

Research Paper

DETERMINANTS OF BORROWING BEHAVIOUR OF FARMERS - A MICRO LEVEL ANALYSIS

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Abstract

Agriculture credit is one of the pre-requisites for farmers to increase the agricultural output in the process of agricultural development of a country. The investment characteristics of the Indian rural credit system is dualism where both formal (institutional) and informal (non-institutional) sectors co-exist (Umesh, 2000). The formal sector consists of commercial, co-operative banks and Regional Rural Banks. The informal sector consists of traders, merchants, contractors, commission agents, local moneylenders. The total flow of agricultural credit from the institutional agencies had increased from Rs.885.16 crore in 1950-1951 to 1,17,899 crore in 2005-2006 (Economic

Survey, 2005-2006).

However, a study by World Bank and National Council of Applied Economic Research (NCAER) had shown a strikingly contrasting position. The study conducted in Uttar Pradesh and Andhra Pradesh revealed that 79 percent of rural households did not have access to a formal bank loan and access was particularly denied to small and marginal farmers as 87 percent of marginal and 69 percent of small farmers did not have access to formal credit. Small and marginal farmers accounted for 78 percent of operational landholdings, but got only 26 percent of public sector banks credit under Special Agriculture Credit Programme (SACP). They faced high vulnerability to risk leading to non-wilful default and consequent credit denial. Tenant farmers and share croppers did not have any access to credit (Rural Financial Survey, 2004 quoted in Sidhu and Gill, 2006). It showed that the borrowing behavior of the farmers was not uniform across different farmer groups..

The earlier studies such as Umesh (2000), Singh (2000) etc. attempted to analyse the demand for credit and supply side factors influencing the demand for credit. They did not assume the utility maximization for the borrowers either in the credit demand or supply equations. The present study estimated the borrowing function for the farmers based on the utility maximization objective.

A critical analysis of the methodologies adopted in the studies on determinants of agricultural credit had revealed the extensive application of the regression analysis (multi variable) to estimate the relationship between socio-economic characteristics of the borrowed farmers and the amount of credit availed. In the present study, principle component analysis was used to analyse the data to fulfill the objectives along with multiple regression analysis and simple percentages.

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To conclude, the size of land holding was a significant factor in determining the borrowing behavior of farmers. It has a significant and positive relationship with the borrowing behaviour. The above findings was again confirmed in the principal component analysis. The same observations were made by Jalal and Bight (1985) and Udupa et al., (1981). They observed that the size of land holding was one of the factor determining the availability of credit. Hence the policy makers should consider the size of land holding as one

of the major factor in the allocation of agricultural credit to various regions.

I. INTRODUCTION

Agriculture credit is one of the pre-requisites for farmers to increase the agricultural output in the process of agricultural development of a country. The green revolution has paved the way for the birth of new strategy and modernisation in agriculture (Kumar et al., 1987), which requires two types of finance. One to meet the fixed capital requirements for creating adequate infrastructure to adopt new strategy of production; the other is required to meet the variable expenses (Modi and Raj, 1999) and thus enhanced the demand for agricultural credit. The increased demand for agricultural credit can be met by a systematic expansion of rural credit system (Kumar et al., 1987)

The investment characteristics of the Indian rural credit system is dualism where both formal (institutional) and informal (non-institutional) sectors co-exist (Umesh, 2000). The formal sector consists of commercial, co-operative banks and Regional Rural Banks. The informal sector consists of traders, merchants, contractors, commission agents, local moneylenders. The total flow of agricultural credit from the institutional agencies had increased from Rs.885.16 crore in 1950-1951 to 1,17,899 crore in 2005-2006 (Economic Survey, 2005-2006).

However, a study by World Bank and National Council of Applied Economic Research (NCAER) had shown a strikingly contrasting position. The study conducted in Uttar Pradesh and Andhra Pradesh revealed that 79 percent of rural households did not have access to a formal bank loan and access was particularly denied to small and marginal farmers as 87 percent of marginal and 69 percent of small farmers did not have access to formal credit. Small and marginal farmers accounted for 78 percent of operational landholdings, but got only 26 percent of public sector banks credit under Special Agriculture Credit Programme (SACP). They faced high vulnerability to risk leading to non-wilful default and consequent credit denial. Tenant farmers and share croppers did not have any access to credit (Rural Financial Survey, 2004 quoted in Sidhu and Gill, 2006).

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The basic objective of the rural credit system is to provide adequate and timely credit for agriculture and related activities to enable the rural people to exploit opportunities for development [Gopalakrishnan, 1995]. The institutional

credit system involved in comprehensive development of agriculture, comprehensive agricultural productivity, creation of better employment opportunities in rural areas, improving farm systems and development of other agricultural sub systems such as livestock farming, fisheries, farm forestry, social forestry, sericulture, horticulture and support activities. (Gopalakrishnan, 1995) through the multi agency approach of institutional credit.

The earlier studies such as Umesh (2000), Singh (2000) etc. attempted to analyse the demand for credit and supply side factors influencing the demand for credit. They did not assume the utility maximization for the borrowers either in the credit demand or supply equations. The present study estimated the borrowing function for the farmers based on the utility maximization objective. The following were the specific objectives of the study.

II. OBJECTIVES

- 1.To assess the availability of credit.
- 2.To identify the factors determining borrowing behaviour of the farmers and to estimate the borrowing function of farmers.

III. METHODOLOGY

1. RATIONALE FOR SELECTING THE PROBLEM

Coimbatore district is an agriculturally advanced district of Tamilnadu. Tamilnadu Agricultural University and its research station and the Sugarcane Breeding Institute make it easy for the farmers to acquire the latest knowhow in agriculture and allied fields.

The total geographical area of the district is 7,47,079 hectares, of which, the net sown area was 3,01,752 hectares, forest accounted for 1,58,606 hectares, 1,70,532 hectares were fallow land, 10,185 hectares were barren and agricultural waste, 3,295 hectares were of cultivable waste, 1,137 hectares were of permanent pasture grazing land, 5,044 hectares of land were under tree crops and groves not included in net sown and 96,738 hectares of area were brought under high yielding variety seeds (Potential Linked Credit Plan, Coimbatore district, 2003-2004).

The number of holdings with less than one hectare of land was 1,01,609. The number of small holdings with one to two hectares of land was 63,499 and above two hectares of land was accounted 66,567. (Potential Linked Credit Plan, Coimbatore district, 2003-2004).

In the agricultural front, the district is a leading producer of coconut. It ranks first in the state with an area of 96,072 hectares under coconut cultivation producing 8,287 lakh nuts per annum. The district is known for using high yielding varieties in almost all the major commercial crops like cotton, sugarcane, paddy and maize (Potential Linked Credit Plan, Coimbatore district, 2003-2004).

The above features of agriculture in the district make the financial institutions to conduct effective financial operations towards agricultural sector. In 2005-2006, there were 409 branches of commercial banks in the district. Besides, there were 25 branches of Coimbatore district central co-operative banks, 274 primary agricultural co-operative credit societies and 13 primary land development banks operating in the district. The population served per branch was placed as 9,427 on an average (Potential Linked Credit Plan, Coimbatore district, 2003-2004).

The amount of deposits in the commercial and co-operative banks of Coimbatore district amounted to Rs.10,769.21 lakh and advances amounted to Rs.14,414.55 lakh in the district in 2005-2006. The district has the unique distinction of achieving the allocations under Annual Credit Plan over the years.

The overall achievement against the annual credit plan target for the years 2001-2002 to 2004-2005 was 62, 101, 101 and 100 percent respectively (Annual Credit Plan, Coimbatore district, 2003-2004).

Agriculture and allied activities accounted for a share of 15.8, 18 and 21 percent of the total priority sector advances, during 2001-2002, 2002-2003 and 2003-2004 respectively. The banks dispensed Rs.804.74 crore as credit to agriculture and allied activities in the year 2005. There are variations among the blocks and banks in credit allocation, deployment and recovery performance.

Though there was no resource gap in the crop loan dispersion in the district, the survey conducted by the Potential Linked Credit Plan (2003-2004) in Coimbatore district showed that the farmers did not get adequate amount of credit and they were forced to borrow from money lenders at high interest rates upto 20 percent. Moreover, the targeted amount of investment loan during 2005-2006 was Rs.8,349.45 lakh but the actual loan disbursement was Rs.6,083.48 lakh. It showed wide credit gap in the investment loan. Hence, the above features created favorability for selecting this district for the current study (Potential Linked Credit Plan, 2003-2004).

In depth studies on the extent of credit availability, demand for credit and credit constraint, factors determining credit constraint and impact of credit on farm sector in the district are necessary to enable the state and central governments in formulating policies on agricultural refinancing.

2. SOURCES OF DATA AND SAMPLING DESIGN

Data for the study were collected from primary sources. The period of the study was pertaining to the year 2003. A two stage random sampling procedure was followed in selecting the sample of borrowed farmers. The Karamadai and Thondamuthur blocks were selected as the banks in these areas intensively financed agriculture both in terms of amount of agricultural advances and the number of farm families financed. The banks located in the block namely the State bank of India, Canara Bank, Indian Overseas Bank and Corporation Bank had been approached to collect the list of the borrowers / defaulters and their addresses. The co-operatives, the Land Development Banks, and the Farmers Credit Societies had been omitted, as they were not willing to provide the list of borrowers. Out of the 300 borrowers in the list provided by the four banks branches, 100 were selected randomly (50 in each block) in the next stage. In the post stratification, it was found that in Karamadai and Thondamuthur blocks, 12 and 22 were large farmers with more than five hectares, 11 and 15 were of semi-medium farmers with more than two hectares and 18 and 5 belonged to small and marginal farmer category with less than two hectares of operational holdings respectively. The distribution of the selected borrower farmers is given in Table - 1.

TABLE - 1

DISTRIBUTION OF THE SAMPLE BORROWER FARMERS

S. No.	Farmer Category	Number	
		Karamadai Block	Thondamuthur Block
1	Small and marginal farmers	18	5
2	Semi-medium farmers	11	15
3	Medium farmers	9	8
4	Large farmers	12	22
	Total	50	50

The survey method was used to collect information from the

borrowing farmers. Interview schedules were used to collect information on the socio-economic profile of the farmers, the amount borrowed, amount repaid, overdues, farm and family expenses. A pilot study was conducted to identify the gaps in the interview schedule. On the basis of the observation during the pilot study, the schedule was modified and the final survey was conducted with the restructured schedule.

3. SPECIFICATION OF ECONOMETRIC MODEL

A critical analysis of the methodologies adopted in the studies on determinants of agricultural credit had revealed the extensive application of the regression analysis (multi variable) to estimate the relationship between socio-economic characteristics of the borrowed farmers and the amount of credit availed. In the present study, principle component analysis was used to analyse the data to fulfill the objectives along with multiple regression analysis and simple percentages. Specification of the econometric models is as under.

1. MULTIPLE REGRESSION ANALYSIS

In order to assess the inter-relationship between the bank credit and the socio-economic characteristics of the farmers, a borrowing function of the form:

$$Y = a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + a_5X_5 + a_6X_6 + a_7X_7 + a_8X_8 + U$$

was used.

Where,

- Y = Amount borrowed (in Rs.)
- X1 = Age of the borrower (in years)
- X2 = Land holding (in hectares)
- X3 = Family size (in number)
- X4 = Capital expenditure (in Rs.)
- X5 = Farm income (in Rs.)
- X6 = Non-farm income (in Rs.)
- X8 = Total variable cost (in Rs.)
- U = Random term

2. PRINCIPAL COMPONENT ANALYSIS :

To identify the important determinants of agricultural credit and to check the findings in the regression analysis, principal component analysis was used. The form of the principal component equation estimated in the study was

$$C_1 = b_{11}(X_1) + b_{12}(X_2) + \dots + b_{19}(X_p)$$

$$C_2 = b_{21}(X_1) + b_{22}(X_2) + \dots + b_{29}(X_p)$$

$$C_3 = b_{31}(X_1) + b_{32}(X_2) + \dots + b_{39}(X_p)$$

$$C_4 = b_{41}(X_1) + b_{42}(X_2) + \dots + b_{49}(X_p)$$

$$C_5 = b_{51}(X_1) + b_{52}(X_2) + \dots + b_{59}(X_p)$$

$$C_6 = b_{61}(X_1) + b_{62}(X_2) + \dots + b_{69}(X_p)$$

$$C_7 = b_{71}(X_1) + b_{72}(X_2) + \dots + b_{79}(X_p)$$

$$C_8 = b_{81}(X_1) + b_{82}(X_2) + \dots + b_{89}(X_p)$$

$$C_9 = b_{91}(X_1) + b_{92}(X_2) + \dots + b_{99}(X_p)$$

where

C1,C2,C3,...C9 = the subject's score on principal component 1,2,3 ... 9

b_{1p} = the regression coefficient (or weight) for observed variable p, as used in

creating principal component 1 and so on.

X_p = the subject's score on observed variable p.

IV. RESULTS AND DISCUSSION

1. FARMER CATEGORY-WISE AND PURPOSE-WISE DISTRIBUTION OF AGRICULTURAL CREDIT:

Credit is one of the pre-requisites for farmers to increase the agricultural output in the process of agricultural development of a country. Provision for institutional credit to agriculture has assumed growing significance in the new

strategy for agricultural development. Table - 2 shows the details regarding crop loan and investment loan.

TABLE - 2
FARMER CATEGORYWISE DISTRIBUTION OF CROP LOAN
AND INVESTMENT LOAN

Block	Farmer Category	Crop Loan		Investment Loan	
		No. of Accounts	Amount (in Rs.)	No. of Accounts	Amount (in Rs.)
Karamadai	Marginal	1	13,000 (1.21)	-	-
	Small	12	3,63,000 (33.93)	5	1,20,000 (4.68)
	Semi-medium	8	2,14,000 (20)	3	1,15,000 (6.04)
	Medium	6	4,40,000 (41.12)	3	1,55,000 (6.04)
	Large	2	40,000 (3.74)	10	21,35,000 (83.24)
	Total	29	10,70,000 (100)	21	25,65,000 (100)
	Marginal	-	-	-	-
Thondamuthur	Small	3	46,000 (1.64)	2	1,00,000 (3.91)
	Semi-medium	12	2,70,000 (9.61)	3	5,65,000 (22.11)
	Medium	3	69,000 (2.46)	5	3,50,000 (13.70)
	Large	10	24,25,000 (86.30)	12	15,40,000 (60.27)
	Total	28	28,10,000 (100)	22	25,55,000 (100)

Note : Figures in parentheses indicates percentage.

Of the 50 farmer respondents in the Karamadai block, 29 had availed crop loan of Rs.1070000, 20 had borrowed for investment purpose in agriculture. The number of accounts in crop loan was higher for small farmers. However, the total amount sanctioned was higher for the medium farmers. The factor behind this was that the availability of loan depends on the area under cultivation. On the other hand, the investment loan demand was high among the large farmers category as they use modern methods for cultivation such as tractors, power tillers, thresher, high yielding varieties of seeds, heavy dose of fertilizers etc.

Of the 50 farmers in the Thondamuthur block, 28 and 22 farmers availed crop loan and investment loan respectively. The results conformed that the large farmer category were the borrowers who borrowed a huge amount of both crop and investment loan. It reveals that the commercial banks were highly favourable only for the large farmer category. Udapa et al., (1981), Venkateshwara (1981), Jalal and Bight (1985), Balishter et al., (1986), Babudin and Singh (1987), Singh and Singh (1988), Antani and Patani (1999), and Reddy and Laxminarayana (1997) also found that the large farmers had availed higher amount of agricultural credit compared to marginal and small farmers.

2. CROP LOAN

The crop loan is provided for all type of crops, it is a short-term loan covering a maximum period of one year. The crop wise and farmer category wise distribution of crop loans are shown in Table - 3 and 4.

TABLE - 3
CROP WISE DISTRIBUTION OF CROP LOAN

Block	Type of Crop	No. of Accounts	Amount (in Rs.)	Percentage
Karamadai	Sugarcane	14	733000	68.50
	Banana	9	234000	21.87
	Coconut	3	85000	7.94
	Cholam	3	18000	1.68
	Total	29	1070000	100
Thondamuthur	Sugarcane	7	505000	18.00
	Banana	4	78000	2.78
	Coconut	3	50000	1.78
	Turmeric	8	335000	11.94
	Grapes	2	1800000	64.17
	Groundnut	2	21000	0.75
	Cotton	1	10000	0.36
	Paddy	1	6000	0.21
	Total	28	2805000	100

It is evident from the table - 3 that in the Karamadai block, most of the farmers had availed crop loan for sugarcane (68.50 percent) and banana (21.87 percent). In the Thondamuthur block, the crop loan for grapes (64.17 percent) dominated the other crops. Eighteen percent and 1.94 percent of the crop loan were sanctioned for sugarcane and turmeric respectively. Only a least amount of loan was provided towards the crops such as banana, coconut, groundnut, cotton and paddy.

In both the blocks, the sugarcane cultivators have a tie up with Bannari Amman Sugars and the repayment is made through the Bannari Amman Sugars. Thus, this organisational tie up with the factory is the major cause for the dominance of sugarcane in the cropping pattern.

3. INVESTMENT LOAN

Investment loans are provided in agriculture to meet the fixed capital requirements for creating adequate infrastructure to adopt new strategy of production. The core of the new production strategy implies the application of heavy doses of fertilizers, intensive irrigation etc. which essentially assume the development of an adequate infrastructure on the farm. Investment loans are sanctioned for land development, development of wells, purchase of electric motor, bullock carts, tiller and tractor. Table 4 and 5 show the purpose wise distribution of investment loans and purpose wise, farmer category wise distribution of investment loan respectively.

TABLE - 4

PURPOSE WISE DISTRIBUTION OF INVESTMENT LOAN

Block	Purpose	No. of Accounts	Amount (in Rs.)	Percentage
Karamadai	Development of old wells	1	150000	5.52
	Electric motor	2	165000	6.08
	Land development	4	980000	36.09
	Tiller	1	250000	9.21
	Tractors	2	800000	29.47
	Purchase of bullock / bullock carts	8	275000	10.13
	Others	3	95000	3.50
	Total	21	2715000	100
	Thondamuthur	Dug wells	1	75000
Electric motor		5	500000	19.57
Land development		1	40000	1.57
Tiller		1	120000	4.70
Tractors		3	800000	31.31
Purchase of bullocks / bullock carts		8	725000	28.38
Others		3	295000	11.55
Total		22	2555000	100

The loan for land development was found to be larger amount in Karamadai block while it was the highest for the purchase of tractors in Thondamuthur block. These loans are given against security. Hence, the farmers with more land area under their control could avail of such loan.

In general the total investment loan was larger in Karamadai block while in Thondamuthur block there was no much difference between the amount of crop loan and investment loan. Mohideen (1991) and Puhazhendhi and Jayaraman (1999) found that the share of crop loan was higher than the share of investment loan in the total institutional loan distribution.

4. DETERMINANTS OF CREDIT

The factors determining the borrowing behaviour of the farmers had been identified on the assumption that the socio-economic factors associated with the farm households are influencing the farmers to borrow from the financial institutions. Hence an attempt has been made to identify the determinants of credit at the micro level. The determinants of credit are discussed under the following heads :

- Borrowing function of the farmers
- Principal Component Analysis

A. BORROWING FUNCTION OF THE FARMERS

The factors determining the demand for bank credit at house hold level had been identified on the assumption that the households try to maximize their utility subject to the constraint to their time and budget. To test this hypothesis multiple regression analysis was applied and the estimated results are shown in Table - 6.

TABLE - 5

ESTIMATED REGRESSION CO-EFFICIENT -
BORROWING FUNCTION

S.No.	Variables	Karamadai Block	Thondamuthur Block
1.	Regression Coefficient		
	a. Age of farmer [X ₁]	0.3660 [0.543]	1.0907 [1.167]
	b. Land in Hectares [X ₂]	0.4904 ** [1.891]	0.6392* [1.587]
	c. Family size [X ₃]	-0.1261 [-0.414]	0.3649 [0.729]
	d. Capital Expenditure [X ₄]	0.0306 [0.959]	0.1507 [0.416]
	e. Farm Income [X ₅]	0.0638 [0.0262]	-0.3551 [-0.808]
	f. Non-farm income [X ₆]	-0.0663** [-2.562]	-0.0180 [-0.385]
	g. Education [X ₇]	0.4423 [1.365]	0.4968 [0.026]
	h. Total Variable Cost [X ₈]	0.3007 [2.321]	0.1574 [0.559]
2	R ²	0.58	0.40
3	F-Ratio	7.512***	3.466***

Note - Figure in Parenthesis indicate 't' Ratio
*** - Significant at both 5 percent and 1 percent level
** - Significant at 5 percent level
* - Significant at 10 percent level

The estimated borrowing function explains 58 percent and 40 percent of the variations in the amount borrowed in terms of the socio-economic characteristics of the farmers namely age of the farmer, land size, family size, capital expenditure, farm income, non-farm income, education and total variable cost in Karamadai and Thondamuthur blocks respectively. Therefore, the borrowing behaviour of the farmers was influenced by another set of factors. This implies that the farmers are not rational in availing the credit facilities provided by the banks. Of the variables taken into account, only the land size and non-farm income emerged as significant variables

explaining the variations in the borrowing behaviour in Karamadai block. The non-farm income had a negative impact on borrowing behaviour while the land size had positive relationship with it. As the non-farm income increases, the tendency of the farmers to borrow will be less. Whereas in Thondamuthur block, the land size was the only variable which had a significant and positive relation with the borrowing behaviour. Udapa et al., (1981), Venkateshwara (1981), Jalal and Bight (1985), Balishter et al., (1986), Babudin and Singh (1987), Singh and Singh (1988), Antani and Patani (1999), and Reddy and Laxminarayana (1997) had observed positive relationship between borrowing and size of land holding.

B. PRINCIPAL COMPONENT ANALYSIS

To confirm the findings in the regression analysis, again principal component analysis was employed based on the assumption that the credit depends on the age of the borrower (X1), land size (X2), family size (X3), capital expenditure (X4), farm income (X5), non-farm income (X6), education of the borrower (X7), total variable cost (X8) and consumption expenditure (X9). The loadings for the first principal component, P1 are given in Table – 6

TABLE - 6

FACTOR LOADINGS OF THE FIRST PRINCIPAL COMPONENT FOR THE KARAMADAI AND THONDAMUTHUR BLOCKS.

S. No.	Variables	Factor Loading	
		Karamadai Block	Thondamuthur Block
1	Age of the borrower (X ₁)	0.4021**	0.1359
2	Land size (X ₂)	0.8249*	0.8462*
3	Family size (X ₃)	0.6881*	0.831*
4	Capital expenditure (X ₄)	0.7111*	0.982*
5	Farm income (X ₅)	0.8940*	0.964*
6	Non-farm income (X ₆)	0.6947	0.829*
7	Education (X ₇)	0.6855*	0.804*
8	Total Variable Cost (X ₈)	0.7983*	0.840*
9	Consumption Expenditure (X ₉)	0.6625*	0.837*
10	Latent root	6.3612	7.06889
11	Percentage of variance explained	70.7	78.5

Note : ** - Significant at both 5 percent and 1 percent level
 * - Significant at 5 percent level

The first principal component accounted for 70.7 percent of the variation in agricultural credit in Karamadai block, while it was 78.5 percent for Thondamuthur. The factor loadings indicates that in both the blocks, except the age of the farmer, all other socio-economic variables showed a high positive correlation with agricultural credit, that is higher the size of land area, family size, capital expenditure, farm income, non-farm income, education of the borrower, total variable cost and consumption expenditure, higher the amount of agricultural credit disbursed. Major portion of the gross income was spent on fixed input and variable inputs and it had

The positive correlation with agricultural credit in Karamadai block. In Thondamuthur block, capital expenditure had the highest positive correlation with agricultural credit as the farmers required higher amount for land development, dugwell, purchase of tractors and tillers. Based on the factor loadings, the percentage of total variation explained by each variable was estimated and is shown in Table - 7.

TABLE - 7

PERCENTAGE OF TOTAL VARIANCE EXPLAINED

S. No.	Variables	Explained Variations (in percentage)	
		Karamadai Block	Thondamuthur Block
1	Age of the borrower (X ₁)	38.9	42.7
2	Land size (X ₂)	18.2	19.5
3	Family size (X ₃)	13.6	16.4
4	Capital expenditure (X ₄)	9.7	10.9
5	Farm income (X ₅)	7.8	4.2
6	Non-farm income (X ₆)	5.4	3.0
7	Education (X ₇)	3.4	2.6
8	Total Variable Cost (X ₈)	2.0	0.5
9	Consumption Expenditure (X ₉)	1.1	0.2

The age of the farmer emerged to be the most significant variable accounting for about 38.9 percent of the total variation in agricultural credit in Karamadai block and 42.7 percent in Thondamuthur block. The next important variable was the size of land, which accounted to 18.2 and 19.5 percent in both blocks respectively, followed by family size and capital expenditure. To conclude, the age of the farmer emerged as the most important determinant of agricultural credit, which implies that higher the age of the farmer, higher will be the amount demanded.

V. CONCLUSION

To sum up, the size of land holding was a significant factor in determining the borrowing behavior of farmers. It has a significant and positive relationship with the borrowing behaviour. The above findings was again confirmed in the principal component analysis. The same observations were made by Jalal and Bight (1985) and Udapa et al., (1981). They observed that the size of land holding was one of the factor determining the availability of credit. Hence the policy makers should consider the size of land holding as one of the major factor in the allocation of agricultural credit to various regions.

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