

# **Determinants of Loan Repayment Performance among Small Holder Farmers in the Bank of Ceylon: Special Reference to the District of Vavuniya**

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This research study intends to identify the socio-economic and demographic factors influencing loan repayment performance among the small -holder farmers borrowed from Bank of Ceylon, Vavuniya. In this study, the cross-sectional data were sourced from the above bank and the bank received a total of 75 applications for agricultural credit for the Maha season 2008/2009. Out of these, 50 respondents were fully approved and these 50 respondents were used in this study. Descriptive statistics and Tobit model were applied in analysing the data. Results of the descriptive statistics showed that, 42% of the loans were not repaid fully while 50% of the loans were repaid fully. The Tobit regression results showed that sex, area of cultivated land for both paddy and cash crop, ownership of cultivated land whether the cultivation is made on tenant or own land for both products, number of dependents, and monthly income were very important factors in determining the repayment performance of the farmers in the Bank of Ceylon. This study concluded that there was a great potential for improving the loan repayment capacity if the loans are granted to females for cultivation of cash crops in their own land that increases the performance to repay their loan. Thus, the findings will help bank managers to understand the critical factors that influence small holder farmer's loan repayment behaviour and help them to make improvements accordingly.

**Keywords:** Tobit model, loan repayment, censored variables.