

EVALUATION OF OVERDUES OF GDCCB LTD., TENALI, BASED ON EMPIRICAL EVIDENCE AND OPINION SURVEY

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Abstract: *The issue of mounting overdues is one of the critical factors affecting the financial soundness of institutional agencies of credit. This has been a chronic feature of co-operative finance at all levels and has been causing great concern because of growing loan business of the co-operative sector. Rising overdues adversely affect the liquidity of the co-operative credit agencies. Their dependence on the outside agencies increases eroding their financial health. Overdues measured in terms of demand are lower than in terms of loans outstanding for all levels of credit dispensation. The level of overdues measured in either terms is lower for the State than in the case of the country. Overdues to outstanding of Guntur District Central Co-operative Bank (GDCCB) have been steadily rising. However, its recovery performance (collections to demand) had been gradually improving in the last decade. Age-wise classification of overdues also indicates an improvement in the financial health of GDCCB. The incidence of overdues of sample societies is lower than that of their counterparts in the country. However, the incidence of defaulters is higher for medium term loans than those of short-term loans of the sample societies as in the case of the nation at large. There has been a gradual decrease in the level of overdues of short-term credit. The incidence of defaulting is higher in the case of large farmers compared to small.*

Key words: *Wilful defaulters, Non-wilful defaulters, Social consumption and Crop failure*

“A variety of factors influence the levels of, and the trends in, the overdues of co-operative credit institutions. Prominent among the commonly attributed causes for the deterioration in the recovery of co-operative dues are crop failures due to natural calamity, inadequate supervision, unsatisfactory management, unsound lending policies, default by the comparatively affluent groups of borrowers and economic and agricultural backwardness of the area served by the institutions”.

-RBI's Report of the Study Team on Overdues of Co-operative Credit Institutions, 1974

Institutional credit for the development of agriculture has made rapid strides over the last few years as noted in the Chapter IV. However, on the side of recovery of loans the performance of the co-operatives, as also the other institutional agencies has been rather dismal. The trend in the overdues of the GDCCB and its PACS has been presented in the preceding chapter. The high level of overdues restricts the capacity of the lending institutions to recycle funds, besides threatening the prospects of continued flow of external credit for agricultural development. In order to devise remedial measures for curtailing the overdues, it is necessary to identify the nature and causes thereof. At the institutional level high overdues are attributed to faulty lending and recovery procedures.¹ On the demand side of overdues the World Bank cites three major causes-the failure of farmers to use borrowed funds for production, the failure of the investment and the refusal to repay.² This chapter is concerned with an analysis of the causes of co-operative overdues from the demand side only.

SAMPLE DEFAULTERS:

Particulars of defaulters have been collected at two levels, namely, the society and the farm (defaulter). It has been already stated that the sample societies (25) spread over the three divisions of the district have been chosen to represent their population. From the records of these societies and from prolonged discussions with the office-bearers of these societies and from prolonged discussions

with the office-bears of these societies certain details have been gathered pertaining to default and the causes thereof. Data collected from 192 defaulters of sample PACS form the basis of analysis in the subsequent section. Presently, the causes of overdues with reference to data culled out from the records of sample societies can be analyzed.

One of the factors responsible for the poor recovery performance has been the domination of the societies by a few large farmers and the upper strata of the rural society namely, the forward castes. It has been repeatedly held in the literature that these economically powerful, socially dominant and politically influential groups dominate the rural power structure. Rural co-operatives form part of this power structure and are said to influence the flow of credit as well as its repayment. Table 1 presents particulars relating to the composition of governing bodies of sample societies.

TABLE 1: Size-wise Composition of Governing Bodies

Size groups	Number	Percentage
Large	29	12
Medium	61	24
Small	65	26
Marginal	95	38
Total	250	100

Source: Sample Data.

Large farmers account for proportionately greater share (12%) in the governing bodies of sample societies. Together with medium farmers they account for 36 per cent of the governing body while small and marginal farmers account for the rest 64 per cent. Although the small and marginal farmers are numerically large their voice in the affairs of the PACS seems to be minimal due to limited stake they have as revealed by their borrowings. The following Table gives particulars of caste composition of governing bodies of sample societies.

TABLE 2: Caste Composition of Governing Bodies

Caste	Number	Percentage
Forward Castes	140	54
Backward Castes	45	18
Scheduled Castes	49	20
Scheduled Tribes	16	8
Total	250	100

Source: Sample Data.

The above Table points out that forward castes account for 54 per cent while other castes (SCs, STs and BCs) 46 per cent, Caste domination is an important feature of co-operative governance in the sample PACS of Guntur district.

A defaulter may be defined as one who does not repay his dues within the time stipulated for repayment. Defaulters are usually classified into wilful and non-wilful based on their capacity to repay the loan. Capacity to repay is measured in a variety of ways. For the present purpose, capacity to repay is measured in terms of the difference between total income and total expenditure. Households with surplus income exceeding the loan are treated as wilful defaulters and others non-wilful defaulters. The Table 3 sets out the relevant particulars in this regard.

TABLE 3: Wilful and Non-wilful defaulters of Sample PACS

Size groups	Wilful defaulters	Percentage to total wilful defaulters	Non-wilful defaulters	Percentage to total Non-wilful defaulters
Large	134	12.0	-	-
Medium	419	37.0	53	7.0
Small	413	36.0	330	46.0
Marginal	168	15.0	332	47.0
Total	1,134	100.0	715	100.0

Source: Sample Data.

Of the 1,849 defaulters 1,134 of or 61 per cent are wilful defaulters. Wilful defaulters are distributed among all size groups of farmers though there is a concentration of their numbers in medium and small farmers. Non-wilful defaulters are concentrated in small and marginal farmers. Large farmers do not enter the scene of non-wilful defaulters. The data lends credence to the view that defective agrarian structure i.e., agrarian system with a preponderance of small and marginal holdings does not generate an adequate surplus to enable them to discharge their credit obligations.

The causes of non-wilful default are varied ranging from factors such as infraction investments, natural calamities, adverse terms of trade for agriculture and personal calamities. Table 4 sets out the relevant particulars in this regard.

TABLE 4: Causes of Wilful Default

Sl. No.	Item	Medium farmers	Percentage to total	Small farmers	Percentage to total	Marginal farmers	Percentage to total
1.	Crop failure	19	32.0	87	30.0	113	31.0
2.	Natural calamities	9	15.0	51	17.0	78	22.0
3.	Social consumption	11	19.0	32	11.0	85	23.0
4.	Accumulated debt	3	5.0	22	8.0	40	11.0
5.	Health and education	4	7.0	15	5.0	18	5.0
6.	Price failure, etc.	13	22.0	86	29.0	29	8.0
	Total	59	100.0	293	100.0	363	100.0

Source: Sample Data.

Of the 715 non-wilful defaulters, 51 per cent, 41 per cent, and 8 per cent belong to marginal, small and medium farmers respectively. 32 per cent, 30 per cent and 31 per cent of medium, small and marginal farmers are delinquent due to failure of crop production. Natural calamities affect the farmers more intensively as their farm size decreases.

So also is the case with the burden of accumulated debt. Price failure accounts for 29 per cent, 22 per cent and 8 per cent of small, medium and marginal farmers being delinquent. Social consumption, health and education put together accounts for 26 per cent, 16 per cent and 28 per cent of medium, small and marginal farmers falling into delinquency.

Diversion of credit is one of the ubiquitous features of co-operative farm credit. At the farm level, for example many credit projects treat loans as if they were production inputs, ignoring the fact that a unit of borrowed money is identical to other units of money held by the borrower. Even if a loan is given in kind such as bags of fertilizers and pesticides as in the case of sample PACS, the goods provided can generally be sold and converted into cash if the borrower desires. For all practical purposes, loans in kind or in cash can be used to buy any good or service available to the borrower in the market.³ An effective supervision over the use of credit may minimize its diversion. Diversion is a more extreme form of substitution of credit and it occurs even in well-administered programmes. Because of fungibility, finance is difficult to control. Direct attempts to gain control often fail to achieve stated objectives and generally have unexpected secondary effects. The best intervention is often indirect. Various experiences suggest that many Rural Financial Markets (RFMs) might respond favorably to flexible interest rate policies, especially when supported by other measures designed to increase competition in the provision of finance. This approach accommodates fungibility and encourages resource re-allocation by enabling financial markets to function more efficiently.⁴ However, RFMs in developing countries, as noted in Chapter III are characterized by dichotomy on the supply side and fragmentation on the demand side leading to the stranglehold of monopoly and oligopolistic elements rather than competition and efficiency. The Table 5 gives the information relating to diversion of credit by defaulters of sample societies.

TABLE 5: Diversion of Credit by Defaulters

Size Groups	Number of farmers	Percentage to total farmers	Diversion of credit (Rs.)	Percentage to total credit
Large	60	14.0	7,31,073	26.0
Medium	115	28.0	9,56,018	34.0
Small	125	30.0	6,46,718	23.0
Marginal	118	28.0	4,78,010	17.0
Total	418	100.0	28,11,819	100.0

Source: Sample Data.

Of the 1,849 defaulters 418 defaulters divert credit in varying degrees. Such defaulters constitute 23 per cent and are distributed among all size groups of farmers. The amount of credit diverted, though unequally distributed is concentrated at the level of large and medium farmers.

CAUSES OF DEFAULT AT FARM LEVEL:

With a view to exploring the causes of default at the farm level a sample of 192 defaulters has been selected on a stratified random basis for an in depth investigation. The Table 6 presents the distribution of sample across size groups and divisions.

TABLE 6: Distribution of Defaulters by size Groups and Regions

Size group (Acres)	Tenali	Guntur	Narasaraopet	Total	Percentage to total
Large (10 and above)	6	10	24	40	21.0
Medium (5-10)	11	10	27	48	25.0
Small (2.5-5.0)	15	10	26	51	26.0
Marginal (less than 2.5)	16	10	27	53	28.0
Total	48	40	104	192	100.0

Source: Sample Data.

From each sample society 8 defaulters (2 from large, 2 from medium, 2 from small and 2 from marginal) have been chosen. As there are no large farmer defaulters in four societies, 3 small

farmers and 5 marginal farmers were substituted. For 25 societies, a sample of 192 defaulters is arrived at in the entire sample the percentages of the large, medium, small and marginal farmers are 21, 25, 26 and 28 respectively. 25 per cent, 21 per cent and 54 per cent of the defaulters are distributed over the sample PACS of Tenali, Guntur and Narasaraopet divisions of the district.

An idea of the asset level and structure provides an insight into the economy of the defaulters. Table 7 provides the information in this regard.

TABLE 7: Asset Structure of Defaulter Households *(in Rupees)*

Item	Tenali	Guntur	Narasaraopet	Total
Land	61,88,800(60.0)	34,22,000(71.0)	93,60,000(78.0)	1,89,70,800(70.0)
Livestock	1,31,200(1.0)	1,03,780(2.0)	3,65,450(3.0)	6,00,430(2.0)
Farm Machinery	84,900(1.0)	1,58,950(4.0)	2,48,550(2.0)	4,92,400(2.0)
Buildings	11,13,000(11.0)	8,75,000(18.0)	16,62,200(14.0)	36,50,200(13.0)
Financial and other assets	28,34,400(27.0)	2,42,500(5.0)	3,61,500(3.0)	34,38,400(13.0)
Total	1,03,52,300(100.0)	48,02,230(100.0)	11,97,700(100.0)	2,71,52,230(100.0)

Note: Percentages in parentheses.

Source: Sample Data.

Land accounts for 70 per cent of the assets of defaulter households followed by buildings (13%) and financial and other assets (13%). Livestock and farm machinery have a share of only 2 per cent each. These two components constitute an important segment of farm investment. The low level of farm investment and its composition is a reflection of the inadequacy of capital formation and its dualistic pattern. There is a considerable variation in the level of financial development among the three regions as indicated by the share of financial and other assets among the defaulter households of Tenali division (27%), Guntur division (5%) and Narasaraopet division (3%). In terms of other assets the variation between different divisions is rather limited.

The distribution of sample defaulter (192) into wilful and non-wilful, region-wise and category-wise is presented in the Table 8.

TABLE 8: Character of Sample Defaulters

Size Group	Tenali		Guntur		Narasaraopet		Total	
	Wilful defaulters	Non-wilful defaulters						
Large	5(26)	1(3)	4(44)	6(19)	14(34)	10(16)	23(33)	17(14)
Medium	8(42)	2(7)	3(33)	7(23)	12(29)	15(24)	23(33)	24(20)
Small	5(26)	11(38)	2(23)	8(26)	9(22)	17(27)	16(23)	35(28)
Marginal	1(6)	15(52)	-	10(32)	6(15)	21(33)	7(11)	47(38)
Total	19(100)	29(100)	9(100)	31(100)	41(100)	63(100)	69(100)	123(100)

Source: Sample Data.

For the sample as a whole, 69 are wilful defaulters constituting 36 per cent. However, there is a significant difference between them across divisions - Tenali (28%), Guntur (13%) and Narasaraopet (59%). The proportion of wilful defaulters among the different size groups of farmers also varies widely. There is a positive relationship between size of holding and wilful default. The correlation co-efficient is 0.911, 0.886 and 0.392 in Tenali, Guntur and Narasaraopet divisions respectively. ANOVA has been used to test whether there is a significant variation in the distribution of wilful defaulters between the three regions and the results are presented in Table 9.

TABLE 9: ANOVA Results

Source of variation	d.f	Sum of squares	Mean of squares	F. value
σ^2 Between	2	104.68181	52.340905	26.1025*
σ^2 Within	8	16.041665	2.0052082	

*Significant at 5 per cent and 1 per cent level.
 H_0 rejected.

As the calculated value is more than the table value at 5 per cent and 1 per cent level of significance the null hypothesis namely that there is no significant difference in the wilful defaulters of different size groups in between the sample divisions is rejected and the alternative hypothesis is accepted.

The volume of default by wilful and non-wilful defaulters is indicated in Table 10.

TABLE 10: Extent of Default—Division-wise

(Amount in Rs.)

Class	Tenali				Guntur				Narasaraopet				Total amount defaulted	
	W.D	Amt. deftd.	N.D.	Amt. deftd.	W.D.	Amt. deftd.	N.D.	Amt. deftd.	W.D.	Amt. deftd.	N.D.	Amt. deftd.	W.D.	N.D.
Large	5	33,028	1	6,000	4	20,000	6	45,000	14	45,200	10	40,980	99,028	92,880
Medium	8	37,748	2	8,150	3	1,200	7	31,800	12	33,900	15	43,492	72,848	83,442
Small	5	12,608	11	37,890	2	6,600	8	20,950	9	12,260	17	48,335	31,468	1,07,175
Marginal	1	1,500	15	17,776	-	-	10	16,627	6	7,550	21	32,550	9,050	66,953
Total	19	84,884	29	69,816	9	28,600	31	1,15,277	41	98,910	63	1,65,357	2,12,394	3,50,450
Average		4,468		2,407		3,178		3,719		2,412		2,625		

W.D.= Wilful Defaulter. Amt. deftd. = Amount defaulted.

N.D.= Non-wilful Defaulter.

Source: Sample Data.

The average quantum of default is different for the divisions as well as category of default is different for the divisions as well as category of defaulters. In Tenali division the average amount for wilful and non-wilful defaulter is Rs. 4,468 and Rs. 2,407 respectively. In Guntur and Narasaraopet divisions, they are Rs. 3,178 and Rs. 3,719 and Rs. 2,412 and Rs. 2,625 respectively.

The dispersion of the amount defaulted among the size groups of farmers as measured by S.D. and C.V. are shown in the Table 11.

TABLE 11: Variation in Wilful and Non-wilful Defaulters.

	Tenali		Guntur		Narasaraopet	
	W.D.	N.D.	W.D.	N.D.	W.D.	N.D.
S.D.	423	2062	2093	2319	2198	871
C.V.	0.97	0.86	0.66	0.62	0.91	0.33

W.D.= Wilful Defaulter, N.D.= Non-wilful defaulter.

Source: Sample Data.

It is observed that there is very large variation among the wilful defaulters of Tenali division and very little variation among the non-wilful defaulters of Narasaraopet division.

The relationship between cropping pattern and defaulters is shown in the Table 12

TABLE 12: Cropping Pattern of Sample Defaulters

Crops	Tenali		Guntur		Narasaraopet		Total	
	W.D.	N.D.	W.D.	N.D.	W.D.	N.D.	W.D.	N.D.
Food crops	13	21	-	2	31	51	44	76
Non-food crops	6	8	9	29	10	12	25	47
Total	19	29	9	31	41	63	69	123

W.D.= Wilful Defaulter, N.D.= Non-wilful defaulter.

Source: Sample Data.

It can be noted that nearly two-thirds of defaulters, wilful as well as non-wilful among the samples raise food crops. Therefore, the incidence of default among the growers of food crops is greater than among the growers of non-food crops. However, the samples of Guntur division do not corroborate the general situation, as almost all defaulters belong to the category of non-food growers. Further details of cropping pattern by size groups are presented in Table 15.

The link between the size of the household and default is obvious as the size of the farmer influences household expenditure and thereby his ability to repay. The particulars of family size and default are provided in the following Table.

TABLE 13: Household Size of Sample Defaulters

Members	Tenali		Guntur		Narasaraopet		Total	
	W.D.	N.D.	W.D.	N.D.	W.D.	N.D.	W.D.	N.D.
5 & below	10	17	1	13	12	17	23	47
Above 6	9	12	8	18	29	46	46	76
Total	19	29	9	31	41	63	69	123

W.D.= Wilful Defaulter, N.D.= Non-wilful defaulter.

Source: Sample Data.

It can be disclosed that about one-third of the defaulters belong to households with less than 5 or more than 5 members. Therefore, the incidence of default is higher (two-thirds) on household with a population above six members. However, the incidence of default both wilful and Non-wilful is higher on small households in Tenali division.

The occupational background and the extent of default are examined with the help of the data presented in Table 14.

TABLE 14: Occupation and Defaulters

Type of defaulters	Tenali		Guntur		Narasaraopet		Total	
	W.D.	N.D.	W.D.	N.D.	W.D.	N.D.	W.D.	N.D.
Defaulters who mainly Depend on Cultivation	12	18	7	20	27	49	46	87
Defaulters who do not Depend Mainly on Cultivation	7	11	2	11	14	14	23	36
Total	19	29	9	31	41	63	69	123

W.D.= Wilful Defaulter, N.D.= Non-wilful defaulter.

Source: Sample Data.

The relationship between occupation and default is rather explicit in the sense that households, which depend mainly on agriculture, have a higher incidence of default (above two-thirds in both wilful and unwilful). Agricultural households, which have developed subsidiary pursuits such as dairy, poultry, have lower incidence of default in all the divisions.

The Table 15 reveals distribution of area under food crops and non-food crops among sample holdings.

It is obvious that there is a positive correlation between farm size and non-food crops grown, the correlation coefficient for Tenali, Guntur and Narasaraopet samples works out to 0.96, 0.99 and 0.98 (in Tenali, Guntur and Narasaraopet divisions) respectively. This is a species of the genus of farm size and cropping pattern observed in capitalist agriculture everywhere. In fact, it may be treated as a manifestation of capitalist penetration in Guntur agriculture.

TABLE 15: Distribution of Area under food and Non-food Crops among sample Holdings: 2005-06
(in Acres)

Class	Tenali			Guntur			Narasaraopet		
	Cropped Area	Food Crops	Non-food crops	Cropped Area	Food crops	Non-food Crops	Cropped Area	Food crops	Non-food crops
Large	100.46 (38.0)	70.46 (36.0)	30.0 (45.0)	154.80 (55.0)	17.30 (46.0)	137.50 (56.0)	384.65 (52.0)	218.15 (45.0)	166.50 (65.0)
Medium	77.01 (29.0)	55.74 (28.0)	21.27 (32.0)	71.50 (25.0)	10.00 (27.0)	61.50 (26.0)	198.67 (27.0)	144.42 (30.0)	54.25 (21.0)
Small	63.25 (24.0)	52.25 (26.0)	11.00 (16.0)	37.00 (13.0)	4.50 (12.0)	32.50 (13.0)	99.32 (14.0)	77.92 (17.0)	21.40 (8.0)
Marginal	24.46 (9.0)	19.91 (10.0)	4.55 (7.0)	18.30 (7.0)	5.66 (15.0)	12.64 (5.0)	54.50 (7.0)	39.25 (8.0)	15.25 (6.0)

Total	265.18 (100.0)	198.36 (100.0)	66.82 (100.0)	281.60 (100.0)	37.46 (100.0)	244.14 (100.0)	737.14 (100.0)	479.14 (100.0)	257.40 (100.0)
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Note: Percentage in parentheses

Source: Sample Data.

One of the reasons attributed to poor recovery of co-operative credit is the relationship between the defaulters and the members of the managing committee. The particulars in regard to the sample are stated in the Table 16.

TABLE: 16: Sample Defaulters and their Relationship with Managing Committee

Defaulters	Tenali	Guntur	Narasaraopet	Total
Related to the Managing committee	14	11	17	42
Not Related to the Managing Committee	34	29	87	150
Total	48	40	104	192

Source: Sample Data.

The relationship between defaulters and the members of the managing committee, which is presented in the Table 16, is the blood relationship near or distant. For the sample as a whole it is only 22 per cent and between the different divisions, it ranges in between 16 and 29 per cent. Hence it may be inferred that it operates on an average in one out of 5 defaulters only.

EXTENT OF DIVERSION:

Division-wise and holding-wise is indicated in the Table 17.

TABLE 17 Size of Holdings and Diversion of Credit

Size of farm	Tenali		Guntur		Narasaraopet		Total	
	D	N.D.	D	N.D.	D	N.D.	D	N.D.
Large	6	-	7	3	23	1	36	4
Medium	10	1	6	4	20	7	36	12
Small	13	2	4	6	10	16	27	34
Marginal	6	10	2	8	4	23	12	41
Total	35	13	19	21	57	47	111	81

D = Diverters; N.D. = Non-diverters

Source: Sample Data.

The striking feature of the data given in the Table 17 is the high incidence of diversion among all size groups of farmers among the samples. Division-wise, Tenali holds the first rank (73) followed by Guntur (48) and Narasaraopet (46). For the sample as a whole. Diverters account for 58 per cent. The high incidence of diversion of co-operative credit leads to delinquency and therefore, the accumulation of overdues.

The relationship between literacy and default is one of the controversial areas in the literature on co-operative credit and its management in the case the present sample, these particulars are stated in the following table 18.

TABLE 18 Defaulters by Level of Education

Class	Tenali		Guntur		Narasaraopet		Total	
	D	W.D.	D	W.D.	D	W.D.	D	N.D.

Illiterate	8	6	7	3	34	13	49	22
Primary	9	3	15	4	16	14	40	21
Secondary	7	4	7	2	8	10	22	16
College	5	4	2	-	5	3	12	7
Postgraduate	-	2	-	-	-	1	-	3
Total	29	19	31	9	63	41	123	69

D = Defaulter; W.D. = Wilful-defaulter

Source: Sample Data.

63 per cent of the defaulters are literate while the rest are illiterate. Among the wilful defaulters 68 per cent are literate whereas among the unwilful 60 per cent are literate. Literate defaulters both wilful and unwilful are concentrated at the primary and secondary level of education. There are however, variations in the distribution of literate and illiterate defaulters between the three regions.

It is not fair to emphasize the relationship between literacy and default as the farmer itself is a dependent variable influenced by several socio-economic factors.

Crop loan delinquency is a function of a multiplicity of variables analyzed in terms of certain socio-economic and attitudinal factors in the preceding sections. The data collected from the sample investigation regarding the defaulters has been summarized in the Table 19 in terms of six categories following the model of Nimal Sanderatne.⁵

TABLE 19: Categories of Defaulters

Sl. No.	Category of defaulter	Defaulters	Percentage of defaulters to total	Loans Rs.	Percentage of loans to total
1	Defects in farm Production	22	11.0	73,160	13.0
2	Variability in incomes	55	29.0	1,44,768	25.0
3	Defects in the credit Organization	34	18.0	1,06,358	19.0
4	Attitudinal conditions	8	4.0	22,248	4.0
5	Misallocation	62	32.0	1,68,617	30.0
6	Miscellaneous	11	6.0	52,250	9.0
	Total	192	100.0	5,67,411	100.0

Source: Sample Data

Defects in farm organization account for 11 per cent of defaulters and 13 per cent of the loan is defaulted. Small and marginal farmers with inadequate access to farm inputs and extension services come under this group. Their income is meagre to meet their subsistence needs rather than the repayment of loans. Variability in incomes caused by crop failure or price failure accounts for 29 per cent of the defaulters involving 25 per cent of the amount defaulted. The agricultural year 2005-06 which forms the reference year of the present investigation witnessed floods to Nallamada river inundating standing crops in Tenali area and due to lack of water supply at tail-ends and parts of Nagarjuna Sagar Canal (N.S.Canal) in Guntur division were also adversely affected. The farmers' tendency not to accept responsibility for the delinquency but to throw the blame on natural calamities under market failures is a common experience. But in view of the incidents cited and the observations made in the field visits the tenacity of the farmers argument cannot be assailed. Defects in credit organization account for 18 per cent of defaulting borrowers with 19 per cent of the amount defaulted. Although there is a full-time secretary attached to every sample society, he is not able to

exercise much control over the supervision and collection of loans on time. The members of the managing committee being lethargic, hardly evince any interest in the prompt recovery of loans. The low paid secretary is pleased to collect a few chips from the defaulters and tutoring them the tricks of defaulting rather than recovering of loans. We have already noted the extent of relationship between the defaulters and the managing committee, which also contributes to this phenomenon. Fortunately, unfavourable attitudinal conditions are minimal as only 4 per cent of defaulters involving the same percentage of amount feel no obligation to repay. This is a sign of strength for the future of co-operative loan recovery programme.

Misallocation, an aspect of diversion accounts for merely one-third of defaulters and 30 per cent of the volume of default. The defaulters had used the money for unauthorized expenditures such as expenses connected with illness, death or legal, ceremonial expenditure, settlement of debts from other sources involving high rates of interest or for other activities which were either not profitable or illiquid. Other reasons not easily categorized under the foregoing heads account for 6 per cent of defaulters and 9 per cent of defaults. They include malpractices of co-operative officials and political interference. Misallocation and miscellaneous together account for 38 per cent of defaulters and 39 per cent of default.

CONCLUSION:

The causes of co-operative overdues are quite complex and are classified in a plethora of ways. The present undertaking is concerned with an explanation of causes of co-operative overdues at the level of the society and the defaulter. At society level data are collected from the records of 24 sample societies which reveals that 39 per cent are wilful defaulters while 23 per cent are diverters. Among the reputed causes of delinquency by non-wilful defaulters failure of harvest, social consumption (misallocation) and natural calamities figure prominently. Large and medium farmers mostly belonging to forward castes dominate the governance of the sample PACS.

Of the 192 sample defaulters 36 per cent are wilful defaulters. There is a significant variation in the level of default between different size groups of farmers and between regions (divisions). The incidence of defaulters is more among growers of food crops rather than non-food crops households. Nearly two-thirds of the defaulters have agriculture as their main occupation. Social consumption and crop failure are the major factors affecting the delinquency of non-wilful defaulters. 63 per cent of the defaulters are literate. Attitudinal factors relating to the willingness to repay are quite favorable among the samples. Misallocation, variability in incomes and defects in credit organization may be cited as the crucial factors accounting for delinquency among the sample defaulters.

NOTES & REFERENCES

1. The literature on overdues emphasizing the deficiencies on the supply side is plentiful. The following may be cited as a sample:
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- Kalyankar, S.P., Rajmane, K.D. *et. al.*, Wilful Default in Loans of Co-operatives, *Indian Co-operative Review*, October 2018, p. 168.
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2. Nimal Sanderatne, *op. cit.*, p. 184.
 3. Pischke, J.D.V. and Adams, D.W., “Fungibility and the Design and Evaluation of Agricultural Credit Projects” *The Rural Financial Markets in Developing Countries* (Ed) J.D. Von Pischke, *et. al.*, Hopkins, 2018, p. 75.
 4. *Ibid.*, p. 83.
 5. Nimal Sanderatne, *op. cit.*, p. 187.