

Authors' contribution

Wkład autorów:

- A. Study design/planning
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- B. Data collection/entry
zebranie danych
- C. Data analysis/statistics
dane – analiza i statystyki
- D. Data interpretation
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- E. Preparation of manuscript
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- F. Literature analysis/search
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LOAN REPAYMENT BEHAVIOR OF BENEFICIARY FARMERS IN PRIMARY AGRICULTURAL COOPERATIVE SOCIETIES IN HARYANA (INDIA)

ZACHOWANIA ROLNIKÓW-BENEFICJENTÓW W PODSTAWOWYCH SPÓŁDZIELNIACH ROLNICZYCH W STANIE HARIANA (INDIE) W ZAKRESIE SPŁATY POŻYCZEK

**Suninder Singh^{1(A,B,C,D)}, Abhey Singh^{2(D,E,F)}, Sumista Rani^{3(A,D,F)},
Mamta Rani^{4(A,D,F)}**

¹Department of Economics, C.M.K. National Post Graduate College, Sirsa (Haryana), India

²Department of Economics, Chaudhary Devi Lal University, Sirsa (Haryana), India

³Regional Institute of Education (A Constituent Unit of NCERT, New Delhi) Bhubaneswar, India

⁴Department of Economics, Bhagat Phool Singh Mahila Vishwavidyalaya, Khanpur Kalan, Sonapat, India

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Abstract:

Subject and purpose of work: The study examined the loan repayment behavior of beneficiary farmers in Primary Agricultural Cooperative Societies in the State of Haryana, India.

Materials and methods: The findings were based on primary as well as secondary data. The secondary data was collected for the period of 2006-2007 to 2018-2019. The primary data was collected in the second quarter of 2022.

Results: The study concluded that year-wise the maximum percentage of defaulter farmers was 34.97% in 2008-2009 due to the debt relief scheme announced by the Government of India in 2008. Furthermore, it revealed that about 75% of beneficiary farmers repaid their loans regularly after receiving the benefit of interest subvention at 7% by the government of India and the state government. The findings on primary data concluded that most farmers have been repaying their loans regularly, and less than 10% of beneficiary farmers defaulted. The main reason for the default was a loan without security and the anticipation of a loan waive-off scheme. About 19% of beneficiary farmers have been repaying their loans irregularly due to the short time within which loan repayments needed to be made.

Conclusions: The short time of loan repayment is the main cause of irregular loan repayment behavior. The period of repayment of loans should be extended for one year and it should be considered from the loan issuance date.

Keywords: repayment behavior; beneficiary farmers, loans, PACS, State of Haryana

Streszczenie

Przedmiot i cel pracy: W badaniu przeanalizowano zachowania w zakresie spłaty pożyczek wśród rolników w podstawowych spółdzielniach rolniczych w stanie Haryana w Indiach.

Materiały i metody: Ustalenia oparto na danych pierwotnych i wtórnych. Dane wtórne zostały zebrane za okres od 2006-2007 r. do 2018-2019 r. Dane pierwotne zostały zebrane w drugim kwartale 2022 roku.

Wyniki: Badanie wykazało, że w latach 2008-2009 maksymalny odsetek rolników zalegających z płatnościami wynosił 34,97% ze względu na program redukcji zadłużenia ogłoszony przez rząd Indii w 2008 r. Ujawniło ono ponadto, że około 75% rolników będących beneficjentami regularnie spłacało swoje pożyczki po otrzymaniu korzyści w postaci subwencji odsetek w wysokości 7% od rządu Indii i rządu stanowego. Ustalenia dotyczące danych pierwotnych wykazały, że większość rolników spłacała swoje pożyczki regularnie, a mniej niż 10% beneficjentów nie wywiązywało się ze swoich zobowiązań. Głównym powodem niewypłacalności była pożyczka bez zabezpieczenia i oczekiwanie na program umorzenia pożyczki. Około 19% rolników będących beneficjentami spłacało swoje

Address for correspondence/ Adres korespondencyjny: Suninder Singh (ORCID 0000-0003-1531-2114; e-mail: suninder13@gmail.com), Department of Economics, C.M.K. National Post Graduate College, Sirsa (Haryana), India; Prof. Abhey Singh (Abheygodara@gmail.com), Department of Economics, Chaudhary Devi Lal University, Sirsa (Haryana), India; Dr Sumista Rani (Rsumista@gmail.com); Department of Education in Social Science and Humanities, Regional Institute of Education (A Constituent Unit of NCERT, New Delhi), Bhubaneswar, India; Department of Economics, Bhagat Phool Singh Mahila Vishwavidyalaya, Khanpur Kalan, Sonapat, India.

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pożyczki nieregularnie ze względu na krótki czas, w jakim należało dokonać spłaty pożyczki.

Wnioski: Krótki czas spłaty pożyczki jest główną przyczyną jej nieregularnego spłacania. Okres spłaty pożyczek powinien zostać wydłużony o rok i należałoby go liczyć od dnia wypłaty pożyczki.

Słowa kluczowe: zachowania związane ze spłatą, beneficjenci rolni, pożyczki, PACS, stan Haryana

Introduction

Cooperative credit institutions have long been playing a significant role in rural India. "A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise" (n.d.-a). The beginning of the cooperative movement started in 1904 with the passing of the Cooperative Credit Society Act, 1904. The purpose for establishment of cooperative credit society was to release the borrowing farmers from the clutches of local moneylenders, who charged the borrowing farmers exorbitant rates of interest. The cooperative credit institutions function under the aegis of the State Cooperative Credit Society Act. The present structure consists of short-term credit and long-term credit. The short-term cooperative credit institutions function within a three-tier federal structure, i.e., state cooperative banks function at the state level, district central cooperative banks at the district level, and primary agricultural cooperative societies at the village level. PACS are the smallest institutions that function at the village level of the short-term cooperative credit structure in India (Satyasai, Badatya, 2000).

A large proportion of farmers belong to small and marginal category of farmers. Their agrarian income is insufficient to meet the financial requirements for agricultural proposes. Primary agriculture cooperative societies play a significant role by providing agricultural credit, especially to small and marginal farmers. These societies are directly in contact with the rural people and provide financial requirements in a hassle-free manner (Shailaja, Hebbar, 2018). There are constraints in the functioning of PACS in the State of Haryana, such as a lack of adequate funds, low level of deposits, increased day-to-day government intervention, inability to mobilize resources, and a lack of managerial skills (Singh et al., 2022). Almost 14.10 (one is the equivalent of 100,000) borrowing members, most of which reside in rural areas of Haryana, were directly in contact with 769 PACS to meet their financial needs (NAFSCOB, 2020). Therefore, the present study was carried out to study the repayment behavior of loans by the beneficiary farmers of PACS in the State of Haryana. Singh et al. (2023) in their study identified constraints in accessing credit from PACS by the beneficiary farmers such as inadequate credit limit, short time to the repayment of the loan, a high penalty rate, and the unavailability of medium-term loans.

Literature review

A number of studies were conducted by Yanger (2003), Sharma (2010), Rajput (2011), Rawat (2016), Naik (2021) Jakhar et al. (2022) and Jakhar et al. (2023) on repayment behavior of loans by beneficiary farmers. Literature reviews related to repayment behavior of loans by beneficiary farmers have been cited below.

Yanger (2003) studied the repayment behavior of beneficiaries in Nagaland. The study showed that 25% of beneficiaries repaid loans regularly, 65.83% repaid loans irregularly, and 9.17% of the farmer-beneficiaries were defaulters.

Sharma (2010) studied the credit repayment level by beneficiary farmers of the Bhind block of Bhind district in Madhya Pradesh. The study found that 42.50% of beneficiary farmers were regular (i.e., repaid loans by or before the due date). However, out of the total selected beneficiary farmers, 24.16% of beneficiary farmers were found to be irregular (repaid their loan after due date), and 33.34% of beneficiary farmers were defaulters.

Rajput (2011) conducted a study on repayment behavior of crop loan beneficiaries in the Budhani block of Sehore district in Madhya Pradesh. The study revealed that 28.33% of the farmer-debtors were regular, i.e., were beneficiaries who repaid their loan on time, 51.66% were irregular, i.e., were beneficiaries who repaid their loan after the due date, and 20% were defaulters, i.e., beneficiaries who failed to repay their loan.

Rawat (2016) studied two types of loan repayment behavior of borrowers in the Indergarh tehsil of Datia district in Madhya Pradesh. The study revealed that 84.17% of total borrowers were defaulters and the rest were regular.

Naik (2021) studied the repayment behavior of agriculture loan borrowers in the Pune district of Maharashtra. The study found that 84.17% of borrower-farmers were regular and 15.83% were defaulters.

Jakhar et al. (2022) highlighted the problems faced by the farmers in repaying institutional and non-institutional loans. The study found that the low price of agricultural produce, crop failure, and the high interest rates charged by non-institutional sources were major constraints in the timely repayment of loan amounts.

Jakhar et al. (2023) assessed the loan utilization and repayment behavior of loanee farmers in Haryana, India.

The study revealed that 39.33% of the sampled farmers made regular loan repayments, and 41% of the sampled farmers were repaying their loans irregularly. Out of the total of the sampled farmers, 19.67% were defaulters. The defaulter farmers are those farmers who were not in a condition to repay their loans in the prescribed repayment period.

From the above literature, it is concluded that Yanger (2003), Sharma (2010), and Rajput (2011), and Jakhar et al. (2023) observed three types of repayment behavior: regular, irregular, and defaulters, whereas, Rawat (2016) and Naik (2021) in their study considered only two types of repayment behavior: regular and defaulter.

Materials and methods

The present study was carried out in the State of Haryana, India, to examine the repayment behavior of beneficiary farmers. Both primary as well as secondary data was used to achieve the objective of the study. The secondary data was collected for the period 2006-07 to 2018-2019 from the Haryana State Co-operative Apex Bank Ltd., Co-operation Department, Government of Haryana. The multistage purposive cum proportionate random sampling techniques were adopted to select a sample of 270 beneficiary farmers. The State of Haryana was divided into three agricultural zones on the basis of ecology and cropping patterns. Karnal District from Zone-I, Sirsa District from Zone-II, and Bhiwani District from Zone-III were selected on the basis of net sown area. From each selected district, three PACS were selected on the basis of the highest, average, and lowest amount disbursed by the PACS. A list of beneficiary farmers was obtained from each of the selected PACS, and 30 beneficiary farmers were selected from the selected PACS. Thus, the sample of 270 beneficiary farmers consisting of small and large farmers were selected. The primary data was collected in the second quarter of 2022 by means of the schedule by survey method. The data was analyzed by using the percentage method and compound growth rate.

Results and discussion

In the secondary data, the beneficiaries were divided into two categories, i.e., of regular and irregular (defaulter) farmers. However, during the collection of the primary data, the second category has been further subdivided into irregular and defaulter farmers. The respondents who repaid the loan within the prescribed period are treated as farmers with regular repayment behavior. The respondents who repaid the loan after the due date are treated as farmers with irregular repayment behavior. The respondents who failed to repay the loan are categorized as defaulters. The detailed findings of the study are discussed below.

Year-wise loan repayment behavior of PACS beneficiary farmers

Table 1 shows the year-wise repayment behavior of loans by PACS beneficiary farmers in the State of Haryana from 2006-2007 to 2018-2019.

Table 1. Year-wise Loan Repayment Behavior of PACS Beneficiary Farmers in the State of Haryana (number of farmers)

| Year | Regular | Irregular/Defaulter | Total |
|-----------|-----------------|---------------------|----------------|
| 2006-2007 | 889638 (73.85%) | 315018 (26.15%) | 1204656 (100%) |
| 2007-2008 | 878920 (72.07%) | 340617 (27.93%) | 1219537 (100%) |
| 2008-2009 | 762728 (65.03%) | 410229 (34.97%) | 1172957 (100%) |
| 2009-2010 | 813374 (68.24%) | 378601 (31.76%) | 1191975 (100%) |
| 2010-2011 | 836914 (69.36%) | 369744 (30.64%) | 1206658 (100%) |
| 2011-2012 | 839190 (71.00%) | 342769 (29.00%) | 1181959 (100%) |
| 2012-2013 | 921013 (73.84%) | 326297 (26.16%) | 1247310 (100%) |
| 2013-2014 | 896814 (73.45%) | 324172 (26.55%) | 1220986 (100%) |
| 2014-2015 | 911962 (74.22%) | 316767 (25.78%) | 1228729 (100%) |
| 2015-2016 | 852617 (76.79%) | 257747 (23.21%) | 1110364 (100%) |
| 2016-2017 | 844899 (76.64%) | 257496 (23.36%) | 1102395 (100%) |
| 2017-2018 | 891508 (76.29%) | 277088 (23.71%) | 1168596 (100%) |
| 2018-2019 | 897733 (76.34%) | 278234 (23.66%) | 1175967 (100%) |
| C. G. R | 0.50 | -2.80 | -0.40 |

Source: The Haryana State Co-operative Apex Bank Ltd., Co-operation Department, Government of Haryana.

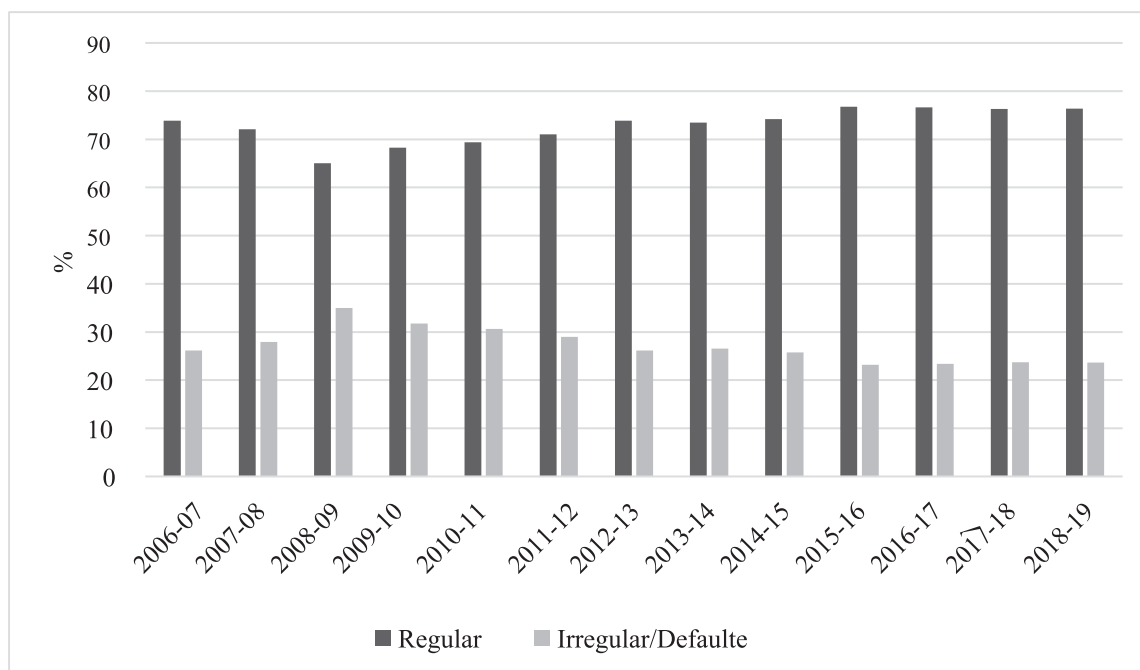


Figure 1. Year-wise Loan Repayment Behavior of PACS Beneficiary Farmers in Haryana

Source: The Haryana State Co-operative Apex Bank Ltd., Co-operation Department, Government of Haryana.

The repayment behavior of the beneficiary farmers during the study period varies between 65.03 and 76.79% in the years 2008-2009 and 2015-2016, respectively. The year 2008-2009 was the time of the announcement of the Government of India's 2008 agriculture debt relief scheme. Singh et al. (2021) in their study found the highest overdue rate in 2008-09 due to the aforementioned agriculture debt relief scheme, which encourages the regular beneficiary farmers' reluctance to make timely repayment of loans. The repayment of loans increased from 2009-2010 to 2014-2015 due to government of India's and the state government's 3% interest subvention from 2009-2010 to 2010-2011. An interest rebate under interest subvention was provided to 611884 farmers in 2009-2010. An additional 3% interest subvention was provided by the government of India starting on April 1, 2011. Thus, since April 1, 2009, for prompt-payee farmers the effective rate of interest on crop loans has been 4%. Furthermore, the state government started to provide 4% interest subvention to prompt payee farmers on September 1, 2014, which led to increased repayment in 2015-2016. However, in the years following, the repayment rate underwent a slow decline. In 2018-2019 the repayment behavior was 76.34%. The negative compound growth rate of the number of beneficiary farmers was calculated as 0.40%, which shows that the number of beneficiary farmers are more or less the same. The reason is that the existing borrower farmers are availing themselves of loans from the PACS. New accounts are not being opened for the new members of the PACS. The compound growth rate of regular beneficiary farmers and irregular (defaulter) beneficiary farmers was calculated to be 0.50 and -2.80% respectively. The positive compound growth rate of regular beneficiary farmers shows good repayment behavior. The negative compound growth rate of irregular (defaulter) beneficiary farmers shows an improvement in the repayment of loans. We concluded that most beneficiary farmers repaid their loans regularly by availing themselves of the benefit of the 7% interest subvention from the government of India and the state government.

Loan repayment behavior of PACS beneficiary farmers

This section deals with the repayment behavior of loans by PACS beneficiary farmers in Karnal, Sirsa, and Bhiwani districts. The overall results were also calculated in the context of the State of Haryana. During the collection of the primary data, the loan repayment behavior was divided into three categories of farmer-debtor: regular, irregular, and defaulter. The detailed findings are depicted as follows.

Table 2. Loan Repayment Behavior of PACS Beneficiary Farmers in Karnal District (number of farmers)

| Sr. No. | Category of farmers | Regular repayment | Irregular repayment | Defaulters | Total |
|---------|---------------------|-------------------|---------------------|---------------|-----------------|
| 1. | Small farmers | 59 (81.94%) | 09 (12.50%) | 04 (5.56%) | 72 (80.00%) |
| 2. | Large farmers | 14 (77.78%) | 03 (16.67%) | 01 (5.56%) | 18 (20.00%) |
| 3. | All farmers | 73 (81.11%) | 12 (13.33%) | 05 (5.56%) | 90 (100.00%) |

Source: Field survey.

Table 2 shows the loan repayment behavior by PACS beneficiaries in the Karnal district of Haryana. About 81.11% of the beneficiary farmers paid their loans regularly, 13.33% made payments irregularly, and the remaining 5.56% of the beneficiary farmers failed to repay their loans, i.e., were defaulters. In the category of small farmers, the repayment behavior of 81.94% of the beneficiary farmers was regular, 12.50% made payments irregularly, and 5.56% of the farmer-debtors defaulted. Among the large farmers, 77.78% made regular loan repayments, followed by 16.67% whose payments were made irregularly, and 5.56% of the large farmers defaulted. The findings shown in the table reveal that most beneficiary farmers made regular payments on their loans. The level of irregular repayment behavior is also reported, but the number of such farmers is considerable, and this type of behavior was due to the short time within which loan repayments needed to be made. The Kharif crop loan is disbursed from 1 March to 31 August and is due for recovery on or before 28 February of the following year. The Rabi crop loan is disbursed from 1 September to 28 or 29 February and is due for recovery on or before 30 June. The beneficiary farmers responded that the period for the repayment of loans is very short. Furthermore, around 5% of the beneficiary farmers defaulted on their loan, the main reasons for it being, first, the expectation of the loan eventually being waived off, and secondly, the loan not being secured. Typically, the Government announces a debt waiver scheme for the benefit of poor farmers when there are large crop loss due to natural calamities. The beneficiary farmers expected such a type of debt waive-off scheme but were disappointed in their hopes, hence they became defaulters. Short-term crop loans were advanced without any collateral security, thus these farmers do not repay their debt and become defaulters.

Table 3. Loan Repayment Behavior of PACS Beneficiary Farmers in Sirsa District (number of farmers)

| Sr. No. | Category of farmers | Regular repayment | Irregular repayment | Defaulters | Total |
|---------|---------------------|-------------------|---------------------|----------------|-----------------|
| 1. | Small farmers | 49 (68.06%) | 16 (22.22%) | 07 (9.72%) | 72 (80.00%) |
| 2. | Large farmers | 14 (77.78%) | 02 (11.11%) | 02 (11.11%) | 18 (20.00%) |
| 3. | All farmers | 63 (70.00%) | 18 (20.00%) | 09 (10.00%) | 90 (100.00%) |

Source: Field survey.

Table 3 shows the repayment behavior of loans by PACS beneficiaries in the Sirsa district of Haryana. Around 70% of beneficiary farmers have been paying their loans regularly, 20% irregularly and the remaining 10% of beneficiary farmers failed to repay their loans, i.e., they defaulted. In the category of small farmers, the repayment behavior of 68.06% of the beneficiary farmers was regular, 22.22% of the farmers demonstrated irregular behavior, and 9.72% defaulted. Among the large farmers, 77.78% repaid the loan regularly, followed by irregular payers (11.11%) and defaulters (11.11%). The findings showed that most beneficiary farmers have been repaying their loans regularly. The share of irregular repayment behavior is also reported, but the share of such farmers is considerable and this type of behavior was due to the short time of loan repayment. Furthermore, around 5% of the beneficiaries defaulted on the loan, the main reasons for it being mainly the anticipation of having the loan waived off and secondly taking an unsecured loan. Overall, in the Sirsa district of Haryana, the repayment behavior of beneficiary farmers was less ideal than that of the farmers in the Karnal district of Haryana. There is an 11.11% difference in the regular repayment behavior of loanee farmers in the

Karnal and Sirsa districts. It is reasoned that because Sirsa is a semi-wet zone district and Karnal is in the wet zone of the State of Haryana, the earning prospects of farmers in Karnal district are higher than that of the farmers in Sirsa district.

Table 4 shows the repayment behavior of loans by PACS beneficiaries in the Bhiwani district of Haryana. About 64.44% of the beneficiary farmers made regular loan repayments, 24.44% made payments irregularly, and 11.11% of the beneficiary farmers failed to repay their loans, i.e., they defaulted. In the category of small farmers, the repayment behavior of 65.28% of the beneficiary farmers was regular, for 25% it was irregular, and 9.7% were in default.

Table 4. Loan Repayment Behavior of PACS Beneficiary Farmers in Bhiwani District (number of farmers)

| Sr. No. | Category of farmers | Regular repayment | Irregular repayment | Defaulters | Total |
|---------|---------------------|-------------------|---------------------|----------------|-----------------|
| 1. | Small farmers | 47 (65.28%) | 18 (25.00%) | 07 (9.72%) | 72 (80.00%) |
| 2. | Large farmers | 11 (61.11%) | 04 (22.22%) | 03 (16.67%) | 18 (20.00%) |
| 3. | All farmers | 58 (64.44%) | 22 (24.44%) | 10 (11.11%) | 90 (100.00%) |

Source: Field survey.

Among the large farmers, 61.11% made regular loan repayments, 22.22% made loan repayments on an irregular basis, and 16.67% defaulted on their loan. The figures in Table 4 show that the majority of beneficiary farmers made regular loan repayments, but of the three districts of the State of Haryana—Karnal, Sirsa, and Bhiwani—the percentage of beneficiary farmers who made regular loan repayments was lowest in Bhiwani district. Likewise, the level of irregular repayment behavior is high as well in the Bhiwani district compared to the other two districts of Haryana. The irregular repayment behavior was due to the short time in which loan repayments needed to be made. Around 11% of the beneficiaries defaulted on their loan, the main reasons for it being, firstly, the expectation of eventually having the loan waived off, and secondly, the fact that the loan was unsecured. In the district of Haryana, around one-fourth of the beneficiary farmers made loan repayments on an irregular basis, due largely to the fact the farmers relied on unpredictable rainfall, with consequent implications for crop yields and harvests.

Table 5. Loan Repayment Behavior of PACS Beneficiary Farmers in Haryana (number of farmers)

| Sr. No. | Category of farmers | Regular repayment | Irregular repayment | Defaulters | Total |
|---------|---------------------|-------------------|---------------------|----------------|------------------|
| 1. | Small farmers | 155 (71.76%) | 43 (19.91%) | 18 (8.33%) | 216 (80.00%) |
| 2. | Large farmers | 39 (72.22%) | 09 (16.67%) | 06 (11.11%) | 54 (20.00%) |
| 3. | All farmers | 194 (71.85%) | 52 (19.26%) | 24 (8.89%) | 270 (100.00%) |

Source: Field survey.

Table 5 shows the loan repayment behavior of PACS beneficiary farmers in Haryana. About 71.85% of the beneficiary farmers made regular repayments on their loans, 19.26% were irregular with their loan repayments, and the remainder of the beneficiary farmers failed to repay their loans, i.e., 8.89% of the farmers defaulted. In the category of small farmers, 71.76% of beneficiary farmers made regular loan repayments, 19.91% made loan repayments irregularly, and 8.33% were in default. Among the large farmers, 72.22% made regular loan repayments, 16.67% made their loan repayments on an irregular basis, and 11.11% fell into default. The findings shown in Table 5 reveal that most of the beneficiary farmers made loan repayments on a regular basis. However, around one-fifth of the beneficiaries made loan repayments irregularly because of the short time within which the repayment was required. Around 8.89% of beneficiaries defaulted on their loan, the main reason for which

was, firstly, the expectation that the loan would eventually be waived off, and secondly, because the loan was unsecured. The study results were similar to the study conducted by Naik (2021), i.e., that most beneficiary farmers made their loan repayments on a prompt and regular basis.

Conclusions

The study concludes that year-wise the maximum percentage of defaulter farmers was found to be 34.97% in the year 2008-2009 due to the debt relief scheme announced by the Government of India in 2008. After the implementation of the interest subvention scheme at 3%, the repayment of loans increased from 2009-2010 to 2014-2015. The maximum repayment was recorded as 76.79% in 2015-16, because on September 1, 2014, the state government started to provide 4% interest subvention to the farmers whose payments were prompt. The study furthermore revealed that about 75% of the beneficiary farmers made regular loan repayments after receiving the benefit of interest subvention at 7% by the government of India and the state government. The findings on the primary data concluded that most farmers made loan repayments on a regular basis, and that fewer than 10% of the beneficiary farmers fell into default. The main reasons for default the was the expectation that the loan would eventually be waived-off, and secondly because the loan was not secured. About 19% of the beneficiary farmers made loan repayments on an irregular basis due to the short time within which loan repayments needed to be made. The study furthermore revealed that a greater incidence of irregular repayment behavior was observed in the Bhiwani district of Haryana than was observed to be the case in the Sirsa and Karnal districts of Haryana. The study suggested that the period of repayment of loans should be extended for one year, and that all such future loans should have their repayment time extended by at least an additional twelve months.

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