

**RECOVERY PERFORMANCE OF SAMPLE PACS IN AP**Dr. E. Gopi\*

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**ABSTRACT**

*This paper studies the repayment performance of the sample Primary Agricultural Credit Societies (PACs) in Chittoor and Nellore Districts of Andhra Pradesh. We observed that the recovery performance of sample societies in Chittoor and Nellore districts is not satisfactory, because of the borrower's attitude, ability and willingness to pay cooperative loans. The defaulters are more in number in Chittoor district when compared to Nellore district, in the same manner the amount of overdue is high in Chittoor district than Nellore district.*

**Keywords:** PACS, Overdue, Defaulters, Recovery.

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## **1. OBJECTIVES OF THE STUDY**

To study the repayment performance of the sample PACSs in Chittoor and Nellore Districts of Andhra Pradesh.

## **2. THE SAMPLE DESIGN**

Chittoor district consists of three Revenue Divisions namely Chittoor, Madanapalle and Tirupati. The oldest PACS, one from each Revenue Division, i.e. Irala from Chittoor, Pedda Thippa Samudram from Madanapalle and Kapu Gunneri from Tirupati were purposively selected for the study. In the same manner in Nellore District also which consists of three Revenue Divisions, namely Nellore, Kavali and Gudur, the oldest PACS one from each Revenue division, i.e. Nidumusali from Nellore, Talamanchi from Kavali and Annamedu from Gudur were selected for the study.

## **3. DATA BASE**

The study has made primary sources of data. The primary data was collected from the sample PACSs through specially designed schedule for the purpose by personal interview method. After pre-testing the questionnaire, necessary modifications were made before conducting the final survey.

## **4. TOOLS OF ANALYSIS**

In this study, statistical tools are applied at the stages of assemblage, processing, tabulation, analysis and interpretation of results. In this context, simple statistical tools like average and percentages are employed so as to carry out tabular method of analysis and the trends deduced from these statistics over a particular period of time are applied in the study.

## **5. SCOPE AND LIMITATIONS**

The scope of the present study is confined to an appraisal of the performance of the sample PACS in Chittoor and Nellore districts in particular. Thus, the resultant observations, and conclusions, based as they are on this limited coverage, can not be taken as wide ranging.

## **6. INTRODUCTION**

Financing and recovery represent two sides of the same coin. Financing without recovery bears no fruits, recovery without financing has no seeds. These two aspects are interlinked, interdependent and inseparable. Therefore, the credit service includes not only loan advancement but its recovery in time. The recovery performance is an index of judging the operational efficiency and organizational competence of a financing institution. Recovery of loans assumes greater importance in the sound functioning of PACSs. Timely recovery of

loans strengthens the resource position of cooperatives and enables them repay the borrowed loans to financing bank on time. Timely recovery of loans with minimum number of defaulters not only facilitates improve borrowing power from financing institution but also enables the society to advance maximum amount of loans to its members. This leads to more number of transactions, resulting in increased confidence of members in cooperatives. Further, it improves morale and awareness among members. On the other hand, poor recovery not only results in maximum number of defaulters and over dues but also reduces borrowing power- consequently, reduction in the turnover of loans. Once the PACS is over dues to the financing institution exceed a stipulated proportion of demand, it cannot obtain funds and hence makes no fresh loans. In these circumstances, even the members who can repay do not do so, as they doubt about getting fresh loan. This aggravates overdue position.

## **7. RECOVERY OF LOANS**

The particulars of the recovery performance of samples societies in Chittoor and Nellore districts are presented in the table 1.

### **Chittoor District**

The recovery performance of Irala varies from 19.2 per cent in 2003 to 77.5 per cent in 2009 with the mean of 48.50. The recovery performance is poor in first 5 years and good in the last five years.

In Kapugunneri the recovery performance ranges between as high as 82 per cent in 2009 as low as 31 per cent in 2007 with an average of 52.23. The recovery performance is very good in the first five years and very poor in the last five years except in 2009.

The recovery performance in Pedda Thippa Samudram is lowest at 12.4 per cent in 2002 and highest at 70.3 per cent in 2009 with an average of Rs.43.69 per cent. The recovery performance is less than 50 per cent in 9 years and highest at 70.3 per cent in 2009.

### **Nellore District**

The recovery performance in Nidumusali society ranges between 16 per cent in 2009 and 83.7 per cent in 2001 showing declining recovery performance. The mean recovery performance is 45.45 per cent.

In Talamanchi society the recovery performance is as low as 31.2 per cent in 2009 and as high as 7.60 per cent 2001 with an average of 47.84 per cent. The recovery performance is an up and down trend.

In case of Annamedu society the recovery performance is lowest at 8.2 per cent observed in 2008 and highest at 62.7 per cent observed in 2004 with an average of 40.65 per cent. The recovery performance shows no particular trend and shows an up and down fusion.

In a nutshell the recovery performance of sample societies in Chittoor Nellore districts is not satisfactory. This is because of the borrower's attitude, ability and willingness to pay cooperative loans.

**Table -1**

**Recovery Performance of Sample Societies in Chittoor and Nellore districts**

(Per cent)

Year	Chittoor District			Nellore District		
	Irala	Kapu Gunneri	Peda tippa Samudram	Nidumusali	Talamanchi	Annamedu
2000	39.3	52.6	40.0	83.7	41.6	31.7
2001	53.7	61.2	12.4	75.3	76.0	34.6
2002	30.0	49.8	37.6	43.1	38.4	38.3
2003	19.2	59.8	44.0	41.8	42.6	50.5
2004	22.2	66.0	50.6	45.2	89.8	62.7
2005	69.5	52.8	47.3	43.8	34.6	51.5
2006	58.6	33.0	47.5	40.7	36.5	33.3
2007	61.0	31.0	47.2	40.7	41.0	52.1
2008	54.0	34.1	40.0	24.2	46.7	8.2
2009	77.5	82.0	70.3	16.0	31.2	43.6
Mean	48.50	52.23	43.69	45.45	47.84	40.65

**Source:** Sample Survey

### Paired Samples Test

#### Paired Differences

		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					Lower	Upper			
Pair 1	Chittoor District & Nellore District	10.48	58.43	18.48	-31.32	52.28	0.57	9	0.58@

@ Not significant

The paired samples test has been performed on recovery performance sample societies in Chittoor and Nellore districts and the results of the test are presented in the table. The 't' value of 0.57 is not significant and infers that there is not significant difference in recovery performance of samples societies between Chittoor and Nellore districts.

## 8. DEFAULTERS

In the cooperative parlance, as it is prevailing in Andhra Pradesh, the over dues comprise of three categories, i.e., normal, penalized and chronic. Then the loan amount is not repaid by the borrower within the stipulated due date, it is considered overdue. Even after the issue of notice and before the expiry of grace period thereof provided under the cooperative law, if the payment is not effected, then that amount is called normal overdue. After the expiry of the grace period, penal interest is charged and the stern notices are served. This type of overdue is called penalized overdue. Even after this penal interest period is expired, if any borrower refuses to repay the loan, the society is at liberty to proceed legally against the defaulter. Those who allow things to pass this stage are termed as chronic defaulters and the amount due by these defaulters is called chronic overdue. Generally this chronic overdue arises on account of willful defaulters.

Details relating to number of defaulters in sample societies in Chittoor and Nellore districts are presented in Table 2. The number of defaulters in Irala society were 110 in 2000 as compared to 1815 in 2008, the CGR of defaulters is 32.4 per cent which is significant at 5 per cent level. The number of defaulters in Kapugunneri society is 498 in the year 2000 compared to 846 in the year 2009, the CGR of defaulters of Kapugunneri society is significant at 5 per

cent level. The defaulters are highest in the year 2008 in Pedda Thippa Samudram society. In Nellore district, Nidumusali and Talamanchi societies had highest number of defaulters in the year 2009. A comparative picture reveals that sample societies of Nellore district are having less number of defaulters.

The CGR of defaulters are 32.40 per cent and 6.60 per cent and significant at 5 per cent respectively in Irala and Kapugunneri societies. But the CGR is 11.20 per cent Pedda Thippa Samudram and not significant.

The CGR of defaulters in Nidumusali is 20 and significant at 1 per cent level and 4.10 per cent in Annamedu and significant at 5 per cent. But the CGR of Talamanchi is just 3.90 and is not significant.

It is concluded that defaulters are rather lower in number in Nellore district rather than Chittoor district.

**Table -2**

**Number of Defaulters in Sample Societies of Chittoor and Nellore districts**

Year	Chittoor District			Nellore District		
	Irala	Kapu Gunneri	Peda tippa Samudram	Nidumusai	Talamanchi	Annamedu
2000	110	498	426	107	368	147
2001	138	477	632	134	110	238
2002	132	439	680	287	262	214
2003	170	429	94	323	87	243
2004	268	411	57	401	75	210
2005	341	476	203	463	37	238
2006	1600	634	249	487	123	266
2007	1760	598	1168	611	112	273
2008	1815	763	1430	649	396	257
2009	619	846	824	693	432	247
Mean	695.30	557.10	576.30	415.50	200.20	233.30
'CGR'	32.40	6.60	11.20	20.00	3.90	4.10
't' value	2.993*	3.910*	1.568NS	21.180**	0.678NS	2.928*

**Source:** Sample Survey

### Paired Samples Test

		Paired Differences							
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					Lower	Upper			
Pair 1	Chittoor District & Nellore District	979.70	978.96	309.57	279.39	1680.01	3.16	9	0.01**

The paired samples test has been performed on the number of defaulters and sample societies and the results are presented in the table 2. The 't' value is 3.16 and significant at 1 per cent level. It can be inferred that there is significant difference in number of defaulters in sample societies between Chittoor and Nellore districts.

### 9. TREND OF OVERDUES

Most of the rural financial institutions in general and cooperatives in particular are plagued by mounting overdues. One of the disquieting features of PACSs is the incidence of overdue table 3 shows the trends in overdues of sample societies in Chittoor and Nellore districts.

### 10. CLASSIFICATION OF DEFAULTERS

The classification of defaulters and their overdues of sample societies as on 2009 are presented in table 3. In Irala society, normal defaulters are 383 and their share in overdues is 61 per cent, the share of penalized defaulters is 13 per cent and the rest is accounted for chronic defaulters. In Kapugunneri and Pedda Thippa Samudram societies also the share of normal defaulters is high. In Nellore district the share of penalized defaulters are more in Nidumusali and Talamanchi societies, whereas the share of normal defaulters is high in Annamedu society. With regard to the amount of overdue, the normal defaulters share is highest in Irala, Kapugunneri and Pedda Thippa Samudram societies in Chittoor district. The share of penalized defaulters' amount is more in Nidumusali and Talamanchi societies of Nellore district.

Table -3

## Classification of Defaulters and overdues in Sample societies as on 2009

Nature of defaulters and overdues	Chittoor District			Nellore District		
	Number of Accounts					
	Irala	Kapu Gunneri	Peda tippa Samudram	Nidumusai	Talamanchi	Annamedu
Normal	383 (61.0)	493 (58.0)	503 (61.0)	98 (10.0)	154 (29.0)	143 (58.0)
Penalised	81 (13.0)	206 (24.0)	184 (22.0)	670 (70.0)	386 (71.0)	66 (27.0)
Chronic	155 (26.0)	147 (18.0)	173 (27.0)	191 (20.0)	-	38 (15.0)
<b>Total</b>	<b>619</b> <b>(100.0)</b>	<b>846</b> <b>(100.0)</b>	<b>824</b> <b>(100.0)</b>	<b>959</b> <b>(100.0)</b>	<b>540</b> <b>(100.0)</b>	<b>247</b> <b>(100.0)</b>
Overdues (Rs in lakhs)						
Normal	173.05 (62.0)	75.22 (62.0)	120.92 (61.0)	24.52 (10.0)	32.84 (18.0)	29.66 (58.0)
Penalised	36.60 (13.0)	32.68 (27.0)	35.50 (18.0)	167.50 (70.0)	145.07 (82.0)	11.34 (22.0)
Chronic	70.03 (25.0)	12.62 (11.0)	41.56 (21.0)	47.75 (20.0)	-	10.14 (20.0)
<b>Total</b>	<b>279.68</b> <b>(100.0)</b>	<b>120.52</b> <b>(100.0)</b>	<b>197.98</b> <b>(100.0)</b>	<b>239.77</b> <b>(100.0)</b>	<b>177.91</b> <b>(100.0)</b>	<b>51.14</b> <b>(100.0)</b>

Source: Sample Survey

## 10. CONCLUSION

One of the most disquieting features of the agricultural credit structure in India is the incidence of ever increasing over dues. The high level of overdues restricts the capacity of lending institutions to recycle funds, besides threatening the prospects of continued flow of external credit for agricultural development. A wide range of causes influence the level and the trends in overdues of the agricultural credit institutions. The recovery performance of Irala varies from 19.2 per cent in 2003 to 77.5 per cent in 2009 with the mean of 48.50. The recovery performance is poor in first 5 years and good in the last five years. The recovery



performance in Nidumusali society ranges between 16 per cent in 2009 and 83.7 per cent in 2001 showing declining recovery performance. The mean recovery performance is 45.45 per cent. the recovery performance of sample societies in Chittoor Nellore districts is not satisfactory. There is no significant difference in recovery performance of samples societies between Chittoor and Nellore districts. It is concluded that defaulters are rather lower in number in Nellore district rather than Chittoor district. there is significant difference in trends in overdues of sample societies between Chittoor and Nellore districts.

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