



Research Paper

Commerce

Causes of Overdues of Agricultural Credit by Institutional Agencies by farmer Category-Wise in Select Villages of S.P.S.R. Nellore District, Andhrapradeh.

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KEYWORDS

1. Introduction:
The institutional credit is playing leading role in financing agriculture 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 returns from the contemplated productive investment are expected to be substantially higher than the additional costs incurred. It is, therefore, expected that the borrowers will repay 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 agricultural 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 overdues problem. In this article an attempt is made to present causes of overdues of agricultural credit by institutional agencies 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 variable 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 presented in table 1.

It is evident from the Table 1, that the total number of borrowers 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 percentage of defaulters to borrowers in case of medium farmers 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 marginal 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 institutional credit (0.976)

In the non-delta village, the percentage of defaulters to borrowers 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

Gangapatnam (Delta Village)							Lakshmipuram (Non-Delta Village)					
Farm Category	No. of Borrowers	No. of Defaulters	Amount outstanding	Amount overdue Rs.	Percentage of Defaulters to Borrowers	Percentage of overdues to out standings	No. of Borrowers	No. of Defaulters	Amount outstanding Rs.	Amount overdue Rs.	Percentage of Defaulters to Borrowers	Percentage of overdues to outstanding
Marginal	10	3	25680	11100	30	43.22	10	3	26125	12210	30	46.74
Small	10	4	46280	20800	40	44.94	10	4	59760	31900	40	53.38
Medium	10	5	64280	38200	50	59.43	10	6	65540	42000	60	64.08
Large	10	6	99360	64500	60	64.92	10	7	92575	60405	70	65.25
All Categories	40	18	235600	134600	45	57.13	40	20	244000	146515	50	60.05

Source: Sample surge

Table 2: ANOVA-Repayment Performance among Different Categories of Sample Borrowers

Source of variation	Degrees of freedom (df)	Sum of squares (SS)	Mean of Squares	Calculated value of F	Table value of F
Farmers	3	2798767159.375	932922386.458	45.584	9.277
Villages	1	17745903.125	177445903.125	0.886	10.128
Error	3	60079659.375	20026533.125		
Total	7	2876592721.875			

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 of 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 Rathne¹. 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 accounts 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 the 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 produce. Farmers in this category are normally able and willing to repay. Defaulters in this category are thus abnormal and presumably temporary². 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 repay³. 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

S.No.	Category of default	Delta Village				Non-Delta Village			
		No. of defaulters	Percentage to total	Amount Rs.	Percentage to total	No. of defaulters	Percentage to total	Amount Rs.	Percentage to total
1	Defects in farm production	4	22.22	18775	13.95	4	20	32360	22.09
2	Variability in incomes	4	22.22	28300	21.03	7	35	45400	30.99
3	Defects in credit organization	2	11.11	19125	14.21	2	10	11400	7.78
4	Attitudinal conditions	1	5.56	14860	11.04	2	10	15800	10.78
5	Misallocation	4	22.22	35400	26.30	4	20	31750	21.67
6	Miscellaneous	3	16.67	18140	13.48	1	5	9805	6.69
	Total	18	100	134600	100	20	100	146515	100

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

misallocation of credit is high delta village when compared to that of non-delta village

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

S.No	Categories	Delta village										Non-Delta village									
		Marginal		Small		Medium		Large		All categories		Marginal		Small		Medium		Large		All categories	
		No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
1	Defects in farm production	1	2675	1	4360	1	5040	1	6700	4	18775	1	5370	1	7900	1	8100	1	10990	4	32360
2	Variability in incomes	1	5480	1	6300	1	7000	1	9520	4	28300	2	6840	-	12360	1	10260	2	15940	7	45400
3	Defects in credit organization	-	-	-	-	1	8125	1	11000	2	19125	-	-	-	-	1	3585	1	7815	2	11400
4	Attitudinal conditions	-	-	-	-	-	-	1	14860	1	14860	-	-	-	-	1	5000	1	10800	2	15800
5	Misallocation	1	2945	1	6425	1	9030	1	17000	4	35400	-	-	1	11640	2	15055	1	5055	4	31750
6	Miscellaneous	-	-	1	3715	1	9005	1	5420	3	18140	-	-	-	-	-	-	1	9805	1	9805
	Total	3	11100	4	20800	5	38200	6	64500	18	134600	3	12210	4	31900	6	42000	7	60405	20	146515

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 per cent 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.