

CHAPTER. VI

RECOVERY OF LOAN OF SKUS

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6.1 Introduction

This chapter has been designed to study the procedure adopted to recover the loans advanced by SKUS, and the pattern of recoveries in the sample villages.

6.2 Procedure for the Recovery of Loan of SKUS

For the recovery of the loan sanctioned by the SKUS, charges are made on :

- (1) The yielding crops ;
- (2) Bullocks and ploughs ; and
- (3) Mortgaged property.

Just before the period of harvesting, the manager of the society reminds each member of his liability for the loan and the interest. The recipient of loan may refund it and the interest as and when money may be realised by selling crops. For realising the refund of loan and interest from the defaulters, first of all, a notice is issued by the society, that it will forcibly sell the crops or the bullocks and ploughs, if the loan is not

repaid. If the loan is not repaid still, then action according to the text of the notice may be taken. A case is to be started in a court of Law as the last weapon for getting permission of the court for selling the mortgaged property for repayment of loan and interest.

6.3 Distribution of Credit According to Landholding

Groups and their Recoveries

Landholding groups have been classified with a class interval of 2.5 acres. In 1975-76, a total sum of Rs. 63,300.00 was advanced among the sample villages. Total recoveries against these advances were of the amount of Rs. 48,300.00, the percentage of recoveries on the advance being 76.30. Such percentages of recoveries in 1975-76 were as follows, according to landholding groups :

<u>Landholding</u> (in Acres)	<u>Percentage of Recoveries</u>
Upto - 2.5	51.70
2.6 - 5.0	80.00
5.1 - 7.5	87.76
7.5 - 10.0	100.00
10.1 - above	x

Percentage of recoveries were different in different villages. In six villages, in 1975-76 such percentages were :

<u>Villages</u>		<u>Percentage (Recoveries)</u>
V ₁	-	70.79
V ₂	-	85.58
V ₃	-	79.04
V ₄	-	59.52
V ₅	-	86.11
V ₆	-	85.29

Thus, it was found that in 1975-76 the average percentage of loan recoveries on the amount advanced was the lowest in the landholding group upto 2.5 acres, and highest in the group 7.5 - 10.0 acres while the farmers of the landholding group 10.1 and above did not take any loan. Among the individual villages, percentages of recoveries were less than the average in village 1 and village 4, while it was more than the average in the other villages.

In 1976-77, a total amount of Rs.1,23,400.00 was advanced in the village, under study, against which a total sum of Rs.75,700.00 was recovered. The percentage

of recoveries on the amount advanced was 61.35. These percentages according to landholding groups were as follows :

<u>Landholding (in acres)</u>		<u>Percentage of recoveries</u>
Upto - 2.5	-	34.36
2.5 - 5.0	-	57.06
5.1 - 7.5	-	61.54
7.6 -10.0	-	39.02
10.1 - above	-	94.04

In 1976-77, percentages of recoveries in different villages were :

<u>Villages</u>		<u>Percentage of recoveries</u>
V ₁	-	48.37
V ₂	-	70.92
V ₃	-	50.36
V ₄	-	76.53
V ₅	-	65.38
V ₆	-	73.46

In 1976-77, also, percentage of recoveries was the lowest in the landholding group of upto 2.5 acres and

highest in the landholding group of 10.1 acres and above. Among the villages, percentages of recoveries were below the average in village 1 and village 3, while in other villages it was above the average.

From a study of the nature of recoveries of the advances it becomes clear that the percentage of recoveries varies directly on the quantum of land possessed by the borrowers.

The average percentage of recoveries fell down in 1976-77 as compared to that of 1975-76. The percentages of recoveries in the sample villages in 1975-76 and 1976-77 have been shown in line graph as appears in figure 6.1.

6.4 Reasons for Increase in Overdues

The reasons for an increase in overdues in 1976-77 as compared to 1975-76 are mainly the following :

(a) The total loan extended increased by 94.94 per cent in 1976-77 as compared to that of 1975-76. Persuasion for recoveries in 1976-77, was reported to be affected adversely as work was almost double in 1976-77 in comparison to that of 1975-76 whereas, number of members of staff had remained the same.

(b) Inorder to extend more credit perhaps, the SKUS management appeared to be liberal in some cases in

extending loan. Therefore, not always the requisite scrutiny of loan applications had been made and as a result, in some cases, farmers with lesser ability to pay back the loan, were extended credit. The management appeared to be in a dilemma. On the one hand they had been asked by the district authorities (District Co-operative Bank) to be liberal in extending loan to more and more farmers while on the other hand, they were not supplied with any guidelines/norms/procedures to determine the nature and extent of such a liberal policy.

(c) It was reported by the management that as there was "National Emergency" during 1975-76, a feeling among some of the rural people in these sample villages that unless they paid back their loan in due time they might be arrested, could be discerned with and such a feeling, it was felt, helped to a certain extent, to get back the loan from them. It was further pointed out that with the ending of the aforesaid "Emergency", such a feeling was lost and that might be one of the reasons for an increase of overdues in 1976-77.

It will have to be admitted, that the above contention did not base on sound indepth studies required perhaps, before coming to such a conclusion. It was nothing

more than a snapshot and perhaps, a bit sweeping generalisation of the feeling expressed by the management. One has to decide, however, whether a feeling is to be based to reach conclusion like that in a scholarly work. To this, it may be said, that there is indeed, a need for a thorough, indepth study with regard to the same but the conclusion was arrived at and the same had been retained here in the absence of such a study mainly because, it was thought that such a feeling was coming from those who were really handling the affairs in the field and hence, the same should be retained here, though at the same time, the need for a detailed study for the same was badly felt (the recoveries fell from 76.30 in 1975-76 to 61.35 in 1976-77).

The table 6.1 gives the precise version of the findings with regard to section 6.3.

Table 6.1

Distribution of credit and their recoveries according to
Inadholding groups.

Villages	1975-76									
	Upto 2.5 Acres		2.6-5.0 Acres		5.1-7.5 Acres		7.6 -10.0 Acres		10.1 - above Acres	
	Advan- ce Rs.	Recove- ries Rs.								
V ₁	8,800	4,200	7,200	6,000	500	400	3,700	3,700	x	x
V ₂	2,000	1,500	3,500	2,700	2,400	2,200	2,500	2,500	x	x
V ₃	1,400	600	8,100	7,000	1,000	700	x	x	x	x
V ₄	200	Nil	8,200	5,000	x	x	x	x	x	x
V ₅	300	100	3,300	3,000	x	x	x	x	x	x
V ₆	2,000	1,200	7,200	6,500	1,000	1,000	x	x	x	x
Total :	14,700	7,600	37,500	30,200	4,900	4,300	6,200	6,200	x	x

Table 6.1 (Continued)

1976-77										
Villages	Upto 2.5 Acres		2.6-5.0 Acres		5.1-7.5 Acres		7.5-10.0 Acres		10.1-above Acres	
	Advance Rs.	Recoveries Rs.	Advance Rs.	Recoveries Rs.	Advance Rs.	Recoveries Rs.	Advance Rs.	Recoveries Rs.	Advance Rs.	Recoveries Rs.
V ₁	9,600	3,200	15,100	7,400	3,000	2,000	900	700	2,000	1,500
V ₂	3,700	1,600	4,100	3,100	2,500	1,800	2,800	2,500	1,000	1,000
V ₃	400	x	19,700	9,300	4,000	1,500	3,300	3,000	x	x
V ₄	300	100	10,600	6,700	x	x	5,300	4,800	3,400	3,400
V ₅	200	x	9,600	5,200	1,800	1,000	2,000	2,000	2,000	2,000
V ₆	2,100	700	8,900	7,100	3,000	2,500	2,100	1,600	x	x
Total :	16,300	5,600	68,000	38,800	14,300	8,800	16,400	14,600	8,400	7,900

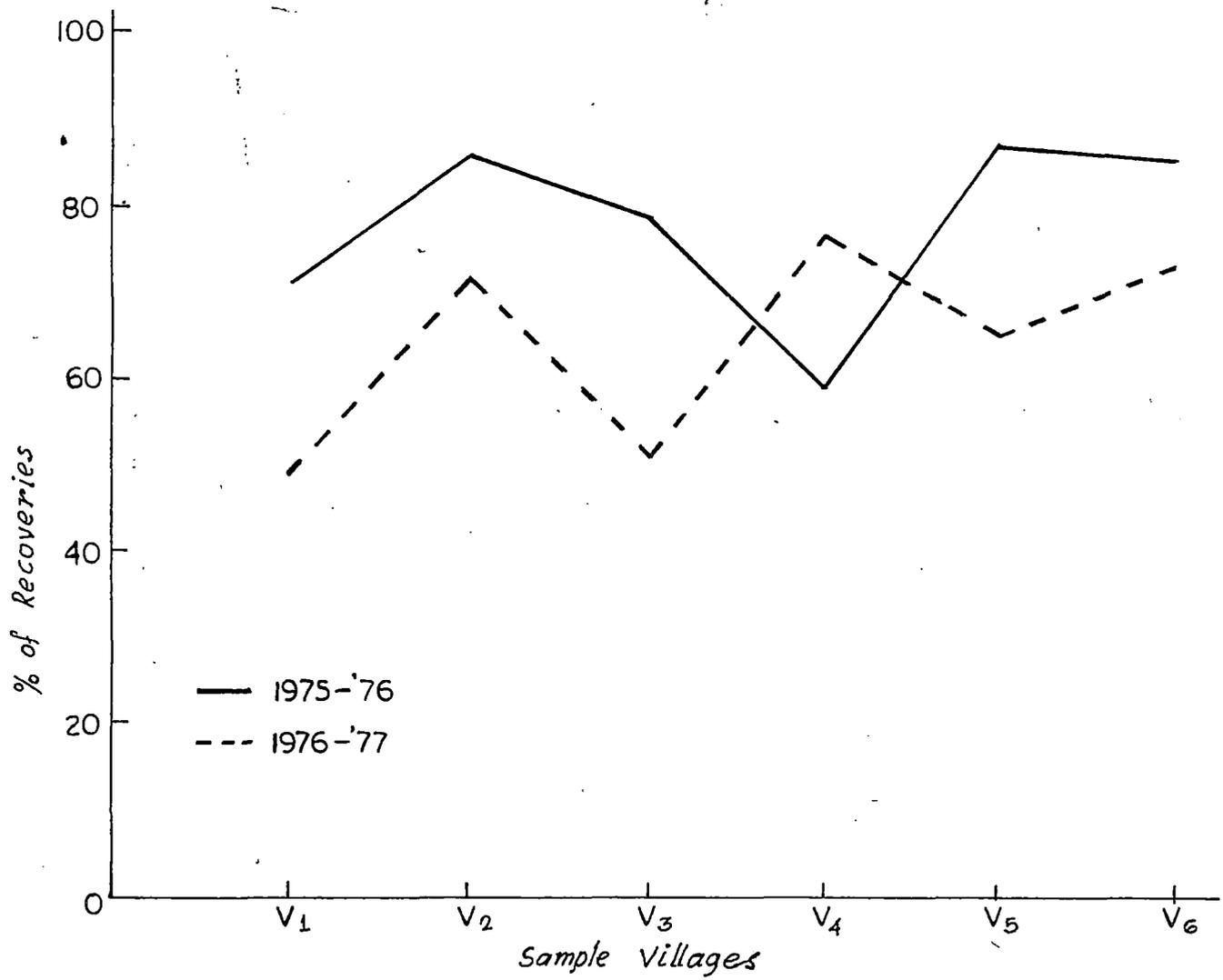


FIG.6.1 - LINE-GRAPH SHOWING PERCENTAGES OF RECOVERIES IN THE SAMPLE VILLAGES.