the study such as low profitability, low price of agriculture output, high expenses on non productive purposes etc in the Punjab state. Sajjad *et al.* (2016) concludes the level of net return found most casual factor for indebtedness and the high level of cost of cultivation and low level of return compel the farmers for taking more loan so the study suggest that institutional credit arrangement and extension and marketing need to be revived. After review the literature closely, the present study conducted for study the loan repayment pattern and reasons of madding default in the loan repayment by the marginal farmers and to provide suggestions to overcome the problem of non repayment of loan amount of marginal farmer households.

Research Methodology

The present study is empirical nature and mainly based on primary data collected by using stratified random sampling and direct interview method and open ended schedule will prepare for data collection. The total 30 villages were selected on the basis of percentage of total villages of block to the total no. of villages in Sonepat district, from all the seven development block namely as Gohana block, Kathura block, Mundlana block, Sonepat block, Rai block, Kharkhoda block and Gannour block of the district and 20 respondents from each village selected, so the total sample size of the is 600 marginal farmer households. The secondary data collected mainly from Haryana statistics abstracts and Sonepat district statistics abstract. The collected data analyzed by using wind range of appropriate statistics techniques such as Percentage, Average, Ratio, Proportions, Range and Chi- Square test etc.

farmers 100 percent in installments. The Sonepat block marginal farmer's 66.67 percent repayment loan in installments and 33.33 percent in any other mode. All district level repayment mode of loan taken from the government 75 percent in installments and 25 percent in any other.

Hypothesis: Ho: There is not any significant difference between blocks in the adoption of lump-sum method of loan repayment by marginal farmer household's loan taken from the institutional sources in the Sonepat district.

Hypothesis: H1: There is significant difference between blocks in the adoption of lump-sum method of loan repayment by marginal farmer household's loan taken from the institutional sources in the Sonepat district.

Hypothesis: Ho: There is not any significant difference between blocks in the adoption of installment method of loan repayment by marginal farmer household's loan taken from the institutional sources in the Sonepat district.

Hypothesis: H1: There is significant difference between blocks in the adoption of installment method of loan repayment by marginal farmer household's loan taken from the instirutitonal sources in the Sonepat district.

Hypothesis: Ho: There is not any significant difference between blocks in the adoption of any other method of loan repayment by marginal farmer household's loan taken from the institutional sources in the Sonepat district.

Hypothesis: H1: There is significant difference between blocks in the adoption of any other method of loan repayment by

Table 1. Block wise, institutional source wise and mode wise distribution of repayment of loan of marginal farmer households in Sonepat district (In percentage)

| Name of Block | Institutional Sources | | | | | | | |
| | Government | | | | Co-operative | | | |
	L.S.	Ins.	A.O.	Total	L.S.	Ins.	A.O.	Total
Mundlana	0	0	0	0	72.22	27.78	0	100
Kathura	0	0	0	0	60.00	40.00	0	100
Gohana	0	0	0	0	63.64	36.36	0	100
Gannour	0	0	0	0	64.29	35.71	0	100
Kharkhoda	0	0	0	0	68.42	31.58	0	100
Rai	0	100	0	100	86.67	13.33	0	100
Sonepat	0	66.67	33.33	100	69.70	30.30	0	100
All district	0	75.00	25.00	100	71.14	28.86	0	100

| Name of Block | Institutional Sources | | | | | | | |
| | Commercial Banks | | | | Total | | | |
	L.S.	Ins.	A.O.	Total	L.S.	Ins.	A.O.	Total
Mundlana	88.46	11.54	0	100	81.82	18.18	0	100
Kathura	71.43	28.57	0	100	66.67	33.33	0	100
Gohana	80.00	20.00	0	100	73.08	26.92	0	100
Gannour	69.44	30.56	0	100	67.19	32.81	0	100
Kharkhoda	54.17	45.83	0	100	60.47	39.53	0	100
Rai	65.00	35.00	0	100	76.47	23.53	0	100
Sonepat	67.65	32.35	0	100	65.71	32.86	1.43	100
All district	70.41	29.59	0	100	69.88	29.81	0.31	100
Chi-Square (χ^2) Calculated Value					4.543863	10.4038	8.579988	
Chi-Square (χ^2) Table Value at the level of 0.05 d/f 6					12.6	12.6	12.6	
Result					Ho: Accepted	Ho: Accepted	Ho: Accepted	

Sources: Researcher calculated from Data collected from survey conducted from July 2012 to December 2012.

Note: I: L.S. means Lump-Sum, Ins. means Installments A.O. means any other.

RESULTS AND DISCUSSION

The following table number 1 clearly indicates that the only Rai and Sonepat blocks marginal farmers taken loan from the government and the repayment of loan of Rai block marginal

marginal farmer household's loan taken from the institutional sources in the Sonepat district.

Further the above table shows that the range of the lump sum method of repayment of loan taken from the co-operatives

between the blocks lays 86.67 percent in Rai block to 60percent in the Kathura block. The all district level it is 71.14 percent. The range of the installment method of repayment of loan taken from the co-operatives between the blocks lays 40 percent in Kathura block to 13.33 percent in the Rai block. The all district level it is 28.86 percent. The marginal farmer's loan taken from the co-operatives of all the blocks in the district not adopt any other method of loan repayment. Again the table shows that the range of the lump sum method of repayment of loan taken from the commercial banks between the blocks lays 88.46 percent in Mudlana block to 54.17 percent in the Kharkhoda block. The all district level it is 70.41percent. The range of the installment method of repayment of loan taken from the commercial banks between the blocks lays 45.83 percent in Kharkhoda block to 11.54percent in the Mundlana block. The all district level it is 29.59percent. The marginal farmer's loan taken from the commercial banks of all the blocks in the district not adopt any other method of loan repayment. Further table shows that the range of the lump sum method of repayment of loan taken from the institutional sources between the blocks lays 81.82 percent in Mundlana block to 60.47 percent in the Kharkhoda block. The all district level it is 69.88 percent. The calculated value is 4.54 and table value is 12.6 then the calculated value found less than the table value so the null hypothesis accepted means the difference between blocks in the adoption of lump-sum method of loan repayment of by marginal farmer household's loan taken from the institutional sources in the Sonepat district found not significant.

marginal farmer household's loan taken from the institutional sources in the Sonepat district found not significant. The any other method of repayment of loan taken from institutional sources found only in the Sonepat block with the 1.43percent and all district level it is 0.31percent. The calculated value is 8.58 and table value is 12.6 then the calculated value found less than the table value so the null hypothesis accepted means the difference between blocks in the adoption of any other method of loan repayment by marginal farmer household's loan taken from the institutional sources in the Sonepat district found not significant. The following table number 2 shows that the range of the lump sum method of repayment of loan taken from the money lenders between the blocks lays 60percent in Rai block to 16.67percent in the Mundlana block. The all district level it is 41.88percent.

Hypothesis: Ho: There is not any significant difference between blocks in the adoption of lump-sum method of loan repayment by marginal farmer household's loan taken from the non institutional sources in the Sonepat district.

Hypothesis: H1: There is significant difference between blocks in the adoption of lump-sum method of loan repayment by marginal farmer household's loan taken from the non institutional sources in the Sonepat district.

Hypothesis: Ho: There is not any significant difference between blocks in the adoption of installments method of loan repayment by marginal farmer household's loan taken from the non institutional sources in the Sonepat district.

Table 2. Block wise, non-institutional source wise and mode wise distribution of repayment of loan of marginal farmer households in Sonepat district (In percentage)

Name of Block	Non-Institutional Sources											
	Money Lenders				Traders				Relatives/Friends			
	L.S.	Ins.	A.O.	Total	L.S.	Ins.	A.O.	Total	L.S.	Ins.	A.O.	Total
Mundlana	16.67	83.33	0	100	0	0	0	0	28.57	28.57	42.86	100
Kathura	50.00	50.00	0	100	22.22	77.78	0	100	33.33	0	66.67	100
Gohana	28.57	71.43	0	100	25.00	75.00	0	100	0	100	0	100
Gannour	29.17	70.83	0	100	20.00	80.00	0	100	19.05	19.05	61.90	100
Kharkhoda	41.18	58.82	0	100	14.29	85.71	0	100	35.71	35.71	28.58	100
Rai	60.00	40.00	0	100	25.00	75.00	0	100	50.00	21.45	28.57	100
Sonepat	52.94	44.12	2.94	100	20.00	80.00	0	100	39.29	28.57	32.14	100
All district	41.88	57.26	0.86	100	20.83	79.17	0	100	31.71	21.95	46.34	100

Name of Block	Non-Institutional Sources							
	Others				Total			
	L.S.	Ins.	A.O.	Total	L.S.	Ins.	A.O.	Total
Mundlana	0	0	0	0	25.00	45.00	30.00	100
Kathura	0	0	0	0	37.50	54.17	8.33	100
Gohana	100	0	0	100	17.65	38.24	44.11	100
Gannour	0	100	0	100	23.21	53.57	23.22	100
Kharkhoda	0	0	0	0	34.21	55.26	10.53	100
Rai	100	0	0	100	50.00	33.33	16.67	100
Sonepat	0	0	0	0	43.06	43.06	13.88	100
All district	75.00	25.00	0	100	34.59	45.55	19.86	100
Chi-Square (χ^2) Calculated Value					24.50485	9.549464	45.77543	
Chi-Square (χ^2) Table Value at the level of 0.05 d/f 6					12.6	12.6	12.6	
Result					Ho: Rejected	Ho: Accepted	Ho: Rejected	

Sources: Researcher calculated from Data collected from survey conducted from July 2012 to December 2012.
Note: I: L.S. means Lump-Sum, Ins. means Installments A.O. means any others.

The range of the installment method of repayment of loan taken from the institutional sources between the blocks lays 39.53percent in Kharkhoda block to 18.18percent in the Mundlana block. The all district level it is 29.81percent. The calculated value is 10.40 and table value is 12.6 then the calculated value found less than the table value so the null hypothesis accepted means the difference between blocks in the adoption of installment method of loan repayment of by

Hypothesis: H1: There is significant difference between blocks in the adoption of installment method of loan repayment by marginal farmer household's loan taken from the non institutional sources in the Sonepat district.

Hypothesis: Ho: There is not any significant difference between blocks in the adoption of any others method of loan repayment by marginal farmer households loan taken from the non institutional sources in the Sonepat district.

Hypothesis: H1: There is significant difference between blocks in the adoption of any others method of loan repayment by marginal farmer households loan taken from the non institutional sources in the Sonepat district.

The range of the installment method of repayment of loan taken from the money lenders between the blocks lays 83.33percent in Mundlana block to 40percent in the Rai block. The all district level it is 57.26percent. The marginal farmer's loan taken from the money lenders, the only Sonepat block marginal farmers adopt any other method of loan repayment with 2.94percent and all district level it is 0.86percent. The above table again shows that the range of the lump sum method of repayment of loan taken from the traders between the blocks lays 25percent in Gohana and Rai blocks to 0percent in the Mundlana block. The all district level it is 20.83percent. The range of the installment method of repayment of loan taken from the traders between the blocks lays 85.71percent in Kharkhoda block to 0percent in the Mundlana block. The all district level it is 79.17percent. The marginal farmer's loan taken from the traders of all the blocks in the district not adopt any other method of loan repayment.

The above table further indicates that the range of the lump sum method of repayment of loan taken from the relative/friends between the blocks lays 50percent in Rai block to 0percent in the Gohana block. The all district level it is 31.71percent. The range of the installment method of repayment of loan taken from the relatives/friends between the blocks lays 100percent in Gohana block to 0percent in the Kathura block. The all district level it is 21.95percent. The range of the any other method of repayment of loan taken from the relatives/friends between the blocks lays 66.67percent in Kathura block to 0percent in the Gohana block. The all district level it is 46.34percent.

The above table number 6.3 and chart number 6.10 shows that the repayment of loan taken from the others source of non institutional sources made through lump sum method only in Gohana and Rai blocks with the 100percent and all district level it is 75percent and the repayment of loan taken from the others source of non institutional sources made through installment method only in Gannour block in the district with the 100percent and all district level it is 25percent. The marginal farmer's loan taken from the any others of all the blocks in the district not adopt any other method of loan repayment. The further table shows that the range of the lump sum method of repayment of loan taken from the non institutional sources between the blocks lays 50percent in Rai block to 17.65percent in the Gohana block. The all district level it is 34.59percent. The calculated value is 24.50 and table value is 12.6 then the calculated value found more than the table value so the null hypothesis rejected means the difference between blocks in the adoption of lump-sum method of loan repayment by marginal farmer household's loan taken from the non institutional sources in the Sonepat district found significant. The range of the installment method of repayment of loan taken from the non institutional sources between the blocks lays 55.26percent in Kharkhoda block to 33.33percent in the Rai block. The all district level it is 45.55percent. The calculated value is 9.55 and table value is 12.6 then the calculated value found less than the table value so the null hypothesis accepted means the difference between blocks in the adoption of installment method of loan repayment by marginal farmer household's loan taken from the non institutional sources in the Sonepat district found not

significant. The range of the any other method of repayment of loan taken from the non institutional sources between the blocks lays 44.11 percent in Gohana block to 8.33 percent in the Kathura block. The all district level it is 19.86 percent. The calculated value is 45.77 and table value is 12.6 then the calculated value found more than the table value so the null hypothesis rejected means the difference between blocks in the adoption of any other method of loan repayment by marginal farmer household's loan taken from the non institutional sources in the Sonepat district found significant.

Table 3. Block wise and reason wise distribution of marginal farmer households makes default in the loan repayment in the Sonepat district (In percentage)

Name of Block	Reasons of Default				
	Crop Failure	Less Income	Diversion	Higher Amount of Installment	Any Other
Mundlana	12.00	56.00	36.00	4.00	24.00
Kathura	25.00	85.00	20.00	15.00	40.00
Gohana	3.57	53.57	14.29	0	53.57
Gannour	9.30	72.09	4.65	2.33	32.56
Kharkhoda	8.82	67.65	14.71	11.76	55.88
Rai	5.71	45.71	14.29	5.71	54.29
Sonepat	4.69	60.94	10.94	3.13	46.88
All District	8.43	62.25	14.46	5.22	44.58

Sources: Researcher calculated from Data collected from survey conducted from July 2012 to December 2012.

The above table shows that the marginal farmers makes default in the loan repayment due to the crop failure between the blocks found maximum in the block Kathura with the 25 percent and minimum in the block Gohana with the 3.57 percent and all district level it is found 8.43percent. The range of marginal farmers makes default in the loan repayment due to the less income between the blocks lies 85percent in the Kathura block to 45.71 percent in the Rai block. All district level it is 62.25 percent. The table also indicates that the marginal farmers makes default in the loan repayment due to the diversion of loan amount between the blocks found maximum in the block Mundlana with the 36 percent and minimum in the block Gannour with the 4.65 percent and all district level it is found 14.46 percent. The range of marginal farmers makes default in the loan repayment due to the higher amount of installment between the blocks lies 15percent in the Kathura block to 0percent in the Gohana block. All district level it is 5.22 percent. The range of marginal farmers makes default in the loan repayment due to the any other reasons between the blocks lies 55.88 percent in the Kharkhoda block to 24 percent in the Mundlana block. All district level it is 44.58 percent.

Conclusion

The study concludes that the maximum marginal farmers adopt the lump sum method with the 69.88 percent, then the installment method with the 29.81 percent of loan repayment in the institutional sources and repayment of loan in lump sum create one time burden of repayment, so the study suggest that the institutional loan repayment must be in installments. In the non institutional sources maximum marginal farmers adopt the installment mode of repayment of loan with the 45.55 percent. The main reasons of making default in the loan repayment by the marginal farmers found less income and any other with the 62.25 percent and 44.58 percent respectively and in the any other reason maximum farmers expect that the government

will relax their outstanding loan amount, so the study suggests that loan is provided for the more income generated activities and subsidies in the interest should be given to the good debtors by the government.

REFERENCES

Balishter, B.A. 1989. "Agriculture loans: Menace of Over dues." *Yojana*, July 16-31, Vol. 33, No. 13, pp 30-33.

Haryana State Statistical Abstract, 2011-12, Issued by the Department of Economic and Statistical Analysis, Haryana 2013.

Kaur, Gurpreet 2009. "Socio-Economic Status of Farmers" http://dspace.thapar.edu:8080/dspace/handle/10266/799

Kumar, Kush, 2010. "Various issue related to Loan among Small and Marginal Farmers in Punjab" *Man and Development*, vol. 32, No. 1, March, 2010.pp 67-76.

Kumari R.Vijaya, 2005. "An Economic Analysis of Rural Indebtedness in Northern Telangana Zone of Andhra Pradesh" *Indian Journal of Agricultural Economics*, Vol. 60, No. 3, July-September, pp 302-308.

Panda R.K. and S.K. Chand, 2009. "Magnitude and Causal Factors in the Context of Institutional Farm Loan Overdue- A Farm Level Study in Puri District, Orissa." *Agriculture Situation in India*, 1098 Agri/10-9, October, 2009, pp 409-417.

Prakash, 2007. "Agricultural crisis, credit and indebtedness of farmers in Idukki district, *Indian Journal of Agricultural Economics*, Vol. 62, No. 3, July-September.

Rawat, V.K., Shukla, Archana., Mohan, Madan., Kumar, Jitendera and Singh, Arimardan 2010. "Emerging Scenario of Risks, Indebtedness and Farmers Suicides in Agrarian Food Security Crises of India." *Indian Journal of Agricultural Economics*, Vol. 65, No. 3, July-September.

Sajjad H., Chauhan C. and Jamil M. 2016. "Indebtedness and its casual factors among farmers in Sangroor district, Punjab: A Household level Analysis" Transactions, Ins. Indian Geographer, Volume 38, Number 1 pp 101-114.

Singh S., Bhogal S. and Singh R. 2014. "Magnitude and Determinants of Indebtedness among Farmers in Punjab" *Indian Journal of Agricultural Economics*, Vol. 69, No. 2, April – June.

Sonepat District Statistical Abstract 2010-11, issued by District Statistical Office, Sonepat.

Sonipat.nic.in, Official site of Sonepat district.

Verma S. 1992. "Over dues of Co-operatives Loans: A Case Study." *Yojana*, Vol. 36(II), pp 25-30.

****