

CHAPTER – III

FEATURES AND PROBLEMS OF AGRICULTURAL FINANCE IN THE STUDY AREA SINCE INDEPENDENCE

3.1 Introduction

Financing agricultural activities deserves paramount importance in the context of Indian agricultural position. As size of holdings of most of the Indian farmers are marginal and small, they are very weak in financial strength. There is a popular saying about Indian agriculturists – “They are born in debt, live in debt and die in debt”. Gone are the days when debt was regarded as sin and, to some extent, as a burden or curse on the farmers. Debt is really a burden to the farmers if it is misutilized but if it is used for the productive purpose wisely, it stands very beneficial to them in many ways.

Since Indian farmers are very weak in financial capacity, they are in extreme need of fund to finance their agricultural operations in order to bring lifeblood in agriculture for growth and expansion.

Majority of the farming people of the area under study lacks capital resources and are unable to provide fund from their own resources to invest in various economic activities. As a consequence, this paucity of fund can not help farming people to open the door of other sources of income. Such condition, to a considerable extent, compelled them to be in agriculture. In this way agriculture, on the one hand, has been overcrowded and fragmentation of land holdings has taken place, on the other hand. This fragmentation of land holdings is one of the main hindrances to the adoption of new agricultural technology. The farming people find no other alternative way but to choose the traditional method of

cultivation. As the traditional method of cultivation leaves very little amount in the hands of the farmers after their consumption expenditure is met, they cannot afford to procure costly sophisticated farm technology like tractors, harvesting machine, thresher, power-tiller etc.

Now-a-days cultivators have to spend much more on new farm technologies than in the past.

In the past, farmers would take credit mainly for consumption purpose in off-season, but at present, there is no off-season in agriculture in broad sense; and the facilities of multi-cropping throughout the year has been possible by modern agricultural technology. Still a remarkable portion of the agricultural areas of Uttar Dinajpur district is low-productive and unstable in productivity due to financial constraints. Besides financial constraints, a good number of reasons for low-productivity of Indian agriculture are dominant. Some of the important constraints are discussed below :

- 1) In spite of the introduction of new agro-technology a large portion of this district still has low productivity due to the factors like exploitative and uncertain land tenure system, non-availability of inputs, backdated method of cultivation, lack of financial boundaries, drawbacks in the implementation of government policy and things like that.
- 2) Indian agriculture can be characterized as having seasonally cyclic pattern of production. As agriculture is seasonally cyclic, agricultural operations do not go well throughout the whole year, here crops are sown and harvested in specified period. When it is not the harvesting period, farmers have to search for finance to even make consumption expenditure for the members of the family. As a result, they have to depend upon institutional and non-institutional sources of credit. Institutional credit houses not being sufficient in number most of the farming people have to

borrow from moneylenders at an exorbitant rate of interest on the one hand, and on the other hand they are sometimes compelled to borrow from moneylenders on the promise to sell their produce to the money lenders at a lower price.

- 3) In many cases, it is seen that the cultivators who are small in farm size prefer to purchase the adjoining plot of land to increase their farm size with a view to utilizing the farm resources to the optimum. But as they get low income from farm operations they do not have sufficient fund to fulfill their intention, and then they go for credit from outside, particularly from moneylenders as they are easily approachable. Though the drawbacks of moneylenders' credit are well-known, yet their acceptance in rural areas is noteworthy.
- 4) Cultivators need finance to improve the condition of their land for the purpose of enhancing crop productivity and also farm income therefrom. They need fund for the purposes of irrigation, levelling of land, digging of wells etc. All these are an integral part of technological change in agricultural sector.
- 5) In traditional agricultural operations bullocks are employed for tilling, irrigation, transporting agricultural inputs and also farm output. Bullocks still play an important role in our traditional agricultural system. In the event of death or incapacity of bullocks, farmers need finance to replace bullocks for continuing agricultural operations and as in most cases, the farmers do not have ready cash to replace the same, they have to borrow money from moneylenders at higher rate of interest.
- 6) Indian agriculture is largely dependent upon natural phenomenon. Natural calamity like flood, drought, hail-storm etc increases the frequency of crop failure resulting in low farm income. Consequently the farmers have

to borrow money to purchase food, cloths and fodder for animals or seed for the next crop season.

- 7) Facility of irrigation influences the cultivators to adopt new farm technology. The irrigation facilities of the area under research is very poor. As a result, most of the cultivators have to depend on rain-fed water or the monsoon to continue their agricultural operations. Due to the lack of sufficient sources of irrigation facilities, productivity of land is not satisfactory or in a word, very low. The Table 3.1 clearly shows the position of irrigation facilities in the district.

Table 3.1 : Blockwise and Sourcewise Irrigation Statistics of Uttar Dinajpur District During the-year 2001-2002

Sl No.	Name of Bank	Cultivable Area (ha)	D.T.W.		S.T.D.(Govt.)		S.T.D.(Pvt.)		R.L.I.		Tank and Others		Total Area under irrigation(ha)	percent of area under irrigation from diff. Sources
			No.	Area(ha)	No.	Area(ha)	No.	Area(ha)	No.	Area(ha)	No.	Area(ha)		
1	Chopra	22,260	2	100	150	300	2030	4060	7	400	750	750	5610	25020
2	Islampur	26000	19	420	175	350	1750	3500	5	360	1300	1300	5930	22.8
3	Goalpokar - I	29500	18	400	160	320	3006	6750	9	360	1216	1216	9046	30.66
4	Goalpokar-II	29076	12	280	207	414	4400	9500	13	520	934	934	11648	40.06
5	Karandighi	29061	22	600	250	500	4500	9300	10	640	815	815	11855	40.79
Islampur Sub-Div		135897	73	1800	942	1884	15686	3310	44	2280	5015	5015	44089	32.44
6	Raiganj	35200	20	760	205	410	8150	16300	16	720	1522	1500	16690	55.94
7	Hemtabad	15200	34	420	140	280	2350	4700	9	280	510	385	6065	39.9
8	Kaliyaganj	23360	35	460	195	390	4500	7000	10	560	1425	1068	9518	40.74
9	Itahar	31635	17	360	260	520	6611	13484	32	1000	1945	920	16284	51.47
Raiganj Sub-Div.		105395	106	2000	800	1600	18692	41484	67	2560	5402	3873	51557	48.92
Uttar Dinajpur, Dist.		241292	179	3800	1742	3484	37297	74594	111	4840	10417	8888	95646	39.64

Source : Principal Agriculture Office, Uttar Dinajpur District

From Table 3.1 it is evident that only 39.64 percent of total cultivable area is under irrigation facility, 60.36 percent of the total cultivable area of the district has to depend upon the rain water. So, the majority of the farming population depends upon the monsoon. Since monsoon, in many cases, does not come in time and also does not spread evenly throughout the district, the cultivators need financial support to set up deep tubewell or any irrigation channel to make their land irrigated even in dry season. Besides, the Table reveals that Islampur Block is the lowest having only 22.80 percent and Raiganj Block is the highest having 55.94 percent in regard to irrigation facility of the district. It is also noteworthy that the district is not evenly irrigated.

- 8) To bring about drastic changes in our traditional agriculture farmers have to accept modern farm technologies which require huge cash outlays. But as most of our farmers are financially very weak they need financial help to procure HYV seeds, chemical fertilizers, tractors, thresher etc.
- 9) As the facility of institutional credit to the farmers is very scanty, a large section of the cultivators have to rush to the door of moneylenders even at an exorbitant rate of interest to continue their agricultural operations. The moneylenders not only charge an exorbitant rate of interest on loan given to the farmers but also adopt different kinds of malpractices and press the loanees to sell their agricultural produce to them at a price lower than the market. So, steps should be adopted to increase the credit facility from institutional sources as to make the loanees to get rid of the cruel grip of exploitation of the moneylenders.
- 10) Cultivators take loan not only for production purpose, they do it for many unproductive purposes also such as consumption, carrying on litigation, religious festivals and things like that. As the institutional credit houses do not offer any credit for any purpose other than productive, the farmers have to go to the moneylenders for taking loan to meet the above noted

purposes. So, in order to decrease farmers' dependence on money lenders specially for the purpose of non-productive loan, steps on the part of institutional credit sector should be adopted to supply funds to the farmers for consumption and other non productive purposes on the basis of reasonable grounds. Since many members of our farming families do not find any opportunity for alternative job or are not in a position to start subsidiary occupations like small and cottage industries due to the paucity of fund, they have to settle on land resulting in sub-division or fragmentation. The fragmentation of land holdings stands as obstacle to the adoption of new farm technology. So, farming population should be given due financial support specially by institutional credit sector in order to improve their lot.

3.2 Sources of Credit in Agriculture

Let us now proceed to look into the sources from which farmers may have financial support as loan.

Farmers of the area under study get finance broadly from two sources institutional and non-institutional.

- (i) Institutional sources: Institutional sources in this district under study comprise of commercial banks. Regional Banks – Gour Gramin Bank, Raiganj Central Co-operative Bank and Co-operative Agriculture and Rural Development Bank. These banks are expanding their area of operations with a special emphasis on agricultural sector.
- (ii) Non-institutional Sources : Non-institutional credit sources comprise of money lenders, traders and also friends and relatives of the farmers.

The evolution of the system of institutional finance to agriculture in Uttar Dinajpur district may be divided into three main phases as under :

1) 1951-1969 : Banks during this period were established mainly on business philosophy and they confined their financial operations to receiving deposits from public and to catering credit to traders and big businessmen. Small traders and cultivators were not duly attended with financial help. In this period, there were only two central co-operative banks – one at Raiganj (now in Uttar Dinajpur district) and the other at Balurghat (now in Dakshin Dinajpur district). There were only one Branch of State Bank of India at Raiganj and one Land Development Bank at Raiganj. Since all these banks confined their business operations to business community and neglected the agricultural sector, the farmers had no alternative way but to go to the money lenders or friends and relatives to get credit support for their agricultural operations.

2) 1969-1975 : The nationalization of 14 commercial banks in India in July, 1969 brought a significant change in the operations of banks, specially in the field of catering loans to agricultural sector. Reserve Bank of India introduced Lead Bank Scheme for district wise planned development. After nationalization of 14 commercial banks in July, 1969, they changed their philosophy of business from profit motive to social responsibility, specially to the priority sector. Banks started catering loans to the priority sector at cheaper rate of interest along with some incentives. The authority of bank set up a number of branches both in urban and rural areas with a view to delivering banking service at the door-steps of the common people. In spite of all these efforts no significant change was noticed until 1975 in respect of financing agriculture sector.

In 1975, the Government of India declared a 20-point programme, of which one of the points was setting up Regional Rural Bank (Gramin Bank). Catering institutional credit in the rural areas, particularly emancipating the poor farming people from the cruel clutches of the money lenders was the main motto of such Gramin Bank. The Government of India, by an ordinance, set up only 5(five) Gramin Banks in India on 02-10-'75, and one of the five was Gour Gramin Bank, its head office being situated at Malda, a district of North

Bengal. Now there are nine(9) Gramin Banks in West Bengal. The district of Uttar Dinajpur is served by the branches of Gour Gramin Bank.

(3) 1975 onwards : At this stage our national leaders felt the need of setting up branches of banks in rural areas to meet the credit needs of the cultivators at lower rate of interest to bring down the dominance of money lenders from agriculture sector. During this period, banks were established not only to provide funds to agriculture sector but also to mobilize savings from cultivators. For the purpose of easy and smooth mobilization of savings from farming and other rural people banks have introduced 'Daily Savings Scheme' through bank-recruited agents who step in everyone's door daily to mobilize savings. Since late nineties many foreign banks in collaboration with indigenous business magnets have been opened in the market with popular incentives. But this operation is still limited to urban areas for business and service sector. No scheme is yet for the rural poor, specially the farming people from the end of such banks

3.2.1 Institutional Sources

Institutional sources of credit play an important role in delivering credit to agriculture sector. This sector, specially after nationalization of banks in July, 1969, has changed their credit motive in a considerable manner, they spread their credit facilities to agriculture sector. The different sources of institutional credit are -

- a) Commercial Banks;
- b) Regional Rural Banks;
- c) Central Co-operative Banks;
- and d) Co-operative Agriculture and Rural Development Bank.

Now, let us have a focus on the performance of banks in regard to their credit-deposit ratios along with a brief discussion on them.

a) Commercial Banks

The nationalization of commercial banks in July, 1969, changed the target area of credit of commercial banks. Since long it was the practice of commercial banks to confine their activities to urban areas. Commercial banks would give credit only to the urban traders and money lenders, neglecting the credit needs of rural people. Such discriminate practice of banking service was also seen in this district. Commercial Banks would not deliver credit to agriculture sector in the form of short and medium term of credit as it was mainly the work of PACS and Land Development Bank. There are a lot of reasons behind the Commercial Banks of being less interested in the disbursement of credit in agriculture sector. The uncertainty in agriculture of this district, lack of proper accounting of agricultural transactions, inadequate security, lack of banking habit, recovery of loan etc. prevented the Commercial banks to take interest in the supply of credit to agriculture. However, after nationalization, the commercial banks have been taking interest and extending their hands to agricultural financing. The following Table clearly shows the position of commercial banks in the area under study.

There are 93 branches of different banks in this district. The bankwise break-up of branches is as follows :

Table 3.2 : Distribution of Commercial /Regional Rural Bank Branches in Uttar Dinajpur District

<u>Name of Agency</u>	<u>Name of Banks</u>	<u>No. of Branches</u>
Commercial Banks	Central Bank of India	8
	State Bank of India	18
	United Bank of India	10
	Uco. Bank	1
	Bank of India	4
	Allahabad Bank	6
	Punjab National Bank	1
Regional Bank	Gour Gramin Bank	34

Co-Operative Banks : Raiganj Central Co-Op. Bank Ltd	7
Raiganj Co-Operative Agriculture & Rural Dev. Bank Ltd.	4
<hr/>	<hr/>
Total :	93

Source : District Credit Plan, 2003-2004, Uttar Dinajpur District.

Now, let us proceed to examine the credit-deposit ratio of different commercial banks separately and then the credit-deposit ratios of all commercial banks will be shown as a whole.

Table 3.3 : Credit-Deposit Ratio of Central Bank of India in Uttar Dinajpur

Year	District		
	Deposits	Advances	Credit-Deposit Ratio (%)
1993-94	1207.95	659.30	54.58
1994-95	1350.15	711.37	52.68
1995-96	1385.19	726.75	52.46
1996-97	1850.00	699.00	37.80
1997-98	2102.36	673.78	32.04
1998-99	2447.79	664.66	27.15
1999-2000	2874.75	751.01	26.12
2000-2001	3256.16	787.05	24.17
2001-2002	3641.8/5	771.65	21.19
2002-2003	3951.00	1000.00	25.30

Source : District Credit Plan, Lead Bank (United Bank of India), Uttar Dinajpur District.

The figures of credit-deposit ratios of Central Bank of India from 1993-94 to 2001-2002 show a sharp falling trend except the year 2002-2003 where the C/D ratio has considerably risen by 4.11 percent.

**Table 3.4 :Credi-Deposit Ratio of State Bank of India in Uttar Dinajpur District
(Amount in lakhs)**

Year	Deposits	Advances	Credit-Deposit Ratio(%)
1993-94	3631.04	1871.22	51.53
1994-95	4555.31	1783.82	39.15
1995-96	5193.00	2021.76	38.93
1996-97	6777.00	2279.00	33.60
1997-98	8291.02	2194.12	24.46
1998-99	9345.69	2336.66	25.00
1999-2000	10476.02	3067.71	29.28
2000-01	12989.46	4201.85	32.35
2001-02	15410.00	6611.00	42.90
2002-03	18139.48	8307.88	45.80

Source : District Credit Plan, Lead Bank (UBI) Uttar Dinajpur District

**Table 3. 5: Credit-Deposit Ratio of United Bank of India in Uttar Dinajpur District
(Amount in lakhs)**

Year	Deposits	Advances	Credit Deposit Ratio(%)
1993-94	2743.21	899.06	32.77
1994-95	3073.36	955.06	31.07
1995-96	3142.22	959.57	30.54
1996-97	3680.00	1076.00	29.20
1997-98	4207.10	1040.47	24.73
1998-99	4958.73	1138.99	22.97
1999-2000	5816.55	1246.86	21.44
2000-01	6585.35	1644.86	24.98
2001-02	7411.67	1979.56	26.71
2002-03	8088.74	2426.90	30.00

Source : District Credit Plan, Lead Bank (UBI) Uttar Dinajpur District

The figures of C/D ratios from 1993 -94 to 1999-2000 have a falling trend, and from 2000-01 and onward clearly show increasing trend of C/D

ratios. This shows that S.B.I. well as U.B.I. are taking more interest in investing fund in agriculture.

Table 3.6 : Credit-Deposit Ratio of Allahabad Bank in Uttar Dinajpur District

(Rs. in lakhs)

Year	Deposits	Avances	Credit-Deposit Ratio (%)
1993-94	790.86	446.78	56.49
1994-95	974.89	323.16	33.14
1995-96	1007.67	338.28	33.57
1996-97	1380.00	388.00	26.10
1997-98	1649.29	462.09	28.01
1998-99	1829.02	414.77	22.68
1999-2000	2238.93	429.08	19.16
2000-01	2839.95	497.45	17.52
2001-02	3311.00	504.00	15.22
2002-03	3428.31	930.28	27.10

Source: District Credit Plan. Lead Bank (UBI), Uttar Dinajpur District.

The C/D ratios of Allahabad Bank have a sharp falling trend from 1993-94 to 2001-02 with an exception of 1997-98 where there is a slight increase of 1.91 percent as compared to the preceeding year. There is a remarkable increase in C/D ratio in 2002-03 by 11.88 percent. This phenomenon reveals that the bank is giving emphasis on the priority sector.

Table 3.7 :Credit Deposit Ratio of Punjab National Bank in Uttar Dinajpur District

(Rs. in lakhs)

Year	Deposits	Advances	Credit-Deposit Ratio (%)
1993-94	425.15	117.99	27.75
1994-95	575.38	1166.29	20.21
1995-96	580.08	109.59	18.89
1996-97	681.00	99.00	14.50
1997-98	748.23	112.76	15.07
1998-99	898.24	190.05	21.16
1999-2000	1080.37	257.12	23.80
2000-01	1336.00	284.00	21.26 contd...

2001-02	1491.22	383.75	25.73
2002-03	1750.72	551.60	31.50

Source : District Credit Plan, Lead Bank (U.B.I.), Uttar Dinajpur District

The Credit Deposit Ratios of Punjab National Bank have a very unsteady figure, sometime it is increasing and sometime it is decreasing. It has no specific trend.

**Table 3. 8: Credit-Deposit Ratio of UCO Bank in Uttar Dinajpur District
(Rs. in lakhs)**

Year	Deposits	Advances	Credit-Deposit Ratio (%)
1993-94	42.68	85.17	27.75
1994-95	46.07	998.02	214.93
1995-96	55.36	118.02	213.19
1996-97	70.00	104.00	148.60
1997-98	100.42	111.05	110.58
1998-99	125.86	117.95	93.71
1999-2000	155.72	144.34	92.69
2000-01	203.95	167.45	82.10
2001-02	255.59	177.72	69.53
2002-03	255.00	168.00	65.90

Source: District Credit Plan, Lead Bank (UBI), Uttar Dinajpur District

The Table of the credit deposit ratio of U.Co Bank shows that though the C/D ratios of Uco Bank from 1994-1995 to 2002-03 have a sharp falling trend, yet its C/D ratios have always been the highest amongst the nationalized 7 (seven) Commercial banks. It may be noted here that only 7 nationalised commercial banks are working in the districts.

**Table 3.9: Credit Deposit Ratio of Bank of India in Uttar Dinajpur District
(Rs. in lakhs)**

Year	Deposits	Advances	Credit-Deposit Ratio (%)
1993-94	359.50	182.69	50.81
1994-95	750.41	236.91	31.57
1995-96	811.44	232.34	28.63
1996-97	1032.00	233.00	22.60
1997-98	1352.44	351.22	25.96
1998-99	1675.30	392.31	23.42
1999-2000	2002.25	638.20	31.87
2000-01	2322.08	834.14	35.92
2001-02	2020.53	866.42	42.88
2002-03	2367.89	1005.11	42.40

Source : District Credit Plan, Lead Bank (UBI), Uttar Dinajpur District.

The C/D ratios of Bank of India have an unsteady trend.

**Table 3.10: Credit-Deposit Ratio of 7 nationalised Commercial Banks in Uttar
Dinajpur District
(Rs. in lakhs)**

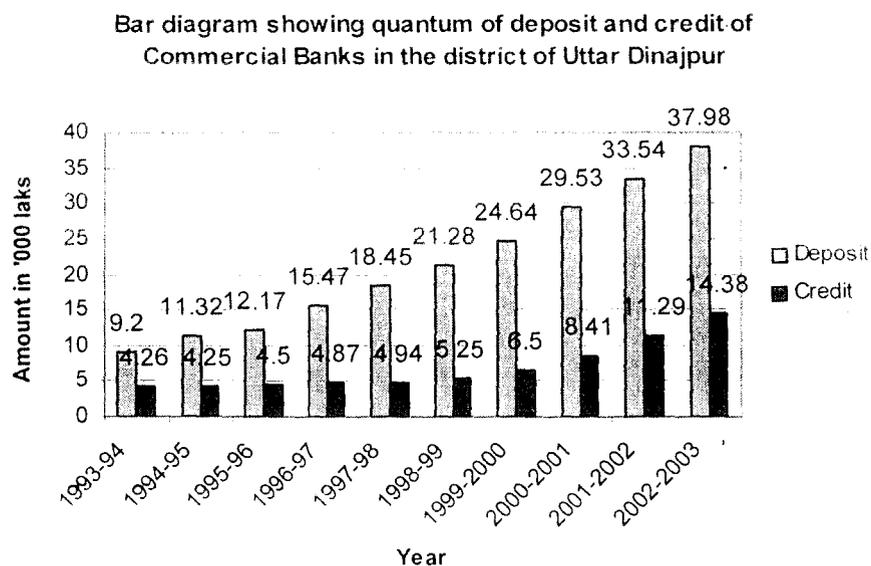
Year	Deposits	Advances	Credit-Deposit Ratio (%)
1993-94	9208.39	4262.20	46.29
1994-95	11326.07	4225.63	37.31
1995-96	12174.96	4506.11	37.01
1996-97	15470.00	4878.00	31.53
1997-98	18450.86	4945.49	26.80
1998-99	21280.33	5255.39	24.70
1999-2000	24644.59	6534.20	26.51
2000-01	29532.95	8416.80	28.50
2001-02	33541.87	11294.21	33.67
2002-03	37981.14	14389.77	37.87

Source : District Credit Plan, Lead Bank (UBI) Uttar Dinajpur District.

From Table 3.10 it is evident that the Credit-Deposit Ratio of nationalized Commercial banks in no case has been above 50 percent, rather it is

far from 50 percent. The C/D ratio of commercial banks may be grouped into two phases, one is from 1993-94 to 1998-99 where C/D ratios have a falling trend, and the other phase is from 1999-00 to 2002-03 where the C/D ratios have an increasing trend. The performance of the commercial banks is really very poor. It may be assumed that commercial banks are not giving due weightage in delivering credit to the agriculture sector as because the district is, on the one hand, completely dependent upon agricultural activities and on the other hand, it is a non-industrial belt. Since the percentage of Credit-Deposit Ratio is poor, it becomes clear that the bank is not interested to invest in agriculture. Notwithstanding the poor C/D ratio of commercial banks it is true that the commercial banks are still an important source of institutional credit. From the figures of C/D ratios of commercial banks it may be said that the commercial banks are shifting their funds elsewhere from investing within the district. Such shifting of fund from the district has been one of the main hindrances to the development of the district.

Fig. 3.1



A C-D ratio of 60 percent is the desired norm as prescribed by the RBI. But the C-D ratio of bank branches in rural areas has been declining at an All-India level from 50 percent in March, 1994 to 41.20 percent in March 2002 . (EPWRF, 2003, p. 838).

Table 3.11 :Rural Credit-Deposit Ratio in Different Regions of All SCBs (%)

Region	March '94	March '01	March '02
All India	50.00	40.20	41.21
North Eastern Region	50.63	33.40	31.30
Eastern Region	48.56	25.90	25.80
Central Region	41.64	29.30	29.90
Western Region	46.95	48.40	53.90
Southern Region	75.89	67.10	67.00
Northern Region	39.43	39.10	40.70

Source : Compiled from EPWRF, 2002 a. p. 419 and 2003, p. 836.

b) Regional Rural Bank (Gour Gramin Bank)

One of the objectives of the nationalization of 14 commercial banks was to curb the money lenders' dominance in rural credit market. But the motto was not fulfilled. Then our national leaders thought to do something in reality to meet the credit need of the rural poor, particularly the poor-farming people who remain immersed in the debt-burden imposed by the village money lenders. For the materialization of the dream for emancipating the poor rural people from the cruel clutches of the money lenders an ordinance was passed by the Government of India on the 25th September 1975, for setting up Regional Rural Bank. In accordance with the ordinance Gour Gramin Bank was set up in 1975, with its head office at Malda. The area of operation of Gour Gramin Bank include four districts – Murshidabad, Malda, Dakshin Dinajpur and Uttar

Dinajpur. Gour Gramin Bank had 34 branches in the district of Uttar Dinajpur till 2004.

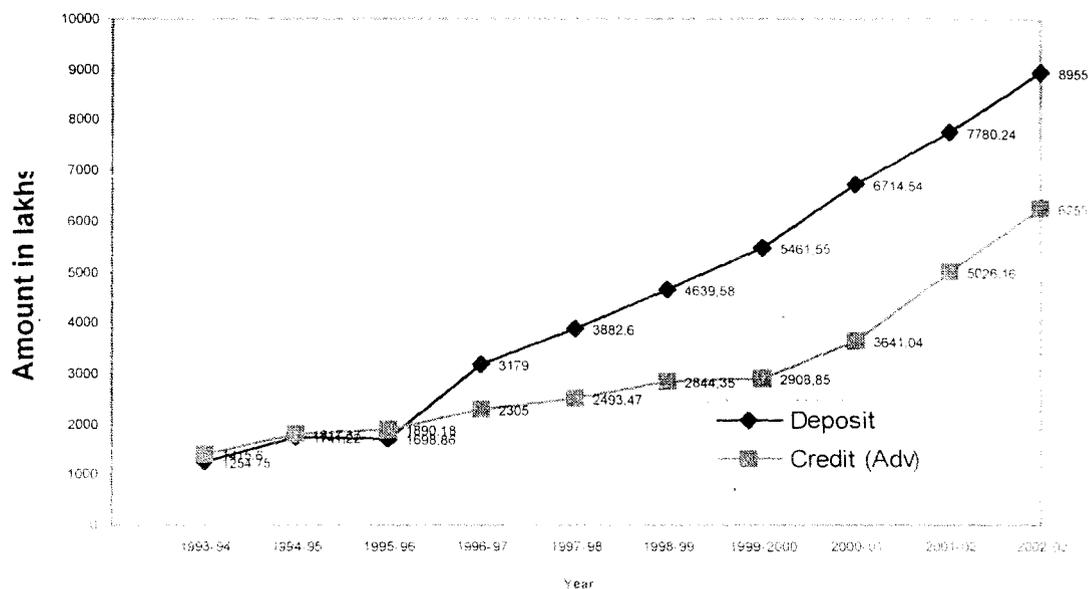
Since its inception it has been playing a significant role in rural economy. Rural people are now in a position to deposit their savings into the branch of G.G.Bank and take credit in time of need with less trouble of paper works and also without loss of time. As the branches of G.G.Bank are mostly situated in rural areas, rural people do possess easy access to the branch. The following Table 3.2 gives us a picture of the district of Uttar Dinajpur in this regard.

Table 3.12 : Credit-Deposit Ratio of Gour Gramin Bank in the District of Uttar

Dinajpur		(Amount in lakhs)	
Year	Deposits	Advances	Credit-Deposit Ratio (%)
1993-94	1254.75	1415.60	112.81
1994-95	1741.22	1817.37	104.37
1995-96	1698.86	1890.18	111.26
1996-97	3179.00	2305.00	72.50
1997-98	3882.60	2493.47	64.22
1998-99	4639.58	2844.35	61.30
1999-2000	5461.55	2908.35	61.30
2000-01	6714.54	3641.04	54.23
2001-02	7780.24	5026.16	64.60
2002-03	8955.00	6255.00	69.80

Source : District Credit Plan, Lead Bank (UBI) Uttar Dinajpur District.

Fig. 3.2 :The graph showing the quantum of deposit and credit of Gour Gramin Bank in the district of Uttar Dinajpur



The Table 3.12 shows that more or less a steady percentage in Credit-Deposit Ratio of Gour Gramin Bank from 1993-94 to 1995-96 and after then the ratio declined significantly from 1996-97 to 1999-2000. Again, the ratio has a boost from 2000-01 till 2002-03. The boost up in the C/D ratio leaves a light of hope that the GGB is thinking more of the agricultural sector. It is true that though the C/D ratios of GGB as a rural bank is not up to the expectation, particularly from 1997-98 till 2002-03, yet its C/D ratio has always been higher than those of commercial banks. GGB is not only giving credit to the agriculture and agri-allied activities but the village artisans and marginal and small farmers are also financed.

c) Central Co-Operative Bank

The Raiganj Central Co-Operative Bank (RCCB) Ltd was established five decades back with its head office at Raiganj. Since then it has been serving the rural people mainly, very meagre amount of fund was meant for the loan to the urban population. At present both rural and urban people are treated at par. The bank provides banking service to the people of the district through seven

branches. Not only agricultural co-operative societies are financed by the R.C.C.B. Ltd., non-agriculture Co-operative societies like Engineers' Co-operative Society, Labour Co-operative Society, Employees' Credit Co-operative society etc. are also financed. But the main function of Central Co-operative Bank is to deliver credit to the PACS (Primary Agriculture Co-operative Society Ltd) of the district.

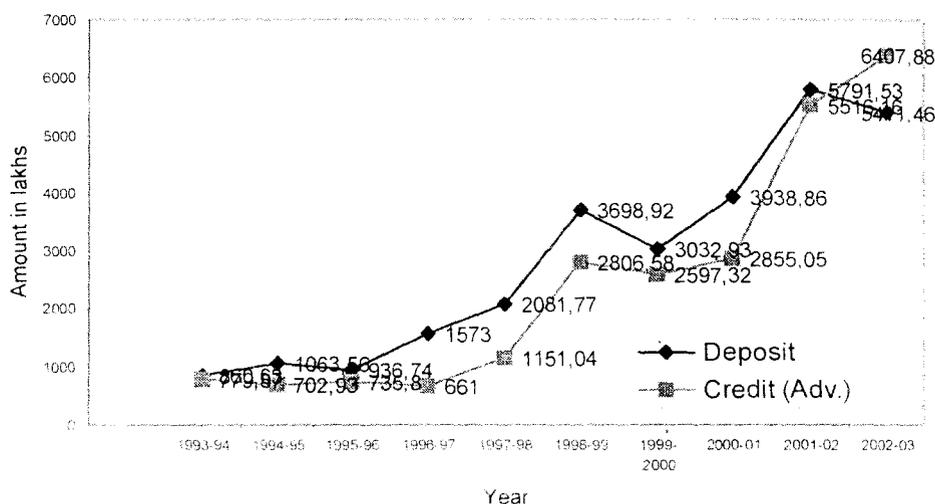
In the following Table the picture of deposits and advances of Raiganj Central Co-operative Bank has been focused.

Table 3.13 : C-D Rate of the RCCB Ltd. (Amount in lakh)

Year	Deposits	Advances	Credit-Deposit Ratio (%)
1993-94	860.63	779.87	90.61
1994-95	1063.56	702.93	66.09
1995-96	936.74	735.80	78.52
1996-97	1573.00	661.00	42.00
1997-98	2081.77	1151.04	55.29
1998-99	3698.92	2806.58	75.87
1999-2000	3032.93	2597.32	85.63
2000-01	3938.86	2855.05	72.48
2001-02	5791.53	5516.16	95.25
2002-03	5411.46	6407.88	118.40

Source : District Credit Plan, Lead Bank (UBI), Uttar Dinajpur District.

Fig. 3.3 :Graph showing the quantum of Deposits and Credits of Raiganj Central Co-operative Bank Limited in the district of Uttar Dinajpur



year

The Credit-Deposit Ratios of the Raiganj Central Co-Operative Bank for the period from 1993-94 to 2002-03 as shown in Table 3.13 do not give any stable figure. Though the C/D ratios of the R.C.C.Bank are always much higher than those of scheduled commercial banks, yet the C/D ratios, particularly, in the years 1994-95, 1996-97 and 1997-98 are very poor. If the increasing trend of C/D ratio from 2001-02 continues, it will ensure more credit support to the agricultural sector provided the PACS are made active and vibrant.

Since the establishment of PACS in the area of the district of Uttar Dinajpur, it has been serving the farming population of the district with credit support. The PACS (Primary Agricultural Co-Operative Society) is sheltered and fed by Central Co-Operative Bank at the district level and PACS is the grassroot level arms of the short-term Co-operative Credit structure. The terms and conditions of loans given to member farmers are specified by the Central Co-operative Bank. Various types of financial concessions, particularly, in

terms of percentage of interest on loan and the amount of subsidy on loan, are given to the marginal farmers and the weaker section of the rural area. But it is a matter of regret that in spite of so many facilities to the farmers by PACS the progress of PACS in the district is not encouraging, rather very distressing (details regarding PACS in the district have been given in Chapter IV). Actually, PACS poses itself as a friend in need to the farmers, but farmers live in such an atmosphere that keeps them (farmers) far away from being a Co-operative member. The vested forces of the rural areas mislead our illiterate farmers in regard to Co-operative movement. In fact, much care has not been given on the part of the Co-operative friends to expand the philosophy of Co-operation among the farmers. Naturally, "... Co-operation has failed, but Co-operation must succeed" – this comment is truly applicable to our study area."

d) Co-Operative Agriculture and Rural Development Bank

The Raiganj Co-operative Agriculture and Rural Development Bank Ltd. (Previously known as the Raiganj Land Development Bank) is a source of long-term credit to the farmers. The RCARDB of this district was established in the year 1967. Its Head Office is located at Raiganj. Now, this bank has only four(4) branches throughout the district. The main function of this bank is to deliver long-term credit to the farmers on the security of land. Where there is no security, there is no credit. It sanctions credit upto 50 percent of the value of the property (generally land) mortgaged to the bank for not exceeding 20 years. The CARDB collects fund through selling debentures to the State Government, State Bank of India, Reserve Bank of India, NABARD, LIC and other commercial banks. The purposes for which credit is delivered are development of land and tanks, purchases of pump set, tube wells and other modern agro-technologies like tractors, thrashers etc. The bank has a board of directors and is administered by an executive officer appointed by the Government of West Bengal. Big farmers get full facility of obtaining credit from this bank on

security of land. But the small and marginal farmers are, in most cases, deprived of having the facility of credit in time of their need as they do not have required quantity of land. The small and marginal farmers are still backdated in regard to the introduction of new farm technology as such introduction of new technology requires huge cash outlays which they can not collect. It is true that this bank has taken a place in the field of agricultural development through delivering credit but its contribution is neither satisfactory nor sufficient because of its poor capacity to meet the huge demand for credit. Before 16-11-93 it had no scheme for deposit. Since 16-11-93 it has been doing well in the mobilization of deposit from public. Though the bank was set up mainly for long-term loan to agriculture, it has now changed its activities into other sections also.

The following Table shows the deposits and advances of the RCARDB in the district of Uttar Dinajpur.

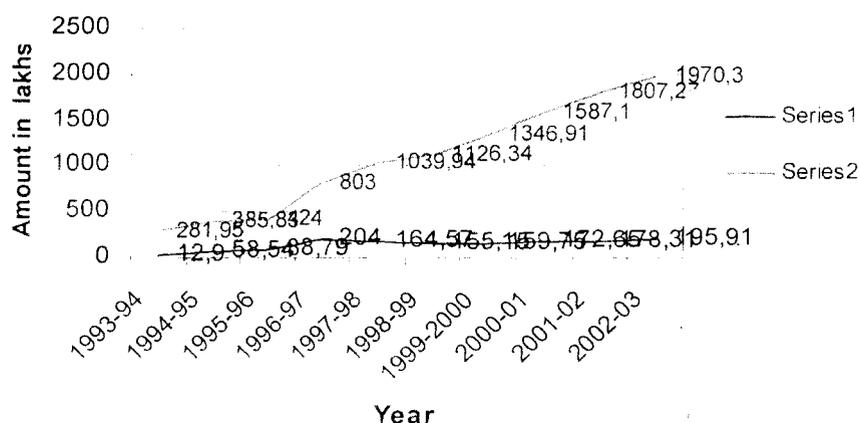
Table 3.14 : Deposits, Advances & C-D Ratio of the RCARD Bank.
(Amount in lakhs)

Year	Deposits	Advances	Credit-Deposit Ratio (%)
1993-94	12.94	281.95	2178.90
1994-95	58.54	385.83	659.08
1995-96	88.79	424.00	477.53
1996-97	204.00	803.00	393.63
1997-98	164.57	1039.94	631.91
1998-99	155.15	1126.34	725.97
1999-2000	159.75	1346.91	843.13
2000-01	172.65	1587.10	919.25
2001-02	178.31	1807.27	1013.55
2002-03	195.91	1970.30	1005.70

Source : District Credit Plan, Lead Bank (UBI), Uttar Dinajpur District.

Fig. 3.4

Graph showing the quantum of deposits and credits (adv.) of Raiganj Co-operative Agricultural and Rural Dev. Bank Limited in the district of Uttar Dijnapur



It is evident from Table 3.14 that the Raiganj Co-operative Agriculture and Rural Development Bank has been delivering credit to the agriculture sector on an increasing trend. The bank introduced Deposit Scheme in 1993 for the mobilization of savings from the rural people. The introduction of Deposit Scheme has helped the bank to boost up the volume of credit to agriculture. The deposits in 1993-94 is very low because of a devastating flood in 1992 throughout the district.

3.2.2 Non-Institutional Sources

Non-institutional sources of credit in the rural market of the district of Uttar Dinajpur comprise mainly of money lenders and friends, relatives and neighbours.

Money Lenders - Money lenders who are popularly known as *Mahajans* in the rural areas had a strong dominance in the rural credit market of the district during both the pre-independence and the early stage of the post-independence period of India. Though the influence of money lenders in rural areas has declined, yet they are still dominant in our rural credit market. The setting up of

various institutional credit houses in the rural areas has reduced the degree of dominance of money lenders.

All the money lenders who give credit to the farming people do not have license, rather most of them are unlicensed. Generally the large farmers (popularly known as *Babu* in the rural area) and some businessmen act as money lenders in the villages. Money lenders give credit to the small and marginal farmers on the basis of land as collateral for short term, generally one year. In many cases money lenders are found delivering credit to the farmers without any collateral. Loanee farmers are charged high rate of interest. Money-lenders do not give credit to all farmers. They deliver credit only to those who are weaker socially and economically than the money lenders. Sometimes it is observed that money lenders interlink their credit with the output. They give credit to the farmers on the condition that whenever crop is harvested and ready for sale, it is to be sold to the money lenders at a price lower than the market price. Farmers rush to the money lenders even at the late night for emergent loan and the money lenders give credit to them. Thus, they pretend themselves to be the 'Friends in need', but taking the opportunity of the credit need of the farmers money lenders actually exploit the farmers and lead them to the death-trap of debt.

Friends, Relatives and Neighbours

Friends, relatives and neighbours also give credit to their near ones in time of their need. But the credit from such source is not available in a large scale. Generally they give credit for short period. They charge interest at 3 to 4 percent per month and sometimes such loan is delivered free of any interest. After harvesting such loan is repaid. Loanees are very serious regarding the repayment of such loan as the default or late in payment may cause any rift in the cordial relations with friends, relatives and neighbours. So, the chance of overdues of such loan is very very few.

So far we have dealt with the credit from institutional and non-institutional sources. Now, let us proceed with the help of the data of our field survey to see the borrowing pattern of the loanee farmers in the district of Uttar Dinajpur.

Table 3.15 The Borrowing Pattern of Farmers in the District of Uttar Dinajpur (Percentage)

Credit Agencies	Year – 2004 (%)
1. Institutional sources :	
a) Commercial Banks	32.70
b) Gour Gramin Banks	22.97
c) Raiganj Central Co-op.Banks	8.69
d) Raiganj Co-operative Agriculture and Rural Development Banks.	4.53
2. Non-institutional sources:	
i) Money lenders (Licensed and unlicensed)	27.22
ii) Friends, relatives and neighbours	3.89
	100.00

Source : Field Survey

Fig. 3.5

Pie-chart showing the sources of Agricultural Finance in Uttar Dinajpur District-2004

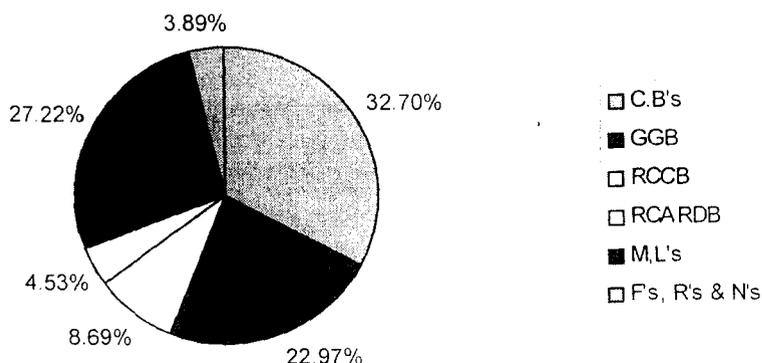


Table 3.16(a): Percentages of Sources of Rural Credit in India

Year	Institutional	Non-Institutional
1951	7.2	92.8
1961	17.3	82.7
1971	29.2	70.8
1981	61.2	38.8
1991	61.4	38.6

Sources : Indian Economy : 1995-Misra & Puri, P.518, RBI Bulletin, May, 1999

Percentages of Sources of Rural Credit in the Study Area :

Table 3.16(b) : Sources of Rural Credit in Uttar Dinajpur District

Year	Institutional (percent)	Non-Institutional(percent)
2004	68.89	31.11

Source : Field Survey – 2004

From Table 3.15 and 3.16(a), it is evident that the dominance of the non institutional credit sources has been falling very rapidly. In 1951, the contribution of non-institutional credit sources was 92.8 percent of the total rural debt, 82.7 percent in 1961, 70.8 percent in 1971, 38.8 percent in 1981 and 38.6 percent in 1991.

This picture is not different from our study area. Our field-survey in 2004 shows that (Table 3.16(b)) the dominance of non-institutional credit sources is only 31.11 percent. The rapid decrease in the percentage of the contribution of the non-institutional credit sources in rural credit market is mainly due to the setting up of various institutional credit houses in rural areas. But the point that should be kept in mind is that still nearly one-third of the total rural credit need is satisfied by non-institutional sources.

3.3 Nature of Credit on Agriculture

Farmers need credit for many purposes. A number of factors influences the requirements of finance of the farmers, such as , size of holdings, cropping intensity, cropping pattern, family size, irrigation facilities, method of cultivation etc.

According to the duration farmers credit need can be categorized into three groups - short-term credit, medium-term credit and long-term credit. Here it should be noted that money lenders normally deliver credit for short period only.

Short-term Credit

Farmers' need of credit for short-period is short-term credit. Such credit does not exceed one year. Farmers need such type of credit for the purpose of cultivation or for meeting domestic expenses. For example, they want to purchase chemical fertilizers, seeds, fodder for animals etc. They may require funds to support their families in those years when the crops have not been good or adequate. Short-term loans are normally repaid after the harvest.

Medium-Term Credit

The farmers require finances for medium period exceeding from one year to five years for the purposes of making some improvement in land, buying cattle, agricultural implements etc. These loans are larger than short term loans and can be repaid over longer periods of time.

Long-Term Credit

Long-term credit means loans advanced for more than five years. Farmers require long-term finance for the purpose of buying additional land, to make permanent improvement on land, to pay off old debt, to construct farm houses, to make drainages, to purchase costly farm technologies like tractors, threshers power-tillers etc. This credit is given for a long period of more than five years.

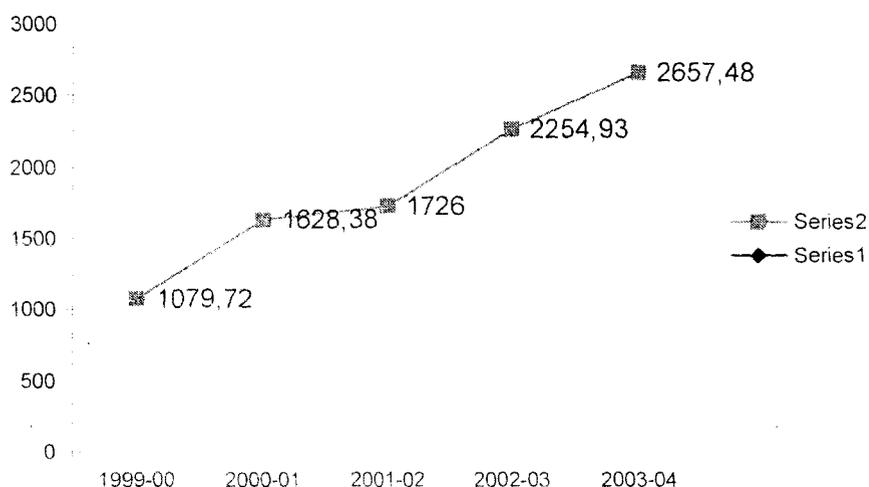
The repayment schedule of such loan is spread over many years. Farmers never remain in a position to re-imburse such loan in a single cropping season. Long-term loans need a number of cropping seasons to be fully repaid. The introduction of such long term farm loans has made the farmers able to purchase costly new farm technologies, and on the other hand, to have increased amount of productivity of crops due to the application of sophisticated farm technology in agriculture.

Table 3.17 : Supply of Institutional Credit for Agricultural Development in Uttar Dinajpur District
(Rs. in lacs)

Sl.No.	Agencies	1999-2000	2000-01	2001-02	2002-03	2003-04
1	Commercial Banks					
	a) Short – term	273.72	305.45	190.91	387.41	465.08
	b) Medium-term	31.23	40.21	65.52	107.22	186.87
	c) Long-term	191.79	171.45	152.9	260.99	455.97
	Total :	496.74	517.11	409.33	455.62	1107.92
2	Gour Gramin Bank (R,R,B)					
	a) Short – term	261.34	370.21	308.9	395.71	407.43
	b) Medium-term	14.93	6.18	16.8	170	29.56
	c) Long-term	38.42	32.76	73.27	55.1	125.67
	Total :	314.69	409.15	398.25	620.81	562.66
3	Co-Operative Bank (CARDB I+ CCB)					
	a) Short – term	25.63	385.68	488.85	278.5	421.9
	b) Medium-term	58.24	98.4	36.22	84	93.37
	c) Long-term	184.42	218.4	393.35	516	471.63
	Total :	268.29	702.12	918.42	878.5	986.9
Grand Total(1+2+3)		1079.72	1628.38	1726	2254.93	2657.48

Source : District Credit Plan, Lead Bank (U.B.I), Uttar Dinajpur District

Fig. 3.6: Figure showing the Institutional Credit trend to the Agricultural Development of Uttar Dinajpur District



The Table 3.17 and also the Fig. (No.3.6) show that all banks (Commercial Banks, Regional Rural Bank and Co-Operative Banks) are increasing their lending to the agricultural sector. Though the institutional sources are delivering credit to the agricultural sector at an increasing rate, yet their contribution to the credit-need of the farmers is still grossly inadequate. From Tables 3.14 and 3.15 it may be concluded that institutional credit sources are not sufficient to meet the credit-need of the farmers as because still the non-institutional sources (money-lenders, traders, friends and relatives etc.) supply more than 31 percent of the total credit advanced to the farming population of the district of Uttar Dinajpur. But it is a matter of optimism that the flow of fund from institutional sources to the agricultural sector is on the rise. In 1999-2000 the supply of agricultural credit from institutional sources was Rs. 1079.72 lacs and the amount increased to Rs. 2657.48 in 2003-04. Within five years from 1999-2000 to 2003-04 the amount of agricultural credit was increased by 146.25 percent.

3.4 Problems of Agricultural Finance in Uttar Dinajpur District

In spite of rapid growth of institutional sources of credit to the farming population and various measures adopted by the government to increase the flow of institutional credit to the farmers with a view to emancipating the poor farming community from the clutches of usurious money lenders, still a lot of problems in financing agricultural operations exists in reality in the district of Uttar Dinajpur, only some of them are highlighted as under.

i. Complicated Loaning Procedure

The loaning procedures of our banks are very complicated. If a farmer wants to get credit from any bank he/she has to undergo a number of formalities which require the skill of reading and writing of the borrower farmer. Since a large portion of our farming population are illiterate, they can not fill up the forms of the bank. As a result they feel hesitated and leave the bank without submitting the application forms for loan. It can be said that in many cases banking procedure in delivering credit is anti-illiterate. Besides, a long period from submission of application of loan to the sanctioning of loan is wasted. Sometimes, it is seen that when the loan is sought, it is very urgently needed for agricultural operations, but when it is sanctioned, it become useless. So, having apathy to the institutional credit farmers go to the door of money lenders to have loan even at an exorbitant rate of interest. Institutional credit houses should make their loaning procedures simplified and by reducing so many formalities..

ii. Lack of Managerial Efficiency

Most of the branches of commercial banks, regional rural banks and also Co-operative banks in rural areas suffer from the lack of managerial efficiency. Since the managers do not have due managerial efficiency in making and selecting plants for loan, the amount of loan can not meet the credit need of the borrower-farmers. Besides, the lack of managerial efficiency begets faulty repayment schedule of disbursement of loan not in time, as needed by the

borrower farmers, biasness in selecting borrowers, surrender to political pressures, detrimental to banking profitability etc.

iii. Uneven Growth of Institutional Credit Houses

The growth of institutional credit houses has not been even throughout the district of Uttar Dinajpur. Chopra, Goalpokor-I and Goalpokor-II are the blocks where institutional credit houses have not developed as considerably as in case of Raiganj, Kaliyaganj and Itahar blocks. The farming people of these three blocks (Raiganj, Kaliyaganj and Itahar) get credit more easily than the farming people of the blocks – Chopra, Goalpokhor-I and Goalpokhor-II. The farmers of the developed blocks can not get credit to purchase new farm technologies. On the other hand, the farmers of the less developed blocks can not get institutional credit as easily as is available in the developed blocks. As a result, the farmers of the less developed blocks can not afford to buy new farm technologies from their own fund and have to go to the money lenders to meet their credit need at a usurious rate of interest.

3.5 Recovery of Loans

The most distressing scene of institutional credit is the problem of recovery of loan. The repayment position of commercial banks including of Gour Gramin Bank is not upto the mark. Since the recovery position of banks is not satisfactory, the amount of overdues is mounting up. As a result, the capacity of bank in financing agricultural operations is declining. The multi-agency approach consisting of commercial banks, Co-operative banks and R.R.B's was introduced to institutionalize the rural credit market particularly agricultural credit with a view to emancipating the poor farming population from the cruel clutches of money lenders. All banks have been trying to fulfill their objectives, but there is no uniformity and standardized system regarding the recoveries of bank dues. It is noteworthy that no bank can invest money anywhere if the invested money does not come back. More default/overdues or

less recovery means less investment in agricultural sector. So, if farm credit is to be increased, the recovery ratio is to be enhanced. Otherwise agricultural sector will have to face tremendous crisis.

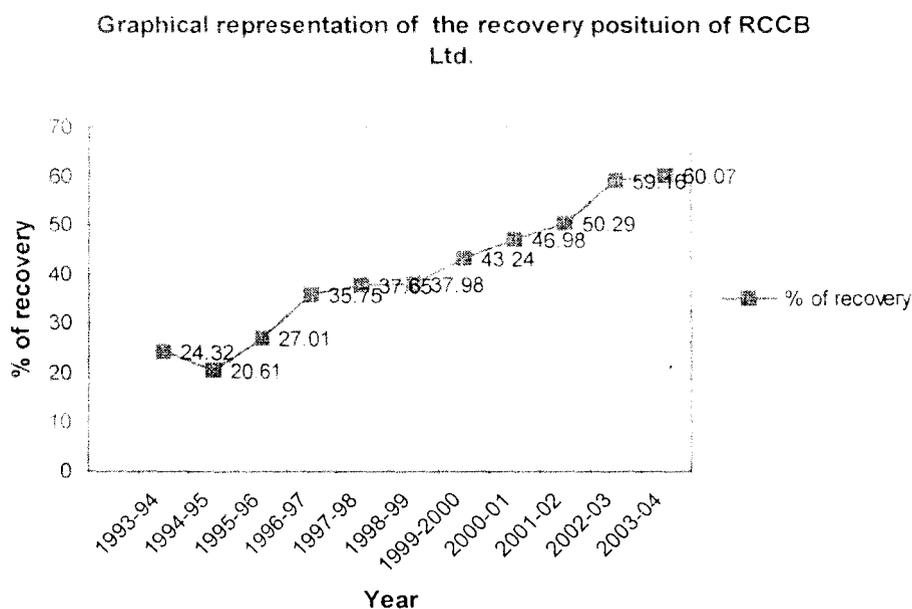
Now, let us discuss the recovery position of different banks in the area under study.

Table 3.18. Credit Recovery Position of Raiganj Central Co-Operative Bank Ltd. (from 1993-94 to 2003-04)

Percentage of recovery	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
	4.32	20.61	27.01	35.75	37.65	37.98	43.24	46.98	50.2	59.16	60.07

Source : Executive Officer, RCCB Ltd., Raiganj, Uttar Dinajpur

Fig. 3.7



The Table 3.18 and Fig. 3.7 show that the recovery position of the bank is constantly increasing from 1993-94 to 2003-04 except a break in 1994-95. Though the recovery position is not so good, yet it is encouraging.

From our experience as gathered in our field survey analysed in chapter 5 it is seen that a large number of defaulters are willful. Wilful defaulters are created due to the lack of knowledge of banking behaviour and awareness. If awareness camp for recovery is frequently organized for the borrowers, it will create conducive atmosphere for repaying loans. The RBI's Study Team on overdues of Co-operative Credit Societies (1974) made the following major recommendations to improve the percentage of repayment of loan by way of :

- i) Automatic supervision of Managing Committee or Board of Directors if and when the overdues exceed a certain level.
- ii) No fresh loan to the defaulting borrowers and their guaranters and
- iii) Amendment of Co-Operative Societies Act to empower the Registrar of Co-Operative Societies to strengthen the Government machinery relating to recovery of dues.

We met the Chief Executive Officer of the Raiganj Central Co-Operative Bank Ltd. for discussion on the recovery position of the bank. He opined that the poor recovery ratio of the bank is mainly due to the following reasons :

- i) The borrower farmers think that the Government would exempt them from the repayment of loan. This idea has been accentuated by the announcement of State Government on exemption of loan in 1981.
- ii) One-Time-Settlement (OTS) : The scheduled Commercial banks are collecting their dues by OTS method to reduce the total amount of NPA (Non-Performing Asset). Through OTS the SCB's are exempting the defaulting farmers from repaying the full amount of their dues. The dues are finally settled with a relaxation of certain portion of dues. Such provision is not prevailing in any Co-operative banking sector. The defaulting borrowers anticipate that today or tomorrow,

they will also be given the opportunity of OTS and thinking so, they become reluctant to repay their dues.

- iii) Different political parties raise the slogan to exempt the borrower-farmers from repayment of loans for their narrow political interest. Thus they induce the farmers not to repay loans in time.
- iv) Lack of sufficient staff to monitor the collection of loans.
- v) Absence of able or efficient professional leadership in the management of Co-operative banks.

The Raiganj Co-operative Agriculture and Rural Development Bank Ltd. was established in 1967. Since then it has been in the service of the farmers in delivering long-term credit. This bank does not deliver any credit to the farmers without any collateral/security. Generally the farmers have to deposit the title deeds of the lands under their possession to the bank as collateral/security for loan. Where there is no security, there is no question of issuing any credit to the farmers.

Now, let us see why, in spite of tight security for loan, the recovery position of the bank is declining and what the actual recovery position of the bank is :

Table 3.19 : Recovery Position of RLARDB Ltd. (from 1993-94 to 2003-04)
(Amount in lakhs)

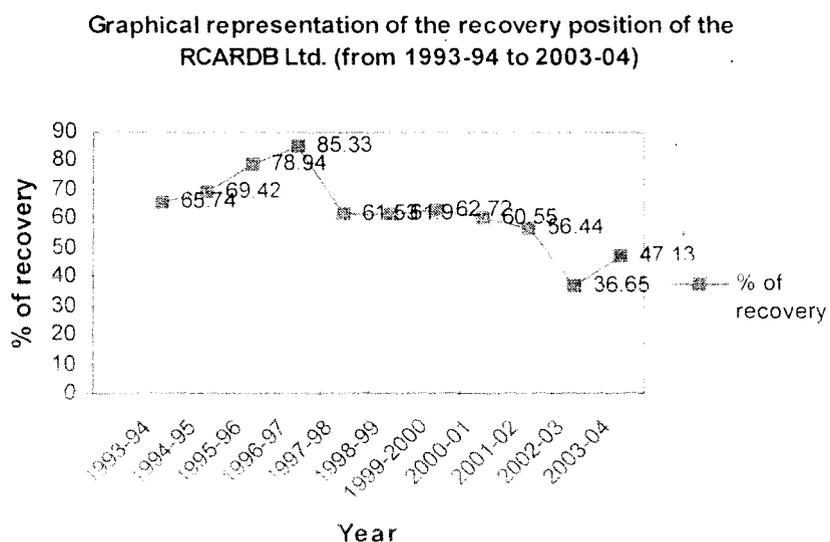
Year	Demands	Collection	percent age of recovery
1993-94	754.83	53.91	65.74
1994-95	92.36	65.89	69.42
1995-96	118.43	97.86	78.94
1996-97	179.44	153.12	85.33
1997-98	331.93	204.24	61.53
1998-99	372.87	230.82	61.90
1999-2000	411.23	257.94	62.72
2000-01	484.02	293.05	60.55 contd...

2001-02	549.94	309.99	56.44
2002-03	905.20	331.79	36.65

Source : Executive Officer, RCARDB Ltd, Uttar Dinajpur.

The recovery position of the RCARDB Ltd. can better be represented by graphical representation.

Fig. 3.8



It is evident from Table 3.19 that the recovery position of the RCARDB Ltd. had an upward trend from 1993-94 to 1996-97. The recovery position almost remained same for two years, i.e., 1997-98 and 1998-99. But after 1999 the recovery position began falling down with a break in 1999-2000. The mounting overdues in the RCARDB Ltd. have crippled the structure badly in recent years. The financial discipline imposed on the bank in the matter of eligibility to undertake fresh lending based on recovery performance has been the main limiting factor for quantitative growth of credit operations.

According to the Executive Officer of the RCARDB Ltd., the causes of mounting overdues are: wrong decision in the selection of the investment

schemes, faulty loaning procedures, shortage of staff to monitor the recovery mechanism, lack of professionalism in management, political intervention in the repayment behaviour of the borrower farmers etc. Moreover, the indifference of the line department is also a cause of mounting overdues. The bank is delivering credit to the schemes sponsored by different line departments such as fishery, animal husbandry etc. But as these departments take no initiative in collection of loan amount, the overdues mount up. If the amount of overdues goes on increasing, the bank can not be in a position to recycle its fund and thus it will have to face a crisis of existence.

According to RBI's "Study Team on overdues of Co-Operative Credit institutions", "Lack of will and discipline among the cultivators to repay loans was the principal factor responsible for the prevalence of overdues of Co-Operatives. Defective Lending Policy, pursued by Co-Operatives, the apathy of management in taking quick action against recalcitrant members and absence of favourable climate were other contributing factors"(RBI Report on Currency and Finance, 1973-74, page 139). Apart from these common factors normally responsible for a high level of overdues, intervention of external forces such as loan waivers, concessions in various forms towards repayment of principal and payment of interest has also affected the recovery performances of credit institutions to a significant extent. The problem is further accentuated on account of the State Government's inability to meet the financial commitments to Co-Operative banks emanating from waiver of loans, interest subsidy etc.(Report on Trend and Progress of Banking in India, 1989-90).

Besides in recent years, the farmers are getting themselves organized and one of the main demands of the farmers' Union is the writing off of their debts remaining in Co-Operative Societies and banks. The State Governments have meekly surrendered to such demand to write off these debts. This tendency of the states to write off the debt is a matter of extreme concern, as it hampers recovery of dues from the farmers. The problem of overdues is a matter of

serious concern, as it affects the recycling of funds and credit expansion ability of a lending institution.

3.6 Summary

The following are the main findings of the present chapter.

1. The farming population of Uttar Dinajpur district suffers from lack of adequate amount of finance to continue their agricultural operations.
2. Credit is the most vital element for implementing modern agricultural technologies.
3. Moneylenders' existence is still significant in the agricultural credit circuit.
4. Credit from formal sector is not sufficient and timely.
5. Fragmentation of land is one of the hindrances in the way of developing agricultural productivity.
6. Still the agricultural operations of the district are mostly dependent on the benevolence of nature.
7. Only 39.64 percent of the total cultivable area is covered by different sources of irrigation facilities.
8. The Credit-Deposit ratio of the seven nationalized banks operating in the district has always been much below 60 percent (as revealed in Table No. 10) which is the desired norm of the RBI.
9. The C-D Ratios of the RRB (GGB), CCB (RCCB) and the CARDB (RCARDB) are satisfactory.

10. Though the volume of credit supplied by different banks, for agricultural development is increasing yet it is far away from the credit requirement of the farming population.
11. Still 31.11 percent of the total borrower-farmers is given credit-support by informal sector.
12. The recovery climate of different bank is very bad. However, the recovery position of the RCCB is improving day by day. It was 24.32 percent in 1993-94 and 60.07 percent in 2003-04.
13. The growth of institutional credit houses has not evenly developed in the district. Still there is no branch of Gour Gramin Bank (RRB) in Chopra Block.
14. Since the dominant part of the farming population is composed of marginal and small farmers, the formal credit institutions should take special care to give them credit support in time so as to enable them to adopt modern agricultural technology.
15. Faulty repayment schedule, low level of managerial inefficiency, lack of proper identification of loanee-farmers, untimely and inadequate amount of credit, harassment from obtaining form for loan to the receipt of loan, lots of paper works etc. are the main causes of poor recovery of loan in the formal credit sector.
16. Moneylenders give credit mainly for short-term .Farmers need credit both for production and consumption purposes. Institutional credit is provided only for production purpose. But non-institutional credit is provided both for production and consumption purposes.