Chapter - III

UBKGB and Credits Needs of Farmers

3.1 Introduction

Farmers require credit for various purposes. This may be both Productive and unproductive. They require credit for conducting agricultural operations, for purchasing agricultural inputs as well as for meeting their consumption needs. An assessment of credit needs of the farmers is not an easy task. But it is a common experience that availability of credit always falls short of requirements with dampening effect on the agricultural operations. Undoubtedly there has been tremendous increase in the availability of credit to the farmers after the expansion of banking institutions in rural areas. Yet the farmers continue to be in the strong grip of the local money lenders due to inadequacy of credit available to the cultivators.

In this present chapter an attempt has been made to assess the credit needs of the farmers. The chapter is divided into five sections. The first section (3.2) presents a socio-economic profile of the borrowers. The second section (3.3) deals with credit requirements of the borrowers and their utilisation. The third section (3.4) examines the time taken by the UBKGB in disbursing loans. The fourth section (3.5) presents the cost of borrowing credit and the last section (3.6) deals with loss of time and loss wage earnings.

3.2 Socio-Economic Profile of Borrowers

Before examining a detailed investigation of credit, it is desirable to know about the socio-economic characteristics of the borrowers who participated in the survey. Accordingly in the following sections, efforts have been made to throw light on their socio-economic characteristics by using certain general indicators such as farm size family size, age, caste pattern and education.

Farm Size

Table 3.1 shows the occupational pattern and classification of the sample borrowers according to farm-size. Table 3.1 shows that 40 percent of the borrowers are small farmers, 32.5 percent of the borrowers are marginal farmers; 12.5 percent are medium farmers and 15 percent are agricultural labourers. Hence a maximum of 64 borrowers (40 percent) of the borrowers in the sample are loanees in the village having land holding from 2.5 acres to 5 acres.

Table 3.1: Distribution of Borrowers by Farm-size

Farm size	No. of Borrowers	Percentage to Total
SF	64	40
MF	52	32.5
MF*	20	12.5
AL	24	15
Total	160	100

Source: Field survey, 2006-07

SF = Small farmers

MF = Marginal farmers

MF* = Medium farmers

AL = Agricultural labourers

Family Size

Family size is considered as an important variable in determining the magnitude of funds required to meet consumption need. The judicious use of loan and its repayment depend on the consumption needs of the family. Data presented in table 3.2 show the size of the family of the loanees.

Table 3.2: Family Size

Farm size	Family Size			Total
	Below3	3-5	Above5	
SF		53	11	64
		(82.81)	(17.19)	(100)
MF	10	38	4	52
	(19.23)	(73.08)	(7.69)	(100)
MF*	12	8	-	20
		(60)	(40)	(100)
AL	8	10	6	24
	(33.33)	(41.67)	(25)	(100)
Total	30	109	21	160
	(18.75)	(68.12)	(13.12)	(100)

Note : Figures in the parentheses indicate percentages
Source: Field survey, 2006-07

Table 3.2 shows that in the case of small farmers of 64 borrowers, 53 have a family size of above 5 persons. 10 borrowers (19.23 percent) in the case of marginal farmers, 12 borrowers (60 percent) in the case of medium farmers and 8 borrowers (33.33 percent) have a family size below 3 persons. A majority of 38 borrowers (73.08 percent) in the case of marginal farmers have a family size of 3 to 5 persons and 10 borrowers (41.67 percent) of agricultural labourers class have a family size of 3 to 5 persons. Overall, in the sample, a majority of borrowers i.e., 68.12 percent have a family size of 3-5 members. About 18.75 percent of the sample borrowers have a family size below 3 members and 13.12 percent have a family size above 5 members.

Age

Table 3.3 shows the age structure of the family of the respondents.

Table 3.3: Age Structure of the Family of Respondents

Farm Size	Distribution of family of respondents					
	15-40		40-65		Total	
	Male	Female	Male	Female	Male	Female
SF	35 (63.64)	7 (77.78)	20 (36.36)	2 (22.22)	55 (100)	9 (100)
MF	30 (66.67)	4 (57.14)	15 (33.33)	3 (42.86)	45 (100)	7 (100)
MF*	-		20 (100)	-	20 (100)	-
AL	16 (94.12)	6 (85.71)	1 (5.88)	1 (14.29)	17 (100)	7 (100)
Total	81 (59.12)	17 (73.91)	56 (40.88)	6 (26.09)	137 (100)	23 (100)

Figures in the parentheses indicate percentages.
Source: Field survey, 2006-07

Table 3.3 shows that out of the total of 137 males, 59.12 percent of males are in the age group of 15 to 40 years and the rest i.e 40.88 percent are above 40 years of age. Out of 23 females, 73.91 percent are in the age group of 15 to 40 years and the rest 26.09 percent are above 40 years of age. In small farmers category, out of 64 borrowers, 63.69 percent of males are in the age-group of 15-40 years and the rest i.e., 36.36 percent males are above 40 years of age, 25 percent of the females are above 40 years of age. Out of 52 borrowers in marginal farmers category, 66.67 percent males are in the age group of 15-40 years of age and the rest i.e., 33.33 percent are above 40 years of age, 57.14 percent females are in the age group of 15-40 years and 42.86 percent females are above 40 years of age and out of 24 borrowers of agricultural labourers category, 94.12 percent males and 85.71 percent

females are in the age-group of 15-40 years and the rest i.e., 5.88 percent males and 14.29 percent females are above 40 years of age.

Caste

Table 3.4 shows the caste pattern of the respondents included in the sample.

Table 3.4: Caste Pattern of the Respondents

Types of farmers	Scheduled caste	Scheduled Tribes	Other Backward Caste	General Caste	Total
SF	32	17	13	2	64
	(50)	(26.56)	(20.31)	(3.12)	(100)
MF	20	13	14	5	52
	(38.46)	(25)	(26.92)	(9.62)	(100)
MF*	12	-	-	8	20
	(60)			(40)	(100)
AL	8	12	4	-	24
	(33.33)	(50)	(16.67)		(100)
Total	72	42	31	15	160
	(45)	(26.25)	(19.38)	(9.38)	(100)

Figures in the parentheses indicate percentages.
Source: Field Survey 2006-07

From table 3.4 it is observed that majority of the borrowers particularly that of small, marginal and medium farmers belong to scheduled caste. Out of 160 sample borrowers, 45 percent belong to scheduled caste, 26.25 percent belong to scheduled tribes, 19.38 percent belong to other backward caste and the rest i.e., 9.38 percent belong to general caste. Out of 116 borrowers in the sample comprising of small and marginal farmers 52 borrowers (88.46 percent) belong to scheduled caste.

Most of the borrowers belonging to scheduled caste are medium farmers. Out of 15 borrowers of general caste in the sample, 8 borrowers i.e., 40 percent are medium farmers. 7 borrowers i.e., 12.74 percent belong to small and marginal farmers. Further no borrowers under agricultural labourer class is found from general caste. Thus

most of the small, marginal and medium farmers belong to scheduled caste and most of the agricultural labourers belong to scheduled tribes.

Education

Education is an absolute necessity for the purpose of meaningful participation of the rural people in development activities. It is believed that an educated person can make better use of credit and thus generate a surplus enough to repay the loan[1] . Table 3.5 presents information on the education levels status of the sample borrowers.

Table 3.5: Education-wise Distribution of Sample Borrowers

	Literacy Level			
	Illiterate	Primary	Secondary and Above	Total
SF	10	30	24	64
	(15.62)	(46.88)	(37.5)	(100)
MF	30	20	2	52
	(57.69)	(38.46)	(3.85)	(100)
MF*	8	10	2	20
	(40)	(50)	(10)	(100)
AL	19	3	2	24
	(79.17)	(12.5)	(8.33)	(100)
Total	67	63	30	160
	(41.88)	(39.38)	(18.74)	(100)

Figures in the parentheses represent percentages
Source: Field Survey, 2006-07

Occupation

An individual's occupation determines the stability of his earnings which in turn influences the repayment behaviour of the borrowers. Table 3.6 presents a distribution of borrowers by occupation.

The table reveals that agriculture is the mainstay for 75.62 percent of the borrowers. 24.38 percent of the borrowers are engaged in business activity. 48.76 percent of the small farmers are engaged in

agricultural and 12.82 percent in business activity. 34.71 percent of small farmers are exclusively engaged in agriculture and 25.64 percent in business activity while 16.53 percent of medium farmers are engaged only in agriculture. Business activity is the main occupation for 61.54 percent of the borrowers under agricultural labourers.

Table 3.6 : Farm-wise Distribution of Occupation of Sample Borrowers

Farm size	Agriculture	Percentage to total	Business	Percentage to total
SF	59	48.76	5	12.82
MF	42	34.71	10	25.64
MF*	20	16.53	-	-
AL	-		24	61.54
Total	121	100	39	100

Source : Field Survey, 2006-07

3.3 Credit Needs of the Borrowers and Their Fulfilment.

The rural credit institutions are engaged in providing credit facilities to the weakers sections of the society. But if the borrowers are provided inadequate funds to run their activities, it may render their activities unviable. Thus the success of the activities undertaken by the borrowers depends on the provision of adequate financial assistance. If the borrowers do not have adequate funds to invest along with borrowed amount, it may lead to diversion of borrowed amount from productive purposes to non-productive purposes. In keeping with this view during field survey the informations regarding credit required and credit actually obtained have been colleted and analysed to assess the shortage of funds. The overall credit needs of the borrowers and shortage of fund is presented in table 3.6.

Table 3.7: Credit Needs of the Farmers

Farm Size	No. of farmers	Mean amount (in Rs) Demand for credit(D)	Supply of credit (S)	Mean shortage of funds (D-S)	Shortage of fund as % of demand for credit
SF	64	17940.62	14335.94	3604.68	79.91
MF	52	19565.38	14372.69	4231.16	26.54
MF*	20	74250	36500	42250	50.84
AL	24	12428.08	9583.33	1232.09	23.32
Total	160	24688.56	16405.50	8283.06	33.55

Source: Field survey, 2006-07

Table 3.7 shows that the mean credit requirement of the farmers in the six selected village is Rs. 24688.50 and the mean credit disbursed by UBKGB is Rs. 16405.50. This represents that 66.45 percent of the credit requirements of the farmers has been fulfilled by UBKGB. Therefore, 33.55 percent of the credit requirement of the borrowers is not met by UBKGB. It is further noticed from the table that the percentages of credit shortage is comparatively high in the case of small farmers (79.91percent) and lowest in the case of agricultural labourers (23.32 percent). Only 20.09 percent of the credit needs of small farmers is satisfied by UBKGB. In the case of marginal farmers, shortage of credit as percentage of credit requirements is only 22.74 percent representing 77.26 percent of the credit is met by UBKGB. Hence it is concluded that granting of inadequate amount of credit is a common phenomenon in all categories of borrowers in the sample area.

3.3.1 Credit Gap under Different Blocks

Detailed information on credit requirement, supply of credit and percentage of shortage of fund to credit requirement are analysed in six selected villages under different blocks in the forth-coming analysis. Data presented in table 3.7 show the extent to which credit needs of the borrowers are met by UBKGB. It is apparent from the figures that

33.55 percent of the credit needs of the borrowers have not been met by UBKGB.

Table 3.8: Credit Needs and Shortage of Funds

Block	Mean amount (in Rs)		(D – S)	Shortage of fund as percentage of demand for credit
	Supply of credit(S)	Demand for credit (D)		
Maynaguri Churabhandar and Husludanga	15386.79	24540.94	9154.15	37.30
Rajganj Kaluarbari and Mogha Para	18176.98	23462.26	5285.28	22.53
Jalpaiguri Choudhuri Para and Denguajhar	15666.67	26037.04	1037.37	39.85
Total	16405.50	24688.56	8283.06	33.55

Source: Field Survey, 2006-07

From Table 3.8 it is found that the shortage of funds is comparatively high in the selected villages under Jalpaiguri Sadar (39.83 percent) and lowest in the selected villages under Rajganj block (22.53 percent). This represents that 60.17 percent of credit requirement in the selected a villages Jalpaiguri Sadar block has been met by UBKGB, whereas 77.47 percent of credit requirement of the borrowers in the selected villages under Rajganj block has been satisfied by UBKGB.

Table 3.9 shows the shortage of funds of sample borrowers in the selected villages under Maynaguri block. From table 3.8 it is found that no significant disparity is found between marginal farmers and medium farmers in the selected villages under Maynaguri block. The percentages as shortage of funds are 47.68 and 47.25 for marginal farmers and medium farmers respectively. Compared to marginal and medium farmers, the small farmers in the selected villages under Maynaguri Block are in a better position with a shortage of 17.54 percent in credit and a mean shortage of only Rs. 2736.36 per farmer.

Overall, the credits disbursed by UBKGB seem to have benefited more to the small farmers and agricultural labourers than the medium and marginal farmers in the selected village under Maynaguri block.

Table 3.9: Shortage of Credit of Sample Borrowers in the Selected Villages under Maynaguri Block

Farm size	Mean amount (in Rs)			
	Demand for credit (D)	Supply of credit (S)	(D - S)	Shortage of credit as percentage of credit requirement
SF	15600	12863.64	2736.36	17.54
MF	25087.50	13125	11962.50	47.68
MF*	75833.33	40000	35833.33	47.25
AL	11230	9166.67	2063.33	18.37
Total	24540.94	15386.79	9154.15	37.30

Source: Field Survey, 2006-07

Data Presented in table 3.10 shows shortage of credits of sample borrowers in the selected villages under Jalpaiguri sadar. From table 3.9 it is apparent that 39.83 percent of the credit needs of the borrowers have not been satisfied by UBKGB in the selected villages under Jalpaiguri Sadar block. The percentage of credit gap is very low for marginal farmers. Only 3.59 percent of the credit requirements of marginal farmers have not been met by the bank. The inadequacy of funds has been the highest for the medium size farmers (66.56 percent) followed by small farmers (31.71 percent) and agricultural labourers (11.41percent) respectively. The wide variation among the borrowers lends credence to the belief that the type of activity and the level of adequacy of the loan have some sort of correlation.

Table 3.10: Shortage of Credits of Sample Borrowers in the Selected Villages under Jalpaiguri Sadar

Farm size	Mean amount (in Rs)		(D - S)	Shortage of funds as percentage of credit requirement
	Demand for credit (D)	Supply of credit (S)		
SF	22352.94	15264.71	7088.23	31.71
MF	13304.35	12826.09	478.26	3.59
MF*	104666.66	35000	69666.66	66.56
AL	11500	10187.50	1312.50	11.41
Total	26037.04	15666.67	78545.65	39.83

Source: Field Survey, 2006-07

Table 3.11 displays the shortage of funds of the borrowers in the selected villages under Rajgang block. From the table 3.11 it is apparent that small farmers have an average shortage of Rs. 2000 representing 11.76 percent of the credit requirements. Whereas the beneficiaries under marginal farmer categories have faced a credit deficiency of 21.81 percent (Rs. 5201) and medium farmers 30.35 percent (Rs. 15250). Thus the small farmers in the selected villages under Rajganj block are in a better position. The diagrammatic presentation of credit gap is given in figure 3.1.

Figure 3.1 (A)
Credit Gap of Blocks

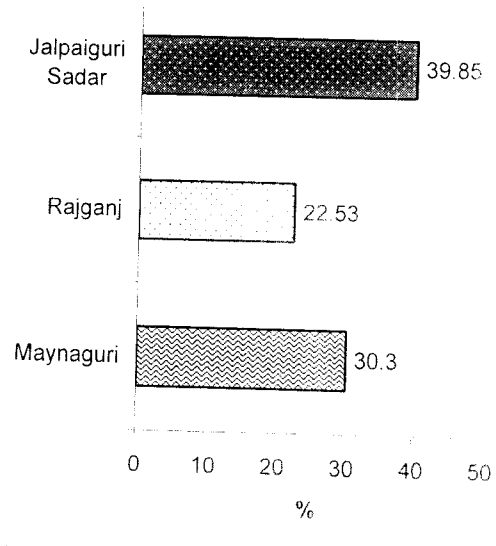

Figure 3.1 (B)
Credit Gap of Farm Sizes

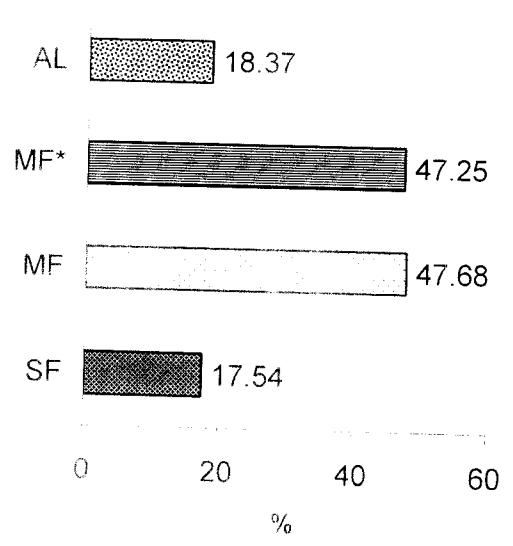

Table 3.11: Statement Showing Shortage of Funds of the Borrowers in Rajganj Block

Farm size	Mean amount (in Rs)		(D - S)	Shortage of funds as percentage of credit requirement
	Demand for credit (D)	Supply of credit (S)		
SF	17000	15000	2000	11.76
MF	23846	18645	5201	21.81
MF*	50250	35000	15250	30.35
AL	15214	9429	5785	38.02
Total	23462.26	18176.98	5285.28	22.53

Source: Field Survey, 2006-07

Thus we see that loans advanced by UBKGB are inadequate for the activities undertaken by the beneficiaries. Village-wise analysis shows that the beneficiaries in Jalpaiguri sader have faced a high credit deficiency of 39.83 percent of their requirements and the marginal farmers in this block are in a better position compared to other category of farmers. Hence the hypothesis that "the amount of credit given to borrowers is not adequate to run the activities" is accepted. This inadequacy of supply of funds by UBKGB as per need of borrowers has compelled the borrowers to borrow funds from local money lenders and gramin baniyas at a greater interest.

3.4 Time Taken by UBKGB in Disbursing Loans

The success of an activity undertaken by the borrowers depends not only on adequate supply of credit it equally depends on the availability of credit at the right time. If the bank takes enough time to sanction and disburse the credit, the cost of the activity must increase. This results in erosion of anticipated benefits of the borrowers due to cost escalation. Undue delay in granting credit is, therefore, tantamount to denial of credit. Due to undue delay in getting credit, the borrowers are forced to borrow money from the local money lenders for meeting their urgent needs at a grater interest.

For this purpose during field survey the beneficiaries were asked to state the time taken in getting credit to find out whether the borrowers have to wait for a long period of time to get credit. The time taken by the bank in sanctioning credit is presented in table 3.12.

Table 3.12: Statement Showing Delayed Disbursement of Loan in the Selected Villages in the District.

Time taken (in days)	No. of borrowers	Percentage to total
Upto 7	108	67.50
8-14	46	28.75
15-30	6	3.75
Total	160	100

Source: Field Survey, 2006-07

From table 3.12 we find that of the 160 borrowers above 67 percent have got loan from the bank within 7 days. Of the remaining 32.5 percent borrowers, 28.75 percent have waited from 8 to 14 days to get credit and 3.75 percent have got loan within 15 to 30 days. The UBKGB has taken on an average 6.37 days in sanctioning loan.

3.4.1 Block-wise Time Lag in Getting Credit

Block-wise analysis (table 3.13) shows that percentage of borrowers who have got loan within 7 days is the highest (81.48 percent) in the villages under Jalpaiguri sadar block followed by Rajganj block (66.04 percent) and Maynaguri block (54.72 percent) respectively. It is very interesting to see that no borrower has waited for more than 15 days to get the loan in Jalpaiguri sadar block whereas 7.55 percent of the borrowers have waited for more than 15 days in Rajganj block followed by Maynaguri block (3.77 percent). The UBKGB has taken 8 to 14 days for 41.51 percent of the borrowers in Maynaguri block followed in descending order by Rajgang block (26.41 percent) and Jalpaiguri sadar block (18.52 percent). The village-wise mean time taken between the date of application and the date of final

disbursement varies from a high of 7.3 days in the selected villages under Maynaguri block to 7 days under Rajganj block and to a low of 5 days under Jalpaiguri sadar.

Table 3.13: Time Taken to Obtain the Loan after Filling the Application in Different Blocks .

Time Taken (in days)	Rajganj Block	Maynaguri Block	Jalpaiguri Sadar Block	Total
	Kaluarbari and Mogha Para	Churabhander and Husludanga	Choudhuri Para and Denguajhar	
Up to 7	35(66.04)	29(54.72)	44(81.48)	108(67.50)
8-14	14(26.41)	22(41.51)	10(18.52)	46(28.75)
15-30	4(7.55)	2(3.77)	-	6(3.75)
Total	53(100)	53(100)	54(100)	160(100)

Figures in the parentheses indicate percentages.
Source: Field Survey,2006-07

3.4.2 Farm Size-Wise Delayed Disbursement of Loans

From the table 3.14 it is clear that a large proportion of borrowers under small farmer category (44.83 percent) have got loan from UBKGB within 7 days in Maynaguri block compared to those for marginal farmers (37.59 percent), medium farmers (17.24 percent) and agricultural labourer categories (10.34 percent). In the case of marginal farmers 75 percent of the borrowers have waited for more than 15 days to receive loan. The corresponding percentage in case of small farmer categories is 25. The UBKGB in Maynaguri block has taken on an average 7.09 days for small farmers, 9.41 days for marginal farmers, 4.75 days for medium farmers and 8.5 days for agricultural labourers to grant loan. Thus we can conclude that medium farmers are in a better position to receive loan compared to other category of farmers in Maynaguri block.

Table 3.14: Farm Size-wise Time Taken to Obtain the Loan after Filling the Application in Maynaguri Block

Time Taken	Farm Size				Total
	SF	MF	MF*	AL	
Up to 7	13(59.09)	8(50)	5(83.33)	3(33.33)	29(54.72)
8-14	8(36.36)	5(31.25)	1(16.67)	6(66.67)	20(37.74)
15-30	1(4.54)	3(18.75)	-	-	4(7.55)
Total	22(100)	16(100)	6(100)	9(100)	53(100)

Figures in the parentheses indicate percentages.
Source: Field Survey, 2006-07

Table 3.15 reveals that in Rajganj block 69.23 percent of the borrowers under marginal farmer categories have received loans within 7 days from the date of application and another 30.77 percent of the borrowers under this category have waited for 7 days to obtain loans and out of the remaining 40.91 percent of borrowers, 36.36 percent have taken 8 to 14 days and 4.54 percent of the borrowers have taken more than 15 days to receive the loan. A larger proportion of the borrowers under medium farmer category (50 percent) have been able to get loans within 7 days and another 50 percent borrowers have taken 8 to 30 days to get the loan. From table 3.14 we can find out that the average time taken by UBKGB in granting credit in Rajganj block is the lowest (5.8 days) for marginal farmer category and it is the highest (10.12 days) in the case of medium farmer category.

Table 3.15: Farm Size-Wise Delayed Disbursement of Loan in the Selected Villages under Rajganj Block

Time Taken (in days)	SF	MF	MF*	AL	Total
Up to 7	16(64)	9(69.23)	4(50)	2(18.57)	31(58.49)
8-14	7(28)	4(30.77)	2(25)	5(71.43)	18(33.96)
15-30	2(8)	-	2(25)	-	4(7.55)
Total	25(100)	13(100)	8(100)	7(100)	53(100)

Figures in the parentheses indicate percentages
Source: Field Survey, 2006-07

Table 3.16 present farm size-wise delayed disbursement of loan in Jalpaiguri sadar. From table 3.16 it is noticed that most of the borrowers (82.35 percent) under small farmer category have received loan from UBKGB within 7 days and remaining 17.65 percent have waited for 8 to 14 days to obtain loan. Under marginal farmer categories, majority of the borrowers (73.91 percent) have been able to receive loan within 7 days and under medium farmer category 66.67 percent have received loan within 7 days under agricultural labourer class we find that 62.50 percent of the borrowers have waited for 8 to 14 days to receive loans. The farm-wise mean time lag in Jalpaiguri block in getting credit varies farm a high of 15.31 days for agricultural labourers to 6.5 days for marginal framers, 6 days for medium framers and to a low of 4.8 days for small framers respectively. The diagrammatic presentation of time lag in obtaining credit is given in figure3.2.

Figure 3.2: Time Lag in Getting Loans

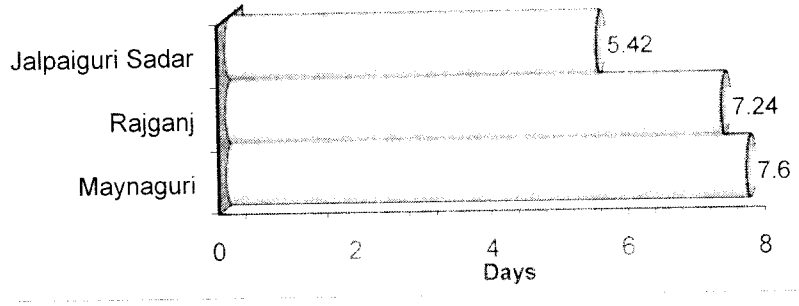

Table 3.16: Farm Size-Wise Delayed Disbursement of Loan in the Selected Villages under Jalpaiguri Sadar

Time Taken (in days)	SF	MF	MF*	AL	Total
Up to 7	14(82.35)	17(83.91)	4(66.67)	-	34(64.82)
8-14	3(17.65)	4(17.39)	2(933.33)	5(62.5)	14(25.92)
15-30	-	2(8.70)	-	3(37.5)	5(9.26)
Total	17(100)	23(100)	6(100)	8(100)	54(100)

Figures in the parentheses indicate percentages
Source: Field Survey, 2006-07

The above analysis reveals that sanctioning of loans is a time consuming process and the borrowers had to visit the bank offices several times for clearing the whole procedure. From village-wise analysis under different blocks we see that the delayed receipt of loan is comparatively higher in Maynaguri Block (7.3 days) and lower in Jalpaiguri sadar (5 days). Farm size-wise analysis shows that delay in granting loan is the greatest in the case of marginal farmers (9.41 days) in Maynaguri block and it is the highest in the case of agricultural labourers in Rajganj block (10 days). The delay in granting credit is also the highest (15.31 days) in the case of agricultural labourers in Jalpaiguri sadar. Hence the hypothesis is that "delayed in sanctioning credit" is accepted.

3.5 Cost of Borrowing Credit

It is generally believed that for smooth functioning of an activity undertaken by the borrowers, the credit should be available at the minimum cost. If the cost of borrowing is high, credit availed by the borrowers must be of smaller size. Which in turn affects the viability of the activity due to shortage of credit. The borrowers incur expenditure at various stages from the beginning of filling of application to the date of final disbursement to fulfil various procedural formalities[2]. In our present analysis the cost of borrowing credit consists of stamp duty,

processing fees, photograph, essential xerox copies, insurance cost, transport cost, searching fees and subscription to "Farmers' Club". In this study we have tried to calculate the cost of borrowing to find whether the borrowers would be able to tolerate it or not.

3.5.1 Farm Size-Wise Cost of Credit

The table 3.17 presents farm size-wise cost of borrowing credit of the borrowers in the selected villages under different blocks. Table 3.16 shows that borrowers on an average have incurred Rs. 426 as borrowing cost which is equivalent to 2.60 percent of the average credit availed. In the sample area the borrowers under medium farmers category have incurred the highest average borrowing cost of Rs. 550 which is equivalent to 1.51 percent of the average credit obtained. The borrowers under agricultural labourer category have spent the lowest cost of borrowing of Rs 369 and this amount is equivalent to 3.85 percent of the amount of loan they have obtained. While viewing the cost of borrowing as a proportion of credit obtained, the study reveals that the cost in percentage terms decreases as the amount of credit availed increases. The high percentage (3.85) of borrowing cost of the agricultural labourer class may be due to the small size of individual loan availed therein.

Table 3.17: Farm size-wise Cost of Credit

Farm size	No. of borrowers	Mean cost of credit (Rs.)	Mean credit supplied (Rs.)	Cost of borrowing as percent of credit availed
SF	64	425	14336	2.96
MF	52	405	14373	2.82
MF*	20	550	36500	1.51
AL	24	369	9583	3.85
Total	160	426	16406	2.60

Source: Field Survey, 2006-07

3.5.2 Cost of Credit under Different Blocks

Table 3.18 presents village-wise distribution of cost of credit under different blocks. Table 3.18 shows that the borrowers in Rajganj block have compelled to spend substantial amounts to obtain loan. The average cost of credit in Rajganj block is Rs. 495 which is equal to 2.72 percent of the average credit availed. The average cost of credit is the lowest in Jalpaiguri sadar which is equal to Rs. 359.26 representing 2.29 percent of the average credit availed.

Table 3.18: Village-Wise Classification of Cost of Credit under Different Blocks

Village	No. of borrowers	Mean cost of credit (Rs.)	Mean credit supplied (Rs.)	Cost of borrowing as percent of credit supplied
Rajganj	53	495	18177	2.72
Kaluarbari and Mogha Para				
Maynaguri	53	425	15387	2.76
Churabhander and Husludanga				
Jalpaiguri	54	359.26	15667	2.29
Choudhuri Para and Denguajhar				
Total	160	426	16406	2.60

Source: Field Survey, 2006-07

Let us now see the farm size-wise cost of credit in each block. Farm size-wise cost of credit in Rajganj Block is presented in table 3.19. Table 3.19 depicts that the borrowers under small farmer category have spent the lowest percent of the average credit availed. Where the borrowers under medium farmer category have incurred the highest average cost of credit of Rs. 952 which is equivalent to 2.71 percent of the amount of loan they obtained. The borrowers under marginal farmer category and agricultural labourer class have spent Rs. 440 and Rs. 325 respectively as borrowing cost which represent 2.36 and 5.57 percent respectively of the loan availed.

Table 3.19: Distribution of Cost of Credit among the Farmers in the Selected Villages under Rajganj Block

Type of Farmers	No. of Borrowers	Mean cost of Credit (Rs.)	Mean Credit Supplied (Rs.)	Cost of Borrowing as percent of credit availed
SF	25	425	15000	2.83
MF	13	440	18645	2.36
MF*	8	952	35000	2.72
AL	7	325	9429	3.45
Total	53	495	18177	2.72

Source: Field Survey, 2006-07

Table 3.20 presents the farm size-wise distribution of cost of credit of the sample borrowers in Maynaguri block. Table 3.20 shows that the borrowers under agricultural labourer class have incurred the lowest average cost of borrowing of Rs.322 which is equal to 3.51 of the loan amount. The borrowers under medium farmer categorys have spent the highest average cost of borrowing of Rs.555 representing 1.39 percent of the average credit availed. The borrowing cost as percent of credit availed shows that no significant variations exist between small farmer (3.50 percent) and agricultural labourer (3.51 percent) category respectively.

Table 3.20 : Farm Size-Wise Distribution of Cost of Credit in the Selected Villages under Maynaguri Block

Farm size	No. of borrowers	Mean cost of credit (Rs.)	Mean credit supplied (Rs.)	Cost of borrowing as percent of credit availed
SF	22	450	12864	3.50
MF	16	425	13125	3.24
MF*	6	555	40000	1.39
AL	9	322	9167	3.51
Total	53	425	15387	2.76

Source: Field Survey, 2006-07

Farm size-wise classification of cost of credit under Jalpaiguri sadar presented in Table 3.21 shows that borrowers under agricultural labourer class have incurred the lowest average cost of credit of Rs. 291 representing 2.86 percent of the average loan amount. Whereas that borrowers under medium farmer category have spent the highest average cost of credit of Rs. 560 which is equal to 1.6 percent of the average credit. The corresponding average cost of credit under small farmer and marginal farmer category are Rs. 331 and Rs. 351 respectively which are equal to 2.17 percent and 2.74 percent of the credit availed. The diagrammatic presentation of cost of borrowing credit is given in figure 3.3.

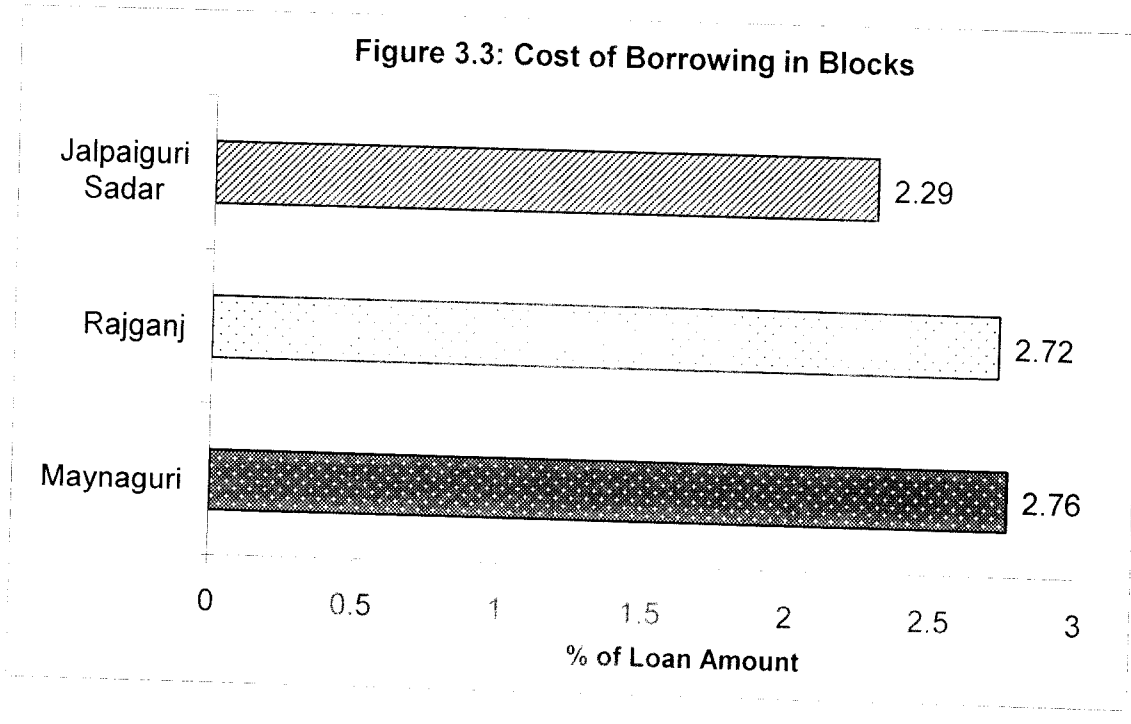

Table 3.21 : Farm Size-wise Cost of Credit under Jalpaiguri Sadar.

Farm size	No. of borrowers	Mean cost of credit (Rs.)	Mean credit supplied (Rs.)	Cost of borrowing as percent of credit availed
SF	17	331	15265	2.17
MF	23	351	12826	2.74
MF*	6	560	35000	1.60
AL	8	291	10188	2.86
Total	54	359	15667	2.29

Source: Field Survey, 2006-07

The above analysis reveals that borrowers are compelled to spend substantial amount to get the credit. The borrowers under Maynaguri block have incurred 2.76 percent of the loan amount as borrowing cost which is quite high by any standard. It is clear from the survey that inter-block variations in borrowing cost may be due to frequent visits to bank branches as a result of delay in selection and disbursement of the loans. Each visit involves opportunity cost for the farmers.

Farm size-wise analysis reveals that borrowing cost is the lowest to the borrowers belonging to medium farmers (1.51 percent) and the highest to the borrowers belonging to agricultural labourers.

In addition to the direct cost of borrowing most of the borrowers are forced to spend a number of working days because of the visits to be made to the bank premises. This problem is discussed in the following section.

3.6 : Loss of Time and Loss of Wage Earnings

Visit to the bank premises has been considered as one of the problems confronted in the process of securing loans. If the sanction of loan is a time consuming process, it compels the borrowers to follow up the loan applications with frequent visits to the bank. This results in

loss of time and ultimately in the loss of wage earnings. This loss of earnings actually increases the cost of obtaining the loan. This in turn reduces the actual amount of money available for the purpose for which the loan was sanctioned. This situation is worse particularly in the case of poor borrowers who have no other source of income[3].

Keeping this in view the borrowers in the present study have asked to state the number of visits paid by them between the filing of application and final disbursement of the loan. The experiences of the interviewed borrowers show that the borrowers had to visit the branches a good number of times even after filing the application. It can be observed from table 3.22 that the small and medium farmers require to visit twice. 30.77 percent of the marginal farmers and 29.17 percent of the agricultural labourers have visited the bank premises more than five times (each such visit involves opportunity cost for the farmers). While this may be partly due to the fact that marginal farmers and agricultural labourers are educationally backward[4], it is comment on the free flow of necessary information to the borrowers.

Table 3.22: Number of Visits to Bank Premises after Filling the Application

No. of Visits	SF	MF	MF*	AL
2 times	64(100)	27	20(100)	12
3 times	-	9	-	5
More than 5 times	-	16(30.77)	-	7(29.17)
Total	64	52	20	24

Figures in the parentheses indicate percentages
Source: Interview Responses

Now, on the basis of time taken for visiting the bank premises and the total number of visits, the loss of working days of each borrower has been estimated. A working day lost means 8 hours absence from work. Wage rate per day has been worked out in consultation with the sample borrowers, taking into consideration the wage rates prevailing in the study area. Loss of earnings of each

borrower is estimated in above manner. The loss of wages as percentage of credit availed is calculated by using the following formula:

$$\frac{\text{Mean loss of wages}}{\text{Mean credit availed}} \quad X \quad 100$$

The data obtained are shown in table 3.23 represent that on an average each borrower was absent 1.02 days from work for obtaining loan and the mean loss of wages was Rs. 76.84 which represents 0.47 percent of borrowed amount. The loss of working days, loss of earnings and loss of earnings as a percent of credit availed among the farm sizes are also in table 3.23.

3.6.1 Farm Size-Wise Loss of Wage Earnings

Table 3.23 exhibits the farm size-wise mean loss of working days, loss of wages and percentage of loss of wages to the borrowed amount. Farm size-wise analysis discloses that the mean loss of working days is high in the case of borrowers belonging to marginal farmers (1.20 days) and lowest in the case of borrowers belonging to small farmers (0.88 days). The loss of wages of the borrowers belonging to small, marginal and medium farmers and agricultural labourers comes to 0.46, 0.63, 0.21 and 0.82 percent of the amount of credit availed by the borrowers. The diagrammatic presentation of loss of wage earnings is presented in figure 3.4.

Figure 3.4: Loss of Wage Earnings (Percentage of Loan Amount)

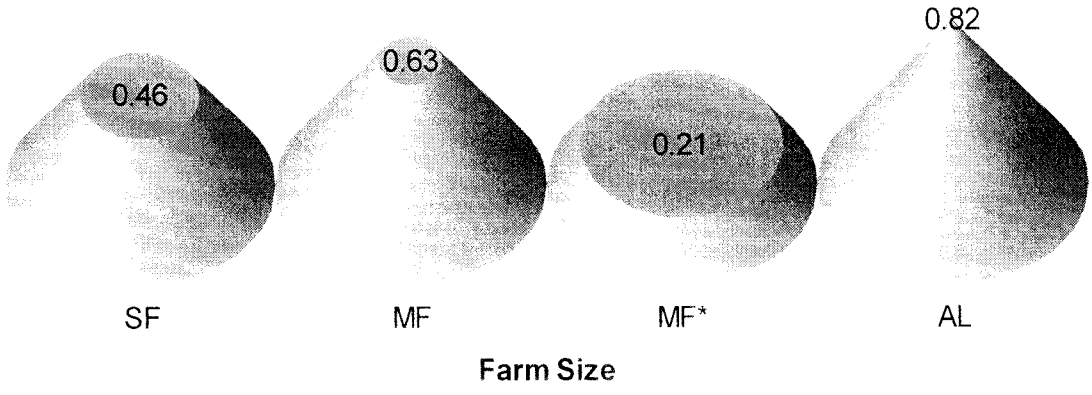

Table 3.23: Farm Size-Wise Classification of Mean Loss of Working Days and Loss of Earnings.

Farm size	No. of borrowers	Mean loss of working days	Mean loss of earnings (Rs.)	Loss of earnings as percent of credit availed
SF	64	0.88	66.00	0.46
MF	52	1.2	90.00	0.63
MF*	20	1.00	75.00	0.21
AL	24	1.05	78.75	0.82
Total	160	1.02	76.84	0.47

Source: Field Survey, 2006-07.

The above analysis indicates that the borrowers have spent a number of working days to visit the bank premises to obtain loan. On each visit they have spent time and money besides losing their wage earnings. The study reveals that on an average each borrower has spent 1.02 working days to get the loan. This has resulted in a loss of wages equivalent to Rs. 76.84, which may be due to delay in sanctioning the loan amounts, lack of information. From the study we also find that loss of wage earnings is the highest in the case of

borrowers belonging marginal farmers and agricultural labourers in the district. Possibly due to lack of information the borrowers belonging to marginal farmers and agricultural labourers have visited the bank premises frequently and as such the loss of wages as a percentage of credit availed is the highest for those borrowers.

This chapter has analysed the socio-economic profile of the borrowers, credit needs of the farmers, the time lag in getting credit, cost of borrowings and loss of wage earnings. The socio-economic profile of borrowers reveals that of the respondents, 32.5 percent possess only less than one acre of land About 68 percent of the sample borrowers have a family size of 3 to 5 members. Nearly 42 percent of the sample respondents have no formal education. 85.62 percent of the respondents are males and 61.25 percent of the respondents are in the age group of 15-40. The backward classes, scheduled castes and scheduled tribes constitute 90.62 percent of the sample.

The analysis on credit requirement indicates that the UBKGB has failed to meet the credit need of the borrowers. The UBKGB has supplied inadequate funds for the activities undertaken by the borrowers in the district of Jalpaiguri. From the field survey it is observed that the ratio of mean credit obtained to the demand for credit is 66.45 percent. Thus 33.55 percent of the credit requirements of the borrowers is met by the UBKGB. This inadequacy of fund has possibly compelled the borrowers to depend on the informal sources of credit. The percentage of such credit gap is the highest in Jalpaiguri sadar block (39.83 percent) and in Jalpaiguri sadar, the borrowers belonging to medium farmers are in worse position as 66.56 percent of the credit requirements of medium farmers are not met by the UBKGB. The percentage of credit gap is the lowest (22.53 percent) in Rajganj block where the borrowers belonging to small farmers are in a better position regarding credit requirements as the credit needs of these categories are left unfulfilled to the extent of 11.76 percent. Similarly the credit

needs of the borrowers belonging to small farmers in Maynaguri block are left unfulfilled to the extent of 17.54 percent.

The study shows that the sanctioning of loan is a time-consuming process. It is found that on an average 8.85 days are required by the bank for granting loans to the borrowers. The delayed receipt of loan is high in Maynaguri block (7.6 days) and in Maynaguri block the borrowers belonging to marginal farmers are in a worse position as the delay in granting credit to these borrowers is as high as 9.66 days. In Jalpaiguri sadar as well as in Rajganj block the borrowers belonging to medium farmers and agricultural labourers are in a worse position as in the case of medium farmers the average time taken by the UBKGB is as high as 10 days and for agricultural labourers the average time taken is 15 days.

The analysis on cost of borrowing credit reveals that borrowers are compelled to spend a substantial amount (average of Rs. 426) to obtain the loan from the bank. In percentage terms this works out to 2.60 percent of the loan amount obtained. A farm size-wise comparison shows that the borrowers belonging to medium farmers had to incur 1.51 percent of the loan amount as borrowing cost. The cost of borrowing is the lowest (2.29 percent) in Jalpaiguri sadar followed by Rajganj block (2.72 percent) and Maynaguri block (2.76 percent) respectively.

The study indicates that besides the cost of borrowings, the borrowers have to spend a number working days for making visits to the bank premises to obtain the credit. From the study we find that small and medium farmers required to visit the bank premises twice while about 31 percent of the marginal farmers and 29 percent of the agricultural labourers had to visit the branches more than five times. Thus the poor farmers incur higher transaction costs in availing funds. Due to the visits to the branches the borrowers have to spend about 1.02 working days on an average to get the loan and this has resulted

in a loss of wages equivalent to 0.47 percent of the credit availed by them. The loss of wages is the highest in the case of borrowers belonging to marginal farmers (0.63 percent) and agricultural labourers (0.82 percent) respectively.

Notes and References

1.Benson Kunjukunju and S. Mohanan (2002), *Institutional Finance and Rural Development*, New Century Publications, New Delhi.

2. Madhura Swaminathan, "The Microcredit Alternative" ? *Economic and Political Weekly*, March 31, 2007

3. Benson Kunjukunju and S. Mohanan, op.cit, p.131.

4. About fifty-eight percent of the marginal farmers and seventy-nine percent of the agricultural labourers are illiterate in our sample, while only 16 percent of the small farmers are so.