



Loan Repayment Behaviour under Nagaland State Cooperative Bank Limited

Longma Yanger Pongen, A K Godara and S P Singh

Department of Extension Education
Chaudhary Charan Singh Haryana agricultural University, Hisar 125 001(Haryana)

ABSTRACT

The study was conducted in Nagaland at randomly selected district of Kohima, Dimapur and Mokokchung. The requisite information was collected from 120 borrowers taken loan during the year 1998-19 through random sampling, with the help of interview schedule. The repayment behaviour of the respondents indicated that only 25.0 per cent of the total borrowers (120) were found to be regular in repaying the loan within the specified period while 75.0 per cent had stop paying completely after initial installments or had never paid any installment due to some reasons. It was also found that the reasons for non-repayment of loan were due to low outcome from the project (73.33%), pressing family needs (56.67%), natural calamities (44.44%), less income source (40.0%), marketing problems and non-availability of raw materials (35.55 %), mismanagement of income (31.11%), high interest rate (27.78%) followed by short time duration (26.67%) for loan recovery. Repayment behaviour also had positive significant correlation with socio-economic status, easy availability and perceived adequacy, whereas annual income and timely availability had positive correlation but non-significant. However, adoption behaviour and earner's percentage exhibited negative correlation with repayment behaviour.

Key Words: Borrowers, Repayment, Cooperative Bank, Nagaland, Loan.

INTRODUCTION

Cooperatives banks has acquired a new dimension in the changing scenario of globalization and liberalization of the nation's economy. These cooperative institutions are the most emphasized sources of agricultural credit as it satisfies all the criteria of a good system of rural credit. The need for a clear cut national policy on cooperatives for sustained development, healthy growth and self reliance for meeting the aspiration of the people in consonance with the principles of cooperatives have been initiated. Though the progress of cooperative bank strengthens the credit structure, mounting over dues on the other hand is a threatening and burning issue, these inefficiency in recycling of fund is affecting their performance as business entities and blocking the loans for new members (Anonymous, 2002). An attempt has been made in this study to examine the repayment behaviour of

farmers with respect to Nagaland State Cooperative Bank (NSCB) Limited.

MATERIALS AND METHODS

Location of Study

The study was conducted in randomly selected three district of Nagaland *i.e.*, Kohima, Dimapur and Mokokchung. Six cooperative branches two from each selected district were randomly selected. Twenty beneficiaries from each bank obtaining loan during the period 1998-1999 were selected in consultation with the branch office and the reason for non repayment were studied

Collection of Data

The data was elicited on carefully structured interview schedule. Direct personal interview-cum-discussion technique was used and information on different variables like as money once advanced

Table 1. Repayment behaviour of borrowers with reference to the activities. (n=120)

Activity	Repayment behaviour			Total Borrowers
	Regular	Irregular	Defaulters	
Agriculture	14 (21.21)	45 (68.18)	7 (10.61)	66 (100)
Livestock and poultry	6 (23.07)	17 (65.38)	3 (11.54)	26 (100)
Horticulture	7(36.84)	11(57.89)	1 (5.26)	19 (100)
*Transport and other services	3 (33.33)	6 (66.66)	-	9 (100)
Total	30 (25.00)	79 (65.83)	11(9.17)	(100)

*Including milling machines, cane juice extracting machines, power tillers etc.

Figures in parenthesis indicates percentage.

is very difficult to get back and so the repayment behaviour were categorized as Regular meaning borrowers who had repaid the whole amount or any specific amount earmarked for an installment regularly on or before due date, Irregular on the other hand refers to those borrowers who did not repay the amount as per scheduled or stop repaying after some initial installments due to certain reasons and Defaulters are those borrowers who had not paid even a single installment during the financial year period. Statistical Package for Social Science (SPSS) software was used for the purpose of statistical analysis.

RESULTS AND DISCUSSION

Repayment behaviour of borrowers with reference to the activities

The data (Table 1) represent the repayment behaviour of the borrowers with reference to the activities for which the loan was sanctioned. It reveals that 14per cent of had obtained agricultural loans, 23 per cent on livestock and poultry, 36.8 per cent on and rest 3 per cent on transport and other services on regular basis .

The results further showed that there was high percentage of non-repayment (75.00 %) by 90 individual borrowers (irregular+ defaulter) indicates that a large part of the amount advanced as loan to the borrowers was blocked thereby affecting the recycling of loan to other needy person.

Repayment behaviour of borrowers with reference to independent attributes

The values (Table 2) showed the repayment behaviour of borrowers with reference to independent attributes, nearly half (47.0%) middle age group were regular in repaying the loan on time whereas the same age group was observed to be the largest category for irregular (52.0%) repayment. It was also revealed that higher the socio economic status (SES) better the repayment behaviour as was observed that 53.0 per cent of high SES were regular in repayment followed by 68.0 per cent of medium SES who were irregular followed by 45.50 per cent of low SES who had defaulted. Earners percentage depicted that medium (40.0%) category were regularly repaying, were as high category (41.0%) were found to be irregular, followed by medium (45.5%) category who had defaulted. The above findings can also tally with the reports of Musafiri and Ganesan (2009) which showed that age, gender and size of the household, purpose for credit, interest rate charges and number of official visits to the credit societies, have a strong effect on loan repayment performance. Ramanujam and Arun (2017) also reported that the significantly associated profile variable regarding the level of repayment performance are high level of education, years of experience, location of the unit and type of sector of the unit.

Problems affecting the repayment behaviour

The table also reveals that 57.0 per cent of low adoption behaviour category were regular in loan repayment followed by 49.4 per cent of the same

Loan Repayment Behaviour

Table 2. Repayment behaviour of borrowers with reference to independent attributes. (n=120)

Attribute	Repayment behaviour		
	Regular (30)	Irregular (79)	Defaulters (11)
Age			
Young (<35 yr)	9 (30.0)	7 (9.0)	4 (36.4)
Middle (36-50 yr)	14 (47.0)	41 (52.0)	3 (27.2)
Old (>50 yr)	7 (23.0)	31 (39.0)	4(36.4)
Socio Economic Status			
Low	8 (27.0)	8 (10.0)	5 (45.5)
Medium	6 (20.0)	54 (68.0)	4 (36.4)
High	16 (53.0)	17 (22.0)	2 (18.1)
Earners' percentage			
Low	7 (23.0)	19 (24.0)	4(36.3)
Medium	12 (40.0)	28 (35.0)	5 (45.5)
High	11 (37.0)	32 (41.0)	2 (18.2)
Adoption behaviour			
Low	17 (57.0)	39 (49.4)	1(9.1)
Medium	7 (23.0)	21 (26.6)	5 (45.45)
High	6 (20.0)	19 (24.0)	5 (45.45)
Perceived adequacy			
Low	2 (6.7)	6 (7.6)	4 (36.4)
Medium	8 (26.7)	11 (13.9)	4 (36.4)
High	20 (66.6)	62 (78.5)	3 (27.2)
Timely availability			
In time	10 (33.3)	63 (79.7)	6 (54.5)
Can't say	6 (20.0)	4 (5.1)	-
Not in time	14 (46.7)	12 (15.2)	5 (45.5)
Easy availability			
easily	10 (33.3)	4 (5.1)	2 (18.2)
Some what	11 (36.7)	23 (29.1)	5 (45.4)
Much difficult	9 (30.0)	52 (65.8)	4 (36.4)
Annual Income			
Low (<25,000)	4 (13.33)	38 (48.1)	7 (63.6)
Moderate(25,000-75,000)	13(43.33)	37 (46.8)	4 (36.4)
High (> 75,000)	13(43.33)	4 (5.1)	-

Figures in parenthesis indicate percentage.

category to be irregular followed by 45.45 per cent medium and high adoption behaviour who defaulted equally. Majority of borrowers (62) of high perceived adequacy were found to be irregular, however 66.6 per cent under the same category were regular. Majority (79.70%) of the borrowers who obtained loan on time were found to be most irregular. Under the easily availability of loan attributes it was observed that 65.8 per cent of the borrowers who obtained loan with much difficulty were most irregular. The table also revealed that borrowers with lower (<25,000/-) and moderate (25000-75000/-) annual income represented the majority groups who defaulted in regular payment of loan.

To further probe the problems affecting the repayment behaviour of respondents, questions were asked to those 90 borrowers who did not recover the loan within the specified recovery period and multiple responses were obtained (Table 3).

Table 3. Problems affecting the repayment behavior. (n=120)

Reason	Multiple responses
Low outcome from the project	66 (73.33)
Pressing family needs	51 (56.67)
Natural calamities	40 (44.44)
Less income source	36 (40.00)
Marketing problem	32 (35.55)
Non-availability of raw material	32 (35.55)
Mismanagement of income	28 (31.11)
High interest rate	25 (27.78)
Time duration was short	24 (26.67)

Figures in parenthesis indicate percentage.

It was learnt that 73.33 per cent of the respondents could not recover within the specified period as a result of low outcome from the Project, untimely death of animals and birds due to sudden diseases in the area was also reported in case of livestock and poultry. Panday *et al* (2009) also reported crop failure, inadequate electricity supply, excess expenditure on domestic affairs and reduced profit margins to be reasons for low repayment of

loan. Expenditure due to Pressing Family Needs was reported as the second (56.67%) reason which means expenditures were made in non-income generating activities like social ceremonies, festivals, children’s school fees etc, similar results were also reported by Ritu Rathore *et al* (2017). Next was followed by Natural Calamities such as landslides due to heavy rain that affected the projects or crops as expressed by 44.44 per cent of the respondents. The table further shows that less income source for repayment (40.0%) was due to low productivity of land as a result of traditional technique of agriculture and higher cost of production. Marketing problem (35.55%) was the subsequent reason as regulated marketing facilities were not available in the area and also higher cost of marketing the produce. The following reasons further presented in descending order as non-availability of raw material (35.55%), mismanagement of income due to improper planning (31.11%), high interest rate of the bank (27.78%) and repayment duration being short (26.67 %) were identified as some reasons for untimely repayment, these findings were also in consonant with the results of Yasir Mehmood *et al* (2012) who found that sloppy supervision by the bank employees, miss-utilization of loans, high interest rate and change in business/residential place of the borrowers etc. caused delay in repayments of agricultural credit

Table 4. Correlation coefficient between independent attributes and repayment behaviour.

Sr. No	Independent attributes	Correlation coefficient ‘r’
1.	Age	- 0.005
2.	Socio Economic Status	+0.229*
3.	Earners’ percentage	-0.125
4.	Adoption behaviour	-0.102
5.	Perceived adequacy	+0.179*
6.	Timely availability	+0.008
7.	Easy availability	+0.184*
8.	Annual Income	+0.027

*Significant at 5% level.

Loan Repayment Behaviour

CONCLUSION

It was found that socio-economic status ($r=0.229$), perceived adequacy ($r=0.179$) and easy availability ($r=0.184$) had positive and significant correlation ($P \leq 0.05$) with the repayment behaviour of respondents. It further revealed that annual income ($r=0.027$) and timely availability ($r=0.008$) had positive correlation but non-significant. Interestingly, age ($r=-0.005$), adoption behaviour ($r=-0.102$) and earners' percentage ($r=-0.125$) exhibited negative correlation with repayment behaviour of the respondents.

REFERENCES

Anonymous (2002). *National policy on cooperatives*, Department of agriculture and cooperations, Ministry of Agriculture, Government of India, New Delhi.

Musafiri Papias M and Ganesan P (2009). Repayment behaviour in credit and savings cooperative societies. *Int J Soc Econ* **36** (5):608-625.

Ramanujam V and K Arun Vidya (2017). A Study on the credit repayment behaviour of borrowers. *Int Res J Business and Manage* **10** (8): 9-18

Rathore Ritu, Mishra Shubham and Kumar Pradeep (2017). Factors affecting non-repayment of agricultural loan: A case study of Rajasthan Marudhara Gramin Bank. *Int J Curr Microbiol App Sci* **6** (4): 1052-1059.

Yasir Mehmood, Ahmad Mukhtar and Anjum Muhammad Bahzad (2012). Factors affecting delay in repayments of agricultural credit; A case study of District Kasur of Punjab Province. *World Applied Sci J* **17** (4): 447-451.

Panday R N, Agarwal K and Gangwar A C (2009) An analysis of repayment performance of farmers regarding agricultural loan in kurukshetra district (Haryana) *Indian Cooperative Rev* **28**(1): 54-61.

Received on 17/11/2019

Accepted on 01/12/2019