

## **Factors Affecting the Credit Utilization of Rice Farmers in Kyeintali Sub-Township, Rakhine State, Myanmar**

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### **Abstract**

This study aimed to analyze factors that affected farmers' credit utilization by sources as well as loan repayment and to identify credit allocation purposes of the farmers. The study was done in Kyeintali Sub-Township, Southern Rakhine State, Myanmar.

The study was conducted using qualitative and quantitative methods. The data were collected from 133 rice farmers which were purposively selected in six (6) villages based on availability of formal and informal credit sources. The sample size was calculated by Taro Yamanae Formula. Semi-structured interview guide was used to firstly interview the key informants before structured questionnaires were arranged. The survey was conducted from June to July 2016. The collected data were articulated in descriptive ways in order to present the respondents' demographic characteristics, livelihood conditions, annual cash demand and supply, as well as credit utilization of the interviewees. Logistic regression was used to analyze the factors affecting credit utilization of the respondents that had been classified by sources of loan and repayment status. The results revealed that 77 percent of interviewed farmers borrowed from both formal and informal sources while 19 percent used only formal loan and only 3 percent did not borrow and they were classified as "no loan" farmers. Farmers who did not use loans during the studied period seemed to hold higher education and engaged in non-farm activities more than farmers who borrowed regardless of credit sources. About 34 percent of respondents planted rice and groundnut while the rest planted only rice. Over 60 percent of them had other occupation besides farming. Family expenses were the highest cash demand of farmers, about 2,300 USD per year, and it could lead to perpetual borrowing. However, the average cash supply from borrowing could only fulfill less than 50 percent of the cash deficit of farm households that borrowed from MADB, which was the main source of formal credit in the studied area. However, the loan from formal sources often had problem of late arrival, therefore most of respondents had to also borrow from informal sources. Farmers who relied on both formal and informal sources tended to use credit more for family consumption and debt repayment. With regards to the logistic regression analysis the choices of credit sources, formal or informal and the repayment of being late or on time were regressed against selected independent variables. The results revealed that total annual cash supply and cropping pattern of respondents were positively significant for predicting the likelihood of formal loan utilization by farmer. This suggested that the more cash supply and the more diversity in cropping, the more likely respondents used formal credit sources. As for repayment status of rice farmers in logistic analysis, cropping pattern, occupation, income from rice selling, and

incident of formal credit sources also showed to be positively significant in predicting farmer's good performance in loan repayment. However, the number of schooling children in the household was negatively significant in predicting the farmers' loan repayment status. The study recommends the related organization to improve formal credit provision procedure by improving loan delivery schedule, i.e. setting strategic plans that will allow farmers to use credit for other income generating activities in order to facilitate farm investment and household expenditure in the long run.