CHAPTER-II
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The review of literature on the work done in the past is essential to understand the problem in depth and it also provides necessary guidelines as well as feedback for the fulfilment of objectives of the study. As a result, significant and meaningful research outcome have been generated to support the empirical research. This chapter has been broadly classified under following heads:

2.1 Agricultural cooperative credit granted and distributed
2.2 Repayment of agricultural cooperative credit
2.3 Overdues of agricultural cooperative credit
2.4 Factors affecting the overdues of agricultural loans

2.1 Agricultural cooperative credit granted and distributed

Ames (1973) examined the relationship between repayment of crop production credit, various characteristics of the sample borrowers and cooperative societies, lending policies and administrative procedures of the district cooperative central banks in selected areas of Mysore. Cross-sectional data for a sample of 136 farmer-member-borrowers were obtained through interview in 1972 and time series data
was collected for the period 1965-66 to 1971-72 from different aspects viz; amount of loan advanced, recovery and overdued from primary agricultural credit cooperative societies in Bangalore, Mandya, and Mysore districts. The empirical findings envisage that among all farmers, defaulters had fewer assets in land, livestock, equipment and grain stocks than non-defaulters. They had also lower net output per acre for all crops, less farm income and owned fewer irrigated acres. Repayment capacity was very irregular due to the major reasons of the frequent droughts, floods, pests and other natural calamities resulting poor yield of crops.

Singh and Sandhu (1980) analyzed the data of 90 farmers in Kapurthala district of Punjab during 1977-78. Their study revealed that agricultural cooperative credit societies were the main institutional agency which provided financial assistance to the farmers. Loans sanctioned by non-institutional agencies were limited. Short-term loans were sanctioned for the purchase of farm inputs, while medium-term loans were advanced for tubewell, engines, threshers and livestock. Long-term loans were sanctioned for tractors and other costly machinery. Overdues was the highest among medium farmers and the lowest among large farmers. Low savings among the farmers was found to be the main causes for non-repayment of loans.
Ram et al. (1990) examined the growth performance of a Primary Cooperative Agricultural Development Bank (PCADB) in Bapatla, Guntur District, Andhra Pradesh. Trends in selected growth indicators such as membership, level of paid share capital, level of bank borrowing, magnitude of loan disbursement and loan repayment are assessed through application of index/compound growth rate analysis over the year 1966-67 to 1985-86 period. Factors affecting the level of PCADB profits were also examined by using a multiple regression model. The trends of the selected indicators were positive and rising. There was steady increase in bank membership and a significant rise in share capital. The levels of bank borrowing and loan disbursement also increased. Administrative and management costs, business stagnation and mounting overdues of loans were found to be some of the important factors influencing the level of bank profit.

Narayana (1990) concluded that the major part of the credit Rs. 528000 constituting 40.16 per cent had been sanctioned to small farmers, large and medium farmers whose percentage of share in total credit sanctioned was 38.28 and 21.59 per cent, respectively. Together, large and medium farmers share in the total sanctioned was 59.84 per cent. The average amount of investment credit sought by medium and small farmers was almost the same. However, the investment
credit gap was found to be more in the case of small farmer borrowers (31.90%) followed by medium farmers (27.73%). We may infer that large farmers in particular and medium farmers in general have an edge over small farmers in raising investment from Primary Cooperatives Agricultural Development Banks (PCADBs).

Modi and Rai (1993) concluded that the credit advanced perform is an important measure of comparing quantum of credit availed by sample farmers from various source of farm finance. The total crop production credit advanced was Rs. 9284.02 to small, Rs. 25321.59 to medium and Rs. 39752.00 to large farmers. As regards term credit, out of total credit of Rs. 3649.65, Rs. 16254.83 and Rs. 26248.00 to small, medium and large farmers, respectively. Small farmers utilized 68.66 per cent in current farm expenditure followed by 15.11 per cent on household expenditure, 8.98 per cent on old debt payment and the remaining 7.25 per cent on fixed investment on the farm. The medium farmers utilized 70.56, 15.43, 5.31 and 8.70 per cent and large farmers utilized 73.09, 16.49, 8.58 and 1.84 per cent of total amount received on current farm expenditure, household expenditure, payment of old debt and fixed investment on the farm, respectively.
Jugale and Patil (1997) examined the growth performance of primary agricultural cooperative credit societies (PACSs) in Miraj taluka (India), over the period 1980-81 to 1991-92. They concluded the growth performance indicators such as the number of PACSs, membership, share capital, reserve and other funds, deposits, assets, liabilities, short- and medium-term loans, overdues, and distribution of credit in non-irrigated and irrigated areas. They found that PACSs have shown satisfactory development in terms of membership, which rose from Rs. 31,797 in 1980-81 to Rs. 45,901 in 1991-92. However, the economic viability of PACSs was higher in irrigated than non-irrigated regions. The large number of small farmers had borrowed a small share of total loans, whereas, a few big farmers had enjoyed a large share of loans.

Kaur et al. (1998) concluded that the amount of loan advanced was Rs. 5726.59 lakh during 1970-71, which has increased to Rs. 104933.38 lakh with annual compound growth rate of 12.13 per cent, which is significant at 1 per cent level of significance. Overdues as percentage of loan outstanding was 43 per cent during 1970-71 (decreased to 25%), which showed the efficiency of these societies as recovery performance of loan has improved over time.
Chaudhary and Mukhija (2000) conducted a study in village Bandrana of Kaithal district in Haryana state. They concluded that the out of total borrowed amount to the tune of 42.57 per cent was repaid regularly and 44.22 per cent amount was repaid irregularly. Surprisingly the amount to the tune of 13.21 per cent was not at all returned back. Whereas, the data indicated that only 42 per cent of the borrowers were regular in paying back the loan amount followed by 37 per cent who are irregular in their repayment, meaning thereby that they failed to follow the schedule. However, 21 per cent borrowers were defaulters and did not pay back the borrowed amount at all. Land holdings categorywise analysis of the borrowers further revealed that as high as 67.80 per cent small farmers fell in the category of irregular and defaulters followed by large farmers 63.16 per cent and medium farmers 27.27 per cent. It showed that medium farmers were more or less regular in repayment of loan. There were many reasons, which affect the repayment procedures of the borrowers. Among them, the most important reason was poor or no return from the farm due to natural calamities, which was observed to be 67.24 per cent, about one fourth respondents faced problem like poor market price 24.41 per cent, marriage in the family required huge amount of money was 24.41 per cent, sickness of family members 17.24 per cent, construction
and repairing of building 17.23 per cent, household expenses 13.79 per cent, construction of well tubewell 10.34 per cent, political promises for exemption of loan 8.62 per cent and high rate of interest 6.90 per cent.

Bhulmall (2000) conducted a study on impact of a Primary Agricultural Cooperative Society (Balaram Bandarigach Samabaya Krishi Unnayan Samiti Limited) in Rajganj Block, Jalpaiguri, West Bengal. The impact of the cooperative credit society was demand of credit, use of inputs in agricultural production and expectations in the rise in demand for credit. In another study, Chidambaran and Ganesan (2002) concluded that the demand of PACs in Madhuri district had increased from Rs. 7099.20 lakh in 1988-89 to Rs. 12174.70 lakh in 1997-98 showing about 71 per cent increase, recovery stood at Rs. 3487.85 lakh in 1988-89 and increased to Rs. 6284.08 in 1997-98. The increased in the recovery was accounted by 55.50 per cent. The overdues of PACs had increased from Rs. 3611.35 lakh in 1989-90 to Rs. 5890.00 lakh in 1997-98 showing about 63 per cent increased.

Bansal et al. (2003b) worked out the loan disbursement by primary agricultural credit societies in Punjab, during the period 1988-89 to 2000-01, which was analysed based on secondary data. The analysis showed that
the volume of credit disbursed had increased during the study period. The societies provided more short-term rather than medium-term agricultural loans to their members, and the proportion of non-agricultural loan to total loan was low.

Singh and Koshta (2004) assessed the performance of District Central Cooperative Bank, Raipur and its Mandir Hasaud Branch through estimation of growth rate of performance indicators number of borrowers, amount of loan advanced, recovery, outstanding and overdues through recorded time series data from 1991-92 to 1998-99. In absolute term, linear trend value of performance indicators have increased by significant manner and overdues was increased by amount of Rs. 375.33 per annum, is not a good sign for cooperative loans during the period of study. The estimated compound growth rate for number of borrowers, amount advanced as crop loan, recovery, outstanding and overdues was noticed by 2, 12.42, 5.13, 15.36 and 16.12 per cent, respectively, which is found to be significant at 1 per cent level of significance. It is alarming to cooperative bank because the rate of overdues is increased comparatively faster than that of other indicators. Therefore, it is suggested to the cooperative banks to check the overdues through improving the recovery performance because it is not a good sign for the healthy economy of cooperatives.
2.2 Repayment of agricultural cooperative credit

Binus (1986) reported that cooperative institutions did not pay attention to individual cases. The seasonal crop loan issued only after the recovery. Due to this, every member postponed repayment and watched the actions of others and thus the whole network of the cooperatives were run into losses. In another study, Singh et al. (1987) examined the long-term agricultural loans in Ludhiana district of Punjab. They focussed on farmers who obtained credit from Ludhiana Primary Cooperative Land Mortgage Bank in year 1978-79. Credit was accorded for development of underground water channels, purchase of tractors, installation of tubewells and purchase of land. Farmers' gross and net incomes, repayment capacity and risk-bearing capability were studied. They concluded that the earning potential of indebted farms sufficiently justifies the credit scheme. However, production and marketing risks were very high, and the repayment schedule could be modified during a poor production year.

Vaikunthe (1988) conducted a study on recovery of loan by the District Central Cooperative Bank of Dharwad district. He undertook all the indebted farmers and interviewed on different relevant aspects for loan recovery for the year 1984-85. He classified the farmers on irrigated and non-irrigated situations. He noticed that the 5 per cent of the
small farmers utilized the loan for other than agricultural purposes in the both areas. It was still less in case of medium and large farmers in the irrigated area. In case of medium farmers in the non-irrigated area, it was 7.9 per cent, which was higher than the large farmers. The misutilization of loan was more in non-irrigated farmers compared to the farmers in the irrigated area. Nearly all farmers in irrigated areas used loans for the purposes initially agreed with the Bank. In non-irrigated areas, a significant proportion of small and medium farmers diverted credit to non-agricultural activities.

Bhosale and Dangat (1989) analyzed the average per family outstanding medium term loan at the beginning of the year, which was Rs. 3127.10. During the year an amount of Rs. 1679.00 was borrowed. The total amount of loan repaid was worked out to Rs. 4805.04. The amount of loan repaid consisted of the repayment of Rs. 351.00 (20.89%) of the principal amount of last years outstandings loan and Rs. 649 (37.04%) of the principal amount of previous overdues. Thus, 31.41 per cent of the principal amount was repaid during the year leaving Rs. 3295.79 (68.59%) as an outstanding amount at the end of the year. They found that one of the lending factors in increasing the amount of overdues was misutilization of loan. This calls for appropriate policy with regards to supervision of credit used at farm level. The total
amount borrowed had a direct relationship with amount of overdues. This necessitates a very careful presanction scrutiny of the loan application by the financing institution.

Pandey et al. (1990) conducted study on analysis of repayment performance of farmers regarding agricultural loans in Kurukshetra district of Haryana. They pointed out that the amount of total demand was Rs. 2703.29 lakh in year 1981-82, amount recovered and percentage of overdues to total demand was Rs. 2703.29 lakh in the year 1981-82, which was 22.16 and 77.84 per cent of the amount received and amount overdues. The main cause of non-repayment of loan was failure of crops due to adverse weather condition (45%), inadequate supply of electricity (22.89%), excess expenditure on domestic affairs (30%), social ceremonies, litigation, medical care (2.11%), etc. as the main reason for defaulter in the repayment of loans.

Njoku and Nzenwa (1990) examined the loan repayment performance of smallholders and the factors which determined loan repayment under the Smallholder Direct Agricultural Loan Scheme in Imo State, Nigeria. They found on overall basis that loan repayment was poor with only 1.05 per cent of total loans repaid. The amount of loan borrowed was a positive and highly significant determinant of loan default and tended to reduce loan repayment. The occurrence of natural
hazards, short loan duration, and late disbursement of loans were among the most critical constraints on loan repayment. They suggested on the basis of empirical results that repayment of loan could be improved through mass education of small holders and timely disbursement of loan should be essential for considerable enhancement of repayment.

Lakshminarayana and Adinarayana (1990) had made an empirical analysis for evaluation of the repayment capacity of crop loan borrowers and assessed the nature and pattern of factors affecting loan overdues from the cooperative and commercial banks in Kasimkota Panchayat Samiti, Visakahapatnam District, Andhra Pradesh. A two stage stratified sampling technique was used to select 2 villages and 96 farmers. Nearly, 48 farm holdings were allocated between 2 farm size categories which were then randomly selected for contact with cooperatives or the commercial banks. They suggested on the basis of results obtained that the inadequacy of institutional credit was an important factor which affect to loan repayment, the magnitude of family consumption expenditures, a misuse of loans occurred with disguised unemployment. Saheena and Rajitha (1991) evaluated utilization and repayment patterns of loan extended for crop production. The repayment loan was satisfactory in all size groups of farmers. The large farmers were found to diverted
the loans and reduce the profitability of cooperatives. They had made the recommendations that cooperative should scrutinize the borrowers on the basis of assessment of productivity of loan utilization before extending the credit and special attention should be given for the needy groups.

Kandasami (1992) examined the loan recovery performance of the Periyar District Central Cooperative Bank, based in Periyar, Tamil Nadu. He analyzed the loan recovery performance by considering outstanding loans, overdue crop loans, and outstanding loans made to primary credit institutions and found that prompt and recovery of loans was the imperative for any lending institutions in terms of the success. He also noticed that credit cooperatives was continuously performing well. In Tanzania, Kashuliza (1993) analyzed the repayment rates and determinants in small holders agricultural in southern highland of Tanzania. He found that the formal agricultural credit in Tanzania had declined considerably in the last 15 years and averaged only about 50 per cent of the total loans due per year. Author indicated that better repayment rates were associated with use of machinery and hired labour in farming, optimal credit packages and higher farm incomes. Credit default was accounted for by high consumption expenditures, farmer
attitudes, late input delivery, adverse production environment, and declining crop marketing margins.

Goyal et al. (1993) conducted a study on repayment capacity of defaulters and non-defaulters borrowers of cooperative society in Haryana. They investigated various socio-economic characteristics (cropping pattern, yields, assets, cash returns, household expenditure, extent of borrowing) of defaulter and non-defaulter borrowers and the repayment capacity of the borrowers. The authors noticed that the non-defaulters were better placed with respect to the average yields of major crops, the value of farm assets, total cash returns of the household and repayment capacity as compared to defaulter borrowers. The defaulter borrowers utilized a relatively larger proportion of their total earnings on consumption purposes, thereby leaving less for investment in production processes due to this reason low repayment capacity on the part of the defaulter borrowers.

Arene (1993) evaluated the credit delivery system of the Supervised Agricultural Credit Scheme (SACS) in Anambra State of Nigeria with emphasis on loan repayment rate and technical assistance among smallholder maize farmer beneficiaries. Authors observed from the results that high repayment farmers had larger loan size, larger farm size, higher income, higher age, higher number of years of farming
experience, shorter distance between home and source of loan, higher level of formal education, larger household size, higher level of adoption of innovations, and lower credit needs than low repayment farmers. Results of regression analysis showed that size of loan, farm size, income, age, number of years' of farming experience, level of formal education, and adoption of innovations were significantly related to repayment rate, but distance between home and source of loan, household size, and credit needs account for less. The results of multiple correlation analysis reveal that the number of farmers supervised had an inverse relationship with farmers' income, while, length of service as supervisors, level of formal training in agriculture, and number of farm visits showed a direct relationship. Improvement in farmers' income levels through increased production and an improved marketing system for their products is recommended.

Brahmbhatt and Dave (1995) conducted a study on recovery performance of institutional farm credit in Rajasthan. They had examined that the recovery of crop loan was higher in case of cooperative loans (44.54%) than the crop loan granted through commercial banks (19.84%). The higher repayment in case of cooperative loans was probably due to monitoring of crop loans. On other hand, 50 per cent of sample loanees obtained crop loan from commercial bank
against fix deposit certificate for the purpose other than stated in loan application. In situation, the crop loan granted through commercial bank were fully secured hence banks did not bother about repayment.

Odii (1996) examined the loan repayment performance under the Supervised Agricultural Credit Scheme (SACS) in southeastern Nigeria, and determine the factors to default loan. The study was pertaining to the year 1986. He found that the overall loan repayment performance was poor (21%). Highly significant determinants of loan default included type of loans, years of farming experience, farming as a major occupation, years of formal education, household size, loan period, farm size, farm output, value of assets and interest paid on loan. He suggested that emphasis should be given for default of loan repayment on factors decreasing.

Beohar and Khare (1998) examined the repayment of loan capacity of 45 farmers of nine villages from three cooperative societies in Umariya of Jabalpur district. The 45 farmers borrowers had taken the loan for purchase of pump sets and digging of wells, fertilizers, improved seed, land improvement and purchase of bullocks. They found that the farmers obtained credit for the pump sets repaid the loan right from the beginning but those who received loan for purchase of fertilizers and digging of wells did not repay the loan in
stipulated time. A large proportion of loans advanced for the purchase of bullocks and for land development remained overdues as compared to other purposes. The farmers who adopted a large number of packages for production of crops, irrespective of the purpose of credit, had higher repaying capacity as compared to others. The farmers who obtained loan for pump set had the maximum repaying capacity as compared to other purposes.

Udayakumar and Thattil (2002) examined the utilization and repayment of agricultural credit disbursed by Primary Agricultural Credit Societies in Kerala. Credit was utilized by members mainly for operational purposes such as purchasing seeds, fertilizers, etc. The rate of misutilization of agricultural loan was generally low and majority of the members enjoyed flexibility in repayment. The default rate in repayment was as high as 80 per cent. Only members who had alternative sources of income were prompt in making repayment. The main reason for default in repayment was inability to generate adequate income from agriculture.

Kumar et al. (2003) examined the utilization and repayment of crop loan in their study on repayment of crop loan in Samastipur district of Bihar. Authors found that the only one-third of the loanees utilize the loans for the purpose. Delay in disbursement and lack of supporting facilities were
the major reasons for diversion of loan. Their study further revealed that the more than 80 per cent of the loanees were defaulters. Loanees with larger size of family without any subsidiary occupation obtained larger quantum of crop loan and diverted the loan for unproductive purposes and were more likely to become defaulters.

Bansal et al. (2003a) examined the overdues of agricultural credit in primary agricultural credit societies of Punjab. The authors noticed that the percentage share of loan overdues to total loans overdues of marginal and small farmers increased from 17.24 to 20.17 per cent during the period 1979-80 and 21.30 to 29.97 per cent in the year 1985-86. In case of medium farm size category, the percentage share of loan overdues decreased continuously from 30.96 per cent in the year 1979-80 to 25.71 per cent in the year 1985-86 with an exception in the year 1980-81. The percentage share of loan overdues declined from 27.63 to 24.53 per cent in case of large farmers during the study period, while in case of very large farmers it declined from 1.53 per cent in the year 1984-85 to 1.49 per cent in the year 1985-86.

Godra et al. (2005) conducted a study on cooperative bank loan repayment behavior of farmers in Nagaland. Authors noticed that 73.33 per cent of the respondents could not received the loan within the specified period as a result of
low out come from the project, 56.67 per cent of the respondents reported pressing family need, 44.44 per cent of the respondents reported that the causes for non-repayment of loan due to natural calamities such as land slides due to heavy rain that affected the crops. The findings shows that less income sources for repayment (40%) was due to low productivity of land, marketing problem of their produce 35.55 per cent respondents reported, non-availability of raw materials 35.55 per cent of respondents reported, mismanagement of income due to improper planning 31.11 per cent respondents reported, high interest rate of banks 27.78 per cent of respondents reported and repayment duration being short 26.67 per cent were reported by the respondent as some of the other important problems in timely repayment.

2.3 Overdues of agricultural cooperative credit

Thakur (1982) analyzed the small farmers and cooperatives. Cooperatives overdues views in Nimni Primary Cooperatives Credit Society, Sangli district of Maharashtra, during the period 1967 to 1971 was analyzed on the basis of time series secondary data. The amount of loan advanced to small farmers (Rs. 347) was the highest as compared to medium farmers (Rs. 177) and large farmers (Rs. 236) as well as position of overdues in small farmers (114) are quite large
as compared to medium farmers (Rs. 60) and only little less as compared to large farmers. He suggested that the infrastructure for efficient distribution of cooperative credit, efficient coverage of farmers needing credit and efficient utilization of credit were essential to reduce the percentage of overdues.

Naidu and Prasad (1987) examined the utilization pattern and productivity of cooperative production credit in Guntur district (A.P.). They found that the proportion of crop loans was effectively used in crop production with the increase in farm sizes. Small and marginal farmers diverted crop loans to consumption needs and the productivity increased attributable to cooperative loans were low and decreased with the farm sizes. In another study on crop loan overdues in Agra district of Uttar Pradesh, Balishter and Singh (1987) found that the large and medium farmers together account for about 46 per cent of the total defaulters and for over 70 per cent of the total overdues, while marginal and small farmers together form about 54 per cent of the total defaulters and less than 30 per cent of the total defaulters. They further reported that the reason for non-repayment of cooperatives loans, lending to others out of money borrowed from the cooperatives was the major causes of non-repayment of loan timely among the large farmers (40%), lack of supervision by the society to check the
diversion of borrowed fund to other use is reported by 17 per cent of the defaulters. About 16 per cent of the defaulters reported that they were not certain to get the fresh loan after repaying the overdues, about 10 per cent of the defaulters reported that they had motivated by the local political leaders not to repay the loans and causes embarrassment to the management. They also reported that the local leaders assured them that the government would write off these overdues.

Singh et al. (1989) concluded that the total overdues, about 32 per cent were old overdues for over three years and 68 per cent current overdues for less than 3 years and marginal and small farmers had repayment capacity of only Rs. 1181.54 and Rs. 2577.02, respectively as against the total repayable loan instalment of Rs. 2352.00. Important reasons for non-wilful defaulters in the order to their importance are low crop yield 44 per cent, low price of output 12 per cent, high price of input 13 per cent, crop failure due to natural calamities 9 per cent and more domestic expenditure. All these reasons for wilful default directly or indirectly related to their lack of repayment capacity.

Dawar (1989) observed that the amount of overdues and their percentage to demand has been continuously increasing during the quinquennium between 1981-82 and
1985-86, excepting the year 1983-84 and have increased from Rs.81.38 crore and 39.39 per cent in 1981-82 to Rs. 192.77 crore and 57.72 per cent, respectively in the year 1985-86. The better recovery and lower rate of overdues in 1983-84 was due to a comparatively better crop in the year. The percentage of overdues in the state in comparison with the all India percentage was higher in 1982-83 and 1984-85 and lower in 1983-84. The higher percentage of overdues in the aforesaid two years was due to the floods and drought, which damage the crops in the state. They suggested that loans should not be sanctioned in hurry or under pressure and every application for loan should be properly and thoroughly vetted so that no loan is sanctioned to any undeserving applicant and crop loan insurance scheme should be spread throughout the country and more crops should be covered under it.

Balishter et al. (1989) had made an empirical analysis on the overdue position of farmer-borrowers from the Bichpuri branch of the State Bank of India, Agra District (U.P.). Authors looked into extent of current and old overdues of defaulters in different farm size groups; the extent of wilful default by farm size group; and reasons for non-repayment of crop loans of the 235 farmers advanced crop loans by the bank, 61 per cent defaulted. Overdues amounted to about Rs. 213,000 out of the total advances of Rs. 394,000. Large and
medium farmers accounted for about 55 per cent of the total overdues. About 57 per cent of the total overdues were over 3 years old, and the proportion of 'old' overdues was higher for medium and large farmers. Wilful default occurred in about 35 per cent of cases. Slackness by the bank insisting on the timely repayment of loans, diversion of income for purchasing land or other property, and uncertainty about getting a new loan after repayment were the main reasons for wilful default.

Anandagopal and Kulandaiswamy (1989) assessed the overdues in Cooperative Land Development Bank-A study into the nature and causes by using Baysian analysis. They confirmed from the analysis that the average amount of demand, collection and overdues of the banks were Rs. 119.38 lakh, Rs. 47.95 lakh and Rs. 71.07 lakh, respectively. The percentage of overdues to demand had decreased from 85 per cent in 1979-80 to 70.50 per cent in the year 1983-84. They suggested that the decline in the percentage of overdues was not due to improvement in the recovery, but due to postponement, rescheduling of loans and such others concessions. They identified that the proportion of overdues to principal was far greater 106 per cent among wilful defaulters than among non-wilful defaulters 69 per cent. The proportion of wilful defaulters was much less 7.0 per cent among small farmers. However, the proportion increased along with the
increased with the size of holdings. The amount of default among big farmers constituted more than half of the total overdues.

Winfred (1990) studied the period-wise trends of overdues in sixteen DCCBs in Tamil Nadu. A period-wise break-up showed that for one year and below, the overdues showed a significant increase of 1553 per cent registering an average annual growth rate of 155.30 per cent during 1970-71 to 1979-80 but thereafter the growth rate was only 6 per cent. It formed as high as 32 and 79 per cent of the total overdues. Though overdues between 1 to 2 years recorded an increase of 504 per cent it formed only 12 to 32 per cent of the total, whereas those for 2-3 years showed a fluctuating trend throughout recording an increase of only 955 per cent forming 4 to 32 per cent during the period under review. In another study, Gupta (1991) reviewed the rural credit policies and persistence of overdues in India with an aim to analyze the effectiveness of the supply-side policies, which govern commercial banks, to evaluate the impact of recent policy initiatives on the credit delivery system and to empirically identify the determinants of agricultural loan repayment rates. He noticed from the results that there was a basic contradiction between the factors influencing branch repayment rates, and the supply-side policies governing bank
behavior and there were several areas where the government and the banks can work jointly to improve the quality of rural lending. He suggested from the empirical evidences that reforming the credit delivery system to improve repayment rates was limited by the physical and technological environment in which the branches were located, repayment rates were responsive to improvements in the credit delivery system.

Balishter et al. (1994) found in the study on overdues of loans in agriculture that the large and medium farmers together account for 37 per cent of the total defaulters and for over 57 per cent of the total overdues. While, the marginal and the small farmers together account for about 63 per cent of the total defaulter and about 42 per cent of the total overdues. They pointed out that wilful default is mainly confined to medium and large farmers to the extent over 90 per cent. For the defaulters liberal measures such as extending the repayment period over a reasonable time and making adequate loans available in the time. Besides, measures for improvement in crop yields, remunerative prices for the crop products, reasonable input prices and crop insurance are also necessary to enhance the repayment capacity of the farmers particularly marginal and small farmers.
Reddy and Reddy (1995) analyzed the overdues of PACS: Extent and causes in Gundur, Nellore and Kavali districts of A.P. They noticed that the level of cooperative overdues to outstandings in Gundur, Nellore, Kavali and district as a whole was 77, 85, 86 and 82 per cent, respectively. Just as in the case of district, state and national level, overdues to outstandings are higher than overdues to demand in the sample societies of the district. They found that defects in farm production was one of the major factors to which 20 per cent of the respondents attributed their defaults and the default amount was 12 per cent.

Reddy and Reddy (1997) analyzed the overdues and recovery performance of institutional agricultural credit (commercial banks, cooperatives, government) in Cuddapah District, Rayalaseema, Andhra Pradesh. Overdues and repayment performance was assessed in terms of farm size group coverage of defaulters and the amount defaulted, overdues to loans outstanding, and repayment of current borrowings of agricultural households in a canal-irrigated (n=61) and a non-canal-irrigated village (n=67) in 1993-94. A positive relationship was found between farm size and overdues of institutional credit. The regression analysis results indicated no significant difference between the institutions in the level of default and accumulation of
overdues among different categories of borrowers. A positive relationship was found between farm size and repayment of commercial bank credit and an inverse relationship between farm size and repayment of cooperative credit.

Puyalvannan (1997) examined the overdues recovery performance and erosion of funds in Central Cooperatives Banks over the period 1989-90 to 1991-92. He concluded that the recovery position of LDBs plummeted to 28 per cent from 52 per cent in 1988-89 and improved to 49 per cent during 1991-92. The recovery position of PACs came down from 62 per cent in 1989-90 to 51 per cent in 1991-92. The recovery position of the RRBs reached a low level of 34 per cent during 1989-90 and improved to 40 per cent during 1991-92. The CBs showed a low recovery performance at 49 per cent during 1989-90 and improved during 1990-91 to reach 58 per cent. In terms of quantum of amount of overdues to overdues at DCCBs level it stood at Rs. 1666.18 crore as on 30th June 1986 and registered an increased to the tune of Rs. 3737.93 crore as on 31st March 1993. He suggested that the recovery strategies may include recovery planning, area approach, compulsory preparation of profile of each account, strict compliance with stipulated norms on granting advances, minimising the filing of suits and recalling the advance by registered notice.
Verma and Reddy (2000) analyzed the causes for overdues in cooperative under Single Window Cooperative Credit Delivery System (SWCCDS). They found that out of 131 defaulters, 65.65 per cent were wilful defaulters with 54.55 per cent share in overdues and the rest non-wilful defaulters. The proportion of defaulters on account of diversion of credit in order to discharge old debts was 16.03 per cent and their share in overdues stood at 21.02 per cent. The defaulters arising due to use of loans for the education of children constituted 13.74 per cent in number and 6.82 per cent in amount. There were 11.45 per cent of defaulters with 3.60 per cent share in overdues who resorted to non-repayment of loans in order to lead a luxurious life. This was followed by 9.92 per cent of defaulters with 7.77 per cent share in overdues who diverted the loans for celebrating marriages and performing other ceremonies within homes. For the purpose of reinvestment, 6.87 per cent of defaulters had overdues accounting for 6.25 per cent. It can be observed that 14.51 per cent of defaulters were unable to pay loan instalments because of failure of crops. Their share in overdues was 26.13 per cent. As a result of drought prone conditions prevailing in the district, 4.58 per cent of defaulters with 4.36 per cent share in overdues failed to repay loan dues. Natural calamities affect farmers more intensively as their farm size decreases.
2.4 **Factors affecting the overdues of agricultural loans**

Goyal and Pandey (1987) conducted a study on analyzing the factors affecting overdues of Primary Agricultural Cooperative Credit and Service Society in Hissar (Haryana). They noticed that delays in loan repayment influenced the amount outstanding; the relative importance of consumption expenditure in total household expenditure; and the number of income earners in relation to the household size. Reddy and Reddy (1988) carried out a case study of Guntur District Central Cooperative Bank, Andhra Pradesh to assess the loan repayment patterns among members. The indebted farmers were classified into farm size to know the responsible factor for non-repayment of loan. They noticed that non-repayment of loans was caused by a number of factors viz., crop failure (22.41%), natural calamities (8.52%), social consumption (10.45%), accumulation of debt (28.78%), poor health (6.74%), expenditure on education and decline in product prices (19.85%).

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complicated. Hence, farmers were unable to raise the security required by the cooperatives.

Anandam and Namasivayam (1988) studied the factors responsible for cooperative overdues among the farmers who were indebted to primary agricultural credit societies in Ramnad District of Tamil Nadu. Socio-economic variables hypothesized to have an influence on farmer's repayment patterns significantly were the level of education, size of holding, access to irrigation, caste affiliation, amount borrowed, principal activity of borrower, and age of borrower.

Reddy (1988) had conducted a study on causes of farm cooperative overdues in Guntur district. He found that the 32, 30 and 31 per cent of medium, small and marginal farmers were delinquent due to failure of crop production. Natural calamities affect the farmers more intensively as their farm size decreases. Price failure accounts for 29, 22 and 8 per cent of small, medium and marginal farmers being delinquent. Social consumption, health and education put together accounts for 26, 16 and 28 per cent of medium, small and marginal farmers falling into delinquency.

Reddy and Reddy (1990) observed the socio-economic factors influencing the repayment of loans to cooperatives in India. They noted that number of socio-economic characteristics of the borrower, such as caste,
literacy, individual status, political affiliation, size of landholding and occupation, magnitude of loan borrowed, earnings of family members, irrigation and cropping pattern were the possible reasons for non-repayment of loans and borrowers made himself defaulter. They suggested on the basis of empirical data analyzed that the occupation of borrowers, type of crop grown, political affiliation, individual status, caste, literacy, irrigation and experience were the important factors influencing the overdues of loans.

Balishter and Chauhan (1991) conducted study on factors affecting overdues of loans in agriculture in Uttar Pradesh. They noticed that the coefficient of multiple determination ($R^2$) indicated 84 per cent of the variation in the overdues as explained by the selected variables. Among the four independent variables, three were found to be statistically significant. These are dependency ratio, amount of loan put under non-productive uses and intensity of cropping. The dependency ratio and amount of loan put under non-productive uses had significant positive relationship, while intensity of cropping had significant negative relationship with overdues. They suggested that the measures for improvement in crop intensity and crop yields were also necessary to enhance the repaying capacity of the farmers. To reduce the overdues of the farmers particularly small farmers, steps
should be taken to increase their income by providing assistance to start subsidiary enterprises like dairy, poultry, cottage industries etc.

Jama and Kulundu (1992) reported that the compound growth rate of loan diversion, farm income, farmer's attitude towards loan repayment, proper use of purchase of farm inputs and source of income from farming activities were accounted in absolute term 69.75, 72.92, 12.75 and 15.76 per cent, respectively and found to have significant influence on loan repayment. However, loan granting (38.75%) to the farmer's and inadequate supervision (27.62%) had significant influence on loan diversion.

Sharma et al. (1995) assessed that the percentage of loan seekers was maximum under joint families with references to family consumption 38.87 per cent in illiterate followed by 13.32 in middle class with reference to education. The joint families utilize the crop loan for bonafide purpose as compared to individual families. Maximum percentage was observed for medium farms 61.67 per cent and under educational parameter maximum diversion was observed by middle pass followed by illiterate, above middle and primary pass. The primary pass farmers had utilized the loan properly as compared to others. They suggested that if all difficulties were solved by the banks or some others government
institution, officials, it could increase the chances of adoption pattern of study area which would help in improving the standard of living of the farmers by way of generating extra income of the farmers.

Bera and Santra (2001) conducted a study to determine the socio-economic factors responsible for overdues in PACs of West Bengal. They pointed out that almost all the sample farmers (92.75%) told that their low income was the main reason for the overdues. As many as 90 per cent of the total farmers made a complaint about the non-remunerative price of agricultural produce resulted in the accumulated overdues. More than 85 per cent of the farmers reported that crop failure due to natural calamities like drought was the main causes of overdues. About 35 per cent of the farmers were under impression that the Government will write off the loan. There were few farmers (17%) who did not repay the loans due to political patronage.

Singh et al. (2004) had made an attempt to analyze the availability, utilization and repayment of crop loan in District Central Cooperative Bank, Raipur of Chhattisgarh. They pointed out that nearly 82 per cent and 84 per cent of the actual requirement was available to the defaulter and non-defaulter categories of borrowers, respectively. Out of total amount of crop loan available to borrowers, defaulter category
took 44 per cent in cash and 56 per cent in kinds, whereas, it was reverse in case of non-defaulters. Findings were evidently envisaged that after deducting family and production expenses from total income, amount left for repayment of loan was Rs. 44655 and Rs. 2470 per hectare for defaulter and non-defaulter, respectively. It was observed that out of total number of registered members of DCCB, Mandir hasaod branch, 47 per cent of the non-defaulter groups and 60 per cent of the defaulter groups misutilized the crop loan and had diverted it for the consumption purpose.

Singh and Banafar (2005) concluded that majority of the respondents having small size of land holdings were prominent loan seekers. Thus, it is clear that respondent having small size land holdings, seeks loan from District Central cooperative bank for the purpose of crop loan. The amount demanded and amount sanctioned decrease with the increase in the size of holdings per acre of the area under paddy cultivation. The amount demanded of loan per acre was higher on small size groups (Rs. 1,920.92) and minimum on large size groups (Rs. 560.86). Average demanded of loan for paddy growers was Rs. 1,223.64 per acre. The credit gap was minimum in large farm size groups (12.02%) and maximum (31.27%) in marginal farm size groups. On an average the credit gap worked out 23.19 per cent. Average
amount borrowed was Rs. 1,692.31, while, repayment was only Rs. 250.30 i.e. 14.30 per cent. The recovery percentage was found to be the highest on small size groups i.e. 30.58 per cent, while, it was the lowest on medium size group of farmer 11.13 per cent and nil on large farm size groups. The study further revealed that more than 70.83 per cent farmers reported that the failure of crop was due to natural calamities, diversion of crop loan for consumption purpose was 55 per cent rank second, low price for farm produce 35.50 per cent ranked third.