

# DIMENSIONS OF OVERDUE IN KARNATAKA\*

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## 1. Introduction

It is well known that the process of economic development is influenced by a number of factors. However, the classical school regards capital accumulation as one of the key factor's in economic growth (Kindleberger, 1965:83). Prof. Sen While supporting this argument points out that, "in terms of policy, one of the four major strategic instruments of development policy is rapid accumulation of capital. Adam Smith (Adam Smith, 1904:326) stressed the need for capital to increase productive labourers and productive power of labourers. Keynes in his 'General Theory' gave importance to capital. Nelson and Murray have also come to a similar conclusion but have further added that "it is the capital that improves farm sector and standard of living of the people" (Nelson and Murray, 1975:17).

The question arises how the domestic capital can be enhanced, it has been argued that through development of financial sector surplus can be converted into savings and that into domestic capital. Hence, a sound financial structure, is a pre-condition for effective mobilisation of domestic savings (Lopez, 1982). The financial intermediation is a process where an intermediary obtains claims on real resources from some individuals or institutions in the community and then re-lends those claims to some other individuals or institutions (Padmanabhan, 1988:1), in process this will contribute to shift resource from the traditional low yielding investment to investment in the modern technological sector, and this may result in a dramatic acceleration in the overall rate of economic growth (Vicente Galisb, 1977; Lopez, 1982). In developing countries savings are held unproductively by large section of people (Patrick, 1983:50). Hence, the development of financial institutions is necessary to tap and reallocate them efficiently to meet the requirement of economic policies. And the financial systems should have a reciprocal in function, because the non-wealthy savers prefer to save with credit agencies which carry on deposit mobilization and lending activities.

In India, it is essentially in this spirit that the Banking Regulation Act of 1949 was amended several times by the Indian parliament to enable Reserve Bank of India (RBI) to perform its twin functions of regulating flow of credit and allocation in favour of economic policies. But, legal and practical problems have prevented the RBI from exercising its enhanced powers and ultimately the Government of India (GOI) embarked on nationaliz-

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ing its major commercial banks in July of 1969. This has contributed to expanding institutional rural credit in quantum and accessibility. For instance, after nationalisation the total number of branches increased over five times, the rural branches increased by eleven times. The growth in deposits and advances also kept pace, recording an increase of about 23 times and 19 times respectively (Reserve Bank of India, 1990:80-89).

Since credit by definition is linked with trust or confidence, overdue hit at the very root of the functioning of credit institutions. Nevertheless, the phenomena of default co-exists with farm financing, but in recent years it has cropped up as a chronic disease. For instance, overdue at the aggregate, in India grew at a faster rate than the issue of loans during the last 10 years (RBI, 1990). The consequence of such alarming growth of overdue are grave, unless checked, they lead to stagnation in the rural economy (Rajashekhar and Vyasulu, 1990).

Such a drastic growth of overdue affected the functioning of credit institutions in two ways. First the lower recoveries reduced the availability of funds which could be utilised for further disbursement and second as a result of decline in recoveries many of the credit institutions become ineligible to avail of the refinance facilities from Apex Bodies.

The causes for overdue are multiple and they can be classified into two viz., internal and external. Internal factors include defective lending policies and procedures, absence of linkages of credit with marketing, investment credit having no provision of working capital, lack of access to institutional credit for consumption purposes and ineffective supervision. The external factors are underdeveloped agriculture, absence of infrastructure facilities, natural calamities, and political intervention (RBI; 1990, 556-573). Delays in sanction, disbursement of loans and fixation of due dates which is incompatible with the harvesting and marketing seasons (Kahlon 1991), political intervention on recovery of farm loans (Vyasulu and Rajasekhar, 1995; Veerashekharappa, 1996).

In this study, some of these arguments/findings are reexamined and the analysis is divided into three sections. The first section discusses the status of rural credit, second section deals with the concept and incidence of overdue and third section enquires the causes of overdue and fourth section draws the inferences. For analysis, secondary and primary data are used. The source of secondary data are RBI and NABARD publications. The primary data is collected through structural schedule. For this only one district of Karnataka, namely Hassan, was selected for an indepth micro level analysis. Within the district, two taluks namely Channarayapatna and Arkalgud were chosen. The one of reason to select this district is having highest overdue. Another reason for selecting the district is that it broadly reflects the agro - climatic variations in Karnataka state and the two

selected taluks symbolically represent heterogeneity in terms of various factors. (The district is classified broadly into two zones, viz., Malnad, hilly and transition region and 2. Plain Area. Randomly one taluk has been chosen from each zone, i. e., Arkalgud and Channarayana). The district is ranked as 10th in development within the state (Iyengar, 1980) and now it is turned out to be present Prime Minister's home district.

## 2. Status of Institutional Rural Credit

The major objective of nationalisation of banks was to bring commercial banks under the control of government and ensure lending to fulfil social objectives. After nationalisation, banks introduced innovative schemes in their operation and functioning, such as widening bank net work in rural areas, through branch expansion; establishment of specialised branches for farm lending; introduction of Lead Bank Scheme and District Credit Plans (LBS & DCP-in 1969); Differential Rate of Interest DRI-1972 scheme; Village Adoption Scheme (VAS-1974) and Service Area Approach (SAA-1989). Further, the RRB's were established in 1975 to take institutional credit to unbanked regions of rural areas. Between 1975 and 1995, the total number of RRBs increased from 6 to 196 and the number of districts covered by RRBs increased from 12 to 408 during the same period. The number of RRB branches increased from 17 to 14,542 during the same period. Later the NABARD was established to take up the role of a leader in the entire rural credit system in the country. Thus, the banking sector emerged as an important agency in testing rural development through credit.

The field level functionaries of agricultural credit agencies can be grouped in to two, viz., (1) Commercial and (2) Co-operatives. Commercial Bank Credit Agencies includes, public and private sector commercial banks and Regional Rural Banks (RRBs). The Co-operative Credit Agencies are Land Development Bank [LDB], District Central Co-operative Banks [DCCB] and Primary Agricultural Credit Societies [PACS]. The number of credit delivery functionaries to the farmer are 1,04,424 are co-operative units and the commercial bank branches are 21,948 including RRBs.

The growth of institutional credit to agriculture over a period was documented in Table 1. According to it, credit from co-operative sector in 1975 was Rs. 1039 crores and increased Rs 8593 crores by 1994. The RRBs which were advanced an insignificant amount in 1975 have disbursed Rs 745 crores. The growth of institutional credit has reduced the share informal credit in total rural credit (Veerashekhara, 1994).

For instance, in 1971 the share of all institutional credit agencies put together was 30.7% and by 1981 this has increased 63.2%. Within that the share of commercial bank

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increased from mere 5% to 49.1%. This achievement was due to phenomenal growth of Formal Rural Banking System (FRBS) (means that the investment credit and working capital requirements of rural people are covered quite impressively by the banking system). Further, for the benefit of the poor the government targeted subsidised schemes. The subsidy is extended across social groups from 25 to 33%. Thus, the institutional credit became accessible to the rural rich and poorer.

### 3. Incidence of Overdue

No doubt expansion of FRBS has contributed credit in quantum and accessibility to agriculture sector, but at the same time certain new problems are cropped up. The new problem is growth of chronic overdue, which in turn adversely affected the recycling of credit, and led to lower profit margins. The banking system got into a half-life trap, from which it has not been able to come out (Rajasekhar and Vinod Vyasulu, 1991). Thus, the overdue problem has become a major one in formal institutional rural credit. In this section, the incidence overdue across rural institutional credit agencies and type of farmers are examined. Nevertheless, before we analyze, the incidence of overdue, it is better to look at the conceptual issues regarding the outstanding amount and overdue amount.

The outstanding loan is "the amount to be repaid by the borrower according to schedules fixed by credit agency while advancing the loan". For instance, the crop/short term credit is to be repaid within 18 months, whereas the repayment of term loan is spread over 7 to 15 years, with a grace period 2 years in the case of marginal and small farmers. Thus the outstanding amount is known as, total borrowing - Demand amount repaid.

An overdue is defined as "the amount and interest there on defaulted from the payment on a particular date (due date) mentioned in repayment schedule". When a borrower does not repay his instalment within the stipulated time, then the amount is called overdue and the borrower is referred to as defaulter and this is known as amount overdue to demand.

Once the borrower defaulted in repayment of loan, not only he pays penal interest on overdue but also loses his eligibility to obtain fresh loan except on account of reasons which are beyond his control (natural calamity). In such case, the due repayment will be rescheduled and fresh loan is advanced on his request.

Thus a borrower who is on roll will have outstanding amount or overdue amount or both. However, when we look from the point of view of borrowers it is necessary to examine overdue with respect to outstanding loans. Normally the overdue is proportionally less than the outstanding amount. If overdue is more than 25% of outstanding amount, it is assumed that the overdue is more than two instalments, normally one instalment amount is equal

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to 10% to 15% of sanctioned amount except for crop loan. Hence when the accumulated overdue is more than 15% it is called chronic overdue.

Nevertheless, incidence of overdue at national level can be observed from the Table 2. According to it, the rate of recovery is declined across all institutional credit agencies. In other way the overdue is increased. Though the percentage of recovery is not much declined in the case of scheduled commercial banks, if you look at the quantum of overdue it is high, as the demand for recovery is increasing year by year. And among the RRBs the recovery has fallen. Thus incidence of overdue is increasing over the years inspite of the implementation of ARDRS scheme.

Incidence of overdue at micro level is presented in the following paras. Out of 541 loans borrowed by 206 sample households, 227 loans are defaulted with an amount of Rs. 15 lakhs, which is 24.5% of outstanding amount in both the taluks taken together. The incidence of overdue against to each taluk show that in taluk A it is 22% and in taluk B 27%. This is higher than what was observed on an average during 80s at the all India level. The number overdue loans are higher in taluk A compared to taluk B. In taluk A, 119 loans out of 276 (43%) are defaulted. In taluk B, 108 loans out of 265 loans (41%) are defaulted. The incidence of overdue across social groups presented in table 3.

According to Table 3, the combined share of marginal and small farmers in total borrowed loans in last five years is 20% and 23% in taluk A and B respectively and their shares in the defaulted loans are respectively 30% and 27%.

Against it the combined share of large and big farmers in the total borrowed loans are 48% and 44% and in overdue loans 38% and 40% in taluk A and B respectively. The marginal and small farmers share is high due to a low base. As the number of loans overdue will not give the incidence of overdue amount, hence in the following section quantum of amount overdue in term of Rupees is analyzed. The quantum of overdue amount against to outstanding amount was presented, first across credit agencies and followed by across farmers.

#### *1) Across credit agencies*

In Table 4 we presented data relating to outstanding and overdue across credit Agencies. The overdue are specific to credit agencies, the credit agencies are heterogenous in their function and operation. According to it the PCARDB share in total outstanding amount is 56% and all other agencies put together including indigenous agencies come to 44% in taluk A. The share of PCARD in total overdue amount is 72% and followed by 13% commercial banks. The overdue amount against the outstanding amount by the borrower to across credit agencies show that the PACS has 49% amount followed by PCARDB,

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RRB and commercial banks with 28%, 20% and 10% respectively. Thus, across credit agencies, the co-operatives have more overdue than other credit agencies in taluk A. Within the co-operatives, PCARDBs outstanding and overdue amount is large and PAC has small amount of outstanding but "overdue against to the outstanding" is high in case of PACs.

In taluk B, the large outstanding amount is in PCARDB, followed by commercial bank and RRB. However, in overdue, the large share is held by commercial bank, followed by RRB and PCARDB, PCARDB has large amount of outstanding but its share in total overdue is less compared to commercial banks including RRB. If we combine commercial bank and RRB, their share in total overdue is 75%. The overdue amount against outstanding shows that, the PAC has the highest 46% followed by commercial banks and RRBs. Thus in this taluk, though the PCARDB has large outstanding amount, it has less overdue compared to other credit agencies. The recovery is high among the co-operative institutions against to outstanding amount in taluk A. Contrary to it in taluk B, recovery is high among RRBs. The reasons are the selected co-operative institutions are performing better, as PAC is doing other activities along with credit distribution (such as distribution of fertiliser and other commodity), and sanctioned loan is distributed after deducting the overdue of old loans, whereas in RRB's due to tie up arrangement with Tobacco Board.

#### *2) Across Land Holdings*

As the institutional credit to the farmers is based on the collateral of land, this itself, show that the large farmers will have more accessibility to the institutional credit. However, with the intervention of state with policy of supporting small farmers with various schemes made the availability of institutional credit to the small and marginal farmers. The accessibility of institutional credit to across type of farmer is presented in the Table 5. According to it the per capita outstanding amount is high with large land holding and low against marginal farmers. But, outstanding amount per acre of land show a different picture. As land holding size increases outstanding amount per acre declines and so also overdue amount in taluk A. But in taluk B, same pattern is not emerged because of low per capita land available. As per capita land is higher in taluk A, the per acre outstanding as well as overdue amount is less, though per capita borrowing, outstanding and overdue amount are high.

#### *3) Age wise Overdue*

The age wise overdue across land holding is presented in Table 6. As holding size increases the age of overdue loans increases. For instance, among the marginal farmers 33% of loans are less than two years and 67% of loan are overdue for more than 2 years.

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Among the large farmers, 24% of overdue are less than year and 76 percent of overdue more than 2 years. The medium and large farmer have 36% of overdue over the five years age. Thus large farmers with their economic and political power will allow them prolong the overdue for longer period.

#### 4. Causes for Overdue

Three major reasons for overdue are identified viz. : i) failure of farmers to use borrowed funds for productive purposes (ii) Inadequate return on investments undertaken, (iii) Refusal on the part of the borrowers to repay despite realization of additional incomes. In other words diversion of borrowed loan, failure of crop due to natural calamity and wilful defaulting (lack of will to repay the loan) are the principal factors. The classification based entirely on the discipline of the borrowers in repayment of loans. In fact overdue contributed by specific policies and faulty procedures (Kahlon, 1991) pursued by the institutional credit agencies, are largely ignored.

In fact, the default is influenced by a wide range of factors which for convenience may be grouped under two categories. The external factor, such a natural calamities are beyond the control of human beings and the socio-political environment in which the credit institutions are functioning. But it is often felt that even during normal conditions, the recovery of the loans is not adequate. For this state of affairs, there are certain possible socio-economic factors like size of farm holding, number of dependents in family, total amount borrowed, diversion of loan for unproductive use and repaying capacity of the borrower, which directly or indirectly influence the repayment schedule.

The study of Khusro Committee reveals that there is lack of sufficient supervisory and other staff and that supervision of rural advances has come to be neglected. Also the staff in rural branches of commercial banks lack sufficient motivation to work in rural areas (RBI, 1990). All these factors indirectly contribute to increase in overdue.

Thus the problem is multifaceted encompassing social, economic and political. In this section, factors influencing the default/overdue are analyzed. The Agriculture Credit Review Committee (RBI, 1990), classified defaulters into 13 groups and the last group consists of none (no problem) and this was considered as wilful defaulter. For analytical pupose first stage, the factors are classified in to two viz. external and internal. Later they are classified into six factors, viz. (1) natural calamity, (2) failure of crops, (3) investing on house hold activity, (4) investing on Farm activity, (5) Diversion and (6) inadequate income generated. Further and finally, all of them were reclassified into two viz. Wilful and Non-wilful defaulters.

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The natural calamity is one where a person loses all the crop and damage occurs to all other income generating assets and maintaining one's own existence becomes difficult. As to crop failure, if crop yield is less than the cost of cultivation on an average (due to failure of irrigation, lack of sufficient rain, improper application of fertilisers, pesticides) When crop failure occurs, the area is declared as drought affected. In that eventuality the existing overdue is rescheduled and the borrower gets eligibility to fresh borrowing.

If a person reaped sufficient yield and has other sources of income to pay, but spends the income on household functions and personal consumption, it is treated as spending for house hold activity. If a person having capacity to repay with sufficient income from farm and other sources but if he re-invests on farm (such as buying bullocks, other farm equipment and inputs such as fertilisers) it considered as diversion of loan for farm activity. If the income generated by an asset or crop is not enough to repay the instalment, the persons are considered them as poor cultivators. The defaults due to natural calamity, failure of crops and inadequate income generated has been clubbed into non-wilful defaults and spending on household activities, investing on farm and non-farm activities are grouped under wilful defaults. During field survey, we collected data to gauge the relative magnitude of various causes of overdue. The data are summed up in Table 7.

Table 7, reveals a couple of interesting features. Factors responsible for overdue is largely concentrated in failure of crop and reinvestment in farm. These factors are followed by spending on house hold expenditure. The defaults due to inadequate income generation is only 3% of the total samples. In taluk B defaults due to natural calamity are high because in last three years water tank breached for more than two times.

Causes for default across credit institutions are presented in Table 8. According to it the diversion of loan for other than borrowed purpose is high among co-operative loans, compared to commercial bank loans in taluk A. In taluk B it is different, the defaults among co-operative loans are due to natural calamity and failure of crops.

Table 9, explains factors for default across land holdings in taluk A&B. Among the marginal farmers non-wilful defaulter are higher than the wilful defaulters. This trend is seen among all farmers except large farmers. Among the large and big land holders, percentage of wilful defaults is high. The wilful defaulters are those, who had generated sufficient income and capacity to repay the demand amount but not paying due to their strong local bade and connection with the political power.

In taluk B, proportion fo wilful defaulters is less and regularly repaid are little higher compared to taluk A. For instance, out of 100 loans, 22 are overdue due to non-wilful default and 18 are due to wilful default. The remaining 60 are repaid regularly. As against to this

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in taluk A, 57% of the loans were repaid regularly and 24% of loans are wilfully defaulted.

Across land size holdings the causes for default show that out of 100 defaulted loans among marginal farmers 54 are due to crop failure 45 loans were diverted for husehold expenditure. Among the large farmers 39% of them defaulted due to crop failure and in the case of 52 loans, the default was due to diversion of loan for reinvestment on farm. Thus among large farmer instead of repayment of loans, they reinvested on their fields and diverted for other purposes. Small farmers used part of the loans for consumption purpose or household expenditure.

## 5. Concluding Remarks

The above analysis shows that the credit can act as substitute to capital at micro production level. Introduction of state sponsored credit institutions have contribute to increase the flow of credit in priority sectors like agriculture through adoption of number of programmes. Incidence of overdue is large among large farmers. Apart from this the overdue is specific to credit institutions. The overdue is contribution of institutional and individual factors.

Credit agencies are not homogenous in their set up and function. For instance, the co-operatives are controlled by State Government, whereas the commercial banks are controlled and monitored by Central Government through RBI. Though co-operatives are supposed to function with autonomy, they are under political dictum of their controlling authority. For instance, earlier in Karnataka the defaulted members are not permitted to vote for electing the member to the governing body. This helped in recovery of loans. This rule was amended. Now the defaulter is not only permitted to vote, but he is also permitted to contest for election. This has largely contributed to accumulation of overdue.

The tie up arrangement with Tobacco Board is contributing for good recovery of overdue amount in the case of average number of loans. The Tobacco Board after sale in the market sends the sale process of the borrowers to the bank. The bank deducts the demand amount of loans of the borrower and the remained amount is credited to the borrowers account. The Board thus not only helps in recovery of loans but also take care of utilisation of sanctioned amount. Tie up arrangement gives an assured market and credit facility. It is one of important reason why farmers cultivate tobacco crop without much difficulty.

Further, in state since the Janata Dal rule, often announcements are made waiving interest or rescheduling loans in general and particularly during pre-election, which has ultimately effects recovery of co-operative loans.

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**Table 1:** Distribution of Loan During the Year (Rs. Crore) at all India Level

Institution	1975	1980	1985	1991	1994
1	2	3	4	5	6
Cooperatives	1039	1744	3154	5392	8593
of which:					
a) short-term	750	1218	2323	3932	6030
b) term loan	289	526	831	1460	2563
Scheduled banks	274	1045	2461	4676	5399
of which:					
a) short term	146	575	1035	2048	2860
b) term loan	128	470	1426	2628	2539
Regional Rural Banks	n	100	310	335	745
Short Term			132	125	474
Term Loan			178	210	271
Government (short term)	77	153	241	359	377
Total:-	1390	3042	6167	10761	15115
of which					
a) short-term	974	1941	3731	6463	9741
b) term loan	417	1101	2436	4298	5374

Source: Report Currency and Finance (RBI) 1979-80, respective years.

Note: Figures in ( ) represent loan outstanding.

**Table 2:** Recovery Status of Different Credit Institutions (in Percentages)

Year	PACs	LDBs	RRBs	CBs
1	2	3	4	5
1987-88	62	54	49	57
1988-89	62	52	49	57
1989-90	51	28	34	49
1990-91	56	56	47	58
1991-92	57	50	40	57
1992-93	53	52	41	58
1993-94	58	57	44	56

Source: NABARD, Annual Report, 1994-95.

**Table 3:** Type of Farmer by Loans Defaulted

Land Holdings		Total Borrowed Loans in Percentages		Total Loans Defaulted in Percentages	
		Taluk A	Taluk B	Taluk A	Taluk B
		1	2	3	4
M	F	5	4	9	6
S	F	15	19	21	21
Me	F	32	32	32	33
L	F	48	44	38	40
Total		100 (276)	(100) 265	(100) 119	(100) 108

**Table 4:** Outstanding and Overdue Amount Across Credit Agencies (000)

Credit Agencies	Amount Outstanding (Rs)	% to Total	Amount Overdues in (Rs)	% Total	% overdues to outstanding Amt
1	2	3	4	5	6
Taluk A					
PCARDB	1974	58	564	72	29
PACs	85	3	42	6	49
RRBs	351	10	73	9	21
SCB's	1002	29	100	13	10
Total	3414	100	781	100	23
Taluk B					
PCARDB	1092	43	117	17	11
PAC'S	95	4	44	6	46
RRBs	458	18	169	24	37
SCB's	874	35	367	53	42
Total	2521	100	696	100	28

**Table 5:** Distribution of Outstanding Loan and Overdue

No of Borrowers	Marginal 1	Small 2	Medium 3	Large 4	Total 5
Taluk A					
I. Outstanding Details					
1. No of borrower	9	12	31	48	105
2. No of Loans Outstanding	12	27	33	87	179
3. Per capita loan Outstanding	7977	11032	23540	73052	139624
4. per acre Outstanding loan	4709	3900	1335	1721	2602
II. Defaults					
1. No of Defaulters	9	9	17	9	44
2. No of loans defaulted	7	23	35	43	108
3. Per capita overdue	6781	6891	7652	8046	7252
4. Per acre Overdue	2321	1325	451	288	1280
5. % Overdue to Outstanding Loan	85	62	30	33	100
Taluk B					
I. Outstanding Details					
1. No of borrower	7	19	22	43	101
2. No of Loans outstanding	8	32	40	75	155
3. Per capita loan Outstanding	10839	14705	18394	44935	18998
4. Per acre Outstanding loan	5062	3211	5878	5075	4510
II. Defaults					
1. No of Defaulters	4	9	9	13	35
2. No of loans defaulted	11	25	38	45	119
3. Per capita overdue	8241	11002	10164	11895	10378
4. Per acre Overdue	3643	2006	1345	1800	2030
5. % Overdue to Outstanding Loan	43	35	24	50	100



**Table 6:** Land Holding and Age of Overdue (Rs. 000)

Taluk A				
Size of Land Holding	< 2 Year	2 to 5 Years	> 5 Years	Total
M F	33	37	30	100
S F	29	41	30	100
Me F	26	38	36	100
L F	24	40	36	100
Total	26	40	34	100
				[783230]
Taluk B				
M F	35	38	27	100
S F	33	46	21	100
Me F	30	38	32	100
L F	23	35	42	100
Total	25	38	37	100
				[713889]

Note: Figures in Parentheses are % to total.

**Table 7:** Causes of Overdue

Factors for Overdue	Taluk A %		Taluk B %		Total %	
	2	3	4	5	6	7
1. Natural calamity	4	3	16	15	20	9
2. Failure of Crops	49	41	38	35	87	38
3. Spending on non-farm activities	12	10	1	9	13	6
4. Spending on Farms	46	39	37	34	83	37
5. Diversion of investment	6	5	11	10	17	7
6. Inadequate Income generated	2	2	5	5	7	3
Total	119	100	108	100	227	100

**Table 8:** Causes for Overdue Across Credit Agencies

Causes for default	PCARDB	PAC	Credit Agencies RRB	SCBS	Total
		Taluk A			
1. Natural	0	4	3	1	1
2. Fail. crop	14	13	23	16	17
3. Non-farmer	2	0	0	1	1
4. On farm	4	4	3	6	4
5. Diver loan	17	29	17	14	18
6. Inadequate Income generated	0	7	2	1	1
7. Reg. paid	63	46	52	62	151
Total	100 (83)	100 (24)	100 (62)	100 (87)	(100) (258)
1. Natural	24	13	4	3	8
2. Fail. crop	13	16	5	20	12
3. Non-farmer	23	19	10	5	12
4. On farm	1	10	2	5	5
5. Diver loan	0	0	2	2	2
6. Poverty	0	0	2	2	2
7. Reg. paid	37	48	73	60	59
Total	100 (38)	100 (31)	100 (82)	100 (87)	100 (237)

Note: The loans from indigenous banks are excluded.

**Table 9:** Type of Defaulters across  
Type of Farmers

Type of Defaulters	MF	SF	Type of Farmers Me F	L F	Total
Non-Wilful	54	40	53	40	45
Wilful	45	60	47	60	55
Total	100	100	100	100	100
		Taluk B			
Non-Wilful	71	71	51	47	55
Wilful	29	30	49	53	45
Total	100	100	100	100	100

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## Abstract

*After World War II, the developed and developing countries gave equal importance in creating, expanding and regulating the financial system for economic development of different sectors.*

*In India, the government succeeded in creating and expanding Formal Rural Banking Sector (FRBS) over a period to look after the credit needs of farm sector. But, in 1980s FRBS faced the problem of chronic overdue. In fact the overdue at the aggregate, grew at a faster rate than the issue of loans. This adversely affected the recycling of credit, and led to lower profit margins and adverse effect on refinancing. The default is influenced by a wide range of factors including institutional factors, however at aggregate level they have classified in to two viz. external and internal. Further, reclassified them into two viz. Wilful and Non-wilful defaulters looking at the changing factors.*

*The analysis shows a positive correlation between land holding and overdue. Large and Medium farmers are wilful defaulters in large number of loans. Farmers belonging to dominate caste in the region stand out singularly as the main defaulters. Thus caste and class factors are contributing for the growth of overdues.*

## DIMENSION DU PAIEMENT ARRIERE AU KARNATAKA

### Sommaire

*Après la deuxième guerre mondiale, les pays développés ainsi que les pays en voie de développement accordaient une importance égale à la création, à l'expansion et à la régulation du secteur financier pour la croissance économique des différents secteurs.*

*En Inde, le gouvernement a réussi à créer et à développer le Formal Rural Banking Sector (FRBS) pendant une certaine période afin de s'occuper des besoins de crédit du secteur agricole. Mais en 1980, le FRBS devait faire face au problème de paiement arriéré chronique. En fait, le paiement arriéré au total s'accroissait à un taux plus élevé que l'émission des emprunts. Cela produisait un effet défavorable sur la remise en circulation du crédit, et aboutissait sur des marges bénéficiaires inférieures et produisait de nouveau un effet défavorable sur le refinancement. Le défaut est influencé par une gamme de facteurs variés, y compris les facteurs institutionnels. Pourtant, dans l'ensemble, ils sont répartis en deux: externes et internes. En plus il y a une deuxième répartition: Défaillant volontaire et Défaillant non-volontaire en fonction des facteurs changeants.*

*L'analyse affirme une corrélation positive entre la détention du terrain et le paiement*

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*arriéré. Les grands et moyens fermiers sont des défaillants volontaires dans le cas de nombreux emprunts. Les fermiers appartenant à des castes dominants sont pour la plupart de principaux défaillants. Ainsi le système de caste et les facteurs de classe contribuent à la croissance des paiements arriérés.*



# Books received

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**Maxwell FRY**, *Emancipating the Banking System and Developing Markets for Government Debt*. Routledge, London 1997, pages XVIII + 280, Hb: £. 45.00, ISBN 0 415 15640 8; Pb: £. 14.99, ISBN 0 415 15641 6.

*Contents*: Part I: Introduction and Debt-Deficit Dynamics, 1. Why Develop Markets for Government Debt? Overview and Summary, 2. Debts, Deficits, Inflation and Growth, Part II: Captive and Foreign Markets, 3. The Central Bank and Inflationary Finance, 4. Financial Repression, 5. Foreign Debt Accumulation, Part III: Developing Voluntary Domestic Markets, 6. Prerequisites, Persuasion and Pitfalls, 7. The Players and the Markets, 8. Roles for the Central Bank.

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Frank Cass, London 1997, 304 pages, Pb: £. 22.50 ISBN 0 7146 4333 5. EADI-book series: 20.

*Contents*: 1. Clusters and Networks as Sources of Co-operation and Technology Diffusion for Small Enterprises in Developing Countries, Part I: Clusters, External Economies and Co-operation, 2. Clusters of Enterprises Within Systems of Production and Distribution: Collective Efficiency and Transaction Costs, 3. Footwear Industrial Districts in Italy and Mexico, 4. The Significance of Spatial Clustering: External Economies in the Peruvian Small-Scale Clothing Industry, Part II: Flexible Specialisation, Networks or Ghettos? 5. Opportunities for Women in Ouagadougou's Informal Sector: An Analysis Based on the Flexible Specialisation Concept, 6. Industrial District or Garment Ghetto? Nairobi's Mini-Manufacturers, 7. Small Enterprise Associations and Networks: Evidence from Accra, Part III: Examples: Technology, Credit and Internationalisation, 8. Trust Building in Tanzania's Informal Credit Transactions, 9. Enterprise Networks and Technological Change: Aspects of Light Engineering and Metal Working in Accra, 10. From SMEs to Industrial Districts in the Process of internationalisation: Theory and Practice.

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**Dr. Monica S. Fong** is the Coordinator on Women in Development for the Europe, Middle East and North Africa region in the World Bank. Her long standing interest in the provision of financial services for poor rural women stems from her analysis and evaluation of development projects and programmes directed to the rural poor with the International Fund for Agricultural Development and the Food and Agriculture Organization of the United Nations.

She has also written extensively on women in the agricultural labour force in the developing world.

**Dr. Heli Perrett** is an independent consultant, specializing in social aspects of development planning and implementation. She is the author of numerous books and reports on communication, education and behavioural considerations in rural development planning. In addition to her extensive writing, she has continued to pursue a career as educator and has taught at the Catholic University of Peru in Lima, and the American University in Washington, D.C. among others.

#### Summary

Rural women have been one of the most consistently neglected groups in development planning and programming, and, paradoxically, one of the groups with the greatest unrealized potential. Direct access to credit, accompanied by savings, can become a catalyst for change that brings benefits to rural women, as well as to their families and communities. The book will address this issue as follows:

— In the introductory chapter, the reasons for direct, lending to rural women in developing countries are highlighted and women's creditworthiness is reviewed.

— A review of women's informal practices of borrowing and saving, their advantages and disadvantages is given in Chapter 2.

— This is followed by an overview of women's limited use of formal financial markets for borrowing and savings, and existing constraints on the supply of credit to women in Chapter 3.

— Chapter 4 discusses women's demand for credit, its assessment and promotion, with reference to both institutional credit and to savings.

— Chapter 5 provides an overview of institutional strategies for providing financial services to rural women, either separately or together with men, with extensive case illustrations; the variety of operational linkages that are being tried between credit and savings.

— The role, development and functioning of grassroots credit and savings groups, and the factors that determine its effectiveness in practice are discussed in Chapter 6.

— The concluding chapter summarizes what we have learned about the planning of appropriate financial services for women and the related policy implications.

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