Chapter – IV

Farmers' Experience with Bank Loans

4.1 Introduction

The process of getting loans from the bank is not an easy task. The borrowers have to face numerous difficulties and spend time and money to get the loans. On many occasions, a major problem faced by the poor in approaching banks is that of the attitudes and behaviour of bank staff. Many of the poor often complain about the kind of behavour they receive while interacting with the banks. They are not treated properly because of discriminatory attitudes towards the poor[1]. Few of them can master the confidence to approach the banks and secure loans from them. Scant regard for the poor makes the problem of approaching the banks for loan more complicated. Many rural people feel reluctant to approach the banks and do not have enough courage because of their lowly livelihood, their humble clothes and their educational level. Problems of attitudes and behaviour of the staff become a major obstacle in reaching the poor people and other socially deprived. An attempt is made in this chapter to examine the problems faced by the borrowers in getting bank credit. These problems are classified under two heads, viz. (a) problems associated with the bank, and (b) financial problems.

4.2: Problems Associated with the bank

A borrower, who faces a large number of problems in obtaining loans may develop a retaliatory attitude towards the bank[2]. During field survey the borrowers were asked to state the problems which they faced in getting loans from the bank. The information is collected on the type of problems faced by the borrowers in getting loans from the bank. In our present study five major problems have been identified. These are :

- Lack of co-operation of bank staff

- Time gap in sanctioning loan.
- Recommendation of panchayet pradhan.
- Discriminatory behaviour of bank staff.
- Complicated loan procedure

To examine the relative importance of each of these problems, the borrowers selected were asked to rank these problems in order of priorities. First of all, ranks are given to each problem and then weights are assigned to each problem in descending order[3]. Weight of 5,4,3,2 and 1 are assigned to these problems. Problems connected with the credit institution are analysed in relation to blocks and farm sizes.

Table 4.1 shows the borrowers ranking of importance of various problems. From table 4.1 it is found that the borrowers have attached maximum value to the recommendation of panchayat pradhan (33.04 percent of the total score) followed by delay in sanctioning loan from the bank (31.01 percent) and complicated loan procedure (20.29 percent). Lack of co-operation of bank staff has been given fourth ranking (8.12 percent). Discriminatory behaviour of bank staff has been given least importance (7.54 percent).

Table 4.1: Borrowers' Ranking of Importance of Various Problems

SL. No.	Problems	Priorities					Total Score	Percentage to Total
		1st	2nd	3rd	4th	5th		
1.	Lack of Co-operation of Bank Staff	10		2			56	8.12
2.	Recommendation of Panchayat Pradhan	32	10	8		4	228	33.04
3.	Time Gap in Sanctioning Loan	36	7			6	214	31.01
4.	Complicated Loan Procedure	25		5		-	140	20.29
5.	Discriminatory Behaviour of Bank Staff	8			5	2	52	7.54
	Total						690	100

Source: Interview Responses

Borrowers' problems in getting loans from the bank are analysed block-wise and farm size-wise in each block in the forthcoming section.

4.2.1 Block-Wise Classification of Problems in Getting Credit

Block-wise classification of problems discloses that problems of borrowers in the process of obtaining loans vary from block to block (table 4.2, 4.3 and 4.4).

From the table 4.2 it is clear that delay in sanctioning loan is the foremost problem faced by the borrowers in Maynaguri block because the borrowers have attached maximum value to the delay in sanctioning loan (31.36 percent to total score). The next important problem which the borrowers have faced in obtaining loan from the bank is the recommendation of panchayat pradhan. In this case the borrowers have assigned the maximum value (30.08 percent). Lack of co-operation of bank staff score the lowest (4.66 percent).

Table 4.2 Borrowers' Ranking of Importance of Various Problems in Maynaguri Block

SL. No.	Problems	Priorities					Total Score	Percentage To Total
		1st	2nd	3rd	4th	5th		
1.	Lack of Co-operation of Bank staff	2				1	11	4.66
2.	Recommendation of Panchayat Pradhan	10	2	4		1	71	30.08
3.	Time Gap in Sanctioning Loan	14	1			-	74	31.36
4.	Complicated Loan Procedure	7	2	1		-	46	19.49
5.	Discriminatory Bevavour of Bank staff	4	2	2	-	-	34	14.41
	Total						236	100

Source: Interview Responses

Table 4.3 presents the problem faced by the borrowers in Rajganj block. From the table it is found that delay in sanctioning of loan has emerged as the major problem of the respondents in Rajganj block. In this case the borrowers have assigned the highest score (40.65 percent). The second important problem of the borrowers is the recommendation of panchayet pradhan. Complicated loan procedure is ranked as the third problem by the borrowers (21.96 percent). Thus the borrowers in Rajganj block also have faced the same type of problems like Maynaguri block.

Table 4.3 Borrowers' Ranking of Importance of Various Problems in Rajganj Block

SL. No.	Problems	Priorities					Total Score	Percentage To Total
		1st	2nd	3rd	4th	5th		
1.	Lack of Co-operation of Bank staff	1	-		-	4	9	4.21
2.	Recommendation of Panchayat Pradhan	10	2		-	-	58	27.10
3.	Time Gap in Sanctioning Loan	13	4	2	-	-	87	40.65
4.	Complicated loan procedure	5	4	2	-	-	47	21.96
5.	Discriminatory Behaviour of Bank Staff	1	1		-	4	13	6.07
	Total						214	100

Source: Interview Responses

The problems faced by the borrowers in Jalpaiguri sadar is presented in table 4.4. From table 4.4 it is found that recommendation of panchayt pradhan is ranked as the main problem because in this case the respondents have assigned the highest score (41.26 percent). The time lag in getting credit emerges as the second important problem. In this case the percentage to total score is 22.08.

Table 4.4 : Borrowers' Ranking of Importance of Various Problems in Jalpaiguri Sadar

SL. No.	Problems	Priorities					Total Score	Percentage To Total
		1st	2nd	3rd	4th	5th		
1.	Lack of Co-operation of Bank staff	4	2		4	-	36	15
2.	Recommendation of Panchayat Pradhan	15	6			-	99	41.26
3.	Time Gap in Sanctioning Loan	7	3	2	-	-	53	22.08
4.	Complicated Loan Procedure	8	1	1	-	-	47	19.58
5.	Discriminatory Behaviour of Bank staff	1	-			-	5	2.08
	Total						240	100

Source: Interview Responses

Thus the major hurdles of borrowers in Jalpaiguri sader block are recommendation of local Panchayat Pradhan and time gap in sanctioning loans. Now to examine the similarity in the ranking of problems faced by the borrowers among different blocks correlation co-efficient has been used. For this purpose data presented in tables 4.2, 4.3 and 4.4 are arranged in table 4.5.

Table 4.5 Block-wise Classification of Problems faced by the Borrowers

SL. No.	Problems	Maynaguri		Rajganj		Jalpaiguri Sadar		Total
		Total Score	Rank	Total Score	Rank	Total Score	Rank	
1.	Lack of Co-operation of Bank staff	11	5	9	5	36	4	56
2.	Recommendation of Panchayat Pradhan	71	2	58	2	99	1	228
3.	Time Gap in Sanctioning Loan	74	1	87	1	53	2	214
4.	Complicated Loan Precedure	46	3	47	3	47	3	140
5.	Discriminatory Behaviour of Bank staff	34	4	13	4	5	5	52

Source: Interview Responses   Rank correlation coefficient : Maynaguri and
Rajganj=1
Rajganj and Jalpaiguri= 0.80
Maynaguri and Jalpaiguri =0.80

The rank correlation co-efficient (R) between Maynaguri and Rajganj blocks is 1 whereas the rank correlation co-efficient between Rajganj and Jalpaiguri sadar blocks and between Maynaguri and Jalpaiguri sadar blocks are the same i.e., 0.80. Thus the correlation coefficient between three blocks are high which shows that the rankings are similar in three blocks.

4.3.2: Farm-Size-Wise Classification of Problems in Getting Credit

The relationship between farm size-wise classification and the problems connected with the bank faced by the respondents in obtaining loan is analysed here.

Let us first consider the problem faced by the borrowers under different farm-sizes in Maynaguri block.

Data presented in table 4.6 represent farm size-wise classification of problems in obtaining loans from UBKGB in Maynaguri block. The problems highlighted in table 4.6 reveals that time gap is the major constraint to the borrowers belonging to small farmers. Recommendation and discriminatory behaviour of bank staff are ranked second and third among the problems faced by small farmers. Recommendation by panchayet pradhan is considered as the major constraint to the borrowers belonging to marginal and medium farmers. It is found that delay in sanctioning credit is the foremost problem to the borrowers belonging to agricultural labourers. The correlation between small farmers and marginal farmers is only high(0.80) which shows that the rankings are similar between small and marginal farmers in Maynaguri block.

Table 4.6: Farm Size-wise Classification of Problems in Maynaguri Block

SL. No.	Problems	Farm size							
		SF		MF		MF*		AL	
		Total Score	Rank	Total Score	Rank	Total Score	Rank	Total Score	Rank
1.	Lack of Co-operation of Bank staff	5	5	3	5	1	5	2	5
2.	Recommendation of Panchayat Pradhan	25	2	25	1	11	1	10	3
3.	Time Gap in Sanctioning Loan	30	1	23	2	3	4	18	1
4.	Complicated Loan Procedure	12	4	15	3	4	3	15	2
5.	Discriminatory Behaviour of Bank staff	19	3	5	4	5	2	5	4

Source: Interview Responses   Rank correlation coefficient: SF and MF=.80,
SF and MF*=.40,
SF and AL=.70,
MF* and MF=.60,
MF* and AL=0.10,
MF and AL=0.70.

Farm size-wise classification of problems connected with the bank in Rajganj block highlighted in table 4.7 reveals that complicated loan procedure is considered as the major constraint to the small farmers and delay in sanctioning credit is the next important problem to them. Time lag and recommendation are the major two important problems to marginal farmers and agricultural labourers. While the borrowers belonging to medium farmers find a reversal of the constraints indicated above. The correlation between the small and marginal farmers is low which shows that the rankings of problems are not similar between them. The correlation between the small and medium farmers is negative which represents the two sets of ranks are just the opposite. Since the rank correlation coefficient between the marginal farmers and agricultural labourers is the largest value, the rankings of problems are almost the same.

Table 4.7 Farm- Size-wise Classification of Problems in Rajganj Block

SL. No.	Problems	Farm size							
		SF		MF		MF*		AL	
		Total Score	Rank	Total Score	Rank	Total Score	Rank	Total Score	Rank
1.	Lack of Co-operation of Bank staff	2	5	2	5	3	3	2	4
2.	Recommendation of Panchayat Pradhan	24	3	14	2	15	1	5	2
3.	Time Gap in Sanctioning Loan	29	2	24	1	10	2	24	1
4.	Complicated Loan Procedure	39	1	4	4	1	5	3	3
5.	Discriminatory Behaviour of Bank staff	3	4	7	3	2	4	1	5

Source: Interview Responses

Rank correlation coefficient : SF and MF= 0.40

SF and MF*= -0.20

SF and AL= 0.60

MF and MF*= 0.60

MF* and AL= 0.60

MF and AL=0.70

Farm-size-wise classification of problems in getting credit from UBKGB in Jalpaiguri sadar is presented in table 4.8

Table 4.8 Farm Size-wise Classification of Problems in Getting Loans in Jalpaiguri Sadar

SL. No.	Problems	Farm size							
		SF		MF		MF*		AL	
		Total Score	Rank	Total Score	Rank	Total Score	Rank	Total Score	Rank
1.	Lack of Co-operation of Bank staff	11	3	25	3	5	2	5	3
2.	Recommendation of Panchayat Pradhan	38	1	36	1	10	1	15	1
3.	Time Gap in Sanctioning Loan	8	4	31	2	4	3	10	2
4.	Complicated Loan Precedure	30	2	10	4	3	4	4	4
5.	Discriminatory Behaviour of Bank staff	1	5	2	5	1	5	1	5

Source: Interview Responses   Rank correlation coefficient : SF and MF= 0.60
SF and MF* = 0.70
SF and AL = 0.60
MF and MF* = 0.90
MF and AL =1 ,MF* and AL= 0.90

Table 4.8 shows that recommendation of panchayat pradhan has emerged as the major problem faced of the borrowers belonging to small, marginal, medium and agricultural labourers respectively. Complicated loan procedure is ranked as second problem to the small farmers while delay in sanctioning loan has emerged as the second major constraint to marginal farmers and agricultural labourers. Lack of co-operation of bank staff is found as the second problem to the medium farmers. The rank correlation between marginal and medium farmers , between marginal and agricultural labourers and between medium farmers is0.90 and above which shows that the rankings are almost same.

Now to examine the similarity in the rankings of problems faced by different farm sizes in three blocks (combined), data presented in tables 4.6, 4.7 and 4.8 are arranged in table 4.9.

Table 4.9: Farm-Size Wise Classification of Problems Connected With Bank

Problems	SF		MF		MF*		AL	
	Weighted Score	Rank	Weighted Score	Rank	Weighted Score	Rank	Weighted Score	Rank
Lack of Co-operation Of Bank Staff	18	5	30	3	9	3	9	4
Recommendation of Prodhan	87	1	75	2	36	1	30	2
Time Lag in Getting Loan	67	3	78	1	17	2	52	1
Complicated Loan Procedure	81	2	29	4	8	4.5	22	3
Discriminatory Behaviour Of Bank Staff	23	4	14	5	8	4.5	7	5

Rank correlation coefficient : SF and MF= 0.30, SF and MF*= 0.43 , SF and AL= 0.60, MF and MF*= 0.88, MF and AL= 0.90, MF*and AL= 0.72
Source: Field Survey, 2006-07

Table 4.9 shows that delay in sanctioning credit and recommendation of pradhan are found to be the major problems to the borrowers belonging to marginal farmers and agricultural labourers while the borrowers belonging to medium farmers find a reversal of these constraints. The recommendation of pradhan and complicated loan procedure are ranked as the major constraints to the small farmers. The correlation between medium farmers and agricultural labourers, between medium and marginal farmers and between marginal farmers and agricultural labourers is 72 and above which shows that the rankings of problems are similar between them.

4.4 : Financial Problems Faced by Sample Borrowers in the Process of Obtaining Loans

The farmers being the borrowers of banks, are asked details with respect to their impressions about bank financing in terms of factors such as inadequate amount of credit, high borrowing cost etc. The specific statements that have been canvassed for this purpose are:

- High borrowing cost of credit

- Loss of wages due to making a number of visits to bank premises in connection with borrowing of loan.

- Inadequate amount of credit

- Demand for bribes.

Farmers' responses to these are recorded only after ensuring that each one of the queries is clearly understood by the respondents[4].

The analysis of the responses of the sample borrowers reveals that the cost of borrowing credit is too high and is ranked as the main problem. The second major problem faced in the process of loan taking is loss of wages due to frequent visits to the bank premises. Inadequate amount of credit is ranked as the third major problem. The various financial problems faced by the borrowers are indicated in the tables 4.10 and 4.11.

Table 4.10: Block-Wise Classification of Financial Problems

Problems	Maynaguri block		Jalpaiguri block		Rajganj block		Total weighted score	Rank
	Weighted Score	Rank	Weighted score	Rank	Weighted score	Rank		
High borrowing cost	63	1	46	2	51	2	160	1
Loss of wages	47	2	55	1	52	1	154	2
Inadequate amount of credit	32	3	32	3	33	3	97	3
Demand for bribes	25	4	30	4	31	4	86	4

Rank correlation coefficient : Maynaguri and Jalpaiguri =0.80
Jalpaiguri and Rajganj = 1
Maynaguri and Rajganj = 0.80

Source : Interview Responses.

Block-wise classification of financial problems presented in table 4.10 reveals that high borrowing cost is considered as the major constraint to the borrowers in Maynaguri block followed by the loss of wages. In Jalpaiguri and Rajganj blocks however the borrowers find a reversal of the constraints indicated above. The correlation coefficient between Maynaguri , Jalpaiguri and Rajganj blocks is high. This shows that rankings of problems are similar between these blocks.

In connection with financial problems faced by borrowers of the study area in relation to different farm sizes (table 4.11), it is found that high borrowing cost is the foremost problem to the small farmers followed by inadequate amount of credit. High borrowing cost is ranked as the main problem to the borrowers belonging to marginal farmers followed by loss of alternative wages. While loss of wages has emerged as major constraint to the borrowers belonging to medium farmers. The borrowers belonging to agricultural labourers have assigned the same rank to the loss of wages and high borrowing cost. The correlation coefficient between marginal farmers and agricultural labourers is 0.95,which shows that the rankings of problems are similar.

Table 4.11 : Farm-Size-Wise Classification of Financial Problem

Problems	SF		MF		MF*		AL	
	Weighted score	Rank	Weighted score	Rank	Weighted score	Rank	Weighted score	Rank
High Borrowing Cost	67	1	48	1	10	4	35	1.5
Loss of Wages	52	3	47	2	20	1	35	1.5
Inadequate Amount of Credit	55	2	21	4	13	3	8	4
Demand for Bribe	25	4	32	3	14	2	15	3

Rank correlation coefficient : SF and MF =0.40, SF and MF*= -0.60.
SF and AL= 0.25, MF and AL = 0.95,
MF* and AL= 0.15

Source : Interview Responses

4.5: Conclusion

On the basis of above analysis we find that the problems associated with the bank vary from block to block. Delay in sanctioning credit, recommendation of pradhan and complicated loan procedure are the primary problems faced the borrowers in Maynaguri, Jalpaiguri sadar and Rajganj blocks respectively. Recommendation of panchayat pradhan has emerged as the major problem to the borrowers belonging to small and marginal farmers while delay in sanctioning credit is ranked as main constraint to marginal farmers and agricultural labourers.

Of the various financial problems faced by the borrowers high borrowing cost is the main problem to the borrowers in Maynaguri block while loss of wage earnings is considered as the major problem to the borrowers in Jalpaiguri sadar and Rajganj blocks. Similarly high borrowing cost is ranked as the major constraint by the borrowers belonging to small farmers. marginal farmers and agricultural labourers respectively. The loss of wages is found as the major difficulty facing the medium farmers.

Thus to achieve the broader goals, the UBKGB has to put in considerable efforts to clear off farmers' doubt regarding the roles of the bank and also there exists a need for simplification of the lending procedures and flexibility of financial scale. The analysis of negative aspect of obtaining loans from UBKGB shows that the negative scene is characterized by many problems like delay in sanctioning credit, high borrowing cost, recommendation of pradhan etc. Hence for an effective result-oriented role of credit disbursed by the bank. it is necessary to remove the problems indicated above. In the next chapter, an attempt is made at analyzing the information regarding utilization of loans, repaying capacity of borrowers and repayment performance.

Notes and References

1. Sunil Kumer (1990), *Regional Rural Banks and Rural Development*, Deep and Deep Publications, New Delhi.

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

3. The weight pattern is based on the priority given by the borrowers to the problems faced by them. The problem which gets the first priority will get the highest weight, i.e., equal to 5 (because there are five problems); similarly the second Problem will get equal to 4, and so on.

4. In our sample forty-eight percent of the borrowers are illiterate and hence we have faced the greatest difficulty in eliciting replies to the questions in the schedules from the illiterate borrowers regarding the problems in obtaining loans from the bank.