

## **CHAPTER IV**

### **EVALUATION OF THE ROLE AND PERFORMANCE OF THE CREDIT AGENCIES IN AGRICULTURAL DEVELOPMENT**

The present chapter deals with the role of institutional credit agencies (mainly bank) in financing agricultural operations in the district of Uttar Dinajpur. At present bank plays a crucial role in the advancement of the agricultural sector. Various types of government assistance (both Central and State Government) have been extended to the farmers to uplift their economic conditions and also the agricultural sector as a whole. Banks are extending their helping hands to the farmers by providing them credit from the purchase of seeds to the buying of a tractor by way of short-term, medium-term and long-term loans. But the quantum of credit given to the farmers by the banks is not sufficient to the credit need of the farmers.

#### **4.1 Role of Commercial Banks**

Rapid economic development pre-supposes rapid expansion of bank branches throughout the country in a balanced way where the branches of commercial banks are opened as per the actual need of both the urban and rural people. Before 1969, banks were controlled by a coterie of Industrialists and business magnates. Small business and agricultural sector were totally ignored. An important argument in support of bank nationalization was that commercial banks had kept themselves aloof from the problems of agriculture and had remained largely indifferent to the credit needs of farmers for agricultural operations and land improvement. Actually agricultural sector was never seriously considered by banks before 1969. In 1969, the government took over 14 top commercial banks and again in 1980 another 6 commercial banks were

nationalized. Altogether there are 20 nationalised banks in addition to the State Bank of India and its associate banks – commonly called the State Bank of India Group – which were taken over in 1955. After the nationalization of 14 top commercial banks, expansion of bank branches in rural areas was started, and the commercial banks worked vigorously in support of satisfaction of the credit need of the farmers, particularly the small and marginal farmers. After nationalization government directed different commercial banks to expand bank branches in rural areas and increase the amount of agricultural credit for the farmers so that the dominance of the moneylenders, (who would lend money to the farmers at an exorbitant rate of interest which sometimes led the farmers to be hanged or poisoned to death due to inability to repay moneylenders loan), can be lowered.

It was the All India Rural Credit Survey Committee (1969) which recommended the adoption of ‘multi-agency approach’ to finance the rural sector. For the first time the government openly accepted that rural credit, particularly agricultural credit, could not be met by co-operative societies alone and that commercial banks should play an important role in rural sector. To expedite the process of institutionalization of rural credit Regional Rural Banks were set up in 1975. Thus, the ‘multi-agency approach’ to rural finance required a special banking institution to co-ordinate and help all the institutions directly involved in rural finance. For this reason, NABARD was set up as the apex bank for rural finance in 1982. So, all the banks including RRBs and co-operative banks are trying their best to finance agricultural sector, yet a large number of farming population are still to get the support of institutional credit.

Now, let us see the growth of commercial banks in the area of study and evaluate their performance in terms of credit delivery to the agricultural sector.

## 4.2 Growth of Commercial Banks in the Study Area

The area under study had only three(3) banks before 1969, one branch of each bank – State Bank of India, Central Bank of India and United Bank of India. All these banks were situated at Raiganj town. There was no rural bank in the study area. There was one full-fledged branch of State Bank of India at Raiganj and it had three pay-offices – one at Dalkhola, one at Kaliyaganj and one at Islampur. In addition to commercial banks, there were only two Co-operative Banks – one is Raiganj Central Co-Operative Bank and the other is Raiganj Co-Operative Land Development Bank, i.e. altogether there were only five (5) branches of bank including Co-Operative banks. The Raiganj Central Co-Operative Bank used to deliver credit to the farmers through PACS for short-term and medium-term loan. Raiganj Co-Operative Land Development Bank used to give long-term credit to the farmers against collateral.

The number of branches of different commercial banks rose from three(3) in 1969 to 48 in 2004 with an increase of 16 times in 25 years. Soon after the nationalization of 14 commercial banks in 1969, the growth of the branches of commercial bank was very rapid till 1990. But as soon as the reforms in banking sector in 1991 (liberalisation) started, the growth rate of commercial banks became very negligible, rather it has been stagnant. Since 1991 till 2004 there has been no addition to the number of branches of commercial banks in the district of Uttar Dinajpur. At present, the district has 94 branches of different banks including RRB and Co-Operative banks. The blockwise break-up of different banks functioning in the district of Uttar Dinajpur upto March, 2005 is given below in Table 4.1.

**Table 4.1 : Blockwise Break-up of Different Banks in the District of Uttar Dinajpur (upto March, 2005)**

**Raiganj Sub-Division**

Sl.no.	Blocks	UBI	SBI	CBI	AB	BOI	PNB	Uco.B	GGB	RCCB	ARDB	Total
1	Kaliyaganj	2	3	1	1	-	-	-	3	1	-	11
2	Hemtabad	-	1	-	-	1	-	-	2	1	-	5
3	Raiganj	3	4	1	2	-	1	-	8	2	1	22
5	Itahar	1	1	1	-	1	-	-	5	1	1	11

**Islampur Sub Division**

Sl.no.	Blocks	UBI	SBI	CBI	AB	BOI	PNB	Uco.B	GGB	RCCB	ARDB	Total
5	Karandighi	1	2	-	-	1	-	-	5	1	1	11
6	Goalpukur II	-	-	2	-	-	-	-	4	-	-	6
7	Islampur	1	2	-	1	1	-	1	3	1	1	11
8	Goalpukur I	1	3	-	1	-	-	-	3	-	-	8
9	Chopra	1	3	3	1	-	-	-	-	1	-	9
		10	19	8	6	4	1	1	33	8	4	94

Source: Lead Bank Office, United Bank of India, Raiganj, Uttar Dinajpur, 2006.

It is evident from Table 4.1 that the district of Uttar Dinajpur has only 94 branches of different banks including Gour Gramin Bank (RRB) and Co-Operative Banks. Out of 94 branches, 49 branches are of scheduled commercial banks, 33 are of Gour Gramin Bank, Raiganj Central Co-Operative bank has 8 branches and Agriculture and Rural Development bank has only 4 branches. Raiganj block has the highest number of bank branches (23.40 percent) among the 9 blocks of the district while Hemtabad block has the lowest number of bank branches (5.32 percent). The Table 4.1 shows that Chopra block is still to get the banking service from Gour Gramin Bank, Raiganj Central Co-Operative Bank and Agriculture and Rural Development Bank.

Again, if we consider the branch expansion of commercial banks in the district it can be seen from Table 4.1 that out of 49 branches of commercial banks, only 26 branches (53.05 percent) are in rural areas where the district is dominated by rural population (87.94 percent). Though, as compared to the national figure (49 percent), the percentage of rural branches to total branches of commercial banks functioning in the district is higher by 4.06 percent.

**Table 4.2 (a) : Branch Expansion of Commercial Banks (National level)**

As on June	Total no. of Branches	Rural Branches	Rural Branches as % of the total	Population per bank office
1969	8260	1860	22	63800
1991	60650	32750	54	14150
2002	66240	32460	49	15000

Source : Economic Survey, 2002-2008, Table 5.56

**Table 4.2(b) Branch Expansion of Commercial Banks in the District of Uttar Dinajpur**

As on June	Total no. of Branches	Rural Branches	Rural Branches as percent of the total	Population per bank office
1969	3	nil	nil	348,728
1991	49	26	53	38,715
2002	49	26	53	49,832

Source : Compiled from different Census. Reports, Government of India and Lead Bank, United Bank of India, Uttar Dinajpur.

It is revealed from Table 4.2 (a+b) that in a range of 33 years, after nationalization of commercial banks, there was over 800 percent increase in number of branches at the national level and in the area of our study the increase in number of branches was 1600 percent, but the expansion of rural branches has progressively increased till 1991. The increase was from 1860 in 1969 to 32,460 at national level while it is 26 times in case of our study area. It is also evident from Table 4.2 (a+b) that after the Banking Sector Reforms (1991)

there has been no increase of rural branches both at the national and the district (area of study) level, rather at the national level the number of rural branches has declined.

M.Gopalakrishnan, a professional banker, states : “The single striking feature of the post-nationalisation banking scene is the rapidity with which the branch network has multiplied itself. The rate of branch expansion has been unparalleled anywhere else in the world.”(Gopalkrishnan, 1989). But during the post-liberalisation period (since 1991) there has been no growth of rural branches of commercial banks as shown in Table 4.2(a+b) . The national average of population per bank office has progressively declined from 63,800 in 1969 to 15000 in 2002. But in case of the district this figure has declined from 3,48,728 in 1969 to 49.832 in 2002. Thus, compared to the national figure of population per branch (15,000) , the district understudy has more than 3 times (49.832) the national average.

At present only about 32,460 villages out of 5 lakh villages are covered by commercial banks, i.e. only 6.49 percent villages of India are getting the banking service from commercial banks directly. In case of our study area it is seen that at present only 26 villages out of 1501 villages in the district are getting banking service directly i.e. only 1.73 percent villages of the district are covered by commercial banks. The figure (1.73 percent) of the district is much lower than that of the national level (6.49 percent). So, there is much scope for the expansion of rural branches of commercial banks to cater to the credit-need of the farming population. ( Datta & Sundharam, 2005).

From Table 4.1 it is clear that more than 53 percent of the branches of commercial banks are situated in areas of the district. Gour Gramin Bank (RRB) has opened its 25 branches (out of 33) in the most backward and unbanked areas of the district. There are two Co-Operative banks (RCCB and ARDB) in the district but neither of them has any rural branch. All branches of these two banks are situated in urban and semi-urban areas of the district.

Since most of the staff of the branches of different banks in rural areas of the district reside in urban areas, they do not think much seriously about rural development. They only think how quickly they can get transferred to urban areas. Naturally rural people form the impression that rural bank branches are for the staff only, it is not for their betterment.

#### **4.2.1 Commercial Banks**

The nationalization of 14 commercial banks in July, 1969 was a historic and momentous event in the history of India. Nationalisation was made on the ground that the commercial banking system did not play its proper role in the planned development of the nation. The big businessmen and industrialists controlled commercial banks to build up their own empires. Agricultural credit was never seriously considered by commercial banks. Since nationalization of commercial banks, banks began to deliver credit to the priority sector, particularly the agricultural sector. As already mentioned earlier that there was no rural branch of commercial banks in the district of Uttar Dinajpur before 1969, but after nationalization the number of rural branch of commercial banks in the district is 26, out of 49 branches, i.e. 58.06 percent of the total branches functioning in the district. At present, commercial banks have many schemes for the farming population to change rural economy. Banks have so many viable schemes through which farmers may be given farm-credit to improve their economic conditions.

Some of the important schemes through which funds may be provided to the farmers are mentioned below :

- i) Credit for purchasing inputs, such as, seeds, chemical fertilizers, insecticides, other modern agricultural scientific implements like sprayers etc. for the expansion of agricultural operations on modern lives.

- ii) Credit for buying agricultural technologies like tractors, power-tiller, pump-set, thrashers etc.
- iii) Credit for improving agricultural land.
- iv) Credit for 'Farm Water Management'. This scheme includes digging of well, reforms of ponds, excavation of canal etc.
- v) Credit for the development of allied agricultural activities, such as piggery, poultry, fishery, bee-keeping, dairy etc.
- vi) Credit for expansion of the cultivable area for fruits, such as, banana, pineapple etc.
- vii) Credit for the expansion of the plantation of bettle-leaf.
- viii) Special encouragement is being given by the bank for mushroom cultivation.

There are 49 branches of commercial banks in the district of Uttar Dinajpur. The performance of these commercial banks except UCO Bank situated at Ramganj, an agriculturally based rural area of Islampur block, is not satisfactory in terms of loan advanced to the agricultural sector.

At present, commercial banks are not delivering credit to the farmers cordially due to various reasons. One of the reasons is overdues/defaults. The percentage of recovery of loans is not encouraging because the environment in which the farmers live is not suitable to grow banking habit among them. Practically, a vicious circle led by moneylenders surrounds them. So, there are huge number of defaulting farmers. As per the norms of NABARD, if any loanee fails to repay 60 percent of the outstanding loan, he is not entitled to get any fresh loan from bank. It is also seen that a good number of loan cases remains pending because of the procrastination of the officials, who are officially assigned to sponsor the name of beneficiaries for loan to bank, to fill-up and submit relevant papers in time.

In many cases, it is seen that the fund earmarked for a specific scheme for the farmers is not utilized due to complexities in legal formalities. Moreover if any legal action against any defaulter is started, it takes a long time for final settlement. It is also seen that if any defaulter's immovable assets (particularly land) are put on auction by the bank after the disposal of litigation, very few and in some cases, no person of the village attends the auction-bid. Thus, it hampers the progress of financing agriculture. Poor recovery leads bank to lend less to the farmers as the fund for loan falls short. The credit expansion of commercial banks in the district of Uttar Dinajpur is shown below .

**Table 4.3 : Credit Expansion of Commercial Banks in the District of Dinajpur**  
(Amount in lakh)

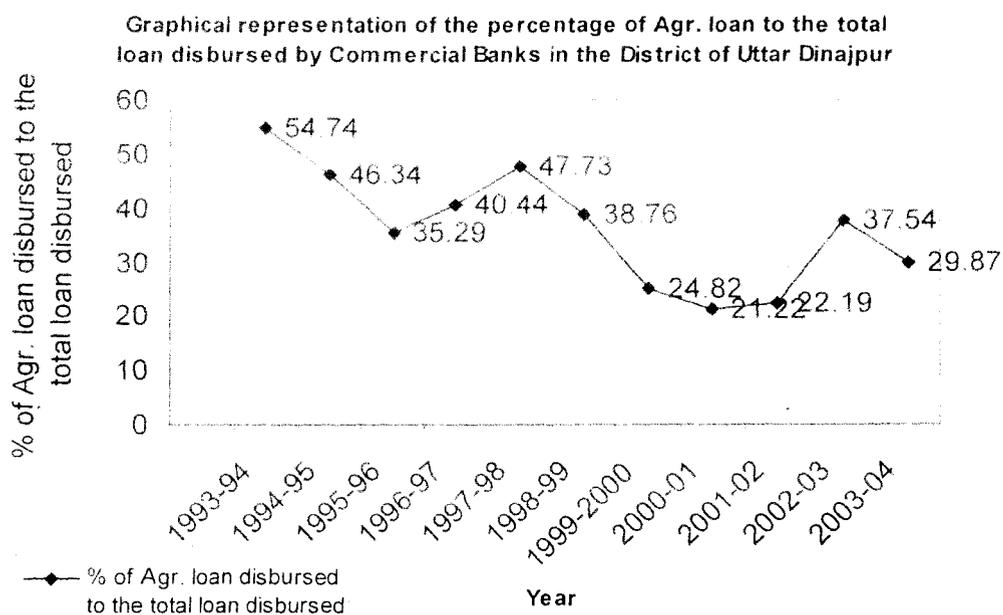
Year	Total loan disbursed	Loan disbursed agricultural sector	Percentage of agricultural loan disbursed
1993-94	232.50	127.27	54.74
1994-95	327.25	151.65	46.34
1995-96	520.42	183.67	35.29
1996-97	519.08	209.93	40.44
1997-98	594.10	283.58	47.73
1998-99	704.98	273.26	38.76
1999-2000	1845.42	458.03	24.82
2000-01	2040.42	432.91	21.22
2001-02	1647.97	365.65	22.19
2002-03	2922.36	1096.96	37.54
2003-04	2574.65	768.94	29.87

Source : Lead Bank Office, United Bank of India, Uttar Dinajpur District

It is clear from the Table 4.3 that the contribution of commercial banks to agricultural sector is not encouraging. Only once (in 1993-94) in the last eleven years it crossed 50 percent. It is very unfortunate to the farmers' community that the nationalized commercial banks have not been serving the farming population

which was the main motto of nationalizing commercial banks. Sometimes it is argued that scheduled commercial banks are reluctant to deliver credit to agricultural sector because of poor recovery therefrom. We visited six(6) branches of different commercial banks in the district. There are nine (9) blocks in the study area and the nine (9) blocks have been classified into three (3) strata – developed, moderately developed and less developed. One bank branch from each block under each strata has been visited to assess the performance of bank-branch in the terms of deposit mobilisation and credit mechanism in rural areas. The financial strength and the lending position of the branches of commercial banks may be understood from the figures shown in the following Tables.

**Fig. 4.1**



**Table 4.4 : The Trend of C-D Ratio of Commercial Bank Branches**  
( figures in percent)

Year (at the end of 31 <sup>st</sup> March)	Name of Bank and Branches					
	SBI Panjipara Branch	SBI Kalnagin Branch	UBI Raipur Branch	Bank of India, Tungidi- ghi Br.,	CBI Dhanirphat Branch	Allahabad Bank, Fatepur Branch
1999-2000	18.49	83.80	83.00	n.a.	87.67	110.99
2000-01	21.03	93.44	98.00	n.a.	111.90	116.33
2001-02	19.67	95.54	110.00	45.47	131.70	122.45
2002-03	30.92	87.53	182.00	38.59	134.68	111.47
2003-04	46.04	107.60	148.00	41.67	134.17	109.09
2004-05	56.99	91.78	152.00	42.21	131.66	109.76
2005-06	62.41	93.21	164.00	43.31	184.08	107.21

Source : Data collected from respective Bank Branches through field survey

Note :

$$i) \text{ C - D Ratio} = \frac{\text{Total Outstanding advances}}{\text{Total Deposits}} \times 100$$

ii) n.a. means not available

The Credit-Deposit Ratio (C-D ratio) is considered to be one of the vital indicators of banking performance. It is observed from Table 4.4 that during the period from 1999-2000 to 2005-06, Bank of India, Tungidighi Branch, under Karandighi Block in the strata of developed, moderately developed block, has the lowest C-D ratio among six(6) visited branches of different commercial banks and its C-D ratio has always been below 50 percent of its total deposits. It reveals that the benefit, through deposit mobilization and credit mechanism, to the society in rural areas have not been satisfactory because the advances are much lower than deposits.

The C-D ratio of SBI, Panjipara Branch under Goalpokhar I in the strata of less developed block is also not satisfactory, though its C-D ratio reveals an increasing trend since 2001-02. Out of seven (7) years its C-D ratio has crossed

50 percent only twice (2004-05 and 2005-06) recording 56.97 percent and 62.41 percent respectively.

The C-D ratio of SBI, Kalnagin Branch under Islampur Block in the strata of 'moderately developed block' reveals more or less a steady figure having above 80 percent all along. It is trying to improve its performance in terms of credit mechanism to the society in the rural areas.

The C-D ratio of United Bank of India, Raipur Branch under Raiganj Block in the strata of 'developed block' reveals a steady increasing tendency. During last seven (7) years it has doubled its C-D ratio. It has also doubled its C-D ratio during the last 7 years.

Allahabad Bank, Fatepur Branch under Kaliyaganj Block in the strata of 'developed block' has also an increasing trend of C-D ratio with a slight exception in 2003-04 and 2004-05. Its credit mechanism has also been more than its deposit mobilization from the public.

The C-D ratio of CBI, Dhanirhat Branch under Chopra Block in the strata of 'less developed block' shows a steady trend with a very slight fluctuation in the percentage.

The branch manager of Bank of India, Tungidighi branch, when asked about the poor C-D ratio, told us that poor C-D ratio was mainly due to poor recovery of credit delivered to the customers. He added that if recovery stood poor how it would be possible for the bank to recycle its fund and he continued that there was much scarcity of financially viable schemes to advance credit. The farmer-borrowers took loan and could not repay loan, mainly due to crop-failure, lack of expected price for crop, diversion of fund etc. Naturally, credit is much lower than deposit.

Now let us proceed to examine how the bank branches of different commercial banks have devoted themselves to accelerate the pace of agricultural development in our study area. We visited six (6) branches of different

commercial banks to know their performance in the context of credit mechanism in terms of agricultural development. The following Tables help us to understand their performance in the sphere of agricultural development.

**a) Allahabad Bank (Fatepur Branch)**

This bank branch was opened in 1982 mainly to cater to the credit need of the rural people, particularly the farming households. It is situated near the border area of Dakshin Dinajpur. The position of advance to agricultural sector can be seen from the Table given below :

**Table 4.5 : Allahabad Bank, Fatepur Branch, Kaliyaganj Block.**

(Rs. in lacs)

Year ended on 31 <sup>st</sup> March	Total loan disbursed	Agricultural loan disbursed	Percentage of agricultural loan to the total loan disbursed
2000	36.19	14.89	41.14
2001	65.08	20.48	31.47
2002	89.15	26.91	30.02
2003	124.66	32.64	26.18
2004	165.94	33.75	20.34
2005	190.55	34.32	18.01
2006	298.84	48.11	16.10

Source : Branch Manager, Allahabad Bank, Fatepur Branch

The Table reveals that the percentage of agricultural loan to total loan disbursed has been coming down abruptly. Though it was opened mainly to look after the credit need of the farming households of this rural area, it has gradually shifted its target of operation for which it was established. Larger portion of loan has been disbursed in non-agricultural sector, i.e., service and business purposes. The Branch Manager, when asked about the falling proportion of agricultural loan, assigned some reasons behind such condition. Poor recovery, non-cooperation of local Panchayats, control and supervision of loan due to the lack of banking staff etc. are responsible for poor percentage of loan advanced for the agricultural sector.

**b) United Bank of India (Raipur Branch)**

This bank is the only rural branch of UBI in Raiganj Block. It was set up in 1992 to meet the credit-need of the farmers. It is situated in the east just one kilometer away from Raiganj town. Its trend of delivery of credit in agriculture may be understood from the following Table.

**Table 4.6 : United Bank of India, Raipur Branch, Raiganj Block**

(Amount in lacks)			
Year (ended as on 31 <sup>st</sup> Mar)	Total loan disbursed	Agricultural loan disbursed	Percentage of agricultural loan to total loan disbursed
2000	61	22	36.07
2001	69	28	40.58
2002	75	17.78	37.04
2003	77	32	41.56
2004	80	51	63.75
2005	105	46	43.81
2006	124	54.24	43.74

Source : Branch Manager, UBI, Raipur Branch.

The Table reveals that except in 2004, the percentage of credit in agriculture is not satisfactory. Neglecting the disbursement of credit to the needy farmers the bank has devoted itself to cater to the credit need for the sectors other than agriculture as exhibited in the Table. The bank is found more interested in advancing credit to the adjoining urban people for business purpose. As per Branch Manager, UBI, Raipur Branch, poor recovery leads the bank to shift its credit policy from agriculture to non-agriculture sector.

**c) State Bank of India (Panjipara Branch)**

This bank was set up in 1982. It is situated just near the National Highway no. 31. Though it is a rural area there is much scope of business as it is adjacent to Bihar. The bank advances to agricultural sector as is shown in Table 4.7.

**Table 4.7 : State of Bank of India, Panjipara Branch, Goalpokhar Block**  
(Amount in lacs)

Year ended On 31 <sup>st</sup> March	Total loan disbursed	Agricultural loan disbursed	Percentage of agricultural loan to the total loan Disbursed
2000	85.12	20.12	17.19
2001	106.61	19.79	18.56
2002	105.03	23.98	22.83
2003	199.28	42.35	21.25
2004	823.71	64.53	19.93
2005	454.26	86.97	19.12
2006	565.86	98.36	17.38

Source : Branch Manager, SBI, Panjipara Branch

Panjipara in spite of being a rural area, is a leading business place in the district. Retail business is very prosperous in this area. Mainly customers from Bihar State come here to do business. The bank mobilized its major deposits from business sector. The bank's contribution to agriculture advance is very insignificant. The insignificant percentage of agricultural credit is mainly due to poor repayment of loan from the farmers. This area is inhabited mainly by the people belonging to Muslim community.

#### **d) State Bank of India (Kalnagin Branch)**

The branch of SBI at Kalnagin was opened mainly to cater to the credit need of the farmers. It started its operation in 1987. This area is dominated by the people belonging to Scheduled Tribe (Santhal Community). The bank stressed its operation on agricultural credit. The position of the bank in the context of agricultural credit will be more clear from the following Table.

**Table 4.8 : State Bank of India, Kalnagin Branch, Islampur Block**

Year ended On 31 <sup>st</sup> March	Total loan disbursed	Agricultural loan disbursed	(Amount in lacs)
			Percentage of agricultural loan to the total loan Disbursed
2000	70.06	34.16	48.75
2001	101.78	48.46	47.61
2002	134.36	60.86	45.30
2003	165.61	101.75	61.44
2004	230.14	101.79	44.23
2005	225.86	96.34	42.65
2006	241.71	95.83	39.65

Source : Branch Manager, SBI, Kalnagin Branch.

The Table 4.8 reveals that the advances in agriculture sector is not fully disappointing. The position of advances in agriculture has gone down from 2000 to 2006 sharply with an exception in 2003 recording at 61.44 percent. Not only the farmers of Kalnagin are assisted with credit by the bank, the farmers of the neighbouring villages are also delivered credit from this bank as within a radius of nearly 10 km there is no other bank branch. The farmers' attitude to repay loan is not good. The bank is reluctant to disburse loan in agriculture. The Branch manager, when asked about the decreasing rate of credit in agriculture, told us a peculiar fact. He added that there is a club named Sabudanga Sporting Club near the bank. The club itself gives credit to the needy farmers at high rate of interest ranging from 24 percent to 36 percent per annum. The members of the club threat the borrower-farmers for taking loan from bank. The farmers fear the members of the club as they are illiterate, poor and weak. The local administration was repeatedly informed of the fact but the practice is still prevailing as before.

**e) Bank of India (Tungidighi Branch)**

Tungidighi is an agriculture-based village under Karandighi Block. It is situated near the N.H. no. 34 and Bihar State is just to the south of this village. The bank opened its branch at Tungidighi in 1980 with a view to catering to the credit need of the farming households. The following Table will help us to understand how the bank has been performing in terms of agricultural credit.

**Table 4.9 : Bank of India, Tungidighi Branch, Karandighi Block**

Year ended On 31 <sup>st</sup> March	Total loan disbursed	Agricultural loan disbursed	(Amt. in lacs)
			Percentage of agricultural loan to the total loan Disbursed
2000	226	37.24	16.48
2001	198	35.92	18.14
2002	231	37.00	16.02
2003	208	27.00	13.00
2004	265	38.00	14.34
2005	239	53.00	22.18
2006	272	47.00	17.28

Source : Branch Manager, BOI, Tungidighi Branch

The Table shows that though Tungidighi is an agriculture-based area, yet bank's contribution to agricultural credit is not satisfactory, rather it is very poor. Being to the border area of Bihar State the wholesale as well as retail business of rice has been very prosperous and the bank has been more interested to invest in business neglecting its primary activities to agricultural sector. The Branch Manager, when asked about the poor percentage of agricultural credit, said that the poor recovery of agricultural loan, particularly PMRY and IRDP cases, has compelled the branches to invest more in the service and business sector. Besides, Tungidighi, being a low area, is frequently damaged by flood. Flood causes crop failure resulting in poor repayment of loan.

### f) Central Bank of India (Dhanirhat Branch)

Dhanirhat is totally a rural area. The bank opened its branch at Dhanirhat in 1980 to cater to the credit need of the farmers. Most of the villagers belong to Scheduled Tribe community. Agriculture being the main economic activity of the village and its neighbouring areas the bank has concentrated its credit supply to agriculture. The following Table shows the banks performance in the sphere of agricultural credit.

**Table 4.10 : Central Bank of India, Dhanirhat Branch, Chopra Block**

Year ended on 31 <sup>st</sup> March	Total loan disbursed	Agricultural loan disbursed	(Amount in '000)
			Percentage of agricultural loan to the total loan Disbursed
2000	15964	6594.73	41.31
2001	20933	9045.15	43.21
2002	23814	11354.51	47.68
2003	27014	13777.14	51.00
2004	28375	16505.74	58.17
2005	34327	14705.43	45.91
2006	42011	15404.84	39.23

Source : Branch Manager, CBI, Dhanirhat Branch.

The Table reveals an impressive figure regarding delivery of agricultural credit. The percentage of agricultural credit consistently increased from 2000 to 2004. The repaying habit of the borrower-farmers was satisfactory, according to the Branch Manager, Dhanirhat branch. The farmers made huge gains from agricultural production with the help of bank credit. But after 2004 the percentage of recovery of loan started falling down. As a result, the bank had to curtail its fund for agriculture credit.

Now, let us proceed to make a comparison between the percentage of C-D ratios and the percentage of agricultural loan to the total loan disbursed from the following Table.

**Table 4.11 Comparative Study of C-D Ratio (in percent) and the Percentage of Agricultural Loan Disbursed by Different Commercial Banks.**

Year (ended as on 31st March)	SBI, Panjipara Branch		UBI, Raipur Branch		BOI, Tungidighi Branch		Allahabad Bank, Fatepur Branch		Central Bank of India, Dhanirhat Branch		SBI, Kalnagin Branch	
	Percent of Agricultural loan to total loan disbursed	C-D Ratio (in %)	percent of Agril. loan to total loan disbursed	C-D Ratio (in %)	Percentage of Agricultural loan to total loan disbursed	C-D Ratio (in %)	Percent of Agricultural loan to total loan disbursed	C-D Ratio (in %)	Percentage of Agricultural loan to total loan disbursed	C-D Ratio (in %)	percent of Agricultural loan to total loan disbursed	C-D Ratio (in %)
1999-2000	17.19	18.49	36.07	83.00	16.48	N.A.	41.14	110.99	41.81	87.67	48.75	83.80
2000-01	18.56	21.03	40.58	98.00	18.14	N.A.	31.47	116.38	43.21	110.9	47.61	93.44
2001-02	22.83	19.67	87.04	110.00	16.02	45.47	30.02	122.45	47.68	131.7	45.30	95.54
2002-03	21.25	30.92	41.56	132.00	13.00	38.59	26.18	111.47	51.00	134.68	61.44	87.53
2003-04	19.93	46.04	63.75	148.00	14.34	41.67	20.34	109.09	58.17	134.17	44.23	107.6
2004-05	19.12	56.97	43.81	152.00	22.18	42.21	18.01	109.76	45.91	131.66	42.65	91.78
2005-06	17.38	62.41	43.74	164.00	17.28	43.31	16.01	107.21	39.23	184.08	39.65	93.21

Source : Branch Managers of Commercial Banks

N.A. - Not available

It is obvious from Table 4.11 that though the percentage of credit-deposit (C-D Ratio) ratios of most of the surveyed branches of commercial banks in the district reveals impressive figures, yet their performance in agricultural credit is very discouraging. It may be said that the commercial banks have not been paying due respect to the motto of uplifting rural economy, particularly agriculture, for which they were nationalized, rather they have been more interested to deliver credit to the sectors other than agriculture. According to the Branch managers of respective banks, the falling rate of the percentage in agricultural credit has been mainly due to the poor percentage of recovery of loan by the borrower farmers.

### **4.3 Problems Faced by Banks in Financing Agriculture**

Gone are the days when banks would have been asked to stress more on agriculture even at the cost of profitability of the bank. In the post-liberalisation era the prudential norms have been tightened and the profitability of the bank has assumed top significance. Each branch has to earn profit irrespective of their location either in the rural or semi-urban or urban area or metros. As a result, the rural lending, particularly agricultural sector, has been facing so many problems, out of which some of the more important ones are noted below :

- i) In Bengal Panchayat possesses a dominant position in controlling rural economy as because most of the schemes for the economic development of rural areas are drawn and sponsored by Panchayats. Since the local Panchayats do not have efficient technical personnel to draw up schemes which can stand economically viable as per banking norms, many of them can not be favourably considered by the bank managers. Besides, though the local Panchyats play important role in the development of the locality, they engage themselves more actively in political game than in the work of actual economic development of

the locality. Being political men they show more interest in sponsoring the names of those who belong to their political parties and who can be suitable to serve their political interest. But in terms of recovery of loan the Panchayat members are very indifferent and in some cases the Panchayat members instigate the loanee-farmers not to repay the dues of their loan. Moreover, whenever the bank manager asks the local Panchayat to organize Recovery Camp, the Panchayat authority procrastinates to do it, and in many cases, the Panchayat members assure the loanee-farmers of the fact that today or tomorrow farmer's loan will be written off by the government. Thus, the farmer's expectation of debt relief increases and the recovery of loan tends to fall down.

ii) Lack of freedom on the part of bank manager in the selection of beneficiaries for loan.

iii) Lack of freedom in the selection of schemes for loan as, in most cases, programs for rural credit are just launched with the announcement from the top, without much focus on the felt-need of the poor farmers. As a result, marginal and small farmers can not have the opportunity of such schemes due to some technical complications and in many cases huge amount earmarked for this purpose returns being unutilized.

iv) Since the volume of agricultural loan is very small, the operational cost of the loan for rural branches goes high and thereby the profitability of the bank is hampered.

v) Manpower shortage in the rural and remote branches results in poor monitoring of the loan portfolios. Due to insufficient monitoring of loan the recovery is hampered. Besides, poor monitoring due to the shortage of staff causes diversion of fund from one sector to another sector.

- vi) Lack of sufficient infrastructure to build up proper linkage of credit with produce market. The repayment mode of money-lenders credit is more flexible and in many cases, it may be made either in cash or in kind or in the form of labour services, village money-lenders sometimes interlink credit with produce and labour which is quite impossible on the part of the bank, though very recently the banks in the district have introduced produce market loan.
- vii) The scheduled commercial banks have introduced one-time settlement of dues in order to minimize the volume of non-performing assets (NPAs) and this opportunity is offered only to the non-wilful defaulting loanees. But in case of Co-operative banks no such offer is yet available. As a result, many of the loanee-farmers of Co-operative banks have stopped repaying loan with the hope that such one-time settlement must be introduced in these banks and a good portion of their dues will be exempted or relieved. This misconception of the loanee-farmers is supposed to have increased the percentage of non-repayment/default of loan.

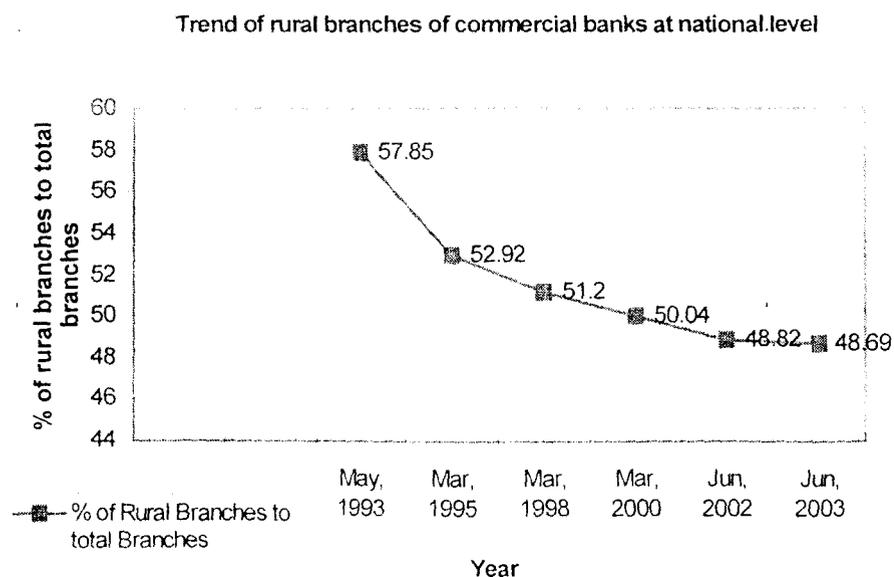
As the lending to agriculture sector suffers from the above problems the long-term viability of the rural branches are effected, and thus, leading to closure or merger of the branches. Now, let us give a picture showing how the change of rural branches of commercial banks from 1993-2003 has taken place.

**Table 4.12: The Changing Number of Rural Branches of Commercial Banks (at National Level)**

Year	Total Branches	Rural Branches	Percentage of rural branches to total branches
May 1993	61169	35387	57.85
March 1995	62367	33004	52.92
March 1998	64218	32878	51.20
March 2000	65412	32734	50.04
June 2002	66355	32394	48.32
June 2003	66514	32386	48.69

Source : IBA Bulletin Special Issue, June '04, page 166.

The above Table shows that even though the total number of branches has increased from 61169 in May, 1993 to 66514 in June 2003, the number of rural branches has reduced from 35387 in May, 1993 to 32386 in June, 2003. This is the result of rationalization of bank branches after the introduction of Banking Sector Reforms since 1991. In a few years to come, perhaps, the trend will continue and the number of rural branches will come down drastically if the recovery of loan is not seriously taken into consideration from all corners bankers, beneficiaries and the local Panchayats.

**Graph 4.2**

### 4.3.1 Central Co-Operative Bank

The Raiganj Central Co-Operative Bank Ltd. was set up five decades back with its head office at Raiganj. Since then it has been serving the rural people. A meagre amount of fund was meant for the loans 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 Engineer's 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 of the district.

The following are the main functions of the RCCB Ltd. :

- a) Mainly to deliver credit to the PACS so as to enable the member-farmers to meet the credit-need for the agricultural operations.
- b) To advance individual loans to the farmers directly so that they can procure agricultural inputs, such as chemical fertilizer, pump-set, thrashers, power-tillers, tractors etc.
- c) To act like other commercial banks in terms of accepting deposits, advancing loans etc.
- d) To inculcate the banking habits among the members and encourage them to the propensity of saving and its mobilization to meet the demands for credit by the farmers.
- e) To supervise, guide and advise the PACS so that they can build up a sound loaning policy.

Now, let us examine how the Raiganj Central Co-Operative Bank has proceeded to expand the volume of rural credit, particularly agricultural credit to materialize the above-mentioned objectives/functions.

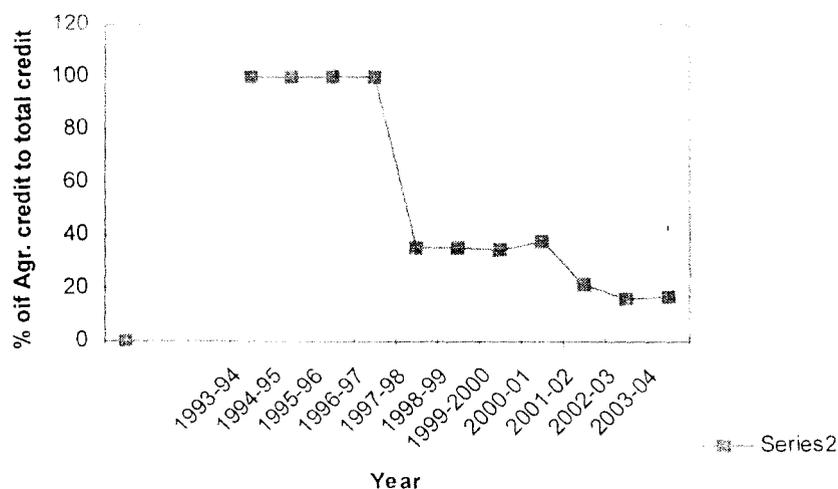
**Table 4.13 : Credit Expansion of Central Co-Operative Bank in Agricultural Sector** (Amount in lacs)

Year	Total loan disbursed	Loan disbursed to Agricultural sector	% of agricultural loan to total loan
1993-94	220.74	220.74	100.00
1994-95	173.71	173.71	100.00
1995-96	143.39	142.92	99.67
1996-97	28.43	28.43	100.00
1997-98	752.39	268.23	35.65
1998-99	296.30	105.74	35.69
1999-2000	741.35	256.31	34.57
2000-01	1314.58	498.95	37.95
2001-02	2309.37	488.85	21.17
2002-03	3527.10	567.81	16.10
2003-04	3545.86	589.44	16.62

Source : Office of the R.C.C.B. Ltd., Raiganj, Uttar Dinajpur, 2005.

### Graph 4.3

The graph showing the percentage of Agricultural credit to total credit of Raiganj Central Co-operative bank from 1993-94 to 2003-04



From the above graph it stands clear how Central Co-Operative Bank has been expanding its banking operations in the agricultural sector. It is evident from the graph that the Central Co-Operative Bank is more interested in delivering credit to the sector other than agriculture. Central Co-Operative bank, as already mentioned earlier, was considered to be an instrument of Co-Operative movement, the motto of which, is "More agri production, better marketing and better living." This motto is not being honoured by the RCCB. It is going with profit motive like other commercial banks. The graph reveals that only three times the bank utilized its whole loanable fund for agricultural sector and in 1995-96 it was almost 100 percent., the actual figure being 99.67 percent. But after 1996-97 the bank turned its eye from agricultural sector and still the percentage of credit to agricultural sector is very discouraging. Only 16.62 percent of the total loan disbursed went to agricultural sector in 2003-04.

Now, let us see the actual position of PACS under Raiganj Central Co-Operative Bank in the district of Uttar Dinajpur.

**Table 4.14 : Position of PACS in the District of Uttar Dinajpur.**

Year	No. of registered PACS	No. of borrowing PACS	No. of dormant PACS
1993-94	301	142	159
1994-95	301	151	150
1995-96	301	164	137
1996-97	301	169	132
1997-98	301	182	119
1998-99	301	189	112
1999-2000	301	196	105
2000-01	301	199	102
2001-02	301	206	95
2002-03	301	206	95
2003-04	301	209	92

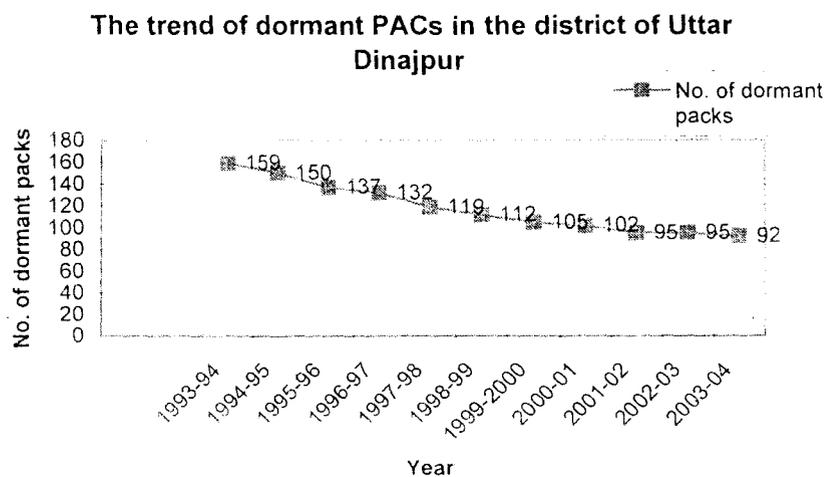
Source : Office of RCCB, Raiganj, Uttar Dinajpur

PACS is considered to be the wheel on which the Co-Operative movement touches the heart of rural people. PACS is fed and sheltered by Central Co-Operative bank. If Central Co-Operative bank does not pay much attention to develop PACS in rural areas, the vision of establishing Co-Operative bank can not come true. The graph 4.1 clearly shows how rapidly the RCCB is slicing down the volume of credit to agricultural sector.

It is depicted in Table 4.14 that from 1993-94 to 2003-04 there has been no new PACS in the district. It means that either rural people are not attracted by the Co-operative Movement or no cordial effort or movement for the expansion of the philosophy of Co-Operative among the farming population is being ventured.

Pressures from different corners are being made to revitalize the weak PACS. Accordingly, RCCB, to a considerable extent, has been active for the revitalization of the PACS in the district. The Table 4.14 shows that in 1993-94, 159 out of 301 PACS remained dormant but in 2003-04 the figure has come down to 92 only. So, the condition of PACS is improving and more and more farming people are integrated with its credit mechanism.

The following is the graph where the picture of the trend of dormant PACS (Non-functioning) is depicted.

**Graph 4.4**

The above graph shows us a light of hope to the effect that the number of dormant PACS in the district is decreasing. In 1993-94 it was 159, i.e. 52.82 percent of the total PACS, but in 2003-04 the figure came down to 92 only, i.e. 30.56 percent of the total PACS. From the figures of PACS it can be said that the efforts to revitalize the PACS for the interest of farming people are being stressed.

**Table 4.15 : Districtwise Position of PACS in North Bengal**

Name of the dists.	No. of PACS	Members of PACS (in '000s)	Working Capital of PACS (in 000's)
Malda	229	149	1877
Dakshin Dinajpur	207	84	2438
Uttar Dinajpur	301	118	1456
Darjeeling	100	51	439
Jalpaiguri	183	87	703
Coochbehar	238	158	1552

Source : Economic Review (2001-02), Statistical Appendix, Government of West Bengal, p.204, 205.

From Table 4.15, it is clear that Uttar Dinajpur district has the highest number of PACS and Darjeeling district has the lowest number of PACS. More emphasis should be exerted to expand the number of PACS in the rural areas to give credit support to the farming households at the grassroot level.

The PACS are the grassroot level arms of the short-term Co-Operative Credit structure. PACS deal directly with farmer borrowers, good short-term and medium-term loans and also undertake distribution and marketing functions. The Indian planners considered PACS as such a rural financial institution which could be able to provide funds to all its weak members in order to uplift their standard of living through higher agricultural production. But the objectives of forming PACS were not fulfilled. Over time it has become an institution of that section of rural people who have strong financial position. They control it for their own interest and the members of weaker section were exploited. But recently the scenario has slightly changed.

To ensure adequate and timely flow of Co-Operative Credit to the weaker section of the rural areas, the RBI, in collaboration with state governments, has taken series of steps to strengthen and reorganize PACS. The government is trying to ensure larger flow of funds and services for the weaker section. Weaker sections are being provided funds at a concessional rate of interest and only 5 percent of the loan to be provided is kept aside towards share capital while it is 10 percent in case of other members of the PACS.

The success of Co-Operative credit societies largely depends upon how far the staff engaged in the management of society know the local conditions and problems of the members of the society. Since most of the PACS are organizationally and financially weak, their (PACS) ability to give credit-support to the farmers becomes limited. The All India Rural Credit Review Committee (1969) brought out the following weaknesses of the PACS :

- i) PACS contributes a very little portion of the total credit demand of the farmers.
- ii) Tenants and small farmers can not satisfy their credit need fully from the PACS alone.
- iii) Most the PACS being weak can not deliver the production oriented credit need of the farmers.
- iv) Overdues are leading the PACS to failure.

The PACS in our district are not free from problems. There are so many reasons behind the poor performance of PACS. Some of the reasons are just outlined below :

- a) Poor recovery due to the lack of proper supervision and adequate follow-up measures in regard to the recovery of loans advanced to the farmers.
- b) As there is no infrastructure to train the persons engaged in the management of the PACS, the maintenance of books of accounts, accounting procedures of loan account etc. are not properly maintained.
- c) As most of our farming people are not literate in Co-Operative philosophy, there is lack of awareness among the farmers about Co-Operative movement. This is retarding the progress of Co-Operative movement in rural areas.
- d) Most of the PACS in the district are controlled by political leaders. They are more interested to play politics with PACS than being sincere and honest in expanding Co-Operative movement.

Sometimes 'Loan Programme' is organized by PACS, but this programme is not timely arranged and loans are not given considering the

actual need of the farmers. It is reported that as PACS is dominated or controlled by big farmers having specific political affiliation, the selection of borrower-farmers is not made on the consideration of the credit worthiness of the farmers, rather their political affiliation is given more weightage. Naturally, the needy farmers are deprived of loan and in many cases, they have to leave the PACS for their incapacity to fight against such discriminating activities of the management controlled by powerful political men.

Many of the PACS do not have proper marketing section. Most of the Primary Agricultural Credit Societies (PACS) of the district of Uttar Dinajpur are inactive, dormant and sick. Farmers are not getting any benefit therefrom. As a result, they are losing interest in Co-Operative movement. The coverage of population of PACS in our district is much below the national level. At the national level 10 crore farmers are the members of PACS, i.e. nearly 10 percent of the total population of the country (Source Datt & Sundharam, 2006). Whereas our district has only 2 percent of the total population of the district. Very recently special drive has been made to motivate the farmers to be the members of PACS and many dormant PACS have been revitalized. The State Government is trying its best to popularize the Co-Operative movement among the weaker section of the society. But still the PACS are not in a position to go with their own legs steadily.

#### **4.3.2 Co-Operative Agriculture and Rural Development Bank (CARDB)**

Not only short-term credit is needed by farmers, long-term credit is also required by them. The requirements of long term loan by the agriculturists were traditionally met by the money lenders and other agencies. But as this source of long-term credit was found defective and responsible for the exploitation of the farmers, a great need for a specialized institution for this purpose came up. Thus, Land Development Bank now known as Co-Operative Agriculture and

Rural Development Bank (CARDDB) was established to cater to the long-term credit-need of the farmers at moderate rate of interest.

Agriculture and Rural Development Bank in this district was established in 1967 with its head office at Raiganj. Now this bank has four(4) branches throughout the district.

The main function of this bank is to grant loan on security of agricultural properties, mainly land. Generally, this bank restricts its loans to first mortgage of agricultural properties, though in a few cases it may advance loans against the security of second mortgage as well. The purposes for which long-term credit is advanced are – making permanent improvement in land, for repaying old debts, for purchasing agricultural machinery and other implements, sericulture etc.

Big farmers get full facility of obtaining loan from this bank as they are in a position to give the security of agricultural land. But small and marginal farmers, in many cases, are deprived of having such loan because of their inability to give the required quantity of land as security. So, small and marginal farmers are not in a position to implement new farm technology in their land as it requires huge cash outlays which the small and marginal farmers can not afford. It is true that this bank has earned a name in agricultural development in the district. But its contribution to the long-term credit need of the farmers is very meagre. Before 16<sup>th</sup> Nov. 1993 it had no scheme for public deposit. Since 16.11.98 it has been doing well in the mobilization of deposit from public. Though this bank was set up mainly to cater to the long-term credit-need of the farmers, recently it has diversified its operations in other sectors too.

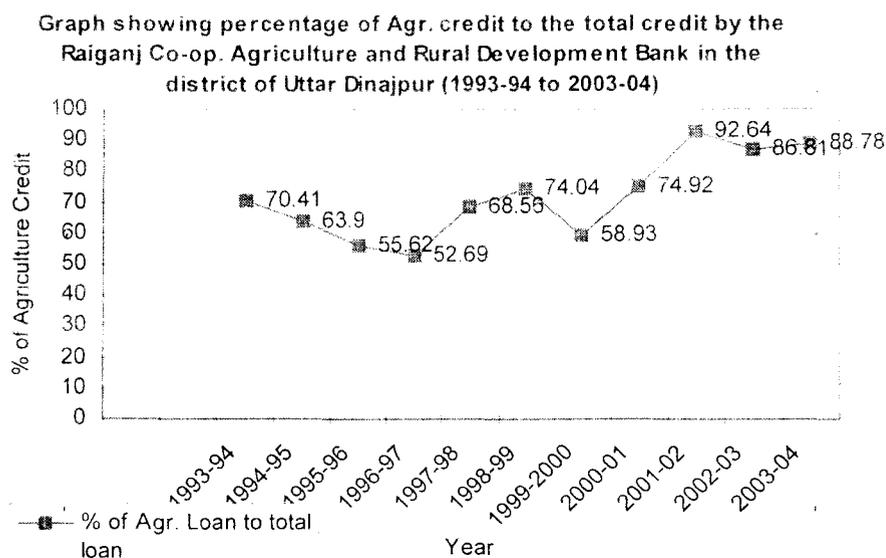
Now, let us see how much this bank is delivering long-term credit to the farmers of this district.

**Table 4.16 : Credit Expansion of the RCARDB to Agricultural Sector in the district of Uttar Dinajpur.** (Amount in lacs)

Year	Total loan disbursed	Loan disbursed to Agricultural sector to	% agricultural loan to total loan
1993-94	84.89	59.77	70.41
1994-95	117.15	74.86	63.90
1995-96	156.75	87.18	55.62
1996-97	279.34	147.19	52.69
1997-98	352.62	241.77	68.56
1998-99	115.46	85.49	74.04
1999-2000	361.22	212.86	58.93
2000-01	203.74	152.65	74.92
2001-02	403.37	273.67	92.64
2002-03	235.15	204.13	86.81
2003-04	157.95	140.23	88.78

Source : Office of the RCARDB, Raiganj, Uttar Dinajpur

**Graph 4.5**



From Table 8 it is clear that though the ARDB was established to cater to the long-term credit need of the farmers, a portion of its advance is made to the sectors other than agriculture. Out of eleven years shown in the Table 4.16

only in 3 years (2001-02, 2002-03 and 2003-04) crossed 75 percent of its advances to agricultural sector and the contribution to agricultural sector is not steady and stable. Frequent fluctuations in the percentage of agricultural credit reveal that the bank has deviated itself from its initial target of the area of operation.

### **4.3.3 Regional Rural Bank (Gour Gramin Bank)**

In an agri-based economy like India agricultural progress is the most important concern of the national economy. Despite the existence of Co-Operative and Commercial banks in the country a large number of rural people, particularly farming households, could not have the benefit from such institutional credit agencies. Naturally the standard of living of the farming households even after the implementation of the scheme of bank nationalization and creation of lead bank, remained as miserable as before the implementation of such schemes. In view of this, the Reserve Bank of India constituted a Working Group on 1<sup>st</sup> July, 1975 to study, in depth, the credit need of the rural people and also to devise alternative agency to provide institutional credit to the rural households in the context of steps initiated under the 20-point economic programme. By the recommendation of the Working Group, initially five Regional Rural Banks were set up on 2<sup>nd</sup> October 1975, of which one was at Malda under the name of Gour Gramin Bank, in West Bengal. It was the first RRB in the Eastern Region of India. They, (RRBs), became the third channel of multi-agency credit system for agricultural and rural development. The area of operation of the GGB was confined to the three districts of West Bengal – Murshidabad, Malda and West Dinajpur, now West Dinajpur is bifurcated into two districts – Dakshin Dinajpur and Uttar Dinajpur. Many rural people including farming households have been able to raise their standard of living with the help credit supplied by GGB.

At present, there are nine (9) RRBs in West Bengal. The following are the main objectives of the GGB :

- i) Advancing credit to the marginal and small farmers.
- ii) Advancing financial support to agricultural labourers.
- iii) Providing funds at the door-step of villagers living even in remote area.
- iv) Providing funds for employment generation schemes for the rural youth.
- v) Providing fund for rural artisans and small entrepreneurs.
- vi) Encouraging the habit of savings among the rural people by way of introducing daily collection schemes under Saving Mobilisation Drive.

Thus, the GGB, to the rural people, has been a “bank behind man instead of man behind bank”. The GGB is funded by the way – 50 percent by RBI, 15 percent by Government of West Bengal and 35 percent by UBI, the lead bank of this district. The activities of the GGB has been extended to the remote areas of the villages . Every block of the district except Chopra block enjoys the financial benefits of the GGB. Initially, the bank showed great interest in expanding its credit support to the agricultural sector, but now its interest in respect of agricultural credit, to a considerable extent, has fallen down due to the poor recovery of agricultural loan. The following Table will help us to understand the credit expansion of the GGB in the district.

**Table 4.17 : Trend of Credit Expansion in Agricultural Sector by Gour Gramin Bank in the District**

Year	Total loan disbursed	Agricultural loan	% agricultural loan
		Disbursed	to the total loan
1993-94	192.07	105.40	54.88
1994-95	282.86	173.71	61.41
1995-96	461.65	263.35	57.05
1996-97	350.79	197.99	56.44
1997-98	324.89	162.44	50.00
1998-99	220.80	52.42	23.74
1999-2000	678.71	305.80	45.06
2000-01	956.68	396.94	41.49
2001-02	1475.13	377.63	25.60
2002-03	1873.00	349.50	18.66
2003-04	1359.96	351.95	25.88

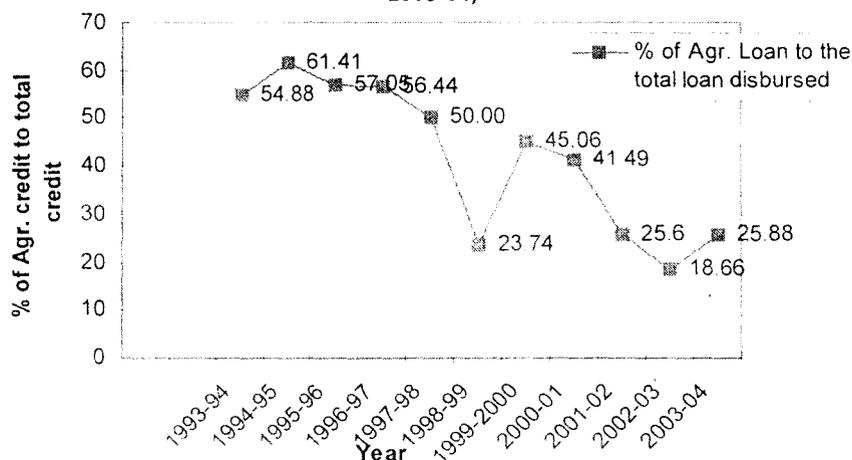
Source : Data collected from Lead Bank, UBI, Uttar Dinajpur District.

Gour Gramin Bank as RRB was established mainly to improve the rural economy, particularly agricultural sector, in the area of its operation. But the Table 4.17 reveals something different. It is clear from the Table 4.17 that the GGB's contribution to agricultural sector in respect of credit was moderate upto 1997-98. After 1998 the percentage of agricultural credit began falling and it does not reveal any stable figures in agricultural sector. Figures in agricultural sector clearly means that the bank as a whole has been more interested to invest in business and service sectors, neglecting its social commitment to uplift, particularly the farming population.

The following is the graphical representation of the credit expansion of GGB in respect of agricultural credit in Uttar Dinajpur in the period from 1993-94 to 2003-04.

**Graph 4.6**

The graphical representation of the credit expansion of GGB in respect of Agr. Credit in Uttar Dinajpur district (from 1993-94 to 2003-04)



The above graph gives a picture of overall decline in the percentages of agricultural credit to the total credit disbursed. It is a great concern to the growth of rural economy.

We visited six (6) branches of GGB, one branch from each block of each strata to assess how they have been performing in terms of deposit mobilization and credit mechanism in rural areas. As there is no branch of GGB in Chopra block, two branches have been chosen from Goalpokhar I Block. Credit-Deposit Ratio is an important indicator to judge the financial performance of the bank. Deposit mobilized by bank is not only a key source of fund but also acts as an instrument to promote savings and banking habits among the rural people. The loan and advances of bank largely depend upon deposit mobilizing capacity of the bank. Now let us see the financial strength and lending position of different branches of GGB through the following Table.

**Table 4.18 : The Trend of C-D Ratio (in percentage) of Six Selected Branches of GGB in the District of Uttar Dinajpur**

Year	Name of Branches					
	Rupahar Raiganj Block	Kunor Kaliyaganj Block	Sahapur Goalpokhar I Block	Matikunla Islampur Block	Debiganj Goalpokhar I Block	Bilaspur Karandighi Block
1997	NA	NA	53.00	74.83	NA	NA
1998	NA	NA	41.71	59.14	NA	NA
1999	NA	NA	47.12	46.88	NA	39.69
2000	46.00	28.87	51.00	63.16	58.62	41.65
2001	40.00	35.02	50.11	61.92	59.54	43.60
2002	73.66	56.84	59.08	70.11	76.31	61.24
2003	70.00	62.69	57.63	84.35	84.73	75.13
2004	65.53	60.75	58.46	74.32	85.99	70.33
2005	78.00	63.27	56.72	82.13	83.15	72.75
52006	69.00	NA	NA	75.02	86.10	76.18

Source : Data collected from Office of the Branch Managers of respective branches of GGB.

The Table 4.18 reveals that the percentages of C-D ratio of all the selected branches started rising from 2001. The C-D Ratio (in percent) of Matikunda branch under Islampur block, on an average has the highest percentages of C-D ratio among the six surveyed branches. It is important to note that the percentage of C-D ratio of the branches of GGB is much lesser than those of commercial banks as revealed in Table 4.4. When the branch manager, Area Office, at Raiganj, was asked about the poor percentage of C-D ratios of GGB as compared to commercial banks he argued that the branch being situated in remote villages finds very little scope of profitable scheme for advancing loan whereas commercial banks have the opportunity to advance credit in different types of profitable schemes both in rural and urban areas.

Now let us proceed to see how the branches of GGB have been performing in the context of delivering credit to agricultural sector. With a view to assessing the banking performance in respect of credit-delivery in agricultural sector six (6) branches were surveyed and the following Tables will help us to understand their performance in respect of agricultural credit.

#### i) Gour Gramin Bank (Debiganj Branch)

Gour Gramin Bank opened its branch at Debiganj in Goalpokhar I Block in 1985 to cater to the credit need of the farming population. Most of the villages falling under the area of operation of the bank are dominated by the people belonging to Muslim community. The farmers of this area are very hard-working but it is a matter of fact that they are not as sincere in repayment of loan as they are in respect of production of crops. The data in respect of agricultural credit is shown in the following Table.

**Table 4.19 : Gour Gramin Bank, Debiganj Branch, Goalpokhar – I Block**

Year	Total loan disbursed	Agricultural loan disbursed	(Amount in '000)
			% of agricultural loan to the total loan disbursed
1999	3040	1500	49.34
2000	3340	1640	49.31
2001	6333	2850	45.00
2002	11770	3740	31.78
2003	9338	3280	35.13
2004	9623	3012	31.30
2005	12386	4302	34.73

Source : Branch Manager, Debiganj Branch, Debiganj

The Table 4.19 shows that the percentages of agricultural loan were stable upto 2001 and after 2001 the percentages of agriculture loan began declining, though inconsistently. The main reason behind unstable percentages of agricultural credit is poor recovery of loan. According to the Branch

Manager, Debiganj Branch, some steps in respect of tight supervision have been adopted on behalf of the bank to improve the recovery of loan

## ii) Gour Gramin Bank (Bilaspur Branch)

GGB opened its branch at Bilaspur in Karandighi block in 1984. The branch is situated near N.H. no. 34. The people of the total area of operation of this bank are dependent mainly upon agriculture. There is very little scope of secondary activity. The bank opened its branch mainly to cater to the credit need of the farmers. The following Table shows us the performance of the bank in respect of agricultural credit over the last eight(8) years.

**Table 4.20 : Gour Gramin Bank, Bilaspur Branch, Karandighi Block**

Year	(Amount in lacs)		
	Total loan disbursed	Agricultural loan disbursed	% of agricultural loan to the total loan disbursed
2000	125.67	14.11	11.23
2001	132.06	10.35	7.84
2002	147.35	12.37	8.39
2003	154.30	14.10	9.11
2004	174.41	16.43	9.42
2005	205.01	27.57	13.45
2006	209.34	34.58	16.52

Source : Office of the Branch Manager, Bilaspur Branch

The Table gives a very poor performance of the bank in respect of agriculture credit. Most farmers are economically backward and illiterate. In many cases they take loan and make diversion of loan for consumption purpose. Naturally, the recovery of loan becomes very poor. This is why, the bank has lost its interest to invest in agriculture.

### iii) Gour Gramin Bank (Sahapur Branch)

The branch of GGB at Sahapur was set up in 1987 mainly to give credit-support to the farming households. The farmers of this area are comparatively progressive. This area is dominated by the immigrant people from Bangladesh after 1971. They are very much interested in agricultural operations and many of them have improved their economic conditions through cultivation with the credit-support of bank. The following Table depicts a clear picture of the bank in respect of its contribution to agriculture credit.

**Table 4.21 : Gour Gramin Bank, Sahapur Branch, Goalpokhar I Block**  
(amount in lacs)

Year	Total loan disbursed	Agricultural loan disbursed	% of agricultural loan to the total loan
1997	10.31	8.41	81.57
1998	10.77	4.17	38.72
1999	132.34	6.48	48.58
2000	13.04	7.56	57.98
2001	16.51	9.06	54.88
2002	20.21	12.59	62.32
2003	28.03	14.51	51.77
2004	26.82	13.18	49.13
2005	41.61	28.08	53.06

Source : Branch Manager, Sahapur Branch

The Table 4.21 reveals a satisfactory picture of the performance of the bank in advancing credit to the farming population. During the last nine (9) years the bank did satisfactory performance in agricultural credit except in 1998 when the amount declined heavily. This was due to the crop-failure and diversion of fund for consumption purpose. Banks overall performance is satisfactory except in 1998.

#### iv) Gour Gramin Bank (Matikunda Branch)

GGB opened its branch at Matikunda in Islampur block in 1985 mainly to assist small and marginal farmers with credit support to expand the introduction of modern system of cultivation. The following Table gives a clear picture of the bank's performance in agricultural sector.

**Table 4.22 : Gour Gramin Bank, Matikunda Branch, Islampur Block.**  
(Amount in lacs)

Year	Total loan disbursed	Agricultural loan disbursed	% of agricultural loan to the total loan disbursed
1997	113.00	38.16	34.21
1998	110.00	40.91	37.19
1999	105.00	48.93	46.60
2000	144.00	61.42	42.65
2001	161.00	88.45	54.94
2002	170.00	94.21	49.59
2003	248.00	94.66	38.17
2004	272.00	107.00	39.34
2005	308.00	133.00	48.18
2006	300.73	158.00	52.54

Source : Office of the Branch Manager, Matikunda Branch

The Table 4.22 reveals a mixed trend of the performance of bank in agricultural credit. Only twice (2001 and 2006) in the last 10 (ten) years the bank crossed 50 percent of the total credit disbursed for agricultural purpose. From the data arranged in the Table it can be said that the overall performance of the bank in advancing agricultural credit is not good and it has been so due to the poor recovery of loan from the borrower farmers.

### v) Gour Gramin Bank (Rupahar Branch)

GGB opened its branch at Rupahar in Raiganj Block in 1987 to cater to the credit need of the rural population. As the branch is situated in a suburban area many urban people have the credit support from this branch for business and service purposes. The following Table reveals the performance of the bank in advancing loan to agricultural sector.

**Table 4.23 : Gour Gramin Bank, Rupahar Branch, Raiganj Block**

Year	Total loan disbursed	(Amt. in lacs)	
		Agricultural loan disbursed	%of agricultural loan to the total loan disbursed
2000	118.68	61.53	51.85
2001	115.00	50.00	43.48
2002	235.00	54.00	22.98
2003	269.00	51.00	18.96
2004	279.18	59.66	21.37
2005	354.90	113.45	38.58
2006	325.68	134.64	41.34

Source : Office of the Branch Manager, Rupahar Branch

The Table 4.23 clearly reveals that the bank's performance in advancing loan to agricultural sector is not satisfactory only once in 2000 in the last seven (7) years where it crossed 50 percent of the total loan disbursed for agricultural sector. The bank is more interested to advance credit to the non-farming household and this has been due to the lack of tight control over the borrower-farmers in respect of recovery of agricultural loan. So, the problem caused by poor recovery of loan by the borrower-farmers leads the bank to invest less in agricultural sector.

#### vi) Gour Gramin Bank (Kunor Branch)

GGB opened its branch at Kunor in Kaliyaganj Block in 1981. Its main target was mainly to cater to the credit need of the small and marginal farmers. Kunor is totally a rural area. To improve the production of agricultural crop by the credit-support to the farming population was the main objective of this branch. The following Table gives us the picture how much the bank has been able to achieve its target to improve the agricultural economy.

**Table 4.24 : Gour Gramin Bank, Kunor Branch, Kaliyaganj Block**

Year ended on 31 <sup>st</sup> March	Total loan disbursed	Agricultural loan disbursed	%of agricultural loan to the total loan disbursed
2000	45436	1518	33.47
2001	3474	1143	32.90
2002	14644	1056	7.21
2003	11574	598	5.17
2004	9364	534	5.70
2005	8645	672	7.77

Source : Office of the Branch Manager, Kunor Branch

The Table 4.24 reveals a very bad performance of the bank in respect of agricultural loan, though its main target was to improve agricultural production in the area . The abnormally low percentages in agricultural credit is mainly due to the poor recovery of loan by the borrower-farmers. The bank has taken special drive to improve its performance in agricultural sector. Very recently the NABARD has taken special initiative to form Farmer's club to expedite the progress of agriculture in a particular area. Here some farmers are organized with a view to forming a Farmers' Club . This club is patronized by NABARD. A chief volunteer is selected/elected from within the members and

he is empowered to act on behalf of the club. The activities of the chief volunteer are : to meet the KPS, agricultural officer, banking institutions and other government officials for financial support and consultation in respect of any agricultural problem. The club also organizes Krishi Mela and Farmers' Awareness Camp. NABARD meets all expenses of Farmers' Club (only formation and managerial expenses).

Now, let us make a comparison between the percentages of C-D ratio and the percentages of agricultural loan to the total loan disbursed of different branches of GGB in the district of Uttar Dinajpur.

From the following Table 4.25 it stands clear that the percentages of C-D ratio of five selected branches of GGB have reverse relationship with the percentages of agricultural loan to the total loan disbursed. The percentages of the C-D ratio of all the selected branches of GGB have the rising tendency whereas the percentages of agricultural loan to the total loan disbursed have the declining tendency except Matikunda branch where both the percentages of agricultural loan to the total loan disbursed and the percentages of C-D ratio have the rising tendency. This figure reveals that the bank is more interested to invest in non-agricultural sectors and it has been shirking its responsibility from the commitment of uplifting rural economy mainly through the development of agriculture.

**Table 4.25 : A Comparative Study between the Percentages of C-D Ratio and the Percentages of Agricultural Loan To The Total Loan Disbursed of Different Branches of GGB in the District of Uttar Dinajpur**

Year (ended on 31st March)	Rupahar Branch		Kunor Branch		Sahapur Branch		Matikunda Branch		Debiganj Branch		Bilaspur Branch	
	% of agril. Loan to total Loan	% of C-D Ratio	% of agril. loan to total Loan	% of C-D ratio	% of agril. loan to total loan	% of C-D ratio	% of agril. loan to total loan	% of C-D ratio	% of agril. loan to total loan	% of C-D ratio	% of agril. loan to total loan	% of C-D ratio
1997	-	-	-	-	81.57	53.00	34.21	74.83	-	-	-	-
1998	-	-	-	-	38.72	41.71	37.19	59.14	-	-	-	-
1999	-	-	-	-	48.58	47.12	46.60	46.88	49.34	-	-	39.69
2000	51.85	46.00	33.47	28.87	57.98	51.00	42.65	63.16	49.31	58.62	11.23	41.65
2001	43.48	40.00	32.96	35.02	54.88	50.11	54.94	61.92	45.00	59.54	7.84	43.60
2002	22.98	73.66	7.21	56.84	62.32	59.08	49.59	70.11	31.78	76.31	8.39	61.24
2003	18.96	70.00	5.17	62.69	51.77	57.63	38.17	84.35	35.13	84.73	9.11	75.13
2004	21.37	65.53	5.70	60.75	49.13	58.46	39.34	74.32	31.30	85.99	9.42	70.33
2005	38.58	78.00	7.77	63.27	53.06	56.72	43.18	82.13	34.73	83.15	13.45	72.75
2006	41.34	69.00	-	-	-	-	52.54	75.02	-	86.10	16.52	76.18

Source : Branch Managers of six selected branches of GGB

#### 4.4 Panchayat and Credit in Rural Areas

In West Bengal, Panchayat occupies paramount importance in the field of development process in rural areas. At present this institution has been given immense power in revamping the efficacy of rural economy. The Panchayat in West Bengal is in three-tier . This three-tier Panchayat consists of (i) Zilla Parishad at the district level, (ii) Panchayat Samity at the block level and (iii) Gram Panchayat at the Anchal level, Zilla parishad remains at the top of the Panchayat system i.e. it is at the apex. Gram Panchayat is at the bottom level and Panchyat Samity is at the intermediate level, i.e. at the block level. Panchayat Samity meets the short-term credit need of the farmers through different schemes. Not only credit support is given to the farmers by Panchayat Samity, sometimes it supplies agricultural inputs to the farmers in the form of fertilizers, HYV seeds, spray-machine etc.

Panchayat has been the most effective grass-root democratic organization in rural Bengal. It plays important role from planning to implementing a scheme in rural areas. Panchayat makes different plans for rural development not sitting in the office and not only with the consultation of bureaucrats. Plans are proposed and prepared from the meeting of Gram Samsad which is held openly in a pre-declared place where all people of the locality are entitled to participate. From among the participants different plans come up and after due discussion the plans are accepted and passed. As per the plan passed in the meeting of Gram Samsad, developmental works are implemented. One thing emerges from the existing Panchayat system in Bengal that if general people of the locality are not involved in the process of planning for development of the locality, no success can be achieved. Gram Samsad is a vital stage of the Panchayat system to involve more and more people both in planning and implementation of the schemes for, development. To monitor the

works of development, 'Beneficiary Committee' is formed with the local people in order to ensure the full utilization of the scheme effectively.

So, it is seen in the existing Panchayat System in West Bengal that any programme for development has two stages – one is planning and the other is implementation. Both planning and implementation of the schemes framed need active participation of general people. It is believed that if rural people are not given the opportunity to involve themselves in the development process, the effort to implement the schemes only from the end of Panchayat officials and staff will not be fully successful and, to some extent, it will be ineffective. The Panchayat deals with the problems and aspirations of the people at the grass-root level. The problems and aspirations of the rural people are sent to the State and National level. The Panchayat has also been empowered to supervise the activities of different government departments. The Jawahar Rojgar Yojana (JRY) has empowered the Panchayat bodies to identify, decide and execute different schemes which may create assets in rural areas. The schemes under JRY may include repairs and construction of rural roads, land reclamation and soil conservation, construction of school buildings, extension of irrigation facilities, schemes for weaker sections, specially for the upliftment of scheduled castes and scheduled tribes. All schemes are framed in the Panchayat bodies in consultation with the people of the locality. So, it may be concluded that if there is an honest and active Panchayat body in the village, the socio-economic conditions of the rural people must improve.

As already discussed earlier in this chapter that Panchayat is the most vital institution for the transformation of socio-economic conditions of rural areas. It enjoys immense power to sponsor the names of the farmers to the bank and other institutions for credit. Allegations from different political and non-political corners are that there is a lack of transparency of some 'Pradhans' in sponsoring the names of the beneficiary. As the Panchayat is administered by

the members belonging to political party, it sometimes forgets its role of neutrality while sponsoring or recommending the names of beneficiaries. Those who belong to the same political party of the Pradhan get all facilities from the Panchayat. Here Pradhan plays his role with discrimination. So, political affiliation of the beneficiary is considered the main criterion in this respect. As a result, the people who are actually in the extreme need of getting facilities are deprived of due to the sole reason that they do not serve the political interest of the party the Pradhan holds. In most cases, the need and repayment capacity of the beneficiaries are not taken into consideration, rather the political affiliations of the beneficiaries are considered as the sole criteria in granting or sponsoring the names to the bank. This is the main deficiency of the Panchayat Raj System. A government circular reveals "Incidentally, it may be mentioned here that number of beneficiaries in the category of agricultural labourers in this district is negligible which should be given due weightage, whereas it has been found that in some cases, farmers not falling under the category of target group have been availing of the benefit of the government programme. It has also been found that cases of absentee farmers have been sponsored. Panchayats may be requested to be vigilant in this regards." (Source : Notes on meeting hall of the Zilla Parishad Office, West Dinajpur, dated 20-10-93.)

Due to the discrimination in selecting beneficiaries by the Pradhans the genuine farmers who deserve credit support or any type of facilities from the end of the Panchayat become frustrated and have to knock at the door of moneylenders to meet their credit-need. Thus, in many cases, Panchayat itself becomes responsible to lead people to the door of village moneylenders.

It is gathered from some bank officers that in many cases the Panchayat-sponsored beneficiaries do not get credit from bank on the schemes submitted by the Panchayat against respective beneficiaries as the schemes are not prepared in accordance with the norms and rules framed by bank. It is to be remembered that

the Panchayat has the power only to recommend the name of the beneficiaries to the bank. Panchayats do not become the guarantor of the loan of the beneficiaries sponsored by them. Naturally, the bank has to verify and analyse the financial viability of the sponsored schemes in order to ensure the repayment of loan. They (Prodhans) only see how far their political interests have been served.

In Itahar Block it has been experienced while conducting survey that some Prodhans insist the loanee-farmers not to repay loan of the bank on the argument that poor villagers have the right to get loan from bank to improve their economic condition without the obligation to repay loans. They try to convince the loanee farmers that the government, today or tomorrow, will exempt such agricultural loan. Thus, the climate for repayment of loan is vitiated. The poor and illiterate loanee-farmers believe the Prodhan's speech, stop repaying loan and insist others not to repay. As bank does not deliver further loan to the defaulting farmers, in time of credit-need, the defaulting farmers have to go to the moneylenders. In this way the poor and illiterate farmers fall in the trap of moneylenders.

The prodhans are the main authority to monitor the rural credit system of the district at government level. There are 99 (ninety nine) Pradhans in Uttat Dinajpur district. If these 99 Pradhans are not honest and vibrant, if they do not have administrative knowledge and if they play only political games setting aside the aspect of rural development, Panchayats will naturally become a place of corruption which is itself sufficient to disturb the development process of the locality. With a view to checking various cases of corruptions and malpractices in Panchayats, Central Government framed Monitoring Committees at the block, district and state levels consisting of local M.L.As, M.Ps distinguished social workers and Government representatives under the circular D.O. No. V

240011/26/95, RE II, dt. 16.10.95 of Joint Secretary, Ministry of Rural Areas and Employment, Government of India) (Source– Ibid).

#### **4.5 Sarnajayanti Gram Swarojgar Yoyana (SGSY)**

The Sarnajayanti Gram Swarojgar Yoyana (SGSY) came into existence on 01/04/1999 through the merging of DRDA, IRDP, DWCRA, TRYSM, SITRA & GKY. This scheme speaks of group loan and it is funded by both Central Govt. and State Govt. in the ratio 75 percent and 25 percent respectively. People living Below Poverty Line (BPL) are mainly considered for this purpose. 70 percent members of the group must be taken from BPL families and 30 percent may be taken from APL family. Both agricultural and non-agricultural family may be considered as member of the group. Group is generally formed with 10-12 members, though the maximum limit of members of a group is 20. Here backward mouzas, though not considered as BPL mouza may be considered as BPL mouza in the context of taking members.

After expiry of six months from the formation of group, the process of grading the performance of the group starts. As soon as the first grading is made the group is entitled to have a revolving fund of Rs. 5000 as assistance from the DRD Cell. Every member of the group has to save a certain amount in a regular way. Bank gives loan to the group 4(four) times more than the accumulated fund of the group. After the lapse of one year second grading is made. Bank representative, block representative and DRDO are the members of the grading committee.

After the completion of second grading, another instalment of Rs. 5000 or the amount of saving of the group whichever is lower is given by DRDC.

Excellent group may be given credit support upto a maximum limit of Rs. 1,25,000 of which 50 percent is subsidized. Besides, 70 percent of the members who are in the BPL are entitled to get Rs. 10,000 each.

**Table 4.26 : Statement showing Revolving Fund Assistance Under SGSY in the District of Uttar Dinajpur**

<b>Year</b>	<b>No. of Groups</b>	<b>Amount ( in lakh)</b>
2000-01	18	1.8
2001-02	32	3.2
2002-03	35	3.5
2003-04	98	8.62
2004-05	630	38.68
2005-06	1265	99.82
2006-07	1406	97.49

Source : DRD Cell, Uttar Dinajpur Zilla Parishad

#### **End – Notes**

An example of the diversion of fund may be cited here. Mr. Binoy Biswas, village - Piplan, Uttar Dinajpur, took an agricultural loan of Rs. 20,000 from Gour Gramin Bank, Rupahar Branch, to buy a pump-set to irrigate his own land. He started repaying loan by instalment. But after seventh instalment he stopped repayment . The bank manager after the non-payment of three consecutive instalments went to the house of Binoy Biswas and he discovered that no pump-set was purchased at all and the relevant papers submitted by Mr. Biswas in obtaining such loan, were completely false. Mr. Biswas diverted the total fund (loan amount) to buy a second hand two-wheeler.

#### **4.6 Summary**

1. Rapid economic development of an area or region pre-supposes rapid expansion of bank branches in a balanced way in that particular area or region in order to meet the credit need of both urban and rural people . But before nationalisation of commercial banks agricultural sector was

neglected and the banks made their efforts to meet the credit need of the industrialists and big businessmen. As soon as the commercial banks were nationalized the pattern of bank credit scenario began changing.

2. Before nationalization of commercial banks in 1969 the district had only three branches of commercial banks and all of them were confined to Raiganj town only.
3. In addition to these commercial banks there were only two co-operative banks in the district in 1969 – one is Raiganj Central Co-operative Bank and the other is Raiganj Co-operative Land Development Bank.
4. The Raiganj Central Co-operative Bank would deliver credit only to the PACS and other Co-operative Societies.
5. After nationalization the commercial banks expanded their branches both in rural and urban areas. There were only five (5) banks including two Co-operative banks in the district in 1969, but now there are 94 branches of different banks in the district.
6. The Gour Gramin Bank (RRB) has thirty-three branches in the district. Out of nine (9) blocks in the district only Chopra Block still lacks the branch of Gour Gramin Bank.
7. To expedite the process of institutionalization of rural credit Five Regional Rural Banks were set up on 2<sup>nd</sup> October, 1975 throughout the country to materialize 'multi agency approach'. Out of 5 RRBs one was set up at Malda covering three districts – West Dinajpur, Malda and Murshidabad. The name of the RRB set up at Malda is Gour Gramin Bank and it was the first RRB in the Eastern Region of India.

8. The commercial banks expanded their branches in rural area upto 1991. But after the banking sector reform in 1991 , there was no new branch of commercial bank in the district.
9. In 1969, the number of population for each bank branch had 3,48,728 in the district, it came to 38,715 in 1991 and 49,832 in 2002. But at national level a bank branch has to cover only 15000 people. So, there is much scope to expand bank branch in the district.
10. In respect of credit expansion of commercial banks in the agricultural sector it is seen that the percentage of agricultural credit to total credit disbursed seems decreasing.
11. The percentage of rural branches of commercial banks in the district of Uttar Dinajpur is greater than that of the national level in 2002.
12. The Raiganj Central Co-operative Bank has been more interested to deliver credit for non-farm sector after 1996-97. Only 16.60 percent of its total credit had been delivered in agricultural sector in 2003-04.
13. DRD Cell, Uttar Dinajpur, has been trying hard to bring as many BPL families as possible under the umbrella of SGSY in order to improve their lot with the help of credit (loan) which they can utilize in both agri. and agri-allied activities.