

Chapter - VII

7.1 Conclusions

After going through the last six chapters of this study, we get a fairly detailed outlook of the manner in which UBKGB has emerged as a pioneering institution to provide credit to the weaker sections of the society in Jalpaiguri district of West Bengal. The study has tried to analyse the position of UBKGB in developing the rural areas of the district of Jalpaiguri because the bank was established with a specific objective to provide credit facilities to a particular section of the society.

The availability of banking and credit facilities is an essential input for the development of the rural masses and the subsequent elimination of money lenders. Since independence a number of institutions have been set up to provide credit to the rural poor to achieve the main objective of our national policy, viz., “development through credit”. The Regional Rural Banks have now become a powerful instrument for economic development and they undertake the commendable task of providing credit to the rural people for agriculture and allied activities.

The present study is an attempt to evaluate the role of UBKGB, a Regional Rural Bank, in the development of the weaker sections in the district of Jalpaiguri, West Bengal. The focus of the study is on a review of the progress of UBKGB in agricultural lending. It also makes an assessment of the credit deficiency, cost of borrowing credit, repayment performance, overdue position and impact of credit. The major findings of this study may be summarized in the following manner.

7.2 Agricultural Credit and UBKGB

By and large UBKGB has made considerable progress in lending to the agricultural sector. The agricultural credit in Jalpaiguri district has increased from the level of Rs. 60.96 lakhs in 1998-99 to Rs. 805.57 lakhs in 2006. It has increased by 13.2 times between 1998-99

and 2005-06 registering a compound growth rate of about 24.11 percent. The target share of credit of the bank under direct finance is 80.48 percent and achievement is 83.62 percent over the period 2002-06 while the credit share under allied activities has rapidly decreased both in terms of target (19.52 percent) as well as achievement (16.38 percent) over the same period. We also see that the overall achievement (68.45 percent) under direct finance is better than that of allied activities (55.29 percent) over the period 2002-06. This indicates the success of the bank's policy of extending direct assistance to agriculture.

The UBKGB has not only been engaged in development agriculture but it is playing a significant role in extending finance to the weaker section namely SC, ST and OBC population. UBKGB has sanctioned agricultural loans to SC population from Rs. 219.86 lakhs in 2004 to Rs. 477.51 lakhs in 2006 representing an increase of 61.40 percent whereas the advance sanctioned by the UBKGB to ST population has increased from Rs. 30.05 lakhs to Rs. 61.55 lakhs over the same period registering an increase of 61.76 percent. Further it has been observed that the loan sanctioned by the UBKGB to the SC, ST and OBC population has increases from 80.55 percent in 2004 to 93.96 percent in 2006 whereas the loan sanctioned to higher caste has decreased from 19.44 percent in 2004 to 12.74 percent in 2006. Thus the UBKGB is playing a significant role in extending credit to the weaker sections of the rural villages

7.3 Sample Profile

The examination of the data obtained from the survey reveals that more than three-fourths of the sample borrowers are males and 59.12 percent of them are in the age group of 15-40 years. The caste-wise classification shows that 71.25 percent of the sample borrowers is from SC/ST categories and 28.75 percent of the respondents is from OBC and forward castes. Family size is considered as one of the

detriments for socio-economic development. Nearly 68.12 percent of the borrowers have three to five members in their family and the percentage of really large family sizes is quite low.

The level of education of the sample borrowers shows that 41.87 percent of the borrowers have no formal education and 39.38 percent of the sample borrowers have education level upto primary level. An analysis made in relation to size of land holdings of sample borrowers indicates that 32.5 percent of loanees are having less than 2.5 acres of land and 40 percent of the borrowers are having 2.5-5 acres of land. The main occupational status of the borrowers shows that 75.62 percent of the borrowers are engaged in agricultural activities and 24.38 percent of borrowers depends other than cultivation.

7.4 Credit Needs of the Borrowers and Their Fulfillment

An estimation of the mean credit gap of the sample borrowers reveals that the UBKGB has failed to meet the credit needs of the rural poor to the extent of Rs. 8283.06 per borrower. It represents that more than one third (33.55 percent) of the credit requirements of the borrowers are not met by the UBKGB.

Village-wise analysis shows that the credit gap ranges from 39.83 percent in Jalpaiguri sadar to 22.53 percent in Rajganj block. The percentage of credit requirements remaining unfulfilled is high in the case of the borrowers under small farmers (79.91 percent) followed by medium farmers (50.84 percent), marginal farmers (26.54 percent) and agricultural labourers (23.32 percent). The credit requirements remaining unfulfilled is high in the case of borrowers under small farmers (47.68 percent) in Maynaguri block, it is high in the case of borrowers under medium farmers (66.56 percent) in Jalpaiguri sadar and the percentage of inadequacy of credit is also high in the case of agricultural labourers (38.02 percent).

7.5 Time Taken by UBKGB in Disbursing Loans

An analysis of the total amount of time spent by the borrowers in getting credit represents that majority of the borrowers (67.50 percent) get the loan sanctioned and disbursed within a period of 7 days from the date of application. As against this 28.75 percent of the borrowers have to wait for a period of 8 to 14 days and about 3.75 percent of the borrowers have to wait for a period of 15 to 30 days. The average time taken by the bank to disburse loans to the borrowers works out to 9 days. Block-wise analysis on this aspect shows that the average time lag in getting credit is the highest in Maynaguri block (7.60 days) and the lowest in Jalpaiguri sadar (5.42 days). The average time lag in getting credit is the lowest in the case of medium farmers (5.17 days) in Maynaguri block and it is the lowest in the case of marginal farmers in Rajganj block and the average time taken in getting credit is the lowest in the case of small farmers in Jalpaiguri sadar.

7.6 Cost of Borrowing Credit by the Sample Borrowers

An examination of the cost of borrowing credit shows that on an average a borrower has to spend Rs. 426 for obtaining the loan. This amount is equivalent to 2.6 percent of the loan amount. The borrowers in the selected villages under Maynaguri block have to incur 2.76 percent of the loan amount as borrowing cost. The percentage is as low as 2.29 percent under Jalpaiguri sadar. The borrowers belonging to marginal farmers incur a lower borrowing cost (2.36 percent) of the loan amount under Rajganj block and the borrowers belonging to medium farmers incur lower borrowing cost under Maynaguri block (1.39 percent) and Jalpaiguri sadar (1.6 percent). Overall, the borrowers belonging to agricultural labourers incur a higher borrowing cost (3.85 percent) while the borrowers belonging to medium farmers incur the lowest borrowing cost (1.51 percent) in the district

7.7 Farmers' experience with Bank Loans

The borrower in getting loans from the banks faces many problems like attitudes and behaviour of the bank staff. UBKGB is not exception to this. A borrower who faces a large number of problems in getting credit may develop a retaliatory attitude towards the repayment of loan. This may cause overdues with the bank. This results in curbing a smooth flow of credit to the weaker sections of the villages.

While analyzing the problems connected with the bank it becomes evident that recommendation of panchayat pradhan for sanction of loan is the foremost problem faced by the borrowers. Delay in sanctioning loan and complicated loan procedure are ranked as the second and third major problems faced by them.

It is found that delay in sanctioning loan and recommendation of panchayat pradhan are the major problems faced by the borrowers in Maynaguri, Jalpaiguri sadar and Rajganj blocks respectively. Delay in sanctioning credit ranks the first among the problems faced by the borrowers under small farmers and agricultural labourers, recommendation of panchayat pradhan is the main problem for the borrowers under marginal and medium farmers.

Analysing the financial problems faced by the borrowers high borrowing cost of credit ranks as the first problem followed by loss of wages which is ranked as problem number two. High borrowing cost incurred is the major problem for the borrowers in Maynaguri block. But in Jalpaiguri sadar and Rajganj block loss of wages is the major problem. From farm size-wise analysis we see that high borrowing cost incurred is the major problem for the borrowers under small, marginal farmers and agricultural labourers respectively. But loss of wages is ranked as the first problem of the borrowers under medium farmers.

7.8 Utilisation of Loan, Repaying Capacity and Repayment performance of Borrowers

Banking services are of crucial importance in the transfer of capital to the weaker sections of the society. Care must be taken to ensure that credit is used effectively to create wealth and prosperity. The economic development in real sense can take place if credit is actually used for the purposes for which it is meant. Such credit, if used for a productive purpose will generate sufficient incomes not only support livelihood of the rural families obtaining credit but also yield surpluses which will help the borrowers to repay the loans promptly. As per the findings based on survey, 106 borrowers out of 143 have fully utilised the loan for the required purpose and the remaining 37 borrowers out of 143 have partially spent the loan on consumption items. It can be simply deducted that 17 borrowers (10.62 percent) do not fully utilise the loan for intended purposes and 37 borrowers have partially utilised the loan for the required purposes. Deducting the addition of the number of the users among the borrowers, it can be concluded that 54 borrowers out of 160 (33.75 per cent) do not utilise the loan for the required purposes. The percentage of borrowers who misused the loans obtained is the highest in the case of business loans (36 percent) and the lowest in the case of crop loans (33 percent). The percentage of borrowers who have misused the loans obtained is the highest in the case of business loans (36 percent) and the lowest in the case of crop loans (33 percent). The percentage of the borrowers who have misused the crop loans varies from a high of 45 percent is the case of borrowers under medium farmers to a low of 25.42 percent in the case of borrowers belong to small farmers. Whereas the borrowers who have misused the business loans obtained varies from a high of 50 percent in the case of borrowers under agricultural labourers.

7.8.1 Reasons for Misutilisation of Loans

The study reveals that out of 160 sample borrowers 54 respondents (33.75 percent) have misused the loans availed by them. Nearly 26 percent of the borrowers out of those misusing the credit state that inadequacy of credit is the reason compelling them to divert the loan amounts. About 19 percent have diverted the loan amounts due to lack of proper supervision and 17 percent have diverted the loan for untimely credit. 15 percent of the borrowers misusing the credit report that poverty is the reason compelling them to divert the loan amounts.

7.8.2 Repaying capacity and Repayment performance of the Sample Borrowers

It is generally believed that repayment performance will be good if the activities undertaken happen to generate sufficient income. The repayment capacity depends upon the returns from the activity or business in which the debtor is engaged. A close analysis of primary data indicates that 36 percent, 40 percent and 75 percent of the borrowers belonging to small, marginal and medium farmers have achieved surplus income from the crop loans. Whereas from business loan 80 percent, 30 percent and 38 percent of the borrowers belonging to small farmers, marginal farmers and agricultural labourers have achieved surplus income. Thus we see from our study that the small farmers have been benefited most from business loans and the borrowers belonging to medium farmers have been benefited significantly from the crop loans.

7.8.3 Repayments of Loans and Overdue position.

The success of financing different activities depends on the borrowers' capacity to repay their loans regularly so as to enable the banks to further recycle of funds. This recycling of funds is seriously threatened by the tendency of the borrowers not to repay the loans. Hence the loan repayment with interest by borrowers is necessary for

the smooth functioning of institutional credit system. A close analysis of the primary data indicates that of the total size of 160 sample borrowers, 29 percent of the borrowers have repaid in full while 53 percent of the borrowers have repaid part of the loan and remaining 18 percent of the borrowers have not repaid the loan at all. Further we find from our study that improvement in percentages of full repayment of loan is noticed in the case of the borrowers belonging to agricultural laborers (37.5 percent).

From repayment performance of loan amount by the borrowers we also find that about 37 percent of the principal and interest demanded by the UBKGB is paid by the borrowers and the balance 63 percent demanded is due from them. The average amount of overdues of the sample borrowers works out to Rs. 5967.

The percentage of principal and interest demanded but remains unpaid is the highest to the borrowers belonging to small farmers (73.41 percent) and the lowest to the borrowers belonging to medium farmers (51 percent). It can also be seen from the activity wise analysis that the percentage of overdues is high in the case of business loan (54 percent) compared to crop loan (42 percent).

The percentage of overdues in the case of business loan is more among the borrowers belonging to marginal farmers (65 percent) whereas the same is more among the borrowers belonging to marginal farmers in the case of crop loan (46 percent).

7.8.4 Source of Repayment

As regards the sources of utilization of the repayment of loans, the survey reveals that about 14 percent of the borrowers have repaid their loans by utilizing the income from the loan based activity itself. 15 percent of the borrowers have reported that their income from the credit based activity is not sufficient for repayment and hence the income they could generate from other sources and their family members are used for repayment of principal and interest. Out of 24

borrowers 66.67 percent of them have taken loans from grameen banyas, 20.83 percent have managed to raise loans from other banks for the repayment of loan instalments and another 12.5 percent have repaid the loan from son's money or income from secondary occupation. 71 percent of the borrowers are not hopeful of repaying the loan from the income likely to be earned from the credit financed activity. It indicates that they either misuse the loan or circumstances force them to do so. Nearly 41 percent of the borrowers belonging to small farmers, 27 percent of them under marginal farmers, 23 percent of medium farmers and 9 percent of agricultural laborers have repaid their loans by generating income from loan based activity.

7.8.5 Reasons for Overdues

About 16 percent of the defaulting borrowers find that income from the loan based activity is not sufficient for repayment of dues in time. Nearly 36 percent of them inform that crop disease is the main reason for their overdues. Nearly 15 percent of borrowers report that diversion of amount for other purpose is the major reason for overdues also. About 8 percent of the borrowers say that due to poverty they do not repay the loans and about 20 percent do not indicate any specific reason for doing so.

From farm size-wise analysis we find that about 45 percent of borrowers under small farmers state that crop disease is the main reason for overdues and 40 percent of them belonging to marginal farmers state the same reason. Whereas 67 percent of the borrowers under medium farmers do not indicate any specific reason for not repaying the loan. Thus while analysing the factors responsible for overdues we find that the highest percentage of borrowers ascribe their default due to crop diseases and 'do not know' is of immediate concern to the borrowers and constitute the next important factor for overdues followed by inadequacy of income from loan-based activity.

7.9 Impact of Credit on Employment

One of the main objectives of the bank finance is the generation of employment from the credit based activities. As per the findings based on survey the present analysis indicates that bank credit has no favourable impact on the self employment position of the borrowers. The average number of months of employment of borrowers has increased from about 6 months in the pre-loan period to about 7 months in the post-loan period. This represents a 21.75 percent increase over the period. Among the blocks the highest rate of self employment generation is recorded in Maynaguri block (34.27 percent) and the lowest in Rajganj block (10.16 percent). The average annual self-employment generation during the post-loan period is recorded to be the highest among the borrowers under medium farmers (37.40 percent) and the lowest to the small farmers (13.33 percent). Further from our study we find that the average annual self employment generation during the post-loan period is the highest among the borrowers under medium farmers (120.75 percent) in Maynaguri block and in Jalpaiguri sadar it is the highest among the borrowers belonging to the agricultural labourers (64.54 percent) and in Rajganj block the average annual self employment generation during the post loan period is recorded to be the highest among the borrowers belonging to agricultural labourers (42 percent) also.

7.10 Impact of Credit on Income

The primary objective of bank finance to the rural borrowers is the generation of additional income from credit based activities. The present study reveals that income generation during the post-loan period does not show any encouraging picture. The average net income from the loan based activity of the borrowers rises from Rs. 642 to Rs. 770, resulting in a net increase of Rs. 128.13 (19.96 percent) in the post-loan period compared to the pre-loan period.

Block- wise classification shows that the highest mean incremental income from the loan-based activity is recorded in Maynaguri block (Rs. 219) and the lowest in Rajganj block (Rs. 30.19). From the percentage of increase in income we find that it also varies from a high of 30 percent in Maynaguri block to 24 percent in Jalpaiguri sadar and to a low of 5 percent in Rajganj block.

The farm size-wise analysis shows that borrowers under medium farmers are in a better place in augmenting their income levels because 100.46 percent increase over the pre-loan period has been recorded of such borrowers. It is also observed from the study that in Jalpaiguri sadar the borrowers under medium farmers have got the highest incremental income (323.33 percent) and in Rajganj block medium farmers also have got the highest incremental income (124.28 percent). In Maynaguri block it is found that the marginal farmers using credit from UBKGB have the got the highest rate of growth of net income (186 percent).

7.11 Impact on Standard of Living

The survey reveals that there is no general improvement in the living standard of the borrowers. It is observed from the study that 70 percent of borrowers do not experience any improvement in their standard of living. Only 9 percent of the borrowers inform that there is significant improvement in their living standard. The rest 21 percent of the sample borrowers report that their living standard has slightly improved. The percentage of borrowers having no change in standard of living is the highest in Rajganj block (79 percent) and the lowest in Maynaguri block (57 percent). The category wise classification reveals that 75 percent of small farmers, 75 percent of marginal farmers and 67 percent of agricultural labourers are found to have no improvement in their living standard.

7.12 Suggestions

Keeping in views the foregoing findings of the study certain suggestions may be offered which would be useful for policy makers. The following suggestions are made on the basis of findings of the survey at the time of interview and opinions expressed by the sample borrowers:

1. The present method of provision of credit needs to be streamlined. The prompt decision in sanctioning loans to the farmers should be conveyed to them by the bank so as to avoid unnecessary harassment , frequent visits to the bank and loss of time resulting in loss of wages.
2. It has been observed that the loan sanctioned is often inadequate to fulfil the purpose for which loan is applied and the borrowers, therefore, misutilise the borrowed amount for some other purposes. This fact has been disclosed by some borrowers during interview with them. Therefore, it may be suggested that the bank should provide adequate amount of loans to the borrowers to meet the purposes for which the loan is applied to prevent misutilisation of the amount.
3. It has also been found that there is a wide gap between the date of application for loan and date of granting it. Meanwhile the borrowers are compelled to borrow loan with higher rate of interest from the gramin banyas to meet their immediate requirements. As a consequence, on receipt of the loan from the bank after a long period the borrowers repay the loan in the forms of principal amount with interest to the banyas putting them in the debt trap. Therefore, it is suggested for timely adequate credit to the farmers by the bank.
4. There is a need for provision of strong supervision by the field staff of the bank branches with the objective of useful and productive utilisation of bank credit sanctioned to the farmers.

5. The bank should educate the people of the area about the schemes. This approach would greatly facilitate decision making by the borrowers.
6. The procedure involved in obtaining the loan should be easier and convenient for the weaker sections.
7. The sanction of a loan followed by close supervision should extend to those activities only which are found economically viable.
8. Defaulters should be given warning to repay their loans. If friendly warnings fail, there is need to give judicial punishment to the defaulters.
9. In order to prevent the diversion of credit from meeting domestic needs, the loans may be provided by the bank especially for consumption purposes
10. Local politicians' intervention in respect of loan must be stopped and priority of sanctioning loan should extend to the lowest rung of the beneficiaries from amongst the identified weaker sections.
11. The UBKGB should improve the skills of the prospective borrowers through training, so that they can use the loans efficiently and repay them in time.
12. All the farmers should be brought under the 'National Agricultural Insurance Scheme' launched in the year 1999-2000 as the initiation of the central government aiming to provide compensation to them in case of any crop failure due to natural calamities.

Following specific steps may be taken to streamline the lending operations:

- (a) The viability must be taken into account while advancing loans. Loan should be advanced only when activity for which request for loan is made is viable.

- (b) The farmers must be motivated and educated to realize the fact that repayment of loan is in their interest. It will help to check willful default. This task may be performed by the bank officials and members of the farmers' club.
- (c) There must be a vigorous attempt for educating the farmers that bank's loan is not a help and it is required to be repaid. Such a mental shake-up is essential so that the farmers make productive use of loans.
- (d) Loan recovery camps may be arranged at panchayat level just after harvesting.
- (e) In the case of cattle loan, loan should be given for two cattles so that the agricultural labourers are able to find income throughout the year.