Nature and Dimensions of Wilful and Non-Wilful Default in Primary Agricultural Credit Societies' Overdues: A Study of West Godavari District of Andhra Pradesh

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Abstract

In order to sustain and accelerate the production in agriculture,supply of adequate credit and its use in proper direction are primeimportance. One of the most disquieting features of the institutional creditin India is the incidence of ever-increasing overdues. The high level ofoverdues restricts the capacity of lending institutions to recycle funds,besides threatening the prospects of continued flow of external credit foragricultural development. Agricultural loans are overdue because of wilfuldefault and circumstantial or genuine default. In the overdues of co-operativecredit institutions majority of the large farmers are considered tobe wilful defaulters, while the default of small farmers is mostly due tonatural causes. What factors contribute to wilful and non-wilful default?Who are the wilful defaulters and what is their incidence in differentregions of the west district of Andhra Pradesh? What is the nature and dimensions of wilful andnon-wilful default? To seek answers to these and other related questions, 120 defaulted and 60 non-defaulted borrowers were interviewed and theresults are incorporated in this article.

Keywords:*Non-wilful default, overdues,PACS,wilful default.*

I. INTRODUCTION

Agriculture is a dominant sector of our economy and credit plays an important role in increasing agriculture production. Availability and access to adequate, timely and low cost credit from institutional sources is of great importance especially to small and marginal farmers. Along with other inputs, credit is essential for establishing sustainable and profitable farming systems. Most of the farmers are small producers engaged in agricultural activities. Experience has shown that easy access to financial services at affordable cost positively affects the productivity, asset formation, income and food security of the rural poor. The major concern of the Government is therefore, to bring all the farmer households within the banking fold and promote complete financial inclusion.

Credit is a crucial input process of development. For historical reasons, Indian farming community failed to make huge investments in agriculture. There is an adage which says that "Indian farmer is born in debt, lives in debt and dies in debt."In order to mitigate the problems of the farming community, the Co-operative Credit Societies Act was passed in 1904, which permitted the formation of credit societies. They provided institutional support to farmers for short, medium and long term purposes. Subsequently, tiers at state and district levels were too conceived to strength these credit co-operatives. Apart from these cooperative institutions, nationalization of commercial banks and introduction of regional rural banks also helped in increasing credit supply to farmers.

The Indian credit co-operatives have a century long history. During this period these institutional financing agencies failed to a large extend, to meet the requirements (consumption and production) of the farmers. Some of the factors responsible for their failure are inadequate supply of credit, poor recovery, demand-supply gaps, interference by politicians, lack of monitoring, mis-utilisation of credit, problems in identification of target groups, high transaction costs,lags in time, natural calamities and competition from informal credit agencies.

Agricultural credit is one of the most crucial inputs in all agricultural development programmes. For a long time, the major source of agricultural credit was private moneylenders. But this source of credit was inadequate, highly expensive and exploitative. To curtail this, a multi-agency approach consisting of co-operatives, commercial banks and regional rural banks credit has been adopted to provide cheaper, timely and adequate credit to farmers.

II. REVIEW OF LITERATURE

The literature on agricultural credit in the context of developing economies may be broadly grouped

into two categories. The first set consists of international status, writings mostly from the World Bank and its affiliates which are based on the efficacy of market mechanism in the allocation of credit to the different sectors, classes and regions of the economy. The second set consists of National status mostly from Government of India as well as Reserve Bank of India(RBI). A brief review of select literature is presented hereunder in addition to this some area specific studies on agricultural finance and problems of mounting overdues are considered.

Kalyankar (1983) of his study titled, "Wilful Default in Loans of Co-operatives". The study revealed that the cropping intensity, irrigation facility and working capital of the societies were the major factors for explaining overdues at primary agricultural credit societies' level. The socio-economic factors were not responsible for increasing overdues at the borrowers' level, but overdues were mainly mounted due to the non-economic factors in case of wilful defaulters.

S.K. Goyal et al. (1993) made an attempt to investigate various socio economic characteristics and repayment capacity of the borrowers. The specific objectives of the study are: (i) to study the socio-economic characteristics of defaulters and non-defaulter borrowers; and (ii) to study the repayment capacity of defaulter and non-defaulter borrowers. The non-defaulters were well off and better placed with respect to average yield of major crops, total cash returns of the household and repayment capacity as compared to defaulter borrowers.

Balister et al. (1994)conducted a study of overdues of loans in agriculture to examine the repayment performance of defaulters in three blocks of Agra district in Uttar Pradesh. They found that well-to-do agriculture families accounted for a large share of overdues. They accounted 37 per cent of total defaulters and 57 per cent of total overdues. Total amount of overdues and its relative share also increased during the period of study. Lack of proper supervision over end use of loan was identified a major reason for mis-utilisation of credit which leads to increase in overdues.

Murthi and Saraswati (1996),in their paper titled, "Reducing Overdues in Credit Co-operatives: Some Alternatives" undertook a study to evaluate the Quantitative Progress made in respect of supply of Institutional Credit. Using the secondary data made available by RBI in Statistical Statements relating to Co-operative Movement in India for a period of 6 years from 1978 to 1983 and assessing the Loaning Policies of Girijan Co-operative Corporation, Visakhapatnam.

Reddy and Reddy (1996), in their study titled, "Nature and Dimensions of Wilful and Non-

Wilful Default and Impact of Co-operative Credit Policy with reference to Nellore District of Andhra Pradesh" used multi-stage sampling technique and various statistical tools to examine the reasons for overdues. They concluded that landholding, cropping pattern, income from agriculture, number of dependent family members and political interference had direct influence on recovery position of co-operative banks.

SrinivasaVallabahan (2001), studied on Default Pattern in Agricultural Loans. A pilot study was conducted earlier to find out the default factors in agricultural borrowings. With the help of statistical tools lesser significant factors were eliminated and five factors have been analysed with care and caution for understanding the reason for overdue and default.

Paramasivan (2008) in his article "Lending and repayment performance of primary agriculture co-operative banks" focused on the primary agricultural co-operative societies in Mallasamudram block in Namakkal District of Tamil Nadu. He suggested that the restructuring of co-operative societies is unavoidable in the present day situation and the primary agricultural co-operative banks should change their structure and programmes in accordance with modern development.

III. NEED FOR THE PRESENT STUDY

The PACS occupy a cardinal position in the loans providing to the farmers. They constitute an important link between the District Co-operative Central Bank and the Members of the Society. They have to mobilise the available resources and utilise them in the most efficient and profitable manner. A significant problem observed recently in PACS i.e. overdues which have required much more attention. The above problem invites greater attention today especially because of the growth of competitive banking and the liberalised economic policies which are likely to affect the working of PACS. The present study is an attempt to bring out the various facets in the causes of overdues in PACS in West Godavari District of Andhra Pradesh.

IV. OBJECTIVES OF THE STUDY
The specific objectives of the present study are:

i. to examine the nature and extent of co-operatives loan overdues at institute and borrower levels in West Godavari District;

ii. to study the relationship between the extent of default and the socio-economic characteristics of defaulters;

iii. to analyse the income and asset structure of defaulting and non-defaulting borrowers;

iv. to examine the nexus between size of holdings and default and ability to repay and default.

V. HYPOTHESES

Based on the above objectives the following hypotheses are postulated for testing.

i. There is no significant difference in nature and extent of overdues at institute and borrower level in West Godavari District.

ii. Co-operative overdues are not related to socio-economic factors like family size, extent of irrigation, literacy, occupation and community.

iii. There is no significant difference exists in the income and asset levels of defaulted and non-defaulted members of sample borrowers.

iv. There is no significant difference in the level of default between different size group of farmers and their ability to repay

VI. METHODOLOGY

A. Sources of Data

Two types of data were collected for the present study i.e. time series data and cross section data. Time series data related to the performance of the societies have been collected from the records of the sample societies. Apart from these, data have also been collected from the publications of various institutions like RBI, Government of India, NABARD, Bureau of Economics and Statistics and Registrar of Co-operatives of Government of Andhra Pradesh. Also published and unpublished reports, theses and individual works on the subject have been consulted.Cross section data relating to the defaulters and non-defaulters regarding their assets, liabilities, current income and expenditure, investments, borrowings and repayment and hindrances in repayment are collected.

B. Sample Frame

A major portion of short and medium-term agricultural credit in West Godavari district is channelized by Primary Agricultural Credit Societies (PACS). Therefore, for the detailed investigation some of the PACS were taken up. The study covers wide range of population spread over the district a two stage sampling plan has been considered to be more suitable and flexible. Selection of PACS formed the first stage and selection of defaulters and non-defaulters formed the second stage.

First stage units (PACS) were selected randomly from Primary Agricultural Credit Societies in the district. The district was divided into four revenue divisions (i.e. Eluru, Kovvur, Narasapuram and Jangareddygudem) but the co-operative department has divided the entire district into three divisions for the operational convenience (i.e. Eluru, Kovvur and Bhimavaram). From each division 5 PACS were selected for field investigation on consideration of proximity and better familiarity.

As the main focus of the present study is to probe into the causes of overdues at the individual borrower's level, the list of all defaulters and non-defaulters from 15 sample PACS is obtained and post-stratify into four groups based on the extent of land holding. The groups consist of the defaulters and non-defaulters in the following way.

Group I: Marginal Farmers – Below 2.5 acres

Group II: Small Farmers –Between 2.5 and 5 acres

Group III: Medium Farmers – Between 5 and 10 acres

Group IV:Large Farmers – Above 10 acres

In the second stage, stratified random sampling technique has applied to select the defaulters and non-defaulters. Two defaulted and one non-defaulted members from the all groups have been selected from each sample society. Thus 120 defaulted and 60 non-defaulted members have been selected from the 15 sample societies @ 5 societies from each division.

VI. RESULTS & DISCUSSION

A. Asset level, loan size and income level

The ownership of assets provides owners with an advantage in thefinancial markets in terms of volume and cost of loans. An increase in theshare of wealth with high signal and collateral value will enable largerborrowings. The level of assets and loan size and income level of sampleborrowers are presented in Table 1.

There is a positive relationship between asset level and debtaccumulation and income generation. In case of defaulters the correlationco-efficient(r) between assets versus income is 0.9810 and assets versusdebit is 0.9833. The similar relationship exists in non-defaulters also. Thecorrelation co-efficient are 0.9888 and 0.9230 respectively.

Table – 1 : Category-wise Average Income, Assets and Debt of Sample Defaulted and Non-defaulted Borrowers (as on 31-3-2014)

(Amount in lakhs)

Farm Category	Assets	Income	Debt

	D	ND	D	ND	D	ND
Marginal Farmers	6.44	7.06	1.19	1.58	0.41	0.46
Small Farmers	11.46	12.65	2.26	2.11	0.65	0.76
Medium Farmers	21.86	27.68	2.64	3.15	0.89	0.95
Large Farmers	41.24	54.74	4.65	6.94	1.24	1.15
CV	76.03	83.54	53.88	70.23	44.41	35.37

D = Defaulter   ND = Non-defaulters

Source: Sample Data

Table – 2 : ANOVA Results

Sources of Variation	Degree of Freedom	Sum of Squarer	Mean Square	F.value
Assets				
Between Columns	1	55.8096	55.8096	3.1500[@]
Between Rows	3	2022.8824	674.2941	38.0586[*]
Residual or Error	3	53.1518	17.7173	-
Income				
Between Columns	1	1.1552	1.1552	2.0577[@]
Between Rows	3	22.1572	7.3857	13.1559[*]
Residual or Error	3	1.6482	0.5614	-
Debt				
Between Columns	1	0.0021	0.0021	0.5742[@]
Between Rows	3	0.6238	0.2080	56.5198[*]
Residual or Error	3	0.0110	0.0037	-

[*]Significant at 5% level   [@] Not significant at 5% level

Source: Calculated from Table 1

Thus, in terms of this relationship, there is no basic difference between defaulters and non-defaulters. The medium and large farmers have better access to credit markets because of their better asset status and income generated there from is higher. The dispersion of assets measured by CV is higher (76.03per cent for defaulters and 83.54 per cent for non-defaulters) than income (53.88 per cent and 70.23 per cent) and the debt (44.41 per cent and 35.37 per cent) respectively. ANOVA is calculated for the data available in Table1 and the results are shown in Table 2.

The null hypothesis viz., there is no significant difference in the assets and income levels of defaulted and non-defaulted members of sample borrowers is accepted as the calculated 'F' values are lower than the table values. However, the difference between categories of borrowers is significant, hence, the said null hypothesis in this case is rejected.

B. Estimation of wilful defaulters

The term 'wilful default' means default of the loan amount when itis within the repaying capacity of the borrower to repay, but is not paid.Hence, it is imperative to identify the wilful defaulters from among thedefaulters of co-operative loans. So, it is necessary to assess the repaymentcapacity of the loaners, which is a controversial issue. However, any of thefollowing methods can be applied but with due care to determine the sameso asto single out the number of

wilful defaulters from among thedefaulters in general.

1. Marketable Surplus method.
2. Liquidity method
3. Liquidity and marketable surplus method. (Acombination of firsttwo methods).

The last method as given above is applied in the present study to identify the wilful defaulters.According to this method the repayment capacity means excess ofincome over expenditure. It should be noted thataccording to this method a wilful defaulter means a borrower who is leftwith some repayment capacity after meeting his debts from all othersources except that of co-operatives.

The distribution of 120 sample defaulters and 60 sample non-defaulters is presented in Table 3. The below table clearly indicates that out of 40 sample defaulters in Eluru region 37.5 per cent are wilful defaulters. Similarly, there are also 40per cent wilful defaulters in Bhimavaram region. However, there are 25percent wilful defaulters in Kovvur region. Out of the total 120 sample defaulters, the percentage of wilful defaulters is 34.17. The non-defaulted borrowers covered are 20 in each region.

Table – 3 : Region-wise Distribution of Defaulters and Non-defaulters

Particulars	Eluru	Bhimavaram	Kovvur	Total
No. of defaulters who have the repayment capacity (**willful defaulters**)	15 (37.5)	16 (40)	10 (25)	41 (34.17)
No. of defaulters who do not have the repayment capacity (**Non-willfuldefaulters**)	25 (62.5)	24 (60)	30 (75)	79 (65.83)
Total defaulters	40 (100)	40 (100)	40 (100)	120 (100)
Total Non-defaulters	20	20	20	60
Total Borrowers	60	60	60	180

Note: Figures in parenthesis indicates the percentages
Source: Sample data

C. Wilful default: determinants

(i) On the Basis of Size of Holding
The wilful defaulters are identified in Table 3. The investigation ofthe determinants of wilful default is explained in the succeeding tables.The distribution of sample borrowers into non-defaulters (ND), wilful defaulters (WD)and non-wilful defaulters (NWD)on the basis of size of holding is presentedin Table 4.

Table – 4 : Borrowers Classified on the Basis of Size of Holdings

Category	Eluru			Bhimavaram			Kovvur			Total		
	ND	WD	NWD	ND	WD	NWD	ND	WD	NWD	ND	WD	NWD
Marginal Farmers	5	-	10	5	2	8	5	1	9	15	3	27
Small Farmers	5	2	8	5	3	7	5	2	8	15	7	23
Medium Farmers	5	4	6	5	4	6	5	2	8	15	10	20
Large Farmers	5	9	1	5	7	3	5	5	5	15	21	9
Total:	20	15	25	20	16	24	20	10	30	60	41	79

ND = Non-defaulters; WD = WilfulDefaulters;NWD = Non-wilfulDefaulters.
Source: Sample Data

It is evident from the table 4 that majority of wilful defaulters fallin the size group of more than 10 acres of land. Thus, wilful default ismore common among large farmers. On the whole there are 21in thiscategory out of total 41 wilful defaulters, which accounts to more than 50 percent. The incidence of wilful defaulters is 1.5 times in Eluru and Bhimavaramregions compared to Kovvur region. The proportion of wilful defaultersamong the different size groups of borrowers varies widely. There is apositive relationship between size of holding and wilful default for all thethree regions.Nearly 89 per cent of non-wilful defaulters ownless than 10 acres of land. Thus, we find that majority of non-wilfuldefaulters are marginal, small and medium farmers, whereas wilfuldefaulters are from large farmers. In case of non-defaulters, they areevenly distributed among the three regions of study.

(ii) On the Level of Education.

One of The emerging issues in co-operative literature is therelationship between literacy and extent of default. The details relating todefaulters and non-defaulters classified on the level of education arefurnished in Table 5.

Table – 5 : Borrowers Classified on the Basis of Level of Education

Educational Status	Eluru			Bhimavaram			Kovvur			Total		
	ND	WD	NWD	ND	WD	NWD	ND	WD	NWD	ND	WD	NWD
Illiterate	4	1	5	1	1	5	4	1	4	9	3	14
Primary Education	2	7	6	5	5	4	8	7	6	15	19	16
Secondary Education	12	6	12	12	6	12	7	1	17	31	13	41
Higher Education	2	1	2	2	4	3	1	1	3	5	6	8
Total:	20	15	25	20	16	24	20	10	30	60	41	79

ND = Non-defaulters;   WD = Willful Defaulters;   NWD = Non-willful Defaulters.
Source: Sample Data

Out of the total 41wilful defaulters, 38are literates constituting 93per cent against 82 per cent in case of non-wilful defaulters. Majority ofthe wilful and non-wilful defaulters relate to the category of primary andsecondary level of education. In case of wilful defaulters the percentage ofliteracy is higher in Bhimavaram (94) and Eluru region (93) compared to Kovvurregion (90). Majority of the non-wilful defaulters and non-defaulters havesecondary education among three regions of West Godavari district.

(iii) On the Basis of Caste

Details relating to the borrowers classified on the basis of caste arefurnished in the Table 6. The table shows caste-wise distribution of non-defaulters, wilful defaulters and non-wilful defaulters in three regions and in the aggregate. In the Backward Classes (BC) there are 117 borrowers in the aggregate. The proportion of wilful defaulters in Backward Classes works out to 51 per cent. In the case of forward caste category this proportion is 42 per cent and in SC/ST category only 7 per cent. Thus, there is a positive relation between caste status and the incidence of wilful default. The Backward Class borrowers are dominant in co-operative credit structure particularly in West Godavari District. The proportion of non-wilful defaulters in case of forward caste (FC), B.C andS.C/S.T works out to 24, 68 and 8 per cent respectively. This implies inverse relationship between caste status and incidence of non-wilful default. It is almost, in all the region of West Godavari district. But the incidence is less among the weaker sections.

Table – 6 : Borrowers Classified on the Basis of Social Status

Social Status	Eluru			Bhimavaram			Kovvur			Total		
	ND	WD	NWD	ND	WD	NWD	ND	WD	NWD	ND	WD	NWD
FC (OC)	5	9	8	7	3	5	3	5	6	15	17	19
BC	14	6	15	13	12	18	15	3	21	42	21	54

| SC/ST | 1 | - | 2 | - | 1 | 1 | 2 | 2 | 3 | 3 | 3 | 6 |
| **Total:** | 20 | 15 | 25 | 20 | 16 | 24 | 20 | 10 | 30 | 60 | 41 | 79 |

ND = Non-defaulters;   WD = Wilful Defaulters;   NWD = Non-wilful Defaulters.
Source: Sample Data

(iv)   On theBasis of Amount Borrowed

The amount borrowed number of non-defaulters, wilful defaulters and non-wilfuldefaulter are presented in Table 7.

Table – 7 : Borrowers Classified on the Basis of the Amount

Rupees	Eluru			Bhimavaram			Kovvur			Total		
	ND	WD	NWD	ND	WD	NWD	ND	WD	NWD	ND	WD	NWD
< 10,000	2	-	5	4	1	7	3	-	5	9	1	17
10,000 - 50,000	9	9	10	7	8	9	9	5	13	25	22	32
50,001– 1,00,000	8	5	7	7	6	4	7	5	9	22	16	20
> 100000	1	1	3	2	1	4	1	-	3	4	2	10
Total:	20	15	25	20	16	24	20	10	30	60	41	79

ND = Non-defaulters;   WD = Wilful Defaulters;   NWD = Non-wilful Defaulters.
Source: Sample Data

It is clearly evident, from the particulars in Table 7, that there is positive relationship between volume of borrowing and the incidence of the non-default and wilful default in all three regions. More than 76 per cent of borrowers in between Rs. 10,000 and Rs.1,00,00. For non-wilful defaulters there is a very low degree of positive relationship is found in Bhimavaram region.

(v)   On the Basis of Family Size

Table 8 contains details relating to family size and defaulters. It is evident from the table 8,that there is an inverse relationship between family size and default (NWD and WD) and non-default. This is made in case of non- wilful default compared to others.

Table – 8 : Family Size and Defaulters to Co-operative Credit

Family Size	Eluru			Bhimavaram			Kovvur			Total		
	ND	WD	NWD	ND	WD	NWD	ND	WD	NWD	ND	WD	NWD
Up to 4 Members	6	7	13	8	3	12	6	5	16	20	15	41
5 – 6 Members	9	7	9	7	11	9	10	4	10	26	22	28
7&above Members	5	1	3	5	2	3	4	1	4	14	4	10
Total:	20	15	25	20	16	24	20	10	30	60	41	79

ND = Non-defaulters;   WD = Willful Defaulters;   NWD = Non-willful Defaulters.
Source: Sample Data

D. Influence of socio-economic factors

Here an attempt is made toidentify the key socio-economic factors ofborrowers through x^2test and the results are presented in the followingtable.

The table presented below reveals that there is no significant relationship among the various socio-economic factors like caste, age structure of default and family size of non-wilful defaulters (NWD) and wilful defaulters (WD). However, a

significant relationship exists among socio-economic factors like land, education and amount borrowed of non-wilful defaulters (NWD) and wilful defaulters (WD). In case of non-defaulters and wilful defaulters there exists significant relationship in land at 5 per cent level. The other socio-economic factors like education, caste, amount borrowed and family size are not significant at 5 per cent level.

Table – 9 : Socio-Economic Factors and Values of x^2 of Sample Defaulters and Non-defaulters

S.No.	Factors	Between WD & NWD	Between ND & WD	Degree of Freedom	x^2 Table Value at 5% Level
1	Land	26.4897[*]	9.6773[*]	3	7.815
2	Education	11.2765[*]	7.6206[@]	3	7.815
3	Caste	3.9988[@]	3.6810[@]	2	5.991
4	Borrowed Amount	10.9128[*]	4.8012[@]	3	7.815
5	Age Structure of Default	0.0717[@]	-	2	5.991
6	Family size	3.7006[@]	3.1400[@]	2	5.991

[*] Significant at 5% level   [@] Not significant at 5% level

Source = Sample Data

E. Purpose-wise credit utilisation

Purpose-wise credit utilisation by defaulters is shown in Table 10. Out of 60 sample non-defaulters spread over three sample regions, 83 per cent utilized the borrowed money for production purposes, 8 per cent for consumption purposes as well as for re-lending purposes. Out of 41 wilful defaulters, 15 utilised the borrowed amount for production, 14 for consumption and 12 for re-lending purposes. In case of non-wilful defaulters 62, out of 79 i.e. 78 per cent utilised the borrowed amount for production, 10 i.e. 13 per cent utilised for consumption and 7 i.e. 9 per cent for re-lending purpose.

Table – 10 : Purpose-wise Credit Utilisation by Defaulters

Purpose	Eluru			Bhimavaram			Kovvur			Total		
	ND	WD	NWD	ND	WD	NWD	ND	WD	NWD	ND	WD	NWD
Production	16	7	20	18	4	19	16	4	23	50	15	62
Consumption	3	5	3	1	7	3	1	2	4	5	14	10
Re-lending	1	3	2	1	5	2	3	4	3	5	12	7
Total	20	15	25	20	16	24	20	10	30	60	41	79

ND = Non-defaulters;   WD = Wilful Defaulters;   NWD = Non-wilful Defaulters.

Source: Sample Data

A striking feature that can be observed from the above table is that the majority of wilful defaulters have utilized the loan borrowed for non-productive purposes. Also it is highly interesting to note that relending is more pronounced in wilful defaulters as they get profit out of interest margin. To analyse whether there is any significant variation in the credit utilization by wilful defaulters between three regions, ANOVA is computed for the data in Table 10 and the results are presented in Table11.

Table – 11 : ANOVA RESULTS

Source of Variation	Degree of Freedom	Sum of Squares	Mean Square	F_c	F_t
Between Regions	2	6.8889	3.4444	1.0000[@]	6.94
Between Purpose	2	1.5556	0.7778	0.2258[@]	6.94

Residual or Error	4	13.7778	3.4444		
Total	8	22.2222			

@ = Not significant at 5% level; F_c = F calculated value; F_t = F table value.
Source: Sample data.

As the calculated value of **'F'** is less than the table value, thus thereis no significant difference between regions and purpose of creditutilization.

F. Findings

➤ There is a positive relationship between asset level and debt accumulation and income generation. In terms of relationship, there is no basic difference between defaulters and non-defaulters. The medium and large farmers have better access to credit markets because of their better asset status and income generated there from is higher.

➤ The null hypothesis viz., there is no significant difference in the assets and income levels of defaulted and non-defaulted members of sample borrowers is accepted. However, the difference between categories of borrowers is significant, hence, the said null hypothesis in this case is rejected.

➤ The majority of wilful defaulters fall in the size group of more than 10 acres of land. Thus, wilful default is more common among large farmers. On the whole there are 21in this category out of total 41 wilful defaulters, which accounts to more than 50 per cent.

➤ There is an inverse relationship between family size and default (NWD and WD) and non-default.

➤ There is no significant difference between regions and purpose of credit utilization.

VII. SUGGESTIONS

❖ PACS should make pre-sanction and post-sanction inspections on a regular basis in order to ensure the proper utilization of the loan amount, so as to see that the expected income generation is there for prompt repayment of instalments.

❖ In each PACS a special recovery cell should be created to formulate policies and strategies of loan recovery at each tier of the organizational hierarchy.

❖ There should be regular recovery camps/meetings in each village highlighting to the borrowers that they should not expect any more loan waivers and that the loan should be repaid in time.

❖ The elections for office bearers should be conducted without political colour and interferences. This will definitely help the members to obey the elected president and office bearers at the time of repayment.

❖ Wilful default is the most serious problem in rural advances. For this, two approaches are necessary. First, to prevent wilful default in future, and secondly to initiate steps to discourage wilful defaulters.

VIII. CONCLUSIONS

The primary agricultural co-operative societies in West Godavari District have fared well in achieving the objective of providing access to the rural sections of the society to institutional credit but the recovery position on the whole is not satisfactory.Overdues are the vital problem which affects the very cooperative movement itself. In the sample PACS also, the overdues have been increasing rapidly. On the whole, it can be concluded that to make co-operative credit more useful in developing the socio-economic condition of the farmers, it is necessary to see that the timely supply, proper supervision and timely recovery of loans to be made. If these necessities are fulfilled, the co-operative credit which is an instrument of the agricultural and economic development of the country will serve its desired purpose very successfully.

IX. LIMITATIONS OF THE STUDY

The study is confined to select the role of Primary Agricultural Credit Societies (PACS) in West Godavari district. As the agriculturists do not maintain accounts, it is very difficult to get correct information due to considerations of false prestige and social status associated with their financial activities. Cross verification by indirect oral investigation was required to ascertain correct information and this was not possible in certain cases. The results of the investigation pertain to the selected units of West Godavari district only and cannot be generalised.

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