Chapter - I

The Problem

1.1 Introduction

Agriculture forms the core sector of the Indian economy as it accounts for nearly 21.7 percent of the aggregate national income and provides livelihood for more than 70 percent of the working population of the country. A breakthrough in this sector is thus essential for placing the economy on a sound footing . The new technological possibilities thrown open by the recent researches in agricultural science have proved that the total yield per acre can be boosted up by applying the optimum package of farm inputs. This also indicates the desired adoption of new technology which demands higher and higher capital deployments. Shortage of finances has been identified as the major constraint in cases of marginal and small farmers to shift over to the new methods of cultivation. Creation of adequate credit facilities, therefore, has been identified as the principal solution for all Indian agricultural problems.

The multi credit requirements of agriculturists could not for obvious reasons be met by any single institutional agency. A multi-agency approach has, therefore been viewed as a better alternative. Recognising this the Government has assigned the responsibility of farm development to three agencies namely, co-operatives, commercial banks and regional rural banks. Each one of these is presumed to function as a part of a "System" having a close co-ordination with planning credit provision. Further, they together are visualized as the instruments for rooting out the non-institutional agents from the scene over a period of time.

A comparative analysis of credit supply by different agencies over the periods suggests that non-institutional

agencies continue to play a vital role in providing short-term credit to farmers. However, their share in relative terms has declined from 92.7 percent in 1951-52 to 36.8 percent in 1981 and to 25 percent by 1995-96. On the other hand, share of co-operatives, as percentage of the total agricultural credit has declined from 47.37 percent in 1995-96 to 34.20 percent in 2002-03 and then to 21.83 percent in 2005- 06.[3]

But an assessment of the macro level credit data reveals existence of huge credit gaps in the economy. This may be mainly because of the accumulated overdues with co-operatives and because of the imbalance between the demand and supply of credit channeled through the institutional agencies.

Considering the large and growing gap in meeting credit needs of developing agriculture and allied activities, the government encouraged commercial banks to provide more and more credit to agriculture and other allied sectors. The nationalization of 14 commercial banks in 1969 was regarded as a watershed in this direction.[4] These institutions have been financing agriculture till 1991 following government directives of rural development. But the Financial sector reforms recommended by Narsimham committee which seeks to minimise government control on financial institutions impose stringent accounting norms and give freedom to banks from mandatory rural lending of 40 percent to priority sector. This has resulted in a declining trend in the priority sector lending especially for agricultural loans by commercial banks. The growing demand for large amount of credit in agricultural sector for commercialization and diversification on one hand and the reduction in agricultural lending by the commercial banks on the other has put agriculture into a paradoxical situation. This has created an institutional emptiness at the grass-root level for the

poorer section. If the rural areas are neglected, the really needy, small and marginal farmers will be left high and dry without any benefit from huge amounts flowing into the agricultural sector. In this context Regional Rural Banks (RRBs) as third arm have gained more importance in the rural credit system to cater especially to the weaker section of the society. The Uttarbanga Kshetriya Gramin Bank (UBKG) has been established in 1976 in the district of Jalpaiguri, West Bengal to meet the aforesaid objective.

1.2 The Problem

Agricultural credit is considered as one of the most important basis of inputs for conducting all agricultural development programmes. In India there is immense need for agricultural credit as majority of Indian farmers are very poor. Without adequate and timely credit they cannot make use of the essential agricultural inputs. Adequacy of credit is only one of the essential elements in a good credit system. Credit deficiency induces some of the borrowers to divert the loan amount for other purposes. Some borrowers are compelled to cut down their level of operation endangering viability of the project in question. It seriously affects their earnings and repaying capacity resulting in default and overdues. Hence availability of credit at the right time, at right doses and at a minimum cost is very important for smooth conduct of any economic activity. Undue delay in granting credit, frequent visits by the borrowers to bank and credit deficiency seriously affect the developmental activities. We can set the problems of our investigation in the following fashion:

o   What is the relative performance of the UBKGB in meeting credit needs in time?

o   To what extent credit has been granted by this bank?

○ What is the experience of borrowers in securing credit from the bank and repaying it?

○ Could the borrowers improve their economic condition?

These problems call for empirical studies. Initiation of a new study on the subject of agricultural credit will throw up additional information which will be of use in tackling problems relating to agricultural credit. This present study has been conducted to explore these problems.

1.3 Review of Literature

We can make a brief review of existing literature relevant for our purpose. Various yardsticks have been used to examine the impact of rural credit by RRBs by different scholars. These have also attempted to identify the factors responsible for improper utilisation of rural credit and analysed the reasons for default in repayment of loans.

Hanumantharayappa[5] (1977) studied the small farmers production credit requirement and repayment problems in the state of Karnataka and concluded that crop failure and diversion of income for other unproductive purposes were the main reasons for crop loan overdues.

Joshi[6] (1979) analysed repayment performance in agricultural loans and 14 common reasons for default of short and medium term credit were identified on the basis of response given by the defaulter borrowers. Among 14 reasons, some important reasons were low-yield returns, increase in domestic expenditure, new investment in land, gold, house, delay in payment by sugar factories and support of local political people.

Reddy and Reddy[7] (1979) observed that 80 percent of small farmers, 85 percent of medium farmers and 83 percent of big farmers repaid their credit timely.

Charan D. Wadhva[8] (1980) in his research work "An Analysis of the Working of RRBs in India" examined in detail the working of two selected RRBs - one in Haryana and the other in Rajasthan. The study revealed that RRBs inherited complicated procedural formalities from their sponsoring banks. The concluded that these banks were not able to meet the targeted disbursement of credit set by the Government of India.

A study conducted by RBI[9] (1980) on the viability of RRBs covered all aspects of the performances. The study concluded that RRBs had achieved the objective of helping the weaker section in rural areas by supply them credit to suit their requirements despite the constraint of limited areas of operation.

Chinappa Reddy[10] (1981) reported that most of the small farmers were non-willful defaulters, whereas most of the medium and large farmers were willful defaulters.

Pandey and Singh[11] (1981) reported that repayment of loan was the combination of ability to repay and willingness to repay the loan.

Balishter[12] (1983) found that the repayment capacity of small farmers was less as compared to medium and large farmers.

Mishra, Gupta and Sehgal[13] (1983) opined that the recovery percentage was more in small farms than in the Large farms.

Singh and Upadhyay[14] (1984) conducted a study on loan recovery of Regional Rural Banks in Bihar and found that the recoveries in RRBs declined continuously during the period 1978-80. The reason for declining or low loan recoveries were inadequate arrangement for recovery in bank branches and the shortage of funds with the borrowers to repay the loans either

due to crop failure or on due expenditure on marriage ceremonies or other social functions or illness of family members. Inadequate follow up by banks for repayment and willful default were also important reasons for declining loan recoveries in RRBs.

The bankers suggest the measures for better recovery such as lending in cluster, timely reminders, tie-up arrangements with marketing agencies , support from government agencies and legal action against willful defaulters.

Vaishnaw[15] (1985) in his study (RRBs in India) examined the financial viability and performance of RRBs in rural lending in Rajasthan. The study showed that most of the RRBs could not meet the target of disbursement of credit set by Govt. of India and that they were still far away from the stage of financial viability. Yet they established their potential as a "Development Bank" of the rural poor. But the actual performance of RRBs was inadequate in terms of their geographical coverage and the level of their advances. The study showed that RRBs failed to take maximum benefits of refinance due to shortage of technical staff.

James[16] (1986) in his study showed that only 18 percent of the borrowers misused the credit granted by North Malabar Gramin Bank to various economic activities. The repayment performance of the loanees showed that majority of the defaulters belonged to the dairy scheme followed by self employment and business schemes.

Mishra[17] (1987) in his study found that expansion programme of commercial banks benefited the rural population considerably. RRBs had a major role in providing credit for rural development. Small and marginal farmers didn't benefit from such facilities. The study concluded that small and marginal farmers were unaware of banking facilities and were victims of money lenders.

Narasimbulu[18] (1988) studied the performance of RRBs in rural development Indian economy. The study revealed that RRBs were better than CBs and cooperative credit institutions. The study stated that all the PACS and rural branches of CBs should be brought under the floor of RRBs to have sound rural credit system in India.

Verma[19] (1988) analysed the impact of rural banking on the masses in Rajasthan. The study revealed that quantum of credit advanced per office increased year after year but the quantum of credit per office of nationalised banks, RRBs and CBs was lower than the average Recovery of loans especially agricultural loans was inadequate in the state and the percentage of overdues on agricultural sector was as high as 58 percent.

Gangi Reddy[20] (1988) studied the role of RRBs in credit distribution with reference to Sree Anantha Grameena Bank in Anantapur district of Andhra Pradesh. The study revealed that the credit flow to the SC., ST. and backward caste (BC) category of population together is much lower than that the total credit flow to the upper caste people. This observation established the fact that in terms of credit disbursement even within the weaker section the upper caste people is more favoured than the people belonging to SC., ST., and BC categories.

Turan[21] (1989) in his study showed that due diversified lending, the PACS and RRBs in comparison with CBs were more accessible to the weaker sections of the rural masses. He found that the institutional agencies could not meet the credit needs of the borrowers to the extent of 24 percent. As regards the disbursement of credit, he opined that the RRBs were the most efficient banks followed by CBs and co-operatives. The study showed the delayed advances could perpetuate indebtedness among the borrowers.

Jain[22] (1989) in his work on 'Rural banks and Rural poor' examined the impact of RRBs on income and employment. The study revealed that loan assistance provided by RRBs to the downtrodden rural people created a positive impact on employment generation in rural areas. The net income per borrower was quite high in the post loan period as compared to the pre loan period.

Krishnan[23] (1990) in his study on "RRBs and Rural Development" observed that RRBs contributed greatly to the development of banking habits among the rural people through extensive branch banking and better customer service.

Bhatt[24] (1990) in his evaluation of IRDP found that 87.1 percent households had benefited from IRDP. About 86 percent of sample beneficiaries expressed the view that their family employment improved as a result of the rural development programmes.

D.Rajasekher and G.Suvarchala[25] (1991) in their study on "Institutional Credit and overdues" examined the problems of overdues. The study revealed that crop failure due to adverse weather condition and adequate income generation from the activities for which loan are sanctioned are important reasons contributing to the problem of overdues. The study further concluded that only a small proportion of defaulters cited the defective lending policies such as very high repayment schedules and high interest rate as the cause for overdues.

Naidu[26] (1991) examined the performance of CBs and RRBs in financing agriculture, industry under IRDP. The study observed that bank finance had a positive impact on income generation and employment opportunities through the overall impact on the beneficiaries was only marginal.

Shylendra[27] (1992) in his study on the performance of "Thungabhadra Gramin Bank" in Kranataka observed that the RRBs were facing the problems of low recovery of loans and mounting losses that led to most of them becoming non-viable. The study also revealed that loan disbursement had benefited mainly the better off sections of the beneficiaries.

Goswami[28] (1992) in his study showed that the advances of RRBs were diversified to different sectors and they brought about a significant change in the rural economy.

Betty Sebastain[29] (1992) studied the performances of RRBs in providing loan assistance to agriculture and non-agriculture sector and observed the major reasons for repayment of loans were failure of agricultural, illness of family members and rising consumption etc.

Reny Tyagi[30] (1993) analyzed the performance of RRBs of Ghaziabad District in Uttar Pradesh. The study observed that the main objective of the RRBs (Hindon Bank) has been fulfilled. The study also showed that both scheduled caste and scheduled tribes had been properly utilising credit facilities from the RRBs for production as well as consumption purposes.

Jaiprakash[31] (1994) studied that RRBs and PACs suffered from paucity of trained and honest personnel. The study also revealed that officials of CBs and RRBs indulged in corrupt practices while providing loans

Sukhdev Singh[32] (1994) in his study "IRDP and District Development" examined the problems faced by the beneficiaries in getting loans at different levels and the time they had to spend for getting the loans. He found that some of the respondents paid more than 51 visits to various offices to receive the loan and the average time taken for getting a loan worked out to 7.4 months.

Apart from paying several visits to the city and facing different hardships they also paid bribes at several offices to get the sanctioned loans. The further revealed that after availing loan only 5 percent of the respondents could improve their standard of living and about 33 percent of the respondents could experience some increase in their income levels.

A.Raja Rao[33] (1996) in his study on "Impact of the RRBs on income and Employment of Weaker Section" with special reference to NG Bank of Andhra Pradesh showed that in both Nalgonda and Narketpally branch areas, the beneficiaries belonging to the scheduled casts received the highest income from various schemes. He also found that in the Nalgonda branch, the small farmers got the highest incremental income and they got the lowest incremental income in Narketpally branch.

R.P. Singh and K. Sathees Babu[34] (1996) in their study on "Performance and prospects of RRBs" showed that the loan advanced by RRBs" have a direct and positive impact on the overdues in both per branch as well as per loan account cross the states in the country Poor screening, lack of proper loan appraisal and possible diversion for non-productive purposes etc. were identified as the probable reasons for the poor business.

Veerashekharappa[35] (1997) in his research work " Instituti0al Finance for Rural Development" highlighted the adequacy of credit, cost of credit, misutilisation and impact of institutional finance in Hassan district of Karnataka. He found that the main reason for diversion of loan was the need for clearing the old debts of borrowers The borrowers face many inconveniences in getting the loans due to the complicated loan procedures and the indifferent attitude of the bank. He concluded

that bank finance had a visible beneficial impact on the farmer's well-being.

Lakshmi Narasaiah and Venkata Naidu[36] (1999) in their study investigated the working of RRB in financing IRDP. The study showed that the beneficiaries were aware of the IRDP. They however did not have detailed knowledge of various schemes under the programme. The study concluded that the beneficiaries had substantial increase in net income from the respective activities and a significant impact on employment and assets position.

Jaya sheela and Bidar[37] (2000) examined the problems of overdues and the reasons for repayment of loans disbursed under different schemes from the RRBs in Karnataka. The study showed that about 65 percent of the beneficiaries did not repay loans. They also observed that borrowers did not get credit in time and this led to misuse of credit.

Benson Kunjukunju and S Mohan[38] (2002) in their study on "Institutional Finance and Rural Development in Kerala" showed that nearly 32 percent of the borrowers engaged in the agriculture sector misused the loans obtained by them. The study observed that "inadequacy of credit" was the reason compelling them to divert the loan amount.

Pallavi Chavan, R Ramkumar[39] (2002) in their study on "Micro-credit and Rural Poverty" found that in Bangaladesh the Practice of repayment from money lenders has resulted in the creation of "debt cycles".

Sharmistha Deb and Meenakshi Rajeev[40] (2007) conducted a field survey in the district of Hooghly, West Bengal and found that marginal farmers are increasingly relying on the trader class as a major source of credit for working capital. They also found

that the repayment rates by these farmers are better than that of the comparatively better off farmers.

The above review of literature reveals that a good number of scholars have studied the repayment behaviour, problems of overdues and socio-economic impact of credit on income, employment and standard of living of the borrowers. Though a number of studies on Regional Rural Banks and rural credit are available, new studies are called for filling the information gaps. It is this need that has encouraged us to make a scientific study on the subject. The present study analyses the performance of UBKGB in meeting credit needs in time, cost of borrowing credit, time lag in getting credit, overdues and impact of credit on income, employment and standard of living of the borrowers.

1.4 Objectives of the study

The following are set as the broad objectives of this study:

1. To assess the credit flow and its impact on income, employment and standard of living of the borrowers.
2. To analyse the problem of recoveries and overdues.
3. To ascertain the causes of overdues.
4. To investigate the time lag in getting credit from the bank.
5. To study the cost of credit incurred by the borrowers in getting loans.
6. To understand the policy implication of the credit use of farmers.

1.5 Hypotheses to be tested

While making this study and keeping in view the objectives to be achieved the following set of hypotheses have been formulated and the validity of which are tested in appropriate chapters :

1. The amount of credit given to the borrowers is not adequate to run the required activity.

2. There is delay in granting credit to the borrowers.

3. Majority of the borrowers have misutilised the credit.

4. There is an increasing trend of overdues.

5. Low return from the activity is the major reason for overdues.

6. There is no significant improvement in the income, employment and standard of living.

1.6 Scope of the study

In this present study a holistic attempt has been made to analyse the role of the UBKGB in agricultural lending and to assess the flow credit in agricultural sector in the district of Jalpaiguri, West Bengal. Both quantitative and qualitative variables have been considered here for our study. The view of borrowers has been taken into consideration. Many works have so far been done by a good number of scholors on the issue of repayment bevaviour, problems of overdues and the impact of credit on the socio-economic condition of the borrowers. In this present study we would try to assess credit requirements of the borrowers, credit disbursed and the prevailing credit gap. It also gives an insight into the cost of credit incurred by the borrowers, time lag in getting credit, repayment performance and impact of bank credit on the borrowers in the district as no study has been initiated so far exclusively in the district. The study will suggest suitable solutions which if implemented, will bring about a sea-change in the agricultural sector. The present study would hopefully help the policy makers in policy formulations and implementation.

1.7 The Study Area and Methodology

This study unit of Uttarbanga Kshetriya Gramin Bank (UBKGB) in the district of Jalpaiguri, West Bengal, is based on the survey research technique. The bulk of information have been

acquired from fields through observation and interview schedules. Personal interactions with the borrowers also gave insights into their problems. The multi-staged stratified random sampling design has been adopted for the present study. Borrowers were selected on the basis of multistage random sampling method. Three blocks namely Jalpaiguri sadar, Maynaguri block and Rajganj block were selected at random out of the total 13 blocks in the district. Two villages from each of the blocks were randomly selected. Thus we have six villages in the second stage. Again from six villages in the 3rd stage 160 borrowers comprising of marginal, small, medium farmers and agricultural labourers were selected randomly on the basis of maximum number of loanees.

Table 1.1: Sample size by Blocks, Villages and Borrowers

BLOCK	VILLAGE	NO. OF BORROWERS
Maynaguri	Churabhander and Husludanga	53
Jalpaiguri	Choudhuri Para and Denguajhar	54
Rajganj	Kaluarbari and Mogha Para	53

1.7.1 Nature and Sources of Data

Based on the objectives and the hypotheses to be tested, the required data have been collected from both primary source and secondary source.

The secondary data have been collected from the Annual Reports through personal approach at the Head Office of the UBKGB, Coochbehar and also from NABARD for the period 1999-2006.

For evaluating the objectives of the study, Primary data relating to income, repayments, defaults and opinions of the borrowers have been collected with the help of Structured Schedule. The text of the schedule is given in Appendix 1.

1.7.2 Techniques for Data Analysis

Introduction of statistical techniques for analysis of data is necessary to draw meaningful conclusions. The objectively collected data has been suitably classified and arranged in tables in appropriate chapters. The following are the techniques adopted for analysis of data.

Co-efficient of variation (C.V)

The co-efficient of variation is the most commonly used technique. With this it is possible to compare the variability of two or more than two series of their relative variation. It is called as Karl Pearson's Co-efficient of Variation. The Co-efficient of variation is calculated with the help of the following :

$$C.V. = \frac{s}{X} \times 100 \quad \text{Where}$$

$$s = \sqrt{\frac{\sum_{i=1}^{N}(X - X)^2}{N - 1}}$$

$$\overline{X} = \frac{\sum X}{N}$$

Growth rate

The growth rate analysis has been undertaken with a view to studying the changes in selected variables like deposits, advances relating to the UBKGB. The conventional growth model employed is based on the exponential function.

By assuming variable Y (deposits or advances) to be increasing approximately at a constant rate of 100 percent per unit of time 't' and further assuming that effect of disturbance is proportional to the trend value of Y_t, the following equation is adopted for estimating the compound growth rate:

$$Y_t = ab^t v_t \quad \text{---------} \quad (1.1)$$

Where   a   =   Y in the base year

         V_t =   error term

         b   = $(1 + g)$

By taking logarithm, the above equation is reduced to the following form:

$$\text{Log } Y_t = \text{Log } a + t (\text{Log } b) + \text{Log } V_t \quad \text{-----------} \quad (1.2)$$

Where Log a and Log b are the Parameters of the function obtained by OLS method.

Defining

     Q_t = $\text{Log } Y_t$

     X_t =   t

     A   =   Log a

     B   =   Log b

     U_t = $\text{Log } V_t$

Equation (2) can be written as

$$Q_t = A + X_t B + U_t \quad \text{----------------} \quad (1.3)$$

With the help of above equation, the value of g is obtained as

     Log b   =   B

     B   =   Antilog b

     B   = $1 + g$

     g   = $B - 1$

For effective comparison, the growth rate arrived at with the help of equation (3) is multiplied by 100 to obtain percentage change in the variable concerned.

Regression Analysis

It is the basic technique for measuring or estimating the relationship among variables.

In order to examine the impact of bank deposit and total cropped area on agricultural advances, the log-linear multiple regression function has been used.

The regression co-efficient of $X_1, X_2, X_3, \ldots, X_n$ are determined by solving simultaneously the normal equations. The formula of multiple regression analysis is written as

$$Y = a + b_1 x_1 + b_2 x_2 + \ldots + b_n x_n$$

Where   Y = Dependent variable (agricultural advances)

$b_1, b_2, \ldots, b_n$ = Regression Co-efficients

$x_1, x_2, \ldots, x_n$ = Independent Variables

a = Intercept.

Rank Correlation co-efficient:

When the data are of a qualitative nature this method is used. In our study this method has been used to examine the similarity in the rankings of problems faced by different farm categories in six selected villages. The rank correlation co-efficient is given by the formula

$$R = 1 - \frac{6 \sum d_i^2}{n^3 - n}$$

Where di = difference of ranks.

n = number of problems.

Chain Base Index Numbers

In the chain base method the comparisons are made with the immediate past (preceding year) and accordingly the data (for the two periods being compared) are relatively homogeneous.

Chain base indices (C.B.I.) are obtained on multiplying the link relatives (L.R.) successively. Thus

$$\text{C.B.I for any year} = \frac{\text{current year L.R.} \quad \text{preceding year C.B.I.}}{100}$$

Test :

Chi-square test

Chi-square (X^2) test has been used to test the goodness of fit. When the observations are classified according to two attributes and the observed frequencies O_i in the different categories are shown in a contingency table. We want to test on the basis of the cell frequencies whether the two attributes are independent or not. In our study the test statistic is

$$x2 = \sum (O_i - E_i)^2 / E_i$$

Where O_i = observed frequencies.

E_i = expected frequencies.

T-test

The test statistic t is used in our study to know the significance. The test statistic used is

$$t = \frac{\bar{X} - \bar{Y}}{S^2 \sqrt{\frac{1}{n1} + \frac{1}{n2}}} = t_{n1 + n2 - 2}$$

$$S^2 = \frac{n_1 S_1^2 + n_2 S_2^2}{n_1 + n_2 - 2}$$

Where X and Y are means of two Samples.
n_1 and n_2 are the sizes of two Samples.

S_1 and S_2 are standard deviations of the two samples . the computed value of t has been compared with tabulated value of t for $n_1 + n_2 - 2$ degree of freedom at 0.05 level of confidence.

Analysis of Variance (ANOVA)

Analysis of variance test has been applied in order to test for differences among more than two groups of data , where more than two means involved in the analysis. One-way analysis of variance test has been used in our study.

Post Hoc Test

It is Bonferroni method of multiple comparison. Whenever ANOVA results turn out to be statistically significant, the data have been subjected to further analysis to identify the pair(s) of mean that are significant.

1.8 Socio-economic Profile of the Study Area

Profile of the Study Area

The progress of agricultural sector of any region primarily depends upon the agro-economic climatic conditions of the region. In other words, the agro-economic climatic conditions serve as the basis of the development and well-being of farmers which in turn widen the scope of more capital investment in agriculture. This results in better production, better income and better repayment. It is, therefore necessary to have a discussion on the agro-economic-climatic factors.

Population

The total population of the district as per 2001 census is 34 lakh comprising of 17.5 lakh males and 16.5 lakh females. Of the total population 37 percent are SC and 21 percent are ST. The major ethnic groups in the district are Toyas, Rajbanshi, Ravas, Garos, Mech, Santhals, Madeshia and Oraon. The literacy rates among the male in the rural and urban areas are 70.75 percent and 86.27 percent respectively. While the literacy rates among the women in the rural and urban areas are 47.97 percent and 80.73 percent .

Climate:

The district has a moderate tropical climate with quite heavy rainfall during monsoon. The cold season is from mid November to the end of February. This is followed by the hot season from March to May. The Period from June to about the beginning of October is the south-west monsoon season. October to mid November constitutes the post-monsoon season. The minimum temperature is at 10.7 °c and the maximum temperature is at 23.6°c.

1.9 Agro-climatic Features

Rainfall:

The Jalpaiguri district has a moderate tropical climate with heavy rainfall during the monsoon. Rain is received in the district in varying intensities almost in every month barring December and January, although the district has a normal rainfall of 3119 mm.

Land Utilization Pattern:

The land utilisation pattern of the district is presented in table 1.2 . The net sown area of Jalpaiguri district is 228000 ha. The area under forests is 174565 ha. The fallow land accounted for cultivation is 3250 ha for Jalpaiguri district.

Table 1.2: Land Utilization Pattern in the Study Area

SL. NO.	PARTICULARS	JALPAIGURI DISTRICT (IN HA)
1.	Area under forests	174565
2.	Net sown area (ha)	228000
3.	Land not available for cultivation	3250
4.	Fallow land	4190
5.	Geographical area	622700

Source : District Statistical Hand Book, Jalpaiguri,2001

Irrigation:

In the district the net irrigated area is 84220 hectares. Out of this 57710 hectares are canal irrigated, 5670 hectares are irrigated by wells and 20840 hectares are irrigated by other sources.

River system:

The rivers which are numerous and flow north-south, originate from Sikkim, Bhutan and Darjeeling hills and can be divided into two systems, namely, the Brahmaputra system and the Ganga river system. The Brahmaputra river system contains Tista, Jaldhaka, Torsa, Kaljani, Raidak and Sankosh while the Ganga river system contains the Mahananda with its tributaries.

Soil:

The soil in the district is more or less porous throughout and, therefore, waterlogged are almost absent. Only on the southern parts there are a few marshy places which do not dry up completely in the summer. The greater part of the district is covered with alluvium ranging from pure sand to clay. In most parts of the district the soil is a sandy 10am, but in the basin between the Tista and Jaldhaka rivers it is hard, black and clay.

Major Crops:

The district is predominantly agriculture oriented. The major crops of the area are paddy, jute, tobacco, potato and tea. Rice is the principal crop in the district. Pulses like musur, mug, gram and oilseeds are also grown.

1.10 Limitation of the Study

Time and money being the main constraints, the study has been confined to only a few villages of the district with a total sample of only 160 respondents. However, proper care and

considerate thought have been exercised in making the study as systematic as possible.

1.11 Definition of the Concepts Used

Small Farmer (SF)

The cultivators whose holdings are between 2.5 to 5 acres.

Marginal farmer (MF)

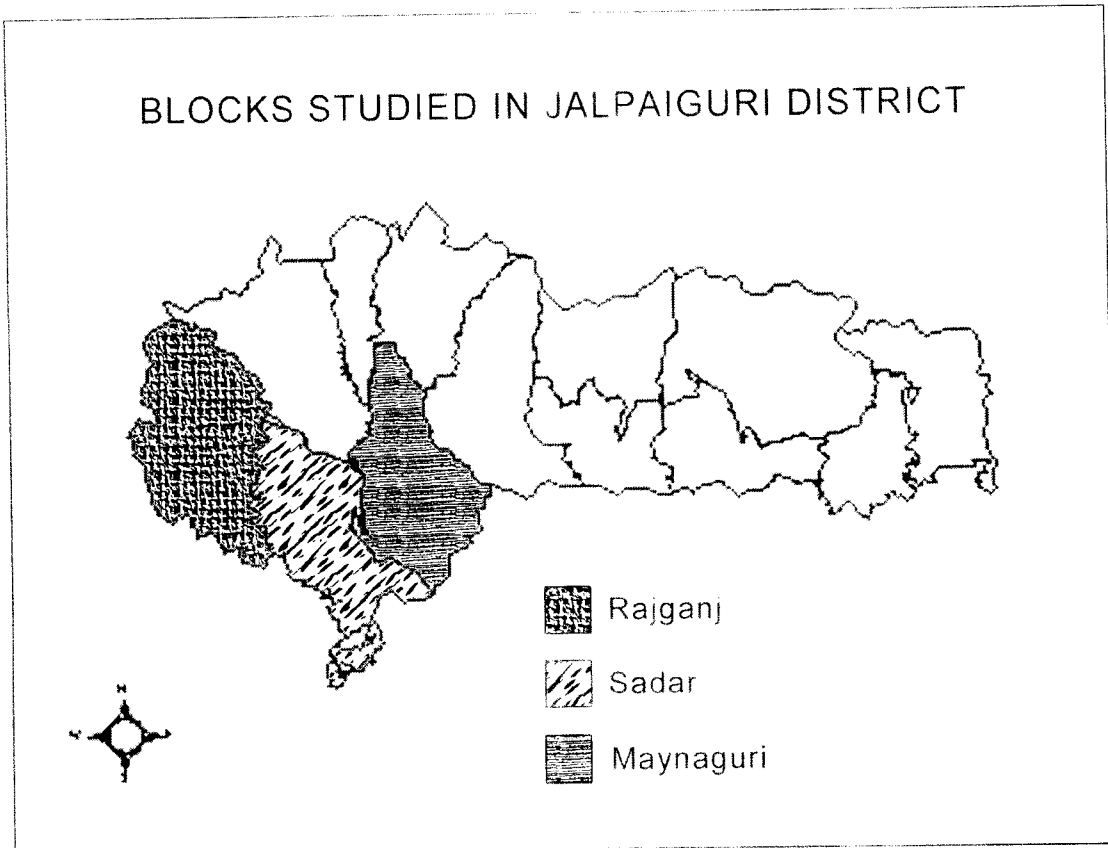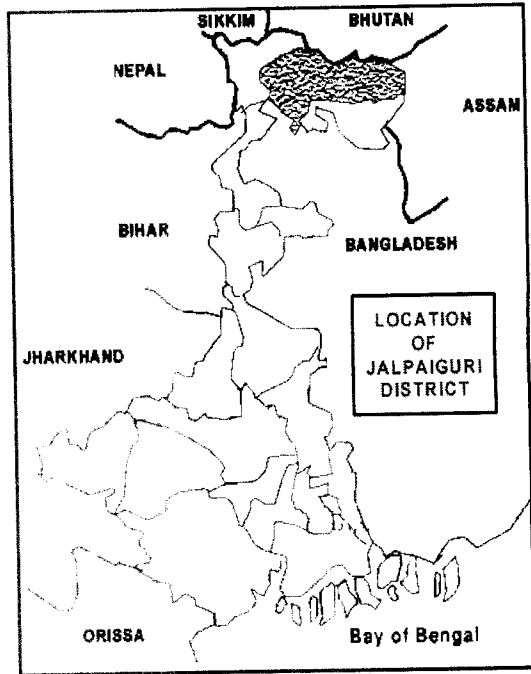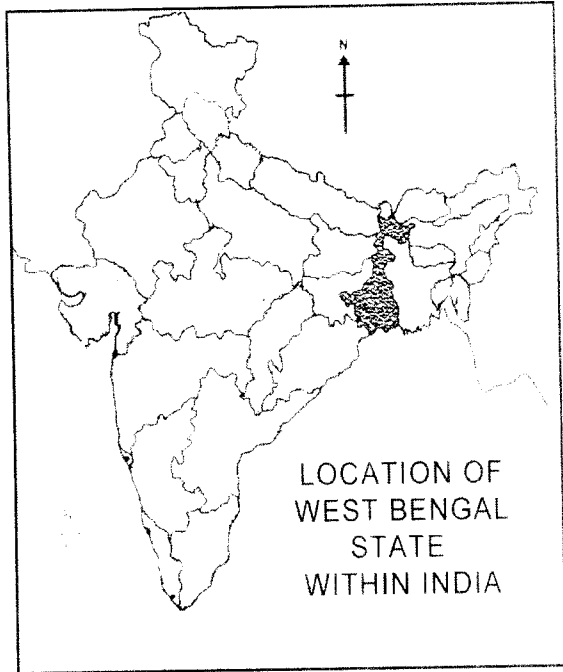The farmers whose holdings are less than 2.5 acres.

Medium farmer (MF*)

The farmers whose holding are in between 5 to 10 acres.

Agricultural Labourers (AL)

Those who do not possess cultivable land but who derive income from work in agricultural operations by way of wages.

STUDY AREA

LOCATION OF WEST BENGAL STATE WITHIN INDIA

LOCATION OF JALPAIGURI DISTRICT

BLOCKS STUDIED IN JALPAIGURI DISTRICT

Rajganj
Sadar
Maynaguri

Outstanding Loans

The amount left with the borrowers for realization on a particular date are called outstanding loans. Outstanding loans are estimated total borrowings minus amount repaid.

Amount overdue

A part of the outstanding loans becomes overdue loan if not realized within certain definite time limit. It is defined as : overdues are equal to the amount due for payment minus amounts actually repaid.

Moneylender

A moneylender is a person receiving major part of his income from money lending.

Baniyas

Experience from the field reveals that with growing demand for credit a new set of creditors have emerged who especially serve the small and marginal farmers. They are mostly school teachers who have almost replaced the traditional moneylenders in the rural villages.

1.12 Chapter Design of the Study

The study has been presented in seven chapters.

The first chapter focuses on introduction, problem of the statement, review of literature, objectives of the study and hypotheses to be tested, scope, methodology and socio-economic profile of the study area.

The second chapter titled "agricultural credit and UBKGB" deals with the extent and pattern of agricultural credit advanced by the UBKGB. The third chapter examines the socio-economic profile of the borrowers, credit gap, cost of borrowings of credit and time lag in getting credit from the bank.

The fourth chapter deals with experience of the farmers with the bank loans.

The fifth chapter evaluates the utilisation of credit, repaying capacity, repayment performance of the borrowers and reasons for overdues.

The six chapter 'Impact of Agricultural Credit' is an attempt at assessing the impact of the loans on the sample borrowers especially on the variables employment, income and standard of living. The last chapter viz. , chapter seven, presents conclusion and suggestions.

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