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## **A Study of Various Constraints Regarding Credit Utilization in Jaunpur District of Uttar Pradesh**

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### **Authors' contributions**

*This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.*

### **Article Information**

DOI: 10.9734/AJAEES/2021/v39i1130786

*Editor(s):*

(1) Dr. Ian McFarlane, University of Reading, UK.

*Reviewers:*

(1) Samuel Afotey Anang, University of Energy and Natural Resources, Ghana.

(2) Hussin Jose Hejase, Al Maaref University, Lebanon.

Complete Peer review History, details of the editor(s), Reviewers and additional Reviewers are available here:

<https://www.sdiarticle5.com/review-history/76458>

**Received 09 September 2021**

**Accepted 19 November 2021**

**Published 04 December 2021**

**Short Research Article**

## **ABSTRACT**

**Background:** Credit is the crucial input for the economic development of the farmers as it helps in increased production through use of modern inputs. The study was carried out to examine the various constraints faced by the different groups of farmers in the Jaunpur district in regards to credit utilization.

**Aims:** To study the various constraints regarding credit utilization and credit acquisition by the borrowers

**Place and Duration of Study:** Jaunpur district of Uttar Pradesh, between year 2020 and 2021.

**Methodology:** A total of 120 respondents were selected randomly from the Karanzakala block of Jaunpur district, Uttar Pradesh and a pre-structured questionnaire was used to collect the data from the farmers. Respondents were classified into two categories and 60 respondents from borrowers and 60 from non-borrowers were selected for study purpose

**Results:** It is revealed by the Garrett scores that maximum number of borrowers with 71.61 mean score reported that hectic documentation as main problem faced in acquiring the credit.

**Conclusion:** From the findings of the study, it has been stated that there was a high level of constraints associated with access to credit. Highly responded constraints for bank credit were hectic documentation (71.61 mean score), repayment period not being sufficient (68.25 mean

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score) and Insufficient loan amount (60.25 mean score) were the major constraints. Due to having these constraints, farmers faced a lot of troubles to get credit which hindered agricultural activities, increased cost of credit, led to selling of agricultural crops at low prices.

**Keywords:** Credit; credit utilization; constraints; agricultural loan; economic development.

## 1. INTRODUCTION

Agriculture plays an important role in the economic life of India. The unprecedented fall in global poverty, especially in Asia, in recent decades reflects a large contribution from the successful agricultural transformation [1]. Indian economy largely depends upon agriculture as more than 72 per cent of its population is employed in it. Indian agriculture is relying on the mercies of monsoons for its survival. One of the key drivers of progress in any sector is the proper availability of finance. In the case of agriculture, it is not only the availability of credit but also the access to adequate institutional credit that matters, since most of agriculturists belong to small and marginal farmer categories [2,3].

In fact farmers need much more capital than they can afford to save. Credit is a condition that enables a person to extend his or her control over ownership of resources [4]. It represents mobilization of the savings by intermediaries or government from the people and through such credit operations financial savings are transformed into capital [5-7]. However, credit is not capital, the money obtained from credit provides a command over enough funds to exploit opportunities. Credit is an important input in the development. It plays the role of an accelerator in the agricultural development provided it is adequate in quantity, cheap and development oriented [8-10]. Therefore, understanding the gap and necessity the present study was undertaken to investigate the detail scenario of the constraints faced by the farmers associated with credit.

## 2. MATERIALS AND METHODS

Karanzakala block which had highest loan availing was selected purposively. Out of 185 villages, the top five villages where maximum financing was availed through banks were selected. The villages selected purposively for the study were Ladlepur, Piyarepur, Shikarpur, Nadiyapara, Palhamaukhurd. First the farmers were categorized in three different groups: marginal, small and medium farmers. Out of all

the population, 10 % of samples are selected randomly. Worth mentioning that farmers categorization is as follows:

Marginal farmers: farmers having land holding less than 1 hectare.

Small farmers: farmers having land holding 1 to 2 hectares.

Medium farmers: farmers having land holding above 2 hectares.

After the random selection of respondents, the farmers were categorized into two different groups randomly.

Borrowers

Non borrowers

From these lists a sample of 120 respondents (60 from borrower and 60 from non-borrower) were selected for study purpose. The structured and pilot-tested questionnaire was used to collect the primary data, and then the collected data were calculated and analyzed by using descriptive statistics [11] where average and percentage and Garrett ranking technique in the form of Table and Figure was used. The period of the study extended from 1st December 2020 to 31st May 2021.

### 2.1 Data Analysis

To study the various constraints regarding credit utilization Garrett's ranking technique was used. Garrett's ranking gives the change of orders of constraints and advantages into numerical scores. The major advantage of this technique as compared to simple frequency distribution is that the constraints and advantages are arranged based on their importance from the point of view of respondents. Hence the same number of respondents on two or more constraints can be given different rank (Kumar and Pandey, 1999). Garrett's formula for converting ranks into per cent was given by,

$$\text{Per cent position} = 100 (R_{ij} - 0.5) / N_j$$

Where,

$R_{ij}$  = rank given for  $i^{\text{th}}$  factor by  $j^{\text{th}}$  individual

$N_j$  = number of factors ranked by  $j^{\text{th}}$  individual

The per cent position of each rank is then converted into scores referring to the Table given by Garret and Woodswordh (1969). For each factor, the scores of individual respondents were added together and divided by the total number of the respondents for whom scores were added. These mean scores for all the factors were arranged in descending order, ranks were given and most important factors will be identified. Garrett's ranking technique was adopted for studying problems faced by borrowers regarding credit utilization.

### 3. RESULTS AND DISCUSSION

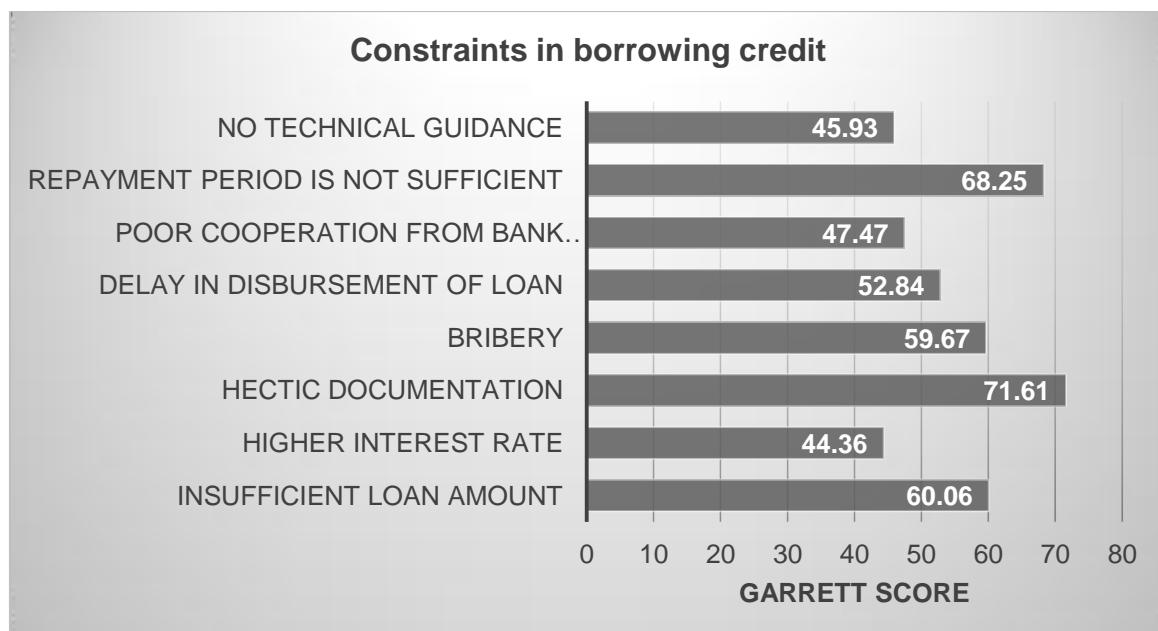
The general problems faced by the sample farmers of the study in acquiring the credit from

banks during the study period is clear from Table 1 and Fig. 1. Results revealed by the Garrett scores that the maximum mean score of 71.61 was scored by borrowers who reported that hectic documentation as main problem faced in acquiring the credit, whereas the mean score of 68.25 was from borrowers who reported that repayment period is not sufficient. The next highest mean score values of 60.06, 59.67, 52.84, 47.47, 45.93 and 44.36 corresponded to different constraints namely insufficient loan, bribery, delay in disbursement of loan, facing poor cooperation from bank staff, expressing no technical guidance, higher interest rate, respectively as major problems at the time of obtaining agricultural loan.

**Table 1. Problems experienced by sample borrower in acquiring credit from banks in the study area**

S.no	Constraint	Mean score	Rank
1	Insufficient loan amount	60.06	3
2	Higher interest rate	44.36	8
3	Hectic documentation	71.61	1
4	Bribery	59.67	4
5	Delay in disbursement of loan	52.84	5
6	Poor cooperation from bank staff	47.47	6
7	Repayment period is not sufficient	68.25	2
8	No technical guidance	45.93	7

Total no. of Respondents=120  
 $B+NB=60+60=120$



**Fig. 1. Graphical representation of garrett mean score of problems experienced by sample borrowers in acquiring credit from banks in the study area**

#### 4. CONCLUSION

Research findings revealed that there was a high level of constraints associated with access to credit. The top three constraints among others were: hectic documentation (71.61 mean score), repayment period not being sufficient (68.25 mean score) and Insufficient loan amount (60.25 mean score). Due to having these constraints, farmers faced a lot of troubles to get credit which hindered agricultural activities, increased cost of credit, and led to the selling of agricultural crops at low prices.

#### ACKNOWLEDGEMENTS

I would like to express my sincere thanks of gratitude to my Advisor Dr. Sanjay Kumar, all the member of advisory committee along with the members of Department of Agricultural Economics for their guidance and constant support in completing the research.

#### COMPETING INTERESTS

Authors have declared that no competing interests exist.

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#### Peer-review history:

The peer review history for this paper can be accessed here:

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