An Analysis of the Impact of COVID–19 Crisis on Farmers Credit Repayment Capacity in Kamburupitiya DS Division

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INTRODUCTION

Background of the Agricultural Lending

Agriculture is one of the most important sectors of the Sri Lankan economy. More than 70% of the population is living in rural areas. Agriculture provides the majority of their income, accounting for 7.42 per cent of GDP (Census and Statistics, 2019).

Small and medium enterprises, agricultural businesses, and micro-enterprises can get credit at low rates thanks to a financial institution run by the Sri Lankan government and private sector that taps into foreign and domestic development funds. The government wants to use the agricultural credit scheme to accomplish a number of goals and mainly aims to promote fair and long-term agricultural production by disseminating agriculture credit at a low-interest rate (Ministry of Agriculture Development and Agrarian service, 2010).

Credit provision in rural areas is a risky business for a lender as it may be negatively affected by duplicitous and opportunistic behaviour of the borrowers, and it often suffers from a lack of reliable information about the borrowers and the use of the credits. The lenders usually have little information on the investment projects that borrowers would like to undertake, while lenders need to be able to assess risk and potential repayment default. The repayment performance of the borrowers is the key determinant of the lenders' financial profitability. Default problems may adversely affect lending profitability as repayment performance decreases, transforming lenders into viable financial institutions. In addition, loan default may lead to lenders denying new applicants' credit as cash flow

management problems augment in direct proportion to the increase in default problems (Duy, 2013).

There are different Agricultural Loan Schemes of Different Local Banks available for the farmers. Among those, the Saubagya loan scheme is provided by the Bank of Ceylon and its main purpose is to facilitate suitable credits for agriculture, Livestock, micro, small and medium scale entrepreneurs. Ran Aswanna Loan Scheme offered by Peoples' Bank is a Special loan scheme that provides for improving and commercialization in farming activities by Peoples' bank, Sri Lanka. Kapuka loan scheme is provided by the Bank of Ceylon. Special loan scheme that related with coconut industry in Si Lanka. The main aim is to enhance the production and productivity of the coconut industry and increase the income and living standards of coconut farmers. Govi Shakthi Loan scheme is another loan scheme provided by the Bank of Ceylon to purchase agricultural equipment. Ranketha Govi Upakarana Loan is provided by RDB bank, Sri Lanka. The main purpose: Enhance rural agriculture. The loan amount depends on the agricultural projects.

Govi Jana Bank and Role as a Credit Provider

Govi Jana Bank is one of the main Banks which has been given agricultural credit under a low-interest rate to enhance rural agricultural production. The main objectives of "Govi Jana" bank are to enhance the saving and investment capacity of rural farmers, to expand commercial agriculture through financial facilities and advisory programs, to promote the livelihood pattern and welfare facilities of rural farmers, to circulate money and capital among the rural farmers and promote their social status by expanding the rural economy and to enhance small scale businesses based on agriculture in rural areas.

The Govi Jana Bank has launched main five loan schemes to achieve the aforementioned objectives while improving the livelihood of rural farmers. Those loan schemes are given for multidisciplinary agricultural purposes. For instance, "*Waga Naya"* is the loan for cultivation and the maximum loan amount is Rs.25000.00. Also, the annual interest rate is 7%. Loan for harvesting is one of the loan schemes that are provided by Govi Jana bank. The maximum loan scheme of loan for harvesting is Rs.10000.00 and the annual interest rate is 7%. Loan for gardening is another loan scheme provided by "Govi Jana" Bank. The maximum loan amount is Rs.10000.00 and the annual interest rate is 7%. The main purpose is to enhance the nutritional level of farmers in rural areas.

There are specific conditions for each loan scheme for the loan for agricultural projects; the interest rate is about 9%. The maximum loan given under this scheme is 100,000.00 rupees and a maximum of two years is given as the loan repayment period. The main purpose is to enhance tea, cinnamon and fruit crops industries in rural areas.

COVID – 19 pandemic and Agriculture sector

Ozili, (2020) said that COVID -19 is a novel virus, Originated from the Wuhan province of China in December 2019. It is spreading rapidly in China and the whole world through the migration of the people. Coronavirus has infected several African countries, and the number of reported cases has been steadily increasing, with an especially dire condition in South Africa (2,003 cases), Egypt (1,794 cases), Algeria (1,761 cases), Morocco (1,448 cases), and Cameroon (803 cases) on April 11th, 2020. Some countries impose regulations and rules to control the spreading of COVID – 19 pandemics, limit essential and non-essential activities such as closing schools, universities, some public services provided by the government etc. and encourage people to stay at home. Also, the COVID-19 pandemic has directly affected global socio-economic activities. Mainly household income, saving, consumption and poverty. Developed countries and developing countries have faced COVID -19 pandemic, but it is a major crisis for developing countries. Poverty is one indicator that can be used to measure the development of the country. Poverty has been increased due to an outbreak of COVID -19 in developing countries. Income is directly linked with poverty. Martin *et al.*, (2020) examined that outbreak of the COVID -19 has negatively affected household income and consumption behaviour. Hence people change their normal economic activities due to lockdown. Income is directly related to the purchasing power of the household. The purchasing power of people has dropped due to the pandemic.

Burns, (2020) observed that COVID- 19 highly affected for education and health sectors, most people lost their jobs and the unemployment rate was gradually increased. When considering about Sri Lankan situation, the Sri Lankan government gave LKR 5000.00 for low-income households in the rural area who were suffering from COVID -19 (Kidd *et al*., 2020). COVID -19 has directly influenced the Sri Lankan whole economic structure and the economic Impact of COVID - 19 is not estimated yet. But World Bank (2020) cited by Kidd *et al.*, (2020) mentions that Sri Lanka definitely will be faced a huge economic crisis, with

the economy contracting by up to 3% during 2020. If the COVID-19 outbreak continues for 6 months or more than 6 months, the total income will be dropped to LKR 803 billion and it indicates around 5% of 2019 GDP.

Agriculture is one of the important sectors which includes the production, processing and distribution of agricultural commodities. At present, the world population reach 7 billion. Further, the COVID- 19 pandemic has negatively affected the agriculture and agricultural related sectors. The demand of the global agricultural market is attacked by COVID -19 pandemic and global food consumption is largely varied due to inelastic demand for agricultural goods and economic Lower production of agricultural commodities is led by the reduction of demand and price of agricultural commodities, directly affected for the price of the local market, price of agricultural commodities drastically increased and it is major problem for poor consumers (Elleby *et al*., 2020). Agricultural production and food security were drastically dropped by COVID -19 outbreak and highly affected small scale farmers. Farm income and marketing opportunities were gradually reduced due to pandemic and increased cost of agricultural labour (Ceballos *et al*., 2020). Pan *et al*., (2020) said that COVID-19 significantly affects the vegetable industry, fruit industry, floriculture industry etc. in China. The supply of agricultural goods has drastically reduced and it has directly related to the income of the farmers. Poverty has arisen due to the lockdown situation. Agricultural production is reduced due to the lack of crop production materials. Hence the food supply chain entirely collapsed in China. Labour shortage is one of the challenges during the COVID -19 outbreak and transportation and distribution of agricultural commodities is rapidly reduced due to lockdown the government has imposed policies related to market access. Hence the demand for agricultural goods drastically goes down to reduce the unproductivity of the agricultural sector, the government of China encouraged agricultural farmers and entrepreneurs in rural areas and provided financial aids for rural farmers. Furthermore, they imposed favourable policies related to agricultural credits.

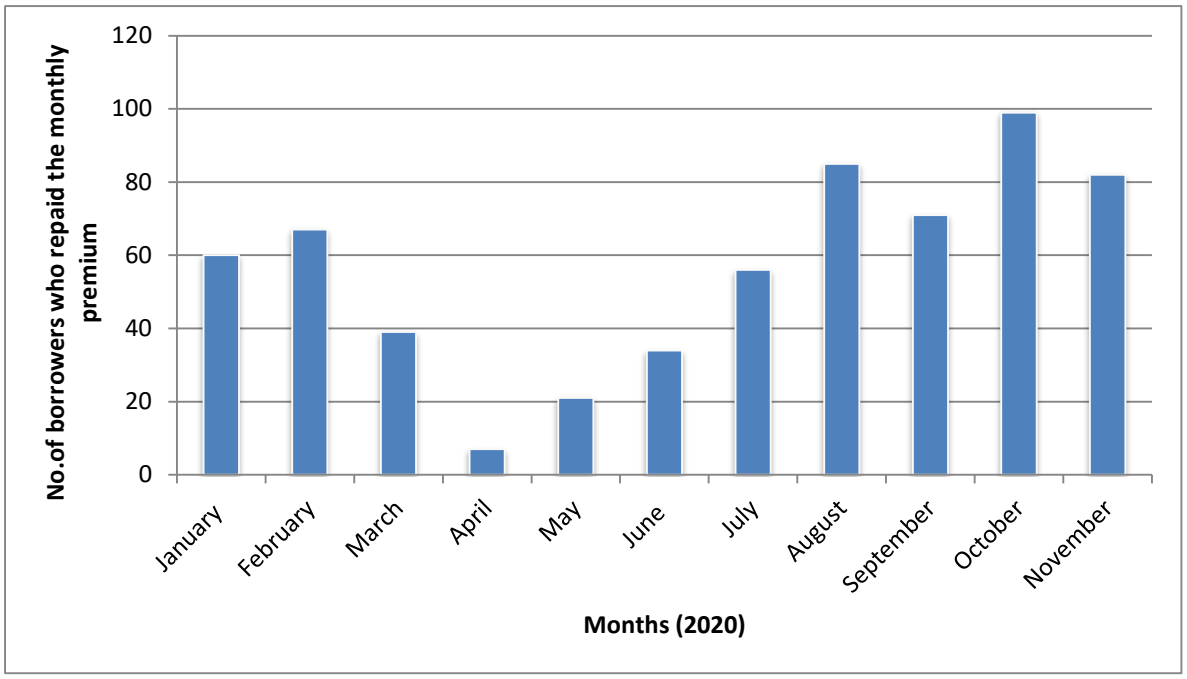
Problem Statement

Agriculture is one of the most important sectors when considering national GDP. The majority of developing countries and some developed countries have been engaged with the agricultural sector and it is a backbone of the economy of developing countries. When considering about Sri Lankan situation, most of the rural people engage with agriculture and

agricultural related sectors who have limited resources and access to credit facilities. Baker and Holcomb, (1964) observed that Credit is an essential component and plays a vital role in rural agricultural production, improving the modernization of agriculture. (Ifeanyi et al., 2010) said that credit facilities enhance the agricultural production capacity of poor farmers in rural areas through financial investment. The formal and informal financial sector mainly supports the rural credit structure and development of the rural area. Moreover, the credit scheme has been improved by the financial institution due to the increasing rural population. Normally farmers repay the amount of money which received with interest for the financial institution as a monthly premium.

At present, the agriculture sector is facing great challenges due to the prevailing COVID -19 pandemic situation same as the other economic sub-sector of every nation in the world. The demand for agricultural commodities and the production of agricultural goods has been drastically dropped in rural areas due to the lockdown situation and travel restrictions. It directly affects the household income of rural farmers. Ren-fu et al., (2020) said that COVID- 19 outbreak negatively influences household income and rural poverty. Hence, it is mainly related to loan default in rural area. Rural farmers neglect the monthly loan repayment due to negative economic shock, which negatively affected for the financial institution.

Figure 1: Agricultural loan repayment capacity of farmers in Kamburupitiya DS division



Source: Govi jana Bank, Kamburupitiya

Figure1 shows the agricultural loan repayment capacity of farmers in Kamburupitiya DS division and there is a drastic reduction in the number of farmers who did due loan repayment from March to July in 2020 due to COVID-19 pandemic. The main possible reason might be the inability to repay the agricultural loan due to the negative economic shock caused by COVID-19 outbreak. Anyhow, a higher loan default rate was recorded in *Govi Jana* Bank under the agriculture loan given as agricultural project loan in *Kamburupitiya* DS division.

Therefore, this study aims to examine the impacts of COVID -19 which is directly related to the livelihood pattern of the farmers and their loan repayment capacity. Moreover, this study will especially identify the impact of the COVID -19 on the income of the farmers in Kamburupitiya area and will analyse the factors affecting agricultural loan repayment and COVID-19 pandemic impact on loan repayment factors. Finally, the research will discover the remedial measures which can use to reduce the loan default rate in future.

Research Objectives

The general objective of this study is to examine the impact on the agricultural credit repayment of farmers during COVID – 19 pandemic period. Moreover, the specific objectives are;

To identify the impact of the COVID -19 on the income of the farmers in Kamburupitiya area.

To analysis the factors affecting agricultural loan repayment and COVID-19 pandemic impact on loan repayment factors.

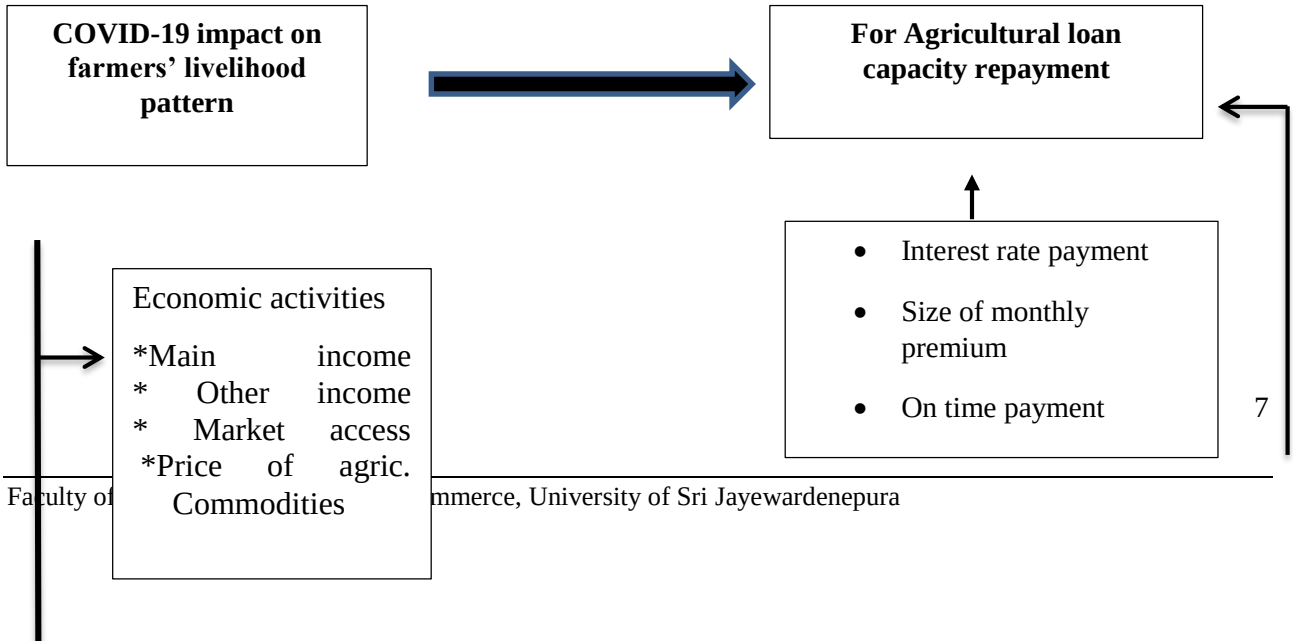
To explain the strategies followed by farmers and financial institutions to minimize the loan default rate.

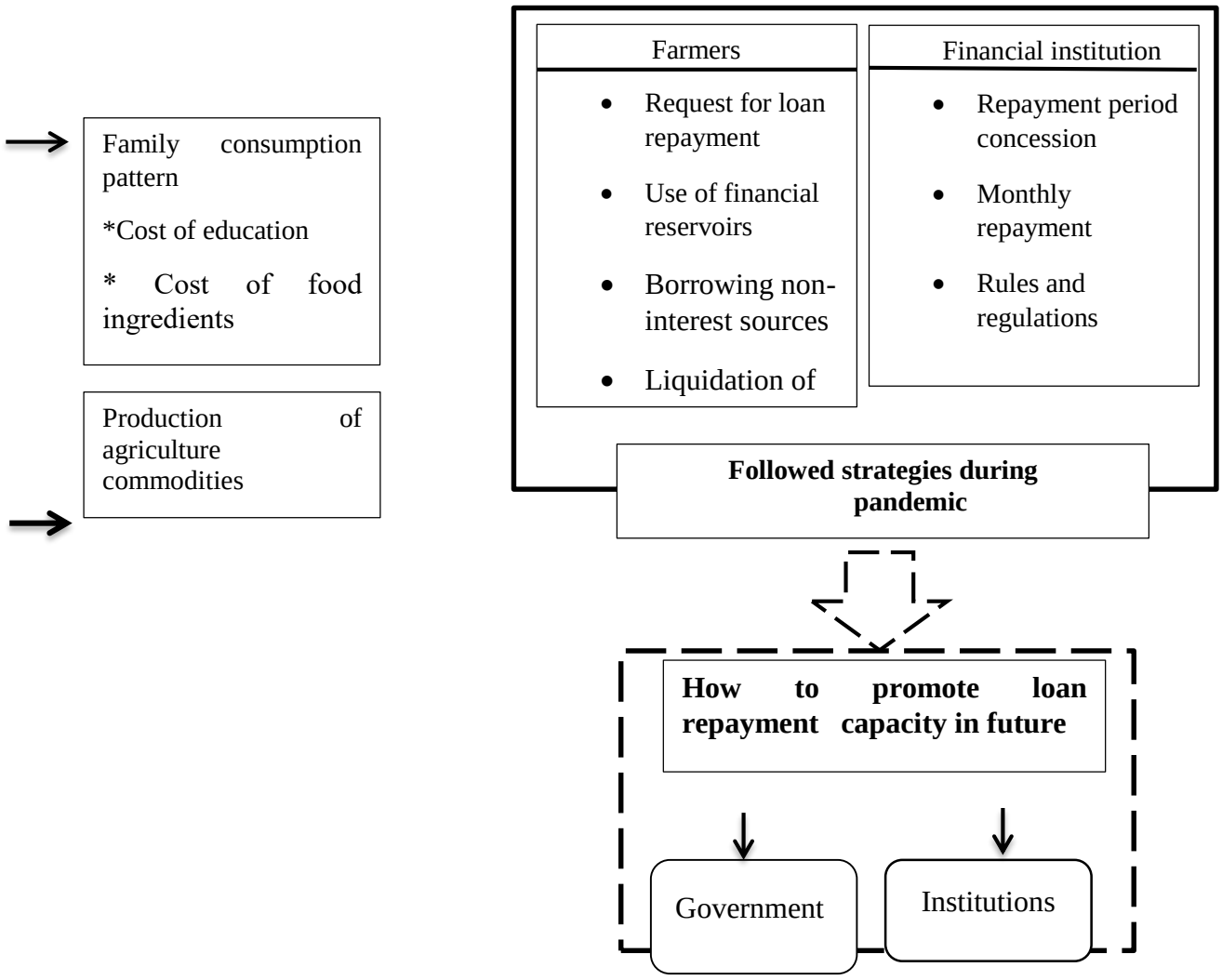
To suggest promoting loan repayment during COVID – 19 pandemic period.

The following conceptual framework is used to achieve the aforementioned research objectives:

Conceptual Framework

Figure 2: Conceptual Framework of the study





Source: Author has developed, 2021

Significance of the study

Regular agricultural loan repayment is very essential for the improvement of the rural agricultural finance sector. There have been limited studies on the impact of COVID-19 pandemic on farmers' loan repayment. The reason being that, developing South Asian countries such as Sri Lanka still suffering from COVID-19 outbreak and the absence of data on relevant information.

This study is important to Increase the knowledge about the agricultural loan repayment capacity of rural farmers in Sri Lanka and to reduce the loan default of farmers for future purposes. The research would also illustrate the scale of the bad debts incurred by the formal financial institution

and the profitability of the banks as result of non-repayment of the loan. Also, this research will important for making policies related to agricultural loan repayment in future.

METHODOLOGY

Introduction

This study was mainly focused on the impact of COVID-19 pandemic on loan repayment capacity of farmers in ''*Kamburupitiya*'' DS division. Therefore, this chapter provides an explanation of the research philosophy, approach and method used to collect data, the sample size, data analysis method and can get a simple idea of how the research was conducted. In addition, it mainly shows how objectives are accomplished.

Area Selection

Kamburupitiya is a division located in Matara district. According to data available in *Govi Jana* Bank, there are a significance proportion of farmers. Therefore, *Kamburupitiya* DS division is selected as the study area.

Target population and Sample Selection

The sample size is 60 farmers from the selected area. It was selected by simple random sampling. The population is farmers who borrowed project loans, given by *GoviJana* Bank in *Kamburupitiya*. The population size is 125 farmers and beneficiaries are farmers who are registered for project loans at the beginning The questionnaire was pre-tested using ten farmers of the sample and followed by the personal interview and direct discussion with the strict adherent to the health guidelines due to Corona pandemic situation. Personal interviews were held through the use of semi-structured questionnaire. in *Govi Jana* Bank, *Kamburupitiya.*

Data Analysis

In the data analysis procedure, the collected data were arranged and tabulated in a way that it was easy to use them to analyse and to achieve the intended objectives of the research. In data analysis, descriptive and inferential statistical methods were used. Descriptive methods such as charts, graphs and tables were used to present the results. Further data were analysed by using an inferential statistical method called paired t-test. Only one sample was used for this study (60 borrowers) and compared two situations (Before COVID-19

pandemic and After COVID-19 pandemic). Therefore, this study used paired t-test. The researcher was used descriptive analysis for most of the questions. Paired t-test was used to compare the two situations related to the repayment of farmers. Microsoft Excel (2010 version) and SPSS (statistical package for social science) software 25 versions were used to analyse data.

RESULTS & DISCUSSION

Demographic Information of the Borrowers

Gender Distribution and Age Distribution of the Loan Borrowers

The results revealed that 98.33% of borrowers were females and the rest of 1.67% were males. Most of the farmers were female farmers and they borrowed agricultural project loans for tea, cinnamon and fruit crops cultivations.

According to the results, the majority (58.33%) of the borrowers belong to the age category of 26-50 years old. But they borrowed this loan for non-agricultural activities. Only 11.67% of borrowers were above 65 years of age and they borrowed agricultural project loans for cinnamon and tea cultivation.

Table 1: Demographics Factors

Demographics Factors			
Gender		Age (Years)	
Female	98.33%	18 -25	16.67%
		25 -50	58.33%
Male	1.67%	51-65	13.33%
		>65	11.65%

Impact of COVID Pandemic on the livelihood pattern of the farmers

Income obtained through farming activities

Income gained through the farming activities (before COVID-19 pandemic and after COVID-19 pandemic) were analysed using paired sample t-test. According to the results, the mean income gained through the farming activities (before COVID-19 Pandemic) was Rs.25606.06 and the mean income gained through farming activities (after COVID-19) was Rs.15757.57. The t-value of both situations was 8.314. Paired sample t-test was applied to

analyse the data and test results revealed that p-value was less than 0.05. Accordingly, H0 was rejected and it explained COVID-19 pandemic directly affected for the income which comes from farming activities. (H^0, COVID-19 pandemic has not directly affected for the income which comes from farming activities)

Table 2 Income gain through farming activities

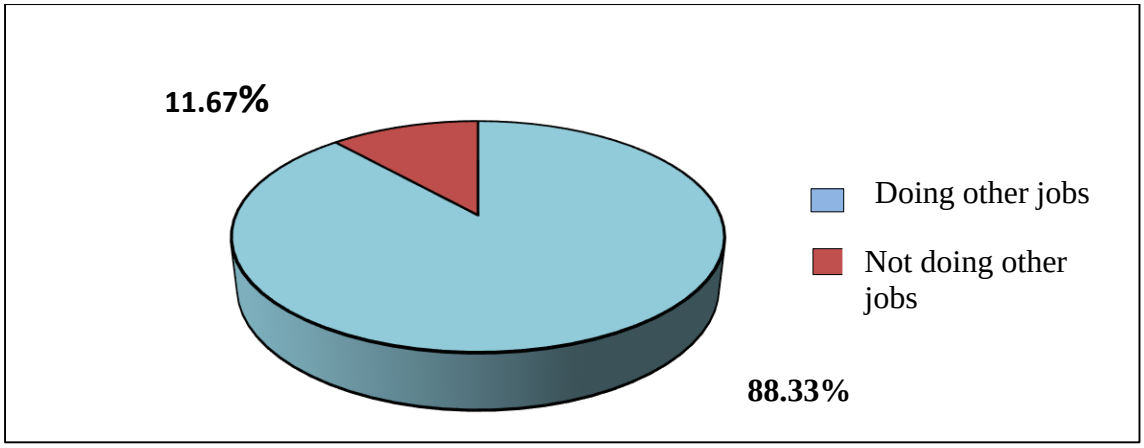
Variables	**Mean**	**t-value**	**p-value**
Income gained through the farming activities (Before COVID-19 pandemic)	Rs.25606.06		
		8.314	.000
Income gained through the farming activities (after COVID-19 pandemic)	Rs.15757.57		
Paired sample t-test		Significance level 0.05**	

Income obtained from other activities

When considering the *Kamburupitiya* DS division, most of the farmers are small scale farmers. Hence income which comes from farming activities is not sufficient to maintain the livelihood pattern of the farmers. Therefore, the majority of the farmers are doing other jobs for maintaining their livelihood patterns. For instance, they work at factories, saloons, shops etc.

As shown in figure 3, most of the farmers in *Kamburupitiya* DS division are doing other jobs for maintaining their livelihood pattern. As a percentage, it is 88.33% of the sample. But 11.67% of the sample entirely depends on farming activities.

Figure 3: livelihood patterns of the farmers



Income gained through the other activities (before the COVID-19 pandemic and after the COVID-19 pandemic) was analysed using paired sample t-test. According to the results mean income gained through the other activities (before COVID-19 Pandemic) was Rs.29905.66 and the mean income gained through farming activities (after COVID-19) was Rs.24849.05. The t-value of both situations was 6.618. Paired sample t-test was applied to analyse the data and test results revealed that the p-value was less than 0.05. Accordingly, H0 was rejected and it explained COVID-19 pandemic directly affected the income which comes from other activities. During the COVID-19 pandemic, incomes that come from other activities were drastically reduced due to lockdown.

Table 3: Income gain through other activities

Variable	Mean	t-value	p value
Income gained through the other jobs (before COVID-19 pandemic)	Rs.29905.66		
		6.618	.000
Income gained through the other jobs (after COVID-19 pandemic)	Rs.24849.05		
Paired sample t-test		Significance level 0.05**	

Impact of COVID-19 Pandemic on the Food consumption patterns of the farmers

According to the results, the mean cost of food consumption (before COVID-19 pandemic) was Rs.21216.66. Also, mean cost of food consumption (after COVID-19 pandemic) was Rs.20216.67. when comparing the cost of food consumption pattern of both situations; the consumption pattern was not changed by farmers in *Kamburupitiya* DS division. The t-value was 1.455. Paired sample t-test was applied to analyse the data and test results revealed that the p-value was higher than 0.05. Accordingly, H_0 was not rejected and it explained COVID-19 pandemic was not directly affected by the cost of food consumption pattern of farmers in *Kamburupitiya* DS division.

Table 4: Food consumption pattern

Variable	Mean	t-value	p value
Cost of food consumption (Before COVID-19 pandemic)	Rs.21216.66		
		1.455	0.151
Cost of food consumption (after COVID-19 pandemic)	Rs.20216.67		
Paired sample t-test		Significance level 0.05**	

Expenditure on Education of Children

When considering the spent money of farmers' children, Paired sample t-test was applied to analyse the data and test results revealed that spent money on education of children (before COVID-19 pandemic) was Rs. 8045.45 and spent money on education of children (after COVID-19 pandemic) was Rs. 10295.45. Also, the t-value was -4.211.

When considering the p-value, it was less than 0.05. Accordingly, H_0 was rejected and it explained COVID-19 pandemic was directly affected by the cost of education of children in *Kamburupitiya* DS division. Online educational activities were done by children of the farmers during the lockdown period. Hence the cost of education was drastically increased due to COVID-19 pandemic.

Table 5: Spent Money on Education of Children

	Mean	t-value	p-value
Spent money on education of children (before COVID-19)	Rs.8045.45		
		-4.211	.000
Spent money on education of children (after COVID-19)	Rs.10295.45		

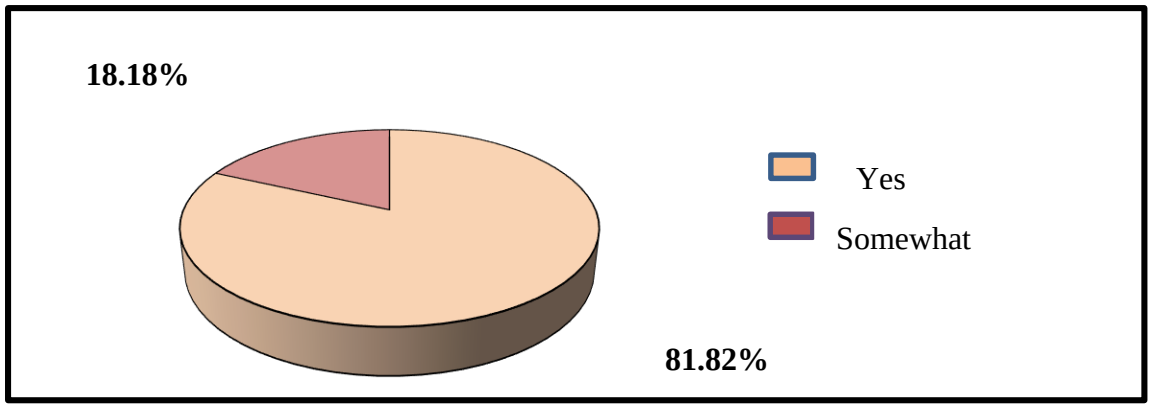
Paired sample t-test Significance level 0.05**

Impact of COVID pandemic on Market Access of the farmers

When considering the Study area, most of the farmers were small scale cinnamon and tea cultivators. Hence market access was used as a variable to compare the impact of COVID-19 on the livelihood pattern of the farmers in *Kamburupitiya* DS division.

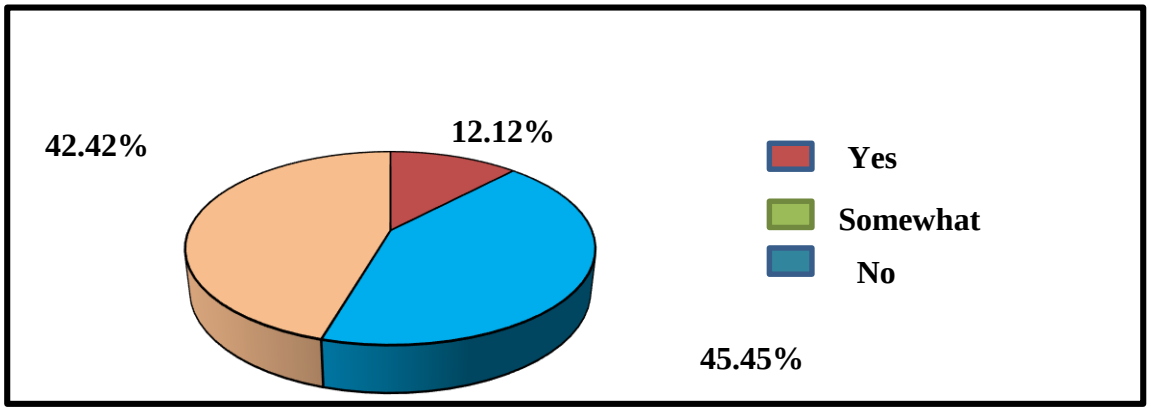
81.82% of the respondents had good market access before the pandemic situation. But 18.18% of the farmers had not good market access for agricultural commodities which they cultivated.

Figure 4: Market access for agricultural commodities (before COVID-19 pandemic)



When considering figure 5, 12.12% of the respondents had good market access after the pandemic situation. Anyhow, the majority of the respondents (45.45% of the respondents) said that they did not have good market access after the pandemic situation. Furthermore, market access of the farmers in "*Kamburupitiya*" DS division was gradually decreased due to the lockdown situation in the country.

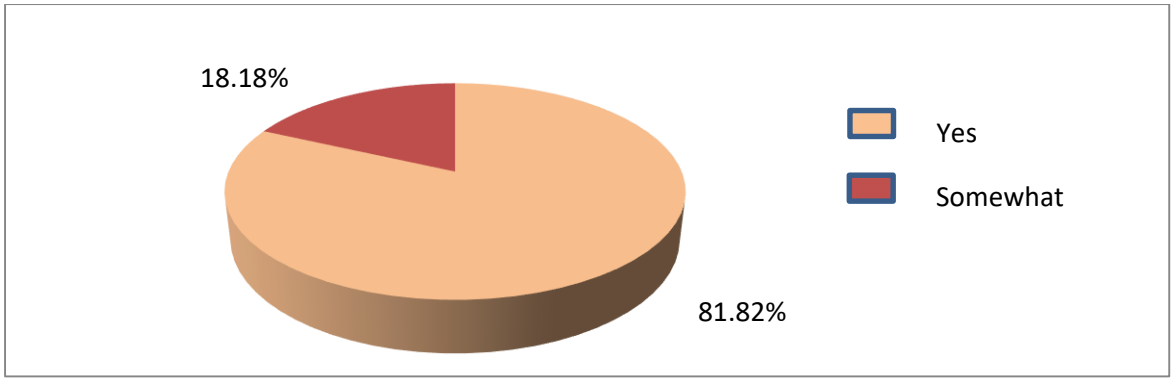
Figure 5: Market access for agricultural commodities (after COVID-19 pandemic)



Market price of Agricultural Commodities

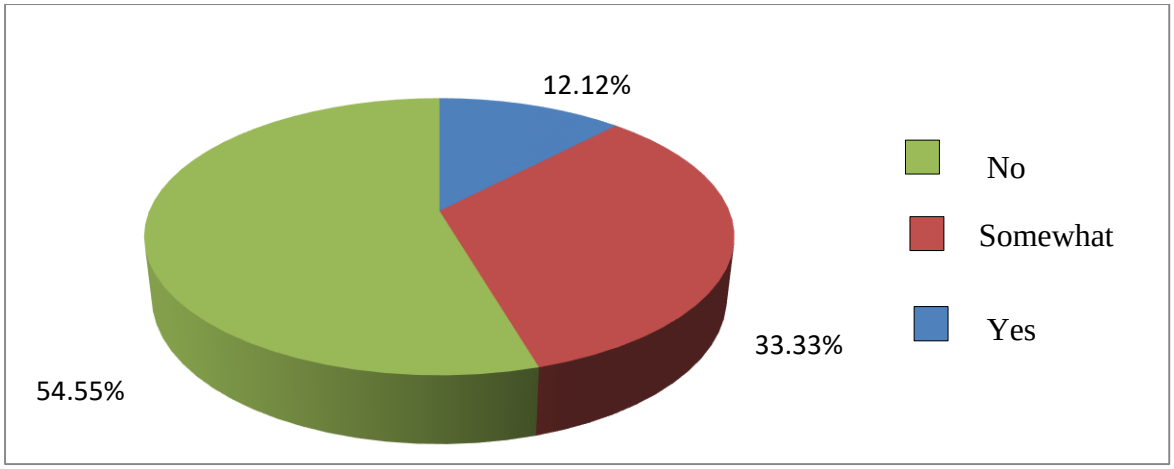
The market price of agricultural commodities was used as a variable under the livelihood pattern of the farmers in *Kamburupitiya* DS division. Because COVID-19 directly affected the market price of agricultural commodities. When considering figure 6, 81.82% of t respondents had a good market price before the pandemic situation. But 18.18% of the respondents did not have a good market price for their agricultural commodities.

Figure 6: Price for Agricultural Products (before COVID-19)



According to figure 7, 54.55% of the respondents did not have a good market price due to the lockdown situation of the country. Most of the farmers in Kamburupitiya area were cinnamon and tea cultivators. Hence during the lockdown situation, most farmers could not sell their products. Anyhow, 12.33% of the respondents had a good market price for their agricultural commodities during the pandemic period. Furthermore, they said that prices of a few agricultural commodities were gradually increased due to lack of supplies.

Figure 7: Price for agricultural products (after COVID-19)



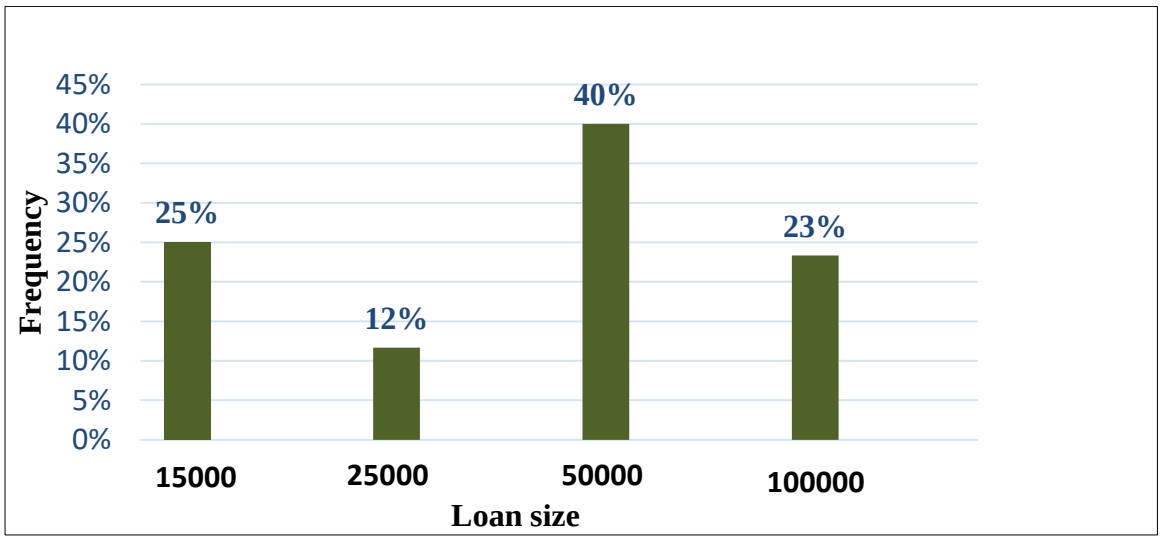
Loan repayment performance of the farmers

Loan revisers for different loan categories

When considering figure 8, the loan for the project was divided into four categories. Most of the farmers (40% of the respondents) borrowed Rs.50000.00 loan category for the development of the cultivation. Also, 25% of the respondents borrowed Rs.15000.00 loan category and Rs.25000.00 loan category was borrowed by 12% of the respondents.

However, both loan categories of project loans were misused by most of the farmers. Rs.100000.00 amount of loan category was borrowed by 23% of the respondents and used for the establishment of new cinnamon and tea cultivation.

Figure 8: Loan revisers for different loan categories

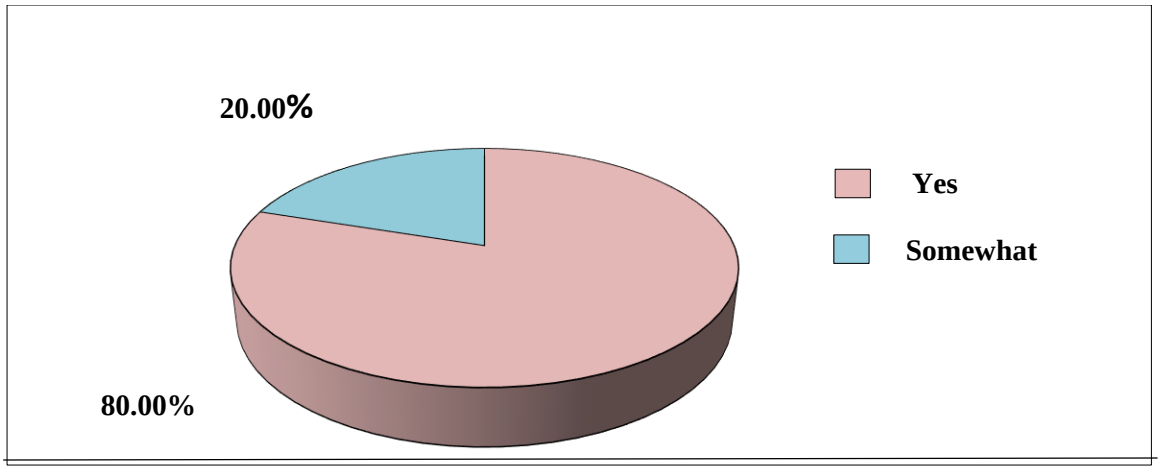


On-time Loan Repayment

On-time loan repayment is one of the important variables under loan repayment capacity. Hence this variable was used to determine the impact of COVID-19 pandemic on the loan repayment capacity of the farmers in *Kamburupitiya* DS division.

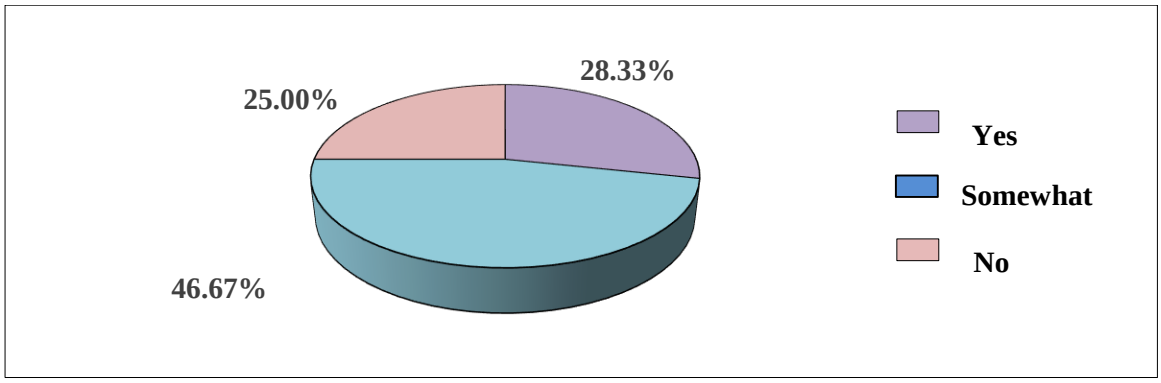
According to figure 9, 80% of the respondents had paid monthly premiums and interest within the given time. Anyhow, 20% of the respondents had not paid monthly premium and interest within the given time due to the price fluctuation of the agricultural commodities and poor market access for the row cinnamon production.

Figure 9: On-time repayments (before COVID -19 pandemic)



After the COVID-19 situation, the Majority of the farmers (46.67% of the respondents) had not paid the monthly premium on time. But they had paid a monthly premium and interest within the month. Moreover, 28.33% of the respondents said that they had paid monthly premium continuously. But 25% of the respondents said that they had not paid on-time repayments due to poor income caused by the pandemic period.

Figure 10: on-time repayment (after COVID -19 pandemic)



Impact of COVID Pandemic on the Monthly premium of the loan

The monthly premium was used as an important variable under the repayment capacity of the farmers. According to the results, the mean monthly premium (before the COVID-19 pandemic) was Rs.3072.50. Also, the mean monthly premium (after the COVID-19 pandemic) was Rs2530.80. when comparing the mean monthly premium of both situations; the monthly premium was changed by the farmers in *Kamburupitiya* DS division. The t- value was 7.785. Paired sample t-test was applied to analyse the data and test results revealed that the p-value was less than 0.05. Accordingly, H0 was rejected and it explained COVID-19 pandemic was directly affected for the monthly premium of farmers in *Kamburupitiya* DS

division. Furthermore, the monthly premium was decreased by farmers due to poor income caused by the pandemic situation.

Table 6: Monthly premium

	Mean	t-value	p-value
Monthly premium/ per month (before COVID-19 pandemic)	Rs.3072.50		
		7.785	.000
Monthly premium/ per month (after COVID-19 pandemic)	Rs.2530.80		

Paired sample t-test Significance level 0.05**

Impact of COVID 19 on the loan Interest amount per month

The interest was used as an important variable under the repayment capacity of the farmers. According to the results, the mean interest (before the COVID-19 pandemic) was Rs.312.50. Also, the mean interest (after the COVID-19 pandemic) was Rs. 258.33. when comparing the mean interest of both situations; the interest was changed by the farmers in *Kamburupitiya* DS division. The t- value was 7.785. Paired sample t-test was applied to analyse the data and test results revealed that the p-value was less than 0.05. Accordingly, H0 was rejected and it explained COVID-19 pandemic was directly affected by the interest of farmers in *Kamburupitiya* DS division. Furthermore, the payment of interest by farmers has decreased due to poor income and price fluctuation of agricultural commodities in the market caused by the pandemic situation.

Table 7: Interest / per month

	Mean	t- value	p- value
Interest rate/ per month (before COVID-19 Pandemic)	Rs.312.50		
		7.785	.000
Interest rate/ per month (after COVID-19 Pandemic)	Rs.258.33		

Paired sample t-test Significance level 0.05**

Impact of the Covid pandemic on the Loan Default rate of the farmers

The loan default rate is a vital factor when considering the loan repayment capacity of the farmers in *Kamburupitiya* DS division. According to table 4.6, the ability of agricultural loan repayment of farmers was drastically reduced in *Kamburupitiya* DS division as a result of the COVID-19 pandemic, with a considerable drop in the number of farmers who did so from March to July 2020. The main reason could be the inability to repay an agricultural loan as a result of the COVID- 19 outbreak's severe economic impact. But from August to November, the loan default rate gradually decreased due to unlocking the country. Because people adopted the pandemic situation and farmers had entered their normal life.

Table 8: Loan default rate (2020 year)

Months	People who repaid the loan	People who are not repaid the loan	Loan default rate
January	60	65	52.00%
February	67	58	46.40%
March	39	86	68.80%
April	7	118	94.40%

May	21	104	83.20%
June	34	91	72.80%
July	56	69	55.20%
August	85	40	32.00%
September	71	54	43.20%
October	99	26	20.80%
November	82	43	34.40%

Source: Govi Jana Bank, Year 2020

Farmers' strategies followed to minimize loan default

Request for loan repayment concession period

The COVID-19 outbreak had a significant impact on rural farmers' ability to repay their agricultural loans. However, farmers used a variety of tactics to lower the loan default rate. As a result, this variable was used as a significant variable in this study. Most farmers (56.67 % of the respondents) requested a three-month loan concession period during the pandemic. However, due to a lack of information sharing, 43.33 % of the sample did not request the concession period. Furthermore, due to the negative economic shock induced by the pandemic crisis, the majority of farmers had not completed their loan repayments.

Use of Financial Reservoirs for Monthly Repayment

The use of financial reservoirs for monthly payments was one of the major strategies employed by farmers during the pandemic to lower loan default rates. Throughout the epidemic, the majority of farmers (58.33 % of the respondents) used financial reserves for monthly repayments. For example, current accounts, savings accounts, etc. However, financial reservoirs were not employed by 41.67 % of the respondents for monthly repayments and throughout the pandemic period, they have used their income and other sources to cover the monthly repayments.

Borrowing Non-interest Loans

Farmers adopted another technique to recoup their loan repayments during the pandemic period they have borrowed non-interest loans to repay their other loan repayments. As a result, this variable was utilized to identify the strategies used to recover loan payments throughout the pandemic period. Non-interest loan refers to a loan obtained from friends, relatives, or other people close to the borrower.

According to the research findings, 86.67 % of borrowers received a no-interest loan from their relatives to repay the monthly premium. since the majority of farmers were suffering negative

economic shocks as a result of the pandemic crisis. However, 13.33 per cent of the borrowers did not borrow a non-interest loan from a relative in order to repay the loan on a continuous basis.

Financial Institutions Arrangement to Provide Concession for Loan Repayment

The COVID-19 epidemic is still spreading over the planet. It also had a direct impact on the global service, industrial, and agricultural sectors. Furthermore, the COVID-19 pandemic impacted the agricultural finance sector, and farmers were unable to repay agricultural loans as a result of the severe economic shock induced by the COVID – 19 pandemic. In context to the borrowers who borrowed the project loan from *Govi Jana* Bank, most farmers were unable to repay their monthly payments due to the low income caused by the COVID-19 problem. As a result, the majority of farmers asked a concession term from the Bank. *Govi Jana* bank had introduced a three-month concession term for borrowers who were suffering from negative economic shock as a result of the COVID -19 pandemic, after carefully examining the borrowers' requests.

Furthermore, neither the annual interest rate nor the amount of monthly premium had been decreased by *Govi Jana* Bank as the concession. *Govi Jana* bank followed standard practice to recover the loan after the three-month concession period ended, and did not reduce the amount monthly premium.

CONCLUSION

COVID- 19 pandemic highly affected on the agricultural sector. Farmers could not repay the agricultural loan which they borrowed. According to the results of the research, COVID-19 considerably affected the income which comes from farming and non-farming activities. Because farmers could not sell their agricultural commodities due to the lockdown situation caused by COVID-19 pandemic. Hence, the mean income of the farmers gradually decreased.

Furthermore, the consumption pattern of the farmers in *Kamburupitiya* DS division was not highly affected by COVID-19. The mean cost of food consumption pattern was not reduced considerably due to the COVID-19 pandemic. The cost of education of the farmers' children was gradually increased due to the pandemic situation and most of the children did their education activities in an online platform. Therefore, the cost of education gradually increased during the pandemic period. Moreover, the COVID-19 pandemic highly affected market access and market price. After COVID-19 pandemic, market access for the farmers drastically decreased. Hence, the income of the farmers gradually decreased and farmers could not be able to pay monthly repayment and interest continuously.

When considering the on-time repayment of the borrowers, the COVID-19 pandemic directly affected the on-time repayments of the farmers and the majority of the farmers strategically neglected the on-time repayments due to negative economic shock caused by the COVID-19 pandemic. Also, the amount of monthly premium and interest were reduced by the borrowers due to poor economic conditions caused by the pandemic. During March to June months, the loan default rate was gradually increased in "*Kamburupitiya"* DS division. And COVID-19 pandemic directly affected the loan default rate.

As strategies to avoid loan default rates, three months concession period was requested by farmers who borrowed project loans. When considering the request of the farmers, Three months concession period was offered by *Govi Jana* Bank for borrowers who were suffering from the pandemic period. But annual interest rate and amount of monthly premium were not reduced by *Govi Jana* Bank. Also, non –interest loan was used by the majority of farmers to avoid loan default rate and other farmers who borrowed project loan, used financial reservoirs as a strategy to avoid loan default rate.

Suggestions to Improve Loan Repayment During The Pandemic Period

The context of the Government

COVID-19 is a novel virus that originated from Wuhan province, China. Anyhow, it is still spreading in the whole world despite the control measures of spreading. To curb the spread of the COVID – 19 pandemic, some governments have implemented regulations and restrictions that restrict both critical and non-essential activities, such as closing schools, universities, and other government-provided public services and encouraging people to stay at home. The COVID-19 pandemic also had a direct impact on worldwide socioeconomic activities. The COVID -19 pandemic has affected both developed and developing countries, although it is a significant problem for developing countries.

COVID-19 highly affected the agricultural financial sector. Farmers could not repay their loans due to poor income caused by the COVID-19 pandemic. Hence, the government should give more intervention for the agricultural loan borrowers who are living in rural areas. Furthermore, relaxation of rules and regulation of the agricultural credit schemes is the most important factor to reduce loan default in rural areas.

When considering about interest rate and a monthly premium of the agricultural loan schemes, a lower amount of interest was provided by *Govi Jana* Bank. But COVID-19 highly affected the income of the farmers and gradually income was decreased due to the negative economic shock caused by the COVID-19 crisis. Therefore, the government needs to give more attention to the interest rate and the interest rate should be decreased and give some concession time period for

borrowers to buy during the pandemic. As a result, *Govi Jana* Bank should extend the concession term for farmers who have taken out project loans.

In addition, the institution should pay more attention to interest rates, which should be cut, and debtors should be provided a longer grace period, in order to lower loan default rates. As a financial institution, we should focus more on lowering interest rates and monthly premiums. Because most farmers could not afford to pay interest and monthly premiums on a regular basis.

Limitation of the Study and Future Research Direction

The study focuses on borrowers who are related to "*Govi Jana*" Bank. In fact, other banks have also engaged in financing agricultural loan schemes. However, this study did not incorporate borrowers of another bank mainly due to time and financial constraints. However, since the lending rule and procedures of the bank are the same as in all its branches, the result that is obtained taking the case of this specific area will reflect the situation of the bank's borrowers all over the country under the pandemic circumstance.

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