



UTILITY ANALYSIS OF CREDIT PROVIDED BY NABARD: AN EVALUATION IN CONTEXT OF RAJASTHAN ECONOMY.

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ABSTRACT

Indian Economy is a developing economy where most of the people live in rural area and depend on agriculture and other related activity. Rajasthan is the largest state in country with a geographical area of 3.42 lakh sq. km after the partition of Madhya Pradesh. Rajasthan is a predominantly agrarian state and economy of Rajasthan is agriculture based economy. A continuous research is needed to analyse the role of NABARD in the economic development of Rajasthan. Under this research study, various level of utilisation of loan has been discussed and furthermore components affecting the utilisation of loan also evaluated and presented in the context of Rajasthan economy.

Key Words-NABARD, Rajasthan Economy, Credit Facility Utilisation of loan

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1. INTRODUCTION

Rajasthan's economy is developing economy. It is based on agriculture, animal husbandry and rural industries. Rajasthan is the largest state in the country after partition of Madhya Pradesh on the basis of area with a geographical area of 3.42 lakh sq. km. Rajasthan is situated in the north-western part of the country and is surrounded by the States of Punjab, Haryana and Uttar-Pradesh in the north-east, Madhya Pradesh in the south-east and Gujarat in the south-west. The total population of Rajasthan was 5.65 crore in 2001 which increased to 6.85 crore in 2011. The decadal growth rate of population in Rajasthan is 21.30 per cent, which is higher than the national average of 17.64 per cent. At present, there are 7 Divisions and 33 revenue districts in the State. Rajasthan is a predominantly agrarian state and economy of Rajasthan is agriculture based economy. There is abundant natural and human resources available in the state but due to lack of capital, lack of technical knowledge, administrative inefficiency and lack of proper planning, they have not been fully absorbed. So the general public did not get full advantage of it. Although, due to the government efforts and planned development, the state has achieved partial success in solving the problems of agriculture, poverty, unemployment, price rise etc. However, there are many areas where there is a lot to be done, such as roads, irrigation, water- Solutions for power projects, marketing, insurance, agricultural finance etc. are expected.

NABARD is the highest institution for financing agricultural and rural development which provides refinance and direct finance through state co-operative banks, regional rural banks, commercial banks etc. Therefore, continuous research is needed to analyze the role of NABARD in the economic development of Rajasthan. Under this research study, various level of utilisation of loan has been discussed and furthermore components affecting the utilisation of loan also evaluated and presented in the context of Rajasthan economy.

2. CREDIT STRUCTURE OF NABARD

In March 1979, the Reserve Bank of India constituted a committee under the chairmanship of Shri V. Shivaraman, who submitted its report on November 26, 1979. The Committee advised the Agriculture Rehabilitation and Development Corporation to set up National Agricultural and Rural Development Bank, with the failure of the rural credit and finance system. On July 12, 1982, the Government of India passed a bill to set up the National Bank for Agricultural and Rural Development (NABARD).

In order to provide adequate credibility on time for agriculture and non-agricultural activities in rural areas, NABARD gives instructions regarding different types of services for the purpose of rural credit institutions. Various types of schemes are being operated and executed to provide refinance to banks for the purpose of agricultural facilities, agricultural mechanization, animal husbandry, horticulture etc. in rural areas by NABARD.

Credit facility/Refinance is provided by NABARD as follows:

2.1 Short-term and Med-term debt- At present, modern farming is done, which is different from traditional agriculture. Modern agriculture requires high quality seeds, fertilizers, agricultural equipment. In such a situation, credit should be coupled with productivity and other services in the debt system. Hence, crop loan system and production oriented system has been developed for the distribution of scale of production loan for this purpose. NABARD provides refinance to the State Co-operative Banks, Regional Rural Banks on concessional interest rate through approval of loan limit for seasonal agriculture operations. This short-term loan is repaid within 12 months of the withdrawal. In addition to this, the farmers whose crops have been damaged due to natural calamities, NABARD has provided facilities to convert their existing short term agricultural loans into mid-term loans and re-capitalization of the current mid-term loan and re-scheduling the repayment period of the loan. For which, the consolidated limits are sanctioned to the State Cooperative Banks in relation to the regional rural banks and eligible district intermediate co-operative banks.

2.2 Long term debt- The main objective of long-term debt is to build capital while creating assets through various activities. This leads to an increase in production, productivity and incremental income of farmers and entrepreneurs. These long term loans are usually given for 3 to 15 years for the purpose of minor irrigation, agriculture machinery, dairy development, farming, animal husbandry, bio-gas, land development, planting and storage etc.

3. REVIEW OF LITERATURE

A study by Sidhu, M.S. (1985) evaluated the impact of bank lending on the standard of living of agricultural labourers, marginal farmers and small farmers. They stated that loans brought about a qualitative change in the relative contribution of different sources of gross household income of sample beneficiaries and level of income of the loanees rose. The study revealed that there has been a considerable improvement in the consumption pattern of beneficiaries.

A study carried out by Yadav, A.K, and Singh, B.N.,(1996) on the impact of institutional credit on the levels of investment, income and employment on different groups of farms. The study indicated that income and employment levels were found to have increased with the increase in investment levels in farms. The overall average income and employment came to Rs.4120.10 and 138.85 days on borrower farms and Rs, 3571.91 and 129.52 days on non-borrower farms, respectively.

According to Kewal Kumar, (1987) Agricultural credit is a nucleus of the system of farm operation. Adequate and timely credit to the farmers is, therefore, vital and indispensable for the rehabilitation and progress of agriculture. Credit of the right quantity and of the right kind immensely contributes to agricultural development-once the match-stick of credit ignites the flame better managerial skill sustain it and a holy process of one inducing the other and covering all comes into effect. Thus, the role of credit consist in laying foundation stone of farm revolution and maintaining structure built upon it.

Lalthia N. and Dayanandan R.(Jan 2005): stressed in his study on “NABARD and rural transformation” that the mission of NABARD is to promote sustainable and equitable agriculture and rural development through effective credit support ,related services institutions building and other innovative initiative.

Mohana Rao, L.K.(1985) examined the impact of bank finance on income and cropping pattern. They found that changes in the cropping pattern not only depended on the availability of loan but also other factors like irrigation, soil type, relative profitability of the competing crops.

Patel R.H, (1987), examined the purposes and utilisation of credit among different categories of farmers. According to them, on an average about 70 percent of the available credit was used for productive purposes and about 30 percent was diverted to non-productive uses. The extent of use for unproductive purposes wa4s the highest among large farmers and lowest in case of small farmers. They further added that among the productive purposes, crop loan, which accounted for the highest percentage of the total credit, was most dominant, whereas among the non-productive purposes, family expenses had the highest share in the total advances for all the cases except for the small farmers.

4. RESEARCH METHODOLOGY

This research has been conducted on the basis of following points-

- a. Objectives-** The following objectives are considered under this study,
 - i. To analyze refinance police of NABARD in context of Economy of Rajasthan.

- ii. To present the various level of utilization of loan.
- iii. To discuss the various reasons for fully and partly utilisation of loan.
- iv. To explore the feedback of beneficiary of NABARD.
- v. To discuss the factors affecting the utilisation of loan and provide suggestions.

b. Hypothesis- The following hypothesis are taken under this research,

H₀¹All age group means are equal in respect of utilisation of loan.

H_a¹All age group means are significantly different in respect of utilisation of loan.

H₀²All group means of type of family are equal in respect of utilisation of loan.

H_a²All group means of type of family are significantly different in respect of utilisation of loan.

H₀³All group means of area of land occupied by beneficiaries are equal in respect of utilisation of loan.

H_a³All group means of area of land occupied by beneficiaries are significantly different in respect of utilisation of loan.

H₀⁴All group means of family members engaged in agricultural sector are equal in respect of utilisation of loan.

H_a⁴All group means of family members engaged in agricultural sector are significantly different in respect of utilisation of loan.

H₀⁵All group means family income are equal in respect of utilisation of loan.

H_a⁵All group means of family income are significantly different in respect of utilisation of loan.

c. Data Collection- This research study is based on primary data. For the collection of data an opinion survey was conducted through questionnaire among the 300 customers/beneficiaries of commercial banks, cooperative banks and regional rural banks.

d. Research Technique- Under this research study Anova test has been applied for analysis of data/feedback received from respondents.

5. DATA ANALYSIS

The main objective of NABARD is to provide refinance or credit facility for agriculture and allied activities and rural development so a critical evaluation of the credit available by NABARD becomes necessary therefore, in order to know the impact of NABARD on the Rajasthan economy this study has been divided in two parts.

First part shows the kinds of beneficiaries on the basis of level of utilisation of loan approved to them with reasons which are fully utilisation, partly utilisation and not utilisation, and under the another part of study the various factors have been discussed which may be responsible for affecting the level of utilisation of loan.

5.1 The utilisation of loan- The productive use of loans by farmers gives more productivity and provides better economic conditions by which their living standard is improved.

The various level of utilisation of loan by beneficiaries are discussed in the following table

Table-01
Using credit for productive activities

	No. of Beneficiary	Percentage
Fully Utilised	153	51
Partially Utilised	120	40
Not Utilised	27	9
Total	300	100

Source- Primary Data

It is evident from the above table that 51% of the samples were fully utilized the loan for which the loan was sanctioned to them. Only 40 percent of sample partially used of their sanctioned loan for the purpose, and 9 percent of the loan was not used for productive work at all.

In addition to productive works, using of loans by borrowers for other activities are being shown in the following table -7.2, according to which 23.81 percent was spent on domestic consumption, 16.33 percent used to settle old loans, 6.80 percent Spent on medical treatment of family members. Apart from these, the expenditure on social customs, expenditure on marriage and 15.65 per cent, and 9.52 per cent of the loans taken by samples of individuals respectively were utilized.

Table -02
Use of loan for other works

Details/Object	No. of Beneficiary	Percentage
Construction of Residential Property	19	12.93
Repayment of old loan	24	16.33
Expenditure on marriage	14	9.52
Expenditure on health of family member	10	6.80
Acquisition of land	16	10.88
Expenditure on domestic consumption	35	23.81
Expenditure on Social/ Traditional activities	23	15.65
Other	06	4.08
Total	147	100

Source- Primary Data

By observing the above table, it is clear that most farmers or indebted persons have been spent on repaying the expenditure on domestic consumption and old loans.

5.2 Factors affecting the use of the loan- As there are many components or factors which affect the use of loan. To study the various components related to the use of credit is also a very important task. For this purpose an attempt has been made to explain the relationship between the use of the loan and factors related to the use of the loan. These components include various types of social, physical variables such as age, education, family size, land-holding, number of persons engaged in agriculture and allied sectors, productive value, type of loan, loan amount, level of payment etc. which are described as under.

5.2.1 Age of beneficiaries and utilisation of loan-The beneficiaries associated with the use of loans in different age groups have been presented in the following table -03.

Table-03**Age of beneficiaries and utilisation of loan**

Level of Utilisation	Age of beneficiaries						Total	
	Below 35		35 to 50		Above 50		No.	Percent
	No.	Percent	No.	Percent	No.	Percent		
Fully Utilised	24	48.98	75	44.91	54	64.28	153	51
Partially Utilised	15	30.61	81	48.50	24	28.57	120	40
Not Utilised	10	20.41	11	06.59	06	07.14	27	09
Total	49	100	167	100	84	100	300	100

Source- Primary Data

It is cleared from above table that 64.28 percent of the people in the age group of above 50 years have made full utilisation of the sanctioned loan. Similarly, in the category of below 35 years, 48.98 percent utilized the loan sanctioned, while in the age group 35 to 50 years, the most number of people who partly utilized the sanctioned loan, which is 48.50 percent of the total sample of this age group whereas 20.41 percent of the total sample of the age group of below 35 years did not utilise the sanctioned loan to them. For interdisciplinary study between age group and various level of utilisation anova test has been applied on the basis of following hypothesis.-

H₀¹ All age group means are equal in respect of utilisation of loan.

H_a¹ All age group means are significantly different in respect of utilisation of loan.

Table -04.**ANOVA RESULT**

Source of variance	Sum of Squares	d.f.	Mean Square	F	Table Value
Between Groups	3.036	2	1.518	3.634	3.026
Within Groups	124.044	297	0.418		
Total	127.080	299			

Result- According to the above table, the variance ratio is 3.634 which is more than the table value of 3.026, hence the null hypothesis is rejected which means there is a significant difference between the age of the beneficiaries and the level of use of the loan.

5.2.2 Type of family of beneficiaries and utilisation of loan-The use of loan by beneficiaries related to the type of family like nuclear and joint family, has been presented in below Table No.-05.

Table -05
Type of family and utilisation of loan

Level of Utilisation	Type of Family				Total	
	Nuclear		Joint		No.	Percentage
	No.	Percent	No.	Percent		
Fully Utilised	79	50	74	52.11	153	51
Partially Utilised	65	41.14	55	38.73	120	40
Not Utilised	14	08.86	13	09.16	27	9
Total	158	100	142	100	300	100

Source- Primary Data

In the above table the effect of the type of family of sample beneficiaries on the usage level of the loan has been explained, according to which it is cleared that among the beneficiaries of the joint family, 52.11 percent of the people fully utilized the loans accepted by them. Under the partly utilisation the number of beneficiaries of the single family is higher, which is 41.14% of the total number. Thus, in the beneficiaries of the family, 9.16 percent of the loans sanctioned by the individuals were not utilized at all. For studying the relationship between type of family and level of utilisation anova test has been used, for which hypothesis are the following-

H₀²All group means of type of family are equal in respect of utilisation of loan.

H_a²All group means of type of family are significantly different in respect of utilisation of loan.

Table-06
ANOVA RESULT

Source of variance	Sum of Squares	d.f.	Mean Square	F	Table Value
Between Groups	0.025	1	0.025	0.058	3.872
Within Groups	127.055	298	0.426		
Total	127.080	299			

Results- According to the above table, the variance ratio is 0.058 which is less than the table value of 3.872, therefore the null hypothesis is accepted which means all group means are equal in other words there is no meaningful difference between the type of family of beneficiaries and the use of the loan.

5.2.3 Land holding by beneficiaries and utilisation of loan-The relation between level of utilisation of loan and the area of land occupied by the beneficiaries, has been presented in the following Table-07.

Table -07
Land occupied by beneficiaries and utilisation of loan

Level of Utilisation	Land occupied by beneficiaries						Total	
	Below 35 Acer		35 to 50 Acer		Above 50 Acer		No.	Percent
	No.	Percent	No.	Percent	No.	Percent		
Fully Utilised	42	50.60	84	50.30	27	54	153	51
Partially Utilised	34	40.96	73	43.71	13	26	120	40
Not Utilised	07	08.44	10	05.99	10	20	27	09
Total	83	100	167	100	50	100	300	100

Source-Primary Data

In the above table, the area of land occupied by the beneficiaries has been shown to know the effect on the utilization level of the loan, according to which it is cleared that 54% of the persons have made full use of the sanctioned loan out of the beneficiaries those occupied the land more than 5 acres. The majority of those beneficiaries who used partly the sanctioned loan to them are in category of that beneficiaries those hold the land area of 3.5 acre to 5 acres which is 43.71 percent of the total number of this class. Similarly under samples of people who are not using the loan at all the highest number of those beneficiaries by whom the area of land occupied by more than 5 acres is 27 percent of the total number of this category.

For studying the relationship between the level of use of loan and area of the land occupied by the beneficiaries' statistical test anova test has been used on the basis of the following hypothesis.

H₀³All group means of area of land occupied by beneficiaries are equal in respect of utilisation of loan.

H_a³All group means of area of land occupied by beneficiaries are significantly different in respect of utilisation of loan.

Table -08
ANOVA RESULT

Source of variance	Sum of Squares	d.f.	Mean Square	F	Table Value
Between Groups	0.409	2	0.205	0.480	3.026
Within Groups	126.671	297	0.427		
Total	127.080	299			

Result- Consequences of the above- According to the above table, the variance ratio is 0.480 which is less than the table value of 3.026, so the null hypothesis is accepted, meaning there is no meaningful difference between the area of land occupied by the beneficiaries and the use of the loan, in other words group means of area of land occupied by beneficiaries are equal in respect of utilisation of loan.

5.2.4 Members of the beneficiary family engaged in the agricultural sector and level of utilisation- The members belonging to the beneficiaries families engaged in the agricultural sector have been presented in below table-09 with the use of credit by the family of the beneficiaries.

Table-09
Associate members in the agricultural sector of the beneficiary family and level of utilisation

Level of Utilisation	Members of the beneficiary family engaged in the agricultural sector						Total	
	Less than 03		03 to 05		More than 05		No.	Percent
	No.	Percent	No.	Percent	No.	Percent		
Fully Utilised	35	44.30	73	54.48	45	51.72	153	51
Partially Utilised	31	39.24	53	39.55	36	41.38	120	40

Not Utilised	13	16.46	08	5.97	06	6.90	27	09
Total	79	100	134	100	87	100	300	100

Source-PrimaryData

In the above table, we find that the number of engaged members belonging to the beneficial family has affected the level of usage of the loan, according to this table it is cleared that 54.48% has made full use of the approved loan under the category of the 03 to 05 number of family members belonging to the agriculture sector. The loan partly utilised by those beneficiaries, whose family has more than 5 members engaged in the agriculture sector, which is 41.38 percent of the total number of this class. Similarly, the highest number of persons who not utilised the loan approved to them is of the category of those beneficiaries, whose family members engaged in the agricultural sector is less than 3, which is 16.46 percent of the total number of this class.

To analyse the relationship between the numbers of members engaged in the agricultural sector and the level of use anova test has been used on the basis of following hypothesis.

H₀⁴All group means of family members engaged in agricultural sector are equal in respect of utilisation of loan.

H_a⁴All group means of family members engaged in agricultural sector are significantly different in respect of utilisation of loan.

Table-10
ANOVA RESULT

Source of variance	Sum of Squares	d.f.	Mean Square	F	Table Value
Between Groups	2.219	2	1.110	2.639	3.026
Within Groups	124.861	297	0.420		
Total	127.080	299			

Results -According to the above table, the variance ratio is 2.639 which is less than the table value of 3.026, therefore the null hypothesis is accepted it means that there is no significant difference between the number of members involved in the agricultural sector and the use of

the loan in other words all group means of family members engaged in agricultural sector are equal in respect of utilisation of loan.

5.2.5 Family income and utilization -The relationship between the use of the family's annual income and utilisation of loan has been presented in the following table-11

Table-11
Family Annual Income and use of loan

Level of Utilisation	Family income and utilization						Total	
	Less than 03 Lakh		3 to 5 Lakh		More than 5 Lakh		No.	Percent
	No.	Percent	No.	Percent	No.	Percent		
Fully Utilised	77	51.33	50	49.50	26	53.06	153	51
Partially Utilised	60	40	43	42.57	17	34.69	120	40
Not Utilised	13	8.67	8	7.92	06	12.24	27	9
Total	150	100	101	100	49	100	300	100

Source-Primary Data

Above table it is cleared that 53.06 percent from the category of which the family income is more than Rs 500,000 fully utilised the loan approved to them. 42.57 percent beneficiaries partly utilised the loan from the category of which the family income is more than Rs 300,000 but less than 5, 00,000. For not at all utilised the highest number of the beneficiaries of the people whose family income is more than Rs 500,000 which is the 12.24 percent of this class. For studying the relationship between family income and level of utilisation anova test has been used, for which hypothesis are the following-

H₀⁵ All group means family income are equal in respect of utilisation of loan.

H_a⁵ All group means of family income are significantly different in respect of utilisation of loan.

Table -06
ANOVA RESULT

Source of variance	Sum of Squares	d.f.	Mean Square	F	Table Value
Between Groups	0.015	2	0.008	0.018	3.026
Within Groups	127.065	297	0.428		
Total	127.080	299			

Results- According to the above table, the variance ratio is 0.018 which is less than the table value of 3.026, therefore the null hypothesis is accepted which means all group means are equal in other words there is no meaningful difference between the family income of beneficiaries and the use of the loan.

6. CONCLUSION

On the above study we can conclude that level of utilization of loan has a significant impact on agricultural productivity, earning capacity, living standard of beneficiary. Under this research study loan approved to beneficiaries has been discussed on the basis of their utilisation. For fully utilisation we find that there are 51% beneficiaries whereas 40% partially utilised and 9% not utilised the loan approved to them. The productive use of loans by farmers gives more productivity and provides better economic conditions by which their living standard is improved. There are many reasons which are responsible for use of loan for other purpose, out of them we find that 35 beneficiaries utilised the loan for domestic consumption which is 23.81% of the category of partially utilised thereafter in the same category 16.33% beneficiaries utilised the for repayment of old loan. Besides the study of level of utilisation of loan this study also presents the factors affecting the utilisation which include the age of beneficiaries, type of family, members engaged in agricultural sector, land holding and family income. After the study of various factors it is cleared that there is a significant difference between the age of the beneficiaries and the level of use of the loan but in case of land holding, family members engaged in agricultural sector, type of family and family income we find that all group means are equal in respect of utilisation of loan.

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