# Chapter II

## Agricultural Credit and UBKGB

### 2.1 Introduction

Agriculture is the backbone of nation's economy and the improvement in agricultural productivity is of paramount importance today. It not only provides food and other wage goods to our population, but also ensures a strong base for the development of the industrial sector. Agriculture, like industry needs short, medium and long term investible funds. For the development of agriculture, farmers need credit for the purchase of material inputs such as seeds, fertilizers, pesticides and so on. Without adequate and timely credit farmers can not make use of these essential inputs. The use of better quality of inputs would mean greater demand for rural credit. If we are all concerned about increasing total agricultural output in the short period, we must provide credit first and foremost. "Availability of credit to agriculturists at economic rates interest, for agricultural purposes and at the time credit is needed by them, is an essential condition for the healthy and sound functioning of an agricultural economy."[1] One fact is unbeatable, adequate credit is sine-qua-non for agriculture. Hence availability of banking and credit facilities is an essential condition for the economic emancipation of the rural masses.

The rationale of setting up of RRBs, as a third constituent of the rural credit system, is to meet the growing demand for credit for modernization and commercialization of agriculture. The UBKGB that came into being during 1976 in Jalpaiguri district of West Bengal is based on the same line of thinking. The total agricultural credit from the UBKGB has steadily increased from Rs. 207.00 lakhs in 2002-03 to Rs. 761.75 lakhs in 2004-05. At the state level the share of agricultural credit by the RRBs is insignificant and at the national level, the share of RRBs is also insignificant between 8 per cent to 10 per cent during the same period.

## 2.2 Purposes of credit

In view of the financial requirements of the rural borrowers. the RRBs provides loans for three purposes :-

1) Short - term Credit.

Short term credits are required for raising crops. These loans are disbursed either at Rabi or Khariff season in each year. These loans are made available on the basis of the land under cultivation or to be cultivated. The scale of finance depends on the basis of the cost of cultivation per acre of each crop.

2) Medium - term Credit

Medium-term loans may be necessary for purchasing livestock, farm machinery, making arrangement for irrigation, or making temporary improvement over land etc. The repayment period varies from 15 months to 5 years.

3) The Long-term Loans

The farmers need long-term credit for the purchase of land, costly machineries like tractors, power tiller, for effecting permanent improvements on land like sinking of wells, for installation of tube well etc. These loans are for long-periods of more than 5 years.

In the present study we have combined medium term and long term loans together under "term loans."

## 2.3 Trend in Flow of Ground Level Credit

Since the RRBs have been allowed to work on the same lines on which the scheduled CBs have been working, their head of advances are almost the same. In other words, the RRBs like any other scheduled CBs allow advances to their customers in the form of crop loans, term loans, loans on non-farm sector and other priority sector etc. Therefore, the UBKGB is extending credit under all these heads. The total advances given by the UBKGB are shown with the help of table 2.1.

**Table 2.1 : Total Advances by the UBKGB**

| Year | Total Disbursement (Rs. in lakh) | Chain Base Index No. |
|---|---|---|
| 1999 | 232.06 | 100 |
| 2000 | 297.30 | 128.11 |
| 2001 | 283.87 | 95.48 |
| 2002 | 556.73 | 196.12 |
| 2003 | 562.09 | 100.96 |
| 2004 | 1040.25 | 184.86 |
| 2005 | 1798.19 | 172.86 |
| 2006 | 2064.18 | 114.79 |

Source : District Credit Plan, 1999 - 2006

The ever increasing trend of advances disbursed by the UBKGB in the district is shown with the help of figure 2.1. Table 2.2 and the figure 2.1 under study make it clear that there is a continuous increase in advances extended by this bank in the district. Through there has been a constant increase in these advances, the rate of increase has been declining every year since 2004, as it has come down to 72.86 percent in 2005 over 2004, to 14.79 percent in 2006 over 2005 as against 84.86 percent in 2004.

Similarly the advances per branch have also increased from Rs. 5.95 lakh in 1999 to Rs. 14.05 lakh in 2003 to Rs. 51.61 lakh in 2006 by registering a 8.67 fold increase during the period 1999-06 (Table 2.2).

**Table 2.2 : Advances Per Branch of the UBKGB**

| Year | Advances Per Branch ( Rs. in lakh) | Fixed Base Index No. |
|---|---|---|
| 1999 | 5.95 | 100 |
| 2000 | 7.43 | 124.87 |
| 2001 | 7.10 | 119.32 |
| 2002 | 13.92 | 233.93 |
| 2003 | 14.05 | 236.12 |
| 2004 | 26.01 | 437.12 |
| 2005 | 44.96 | 755.59 |
| 2006 | 51.61 | 867.35 |

Source : Date Supplied by the UBKGB Branches.

The index numbers based on 1999 have also become 233.93 in 2002 and 867.35 in 2006. Thus the UBKGB has achieved a commendable success in credit distribution since 2002 which is also proved by the respective fixed base index numbers.

## 2.4 Growth of Agricultural credit

The UBKGB as a RRB does not lay more emphasis upon the commercial activities but makes all possible effects to meet the credit requirements of agriculturists and other weaker sections of the society especially in the rural areas. The UBKGB is extending credit under two heads viz, agricultural and non-agricultural sectors of the economy.

The extent and pattern of agricultural credit given by the UBKGB is given in table 2.3. The agricultural credit in the district has increased at a considerably high rate in recent years. From the level of Rs. 60.96 lakhs in 1998-99, it has increased to the level of 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.

**Table 2.3 : Year-Wise Position of Agricultural Advances by the UBKGB**

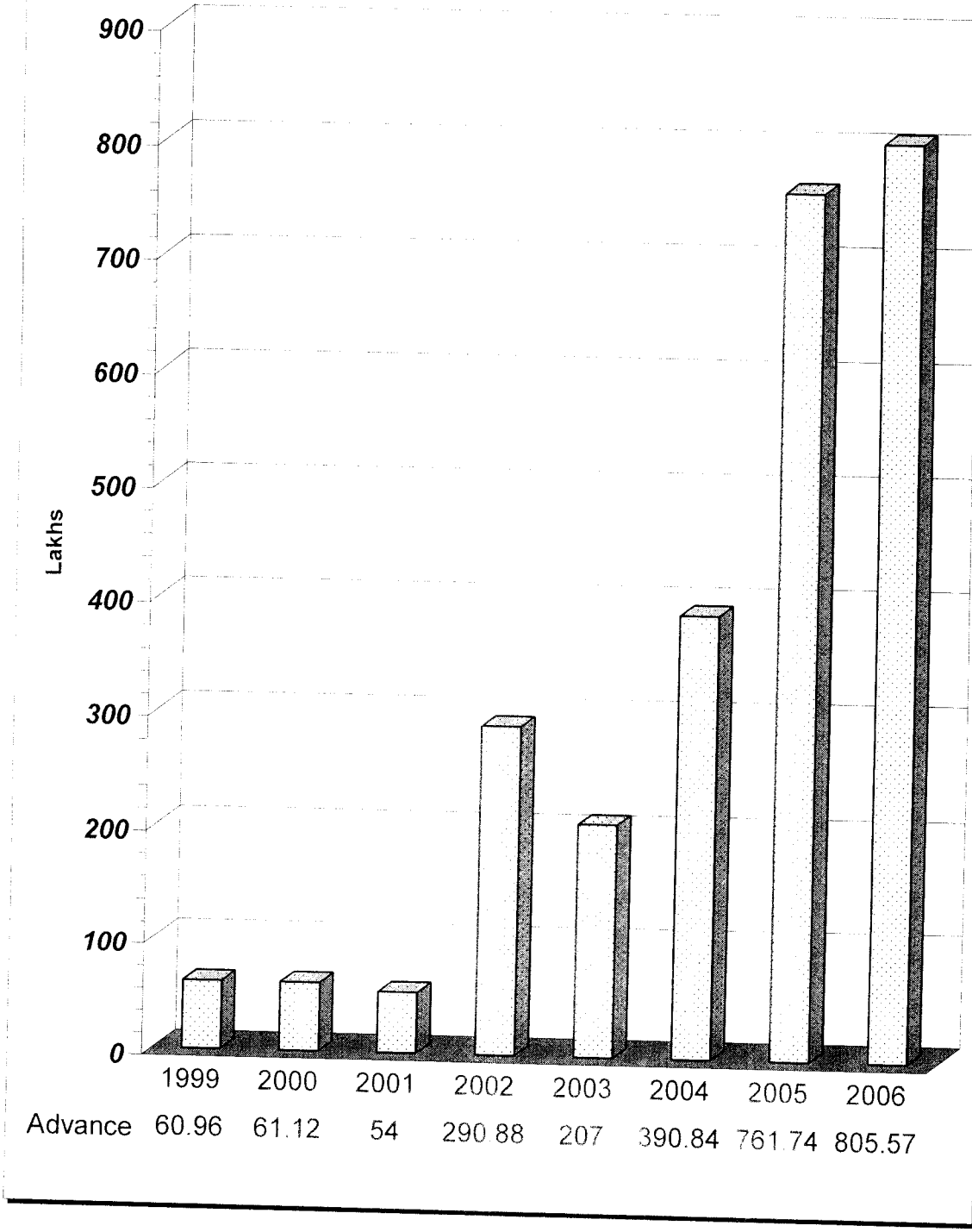
| Year | Total advances ( Rs. In lakh) | Percentage | % change over previous year |
|---|---|---|---|
| 2000 | 61.12 | 20.56 | 0.26 |
| 2001 | 54.00 | 19.02 | -11.65 |
| 2002 | 290.88 | 52.25 | 438.67 |
| 2003 | 207.00 | 36.83 | -28.84 |
| 2004 | 390.84 | 37.57 | 88.81 |
| 2005 | 761.74 | 42.36 | 94.89 |
| 2006 | 805.57 | 39.03 | 5.57 |

Source : NABARD, Kolkata, 2000 - 2006

The share of agricultural credit to total bank credit does not show any particular phenomenon, but a decline trend is noticed since 2002. This percentage which was 20.56 percent in 2000 has increased to 39.03 percent in 2006, accounting for 18.47 percent increase over the base year. When the percentatge change in credit is worked out it is seen that except 2001 and 2003 in all the years the credits are found to be increasing, but its magnitude is much less during the period from 2003 to 2006 in comparison to the year 2002.

Not only the amount of agricultural credit has increased, the number of borrowers has also increased rapidly from about 1145 thousand in 1999 to about 1952 thousand in 2006. Since the growth of amount of loans advanced is much more than the growth of number of borrowers, the amount of loans per borrower has increased from Rs. 5324 in 1999 to Rs. 41269 in 2006. Increase in the amount of credit per account indicates a vertical expansion of credit. It means that the need to provide more credit to the farmers is considering by the UBKGB. The diagrammatic representation of the trend of agricultural credit is shown in figure 2.2.

**Figure 2.2: Agricultural Advances by UBKGB**



### 2.4.1 Per Branch Agricultural Credit

In order to show the trend of agricultural credit by the UBKGB, we have also calculated the advances per branch of the bank under study. The same are give in table 2.4.

**Table 2.4 : Agricultural Advances Per Branch**

| Year | Total Advances | Advances Per Branch (Rs in Lakh) | Fixed Base Index Number |
|---|---|---|---|
| 1999 | 60.96 | 1.56 | 100 |
| 2000 | 61.12 | 1.53 | 98.08 |
| 2001 | 54 | 1.35 | 86.54 |
| 2002 | 290.88 | 7.27 | 466.03 |
| 2003 | 207 | 5.18 | 332.05 |
| 2004 | 390.84 | 9.77 | 626.28 |
| 2005 | 761.74 | 19.04 | 1220.50 |
| 2006 | 805.57 | 20.14 | 1291.02 |

Source : District Credit Plans, 1999-2006

From the table 2.4, it is evident that with every increase in advances, the advances per branch show a further increasing trend. The advances per branch have increased from Rs. 1.56 Lakh in 1999 to Rs. 20.14 Lakhs in 2006 by registering a 12.91 fold increase. The index number based on 1999 have also become 626.28 in 2004 and 1291.02 in 2006. Thus the UBKGB has achieved a commendable success in credit distribution since 2004.

## 2.5 Purpose-Wise Appraisal of Agricultural Advances

Before appraising the purpose-wise loans given by the UBKGB, it becomes inevitable to highlight, in brief, different purposes for which the loans are being given. The UBKGB advances agricultural loans not only to a variety of borrowers but also for a variety of purposes. All these purposes can be broadly classified into direct agricultural activities and allied agricultural activities.

The agricultural activities for which the UBKGB advances loans may be conveniently sub-classified as :

(A) Direct agricultural activities; and

(B) Allied agricultural activities.

### 2.5.1 Direct Agricultural Activities

The direct agricultural activities include the following purposes for which a rural borrower can get loans from the UBKGB:

(1) to finance crops or crop loan schemes;

(2) to finance drought animals i.e. bullocks and he-buffaloes;

(3) to finance tube wells/pump sets and other tractor implements;

(4) to finance land development projects;

(5) to finance agricultural implements; and

(6) to finance storage/market yard.

### 2.5.2 Allied Agricultural Activities

The allied agricultural activities include advances given by the UBKGB to finance dairy farming, poultry farming, goat units, sheep units, piggery units, fisheries, gobar gas plant, etc.

The purpose-wise agricultural advances by the bank is shown in table2.5. From the credit share of the UBKGB under direct agricultural activities and allied activities we find that for the year 2002-.03, out of total plan outlay of Rs. 361 lakhs of the district, the target of the UBKGB under direct agricultural activities was Rs. 190 lakhs representing 52.63 percent while the overall achievement of the bank was 92.03 percent compared to 67.85 percent under allied activities. The overall credit share under direct agricultural activities in terms of achievement was 60.11 percent.

During the period 2005-06, the share of the bank under direct agricultural activities has increased both in terms of the target (82.24 percent) as well as the achievement (86.60 percent). While the credit share under allied actives has decreased both in term of target (17.73 percent) as well as the achievement (13.40 percent) during the same period.

Over the period from 2002-03 to 2005-06, the target share of credit of the bank under direct agricultural activities is 80.48 percent and achievement is 83.62 percent. 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 whole period. The overall achievement under direct agricultural activities is more than that of allied activities over the period from 2002-06. The increasing trend of direct advances is shown is figure 2.3.

From the above discussion it is clear that the share of the bank under direct agricultural activities both in terms of target and achievement has increased over the year in the district. This indicates the extent of the success of bank's policy of extending direct assistance to agriculture.

**Figure 2.3 : Direct Agricultural Advances by the UBKGB**

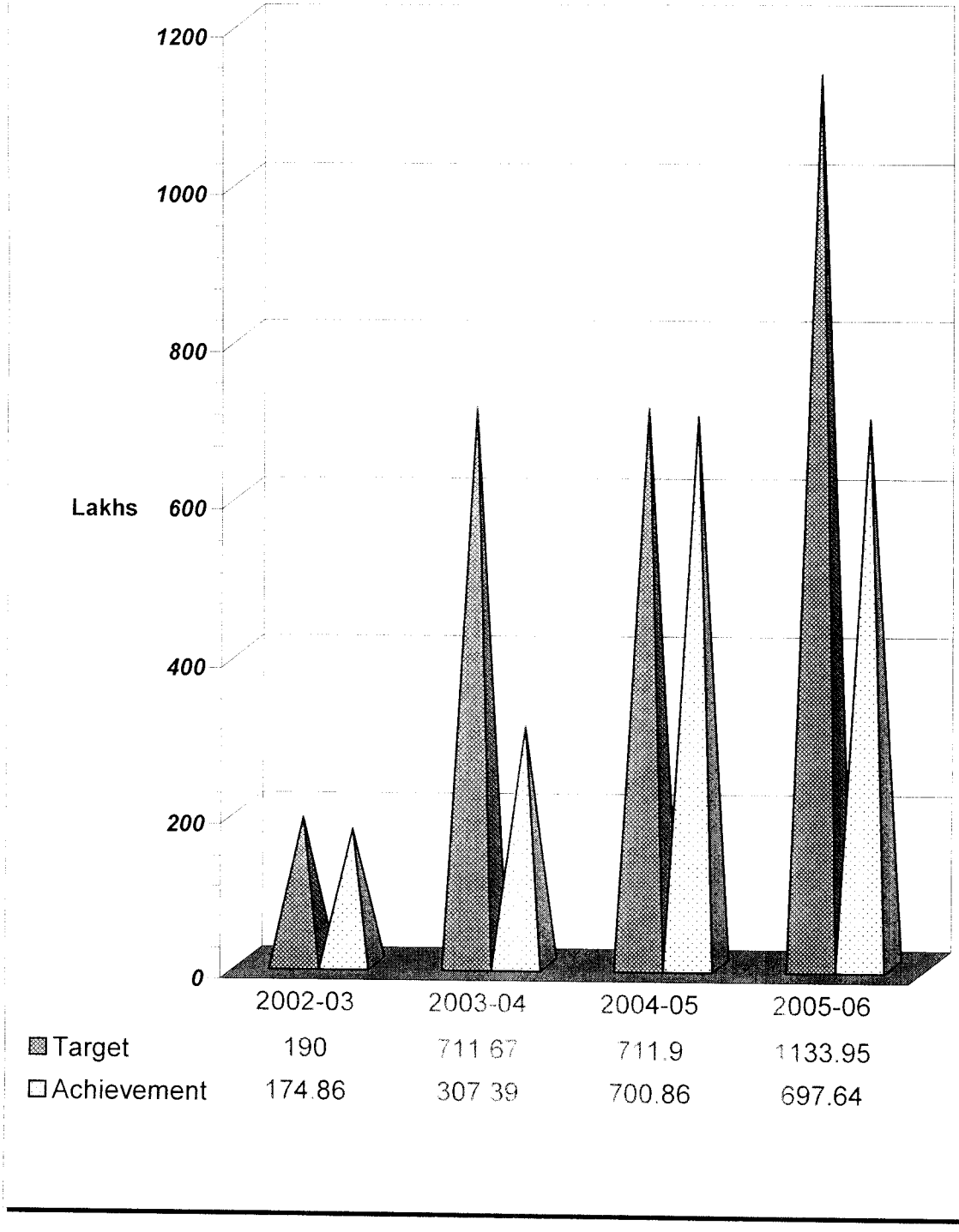


**Table 2.5 : Purpose-Wise Agricultural Advances**

| Year | Direct Finance | Loans for Allied Activities | Total |
|---|---|---|---|
| 2002-2003 | 190 (52.63) | 171 (47.37) | 361 |
| Target Achievement | 174.86 (60.11) | 116.02 (939.89) | 290.88 |
| Percent Achievement | 92.03 | 67.85 | 80.58 |
| 2003-2004 | 711.67 (85.49) | 120.83 (14.51) | 832.5 |
| Target Achievement | 307.39 (78.65) | 83.45 (21.35) | 390.84 |
| Percent Achievement | 43.19 | 69.06 | 46.95 |
| 2004-2005 | 711.90 (84.58) | 129.82 (15.42) | 841.72 |
| Target Achievement | 700.86 (92.01) | 60.88 (7.99) | 761.74 |
| Percent Achievement | 98.45 | 46.90 | 90.05 |
| 2005-2006 | 1133.95 ( 82.24) | 244.45 (17.73) | 1378.84 |
| Target Achievement | 697.64 (86.60) | 107.93 (13.40) | 805.57 |
| Percent Achievement | 61.52 | 44.15 | 58.42 |
| 2002-2006 (Over all) | 2747.52 (80.48) | 666.10 (19.52) | 3414.06 |
| Target Achievement | 1880.75 (83.62) | 368.28 (16.38) | 2249.03 |
| Percent Achievement | 68.45 | 55.29 | 65.88 |

Note : Figures in parentheses indicate the percentage to total

Source : NABARD, Kolkata, 2002-2006

## 2.6 Term-Wise Composition of Direct Advances

The direct agricultural advances may be divided into two broad categories : (1) crop loans and (2) term loans. The repayment period of crop loans is one year which may be extended upto 18 months. The repayment period of term loans varies from 3 to 10 years.[3]

Term-wise composition of direct agricultural finance is presented in table 2.6. From the table we find that the direct finance to agriculture has increased in all the years except 2003. Between 2001 and 2006, total direct finance has increased from Rs 34.16 lakhs to Rs 697.64 lakhs registering an increase of 1942 percent in 2006 over the base year. By type of advances, the growth rate is the highest (more than 22 times) in the case of term loans, followed by crop loans (20 times). From another angle we can see that the share of crop loans in total direct finance has decreased from 76.73 percent in 2001 to 74.39 percent in 2006 accounting for2.34 percent decrease over the base year. As against this, the share of term loans has increased from 23.27 percent into 25.61 percent, over the same period. When the percent change crop loans is worked out it is seen that the crop loans are found , but its magnitude is much less than that of term loans in 2006 over the base year. This may be partly due to increasing importance of farm mechanization and land development in term loans. As a result the variation is too much in term loans in comparison to crop loans. The head-wise direct advances is shown in figure 2.4.

## Figure 2.4 : Head-wise Direct Agricultural Advances

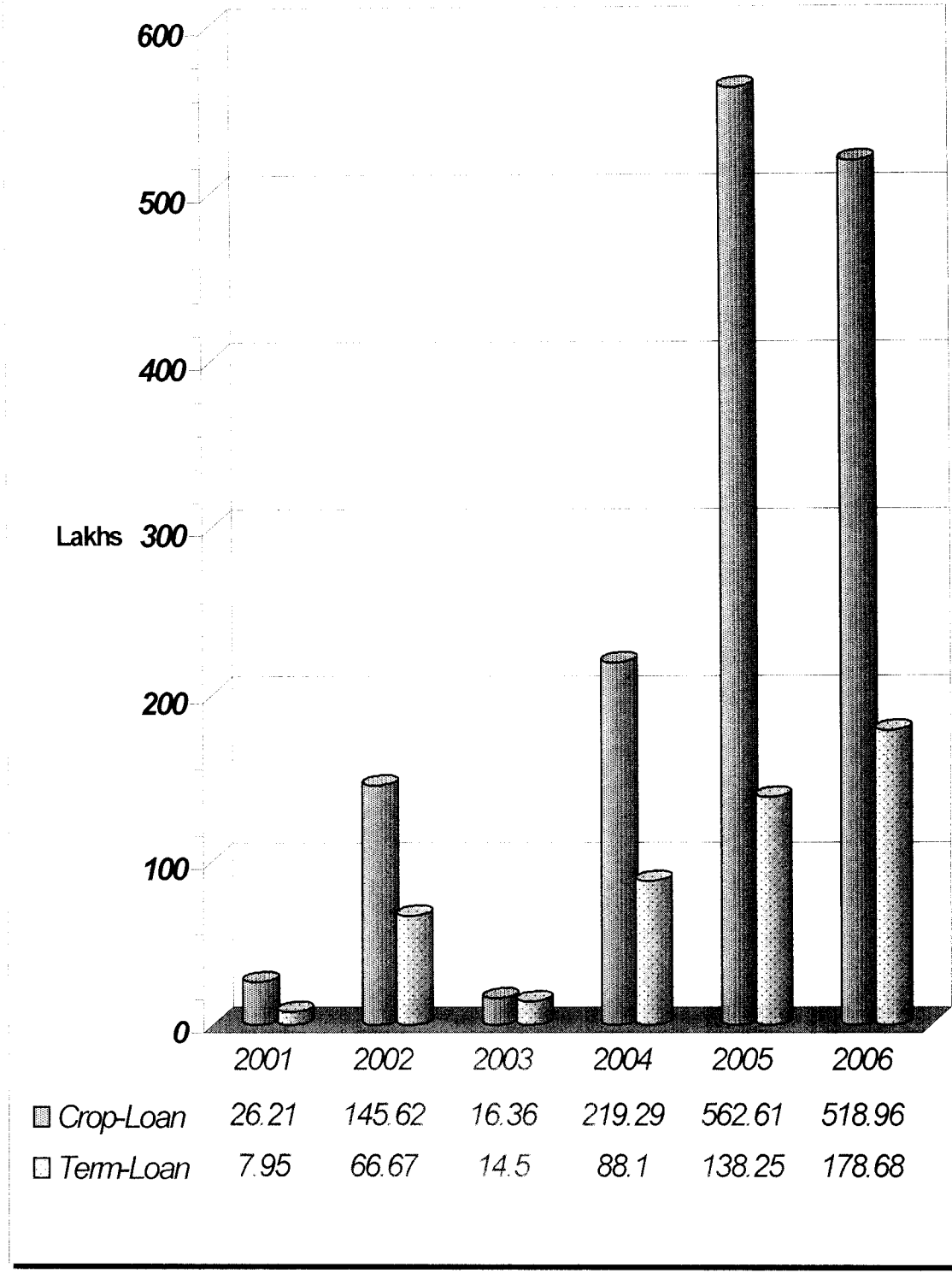


**Table 2.6 : Composition of Direct Finance**

| Year | Crop Loan | Term Loan | Total | % of Crop Loan in Total Direct Finance | % of Term Loan in Total Direct Finance |
|---|---|---|---|---|---|
| 2001 | 26.21 | 7.95 | 34.16 | 76.73 | 23.27 |
| 2002 | 145.62 | 66.67 | 212.29 | 68.60 | 31.41 |
| 2003 | 160.36 | 14.50 | 174.86 | 91.71 | 8.29 |
| 2004 | 219.29 | 88.10 | 307.39 | 71.34 | 28.66 |
| 2005 | 562.61 | 138.25 | 700.86 | 80.27 | 19.72 |
| 2006 | 518.96 | 178.68 | 697.64 | 74.39 | 25.61 |

Source : District Credit Plan, Jalpaiguri 2001-2006

### 2.6.1 Borrowal Accounts under direct Finance

Number of borrowal accounts show the popularity of the bank among the borrowers for lending purpose. The UBKGB has not achieved a commendable success in this regard.

The number of borrowal account is shown in table 2.7. From the table it is clear that the number of Borrowal accounts of UBKGB have been increasing at a constant rate (column 3 ) between 2001 to 2003 but since 2004 the variation in accounts has decreased. We find also from the chain base index number that the borrowal accounts have increased only 12 percent in 2006 over the base period. It means that the borrowers have not accepted this bank fully as their money- lender and they are not getting full advantage of agricultural credit facilities according their needs . Between 2001 to 2006 the average increase per year in these accounts come to only 292 accounts.

**Table 2.7 : Quantum of Borrowal Accounts of Direct Finance**

| Year | No. of Accounts | Variation in Previous Year | Chain Base Index No. of Accounts |
|---|---|---|---|
| 2001 | 1072 | 1072 | 100 |
| 2002 | 2097 | 1025 | 195.62 |
| 2003 | 2583 | 1080 | 123.18 |
| 2004 | 3568 | 985 | 138.13 |
| 2005 | 3879 | 311 | 108.72 |
| 2006 | 4341 | 462 | 111.91 |

Source : Data Supplied By Head Office, UBKGB, Cooch Behar, 2001-2006

### 2.6.2 Size of Borrowal Accounts

Size of borrowal accounts refers to the amount which a borrower borrows from the bank. The average size of borrowal accounts[4] is shown in table 2.8.

**Table 2.8 : Average Size of Accounts of Direct Finance**

| Type of Loan | 2001 | | 2006 | |
|---|---|---|---|---|
| | No. of Accounts ('000) | Amount per Account (Rs) | No. of Accounts ('000) | Amount per Account |
| Crop Loans | 755 | 3.47 | 2916 | 17.80 |
| Term Loans | 317 | 2.51 | 1425 | 12.54 |
| Total | 1072 | 3.19 | 4341 | 16.07 |

Source : Different Annual Reports of UBKGB, Jalpaiguri, 2001-2006

From table 2.8 we find that the average amount of direct agricultural loans per account has increased from Rs 3.19 in 2001 to Rs 16.07 in 2006 registering an increase of 403.73 percent in2006 over the base period. By type of account, over the same period, the size of crop loans has increased from Rs. 3.47per account to Rs. 17.80, that of term loan from Rs. 2.51 to Rs.12.54 per account. The reason for large increase in average amount of crop loans per account may be due to

the fact that the bank is giving more importance in the development of crop output by way of financing more credit.

## 2.7 Determinants of Crop Loans

On the basis of three years value (2003-2005) of cropping intensity and total cropped area as determining factors of short-term loan, linear and log-linear equations are worked out as below in equations (1) and (2).

(1) Linear Model

$Y = a + b_1 x_1$

Y = short-term loans (in Rs.)

$x_1$ = Total cropped area (in 000 hectare. Area)

Log-linear Model

$\text{Log } Y = \log a + b_1 \log x_1$

(2) Linear Model

$Y = a + b_2 x_2$

$\text{Log } Y = \log a + b_2 \log x_2$

$x_2$ = cropping intensity

**Result :**

### I. Crop Loans and Total Cropped Area (TCA)

In order to asses the extent of the impact of explanatory variables on short-term loans, linear and the regression co-efficients are presented in table 2.9

**Table 2.9 Regression Analysis, Linear Function, Dependent variable-Crop loans (Period 2003-2005)**

| Description | | |
|---|---|---|
| Regression Co-efficient | | Independent Variable ($X_1$) |
| Intercept | -65611 | 0.3486* |
| F-Value | 3.46 | |
| $R^2$ | 0.643 | |

*significant at 20 percent level.

**Table 2.10 : Regression Analysis, Log-linear Function, Dependent Variable-Crop Loans.**

| Description | | Independent Variable $X_1$ |
|---|---|---|
| Regression Co-efficient | | 98573.2* |
| Intercept | $1E^{+06}$ | |
| F-Value | 2.69 | |
| $R^2$ | 0.574 | |

*significant at 24 percent level

In the linear as well as log-linear forms, the total cropped are turns out to be significant at 20 percent level in linear equation and at 24 percent level in log-linear equation. The value of $R^2$ is 643 for linear and .574 for log-linear functions. This indicates that TCA explains 64 (Linear) and 57 percent (log-linear) variations in crop loans. Thus the regression co-efficients are found to be positive and significant in both functions, implying thereby that the TCA has a direct and positive bearing on the crop loans advanced by the UBKGB in the district.

**II Crop Loans and Cropping Intensity**

Cropping intensity turns out also to be significant for exogeneous variable in case of crop loans. The Linear function gives a better fit since the value of $R^2$ is 0.95 (table 2.11).

**Table 2.11 : Regression Analysis, Linear Function Dependent variable - Crop loans, period 2003-05**

| Description | | Independent Variable $X_2$ |
|---|---|---|
| Regression Co-efficient | | 0.0925* |
| Intercept | -110292 | |
| F-Value | 34.98 | |
| $R^2$ | 0.95 | |

*significant at 3 percent level.

**Table 2.12 : Regression Analysis, Log- Linear Function**

| Description | Independent Variable $X_2$ |
|---|---|
| Regression Co-efficient | 158755* |
| Intercept | -2E+06 |
| F- Value | 30.30 |
| $R^2$ | 0.94 |

*significant at 3 percent level.

The analysis shows that cropping intensity is the most important variable that affects the credit requirements. TCA is the second important variable responsible for changes in crop loans. Thus for an increase in cropping intensity and TCA, more crop loans facilities are needed. It requires revamping of crop loans for agricultural sector in the district.

## 2.8 Agricultural Credit, Total Cropped Area and Bank Deposit

In order to examine the relationship in between the agricultural credit, total cropped area and bank deposit, a multiple regression technique based on the OLS method, for the period 2002-05 has been employed. The choice of variables and specification of the model are discussed below :

$Y = f(x_1, x_2)$

Y = Agricultural advances (in Rs.) (AA)

$X_1$ = Total cropped area (in 000 hectares) (TCA)

$x_2$ = Bank deposits (in Rs.) (BD)

As per the available empirical evidence, multi-colinearity is not a serious problem in our estimates[5]. Linear function has been worked out.

Linear Model

$Y = a + b_1x_1 + b_2x_2$

**Result :**

Regression co-efficients of independent variables estimated through multiple regression analysis along with t-values and co-efficient of multiple determination ($R^2$) for agricultural credit are given in table 2.13

**Table 2.13 : Dependent variable - Agricultural credits, Period 2002-2005**

| Variable | Co-efficient | Standard Error | t- Value | $R^2$ | R |
|---|---|---|---|---|---|
| TCA | - 0.117** | 0.180 | -0.648 | 0.962 | 0.981 |
| BD | - 0.115* | 0.039 | 2.936 | | |

*significant at 20% probability level
** not significant

The linear function gives a better fit since the value of $R^2$ is 0.96. This indicates that 96 percent of the variations in AA are explained by TCA and BD.

The test shows that only bank deposit turns out to be the dominating variable. The relationship between AA and BD is positive and significant at 20 percent level. Whereas the relationship between AA and TCA is negative as well as statistically insignificant. This indicates that the deposit mobilisation exerts substantially greater influence on the agricultural advances as compared to TCA. The regression co- efficient of AA on BD has been found to be +0.115 indicating thereby that 1 percent increase in BD will bring about an increase of 0.115 percent in AA.

## 2.9 Purpose-Wise Classification of Agricultural Term-Loans

The UBKGB is giving agricultural term-loans under the following heads:

(a) Minor irrigation (MI) which includes shallow tube well, dug well, pump-set etc.

(b) Land development (LD) includes land reclamation, management of waterlogged, seed production and processing, farm development etc.

(c) Farm mechanization (FM) which contains power-tiller, tractor and Agricultural. Implements.

(d) Plantation and Horticulture. (P and H)

With the advent of the new technology in agriculture, the cash requirements to purchase modern inputs are going up perceptibly. Hence to cope with modern technology that crept into agriculture, farmers need adequate agricultural term-loans for the above diversified purposes. The analysis is aimed at examining the extent of flow of agriculture. Term loans from the UBKGB are used for various purposes. The purpose wise classification of agricultural term loans given by the UBKGB is presented in table 2.14.

**Table 2.14 : Purpose-Wise Classification of Agricultural Term-Loans**

| Purpose | 2001-2002 | 2005-06 | % change in 2005-06 over 2001-02 |
|---|---|---|---|
| MI | 19.26 (28.89) | 9.16 (5.13) | -52.44 |
| LD | 1.6 (2.40) | 18.64 (10.43) | 1064 |
| FM | 26.71 (40.06) | 20.02 (11.20) | -25.05 |
| P and H | 4.56 (6.84) | 94.35 (52.80) | 1969.08 |
| Others | 14.54 (21.81) | 36.51(20.43) | 151.10 |
| All | 66.67 | 178.68 | 168.01 |

Source : NABARD, Kolkata, 2001-02 and 2005-06

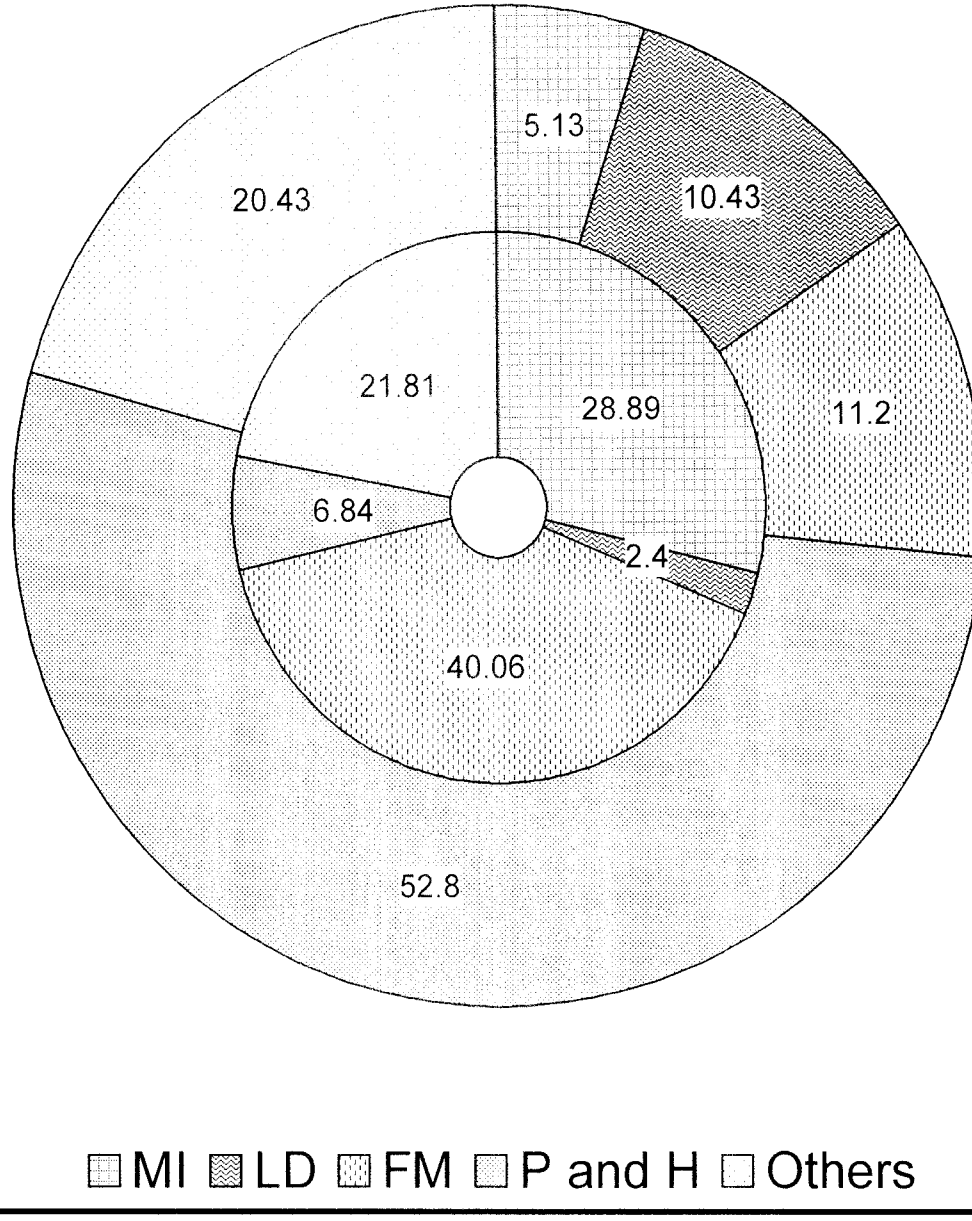
Table 2.14 reveals that in 2001-02, farm mechanization was found maximum in Jalpaiguri district (Rs. 26.71) followed by minor irrigation (Rs. 19.26). The term loans on land development was observed minimum followed by plantation and horticulture.

In the case of FM, the rank has down-ward shifted from one to three, witnessing a negative growth rate (-25.05%) over 2001-02, whereas P and H has made an upward shift from $4^{th}$ to $1^{st}$ rank but has witnessed an increase of 1969.08 percent. The minor irrigation in the district has downward shifted from two to five witnessing a decrease of -52.44percent over 2001-02.

As regards the proportionate share to total term loans given by the UBKGB, the percentage share of farm mechanisation in total term loans for agricultural purposes was 40.06 percent in 2001-02. It has decreased to 11.20 percent in 2005-06 while the proportionate share of P and H in total agricultural term loans was only 6.84 percent in 2001-02. It has increased markedly to 52.80 percent in 2005-06. Similarly the share of credit for minor irrigation has decreased from 28.89 percent in 2001-02 to 5.13 percent in 2005-06. The share of credit for land development has increased 4 fold during the same period.

Agricultural term-loans for plantation and horticulture have recorded the highest growth rate while the second highest rate of growth is noticed in the case of credit for land development. That is why P and H has become the first important recipient of term loans from the UBKGB in 2005-06. The purpose wise classification of term loans is presented in figure 2.3. Thus from the points of view of agricultural term loans given by the UBKGB, the lion's share of credit has gone to plantation and horticulture and the rest portion has gone to all others. Purpose-wise agricultural term loans is presented in figure 2.5.

**Figure 2.5: Purpose-wise Classification of Term Loan 2001-02 (Inner Series) and 2005-06 (Outer Series) (Figures in Percentage)**



## 2.10 Loans for Allied Activities

Activities allied to agriculture are those which provide added employment and supplement the family income of the cultivators. Such activities include dairying, poultry farming, piggery, fisheries, sheep rearing, storage/market yard etc. The credit disbursed by the UBKGB for allied activities has increased from Rs. 20.78 lakhs in 1998-99 to Rs. 107.93 lakhs in 2005-06. But the share of such loans in total agricultural credit has decreased from 34.09 percent to 13.40 percent over the period.

The purpose-wise distribution of agricultural credit for allied activities given by the UBKGB is presented in table 2.15.

**Table 2.15 : Purpose-wise classification of Agricultural credit For Allied Activities**

| Purpose | 1998-99 | 2005-06 | Percent Change in 2005-06 over 1998-99 |
|---|---|---|---|
| Dairying | 12.84 (55.13) | 26.99 (25.01) | 110.20 |
| Poultry Farming | 0.23 (0.99) | 8.76 (8.12) | 3708.69 |
| SGP units | 4.01 (17.22) | 23.30 (21.59) | 481.05 |
| Fisheries | 3.17 (13.61) | 6.55 (6.07) | 106.62 |
| Others | 3.04 (13.05) | 42 33 (39.22) | 1292.43 |
| Total | 23.29 | 107.93 | 363.42 |

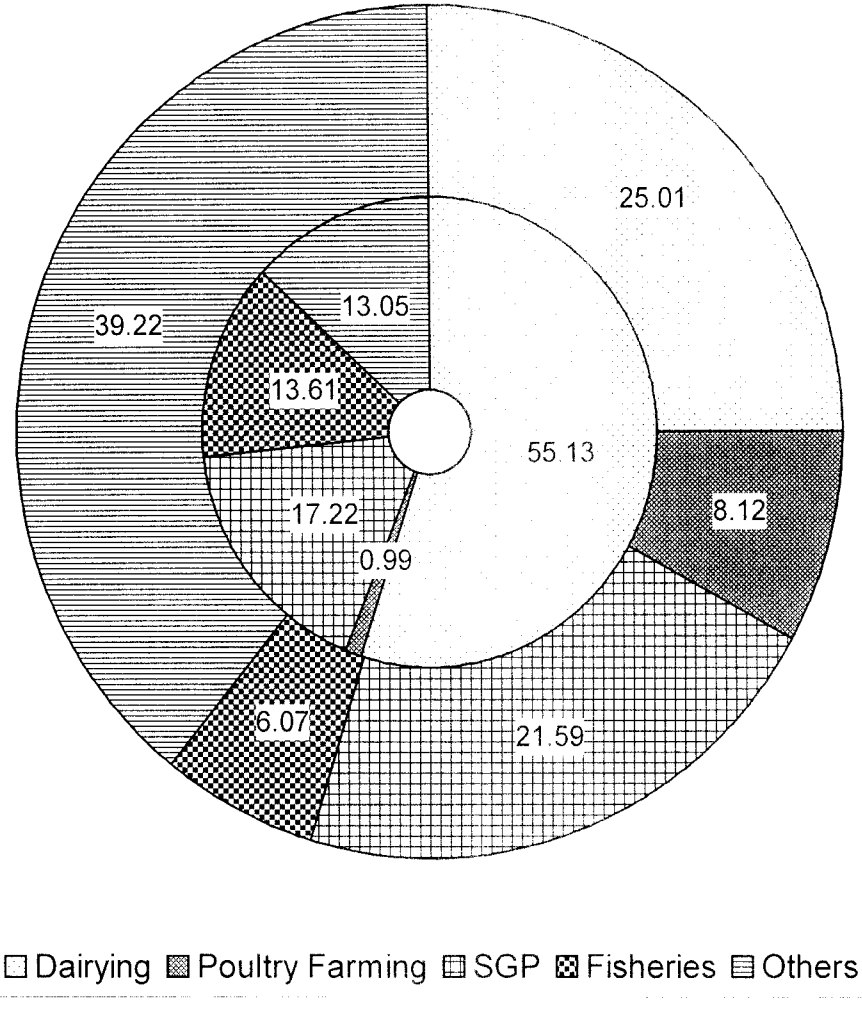
Source : District credit Plan, Jalpaiguri 1998-99 and 2005-06

Table 2.15 gives a comprehensive picture of the coverage of UBKGB's advances for allied activities. Activity-wise financing of dairying activity has recorded considerable increase from Rs. 12.48 lakhs in 1999 to Rs. 26.99 lakhs in 2006 registering an increase of 110.20 percent. Poultry farming is an another important allied activity financed by the bank. The UBKGB's loans for such purpose have increased from Rs. 0.23 lakhs in 1999 to Rs. 8.76 lakhs in 2006 which has recorded the growth rate of 3708.69 percent. As regards of

UBKGB's advances to fisheries, another important allied activity which has increased more than 2 times from 1999 to 2006 by registering an increase of 106.62 percent. The residuary item 'others', which has markedly increased from Rs. 3.04 lakhs to Rs. 42.33 lakhs during the same period.

As regards proportionate share of credit under such activities, the percentage share credit to total credit for dairying development was the highest. It was 55.13 percent in 1999 and has declined since then to 25.01 percent in 2006 while the percentage share of poultry farming to total agricultural credit has increased from 9.99 percent to about 8.12 percent during the same period. The rank of SGP units has made an upward shift from two to three (from 17.22 percent to 21.59 percent). In the case of fisheries, the percentile share in total agricultural credit has declined from 13.61 percent to 6.07percent during the same period. The rate growth of agricultural credit under these categories made available by the UBKGB is 363.43 percent in 2006 over 1999. Credit for poultry farming has recorded the highest growth rate (3708.69 percent). The second highest growth rate is noticed in the case of other activities i.e. forestry, storage/market yard etc. The purpose-wise classification of agricultural credit for allied activities is presented in figure 2.6.

**Figure 2.6: Purpose-wise classification of Allied Agricultural Advances (Figures in Percentage) Inner Series 1998-99 Outer Series 2005-06**




Thus from the points of view of agriculture credit of allied activities given by the UBKGB, the banking operation has taken much care of the cultivators and the bank is trying to give more loans to the farmers for production, marketing of crops, purchase of agriculture implements etc.

## 2.11 Beneficiary - Wise Flow of Agricultural Credit

The UBKGB that came into being during 1976 in Jalpaiguri district of W.B. is extending credit facilities to a large number of people including SC, ST, minority classes and other backward classes etc. Of the weaker sections, the share of small farmers, marginal farmers and agricultural labourers in the total agricultural Credit disbursement made by the Bank in the district is discussed here. The share of marginal farmers compared to small farmers and agricultural labourers is more during the period 2004-06. The share of agricultural labourers in the total disbursement is significantly lower. This kind of skewed pattern of disbursement among various groups of the weaker sections is found to have emerged possible due to variation in coverage of population under each category.

**Table 2.16 : Beneficiary-Wise Flow of Agricultural Credit by the UKGB**

(Rs. In Lakh)

| Farm Size | 2003-04 | | 2004-05 | | 2005-06 | |
|---|---|---|---|---|---|---|
| | Amount | Per head availability | Amount | Per head availability | Amount | Per head availability |
| SF | 12658 | 98.124 | 22204 | 172.12 | 13290 | 103.20 |
| MF | 15485 | 397.05 | 22919 | 767.15 | 21695 | 556.28 |
| AL | 1426 | 7.92 | 2136 | 11.87 | 4886 | 27.14 |

Source : District credit plans Jalpaiguri 2003-06

Beneficiary-wise classification of credit is shown in table 2.16. Of the total cultivators, the number of small farmers is much more than the number of marginal farmers. In term of disbursement per head, the marginal farmers score reasonably higher followed by the small farmers and agricultural labourers. The agricultural credit made available from the UBKGB to small farmers has increased about 1.05 times during the period 2003.06. While credits available to the marginal farmers and agricultural labourers have increased 1.40 times and 3.43 times respectively during the same period. The rate of growth of agricultural

credit in respect of agricultural labourers is the highest (243 percentage) in 2006 over 2003, the second highest growth rate is noticed in the case of Marginal farmers (40percent) and the lowest growth rate of credit is seen in the case of small farmers (4.99percent) over the same period. But in terms of disbursement per head, the marginal farmers appear to be higher than any other group. Thus in terms of disbursement per individual, the marginal farmers seem to have benefited more than any other groups of the weaker sections. But in terms of the growth rate of agricultural credit advanced by the UBKGB, agricultural labourers seem to have been benefited more. Therefore, it is well proved that the UBKGB has been engaged in developing agriculture in the district in general and the agriculturists in particular.

## 2.12 Caste-wise Disbursement

By the large, the major chunk of population of the district belonging to weaker sections is constituted by SC, ST and OBC population. The UBKGB is playing a significant role in extending finance to SC, ST and other backward caste population. The general presumption is that the proportion of credit flow to the SC, ST and OBC categories together is much higher than the credit flow to the upper caste people. This is clear from table 2.17. From the table 2.17 it is clear that the UBKGB during 2003-04 sanctioned agricultural loans aggregating Rs. 219.86 lakhs to SC population. This has increased to Rs 4777.51

**Table 2.17 : Caste-Wise Distribution of Agricultural Credit**

| Year | SC | ST | OBC | Forward caste | Total |
|---|---|---|---|---|---|
| 2004 | 219.86 | 38.05 | 56.93 | 76.00 | 390.84 |
| 2005 | 572.72 | 48.78 | 60.28 | 79.96 | 761.74 |
| 2006 | 477.51 | 61.55 | 163.85 | 102.66 | 805.57 |

Source : District credit Plan, Jalpaiguri, 2004-06

lakhs in 2005-06 registering an increase of 61.40 percent. The advances extended by the UBKGB to ST population have increased from Rs. 38.05 lakhs to Rs. 61.55 lakhs during the same period. The growth rate of credit under this category is 61.76 percent in 2006 over 2004. While the amount of loans to the OBC category has increased from Rs. 56.93 lakhs in 2004 to Rs. 163.85 lakhs in 2006, an increase of almost 2.88 times (188 percent). On the otherhand the agricultural credit disbursed by the bank to the upper caste people has increased from Rs. 76 lakhs in 2004 to Rs. 102.66 lakhs in 2006, an increase of almost 35 percent. Thus within the low caste categories of population the credit that flow to backward caste people is relatively more than S.C. and S.T. This observation tends to establish the fact in terms of credit disbursement, the OBC is more favoured than SC and ST. The relatively more bias towards OBC has happened perhaps due to the fact that people belonging to the OBC categories possess more land than the other group of weaker sections viz. SC and ST or the relatively more bias towards OBC may be more accessibility of these sections to the bank. At another level we observe that the credit flows to the SC, ST and OBC category of population together is higher than that of the upper caste people.

**2.13 Recovery Performance**

From the foregoing analysis it is seen that the UBKGB has recorded considerable progress in advancing loans to agriculture over the period 1999-06. However this cannot be said about its performance at recovery of these agricultural loans. The importance of recovery as an aspect of managing credit operations can hardly be over emphasised as productive use of bank credit mainly depends on how regularly loans are recovered and funds are recycled for further productive uses. The UBKGB like any other RRB has been suffering from the acute problem of poor recovery of advances given by it. On the one hand its

resources are limited and deposit mobilisation is poor and on the other hand, poor percentage of recovery makes its resources further poor.

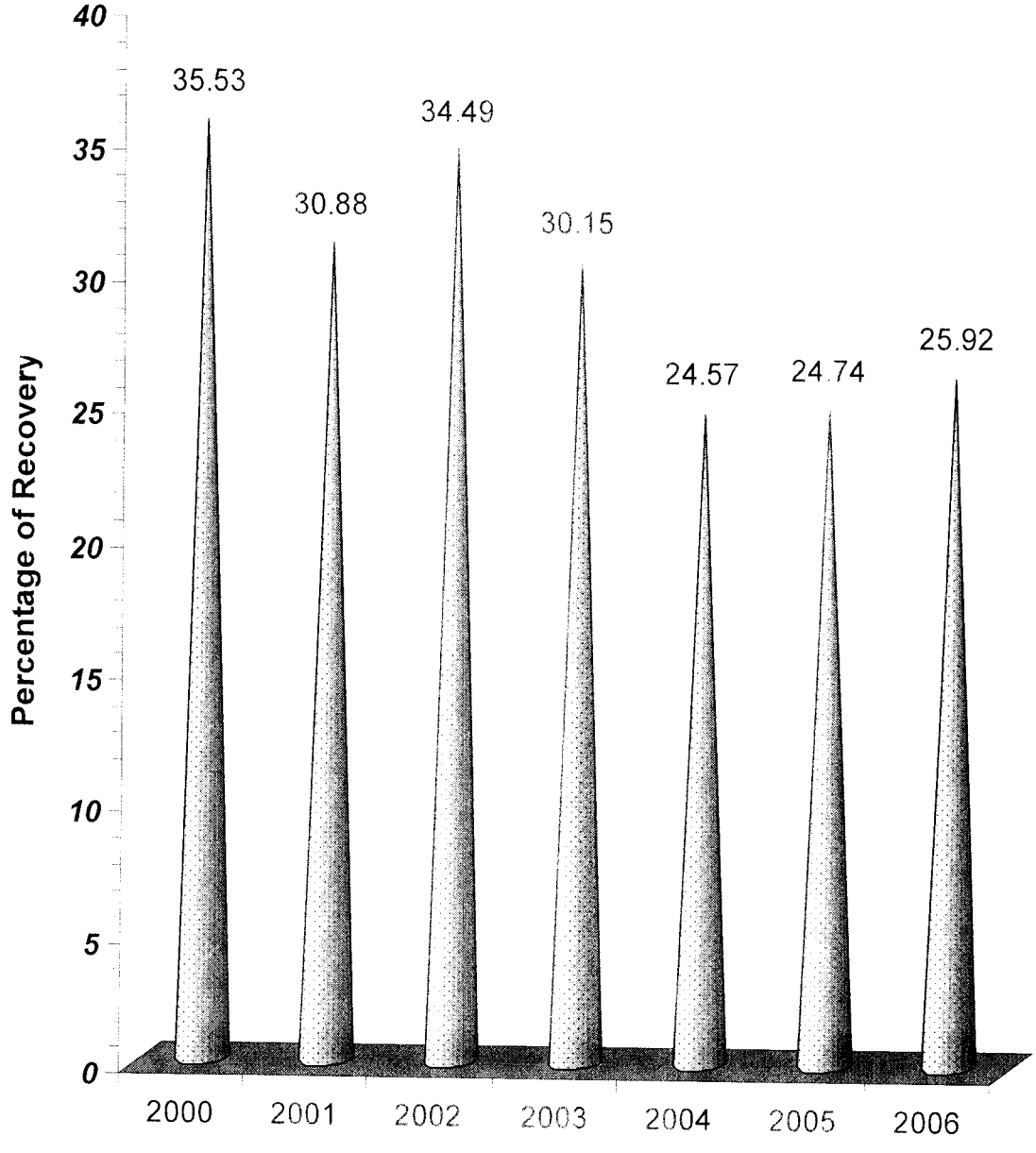
**Table 2.18 : Recovery Position of the UBKGB**

| Year | Total Advances ( Rs in thousand) | Total Recovery ( Rs in thousand) | Recovery Percentage |
|---|---|---|---|
| 2000 | 6112 | 2172 | 35.53 |
| 2001 | 5400 | 1668 | 30.88 |
| 2002 | 29088 | 10033 | 34.49 |
| 2003 | 20700 | 6241 | 30.15 |
| 2004 | 39084 | 9603 | 24.57 |
| 2005 | 76174 | 18845 | 24.74 |
| 2006 | 80557 | 20880 | 25.92 |

Source : District credit Plans, Jalpaiguri, 2000-06

From the table 2.18 it is evident that with some insignificant exceptions the recovery percentage has been falling as it has come down from 35.53 percent in 2002 to 24.57 percent in 2004 after that it is being slightly improved as it has been 24.74 percent in 2005 and 25.92 percent in 2006. This shows that the performance of the bank has not been upto the mark on the front of recovery which has hampered the future prospect of the bank. The diagrammatic presentation of recovery position of the bank is given in figure 2.7. The overview of recovery performance of UBKGB will be dealt with elaborately in chapter V

**Figure 2.7: Recovery Position of the UBKGB**



## 2.14 Comparative Analysis

It will be interesting to compare the performance of UBKGB in agricultural financing with that of Co-operative banks, of the district which are a pioneer agency in this sphere. The comparative analysis is shown with the helpof table 2.19.

**Table 2.19 : Direct Advances to Agriculture by Co-operative Banks and UBKGB- Loans Issued**

| Year | Co-operative Banks | | | UBKGB | | |
|---|---|---|---|---|---|---|
| | Crop Loan | Term Loan | Total | Crop Loan | Term Loan | Total |
| 2001-02 | 548.32 | 265.01 | 813.33 | 145.62 | 145.26 | 290.88 |
| 2002-03 | 619.49 | 216.61 | 836.10 | 160.36 | 46.64 | 207 |
| 2003-04 | 548.32 | 216.61 | 764.93 | 345.81 | 45.03 | 390.84 |
| 2004-05 | 619.49 | 479.22 | 1098.71 | 598.99 | 162.75 | 761.74 |
| 2005-06 | 1616.19 | 487.93 | 2104.12 | 697.64 | 107.93 | 805.57 |

Source : NABARD, Kolkata, 2001-06

From the table 2.19 it is evident that the total agricultural loans granted by the co-operative banks have increased 2.59 times being Rs. 2104.12 lakhs in 2006 from Rs. 813.33 lakhs in 2002, whereas those of UBKGB have increased 2.77 times from Rs. 290.88 lakhs to Rs. 805.57 lakhs during the same period.

The break-up of the UBKGB's loans to agriculture shows that its short-term loans to agriculture has recorded a larger growth rate than its term loans. For example, the growth rate of short-term loan to agriculture given by the UBKGB is 379.08 percentage in 2005-06 over 2001-02, while the growth rate of term loans is negative i.e. - 25.70 percent during the same period. Whereas, in the case of co-operative agencies both types of loans have increased more or less at the same rate. It may also be mentioned that like UBKGB and Co-operatives, CBs provide loans, to agriculture in the district. But the total agricultural advances granted by the commercial bank have increased only 1.52

times being Rs. 6045.68 lakhs in 2001-02 to Rs. 920.64 lakhs in 2005-06. This fact proves that in comparison to CBs and Co-operative agencies, the position of agricultural advances in general but short-term loans in particular given by the UBKGB is satisfactory for the downtrodden people in the district. .

**2.15 Conclusion**

It is seen from the above analysis that by and large UBKGB has made a considerable progress in lending to the agricultural sector. Bank loans by way of direct finance to agriculture have increased manifold especially since 1999. On the basis of loaning performance, it may be easily concluded that there has been both quantitative and qualitative growth of agricultural sector of the rural economy with the establishment of the UBKGB branches in different villages of Jalpaiguri district. The UBKGB has also a considerable contribution in agricultural activities as it has been doing better in comparison to the Co-operative banks in the district. But the position of advances can only become optimum when some drastic efforts are made with proper planning.

## Notes and References

1. "Study of Utilisation of Co-operative Loans", Planning Commission, India, 1965.
2. In this present study we have used "term loans". The reason behind this is that only the loans advanced by the UBKGB are classified into short term and term loans.
2. In some cases, the period of term loans may be extended upto 20 years depending on the purpose for which loan is provided.
3. Average size of borrowal account is computed by dividing the total direct agricultural advances in any year by the number of borrowal accounts in that year.
4. If correction co-efficient (r) between a pair of variables is greater than 0.81, The problem of multi-collinearity may arise according to E.O. Heady and J.C. Dhillion as mentioned in the book, "Agricultural Production Function", P.115. But according to L.R .Klein, if the value of multiple correction co-efficient (R) is higher than simple correlation co-efficient (r) then the multi-collinearity should not be considered serious.