REPAYMENTS AND CAUSES FOR OVERDUES IN THE NELLORE BRANCH APSFC

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Abstract: The effective management of loan repayment, particularly in agricultural and industrial sectors, is crucial for maintaining the financial stability of lending institutions and fostering economic growth. This study explores the dynamics of loan repayment, overdues, and defaulters in selected revenue divisions, shedding light on various factors influencing repayment behavior. In the context of agricultural credit, the study emphasizes the significance of loan utilization for productive purposes, alongside the willingness of borrowers to repay. Factors contributing to defaults range from external conditions like adverse weather to internal issues such as inadequate supervision and unsound lending policies. Similarly, in the industrial sector, timely repayment is essential for sustaining operations and accessing future credit. However, challenges such as complex documentation, stringent repayment terms, and high interest rates hinder the access to credit for enterprises. Analyzing repayment patterns across revenue divisions reveals disparities in repayment percentages and overdues. Factors such as production defects, income variability, attitudinal conditions, and misallocation of funds contribute to defaults among borrowers. Particularly, the study highlights the correlation between education levels and repayment performance, indicating that better-educated borrowers tend to exhibit higher repayment rates. Furthermore, the study underscores the social and economic implications of defaults, emphasizing the importance of prompt repayment for rural development and financial institution viability. Overdue loans not only freeze credit but also strain the relationship between lenders and borrowers, hampering rural economic progress.

Keywords: APSFC, Default, Repayment, Overdues.

Introduction

Repayment of the loan with interest thereon by the borrowers is crucial for the even functioning of any institutional credit. The assumption while providing credit is that its application to production generates enough production which, in money terms, would be sufficient to repay the loans together with interest and leave a responsible surplus. Credit can be said to be effective only if this basic postulate is borne out. However, this is not sufficient. The generation of incremental income is also to be accompanied by the willingness of the user to repay. A default in repayment can, therefore, occur, either due to loss in production or when the user runs into a critical financial position owing to other commitments. Effective management of recovery of overdues is, therefore not only of vital importance but is amongst the most composite of all problems associated with institutional credit. The incidence of overdues in the agricultural credit system has been increasing over the years and has been steadily disturbing the financial soundness of the system. This, therefore, has turned into a burning issue.

The agricultural credit structure in India grapples with mounting over dues, hindering fund recycling and jeopardizing external credit flow for agricultural development. Overdue levels are influenced by diverse factors, extending beyond immediate defaults due to adverse conditions like droughts or floods. Root causes include structural issues such as limited agricultural opportunities, lacking infrastructural support, socio-political context, and weather fluctuations. These external factors require governmental intervention for mitigation. Internally, inadequate supervision, poor management, and flawed lending policies exacerbate overdues. Addressing these challenges demands a concerted effort between credit institutions and government agencies to ensure sustainable agricultural financing.

Repayment performance measures the amount of loan repaid by borrowers. Unsatisfactory repayment leads to increasing overdue amounts. The success of financing industrial activities relies heavily on effective loan recovery, enabling financial institutions to reinvest funds. Timely loan repayment is considered prudent fund deployment. However, various factors influence borrower repayment behavior. Recovery performance is typically assessed by repayments as a percentage of demand, but individual beneficiary repayment performance is also crucial. The core of

credit lies in repayment after a set period, which varies based on usage and other factors. Financial institutions' credibility is built through loan repayment cycles. Their ability to lend depends on confidence in borrowers' repayment capacity. Repayment ensures fund recycling and instills confidence in both lenders and borrowers. Despite efforts to bridge credit gaps and meet entrepreneurs' needs, non-repayment is increasing. Productive loan utilization and timely repayment determine lending institution success, benefiting businesses, reducing debt burden, and facilitating future borrowing. Conversely, unproductive use and non-repayment depress the credit system.

The industrial sector is pivotal to India's economy, employing 40% of its workforce and contributing a quarter to the national income. Addressing entrepreneurs' issues promptly is crucial, given that public investment primarily occurs at the state level, with central support. Entrepreneurs, particularly in marginal and subsistence businesses, heavily rely on credit due to limited surplus and income. However, obtaining loans is challenging due to complex documentation, collateral requirements, and high interest rates. Financial institutions hesitate to lend to enterprises, hindering their growth and financial independence. Simplifying loan procedures, relaxing collateral requirements, and lowering interest rates are necessary steps for institutional cooperation with the industrial sector. Moreover, educating both financial institutions and entrepreneurs about their respective roles and responsibilities in loan repayment is essential. Similar to consumer awareness campaigns, initiatives by ministries and regulatory bodies can enhance financial literacy among entrepreneurs, empowering them to make informed decisions and reduce defaults. Collaborative efforts involving workshops and stakeholder engagement are vital for fostering a supportive environment for industrial growth.

Objectives of the study

The main objective of the study is to study the repayments and causes for overdues in the Nellore branch APSFC

Sample design

The study is to probe into the availability of finance for the weaker sections of entrepreneurs from Nellore branch APSFC in Nellore district. The sample size of the present study includes only the weaker sections of entrepreneurs who got financial assistance from Nellore branch APSFC. The weaker sections of entrepreneurs financed by Nellore branch APSFC during the period 2022 to 2023 have been taken into consideration to collect the required data. Nellore district has been divided into four divisions namely Kandukur, Kavali, Nellore and Atmakur. A total of 3658 entrepreneurs of weaker sections who have taken loan in the above said branch by APSFC have been selected for study in the first stage. The convenience sampling method has been adopted for the selection of the sample respondents as a result of which 15 per cent of weaker sections of entrepreneurs assisted during this period were chosen conveniently for the study. Out of the total 549 sample respondents,129 sample respondents are from Kandukur revenue division,136 sample respondents from Kavali revenue division,175 sample respondents from Nellore revenue division and 109 sample respondents are from Atmakur revenue division.

Total Demand, Repayment and Overdues

"Total demand" refers to the aggregate amount of funds that customers can withdraw from their accounts on demand, typically through means like checks, debit cards, or online transfers. It represents the total liquidity exposure of the bank to its depositors. "Repayment" in banking denotes the act of returning borrowed funds, often accompanied by interest, according to the terms of the loan agreement. This can apply to various types of loans, including mortgages, personal loans, and business loans. Timely repayment is crucial for maintaining a healthy credit profile and avoiding penalties or additional charges. "Overdues" signify payments that have not been made by the borrower by the agreed-upon due date. This could result in penalties, increased interest rates, or even legal action by the lender to recover the outstanding amount. Overdues can adversely affect the borrower's credit score and financial stability, while also posing risks to the lender's asset quality and profitability. The distribution of Total Demand, Repayment and Overdues in Classification of Entrepreneurs in Four Revenue Divisions is presented in table 1

Table No. 1
Distribution of Total Demand, Repayment and Overdues in Classification of Entrepreneurs in Four Revenue Divisions

Revenue Division	Classification of Entrepreneurs	Total Demand (Rs.)	Repayment (Rs.)	Percentage of Repayment	Overdues (Rs.)	Percentage of Overdues
Kandukur	**Manufacturing Sector**	684800	248010	36.22	436790	3.78
	Servicing Sector	3265800	2445360	74.88	820440	25.12
TOTAL		**3950600**	**2693370**	**68.17**	**1257230**	**31.82**
Kavali	**Manufacturing Sector**	645300	227030	35.18	412460	63.92
	Servicing Sector	3063700	2426480	79.20	812320	33.48
TOTAL		**3709000**	**2653510**	**71.54**	**1224780**	**33.02**
Nellore	**Manufacturing Sector**	994200	464390	46.71	529810	53.29
	Servicing Sector	3542700	2871410	81.05	671290	18.95
TOTAL		**4536900**	**3335800**	**73.53**	**1201100**	**24.47**
Atmakur	**Manufacturing Sector**	602920	286910	34.59	542620	65.41
	Servicing Sector	829530	281050	46.61	321870	53.38
TOTAL		**1432450**	**567960**	**39.65**	**864490**	**60.35**

Source: Primary data

Table 1 reveals that the total demand in Kandukur revenue division the total demand from classification of entrepreneurs was Rs.39,50,600 and out of which the entrepreneurs paid only Rs.26,93,370. The repayment percentage was more by the servicing sector (74.88 per cent) and followed by the manufacturing sector (36.22 per cent). The overdues were Rs.12,57,230. The percentage of overdues was higher among the manufacturing sector (63.78 per cent) and servicing sector (25.12 per cent).

In Kavali revenue division the total demand from classification of entrepreneurs was Rs.37,09,000 out of which the entrepreneurs paid only Rs.26,53,510. The repayment percentage was more by the servicing sector (79.20 per cent) followed by the manufacturing sector (35.18 per cent). The overdues were Rs.12,24,780. The percentage of overdues was higher among the manufacturing sector (63.92 per cent) and servicing sector (33.48 per cent).

In Nellore revenue division the total demand from classification of entrepreneurs was Rs.45,36,900 out of which the entrepreneurs paid only Rs.33,35,800. The repayment percentage was more by the servicing sector (81.05 per cent) followed by the manufacturing sector (46.71 per cent). The overdues were Rs.12,01,100. The percentage of overdues was higher among the manufacturing sector (53. 29 per cent) and servicing sector (18.95 per cent).

In Atmakur revenue division the total demand from classification of entrepreneurs was Rs.14,32,450 and out of which the entrepreneurs paid only Rs.5,67,960. The repayment percentage was more by the servicing sector (46.61per cent) followed by the manufacturing sector (34.59 per cent). The overdues were Rs.8,64,490. The percentage of overdues was higher among the manufacturing sector (65.41 per cent) and servicing sector (53.38 per cent).

Regarding to distribution of total demand, repayment was high in the Nellore revenue division when compared to Kandukur, Kavali and Atmakur revenue divisions. The overdues were high in Kandukur revenue division when compared to Kavali, Nellore and Atmakur revenue divisions.

Defaulters

A person who defaults or fails to fulfill an obligation, especially a legal or financial one is a defaulter. The unit may default in meeting its payment/repayment obligations to the lender and siphoned off the funds so that the funds are not utilized for the specific purpose for which the finance has been availed of, nor are the funds available with the unit in the form of other assets. In other words, the beneficiaries those who missed the instalments or evaded payments are classified as "Defaulters". Details of classification-wise defaulters among the borrowers in the select four revenue divisions are presented in table 2.

Table No. 2
Classification-wise Defaulters among the Entrepreneurs in Four Revenue Divisions

Revenue Division	Classification of entrepreneurs	No. of Borrowers	No. of Defaulters	Percentage of Total Borrowers	Average Amount Per Defaulter (in Rs.)
Kandukur	**Manufacturing sector**	21	6	28.57	72798
	Servicing sector	108	32	29.63	25638
TOTAL		**129**	**38**	**29.46**	**98436**
Kavali	**Manufacturing sector**	23	8	34.78	51557
	Servicing sector	113	36	31.86	22564
TOTAL		**136**	**44**	**32.35**	**74121**
Nellore	**Manufacturing sector**	38	13	34.21	40754
	Servicing sector	137	39	28.47	17212
TOTAL		**175**	**52**	**29.71**	**57966**
Atmakur	**Manufacturing sector**	3	6	46.15	90436
	Servicing sector	96	26	27.08	12379
TOTAL		**109**	**32**	**29.36**	**102815**

Source: Primary data

Table 2 indicates that in Kandukur revenue division out of 129 borrowers, 38 were defaulters (29.46 per cent) and the total amount defaulted by 38 borrowers worked out to be Rs. 98,436. The defaulters were high among service sector with 29.63 per cent. An analysis of average amount per defaulter in the classification of entrepreneurs indicated that the average amount per defaulter was higher in the case of manufacturing sector with Rs.72,798. It may be noted that the amount defaulted per borrower increased as the size of the firm increased.

In Kavali revenue division out of 136 borrowers, 44 were defaulters (32.35 per cent) and the total amount defaulted by 44 borrowers worked out to be Rs. 74,121. The defaulters were high among manufacturing sector with 34.78 per cent. An analysis of average amount per defaulter in classification of entrepreneurs indicated that the average amount per defaulter was higher in the case of manufacturing sector with Rs.51,557.

In Nellore revenue division out of 175 borrowers, 52 were defaulters (29.71 per cent) and the total amount defaulted by 52 borrowers worked out to be Rs. 90,436. The defaulters were high among manufacturing sector with 34.21 per cent. An analysis of average amount per defaulter in classification of entrepreneurs indicated that the average amount per defaulter was higher in the case of manufacturing sector with Rs.40,754.

In Atamakur revenue division out of 109 borrowers, 32 were defaulters (29.36 per cent) and the total amount defaulted by 32 borrowers worked out to be Rs. 102,815. The defaulters were high among manufacturing sector with 46.15 per cent. An analysis of average amount per defaulter in classification of entrepreneurs indicated that the average amount per defaulter was higher in the case of manufacturing sector with Rs.90,379.

The percentages of total borrowers were high in Nellore revenue division when compared to Kandukur, Kavali and Atmakur revenue divisions. The average amounts per defaulter were high in Atmakur revenue division when compared to those of Kandukur, Kavali and Nellore revenue divisions.

Community

The Indian society remains stratified on caste and this is truer in rural areas. Caste is perceived as an important factor, which determines one's social prestige and social intercourse. The position of a caste in the hierarchy is independent of its status. The defaulters on the basis of caste in four revenue divisions are presented in table 3.

Table No. 3
Classification-wise Defaulters of Entrepreneurs on the Basis of Caste in Four Revenue Divisions

Revenue Division	CLASSIFICATION OF ENTREPRENEURS	No. of Borrowers	No. of Defaulters
KANDUKUR	Scheduled Caste	33	12
	Scheduled Tribe	18	8
	Backward Caste	78	18
Total		**129**	**38**
KAVALI	Scheduled Caste	35	15
	Scheduled Tribe	19	9
	Backward Caste	82	20
Total		**136**	**44**
NELLORE	Scheduled Caste	54	17
	Scheduled Tribe	23	7
	Backward Caste	98	28
	Total	**175**	**52**
ATMAKUR	Scheduled Caste	30	10
	Scheduled Tribe	14	6
	Backward Caste	65	16
Total		**109**	**32**

Source: Primary data

Table 3 shows that in Kandukur revenue division the total number of borrowers was 129 and defaulters were 38. Out of the borrowers 12 in the Scheduled Castes and 8 numbers in Scheduled Tribe and 18 borrowers in the Backward Castes were defaulters.

In Kavali revenue division the total number of borrowers was 136 and defaulters were 44. Out of the borrowers,15 in the Scheduled Castes and 9 in Scheduled Tribe and 20 numbers of borrowers in the Backward Castes became defaulters.

In Nellore revenue division the total number of borrowers was 175 and defaulters were 52. Out of the borrowers 17 in the Scheduled Castes and 7 in Scheduled Tribe and 28 of borrowers in the Backward Castes became defaulters.

In Atmakur revenue division the total number of borrowers was 109 and defaulters were 32. Out of the borrowers 10 in the Scheduled Castes, 6 in Scheduled Tribe and 16 of borrowers in the Backward Castes became defaulters.

Formal Education and Repayment Performance

Education is a process by means of which a person's abilities and attitudes develop. Education broadens one's views. It may also enable him to come into contact with outside world through readings. So, it is expected that borrowers who are better educated would tend to be more prompt in the repayment of loans borrowed from the cooperative societies than those who have received lower education or no education. Educational status of borrowers is classified into four categories, viz., and illiterates, educated up to primary level, educated up to secondary level and educated up to college level. Particulars of defaulters on the basis of education in the four revenue divisions are presented in table 4

Table No. 4
Classification-wise Defaulters of Entrepreneurs on the Basis of Level of Education in Four Revenue Divisions

Revenue Division	Level of Education	No. of Borrowers	No. of Defaulters	Chi-square value
KANDUKUR	Illiterate	6	4	$\chi 2 = 4.303^{@}$; (p = 0.231) ; df= 3; Not Significant
	Primary	8	5	
	Secondary	38	11	
	College Education	77	18	
Total		**129**	**38**	
KAVALI	Illiterate	9	6	$\chi 2 = 9.240$*; (p = 0.026) ; df= 3; Significant at 0.05 level;
	Primary	13	8	
	Secondary	30	14	
	College Education	84	16	
Total		**136**	**44**	
NELLORE	Illiterate	11	3	$\chi 2 = 3.665^{@}$; (p = 0.300) ; df= 3; Not Significant
	Primary	16	7	
	Secondary	46	19	
	College Education	102	23	
Total		**175**	**52**	
ATMAKUR	Illiterate	6	5	$\chi 2 = 6.723^{@}$; (p = 0.081) ; df= 3; Not Significant
	Primary	11	6	
	Secondary	29	9	
	College Education	63	12	
Total		**109**	**32**	

Source: Primary data

Table 4 indicates that in the Kandukur revenue division the defaulters were 38 out of whom 4 defaulters were illiterates, 5 defaulters were having primary education 11 defaulters were having secondary education and 18 defaulters were having college education.

In Kavali revenue division the defaulters were 44 out of whom 6 defaulters were illiterates, 8 defaulters were having primary education 14 defaulters were having secondary education and 16 defaulters were having college education.

In Nellore revenue division the defaulters were 52 out of whom 3 defaulters were illiterates, 7 defaulters were having primary education, 19 defaulters were having secondary education and 23 defaulters were having college education.

In Atmakur revenue division the defaulters were 32 out of whom 5 defaulters were illiterates, 6 defaulters were having primary education, 9 defaulters were having secondary education and 12 defaulters were having college education. Therefore, there were more number of defaulters in Nellore revenue division. From the chi-square output table we see that significance level of 95% has been achieved in kavali division. This means that chi-square table is showing systematic association between the above two variables at 95% level of confidence. Hence it conclude that there is significant relationship between kavali revenue division with education of entrepreneurs remaining revenue division are not showing statistically significant. P>0.05.

Causes for Overdues

The term "overdues" refers to the amount due for payment by the borrower but not being paid. A defaulter is one who does not repay his dues within the time stipulated for repayment. Overdue has become a persistent problem for almost

all lending institutions. Timely repayment of institution loan is very much vital for a strong and sound rural credit base. Prompt repayment lessens the debt burden of the borrower households, strengthens the resource position of the lending banks and helps the expansion of circular flow of rural credit. Default in repayment of loans by borrowers would only mean keeping institution credit frozen in the hands of a few and denying the benefits of recycling of credit to several more needy aspirants. If non-repayment/default and the resulting overdues increase to unmanageable proportions, the loanable funds at the disposal of the banks would eventually dry up and would ultimately bring down the pace of rural development. Further, mounting overdues and the consequential unhealthy relation between the lending organization and the borrowers tend to demoralize the field staff for which they get disinterested to serve the rural areas. For a quicker development of the rural economy on the one hand and for the financial soundness and operational viability of the lending organizations on the other, the loans should be repaid in full and in time.

There are a number causes for loan default among rural entrepreneurs. The reasons also are quite varied.

a. Defects in Production

Poor productive conditions of the production enterprise often make it difficult to repay. This defect is also expressed in terms of "non-viable production units", which often refers to the small size of productions. The implication is that though the entrepreneurs are willing to repay they are unable to pay. Entrepreneurs with inadequate access to production inputs and extension services come under this group. Their income is insufficient to meet their basic needs rather than the repayment of loans.

b. Variability in Income

The entrepreneurs may be unable to repay his or her loan in a particular season owing to failures, due to natural calamities or the destruction of a product by theft, fire and other hazards. His or her inability to repay may also be caused by a sudden fall in prices or no market for his or her produce. Entrepreneurs in this category are normally able and willing to repay. The entrepreneur tendency not to accept responsibility for the delinquency but to throw the blame on natural calamities under market failures is a common experience. But in view of the incidents cited and the observations made in the field visits, the tenacity of the entrepreneurs' argument cannot be assailed.

c. Attitudinal Conditions

Those entrepreneurs who do not want to repay loans despite their ability to repay fall into this category. They do not consider government funds as loans, but often as grants. This cause is generally closely linked with defects in the credit organizations policies, such as abandoning efforts to collect arrears under earlier schemes and the lack of effective sanctions on borrowers who do not return loans.

d. Misallocation

This category includes the entrepreneurs who use the loan for the purpose other than those stated in the application. Those entrepreneurs who invested loan amount for other activities in which they had failed or even though successful, face a problem of liquidity to repay in time. Other misallocations include the use of borrowed funds for ceremonial needs, a sudden illness or death or repayment of loans from other sources. Causes of overdues, number of defaulters and amount defaulted are presented in table 5

TABLE No. 5

Causes of Overdues, number of Defaulters and the amount Defaulted in Four Revenue Divisions

Revenue Division	Causes of Overdues	No. of Defaulters	Percentage of Defaulters	Amount Defaulted Rs.	Percentage of amount Defaulted
KANDUKUR	Defects in production	11	28.94	315440	25.09
	Variability in Income	9	23.68	256260	20.38
	Attitudinal conditions	10	26.32	564180	44.87
	Mis-allocation	8	21.06	121350	9.66
Total		**38**	**100**	**1257230**	**100**
KAVALI	Defects in production	13	29.55	320520	26.17

	Variability in Incomes	8	18.18	244480	19.96
	Attitudinal conditions	16	36.36	539600	44.06
	Mis-allocation	7	15.91	120180	9.81
Total		**44**	**100**	**1224780**	**100**
NELLORE	Defects in production	14	26.92	352506	29.35
	Variability in Incomes	11	21.53	143477	11.94
	Attitudinal conditions	15	28.49	590065	49.13
	Mis-allocation	12	23.06	115052	9.58
Total		**52**	**100**	**1201100**	**100**
ATMAKUR	Defects in Production	9	28.12	181290	20.97
	Variability in incomes	7	21.87	166750	19.29
	Attitudinal conditions	11	34.38	361330	41.80
	Mis-allocation	5	15.63	155120	17.94
Total		**32**	**100**	**864490**	**100**

Source: Primary data

Table 5 reveals that in Kandukur revenue division the defect in production was with 11 defaulters and the percentage of such defaulters was 28.94 per cent, the amount defaulted was Rs.3,15,440 and the percentage of amount defaulted was 25.09 per cent. Due to variability in incomes, there were 9 defaulters and the percentage of such defaulters was 23.68 per cent, the amount defaulted was Rs.2,56,260 and the percentage of amount defaulted was 20.38. Due to attitudinal conditions, there were 10 defaulters, the percentage of such defaulters was 26.32 per cent, the amount defaulted was Rs.5,64,180 and the percentage of amount defaulted was 44.87. Due to misallocation, there were 8 defaulters, the percentage of such defaulters was 21.06 per cent, the amount defaulted was Rs.1,21,350 and the percentage of amount defaulted was 9.66.

In Kavali revenue division due to defect in farm production there were 13 defaulters, the percentage of such defaulters was 29.55, the amount defaulted was Rs.3,20,520 and the percentage of amount defaulted was 26.17. Owing to variability in incomes there were 8 defaulters, the percentage of such defaulters was 18.18 per cent, the amount defaulted was Rs.2,44,480 and the percentage of amount defaulted was 19.96 per cent. Due to attitudinal conditions, there were 16 defaulters and the percentage of such defaulters was 36.36 per cent, the amount defaulted was Rs.5,39,600 and the percentage of amount defaulted was 44.06 per cent. Because of misallocation there were 7 defaulters and the percentage of such defaulters was 15.91 per cent, the amount defaulted was Rs.1,20,180 and the percentage of amount defaulted was 9.81.

In Nellore revenue division due to defect in farm production there were 14 defaulters, the percentage of such defaulters was 26.92, the amount defaulted was Rs.3.52,506 and the percentage of amount defaulted was 29.35. Due to variability in incomes, there were 11 defaulters, the percentage of such defaulters was 28.49 per cent, the amount defaulted was Rs.1,43,477 and the percentage of amount defaulted was 11.94 per cent. Owing to attitudinal conditions there were 15 defaulters, the percentage of such defaulters was 28.49, the amount defaulted was Rs. 5,90,065 and the percentage of amount defaulted was 49.13. Because of misallocation there were 12 defaulters, their percentage was 23.06 per cent, the amount defaulted was Rs.1,15,052 and the percentage of amount defaulters was 9.58.

In Amtakur revenue division due to defect in farm production there were 9 defaulters, the percentage of such defaulters was 28.12, the amount defaulted was Rs.1,81,290 and the percentage of amount defaulted was 20.97. Owing to

variability in incomes there were 7 defaulters, the percentage of such defaulters was 21.87 per cent, the amount defaulted was Rs.1,66,750 and the percentage of amount defaulted was 19.29 per cent. Due to attitudinal conditions, there were 11 defaulters and the percentage of such defaulters was 34.38 per cent, the amount defaulted was Rs.3,61,330 and the percentage of amount defaulted was 41.80 per cent. Because of misallocation there were 5 defaulters and the percentage of such defaulters was 15.63 per cent, the amount defaulted was Rs.1,55,120 and the percentage of amount defaulted was 17.94.

Conclusion

The effective functioning of institutional credit relies heavily on the repayment of loans with interest by borrowers. This ensures not only the sustainability of the lending institution but also fosters confidence among both lenders and borrowers. However, the reality often presents challenges, leading to an increase in overdues, particularly in the agricultural credit system, which has become a pressing issue. Various factors contribute to the rise in overdues, including external influences such as adverse weather conditions, socio-political environments, and infrastructural inadequacies, alongside internal issues like inadequate supervision, management inefficiencies, and flawed lending policies within credit institutions. Moreover, the industrial sector, a vital component of the economy, faces similar challenges in loan repayment, exacerbated by complex documentation procedures, high-interest rates, and limited collateral availability. These obstacles hinder financial institutions' willingness to lend to the industrial sector, thwarting entrepreneurial aspirations and economic growth. Efforts to address these challenges necessitate a multifaceted approach. Financial institutions must collaborate with industrial sectors, simplifying processes, and providing more flexible terms to encourage borrowing. Simultaneously, there's a crucial need for financial literacy programs to educate entrepreneurs on responsible borrowing and timely repayments, fostering a culture of financial responsibility. Analyzing repayment patterns across various demographics reveals insights into repayment behaviors. Factors such as education level, family size, and caste dynamics play significant roles, highlighting the importance of tailored strategies to address specific borrower segments effectively. Understanding the root causes of overdues, including defects in production, income variability, attitudinal challenges, and misallocation of funds, allows for targeted interventions. By addressing these underlying issues through policy reforms, improved support systems, and proactive risk management, lending institutions can mitigate defaults and promote sustainable credit cycles. Ultimately, the successful management of loan repayment not only ensures the financial viability of lending institutions but also fosters economic growth, empowers entrepreneurs, and strengthens the foundation of inclusive development.

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