

# A STUDY ON CROP LOAN OVERDUES AND NONPAYMENT FACTORS OF FARMERS IN PRIMARY AGRICULTURAL COOPERATIVE CREDIT SOCIETIES IN THIRUVANNAMALAI DISTRICT, TAMILNADU, INDIA.

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**ABSTRACT** : Agricultural credit is one of the most crucial inputs in all agricultural development programmes. Since independence, a multi agency approach consisting of cooperatives, commercial banks and regional rural banks-known as institutional credit has been adopted to provide cheaper and adequate credit to farmers. A co-operative is a form of organisation that is widely prevalent in developing countries including India. It has great potential as an instrument of rural development. Primary Agricultural Cooperative Credit Societies (PACCSs) were assigned the role of providing agricultural credit to farmers, mainly short term , medium term and jewel loans to the rural people All the base level societies are affiliated to District Central Cooperative Banks (DCCB) at the district level, which in turn, are affiliated to State Co-operative Banks (SCB) at the State level.more than 121 million members in 2010-2011. Over the years, the profitability of PACCs has been declining and their net worth has been erode.

**Keywords:** overdues , nonpayment, primary agricultural cooperative credit society, Institutional Arrangements.loan.

## **Introduction**

The agricultural sector of India has grown up since independence but after green revaluation in agriculture got an express speed for its development. Upto mid-sixties, owing to various constraints, not only low value crops were dominating in the cropping pattern but production and productivity of crops were also very low.The situation has totally changed after the introduction of Green Revolution in Indian agriculture, which was introduced during the mid-sixties.Though there are so many problems arise in agriculture after independence. Like water resources was very limited, seed qualities was not good, availability of fertilizer was less than the requirement etc. but after green revolution impression of those main problems was decreasing by plan by plan.On the basis of farmers' background of economy no one will be ready for to provide the credit. Because there is no surety of repay the loan by the farmer,because the income from agriculture is not guarantee of farmer. In this situation farmer can get the credit from the primary agricultural co-operative credit society.These societies are working for farmer, by the farmer. In 1912, the Co-operative Societies Act was enacted which permitted the registration of non-credit cooperative societies as well. These societies are affiliated by the District Co-operative Central banks. And the district Central co-operative banks are affiliated by the State Co-operative banks. Primary agriculture co-operative credit societies are providing the short and medium term loans for the farming purposes.

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rural banks-known as institutional credit has been adopted to provide cheaper and adequate credit to farmers. A co-operative is a form of organisation that is widely prevalent in developing countries including India. It has great potential as an instrument of rural development. Primary Agricultural Cooperative Credit Societies (PACCSs) were assigned the role of providing agricultural credit to farmers, mainly short term, medium term and jewel loans to the rural people and meet the financial requirements of them. All the base level societies are affiliated to District Central Cooperative Banks (DCCB) at the district level, which in turn, are affiliated to State Co-operative Banks (SCB) at the State level. more than 121million members in 2010-11.

## **Credit Co-operatives and Banks**

Credit co-operatives and co-operative banks are the oldest and most numerous of all the types of co-operatives in India. The co-operative credit system in India is comprised of the Short Term (ST), or Production Credit structure and the Long Term (LT), or Investment Credit structure. The ST structure has at its base the Primary Agricultural Cooperative Credit Societies (PACCS), the Farmers Service Societies (FSS), and Large-sized Adivasi Multipurpose Societies (LAMPS) in tribal areas. All the base level societies are affiliated to District Central Cooperative Banks (DCCB) at the district level, which in turn, are affiliated to State Co-operative Banks (SCB) at the State level. As on March 31, 1998, there were 92,000 PACCS, 367 DCCB, and 28 SCB in India purveying short-term and medium/long-term rural credit. The smaller States and the Union Territories had a two-tier structure whereas the larger States had a three-tier structure. In the two-tier structure, the credit requirements of PACCS are directly met by SCBs. As in March 1998, the LT structure consisted of 19 State Cooperative Agriculture and Rural Development Banks (SCARDB) of which 11 had federal/mixed structure with 745 Primary Cooperative Agriculture and Rural Development Banks (PCARDBs) and 8 had unitary structure with 1500 branches (NABARD 1999).

## **Objectives**

1. To examine the agricultural credit over dues in the selected primary agricultural cooperative credit societies in Thiruvannamalai district Tamilnadu during the period 2001-2002 to 2011-2012
2. To identify the economic factors and administrative factors towards non payment of agricultural credit.

## **Methodology**

This study makes a special attention on crop loan over dues of farmers who have borrowed crop loan from the primary agricultural cooperative credit societies in Thiruvannamalai district Tamilnadu during the period 2001-2002 to 2011-2012. The above aspects of analysis could be carried out on the basis of secondary data analysis and various factors towards nonpayment of credit could be also identified under exploratory research framework.

## **Data analysis**

The collected data are classified and tabulated with the help of computer programming. The secondary data analysis relating to primary agricultural cooperative credit societies has been carried out with Co-efficient variation analysis to show the fluctuation with respect to over dues. The primary data analysis is carried out with the help of independent variables of farmers and economic factors, administrative factors, towards non payment of agricultural credit.

**Table -1. Details of the over dues of short term loans  
(Rs. In lakhs)**

Year	kalasappakkam		Thanrampattu	
	Amount	No.of defaulters	Amount	No.of defaulters
2001-2002	18.30	43	20.90	137
2002-2003	19.80	53	27.37	165
2003-2004	19.10	49	N.A.	162
2004-2005	20.20	57	19.42	N.A.
2005-2006	21.90	67	N.A.	94
2006-2007	22.90	73	3.35	N.A.
2007-2008	22.74	72	18.43	24
2008-2009	28.86	86	7.23	112
2009-2010	33.76	99	3.37	46
2010-2011	37.86	103	N.A.	12
2011-2012	28.87	97	N.A.	N.A.
2012-2013	N.A.	N.A.	N.A.	N.A.
CV	26.02	29.17	66.79	64.54
Growth rate	4.23	7.68	-18.35	-21.61

NOTE: N.A.Not Available, Source: PACCS in Thiruvannamalai DT.

The above table presents data on the details of the over dues of short term loans. It could be noted that the overdue level of short term loan provided by the primary agricultural cooperative credit society at Kalasappakkam block was Rs.18.30 lakhs in 2001-2002 and it rose to Rs.28.87 lakhs in 2011-2012, indicating a 4.23 per cent annual growth during the period. The number of defaulters of short term loan provided by the primary agricultural cooperative credit society at Kalasappakkam block was 43 in 2001-2002 and it rose to 97 in 2011-2012, indicating a 7.68 per cent annual growth during the period. The overdue level of short term loan provided by the primary agricultural cooperative credit society at Thanrampattu block was Rs.20.90 lakhs in 2001-2002 and it declined to Rs.3.37 lakhs in 2009-2010, indicating a 18.35 per cent annual shortfall during the period. The number of defaulters of short term loan provided by the primary agricultural cooperative credit society at Thanrampattu block was 137 in 2001-2002 and it declined to 46 in 2009-2010, indicating a 21.61 per cent annual shortfall during the period.

It could be seen clearly from the above discussion that the overdue level of term loan is estimated at 28.87 lakhs with 97 defaulters in 2011-2012 in the primary agricultural cooperative credit society at Kalasappakkam block. However, the overdue of level short term loan is estimated at 3.37 lakhs with 46 defaulters in the primary agricultural cooperative credit society at Thanrampattu block in 2009-2010. The overdue level and number of defaulters are not reported since 2010-2011 in the primary agricultural cooperative credit society at Thanrampattu block.

**Table 2- Details of the over dues of Medium term loans  
(Rs. In lakhs)**

Years	kalasappakkam		Thanrampattu	
	Amount	No .of defaulters	Amount	No .of defaulters
2001 -2002	0.99	1	13.67	162

2002 -2003	23.27	4	13.20	146
2003 -2004	31.07	6	11.94	128
2004 -2005	21.70	6	10.42	105
2005 -2006	22.30	N.A.	4.82	39
2006 -2007	22.80	N.A.	4.82	39
2007 -2008	13.22	4	4.66	38
2008 -2009	13.21	4	4.78	39
2009 -2010	28.76	N.A.	2.49	16
2010 -2011	31.26	5	1.63	14
2011 -2012	38.05	7	1.63	14
2012 -2013	N.A.	N.A.	N.A.	N.A.
CV	46.08	39.93	74.06	89.06
<b>Growth rate</b>	<b>39.34</b>	<b>19.34</b>	<b>-17.58</b>	<b>-19.96</b>

NOTE: N.A.Not Available Source:PACCS in Thiruvannamalai DT

The table presents data on the details of the over dues of medium term loans. It could be noted that the overdue level of medium term loan provided by the primary agricultural cooperative credit society at Kalasappakkam block was Rs.0.99 lakhs in 2001-2002 and it rose to Rs.38.05 lakhs in 2011-2012, indicating a 39.34 per cent annual growth during the period. The number of defaulters of medium term loan provided by the primary agricultural cooperative credit society at Kalasappakkam block was 1 in 2001-2002 and it rose to 7 in 2011-2012, indicating a 19.35 per cent annual growth during the period. The overdue level of medium term loan provided by the primary agricultural cooperative credit society at Thanrampattu block was Rs.13.67 lakhs in 2001-2002 and it declined to Rs.1.63 lakhs in 2009-2010, indicating a 17.58 per cent annual shortfall during the period. In general the performance primary agricultural cooperative credit society at Kalasappakkam block in terms of recovery of medium term loan.

**Table 3- Details of the over dues of Jewel loans  
(Rs. In lakhs)**

Years	Kalasappakkam		Thanrampattu	
	Amount	No. of defaulters	Amount	No. of defaulters
2001-02	1.08	5	N.A.	N.A.
2002-03	1.10	6	3.85	18
2003-04	N.A.	N.A.	0.93	4
2004-05	2.90	18	2.95	34
2005-06	N.A.	N.A.	N.A.	N.A.
2006-07	N.A.	N.A.	N.A.	N.A.
2007-08	0.32	15	5.87	26
2008-09	N.A.	N.A.	6.11	21
2009-10	N.A.	N.A.	N.A.	N.A.
2010-11	26.75	41	2.73	7
2011-12	35.86	56	N.A.	N.A.
CV	299.96	144.68	909.09	185.45
<b>Growth rate</b>	<b>37.50</b>	<b>24.56</b>	<b>-3.75</b>	<b>-9.96</b>

NOTE: N.A.Not Available. Source: PACCS in Thiruvannamalai DT

Table -3 It could be seen clearly from the above discussion that the overdue level of Jewel loans is estimated at 35.86 lakhs with 56 defaulters in 2011-2012 in the primary agricultural cooperative credit society at Kalasappakkam block. However the overdue level Jewel loans is estimated at 2.73 lakhs with 7 defaulters in the primary agricultural cooperative credit society at Thanrampattu block in 2010-2011. In

general the performance of the primary agricultural cooperative credit society at Thanrampattu block is better than the primary agricultural cooperative credit society at Kalasappakkam block in terms of recovery of Jewel loans. The overdue level of Jewel loans provided by the primary agricultural cooperative credit society at Thanrampattu block was Rs.3.85 lakhs in 2002-2003 and it declined to Rs.2.73 lakhs in 2010-2011, indicating a 3.75 per cent annual shortfall during the period. The number of defaulters of Jewel loans provided by the primary agricultural cooperative credit society at Thanrampattu block was 18 in 2002-2003 and it declined to 7 in 2009-2010, indicating a 9.96 per cent annual shortfall during the period.

**Table 4- Blockwise respondents economic reasons for nonpayment of co-operative bank credit**

Variables	Kalasappakkam	Thanrampattu	Mean
Low yield revenue	2.82	2.37	2.60
Complete failure of crop	3.30	3.00	3.16
High cost of cultivation	3.49	3.01	3.25
Rise in cost of living and increased consumption	2.91	2.59	2.75
Absence of other sources of income	3.22	2.98	3.10
Low price for produce	2.50	2.10	2.30
Heavy burden for debts	3.99	3.61	3.80
Under finance by banks	3.59	3.19	3.40
Family size increase and increased consumption	2.24	2.56	2.42
Over finance	2.66	3.13	2.90
Fluctuations in price	3.88	3.36	3.62
Average	3.15	2.90	3.03

Source: computed from primary data

*T stat, 2.47 df 10 t critical 1.81*

Table 4- presents data on the block wise respondents' economic reasons for nonpayment of cooperative bank credit. The farmers of Kalasappakkam block occupy the first position in their overall stated economic reasons behind their non repayment of agricultural cooperative credit and it is evident from their secured mean score of 3.15 on a 5point rating scale. The farmers of Thanrampattu block hold the second position in their overall stated economic reasons behind their non repayment of agricultural cooperative credit and it is evident from their secured mean score of 2.90 on a 5point rating scale.

The T test is applied for further discussion. The computed T value 2.47 is greater than its tabulated value at 5 per cent level significance. Hence there is a difference between farmers of Kalasappakkam block and farmers of Thanrampattu block with respect to their stated economic reasons behind their non repayment of agricultural cooperative credit.

**Table 5- Block wise respondents administrative reasons for nonpayment of cooperative bank credit**

Variables	Kalasappakkam	Thanrampattu	Mean
Inadequacy of loan	3.05	2.68	2.88
Untimely disbursement of credit	2.54	2.16	2.25
Lack of linkage of credit with	3.85	3.13	3.51

marketing			
Lack of consumption credit	3.88	2.40	3.08
Grant of loans for repayment of prior debt	3.85	3.23	3.60
Issue of fictitious loans	2.35	2.05	2.40
Misutilisation of loans	3.56	3.20	3.40
Disregard for lrgal action	3.78	2.74	3.24
Willing to pay, but the bankers did not contact him when he had money	3.15	2.27	2.52
Lack of supervision over the utilization of loan	3.21	2.39	2.75
Average	3.32	2.63	2.96

*Source: computed from primary data*

### ***T stat 5.88 df 9 T critical 1.83***

Table-5 presents data on the block wise respondents' administrative reasons for nonpayment of cooperative bank credit. The farmers of Kalasappakkam block occupy the first position in their overall stated administrative reasons behind their non repayment of agricultural cooperative credit and it is evident from their secured mean score of 3.32 on a 5 point rating scale. The farmers of Thanrampattu block hold the second position in their overall stated administrative reasons behind their non repayment of agricultural cooperative credit and it is evident from their secured mean score of 2.63 on a 5 point rating scale.

The T test is applied for further discussion. The computed T value 5.88 is greater than its tabulated value at 5 per cent level significance. Hence there is a difference between farmers of Kalasappakkam block and farmers of Thanrampattu block with respect to their stated administrative reasons behind their non repayment of agricultural cooperative credit.

It could be seen clearly from the above discussion that the respondents stated high level administrative reasons behind their non repayment of agricultural cooperative credit with referent to grant of loans for repayment of prior debt, and lack of linkage of credit with marketing as they secured mean score above 3.5 on a 5 point rating scale. The respondents attribute the moderate level reasons of misutilization of loan, disregard for legal action, lack of consumption credit, inadequacy of loan, lack of supervision over the utilization of loan, and willing to pay, but the bankers did not contact them when they had money as they secured mean score in the range of 2.5 -3.5 on a 5 point rating scale. The respondents attribute the moderate level reasons of Issue of fictitious loans, and Untimely disbursement of credit as they secured mean score below 2.5 on a 5 point rating scale. It could be noted the farmers of Kalasappakkam block rated high on overall administrative reasons behind their non repayment of agricultural cooperative credit consequent upon overdue loan problems in contrast to the farmers of Thanrampattu block.

### ***Suggestions***

The findings of the present study lead to the following suggestive remarks.

1. There is a need to provide proper information about the time of repayment as some of the farmers are not aware of the time of repayment.
2. The agricultural cooperative credit society should give counseling to the farmers about the loan utilization, under finance should be removed, and formalities to be relaxed.

3. The agricultural cooperative credit society should avoid the bias while borrowing and repaying the loans on the part of the farmers.
4. Efforts should be made towards relaxation of security and bribes should be avoided in the administration in granting loan to the farmers
5. The agricultural cooperative credit society should increase the number of times to avail the credit facilities in different cropping seasons according to the needs of the farmers.
6. The agricultural cooperative credit society management should promote friendly attitude between borrowers and cooperative management.
7. The agricultural cooperative credit society management should motivate the farmers towards repayment of loan.
8. The agricultural cooperative credit society management should give lump sum loan amount instead of installment and loan should be given in right time.

### **Conclusion**

The present study has made an attempt to examine the crop loan over dues of Agricultural Credit With Reference To Primary Agricultural cooperative Credit Societies in Thiruvannamalai District. The role of primary agricultural cooperative credit societies is very essential in promotion of agricultural credit and it is evident from the growth of short term loan, medium term loan and jewel loan in the study area. In this study area, the farmers have cultivated different crops with the aid of agricultural cooperative credit. In general majority of the farmers partially repaid their loan. It is observed that the farmers have made use of agricultural cooperative credit for various stage of cultivation of crops. The farmers attribute the various economic reasons, administrative reasons towards their non repayment of loan. It could be noted that the role of agricultural cooperative credit is very essential in promoting cultivation practices in Thiruvannamalai district, Tamil Nadu. It is evident that all the farmers have got agricultural cooperative credit towards cultivating their crops. Without agricultural cooperative credit, it is very difficult to undertake agricultural activities in the study area since the farmers have low capacity to invest and low ability to investment. This is due to low return of investment from the agricultural activities and price of the agricultural commodities is low compared to the industrial products. Hence, the promotion of agricultural credit is very essential in rural areas towards agricultural development along enhancement the livelihood status of the farmers.

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