

SMALL FARMERS' BEHAVIOR ON MICRO CREDIT

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BY

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A THESIS

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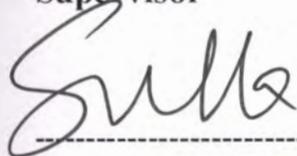
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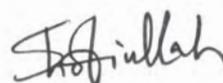
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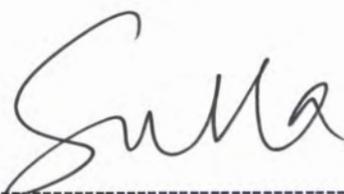


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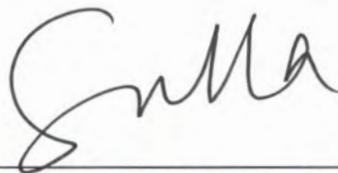


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CERTIFICATE

This is to certify that the thesis entitled, "**SMALL FARMERS BEHAVIOR ON MICRO CREDIT**" submitted to the Faculty of Agriculture, Sher-e-Bangla Agricultural University, Dhaka, in partial fulfillment of the requirements for the degree of **MASTER OF SCIENCE in Department of Agricultural Extension and Information System**, embodies the result of a piece of *bona fide* research work carried out by **MD. ABDUR RAJIB** Registration No. 23998/00223 under my supervision and guidance. No part of the thesis has been submitted for any other degree or diploma.

I further certify that such help or source of information, as has been availed of during the course of this investigation has duly been acknowledged.



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Dated: December 2006
Dhaka, Bangladesh.

LIST OF CONTENT

CHAPTER	Title	Page
	List of contents	I-V
	List of table with page number	VI
	List of figure with page number	VII
	Acknowledgement	VIII
	Abstract	IX
	List of appendix	I-VI

CHAPTER I

1.0	Introduction	1
1.1	Statement of the problem	3
1.2	Objectives	4
1.3	Scope and limitation of the study	5
1.4	Assumption	5
1.5	Hypotheses	6
1.6	Definition of Terms	6-7

CHAPTER II

2	Review of literature	8
2.1	Credit need	8
2.2	Credit utilized	11
2.3	Credit repayment	13

CHAPTER III

3	Methodology	16
3.1	Locale of the study	16
3.2	Population and sample size of the study	16
3.3	Preparation of survey schedule and pre-testing	17

3.4	Collection of data	17
3.5	Difficulties faced in collecting data	18
3.6	Tabulation and analysis of data	18
3.7	Measurement of variables	19
3.7.1	Measurement of independent variables	19
3.7.1.1	Age	19
3.7.1.2	Education	19
3.7.1.3	Farm size	20
3.7.1.4	Annual income	20
3.7.1.5	Organizational participation	21
3.7.2	Measurement Of Dependent Variable	22
3.7.2.1	Credit need	22
3.7.2.2	Credit Utilization	22
3.7.2.3	Credit repayment	23
3.7.2.4	Factor motivating the loanee repay loan	23
3.7.2.5	Problem faced by the farmer for receiving and utilizing the credit.	23

CHAPTER IV

4.	Results And Discussions	24
4.1	Socio-economic characteristics of the sample borrowers	24
4.1.1	Age	24
4.1.2	Education	25
4.1.3	Farm size	26
4.1.4	Annual income	27
4.1.5	Organizational participation	28
4.1.6	Credit need	29

4.1.7	Credit utilization	30
4.1.8	Credit repayment	32
4.1.9	Factors motivating the borrowers in repaying their loans :	33
4.1.10	Problem faced by the membe in receiving and repayment credit from Grmeen bank	34
4.1.11	Relationship between selected character and dependent variable	36
4.1.11.1	Relationship between age and dependent variables	37
4.1.11.2	Relationship between education and dependent variables	37
4.1.11.3	Relationship between farm size and dependent variables	38
4.1.11.4	Relationship between income and dependent variables	38
4.1.11.5	Relationship between organizational participation and dependent variables	39

CHAPTER V

5	Summery, Findings, Conclusion, Recommendation and Reference	40
5.1	Summary	40
5.1.1	Introduction	40
5.1.2	Statement of the problem	41
5.1.3	Objectives	41

5.1.4	Scope and limitation of the study	41
5.1.4	Assumption	42
5.1.5	Hypotheses	42
5.1.6	Locale of the study	42
5.1.7	Population and sample size of the study	42
5.1.8	Preparation of survey schedule and pre-testing	43
5.1.9	Collection of data	43
5.1.10	Difficulties faced in collecting data	43
5.1.11	Tabulation and analysis of data	43
5.1.12	Measurement of variables	44
5.1.12.1	Age	44
5.1.12.2	Education	44
5.1.12.3	Farm size	44
5.1.12.4	Annual income	45
5.1.12.5	Organizational participation	45
5.1.13	Measurement Of Dependent Variable	45
5.1.13.1	Credit need	46
5.1.13.2	Credit Utilization	46
5.1.13.3	Credit repayment	46
5.1.13.4	Factor motivating the loanee repay loan	47
5.1.13.5	Problem faced by the farmer for receiving and utilizing the credit.	47
5.2	Finding	47
5.2.1	Age	47
5.2.2	Education	48
5.2.3	Farm size	48

5.2.4	Annual income	48
5.2.5	Organizational participation	48
5.2.6	Credit need	48
5.2.7	Credit utilization	49
5.2.8	Credit repayment	49
5.2.9	Factors motivating the borrowers in repaying their loans :	50
5.2.10	Problem faced by the member in receiving and utilizing repayment credit from Grmeen bank	50
5.2.11	Relationship between selected character and dependent variable	51
5.2.11.1	Relationship between age and dependent variables	51
5.2.11.2	Relationship between education and dependent variables	51
5.2.11.3	Relationship between farm size and dependent variables	51
5.2.11.4	Relationship between income and dependent variables	51
5.2.11.5	Relationship between organizational participation and dependent variables	51
5.3	Conclusion	52
	Recommendation	54
	Reference	55

List of Table with page number

Table 1 Distribution of the respondents in selected branches of GB under Dinajpur sadar upazila.	17
Table 2. Organizational participation score assigned of a respondent .	22
Table 3. Distribution of the respondents according to their age level.	24
Table 4. Distribution of respondents according to their landholdings.	26
Table 5. Distribution of the respondents according to their annual income.	28
Table 6. Distribution of the respondents according to organizational participation score	28
Table 7. Credit need of the respondents according to their Demand/Need .	29
Credit need of	
Table 8. Distribution of the respondents according to their credit need.	30
Table 9. Distribution of the respondent according to their credit utilization.	31
Table 10. Distribution percentage of the respondents according to their credit utilization.	32
Table 11. Percentage of credit repayment of the respondent .	33
Table 12. Factors motivating the loanees in repaying credit	34
Table 13. Problem Faced by the members in Receiving of loan.	35
Table 14. Problem Faced by the members in Utilizations of loan.	36
Table 15. Correlation between credit need, utilization, repayment and some personal characteristics.	37

List of Figure and page number :

Figure 1. Distribution of respondents according to their level of
Education. _____ 25

Figure 2. Distribution of respondents according to their land holding status.
_____ 27

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ABSTRACT

The purpose of the study was to find out the credit need, credit utilization and credit repayment behavior of 100 randomly selected farmers of Askarpur, Sheikpura and Sankarpur union under the sadar upazila of Dinajpur district supervised by the Grameen Bank Dinajpur zone. Among the borrowers, the highest portion (53%) of the respondents was below 35 year of age. Most of the respondents (48%) had Primary level of education. Moderately small farmers who have 0.41 ha to 0.5 ha land were the highest proportion (60%).

Among the respondents 40% had the higher demand for credit in cereal crop cultivation (like rice, wheat, etc). Second highest of respondents was observed 39% who had demand for credit for Small business purpose. Most of the farmers (75 %) had in the group of Low credit need (up to tk 3699). In Agricultural sector 52.26 percent of total credit was utilized for crop cultivation, 25.27 percent of total credit was utilized for Non-crop purpose. In Non-agricultural sector, 14.66% of total credit was utilized for Family consumption and rest of 7.80% utilized for Other expanse. 80% of borrowers utilized the loan properly marks as the group of High utilization (above Tk 8001). In all cases the loan recovery was 100%.

Two main factors, namely, Desire for getting new loans(56%) and Personal motivation (28%) induced the respondents to a great extent in repaying their loans. Incase of receiving credit, among borrowers, 35% of borrowers expressed their problem as Unfavorable situation caused due to natural calamities or mishaps. And for utilizing the credit, among the borrower, 40% of borrowers expressed their problems as Lack of support on production technology and farm inputs.

The independent variables found significantly positive relation with dependent variables except Age with Credit repayment and Income with Credit need



***Dedicated To
My
Beloved Parents***

CHAPTER- I

1. 0. INTRODUCTION

The economy of Bangladesh has already been marked for low productivity, higher rate of population growth, chronic food shortage, poverty and ever increasing dependency on foreign aids. So, the development of Bangladesh economy would be meaningless, unless an appreciable improvement is achieved in the living standard of this vast group of our population.

In this context one should consider the case of rural people, of whom a major part is small farmer. Small farmers constitute about two-thirds of the rural households in Bangladesh (Kashem, 1987). These farmers cultivate agricultural crops in order to produce food grains for the subsistence of their families and for economic gain. To determine the role of micro credit the present study was designed to determine the credit need, credit utilization and credit repayment behavior of the small farmers. Issues concerning determination of credit need, credit utilization and credit recovery are as complex as they are varied. The varying estimates of credit need in many official documents 'point out the need for a more professional approach for estimating credit needs.

Since independence, the Government of Bangladesh has put much emphasis on agricultural sector keeping in view the importance of the agricultural sector; the various efforts are being made to increase the flow of credit in agricultural sector. Since long, the Bangladesh Krishi Bank (BKB), National Commercial Bank (NCB), Bangladesh Shilpa Bank Limited (BSBL), Bangladesh Rural development Board (BRDB) and Grameen Bank (GB) were engaged in loan giving these activities. The majority of the rural families, especially the small

farmers' and poor women have limited access to institutional credit. As of May, 2006, GB has 6.74 million borrowers. With 2259 branches, GB provides services in 72,833 villages, covering more than 86 percent of the total villages in Bangladesh. So it can be said that among them the Grameen Bank (GB) is the large banking system who provide credit. The model of micro credit design by Mohammed Yunus and his Grameen Bank is being taken as a solution for poverty and development that recognized by world Noble prize giving authority.

Grameen Bank has come a long way since it began its journey in the village of Jobra in 1976. The GB offer the general credit, seasonal credit, family credit, and more than a dozen other types of credit; credit have disbursed as group-wise fund, branch-wise fund and zone-wise fund up to limit. Based on mutual trust, accountability, participation and creativity GB provides credit to the poorest and it is a cost effective weapon to fight poverty. Through micro credit outside banking people include in banking. With banking, millions of poor with their millions of small pursuits can add up to create the biggest development wonder.

Grameen Bank's positive impact on its poor and formerly poor borrowers has been documented in many independent studies carried out by external agencies including the World Bank, the International Food Research Policy Institute (IFRPI) and the Bangladesh Institute of Development Studies (BIDS).

Recently a marked change is observed in the socio-economic development of the country and also in the attitude of small farmer themselves. They are now coming out of four-walls of their laggardness forgetting the previous situation are looking for work opportunities which give them direct access to cash income. The significant contribution made by the people in agriculture and the changing pattern of their involvement is one of the major findings which created GB.

This study has a particular necessity in Bangladesh because small farmer's community is a considerable percentage. Besides, socially they have low status and they have got very little or no chance to play any dominant role in the social affairs. Due to a number of constraints they cannot participate in the modern agricultural production system and then take measures to solve them. The findings of the study will be helpful to credit institutions which are engaged to support the small farmers in agricultural sector.

The study will provide a lot of information to the NGOs and extension workers who are engaged in different development projects, especially in agricultural sector. The results of the study will be useful to planners and policy makers in agricultural development and will be a highlight to the Foreign Aid Teams and different Aid giving agencies to have an idea about financial condition of small farmers of Bangladesh. Lastly the findings of this study will make a useful background for the future research work of the same nature.

1.1 Statement of problem :

Small farmers constitute about two-thirds of the rural households in Bangladesh (Kashem, 1987). These farmers cultivate agricultural crops mainly on their land in order to produce food grains for subsistence their families and for economic gain. They used to cultivate by taking micro-credit but the researcher on search of their facing problem during production. Therefore, this study raised following questions:

- a. What are the characteristics of the small farmers?
- b. Do the small farmers have any need of micro-credit?
- c. Do the small farmers have any utilization pattern of micro-credit?
- d. Do the small farmers have proper repayment behavior of micro credit?
- e. What problem they face for receiving and utilizing credit?

- f. What factors motivating them for repay the credit?
- g. What are the relationship of the characteristics of the small farmers with their credit need, credit utilization and credit repayment behavior?

From this point of view the present study was designed to determine the credit need, credit utilization and repayment behavior of the small farmers.

1.2. The specific objectives were as follows:

1. To determine and describe the selected characteristics of the farmers who borrowed loan from Grameen Bank in 2005-2006 financial year. Selected characteristic were :
 - i. Age
 - ii. Education
 - iii. Farm size
 - iv. Annual income
 - v. Organizational participation
2. To assess the micro credit need of the small farmers.
3. To assess the micro credit utilization pattern of small farmers.
4. To determine the repayment behavior of micro credit of small farmers.
5. To assess factors for motivating to repay the credit
6. To assess problem faced by the farmers' for receiving and utilizing credit.
7. To explore the relationship between dependent variable and independent variable.

1.3. Scope and Limitation of the Study:

The study was aimed at a selected sample of small farmers, keeping in view their status as borrowers of micro credit from Grameen Bank (GB) Askarpur, Sheikpura and Sankarpur branch. As three selected union were under Dinajpur sadar, the findings of the study will be particularly applicable to the loanee respondent of those villages. In addition, the findings might have general application to other areas of Bangladesh, where the physical, socio-economic and cultural conditions are mostly similar to that of the study area. In this connection it may be mentioned that credit utilization by an individual and credit repayment by an individual amounts to be equal.

1.4. Assumption:

The study was conducted under the following assumptions:

1. The respondents were capable of furnishing proper responses to the questions incorporated in the interview schedule.
2. The data collected by the researcher from the respondents were considered reliable as the researcher was well adjusted to social environment of the study area.
3. The information furnished by the sample farmers were the representative ones of the whole population.
4. The selected villages were considered as typical villages representing other villages in Bangladesh.
5. The findings of the study would be useful for planning and execution of various programmers in connection with the agricultural credit operation in the country.
6. The word "Loan" and "Micro Credit" are used synonymously in this study.

1.5. Hypotheses:

The following null hypotheses were formulated for this study:

There is a positive relationship between the farmers' selected characteristics and their credit need, utilization and repayment behavior.

1.6. Definition of Terms

1.6.1. Small farmer

Small farmer are considered whose cultivable land excluding homestead is not less than 0.2 hectare and not above 1.00 hectare.

1.6.2. Loanee

Who enjoyed credit facility from any institutional or non-institutional sources for agricultural production purpose was considered as loanee.

1.6.3. Credit need

Credit need is the fund required from external sources which would be invested in the agricultural production by small farmers except own fund.

1.6.4. Credit utilization

Credit utilization is the mode of investment of the funds.

1.6.5. Credit repayment

Credit repayment is the mode of recovery of the loan or credit facility.

1.6.6. Age

Age is the period of time of the respondent's birth to the time of interview.

1.7.7. Education

Education is the level of literacy of the respondents

1.7.8. Farm size

Farm size is the cultivable land size of the respondent.

1.7.9. Income

Income is the earning of a respondent in a particular year in monetary term

1.7.10. Organizational participation

Organizational participation is the level of involvement of the respondent with different social organization.

1.7.11. GB

Grameen bank

CHAPTER-II

2. REVIEW OF LITERATURE

The main view of this chapter is to review the past research works on credit need, credit utilization and credit repayment which have a strong relevancy of the present research. A large number of researches have so far been conducted on micro credit or agricultural credit in Bangladesh. So, research works related to the title of this thesis along with credit programs had been reviewed.

However, literature having relevance to the study has been discussed under three sections. The first section deals with the literature on the credit need of borrower and the second section containing of review of studies dealing with the credit utilization, and the third section containing of review of studies dealing with the credit repayment.

2.1 CREDIT NEED:

Buckland (1996) studied on the distributional impact of income generation program in Bangladesh and results from household survey that compares the distributional performance of credit and sector programs (irrigation and sericulture) maintained by three indigenous Bangladeshi NGOs: ASA, BRAC and Proshika. It was found that while NGOs worked with poor section of the population, their participants were not from the very poorest.

Chowdhury (1989) reported that the Grameen Bank borrowers functional credit towards productive purposes. Diversions of credit were occurred and they had mostly been used into income generating activities.

Duggan and Baffles (1950) noticed that the small farmers were deprived of credit facilities from suitable institutional sources. Proper use of credit often enable a farmer to increase his income as much as or more than it could be increased by working extra hours. In some cases the use of credit on a particular farm may result. In as much extra income as if additional land were rented or purchased.

Ghai. D. (1984) conducted a study for evaluating the impact of GB project. According to his study, the GB's project had positive and beneficial effects in terms of income, production and consumption. Various surveys showed income increased between 59 and 73 percent over different periods.

Nazu (1994) conducted a study in Sadar Thana of Kurigram District and noticed that the average income per family was Tk. 14337 which increased to Tk. 20442 indicating a 43% overall increase in income.

Parveen (1998) studied on the impact of Grameen Bank on the socio-economic development and the findings suggested that income of the participants from various sources increased. It was also improved the decision-making status and overall socio-economic development.

Rahman (1996) noticed that the households who obtained credit generated 11 percent higher income compare to those who did not.

Shaha (1997) conducted a study on the production and income between Grameen Bank member households in a selected area of Mymensingh district. He found that annual income and expenditure of Grameen Bank member households were also higher than those of General household's member.

Shaha (1986) conducted a study on "Assessing and Calculating the utilization pattern and transaction which indicate need cost of agricultural one union of Faridpur District" and explained that maximum of agricultural credit was spent on current expenditure which included seeds, fertilizers, insecticides and hired labors. The rest credit was spent for non-farm expenditure, which included consumption and social ceremonial purpose. Credit need for current expenditure

Shahjahan (1966) showed that credit sanctioned by the non-institutional sources, in general, would rarely bear any relation with the purpose of loan. The only criterion was the ability of borrower to repay the loan. So, credit rarely reached any genuine borrower. Even the institutional sources were inhibited to extend credit to affluent section of people having vast land holding to be required security for loan.

Hulme *et al* (1996) the famous modernization theorist, Walt Rostow, spoke of modernization causing compound growth that would move continually forward and never backward. Echoing similar optimism Mohammed Yunus, founder of the famous Development Funding Institution (DFI) the Grameen Bank, spoke of the establishment of a virtuous circle, "low income, more credit, more investment, more income"

2.2. CREDIT UTILIZED:

Alamgir (1982), while analyzing individual activities of the Grameen Bank loanee, showed that for bank client, the most popular activity was milch cow-keeping. Other important activities were paddy husking and cow fattening. These three activities accounted for 75 % of the total loan taken by credit clients.

Alam *et. al.* (1986) reported that the highest proportion of total loan was utilized for meeting family expenditure, capital expenditure and non-farm expenditure. The rest was used in meeting the current variable expenditure in the form of seeds, fertilizer, insecticides and labor charge etc.

Gofran (1996) reported that 75% credit client had high loan utilization. Marginal and small landholders were better utilized. Desire for getting new loans and self motivation were identify as two major factors motivating the borrower in repaying the loan. Those two facto influence 84.62 % to repay their loan.

Hossain (1967) undertake a study and concluded that a good amount of loan (40.12%) was spent for family expenditure. Loan utilized for capital expenditure was found to be 31.79% where as current expenditure compromised only 10.51%. The need to repayment of old debt was 9.98% and remaining 7.5% of total loan was used for business expenditure.

Hussain (1986) in his study observed a positive relationship between the loan repayment and size of farm. But he also observed that repayment of loan increased with the increasing of farm size except the larger farm size group where it declined. He reported a positive relationship between level of education and repayment of loan.

Nagabhushanum and Halyal (1989) stated that 50% of amount borrowed was productive purpose .About 17% was spent on particularly productive purpose. However about 32% of amount had been pent in unproductive propose.

Rahman (1993) found 27.87 %, 11.08 %, 44.26 % and 16.79 % of total loan utilized in current expenditure on farming, capital expenditure on farming and family expenditure respectively

Rahman (1980) in his study in two villages at Bogra district observed that among the factors affecting the loan repayment of the farmers, non-farm expenses was the main reason during the study years. He also showed that the main factor affecting the loan repayment behavior of the farmers was non-farm expenses during the study year. In his study he showed that 27.8%, 11.8%, 44.26% and 16.79% of total loan were utilized for current expenditure on farming, capital expenditure of farming, family expenditure and non-farm expenditure respectively

Study conducted by Anonymous (1966) revealed that 8.08%, 9.83%, 67.33% and 1.76 percent of total loan borrowed were utilized for capital expenditure, family expenses, and for repayment of old debt respectively. In case of cottage industries loan 37.37% loan was utilized for family expenditure.

2.3. CREDIT REPAYMENT:

Amin *et al.* (1994) reported that from income generation perspective, the three programs- GB, BRAC and BRDB had been successful because loan recovery rate was very high, ranging between 96 and 100 percent.

Arene (1993) found that high repayment farmers had larger loan size, larger farm size, higher income, higher age, higher number of years of farming experience, shorter distance between home and source of loan, higher level of formal education, larger household size, higher level of adoption of innovation and lower credit needs than low repayment farmers.

Basher *et al.* (1981) showed that rate of recovery of loan disbursed by the institutional sources was very unsatisfactory. Actually showed that only 25% of the social agricultural loan were repaid by small and subsistence farmers having size of holdings between 0.00-2.50 acre repaid higher (74 percent of loans respectively) than the medium and large farmer who repaid only 33 percent of loans respectively. They selected the reasons of non-repayment were misuse of loan, untimely disbursement of loan and natural disasters of various kinds.

Gibbons (1994) pointed out the increasing evidence that the BRAC financial system had widespread applicability among the very poor throughout the world. He showed that 10 different nations from Asia, Africa, and North America following the Grameen Bank model attained satisfactory loan repayment records of 99-100 percent.

Hanson *et al.*, (1991) showed the inability of many farmers to repay debt obligations due to falling commodity prices, stagnant farm income and declining land values (the collateral securing much of the debt), probably the clearest example of the extent of the farm financial crises of the early and mid 80s.

Hossain (1983) reported that under the Grameen Bank project, the loan repayment performance was excellent. The monthly report of the project of the June 1983 showed the amount overdue was nil. This collection was however, based on a two year repayment period as the money was borrowed by Grameen Bank Project from the bank on that term. He further added that, the repayment record was better for female loanees compared to male loanees. For female loanees, 98.4 percent of the loans were fully repaid with one year, compared to 96.8 percent for male loanee.

Islam (1987) conducted a study in Rangpur district and stated that small farmer had the highest repayment percentage than large farmers.

Rahamn (1995) designed a research on socio-economic study of credit program of the ASA in some selected areas of Gazipur district and found that 36 percent of the sample loanees were not able to invest loans entirely in their proposed scheme. He also found that loanee were good re-payer.

Rahman (1976) undertook a study in Mymensingh district and stated that loan utilized for capital expenditure of farming, current expenditure of farming, family expenditure and repayment of old debt were 33%, 50.83%, 9.42% and 0.74% respectively.

Sharma and Zeller (1997) conducted a study on repayment performance in-group based credit program in Bangladesh: ASA, BRAC and RDRS. It was concluded that if basic principles of prudential banking are adhered to, repayment rates could be good even in poor and remote communities. The important thing for

financial institutions was to tailor services so that it becomes worthwhile for the poor to establish a profitable long-term association.

Sufianu (1984) showed that short-term loans recorded a better performance than long-term loans. Some of the reasons for the poor repayment performance include the dole-out mentality, lack of loan supervision for public borrowers; too big loan sizes which increases the possibility of diversion of companies and inadequate pre-loan.

CHAPTER- III

3. METHODOLOGY

A chronological description of the methodologies followed in conducting this research work has been presented in this chapter.

3.1. Locale of the study:

The study was conducted in Askarpur, Sheikpura and Sankarpur union under sadar upazila of Dinajpur district supervised by Grameen Bank. These three unions of Dinajpur district were selected purposively as Dinajpur sadar upazila is mainly agricultural based but socio economic condition of those areas are not same incase of all categories of farmers, and all the farmers are not so good condition in financial purpose. The reason of selecting the area is that it is easily accessible by road and considering proper utilization of time and resources. Small farmer got themselves involve in various agricultural and income generating activities by taking microcredit from Grameen Bank. The major criteria considered for selection of three union supervised by Grameen Bank were : member of the association who were involve in income generating activities.

3.2. Population and sample size of the study:

An updated list of the GB borrowers (small farmers) of the selected three branches Askarpur, Sheikpura and Snakarpur were prepared with the help of the Manager and other staff of stated three branch of the Gameen Bank. The number of small farmer who counted as borrower were 1024, which constituted the population. 100 were selected through random sampling technique. A list of 10 borrowers was made as 2nd sample for using the same incase of non availability of sample

borrowers. The distribution of the selected farmer along with reserve list in the selected union was shown in Table 1.

Table 1. Distribution of the respondents in selected branches of GB under Dinajpur sadar upazila.

Name of unions	Total number of population farmer	Number of sample farmer drawn	Number of reserve Sample farmer
Askarpur	348	34	4
Sheikpura	339	33	3
Sankarpur	338	33	3
Total	1025	100	10

3.3. Preparation of survey schedule and pre-testing:

Preparation of questioner is of crucial importance in any survey. A draft questioner was first prepared keeping in mind the objectives of the study. Then it was pre-tested in the study area. The information obtained from the borrowers was carefully checked and afterwards necessary corrections; modifications and adjustments were made in the questioner.

3.4. Collection of Data:

Before stating to collection to data the researcher met the General Manage (admin) of the Grameen Bank and explained the objective of the study. After getting written permission from the General Manager the researcher met the zonal, Area and finally the Branch Manage of Askarpur, Sheikpura and Sankarpur branch and took permission regarding data collection from the borrower under the branch. As a result ,the researcher received full cooperation from relevant in collection data. Data were collected personally from the respondent through interview schedule. All possible efforts were made to explain the purpose of the study to the

respondents and their answers were carefully recoded by the researcher. Out of 100 original sampled loanee 3 loanee not available during data collection. The researcher, therefore, interviewed 3 loanee from the reserve list. Data were collected from July 21 to August 27, 2006

3.5. Difficulties faced in collecting data:

The researcher faced some difficulties in collecting data. Since the borrowers had no idea about such study, they were highly apprehensive about the purpose of the study. They initially hesitated to answer questions and showed unfriendly attitudes. They thought that the authority had been conducting the survey to penalize them. But when they understood that the present study was academic, they became ultimately convinced and agreed to co-operate. Another problem was that the borrowers were not often available for interview as they were busy in their works. So, to collect data the researcher had to go the borrowers as their convenient times. Besides, the borrowers were illiterate. They did not keep written records of their annual or weekly activities. So, it was difficult to collect accurate data.

3.6. Tabulation and analysis of data:

Collected data were analyzed to fulfill the objectives of the study. Tabular analytical technique was used. Descriptive statistics was used for meaningful interpretation of the results. After collecting primary data from the field, the schedules were checked and scrutinized to find out any deficiency or omission in the data collected and to avoid irrelevant information. Qualitative data were collected in quantitative forms by assigning suitable scoring were necessary. When any deficiency was found, it was met up by revisit to the study area and also irrelevant information was omitted. Then master sheets were prepared and tabular analysis was done.

3.7. Measurement of variables :

3.7.1. Measurement of independent variables:

Five selected characteristics were taken as independent variables of this study those were Age, Education, Farm size, Annual income and Organizational participation. Procedures followed in measuring these characteristics have been described below:

3.7.1.1. Age:

Age of a respondent was measured in terms of years from birth to the time of the interview which was found on the basis of his response. They were categorized on the basis of the age.

3.7.1.2. Education:

Education was measured in terms of years of schooling. One score was given for passing one year in the educational institution. For example, if a respondent passed the SSC examination, his educational score was given as 10. If a respondent did not admit in school his educational score was given as '0'. According to their educational score they were categorized as i) No schooling level, ii) Primary level, iii) Secondary level and iv) Higher level.

3.7.1.3. Farm size:

Farm size was measured in terms of actual operating land a respondent had in his authority. It included homestead, cultivated area owned by a farmer, area taken from or given to others on borga, area taken from or given to others on lease. The farm size of a respondent was measured in hectares using the following formula:

Formula :

$$FS = A_1 + A_2 + A_3 + 1/2 (A_4 + A_5)$$

Where,

FS = Farm Size

A₁ = Homestead

A₂ = Cultivated area owned by a farmer

A₃ = Cultivated area taken by a farmer from others on lease system

A₄ = Area given to others on borga system

A₅ = Area taken by a farmer from others on borga system

The data were first recorded in term of local unit i.e. "bigha" and then converted to hectare.

3.7.1.4. Annual income:

The annual income has been used to refer to the total earnings of the respondent and the members of his family both from agricultural and non-agricultural sources during last year. In measuring this variable, the total earning of an individual respondent was converted into taka. A score of one was given for every one thousand taka. The method of ascertaining income from agriculture involved two phases. Firstly, the yield of all crops in the preceding year was noted. Secondly all the yields were converted into cash income according to the prevailing market price of the above item at the time of interviewing. Non-agricultural sources of

income included earnings from service, business, day labor and other sources of respondents or other members of his family. Yearly income from agricultural and non-agricultural source were added together to obtain the total income of borrower.

3.7.1.5. Organizational participation:

Organizational participation of a borrower was quantified by membership in different organizations stated in the interview schedule. The respondents indicated whether they participated or not participated in those organizations as member of general committee, member of executive committee or Officer of executive committee and also what duration they anchor as member. Zero (0) score was assigned for no participation and 1, 2 and 3 according to participation with organizations. Organizational participation score of a respondent was ranged from 0 to 3 and computed by using the following formula:

Formula

$$SP = Gm \times d + Em \times d + Eo \times d$$

Where,

SP = Score of participant

Gm = General committee member

Em = Executive committee member

Eo = Executive committee Officer

d = Duration

Participant score was assigned in the following way as described in table 2 :

Table 2. Organizational participation score assigned of respondents.

Nature of participant	Score assigned
No participation	0
General committee member	1
Executive committee member	2
Executive committee Officer	3

3.7.2. Measurement of dependent variable:

In this study three dependent variables viz. credit need, credit utilization and credit repayment behavior of small farmers were considered.

3.7.2.1. Credit Need :

In this study the credit need of a farmer is assessed by summing up of all sorts of demand for two broad section- like Agriculture purpose and entrepreneurs. The data were broadly classified into two section, one is Agriculture which includes credit for cereal crop and credit for non-cereal crop. Another is Entrepreneur which includes credit for small business, credit for buying rickshaw /van and credit for miscellaneous. Total demand were measured in percentage. They were demanded taka below 4000 to taka above 8000 .So according to demand they are percentile high, medium and low demand.

3.7.2.2. Credit Utilization:

Credit utilization means use of credit for the specific purpose. The respondent were classified into four classes according to their purpose of getting credit. They were (i) Crop production (ii) Non-crop production (iii) Family consumption and (iv) Other expenses. The amount of the credit was converted into percentage according to the total amount of credit giving as credit purpose. And they were percentile according to low, medium and high utilization.

3.7.2.3. Credit Repayment:

It was the amount which paid by farmers whom consider as client of Grameen Bank. The repayment made in year 2005-2006 was considered as study year. In the study year more of the farmer repaid the loan which was received by them in the same year. First the respondent were categorized according to size of loan. Number were being given by according size of loan. If the payable money and paid money is same that means due observe nil then the repay counted as 100%. This variable was also measured in monetary term. Measurements done on a loan recovery.

3.7.2.4. Factor motivating the loanee in repaying loans:

About the repayment of the credit facility, the respondents were asked about the factors which inspired them to repay the loan. The respondents motivated five factors which made them inspire to repay the loan. There motivational factor were converted into percentage then ranked.

3.7.2.5. Problem faced by the farmers' for receiving and utilizing credit :

About the repayment of the credit facility, the respondents were asked about the factors which motivated them to repay the loan. In this connection six factors were used. Loan Recovery Problem Index (LRPI) was made, by adding the score of all the borrowers. Severity of problem was measured according to the LRPI. The LRPI of the 6 problems could be ranged 0-100 by using score 1 for yes, 0 for no. and the Score was turned in to percentage on the basis of percentage the problem were ranked.

There were five problems identified during loan utilization on the basis of pretest. Loan Utilization Problem Index (LUPI) was made, by adding the score of all the borrowers. Severity of problem was measured according to the LUPI. The LUPI of the 5 problems could ranged 0-100 by using score 1 for yes, 0 for no. and the Score was turned in to percentage on the basis of percentage the problem were ranked.

CHAPTER- IV

4. RESULTS AND DISCUSSIONS

4.1. Socio-Economic Characteristics of the Sample Borrowers:

The socio-economic characteristics of the sample borrowers have important bearing on the loan transaction and utilization. Therefore, an attempt was made in the present study to investigate some of the socio-economic characteristics of the respondent borrowers, which include age, literacy, farm size, income and organizational participation of assets etc. of Grameen Bank borrower member and their families.

4.1.1. Age:

The average age of the respondents was 34.72 years and standard deviation 5.98 respectively. Age of the respondents ranged from 26 to 49. The respondents were classified into three categories based on their age levels (Table 3). The categories were young (less than 35 years), middle aged (35 to 45 years) and old (greater than 45 years) (Hossain, 1998). The highest portion (53%) of the respondents was young compared to middle aged (43%) and old aged (4%). So, major portion of borrowers (53%) were of young class.

Table 3. Distribution of the respondents according to their age level.

Age category	Borrowers		Mean	SD
	Number	Percentage		
Young Aged (< 35 years)	53	53	34.72	5.98
Middle Aged (35-45 years)	43	43		
Old Aged (>45 years)	4	4		
Total	100	100		

It is clear from Table 3. that young are mainly engaged in micro-credit program. Possibly they are more energetic, innovative and capable than the rest two groups for participating in different income generating activities.

4.1.2. Education

Literacy plays an important role in accelerating development of a country in the sense that the literate people contains positive attitude towards innovations. In order to examine educational status of respondents, educational levels were divided into i) No schooling level ii) Primary level, iii) Secondary level and iv) Higher level . Those who cannot read and write were considered as group of No schooling and also those who read and write without going school were considered as No schooling group, those who read up to class-V were considered as primary level educated, up to class-X were considered as secondary level education, up to class-XII or more were considered as higher level education.

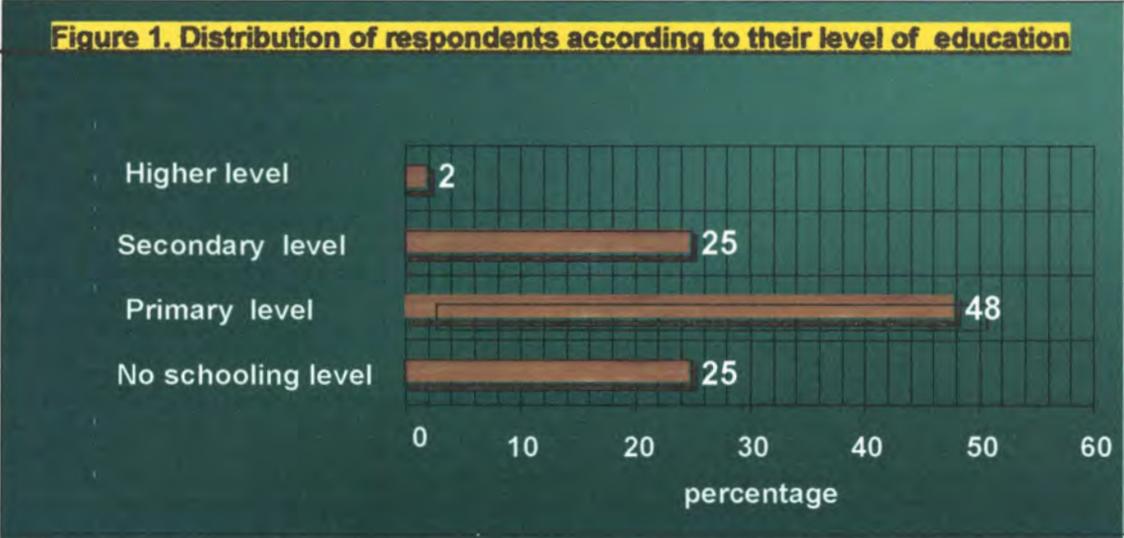


Figure 1. Distribution of respondents according to their level of education.

Figure 1. reveals that most of the respondents (48%) had Primary level of education .25% of the respondents equally distributed in Secondary level and No schooling. Higher level respondents were very few (2%). If No schooling level

was excluded from overall educational level, that indicates 75% of the respondent had level of educated and it was the highest.

4.1.3. Farm size

Land is an essential input for production as well as the development of people. As it is true for the country and also it is true for the people of the locality. In most of the cases, the respondents did not possess big land except their dwelling house and very little amount of cultivable land. But the scenario was changed after participation in micro-credit programs and proper utilization of loans. In the present study the respondents were classified into three landholding categories:

Table 4. Distribution of respondents according to their Farm size.

Category	No. of respondent	Percentage	Mean	SD
Very small farmer (0.2 ha -0.4 ha)	15	15	0.53	0.42
Moderately Small (0.41 ha -0.5 ha)	60	60		
Small farmer (0.51 ha & above)	25	25		
Total	100	100		

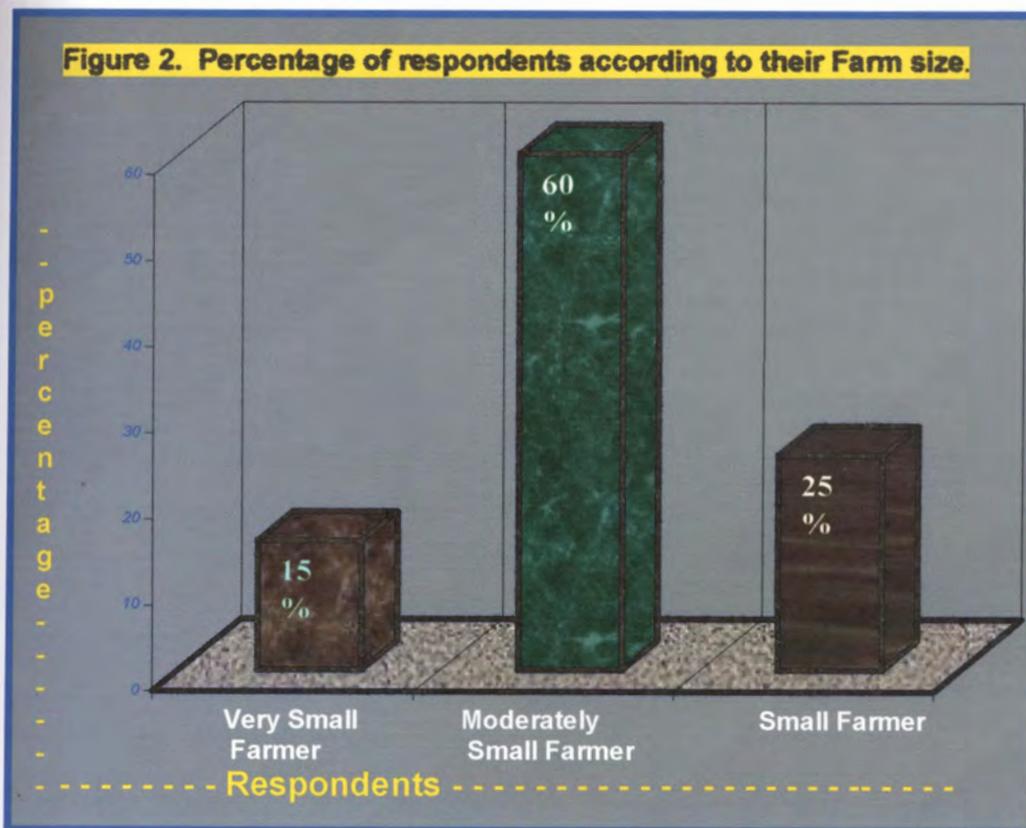


Figure 2. Percentage of respondents according to their Farm size.

Table 4. and Figure 2. indicates that the highest percentage of respondents is Moderately small farmer (60%) followed by Small farmer (25%) and of Very small farmer (15%) borrower credit from Grameen Bank.

4.1.4. Annual Income :

Annual income of a respondent was determined on the basis of his total earnings from agricultural and non-agricultural (Business, cow/poultry, rickshaw/van , tailoring, etc) sources. The income of the respondents ranged from 27.93 to 120.00 . On the basis of their income score the respondents were classified into three categories as shown in Table 5.

Table 5: Distribution of the respondents according to their Annual income

Categories	Farmer	Percentage	Mean	Standard deviation
Low income (score up to 35)	28	28	55.486	97.45
Medium income (score 35-60)	43	43		
High income (above 60)	29	29		
Total	100	100		

From this Table 5, it was observed that the highest proportion of the respondents were Medium income group as compared to High income group (29%) and Low income group (28 %) respectively.

4.1.5. Organizational Participation:

The respondents were categorized into three categories on the basis of the organizational participation score. Organizational participation mean 19.47 and standard deviation 8.69

Table 6. Distribution of the respondents according to their Organizational Participation score.

Category	Frequency	Percentage	Mean	S. D
Low participation (Up to 12 Score)	28	28	19.47	8.69
Medium participation (Score 13- 24)	43	43		
High participation (Score 25 and above)	29	29		
Total	100	100		

Data in Table 6, indicate that 43 percent of the respondents had Medium participation, while 28 percent had Low and 29 percent had High organizational participation. The reason behind it may be due to the fact that many organizations

had involved in the micro credit programme and they always try to involve people in their program. More over 56 organizations were involving people in the study area.

4.1.6 .CREDIT NEED:

Table 7. Credit need of the respondents according to their Demand/Need

Field of credit	Mean demand (Tk)	Number of farmer demand	Percent	Overall Percent
<u>Agriculture</u>				
Cereal crop	5850	80	80%	40%
Non-cereal crop	2150	20	20%	10%
Total	8000	100	100	
<u>Entrepreneur</u>				
Small Business	4000	78	78%	39%
Rickshaw/Van	3000	16	16%	8%
Miscellaneous	6500	6	6%	3%
Total	13800	100	100	
Overall total	21800			100

Table 7. reveals with the result of Credit need of the respondents according to their Demand/Need, 40% of the respondents had the higher demand for credit in cereal crop cultivation (like rice, wheat, etc). Second highest of respondent was observed 39% who had a demand for credit for Small business purpose. The lowest was found 3% of the respondents who had a demand for credit for Miscellaneous purpose. The average demand for Agricultural purpose Tk. 8000 and Entrepreneur as Tk.13800.

Table 8. Distribution of the respondents according to their credit need.

Category	Farmer	Percentage	Mean
Low credit need (up to Tk. 3699)	75	75	7532
Medium credit need (Tk. 3700 to Tk. 7999)	17	17	
High credit need (Tk. 8000 and above)	8	8	
Total	100	100	

From Table 8. Credit need of the farmers ranged from Tk. 1000 to 20,000 with an average of Tk. 7532. Farmers were classified into three categories on the basis of their credit need. They were Low credit need ranged up to Tk. 3699, Medium credit need ranged from Tk. 3700 to Tk. 7999 and High credit need ranged Tk. 8000 and above. Table 8. shows that most of the farmers (75 %) had Low credit need and fewer of the farmers (17%) had Medium credit need. Only 8 % of the farmers needed High credit.

4.1.7. CREDIT UTILIZATION :

Credit facility from Grameen Bank was provided for different purpose of agricultural production. In this study it was found that credit was provided for two purposes viz. Agriculture sector and Non-agricultural sector. Item wise discussion were done for getting a clear picture of utilization.

Table 9. Distribution of the respondent according to their credit utilization.

Purpose	Total farmer	Number of Farmers Taken credit	Total amount of Tk.	Percent utilization
<u>Agricultural sector</u>				
Crop	100	100	620800	52.26
Non crop	100	46	30150	25.27
Sub Total			650950	77.53
<u>Non agricultural sector</u>				
	100	90	174200	14.66
Family consumption	100	32	92600	7.80
Other expense				
Sub Total			266800	22.46
<u>Grand total</u>			917750	100

It is very much clear from the above Table 9. that 52.26 percent of total credit was utilized for crop cultivation and 25.27 percent of the credit was utilized for Non-crop purpose. In Non-agricultural sector 14.66% credit utilized for Family consumption and 7.80% of credit was utilized for Other expense. Among the two purpose. Crop cultivation was the highest and Other expense was the lowest for utilization of credit

Table 10. Distribution percentage of the respondents according to their Credit utilization.

Categories	Number	%	Mean	Standard deviation
Low utilization (up to Tk. 3000)	0	0	4464	3320
Medium utilization (Tk. 3001 to Tk. 8000)	20	20		
High utilization (above Tk. 8001)	80	80		
Total	100	100		

The utilization of the credit facility was ranged from Tk. 1000 to 20,000 with an average of Tk. 4,464. The farmers were classified into the following categories according to credit utilization in agricultural sector. From Table 10. It is clear that 80% of borrowers utilized the loan properly marked as High utilization, 20% of farmer ranks as Medium utilization category. It is a very interesting that in the study area no respondent had found to misuse or abuse the loan so the option of low utilization was not found at all.

4.1.8. CREDIT REPAYMENT :

The amount of loans disbursed by GB per household varied from Tk. 1000 to Tk. 20000. The amount of loans disbursed to the member increased gradually for the time being for almost all the members. The repayment rate was reported to be excellent (100%) because all members were pressurized by the group members and close supervision was available by the GB officials before and after receiving the loan. The situation of credit repayment is presented in the Table-11.

Table 11 . Percentage of credit repayment of the respondent

Size of Loanee on the basis of credit	Number of farmer taken credit	Percentage of credit Repayment
Tk. 1001-2000	8	100
Tk. 2001-3000	7	100
Tk. 3001-4000	10	100
Tk. 4001-5000	15	100
Tk. 5001-6000	25	100
Tk. 6001-7000	12	100
Tk. 7001-8000	8	100
Tk. 8001-9000	4	100
Tk. 9001-10000	6	100
Tk. 10000 & above	5	100
Total	100	100

Table 11. Reveals the Percentage of credit repayment of the respondent here most of the loans were concentrated in the range of Tk. 3001 to Tk. 7000. The highest number (25%) of loan was disbursed to the members in the range of Tk. 5001- Tk. 6000 and Tk. 8000 to Tk. 9000 was the lowest number (4). In all cases the loan recovery was 100%.

4.1.9. Factors motivating the borrowers in repaying their credit :

About the repayment of the credit facility, the respondents were asked about the factors which inspired them to repay the loan. In this connection 5 factors were approached to them. The respondents chose factors which made them inspire to repay the loan. The respondents were asked to mention the factors which influenced them on repayment of their loans. Their responses are summarized in the Table 12

Table 12. Factors motivating the loanee in repaying loans.

SL	Factors	Respondents		Local repayment Index
		Frequency	%	
1	Desire for getting new loans	56	56	1 st
2	Personal motivation	28	28	2 nd
3	Consultation/pressure given from the friends or neighbors or family	7	7	3 rd
4	Pressure from credit giving organization	6	6	4 th
5	Reputation of the Grameen Bank	3	3	5 th
Total		100	100	

From table 12. Two main factors, namely, Desire for getting new loans (56%) and Personal motivation (28%) induced the respondents a great extent in repaying their loans. Other three factors gives only 16% and ranked as 3rd, 4th and 5th. They were Consultation/pressure given from the friends or neighbors or family to repay loan (7%), pressure from the loan living authority (6%) and Reputation of Grameen Bank (3%).

4.1.10. Problems faced by the members in receiving and utilizing credit from Grameen Bank.

The members were asked to pin point the problems that they faced during receiving and utilizing :

Six major problems were identified on the basis of during loan receiving. Loan Receiving problems index (LRPI) were made by adding the score of all the borrowers. Severity LRPI was measured according to the percentage. Six problems could range in percent and the percent wise range those problems presented in table 13.

Table 13. Problem Faced by the members in receiving credit.

SL	Problems in receiving loan	Percentage	Rank order
1	Unfavorable situation caused due to natural calamities or mishaps.	35	1
2	Wastage of time by waiting in bank while receiving loan.	25	2
3	Inadequate awareness of information about loan giving process.	20	3
4	Loan is not available as per requirement.	10	4
5	Long distance of Grameen Bank from borrowers house.	8	5
6	Lack of adequate security while carrying the cash for home.	2	6

Among borrowers, 35% of borrowers expressed their problems as Unfavorable situation caused due to natural calamities or mishaps, 2nd problem-Wastage of time by waiting in bank while receiving loan (25%), 3rd problem-Inadequate awareness of information about loan giving process (20%), 4th problem-loan is not available as per requirement (10), 5th problem-Long distance of Grameen Bank from borrowers house (8%) and Lack of adequate security while carrying the cash for home (2%) was the 6th.

There were five problems identified during loan utilization on the basis of pretest. Loan Utilization problem index (LUPI) was made by adding all the score of all respondents. Severity LUPI was measured according to the percentage. The five problems could be ranked 1-5. However, according to the percentage the problems were ranked in Table 14.

Table 14. Problems Faced by the loanees during utilizations of loan.

S L	Problems	Percent age	Rank order
1	Lack of support on production technology and farm inputs.	40	1
2	Burden and anxiety due to having a large family.	22	2
3	Marginal profit obtained from the sales proceeds of produced commodities.	20	3
4	Inability in using the loan properly.	10	4
5	Sudden hazardness caused due to natural calamities.	8	5

Among the borrowers, 40% of borrowers expressed their problems as Lack of support on production technology and farm inputs. 2nd problem-Burden and anxiety due to having a large family (22%). 3rd problem-Marginal profit obtained from the sales proceeds of produced commodities stands (20). 4th problem-Inability in using the loan properly stands (10). Sudden hazardness caused due to natural calamities (8%) ranked was the 5th.

4.1.11. Relationship between selected characteristics and dependents variables of the study

In this section relationship between independent variables i.e., selected characteristics of the Grameen bank borrower viz. age, education, farm size, annual income, organizational participation with three dependent variables viz. credit need, credit utilization and credit repayment behavior, have been measured to explore their relationship. Pearson's co-efficient 'r' was used to determine the relationship between the selected independent and dependent variables and to accept or reject the null hypothesis. Five percent (0.05) level of probability was used as the basis for acceptance or rejection of a null hypothesis.

Table 15. Correlation between credit need, utilization, repayment and some personal characteristics of the respondents

Dependent variable	Independent variables	Computed 'r' values		
		(X ₁)	(X ₂)	(X ₃)
Credit need (X ₁) Credit utilization (X ₂) Credit repayment (X ₃)	Age	0.32*	0.20*	0.12
	Education	0.53*	0.34*	0.56*
	Farm size	0.85**	0.32*	0.80**
	Income	0.14	0.62**	0.47*
	Organizational participation	0.49*	0.41*	0.44*

4.1.11.1. Relationship between age and dependent variables.

The relationship between age of the farmers and their credit need, utilization and repayment, as reflected by the r value (0.32, 0.20, 0.12), revealed significant positive relationship with credits need and credit utilization but insignificant relationship with credit repayment. Thus, the null hypothesis could not be rejected in case of credit need and utilization but rejected for credit repayment. The researcher thus concluded that age of the farmers was related to their credit need, utilization of credit.

4.1.11.2. Relationship between education and dependent variables.

The relationship between education of the farmers and their credit need, credit utilization and credit repayment, as reflected by the r value (0.53, 0.34, 0.56), revealed positive significant relationship between education and dependent variables. Thus, the null hypothesis could be rejected. The researcher thus concluded that education of the small farmers was related to their credit need, credit utilization, credit repayment.

4.1.11.3. Relationship between farm size and dependent variables.

Relationship between farm size of small farmers and their credit need, credit utilization and credit repayment was determined by testing the following null hypothesis. "There is a positive relationship between farm size of small farmers and their credit need, credit utilization, credit repayment". The computed value of the correlation co-efficient between the concerned variables was found 0.85, 0.38, and 0.80. The following observations were made regarding the relationship between the independent and dependent variables under considerations.

- a) The relationship was highly significant.
- b) The relationship showed a positive direction.

Hence, the researcher concluded that farm size of the farmer had significant relationship and positive direction with their credit need, utilization and repayment. This means that the farmers, who had occupied higher farm size, had higher credit on loan behavior.

4.1.11.4. Relationship between income and dependent variables.

The relationship between income of the farmers and their credit need, utilization, repayment, as reflected by the r value (0.14, 0.62, 0.47), revealed positive significant relationship between income and credit utilization and credit repayment. But no significant relation with credit need. Thus, the null hypothesis could be rejected. The researcher thus concluded that income of the small farmers was related to their loan utilization and repayment. It is also said that most of the respondents repay in proper time if they get high or proper income source like enterprise, crop value, benefit so income was a most important factor of above all the factors in the lones behavior.

4.1.11.5. Relationship between organizational participation and dependent variables.

The correlation co-efficient between organizational participation and credit need, credit utilization and credit repayment of the respondent was found ($r = 0.49, 0.41$ and 0.44) significant relationship. This led to the conclusion that the relationship between organizational participation of the respondent with their credit behavior was positive. If they not participate in those organization they had not get any loan when they need. The positive relationship indicating this situation for better understanding of farmers' behavior.

CHAPTER-V

5. SUMMERY, FINDINGS, CONCLUSION, RECOMMENDATION AND REFERENCE

This Chapter presents the summary of the findings from the previous discussion. From the findings, some concluding statements and recommendations are also drawn.

5.1 Summary:

5.1.1. Introduction:

The development of Bangladesh economy would be meaningless, unless an appreciable improvement is achieved in the living standard of this vast majority group of our population. To determine the role of micro credit the present study was designed to determine the credit need, credit utilization and credit repayment behavior of the small farmers. Grameen Bank (GB) is one of the large banking system. Through Grameen banking the small farmers are now coming out of four-walls of their laggardness and looking for opportunities into cash income. By rising income significantly the people in agriculture and their changing pattern of involvement is one of the major findings which created GB. This study is an important because small farmers community is a considerable percentage and socially they have low status and they have got very little or no chance to play any dominant role in the social affairs. Due to a number of constraints they cannot participate in the modern agricultural production system and then take measures to solve them. The findings of the study will be helpful to credit institutions which are engaged to support the small farmers in agricultural sector.

5.1.2. Rationality of the Research:

This study aims to get the answer of the following questions :

What are the characteristics of the small farmers? Do the small farmers have any need of micro-credit? Do the small farmers have any utilization pattern of micro-credit? Do the small farmers have proper repayment behavior of micro credit? What problem they faced for receiving and utilization credit? What factor motivating them for repay the credit? What are the relationship of the characteristics of the farmers with their credit need, credit utilization and credit repayment behavior?

5.1.3. The specific objectives were as follows:

To determine and describe the selected characteristics of the farmers who borrowed loan from Grameen Bank, (Askarpur, Sheikpura and Sankarpur branch) in 2005-2006 financial year. To assess the micro credit need of the small farmers. To assess the utilization pattern of the micro credit. To determine the repayment behavior of agricultural credit of small farmers .To assess problem faced by the farmer's for receiving and utilization credit .To assess factors for motivating to repay the credit .To explore the relationship of the characteristics of the farmers with their credit need, utilization and repayment behavior

5.1.4. Scope and Limitation of the Study:

The study was aimed at three selected sample of small farmers, keeping in view their status as borrowers of micro credit from Grameen Bank (GB) Askarpur, Sheikpura and Sankarpur branch in Dinajpur. the findings of the study will be particularly applicable to the loanee respondent of those villages. In addition, the findings might have general application to other areas of Bangladesh, where the physical, socio-economic and cultural conditions are mostly similar to that of the study area.

5.1.4. Assumption :

The study was conducted under the following assumptions:

The respondents were capable of furnishing proper responses to the questions incorporated in the interview schedule. The data collected by the researcher from the respondents were considered reliable as the researcher was well adjusted to social environment of the study area. The information furnished by the sample farmers were the representative ones of the whole population. The selected villages were considered as typical villages representing other villages in Bangladesh. The findings of the study would be useful for planning and execution of various programmers in connection with the agricultural credit operation in the country.

5.1.5. Hypotheses:

There is a positive relationship between the farmers' selected characteristics and their credit need, utilization and repayment behavior.

5.1.6. Locale of the study:

The study was conducted in Askarpur, Sheikpura and Sankarpur union under sadar upazila of Dinajpur district.. Grameen Bank places a vital role in the area for giving loan for development of people's livelihood.

5.1.7. Population and sample size of the study:

The total population of the study area was 1025, among them only 100 farmers (around 10% population) were selected as the sample of the study by simple random sampling technique.

5.1.8. Preparation of survey schedule and pre-testing:

Preparation of survey schedule is of crucial importance in any survey. A draft schedule was prepared and it was pre-tested in the study area on keeping in mind the objectives of the study.

5.1.9. Collection of Data:

After getting written permission from the General Manager, Zonal and branch manager the researcher collected data from the borrower under the branch. As a result, the researcher received full cooperation from relevant in collection data. Data were collected personally from the respondent through interview schedule. Out of 100 original sampled loanee 3 loanee not available during data collection. The researcher, therefore, interviewed 3 loanee from the reserve list. Data were collected from July 21 to August 27, 2006

5.1.10. Difficulties faced in collecting Data:

Since the borrowers had no idea about such study. They initially hesitated to answer questions and showed unfriendly attitudes. Another problem was that the borrowers were not often available for interview as they were busy in their works. So, to collect data the researcher had to go the borrowers as their convenient times. Besides, the borrowers were illiterate. They did not keep written records of their annual or weekly activities. So, it was difficult to collect accurate data.

5.1.11. Tabulation and Analysis of Data:

Collected data were analyzed to fulfill the objectives of the study. Tabular analytical technique was used. Descriptive statistics was used for meaningful interpretation of the results. After collecting primary data from the field, the schedules were checked and scrutinized to find out any deficiency or omission in the data collected and to avoid irrelevant information. Qualitative data were collected in quantitative forms by assigning suitable scoring were necessary.

5.1.12. Measurement of variables:

5.1.12.1 Age:

Age of a respondent was measured in terms of years from birth to the time of the interview which was found on the basis of his response.

5.1.12.2. Education:

Education was measured in terms of years of schooling. One score was given for passing one year in the educational institution.

5.1.12.3. Farm size:

The farm size of a respondent was measured in hectares using the following formula:

$$\text{Formula : } \text{FS} = \text{A}_1 + \text{A}_2 + \text{A}_3 + 1/2 (\text{A}_4 + \text{A}_5)$$

Where,

FS = Farm Size

A₁ = Homestead

A₂ = Cultivated area owned by a farmer

A₃ = Cultivated area taken by a farmer from others on lease system

A₄ = Area given to others on barga system

A₅ = Area taken by a farmer from others on barga system

The data were first recorded in term of local unit i.e. “bigha” and then converted to hectare.

5.1.12.4. Annual income:

In measuring this variable, the total earning of an individual respondent was converted into taka. A score of one was given for every one thousand taka.

5.1.12.5. Organizational participation :

Organizational participation score of a respondent was computed by using the following formula.

Formula

$$SP = Gm \times d + Em \times d + Eo \times d$$

Where,

SP = Score of participant

Gm = General committee member

Em = Executive committee member

Eo = Executive committee Officer

d = Duration

Participant score was assigned in the following way as described in table 2 :

Table 2. Organizational participation score assigned of respondents.

Nature of participant	Score assigned
No participation	0
General committee member	1
Executive committee member	2
Executive committee Officer	3

5.1.13. Measurement of dependent variable:

In this study three dependent variables viz. credit need, credit utilization and credit repayment behavior of small farmers were considered.

5.1.13.1. Credit need:

In this study the credit need of a farmer is assessed by summing up of all sorts of demand for two broad section- like Agriculture purpose and entrepreneurs. The data were broadly classified into two section, one is Agriculture which includes credit for cereal crop and credit for non-cereal crop. Another is Entrepreneur

which includes credit for small business, credit for buying rickshaw /van and credit for miscellaneous. Total demand were measured in percentage. They were demanded taka below 4000 to taka above 8000 .So according to demand they are percentile high, medium and low demand.

5.1.13.2. Credit Utilization :

Credit utilization means use of credit for the specific purpose. The respondent were classified into four classes according to their purpose of getting credit. They were (i) Crop production (ii) Non-crop production (iii) Family consumption and (iv) Other expenses. The amount of the credit was converted into percentage according to the total amount of credit giving as credit purpose. And they were percentile according to low, medium and high utilization.

5.1.13.3. Credit repayment:

It was the amount which paid by farmers whom consider as client of Grameen Bank. The repayment made in year 2005-2006 was considered as study year. In the study year more of the farmer repaid the loan which was received by them in the same year. First the respondent were categorized according to size of loan. Number were being given by according size of loan. If the payable money and paid money is same that means due observe nil then the repay counted as 100%. This variable was also measured in monetary term. Measurements done on a loan recovery.

5.1.13.4. Factor motivating the loanee in repaying loans:

About the repayment of the credit facility, the respondents were asked about the factors which inspired them to repay the loan. The respondents motivated five factors which made them inspire to repay the loan. There motivational factor were converted into percentage then ranked.

5.1.13.5. Problem faced by the farmers' for receiving and utilizing credit.

About the repayment of the credit facility, the respondents were asked about the factors which motivated them to repay the loan. In this connection six factors were used. Loan Recovery Problem Index (LRPI) was made, by adding the score of all the borrowers. Severity of problem was measured according to the LRPI. The LRPI of the 6 problems could be ranged 0-100 by using score 1 for yes, 0 for no. and the Score was turned in to percentage On the basis of percentage the problem were ranked.

There were five problems identified during loan utilization on the basis of pretest. Loan Utilization Problem Index (LUPI) was made, by adding the score of all the borrowers. Severity of problem was measured according to the LUPI. The LUPI of the 5 problems could ranged 0-100 by using score 1 for yes, 0 for no. and the Score was turned in to percentage On the basis of percentage the problem were ranked.

5.2. Finding :

5.2.1. Age:

The highest portion (53%) of the respondents was young compared to middle aged (43%) and old aged (4%). So, major portion of borrowers (53%) were of young class. Young are mainly engaged in micro-credit program. Possibly they are more energetic, innovative and capable than the rest two groups for participating in different income generating activities.

5.2.2. Education :

Most of the respondents (48%) had Primary level of education. 25% of the respondents equally distributed in Secondary level and No schooling. Higher level respondents were very few (2%). If No schooling level was excluded from overall educational level, that indicates 75% of the respondent had level of educated and it was the highest.

5.2.3. Farm size:

The highest percentage of respondents is Moderately small farmer (60%) followed by Small farmer (25%) and of Very small farmer (15%) borrower credit from Grameen Bank.

5.2.4. Annual Income :

It was observed that the highest proportion of the respondents were Medium income group as compared to High income group(29%) and Low income group(28%)respectively.

5.2.5. Organizational Participation:

43 percent of the respondents had Medium participation, while 28 percent had Low and 29 percent had High organizational participation. The reason behind it may be due to the fact that many organizations had involved in the micro credit programme and they always try to involve people in their program. More over 56 organizations were involving people in the study area .

5.2.6 Credit Need:

Credit need of the respondents according to their Demand/Need, 40% of the respondents had the higher demand for credit in cereal crop cultivation(like rice, wheat, etc).Second highest of respondent was observed 39% who had a demand

for credit for Small business purpose. The lowest was found 3% of the respondent who had a demand for credit for Miscellaneous purposes. The average demand for Agricultural purpose Tk. 8000 and Entrepreneur as Tk.13800. Credit need of the farmers ranged from Tk. 3,700 to 20,000 with an average of Tk.7532. Farmers were classified into three categories on the basis of their credit need (Low credit need, Medium credit need and High credit need). Most of the farmers (75%) had Low credit need and fewer of the farmers (17%) had Medium credit need. Only 8 % of the farmers needed High credit need.

5.2.7. Credit Utilization :

52.26 percent of total credit was utilized for crop cultivation and 25.27 percent of the credit was utilized for Non-crop purpose. In Non-agricultural sector, 14.66% of total credit was utilized for Family consumption and 7.80% of credit utilized for Other expense. Among the two purposes Crop cultivation was the highest and Other expense was the lowest for utilization of credit The farmers were classified into the following categories according to credit utilization in agricultural sector. It was clear that 80% of borrowers utilized the loan properly marks as High utilization, 20% of farmer ranks as Medium utilization category. It is a very interesting that in the study area no respondent had found to misuse or abuse the loan so the option of Low utilization did not found.

5.2.8. Credit Repayment:

The Percentage of credit repayment of the respondents here most of the loans were concentrated in the range of Tk. 3001 to Tk. 7000. The highest number (25%) of loan disbursed to the members in the range of Tk. 5001- Tk. 6000 and Tk. 8000 to Tk. 9000 was the lowest number (4). In all cases the loan recovery was 100%.

5.2.9. Factors motivating the borrowers in repaying their credit :

Two main factors, namely, Desire for getting new loans (56%) and Personal motivation(28%) induced the respondents to a great extent in repaying their loans. Other factors like, Consultation/pressure given from the friends or neighbors or family to repay loan (7%), pressure from the loan living authority (6%) and Reputation of Grameen Bank (3%) influenced them to repay the loan in time.

5.2.10. Problems faced by the members in receiving and utilizing credit from Grameen Bank.

Receiving credit:

Among borrowers, 35% of borrower expressed their problem as Unfavorable situation caused due to natural calamities or mishap, 2nd problem-Wastage of time by waiting in bank while receiving loan (25%), 3rd problem-Inadequate awareness of information about loan giving process (20%), 4th problem-loan is not available as per requirement (10), 5th problem-Long distance of Grameen Bank from borrowers house (8%) and Lack of adequate security while carrying the cash for home (2%) was the 6th.

Utilizing credit:

Among the borrower, 40% of borrowers expressed their problems as Lack of support on production technology and farm inputs. 2nd problem-Burden and anxiety due to having a large family (22%). 3rd problem-Marginal profit obtained from the sales proceeds of produced commodities stands (20). 4th problem-Inability in using the loan properly stands (10). Sudden hazard ness caused due to natural calamities (8%) ranked was the 5th.

5.2.11. Relationship between selected characteristics and dependents variables of the study :

5.2.11.1. Relationship between age and dependent variables

The relationship between age of the farmers and their credit need, utilization and repayment, revealed significant relationship with credits need and credit utilization but insignificant relationship with credit repayment

5.2.11.2. Relationship between education and dependent variables

The relationship between education of the farmers and their credit need, credit utilization and credit, revealed positive significant relationship between education and dependent variables.

5.2.11.3. Relationship between farm size and dependent variables.

The following observations were made regarding the relationship between the independent and dependent variables under considerations.

- c) The relationship was highly significant.
- d) The relationship showed a positive direction.

5.2.11.4. Relationship between income and dependent variables

Revealed positive significant relationship between income and credit utilization and credit repayment. But no significant relation with credit need.

5.2.11.5. Relationship between organizational participation and dependent variables

The correlation co-efficient between organizational participation and credit need, credit utilization and credit repayment of the respondent was significant. This led to the conclusion that the relationship between organizational participation of the respondent with their credit behavior was positive.

5.3. CONCLUSION

On the basis of the findings of the study the following conclusions may be drawn :

1. It was observed that the small farmers had a greater credit need for crop production. The highest portion of the respondents in the study was young (below 35 year) compared to middle aged and old aged. Mainly the young small farmers required credit facility for the gap period in between crop sowing and harvesting. So it is difficult to help them unless the credit need during the gap period is met-up.

2. Most of the respondents had Primary level of education, land size of them was mostly 0.41 ha -0.5 ha, they were in the group of moderate annual income range was (Tk 35000 to Tk 60000) and they had also good participation status. So consequently, it is strongly believed that if they go through in banking, they will contribute a lot in the economy of Bangladesh.

3. Mainly Credit is needed for cereal crop cultivation and small business. Most of the farmers had interested for having credit below Tk 3700. So credit giving organization should pay more emphasis to those who are very much interested for getting low credit.

4. Credit was found to be utilized by the farmers for other purposes beyond the objectives of Grameen Bank. One-fourth of total supplied credit was not used in agricultural sector. Thus, for proper utilization of the given credit there is a need to maintain strict supervision by the Grameen Bank.

5. Two main factors, namely, Desire for getting new loans and Personal motivation induced the respondents to a great extent in repaying their loans. For receiving credit, the borrowers expressed their problem as Unfavorable situation caused due to natural calamities or mishaps, and for utilization of credit, the borrower expressed their problems as Lack of support on production technology and farm inputs.

RECOMMENDATIONS

Based on the findings of this study the following recommendations have been made.

a) Recommendation for policy implications:

1. Actual need of the small farmers in different agricultural activities should be verified before financing them, because part financing of fund helps the farmer to divert the fund.
2. Close supervision should be provided for proper utilization of fund, otherwise improper utilization of fund will affect in repayment.
3. Credit facility for non-agricultural income generating purposes should be provided under strong supervision to the small farmers, so that they can seed subsidiary occupation other than farming.
4. Credit pass book issued by the credit institutions to the farmers should be developed as a device so that credit pass book would be enough to get the loan.

b) Recommendations for further study:

1. This study has been conducted by taking a few villages which would not be representative for whole Bangladesh. So a bigger area and a larger population would be taken to have more realistic and valid information.
2. The study was conducted on the credit need, utilization and repayment behavior of small farmers. Since the loan for all items were not due in study year so a long term study would be more practicable to analyze the repayment of loan.
3. The study being done for partial fulfillment of an academic degree, fund and time constraint were the main factors which would be lessen by undertaking a study from different credit institution or social institution.

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Appendix

Sher-e-Bangle Agricultural University Department of A.E.I.S

Questioner on Credit need, Credit utilization and Credit repayment behavior of the small farmers in Dinajpur district for research purpose:

☼ Name of the Respondent: _____

☼ Village : _____

☼ Union : _____

Please answer the following questions

1. Age: ----- Year

2. Educational qualification:

what is your educational status?

Sl. NO	Educational status	√	×
1	Illiterate		
2	Can sign only		
3	Self educated (without going school)		
4	Studied up to -----class		

3. Detail of Land

Land	Quantity		No of framen tation
	Acre	Hectare	
i. Own homestead (pond ,garden and waste land)			
ii. Cultivable area owned by the farmer			
iii. Cultivable area taken by a farmer from others on lease system.			
iv. Area given to others on borga system			
v. Area taken by the farmer from others on borga system			
total			

4. Income detail:

4. (A) From agricultural sector (income from farm)

Name of the products	Total harvest	Cost of product	Total cost of product
i. Paddy			
ii. Jute			
iii. Mustard			
iv. Pulse			
v. Vegetable			
vi. Fruit			
vii. Bamboo/tree			
viii. Milk			
ix. Egg			
x. Selling of or poultry			
xi. Selling of cattle or goat			
xii. Others			
Total			

4. (B) From other sources

Source of income	Amount of money
i. Job	
ii. Business	
iii. Work on payment	
iv. Other	
Total	

TOTAL INCOME FROM (A+B)={Income from(farm+other)}

5. Mention your relation with the following origination?

Name of the organization	Nature of relation			D u r a t i o n	No Relati on
	General Committee Member	Executive committee member	Executive committee officer		

i. Upazilla council ii. Union council iii. Union of Agricultural development committee iv. Agricultural co-operative committee v. College /school committee vi. Mosque committee vii. Village defense committee viii. Market/hat/bazaar committee ix. Village youth committee x. Other's(write in detail)				
--	--	--	--	--

6. How much credit did you need last year and what were the purposes?

6 (A) Agricultural purpose

Purpose	Paddy			Jute	Wheat	Mustard	Pulse	Vegetable	Others	total
	Aus	Aman	Boro							
i. Seeds										
ii. Plough										
iii. Fertilizer										
iv. Pesticide										
v. Labor										
vi. Others										
Total										

6 (B) Other Purposes

Purpose	Amount need
i. Buying cattle	
ii. Buying milch cow	
iii. Buying poultry and their husbandry	
iv. Buying agricultural implements	
v. Buying pawn for cultivation	
vi. Land purchase	
vii. Food purchase	
viii. Other need	
Total	

TOTAL CREDIT NEED

$A+B = \{\text{Credit need for (agricultural purpose+other purpose)}\}$

7 (A) How did you utilized your credit?

Purpose	Paddy			Jute	Wheat	Mustard	Pulse	Vegetable	Others	total
	Aus	Aman	Boro							
i. Seed										
ii. Fertilizer										
iii. Pesticide										
iv. Labor										
v. Ploughing										
vi. Irrigation										
Total										

7 (B) Non-crop Purpose

Purpose	Amount need
i. Buying cattle	
ii. Buying milch cow	
iii. Buying poultry	
iv. Buying agricultural implement	
v. Buying fisheries items	
vi. Land purchase	
vii. Buying agricultural implements	
viii. Others	
Total	

7 (C) Family Purpose

Purpose	Amount need
i. Buying food	
ii. Buying cloth	
iii. Construction of house/purchase of furniture	
iv. Spend for children education	
v. Spend for cultural/religion festival	
vi. Spend for marriage purpose	
vii. Spend for family health-care	
viii. Spend for litigation	
Total	

7 (D) Other Purpose

Purpose	Amount need
i. Paying off previous loan	
ii. Recovery of mortgage	
iii. Utilization of money in business	
iv. Other purposes	
Total	

TOTAL UTILIZATION OF CREDIT

= (A+B+C+D)

= { Crop Purpose + Non-crop Purpose+ Family Purpose+ Other Purpose}

8. Give the following information about your loan repayment

SL NO	Purpose of credit	Year	Payable money	paid money	Due money	Remark
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

9. Mention the factor of the motivation to repay the loan?

(Give \sqrt or \times)

SL NO	REASON	\sqrt	\times
1	Desire for getting new loans		
2	Personal motivation		
3	Consultation/pressure given from the friend or neighbors or family		
4	Pressure from credit giving organization		
5	Reputation of the Grameen Bank		

10. What are the problem faced by the farmer in receiving loan ?

SL NO	PROBLEM	√	×
1	Unfavorable situation caused due to natural calamities or mishap.		
2	Wastage of time by waiting in bank while receiving loan		
3	Inadequate awareness of information about loan giving process		
4	Loan is not available as per requirement		
5	Long distance of Grameen Bank from borrowers house		
6	Lack of adequate security while carrying the cash for home		

11. What are the problems faced by the farmer in utilization the credit?

SL NO	PROBLEM	√	×
1	Lack of support on production technology and farm inputs		
2	Burden and anxiety due to having a large family		
3	Marginal profit obtained from the sales proceeds of produced commodities		
4	Inability in using the loan properly		
5	Sudden hazardness caused due to natural calamities		

Thank you

Signature of researcher

~~~~~

Date

~~~~~