

(F) CURRENT SAMPLE SURVEYS

1. Introduction

In 1972, the Statistical Investigations Division of the Economic Research Department completed two surveys, namely-

- (a) The survey of defaults in the repayment of loans under the New Agricultural Credit Scheme, and
- (b) The survey of capacity utilization in the Fishing Industry in Mirissa and Beruwala areas.

During this period it also planned out a Survey of Consumer Finances to be carried out in the early part of 1973.

(a) The Survey of Defaults in the Repayment of Loans under the New Agricultural Credit Scheme.

The performance of the New Agricultural Credit Scheme, which in 1967 replaced the older credit scheme administered by the Department of Agrarian Services, did not bring about any improvements in the rate of recovery of loans. By 1971, defaults of loans under the New Agricultural Loan Scheme had reached very high proportions. The Government and the People's Bank were faced with the prospects of continuing heavy losses. In order to find out the main reasons for the low rate of repayment, the Central Bank carried out a village level sample inquiry into the operation of the scheme. In all 841 defaulters, spread over the island, formed the sample.

The principal items of data collected in the survey were for the reference period covering the 40 months from 1.9.67 (the date of commencement of the New Agricultural Credit Scheme) to 31.12.70.

In respect of each of the defaulting borrower drawn into the sample the schedule sought to obtain, among others, information on family size, the number of school going children and major expenses on education, ceremonials, litigation, marriage, illness, consumer items and capital formation. The area cultivated, the yields and their values as well as area of crop failure, were recorded for each agricultural season in the reference period. Similarly, the schedule called for a seasonal enumeration of the loans taken and the repayment of loans. In order to obtain indicators of follow-up action by the co-operative societies, questions relating to the number of reminders and visits to defaulters by co-operative officials were included. A direct question at the end of the schedule sought to find out the cause of default in the opinion of the defaulter himself.

This report has been published. A summary of the results is given below.

The number of defaulters that entered the sample was 841. The size of the average household of these defaulters was 6.7 persons. On the average a defaulter received Rs. 258.5 per month. The top 10 per cent of income receiving defaulters obtained 36 per cent of the total income, while the bottom 10 per cent received only 2 per cent of total income.

The average income per season per family of defaulting unit was Rs. 1,551/-. The average borrowings per season per family was Rs. 306/-, including Rs. 136.2 under the New Agricultural loans. The average debt (all loans) was nearly 20 per cent of average income.

Every farmer cultivated nearly 2.4 acres and the amount borrowed showed a greater relationship to the size of area cultivated than to income.

On the average 24.2 per cent of New Agricultural loans as a percentage of all loans was over due. Every defaulting farmer had an outstanding balance of Rs. 492/- on New Agricultural loans. This works out to nearly Rs. 12.3 per defaulting farmer on a per month basis.

Nearly 54 per cent of New Agricultural loans were outstanding at the time of the survey. The amount overdue was 4.8 per cent of income, while the amount borrowed was 8.8 per cent of income. In the case of all loans, the amount borrowed as a percentage of income remained at 19.7 per cent, while the amount overdue as a percentage of income was 12.6 per cent.

It was decided to ask the question about the cause of default from the defaulters themselves.

It was possible to identify 17 causes of default on the basis of answers given. The relevant data are presented in the following table.

TABLE II (F) 1
Amount Overdue Classified by Causes of Default

Cause of Default	Defaulters		New Agricultural Loans Overdue (with interest)	
	No.	Percentage	Amount Rs.	Percentage
1. Crop Failure	222	26.4	135,931	32.8
2. Low Income	145	17.2	66,968	16.2
3. No Intention to Repay ..	101	12.0	60,503	14.6
4. Illness/Death	75	8.9	36,680	8.8
5. Indifference of Co-operative Officials ..	74	8.8	26,122	6.3
6. Malpractices of Co-operatives ..	66	7.8	20,803	5.0
7. Heavy Expenditure (Legal, Ceremonial, etc.) ..	19	2.3	8,674	2.1
8. Considered loans may be written off ..	17	2.0	6,603	1.6
9. Mis-use of loans	16	1.9	7,188	1.7
10. Considered loans will be outright grants ..	14	1.7	7,163	1.7
11. Lack of Irrigation Facilities	13	1.5	4,885	1.2
12. Heavy Capital Expenditure	4	0.5	2,915	0.7
13. Malpractices of Govt. Officials	5	0.6	3,234	0.8
14. Heavy Indebtedness	10	1.2	5,451	1.3
15. Unemployment	3	0.4	1,005	0.2
16. Political interference	3	0.4	1,216	0.3
17. Withdrawal of facilities to surrender rice ration books	2	0.2	75	...
18. Other	52	6.2	19,282	4.7
Total	841	100.0	414,698	100.0

Some of the causes can be grouped together because they are either related to each other or cannot be strictly broken up into separate groups.

Crop failure was the most important single cause for default. Nearly 26 per cent of the defaulters have not repaid 32.8 per cent of the overdue loans. Crop failure would lead to low incomes, especially among the small cultivators. Nearly 17.2 per cent of the defaulters gave low incomes as the main reason for their inability to repay in time and they accounted for 16.2 per cent of the overdue loans. It cannot be denied that crop failure was the main reason for low incomes. Though almost all the defaulters could have given low incomes as the main reason for default, some of them considered other factors more important. The two most important causes - low income and crop failure - that are related to each other, accounted for 49 per cent of the loans overdue. Another set of reasons that can be grouped together comprises those relating to indifference of co-operative officials and malpractices in the co-operatives. Of the defaulters 8.8 per cent reported that if the co-operative officials had not shown indifference, but had been active, they would have repaid their loans in time. Some defaulters (7.8 per cent) did not see any useful purpose served in returning the borrowed money in time because, they felt that the co-operatives either did not return them to the People's Bank or misused the money thus returned. The proportion of overdue loans on this account was 11.3 per cent of the total.

In order to assess the ability and capacity to settle loans that were overdue, data on income and expenditure were related. The capacity of the defaulters to settle overdue loans against their incomes is shown in the following table.

TABLE II (F) 2
Capacity to settle overdue loans compared with overdue loans by Income Groups

Income Group Rs. per month (1)	Overdue Loans (with Interest) as a Percentage of Income		Proportion of income left after meeting all reported expenses (4)	Capacity to settle overdue Loans (4) - (3)= (5)
	New Agricultural Loans (2)	All Loans (3)		
0 - 50	19.9	43.1	- 45.2	- 88.3
51 - 100	10.4	21.7	- 20.5	- 42.2
101 - 250	5.9	13.0	+ 0.2	- 12.8
251 - 500	4.7	11.9	+ 14.7	+ 2.8
501 - 750	3.0	7.6	+ 20.1	+ 12.5
751 - 1000	3.4	16.7	+ 48.5	+ 31.8
Over 1000	1.8	10.0	+ 50.3	+ 40.3
Total	4.8	12.6	+ 8.3	- 4.3

The defaulters receiving an income of less than Rs. 250/= a month were found to be not in a solvent position to repay all loans, while those receiving over Rs. 250/= were in a position to repay them and still have a positive balance in excess of all expenditure. In the latter category there were 29 per cent of defaulters who received 63 per cent of the total income. These income receivers have borrowed 45 per cent of all borrowings under the New Agricultural Loan

scheme. Whilst they could have repaid the loans in full their repayments were not in keeping with their incomes. The defaulters who were getting a monthly income of over Rs. 1000/= repaid only 52 per cent of the loans, while the highest repayment rate of 60 per cent is attributed to the income group of Rs. 50/= to Rs. 100/= per month.

Based on the results of the survey, the amount in default due to crop failure was estimated at 10 per cent of all New Agricultural Loans in default. Due to lack of proper instruments for follow-up nearly 45 per cent of loans had not been recovered. A better organisation of recoveries could have reduced the default rate by about 25 per cent.

(b) Survey of Capacity Utilization in the Fishing Industry in Mirissa and Beruwala areas.

The Central Bank, at the request of the Ministry of Fisheries, conducted a survey on the utilization of the existing capacities and facilities in the production and marketing of fish in Beruwala and Mirissa areas.

The survey consisted of -

- (a) an inquiry into the economics of operation of boats, especially the mechanized boats; and
- (b) an inquiry into the family size, education and employment of fisher households.

In addition, a general inquiry was also made into the facilities available in the vicinity of the two selected fishing harbours in respect of landing and safe anchoring of boats, repairs to boats and engines, fuel and oil supplies, marketing of fish, etc.

A sample frame used for the survey was a complete list of mechanized boats in the two areas. There were 74 mechanized boats at Beruwala and 85 at Mirissa. A small sample of non-mechanized boats was also taken.

In addition to the survey of fishing crafts, a sample survey of fisher households was also carried out. Out of the listed number of 272 fisher households at Beruwala, a sample of 68 was drawn. At Mirissa there were 625 fisher households and a sample of 100 households was drawn, of which, only 93 were interviewed.

At Beruwala the field work commenced on the 19th of April 1972 and completed on 30th April, and at Mirissa, the survey was conducted for 12 days from 3rd to 15th May. Fish catch data were taken for seven consecutive days.

The analysis was confined to economic aspects of the use of 3½ ton mechanized fishing boats. As presented below the average gross profit (i. e. before managerial and depreciation costs are deducted) was estimated to be about Rs. 6,600 per boat. If the capital investment in a boat is taken to be Rs. 27,000 the gross profit, as estimated, amounts to be a return of about 25 per cent on capital.

TABLE II (F) 3

Value of Catch, Current Costs, Gross Profit, Cost of Major Repairs—
Annual Average Per Boat

Boat Ownership	Value of Catch	Current Costs	Gross Profit	Major Repair Costs
	(1)	(2)	(1)–(2)	
Co-operative	20,229	14,729	5,500	2,505
Private	29,265	22,543	6,722	3,043
All Boats	28,655	22,015	6,640	3,006

On the average the cost of major repairs per boat per year was estimated at Rs. 3,006/= If this amount is taken as depreciation, the net return on capital amounts to 13.5 per cent. The annual amount of the loan required to be paid back on a boat taken on hire-purchase from the Department of Fisheries alone was 24 per cent of the value of investment. This leads to the question whether the boat owner suffers a loss in the operation of the boat. The boat owner, in fact, has to pay back only 50 per cent of the capital and interest which in total amounts to 60 per cent of the capital. Hence, if the boat owner gets a 13.5 per cent as return, he should be able to settle the loan in $4\frac{1}{2}$ years. When one takes into account the fact that the profit during the early years of operation is higher than that during later years, one is led to the conclusion that the loan could be settled in a shorter period. The following table, worked out from survey data, shows that the loan could be settled in about $3\frac{1}{2}$ years.

Age of Boat (years)	Annual net profit as percentage of capital
1	22
2	17
3	16
4	12
5	11
6	12
7	5
8	10
9	12

A return of 13 per cent on investment is a low figure. There is evidence to suggest that there is room to increase profit (a) by increasing catch and (b) by reducing maintenance costs by more careful handling of boats. The annual expenditure on minor and major repairs alone form 16 per cent of the capital outlay. It is very probable that due to difficulties of obtaining spare parts, their high costs, non-availability of convenient repair facilities and heavy expenses on repairs, the boat owners do not attend promptly to the mechanical problems in the boats.

It became evident that a substantial increase in catch per trip is a goal that could be achieved without much additional organisational effort. An impediment to an immediate increase in catch per trip was the lack of adequate fishing gear. Further, 13 fishing trips per month per boat, as estimated, indicates a considerable idling of fishing boats. It appeared that with better organisation and management the number of trips could be considerably increased. This, obviously, is one direction in which the use of existing assets can be increased.

2. The Consumer Finance Survey of 1973.

The Central Bank conducted two surveys on Consumer Finances in 1953 and 1963. The preliminary work of the third survey, planned to commence in January 1973, was done during 1972.

Household income and expenditure will be central to the inquiry but related demographic and employment data will also be collected. In respect of each selected household detailed data on expenditure on food over seven consecutive days will be recorded by visiting it three times during the period. Expenditure on items such as, housing, clothing, fuel and light, transport, education, ceremonies, medicine, other goods and services will be obtained for a two month period. In the case of expenditure on durable consumer goods and investment, the reference period will be six months.

As in 1963, the survey is designed to provide separate analysis of results for urban, rural and estate sectors, and for four zones grouped together according to the administrative districts that are more or less deemed economically similar. There were frequent occasions in the past when data relating to the Colombo city were required. Hence, it was considered desirable to obtain data separately for the Colombo Municipal area.

In all 5,000 households over the island were drawn into the sample. For the selection of the sample the entire population was classified into 13 strata. From each stratum a sample of census blocks was drawn and from each census block so drawn an equal number of households was selected.