1. Introduction:
The institutional credit is playing leading role in financing agri-
culture sector for modernizing it. The main objective of the
liberation of institutional credit to farm communities was
to help them in increasing their resources on productivity
through judicious use of modern inputs. The additional re-
turns from the contemplated productive investment are ex-
pected to be substantially higher than the additional costs
incurred. It is, therefore, expected that the borrowers will re-
pay the loans along with interest due on them without any
difficulty from the increased income due to the investment.
However, the past experience shows that this expectation of
policy planners and credit institutions is not true and believed
that the magnitude of the overdues of the institutional loans
has been mounting every year in most of the states of the
country. Unless this growing delinquency in repayment of ag-
cultural loans is corrected, the ability of credit institutions to
recycle their funds would be highly restricted and ultimately, it
would severely hamper the growth of agricultural production.
In view of this, it was thought that it would be useful and
worthwhile to study the repayment performance of sample
borrowers and suggest the measures to overcome the over-
dues problem. In this article an attempt is made to present
causes of overdues of agricultural credit by institutional agen-
cies by farmer category-wise in Gangapatnam (delta village)
and Lakshmipuram (Non-Delta village), based on irrigation, of
S.P.S.R. Nellore district , Andhra Pradesh.

2. The level of Overdues
The measurement of an overdue like any flow of stock vari-
able in monetary economics is highly technical job. Generally
overdue can be measured in terms of number defaulters or
the amount defaulted or both. The picture of overdues is pre-
sented in Table 1.

It is evident from the Table 1, that the total number of bor-
rowers of institutional credit are 40 in delta village of which
18 (45 per cent) are defaulters. Large farmers account for
proportionately greater share in percentage of defaulters (60
per cent) and the amount defaulted (64.92 per cent). The per-
centage of defaulters to borrowers in case of medium farm-
ers stood at 50 per cent and the defaulted amount was 59.43
per cent. The percentage of defaulters and the percentage of
overdues to outstanding credit in case of small and margin-
al farmers are low compared to other categories of farmers.
There is a high degree of positive correlation between farm
size and percentage of defaulters to borrowers (0.918) similar
relationship exists between farm size and overdues of institu-
tional credit (0.976).

In the non-delta village, the percentage of defaulters to bor-
rowers in 50 per cent. It is very clear from the table that the
percentage of defaulters to number of borrowers and farm
size is positively correlated 0.960 and the institutional credit
is 0.970.

To test significance, the analysis of variance, technique is used.
The corresponding hypothesis is that these is no significant
difference in the amount of overdues among the different
categories of farmers and the villages we have adopted the
ANOVA two way classification and the necessary values are
computed and given in table 2.

Table 1: Defaulters and Overdues of Institutional Credit by Different Farm Size Groups

<table>
<thead>
<tr>
<th>Farm Category</th>
<th>No. of Borrowers</th>
<th>No. of Defaulters</th>
<th>Amount outstanding</th>
<th>Percentage of Defaulters to Borrowers</th>
<th>Percentage of Overdues to Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marginal</td>
<td>10</td>
<td>3</td>
<td>25680</td>
<td>11100</td>
<td>30</td>
</tr>
<tr>
<td>Small</td>
<td>10</td>
<td>4</td>
<td>46280</td>
<td>20800</td>
<td>40</td>
</tr>
<tr>
<td>Medium</td>
<td>10</td>
<td>5</td>
<td>64280</td>
<td>38200</td>
<td>50</td>
</tr>
<tr>
<td>Large</td>
<td>10</td>
<td>6</td>
<td>99360</td>
<td>64500</td>
<td>60</td>
</tr>
<tr>
<td>All Categories</td>
<td>40</td>
<td>18</td>
<td>235600</td>
<td>134600</td>
<td>45</td>
</tr>
</tbody>
</table>
Table 2: ANOVA-Repayment Performance among Different Categories of Sample Borrowers

<table>
<thead>
<tr>
<th>Source of variation</th>
<th>Degrees of freedom (df)</th>
<th>Sum of squares (SS)</th>
<th>Mean of Squares</th>
<th>Calculated value of F</th>
<th>Table value of F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers</td>
<td>3</td>
<td>2798767159.375</td>
<td>932922386.458</td>
<td>45.584</td>
<td>9.277</td>
</tr>
<tr>
<td>Villages</td>
<td>1</td>
<td>17745903.125</td>
<td>177445903.125</td>
<td>0.886</td>
<td>10.128</td>
</tr>
<tr>
<td>Error</td>
<td>3</td>
<td>60079659.375</td>
<td>20026533.125</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>2876592721.875</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Calculated from Table 1.

Due to categories
F-calculated value > F-table value
i.e. 46.584 > 9.277
Therefore, the formulated hypothesis is rejected

Due to villages
F-calculated value < F-table value
i.e. 0.886 < 10.128
Therefore, the formulated hypothesis is accepted.

Hence, we infer that the overdues of farmers in the sample villages do not differ between size groups and villages.

3. Causes of default
There are multiple causes for loan default. The classification of causes is also quite varied. The data collected from the sample investigation regarding defaulters have been summarized into six categories following the model of Nirmal Sande Rathne. The table 3 exhibits the categories of defaulters and the amount defaulted in delta and non-delta Village.

a) Defects in farm production: Poor productive conditions of farming sector
Often make it difficult to repay. This defect is also expressed in terms of “non-Village farm units” which often refers to the small size of frames. This implication reveals that farmers are unable but willing to repay. Defects in farm production account for 22.22 per cent of defaulters and 13.95 per cent of the loan defaulted are found in delta village while the corresponding figures are 20 per cent and 22.09 per cent in case of non-delta Village.

b) Variability in incomes:
Farmer may be unable to repay his loan in particular season owing to crop failure, due to natural calamities or destruction of crop by fire or other hazard. His inability to repay may also be caused by a sudden fall in prices or unmarketability of his product. Farmers in this category are normally able and willing to repay. Defaulters in this category are thus abnormal and presumably temporary. This category accounts for 22.22 per cent and 20 per cent of volume of overdues in delta and non-delta villages respectively.

c) Defects in the credit organization:
Farmer in this category is able to repay and willing to do so, but since the organization giving credit does not pressure him to repay, he does not. Farmer may believe that he will neither suffer penal interest rates nor endanger his subsequent borrowing by his default, loopholes which enable a defaulter to borrow subsequently and abandoning attempts to collect earlier defaulter would support this belief, sometimes the staff of the credit agency itself might even encourage borrowers not to repay. The defects in the credit organization account for 11.11 per cent and 10 per cent of the borrowers in delta and non-delta Villages involving 14.21 per cent and 7.78 per cent of the amount defaulted.

d) Attitudinal conditions:
Farmers who do not want to repay loans despite of their ability to repay fall into this category. They often consider government funds as grants rather than loans. This cause is generally closely linked with defects in the credit organization’s policies such as abandoning efforts to collect unpaid debts under earlier schemes and the lack or weakness of any sections on borrowers who do not return loans. 5.56 per cent of the defaulters felt no obligation to repay and their default amount was 11.04 per cent in delta village, while the corresponding figures are 10 per cent and 10.78 per cent in case of non-delta village.

e) Misallocation:
The use of funds for purposes other than those for which the loan was intended can interfere with repayment. Some persons may have invested loan proceeds in other activities which have resulted a failure or even if successful, there may be a lack of liquid funds to repay on time. Other misallocation includes the use of borrowed funds for ceremonial needs, a sudden illness or death or repayment of loans from other sources. There are 22.22 per cent and 20 per cent of farmers who account for 26.3 per cent and 21.67 per cent of the volume of default in delta non-delta villages respectively.

Table 3: Categories of Defaulters and the Amount Defaulted

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Category of default</th>
<th>Delta Village</th>
<th>Non-Delta Village</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of defaulters</td>
<td>Percentage to total</td>
<td>Amount Rs.</td>
</tr>
<tr>
<td>1</td>
<td>Defects in farm production</td>
<td>4</td>
<td>22.22</td>
</tr>
<tr>
<td>2</td>
<td>Variability in incomes</td>
<td>4</td>
<td>22.22</td>
</tr>
<tr>
<td>3</td>
<td>Defects in credit organization</td>
<td>2</td>
<td>11.11</td>
</tr>
<tr>
<td>4</td>
<td>Attitudinal conditions</td>
<td>1</td>
<td>5.56</td>
</tr>
<tr>
<td>5</td>
<td>Misallocation</td>
<td>4</td>
<td>22.22</td>
</tr>
<tr>
<td>6</td>
<td>Miscellaneous</td>
<td>3</td>
<td>16.67</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>18</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Sample survey

f) Miscellaneous:
Other reasons not easily amenable for categorization accounted for 16.67 per cent and 5 per cent of defaulters in delta and non-delta Villages respectively involving 13.48 per cent and 6.69 per cent of the amount defaulted. They did not indicate any specific reason which compelled them to default in repayment of dues to the credit agencies. This is in fact a “don’t know” category. Some of this could be cases of “willful default”, political interferences is also included in this category.
4. Category wise causes of default
The causes of defaulters by farm size, groups are presented in table 4. It is quite clear from the table that the marginal and small farmers in both villages are defaulters due to defects in farm incomes.

Misallocation of credit is high in the case of medium farmers in non-delta village compared to their counter parts in delta village whereas it is reverse in the case of large farmers, the high volume of defects in credit organization, default amount is found in large farmers of delta village. There is a very high degree of positive relationship between farm size and the default amount of different farm categories in both the villages.

Table: 4 Farm Category-wise Causes of Default

<table>
<thead>
<tr>
<th>S.No</th>
<th>Categories</th>
<th>Delta village</th>
<th>Non-Delta village</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marginal</td>
<td>Small</td>
<td>Medium</td>
</tr>
<tr>
<td>No</td>
<td>No Amount</td>
<td>No Amount</td>
<td>No Amount</td>
</tr>
<tr>
<td>1</td>
<td>Defects in farm production</td>
<td>1 2675</td>
<td>1 4360</td>
</tr>
<tr>
<td>2</td>
<td>Variability in incomes</td>
<td>1 5480</td>
<td>1 6300</td>
</tr>
<tr>
<td>3</td>
<td>Defects in credit organization</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Attitudinal conditions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>Misallocation</td>
<td>1 2945</td>
<td>1 6425</td>
</tr>
<tr>
<td>6</td>
<td>Miscellaneous</td>
<td>-</td>
<td>1 3715</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>3 11100</td>
<td>4 20800</td>
</tr>
</tbody>
</table>

Source: Sample survey

Conclusion:
There is a positive relationship between farm size and default measured in terms of defaulters and the volume of default both the villages of S.P.S.R. Nellore District.

There are six major causes of for default. Defects in farm production account for 22.22 percent of defaulters and 13.95 percent of the loan defaulted are found in delta village, while the corresponding figures are 20 percent and 22.09 percent in the case of non-delta village. Variability in incomes accounts for 22.22 percent and 35 percent of the farmers and in terms of percentage of defaulted amount, it corresponds 21.03 per cent and 30.99 per cent of volume of overdues in delta and non-delta villages respectively. Deficiencies in the credit organization account for 11.11 and 10 per cent of the borrowers in delta and non-delta village involving 14.21 and 7.78 per cent of the amount defaulted. 5.56 per cent of the defaulters felt no obligation to repay and their default amount was 11.04 per cent in delta village, while the corresponding figures are 10 percent and 10.78 percent in the case of non-delta village. In the case of misallocation, there are 22.22 and 20 per cent of farmers who account for 26.3 per cent and 21.39 per cent of the volume of default in delta and non-delta villages respectively. Other reasons not easily amenable for categorization (Miscellaneous) accounted for 16.67 and 5 per cent of defaulters in delta and non- delta village respectively involving 13.48 and 6.69 per cent of the amount defaulted. Further, the small and marginal farmers are the victims of the first two causes, while the medium and large farmers are the beneficiaries of the remaining four cause that contribute to default.

REFERENCES
2. op.cit p. 189
3. RBI, a Review of the Agricultural Credit System in India, Bombay, 1989, p.635.