

# Wilful and non-wilful default in Agricultural Credit

SMS Journal of Entrepreneurship & Innovation  
4 (1) 24-29  
<https://doi.org/10.21844/smsjei.v4i01.10801>

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## Abstract:

*Present study is an attempt to analyze the default in repayment of loans and to take suitable measures to minimize over dues. The study is based on the 90 borrower farmers comprising of 25, 25, 25, 15 for marginal, small, medium and large farmers respectively which were collected from five villages of Manihari block of Ghazipur district of eastern Uttar Pradesh. The study revealed that the 64 percent borrower farmers were found to be defaulters and 36 percent borrower farmers were non-defaulters. The ratio between wilful and non-wilful defaulters of total defaulter were found in equal numbers in the sample. The study further analyzed the non-wilful defaulter and find out the number of chronic defaulters on the basis that these type of defaulters have no any income even they are not in position to meet out their family consumption expenditure. Such type of defaulters were indentified. 34.48 percent of the total non-wilful defaulter and accounted 48.59 percent over dues of the total ovedues. Farmers wise defaulters were further analyzed and their numbers were found 12, 18, 17 and 11 on marginal, small, medium and large farmers respectively. The percentage of ovedues of the total over dues were reported 46.94, 24.93, 16.82 and 11.31 percent on different categories of farmers. The amount of outstanding loan per defaulters was higher on wilful defaulter and over dues were higher on non-wilful defaulters in the sample farmers. The government and bank official should take utmost care at the time of disbursing the loan and ensure that it must be sanction based on farmers repaying capacity strictly.*

**Key Words:** *Agricultural credit, wilful and non-wilful default, chronic and non-chronic defaulters, over dues, outstanding*

## Introduction

In modern scientific and technological age, no business can be carried out without outside-finance. With the introduction of improved techniques of production, agriculture is becoming more and more capital intensive to meet the increasing demand for credit, a multi-agency approach for financing agriculture has been adopted by the government. However, financing agencies are facing very critical problem of mounting over dues. The over dues have been blocking the capital, hindering the circulation and

furthering of the development. The rural indebtedness has long been one of the burning and pressing problems of India. From the point of view of the borrowers, accumulation of over dues resulted in non-availability of further loans. The mounting ovedues on financing institution may even bring them on the verge of liquidation. In view of this, it was thought that it would be useful and worthwhile to study the problem of ovedues of agricultural loans and suggest the measures to overcome the over dues.

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## METHODOLOGY

The study is based on the 90 borrower farmers comprising of 25, 25, 25, 15 for marginal, small, medium and large farmers respectively which were collected from five villages of Manihari block of Ghazipur district of eastern Uttar Pradesh. The primary data were collected from the sample borrower farmers about the amount of credit borrowed for different purposes, amount repaid and over dues for various categories of loans taken by them. The secondary data were collected from different financing institutions operating in the study area. Descriptive analysis using simple average and percentage were used to attain the objective of the study

## RESULT AND DISCUSSION

### 1. Composition of borrower farmers:

All the 90 borrower farmers selected for the present investigation were classified into non-defaulter and defaulter. Defaulter borrowers were further classified into the wilful and non-wilful defaulters keeping in view, their repayment capacity are presented in table number 1. It may be observed from the table that 64 percent borrower farmers (58) were defaulters and about 36 percent (32) were non-defaulters. The group of defaulters were further classified into wilful and non-wilful revealed that they were found in equal number. This can be seen in the table that wilful defaulters are in sufficient (29) numbers in sample farmers which is concern to the bankers, government and policy makers.

**Table-1**  
**Classification of Borrower farmers into defaulters and non-defaulters and wilful and non-wilful in Manihari block**

Farm Size	Total	Defaulters	Non-defaulters	Wilful Defaulters	Non-wilful defaulters
Marginal	25 (100.00)	12 (48.00)	13 (52.00)	2 (16.67)	10 (83.33)
Small	25 (100.00)	18 (72.00)	7 (28.00)	12 (66.67)	6 (33.33)
Medium	25 (100.00)	17 (68.00)	8 (32.00)	10 (58.82)	7 (41.18)
Large	15 (100.00)	11 (73.33)	4 (26.67)	5 (45.45)	6 (54.45)
<b>Total</b>	<b>90</b> <b>(100.00)</b>	<b>58</b> <b>(64.44)</b>	<b>32</b> <b>(35.56)</b>	<b>29</b> <b>(50.00)</b>	<b>29</b> <b>(50.00)</b>

### Parenthesis indicate Percentage

#### 2. Over dues on different categories of borrower farmers:

The categories-wise information is presented in table 2. On an average sample borrower farmers had an over dues of Rs.20,396.59 being maximum on large farmer(Rs. 50,480.18) followed by

medium farmers (Rs. 17,349.94), marginal farmers (Rs. 11, 147.00) and minimum on small farmers (Rs. 11,055.94). But the picture with respect to the percentage of ovedues to the outstanding loan was just reverse except small farmers. On an average situation for every Rs. 100 of outstanding loan the over dues amount was Rs. 37.99 Therefore, about 38 percent of the outstanding loan, was in the form of over dues.

**Table-2**  
**Over dues on different categories of borrower farmers in Manihari Block**

S.No.	Item	Marginal	Small	Medium	Large	Total
1.	No of farmers	25	25	25	15	90
2	No of defaulters	12	18	17	11	58
3.	Loan outstanding (in Rs.)	167750.00	829800.00	988500.00	1128300.00	3114350.00
4.	Loan outstanding per defaulter (in Rs.)	13979.17	46100.00	58147.06	102572.73	53695.69
5.	Loan over dues (In Rs.)	133764.00 (11.31)*	199007.00 (16.82)*	294949.00 (24.93)*	555282.00 (46.94)*	1183002.00 (100.00)
6.	Loan over dues per defaulters members (In Rs.)	11147.00	11055.94	17349.94	50480.18	20,396.59
7.	Percentage of over dues of outstanding	79.74	23.98	29.84	49.21	37.99

#### \*Percentage to total loan over dues.

#### 3. Chronic- and non-chronic defaulters\*:

The defaulters were further classified into chronic and non-chronic defaulters based on their income. The chronic and non-chronic defaulters and amount of outstanding and over dues on the two categories of defaulters is presented in table 3. It is evident from the table that the chronic and non-chronic defaulters were 10 and 19 respectively in total numbers of defaulters. The chronic defaulters accounted for 48.59 percent of the total over dues.

The over dues on per chronic defaulter (Rs. 26, 203.45) was much higher than for non-chronic defaulter (14,589.72) The percentage of over-dues to outstanding loan was also relatively higher for chronic defaulters as compared to the non-chronic defaulters.

\*Chronic defaulters were those who did not have any income even they are not in position to meet their family consumption expenditure and unable to repay the loan and non-chronic defaulters are those who are able to meet their family and other expenses but unable to repay the loan.

**Table-3**  
**Chronic and non-chronic defaulter in Manihari block**

S.No.	Items	Number of defaulters	Percentage of defaulters	Amount of outstanding (Rs.)	Amount of over dues (Rs.)	Percentage of over dues to outstanding (Rs.)	Percentage to total over dues
1	Chronic defaulters	10	34.84	3,98189.65 (39818.97)**	2,62034.48* (26203.45)***	65.81	48.59
2	Non-chronic defaulter	19	65.52	12,83,875.80 (67572.41)**	277204.75* (14589.72)***	21.59	51.41
	Total	29	100.00	16. 820,65.40	53,9239.23	37.99	100

\*This includes the actual amount over dues plus interest.

\*\* Indicates amount outstanding per defaulted member.

\*\*\* Indicate over dues per defaulted members.

#### 4. Outstanding loan and over dues:

Outstanding loan and over dues on wilful

and non-wilful defaulters were examined and presented in table 4. The outstanding loan was higher both in absolute value or in terms of percentage on wilful defaulters Rs. 19, 59, 600 i.e. 62.92% as compared to non-wilful defaulter Rs. 11,54,750.00 i.e. 37.08% in sample borrower farmers which is not a good sign to the institutions engaged in financing and need to recover forcibly from these wilful defaulters.

**Table-4**  
**Total Outstanding loan and over dues on wilful and non-wilful defaulters in Manihari block**

S.No.	Particulars	Wilful	Non-wilful	Total
1	Outstanding	1959600.00	1154750.00	3114350.00
	A.Total amount of outstanding loan (in Rs.)	(62.92)*	(37.08)*	(100.00)
	B. Amount of outstanding loan per defaulter (in Rs.)	286508.00	175841.66	53695.69
2	Over dues	423102.00	759900.00	1183002.00
	A. Total amount of over dues (in Rs.)	(35.77)**	(64.23)**	(100.00)
	B. Amount of over dues per defaulter (in Rs.)	63566.60	114843.56	20396.59

\* Indicate percentage to total amount of outstanding.

\*\* Indicate percentage to total over dues.

### 5. Outstanding loan and over dues on wilful and non-wilful defaulters:

Outstanding loan and over dues on wilful and non-wilful defaulter farmers were examined and presented in table 5. The outstanding loan per defaulter was higher on wilful defaulter as

compared to non-wilful defaulters except small farmers. The over dues per defaulter was higher on non-wilful defaulter than that of wilful defaulters. The outstanding loan per defaulter was maximum (Rs. 102572.730) on large farmers and minimum (Rs. 13979.17) on marginal farmers. The over dues per defaulter on non-wilful category were higher as compared to the respective categories of wilful defaulters. The maximum over dues per defaulter group was observed on large farmer and minimum on small borrower farmers.

**Table-5**  
**Over dues in Relation to wilful and non-wilful defaulters on different categories of borrower farmers in Manihari Block**

S. No.	Items	Marginal			Small			Medium			Large		
		W	NW	T	W	NW	T	W	NW	T	W	NW	T
1	Outstanding	43500	124250	167750	468100	361700	829800	638500	350000	988500	809500	318800	1128300
	A. Total amount of outstanding loan (in Rs.)	(25.93)	(74.07)	(100)	(56.41)	(43.59)	(100)	(64.59)	(35.41)	(100)	(71.75)	(28.25)	(100)
	B. Amount of outstanding loan per defaulter (in Rs.)	21750	12425	13979.17	39008	60283.33	46100	63850	50000	58147.06	161900	53133.33	102572.73
2	Overdues	6080	127684	133764	61872	137135	199007	156594	138355	294949	198556	356726	555282
	A. Total amount of overdues (In Rs)	(4.55)	(95.45)	(100)	(31.09)	(68.91)	(100)	(53.09)	(46.91)	(100)	(35.76)	(64.24)	(100)
	B. Amount of overdues Per defaulter ( in Rs)	3040	12768.40	11147	5156	22855.83	11055.94	15659.40	19765	17349.94	39711.20	59454.33	50480.18

Parenthesis Indicate Percentage

W indicate wilful defaulter

NW indicate non-wilful defaulter

### CONCLUSION

The study revealed that the 64 percent borrower farmers were found to be defaulters and 36 percent borrower farmers were non-defaulters which have paid their installment at due time. The ratio between wilful and non-wilful defaulters of total defaulter were found in equal numbers in the sample. The study further analyzed the non-wilful defaulter and found the number of chronic

defaulters on the basis that these type of defaulter have no any income even they were not in position to meet out their family consumption expenditure. Such type of defaulters were indentified 34.48 percent of the total non-wilful defaulter and accounted for 48.59 percent over dues of the total over dues. Farm wise defaulters were further analyzed and their numbers were found 12, 18, 17 and 11 on marginal, small, medium and large farmers respectively. The percentage of over dues of total over dues were reported 46.94, 24.93, 16.82 and 11.31 per cent on different categories of farmers. The amount of outstanding loan per defaulters was higher on wilful defaulter and over dues per defaulter was higher on non-wilful

defaulters in the sample farmers.

## SUGGESTIONS

The government and bank official should take utmost care at the time of disbursing the loan and ensure that it must be sanction based on farmers repaying capacity strictly. The factors like political interference, wilful default, unproductive uses of loan, supervision of loan over its use by bank should be care to minimize the ovedues problem in agricultural loan. In case of crop failure the borrowers should be allowed more time preferably more then 3 years to repay their loan.

*Note: The author is grateful to the anonymous referees of the journal for their suggestions to improve the overall quality of the paper. Usual disclaimers are applicable.*

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