CHAPTER - VIII

SUMMARY AND CONCLUSION
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8.1 SUMMARY AND FINDINGS OF THE STUDY

Loan overdue is an age-old problem under credit sector of any financial agency. Arresting loan overdue is the call of the hour. A micro study has been undertaken in order to reveal the repayment pattern of co-operative crop loan and the socio-economic factors responsible for non-payment of loan in Mayurbhanj district of Orissa. The study comprises eight chapters which have been discussed and analysed from different angles. An attempt is made to apply suitable statistical techniques for measuring cause and effect. Chapterwise major findings and the suitable remedial recommendations based on empirical observations are the content of this concluding chapter.

The agricultural profile reveals that about three out of every four persons depend on agriculture for their livelihood in the rural based and economically backward district Mayurbhanj where density of population; literacy coverage and the tribal population are 181, 30 per cent and 58 per cent respectively (T.2.2). During the co-operative year 1991-92, about 42 per cent of the total geographical area of 10,40,000 hectares was put under cultivation in this district (T.2.3). Operational holdings with 55 per cent by marginal farmers and 26 per cent by small farmers account for only 49 per cent of the total operated area by both in Mayurbhanj (T.2.4). Absence of major irrigation project in the district does not support assured irrigation. By the end of 1992-93, the percentage of net area irrigated in relation to net area sown is only 30.60 (T.2.5). The use of chemical fertilizer per hectare in the district is only 13.90 Kg. as against the national average of 70.30 Kg/hect. (T.2.6). A comparison of 1990-91 with 1985-86 on cropping pattern reveals that rice, cereals and oilseeds got reduced from 67 per cent, 71 per cent and 8.8 per cent
to 60.7 per cent, 65.2 per cent and 8.5 per cent respectively. The adoption of necessity based approach results in the domination of food crops over non-food crops (T.2.7).

Financing agriculture is essential for agricultural development. Agricultural credit provided by MCCB and CARD Bank during the last eight years comprising the period from 1985-86 to 1992-93 shows almost a continuous fall in Mayurbhanj district (T.3.1). Production of both foodgrains and non-foodgrains tends to increase in relation to 1985-86 (T.3.2), though the area under operation for the above purpose suffers a marginal fall (T.3.3). Productivity of rice, ragi, mung, biri and jute maintains increasing trend, though not uniform; gram, mustard, cotton and sugarcane undergo fall (T.3.4). Cropping intensity in the district increases marginally alongwith the increase in net area sown during the period under study (T.3.5).

Although the percentage of membership coverage of individual members under different co-operative societies in Mayurbhanj district is 78.92, the operating results and overall performance are far from satisfactory (T.4.1). The compound rate of growth of share capital of MCCB from 1983-84 to 1992-93 is only 2.10 per cent (T.4.2). Its owned fund, deposits, working capital range between Rs.144.35 lakhs and Rs.180.50 lakhs; Rs.30.69 lakhs and 749.88 lakhs, Rs.985.80 lakhs and Rs.1479.28 lakhs respectively during the period under review (T.4.3). Mobilisation of fixed deposit in MCCB is commendable (T.4.4). Continuous fall in investment and loan and advance as compared to average as well as percentage-wise to working capital reveal weak capital base and poor recovery performance of the Bank (T.4.5). Continuous rise in fixed cost per unit over the years exposes the inefficiency of management (T.4.6). With 24 per cent collection, 31 per cent non-defaulting societies and
only 11.62 per cent disposal of execution proceedings at the end of 1992-93 reveal the poor recovery performance (T.4.7 and T.4.8). As a result MCCB borrowed to the tune of Rs.190 lakhs against the maximum borrowing power Rs.1412.87 lakhs during the same period (T.4.9). This poor recovery performance perhaps compels the Bank not to comply with NODC (T.4.11), seasonality (T.4.12), minimum involvement (T.4.15) and even to non-submission of statutory return (T.4.16) to NABARD.

53 LAMPS constituting about 24 per cent of 223 LAMPS organised in Orissa by the end of March 1993 are functioning in Mayurbhanj district where the tribals alone represent nearly 58 per cent of the total population (T.5.1). The LAMPS in Mayurbhanj district are lagging behind in respect of borrowing members per society, share capital per society, share capital per member, loans issued per society per member, borrowing member to total but maintain a lead in relation to membership per society, deposit per member, percentage of defaulting member to indebted and overdue to outstanding in comparison to LAMPS in the state (T.5.2). LAMPS in Mayurbhanj district are loss-incuring units as 77 per cent LAMPS of the sample and 79 per cent of the total come under this category (T.5.8 and T.5.10). In relation to maintaining consistency for raising of internal funds, deposit mobilisation, working capital management, lending and amount collected, LAMPS in the district rank second, fourth, third, fifth and third respectively in comparison to 147 LAMPS functioning in other tribal districts viz. Koraput, Sundargarh, Phulbani and Keonjhar (T.5.12). The big gap between percentage of tribal membership and borrowers ranges between 8.5 per cent and 54.5 per cent, while per capita loan varies from Rs.590 to Rs.1380 (T.5.13 and T.5.14). Year to year trade deficit reveals that LAMPS in Mayurbhanj are as it were, the least concerned units in raising the resource base (T.5.15).
The crop loan overdue in the aggregate grew at a faster rate at borrowers’ level both in Orissa and Mayurbhanj district as the average annual growth rates of loan issued are much less than the growth rates of loan overdue. Tribals in Mayurbhanj are not habitual defaulters as their collection percentage are relatively more than non-tribals (T.6.2). Generally, the borrowing slab of marginal farmers is between Rs.500 and Rs.1000 and that of the small Rs.1000 and Rs.3000. These two categories default more in terms of number as well as amount in relation to others (T.6.3 and T.6.18). Land holding wise analysis also proves the fact that small farmers are the habitual defaulters and they, alongwith marginal farmers, constitute more than 50 per cent of default in Mayurbhanj (T.6.4 and T.6.17). The loan overdue is pervasive as it touches borrowers irrespective of diverting loan or not (T.6.19). The consumption expenses and loan overdue are almost positively correlated (T.6.20). Mounting of loan overdue with the increase in gross income, earning adult and cash crops to some extent is no doubt a peculiar phenomenon (T.6.21, T.6.22 and T.6.24). Irrigation is effective in reducing overdue to some extent as the incidence of overdue is more in non-irrigated areas than the irrigated areas (T.6.23). Cropping intensity, educational status and agricultural expenses are the major variables affecting overdue (T.6.25, T.6.26 and T.6.27). Analysis based on Bayes’ Theorem confirms the fact that the chances of being wilful defaulter are more in case of large size of holding, large amount of borrowing, amount of diversion, gross income, more area under irrigation, higher cropping intensity and high dose of agricultural expenses (T.6.31). Among the socio-economic variables and factors considered for regression analysis, amount of loan provided to loanee is the key factor (65.15 per cent) responsible for mounting overdue followed by agricultural expenses (13.91 per cent), size of holding (11.98 per cent), educational status (5.34 per cent) and amount of diversion (3.62 per cent) (T.6.29).
Incidence of crop loan overdue in Orissa in general and its indepth analysis at societies as well as borrowers’ level in Mayurbhanj in particular, its trend on inter-district comparison for LAMPS covey and confirm one thing i.e. overdue mounts year after year under the prevailing situation. The trend and tendency of wilful default worsens the situation. Under the present set up, other things remaining the same, pursuing rationalised credit policy and procedure, application of appropriate technology in agriculture, consolidation of holdings and imparting education need special attention to combat loan overdue in Mayurbhanj district. Thus the predetermined objectives of the study i.e., pattern of co-operative financing to agriculture, repayment trend, degree and direction of socio-economic factors influencing loan overdue have been examined and tested.

8.2 SUGGESTIONS

The gravity of recovery problem is too great to tackle as and when desired. In addition to general measures to normalise the problem, a number of suitable remedial measures based on indepth analysis deserve to be mentioned.

In addition to the quantum of credit, other considerations viz. proper screening of loan applications, timely sanctioning and disbursement of loan coupled with pre and post supervision, appropriate linkage between credit and marketing, refraining from declaration of loan writing off need due emphasis to enhance and improve the quality of lending. Defective lending is 65 per cent responsible for causing overdue and it should be made need based, production oriented and scientific.
The primitive method of agriculture followed by small and marginal farmers needs to be replaced by innovative method of agriculture so that the agricultural expenses can be controlled and reduced to the extent necessary for timely operations. By controlling and reducing agricultural expenses that affect loan overdue to the extent of 14 per cent, Re. 0.12 for every one rupee can be reduced in the process of mounting overdue in Mayurbhanj district.

Fragmented holdings hinder the process of production. Size of holding that affects loan overdue by nearly 12 per cent, calls for consolidation of holdings which have negative regression coefficient, to combat the incidence of overdue.

Spread of idea on mixed cropping, multiple farming and repayment ethics among the borrowers is essential to check the process of mounting overdue. The negative regression coefficient of educational status which is responsible for loan overdue by 5 per cent confirms that removal of ignorance about production process and technique, creation of atmosphere of timely repayment and the result of smooth recycling of credit are the essentials ingredients to reduce of the incidence of loan overdue.

Regression coefficient of loan diversion evinces that accumulation of amounts overdue and diversion move in the same direction. Pre and post sanction supervision if pursued actively on the loan supplied, will be effective in checking the process of diversion and at the same time be helpful in reducing the loan overdue to the extent of nearly 4 per cent.
The regression model specified by considering eleven variables at the first stage and five significant variables at the second stage reveals that the coefficient of multiple determination \((R^2)\) predicts about 86 per cent of the variation in overdue. The unexplained portion of the remaining 14 per cent may be due to other factors left out. The other factors which are pertinent in the context of checking loan overdue in Mayurbhanj are active legal action against wilful defaulters, necessary steps for raising the income generation capacity of borrowers and full supports and co-operation of voluntary agencies working in the district.

Thus it is concluded that credit sector of co-operation will regain and retain its lost ground by smooth recycling of credit benefiting both the members and the societies, improving the repayment pattern and, providing timely and valuable services, provided the recommended measures so suggested are followed, executed and pursued in the true sense of the term.

8.3 SCOPE FOR FURTHER RESEARCH

The study pertaining to the district of Mayurbhanj thus undertaken reveals a series of relevant facts and promises to advance some valuable suggestions that could be applied to control and bring down the level of loans that lie overdue creating bottlenecks in the smooth and profitable functioning of the credit co-operative sector. This study can be optimistically considered an effective addition to the available literature on the repayment of loans lying overdue. The suggestions, recommended herein, based on observation will prove helpful to the authorities monitoring the micro-level planning for the uplift of the weaker section of the society and dealing with credit planning in addition of being substantially helpful to the researchers doing further studies in the areas encompassing the problem of the growing volume of loans overdue.