

## CHAPTER - IX

## THE STUDY OF PROBLEMS OF FINANCE

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9.1.1 Finance constitutes an important factor of production. It is also the life-blood of an industry — for growth and expansion. The problems of finance of small and cottage industries have been focussed by large number of working groups and accordingly the government, both state and central and Reserve Bank of India, have taken a few measures to ensure credit facilities to this sector. Frankly speaking, the study of problems of industry remains incomplete without the study of financial problems.

9.1.2 Objective :

We have seen in the study of entrepreneurship, that entrepreneurs can hardly utilize 60% of their production capacity and have worked at an average of 6 to 8 months a year. We have also seen that among the reasons of discontinuation, as it appears, from the responses of artisans, the lack of finance scored highest. 54 out of 60 i.e. 90% of the artisans suffering from insufficiency of fund. Hence the objective of present study is to highlight :

- i) The pattern of financial problems of artisans engaged in handloom industry in the district.
- ii) The role played by the institutional and non-institutional bodies in financing small artisans and
- iii) The bottlenecks of institutional finance.

Present chapter includes the following aspects :

- \* Nature of financial requirements of the units engaged in handloom industry.

- \* Credit need of artisans and financial problems experienced by them.
- \* Availability of credit and
- \* An analysis of existing pattern of finance in the light of credit requirements of small artisans engaged in cotton handloom industry in the district, particularly in household sector. This study will provide a basis for restructuring the programmes and policies of the banking authority and other bodies in such a way, so as to enable them to play an even role in the development of the handloom sector in particular and cottage industries in general.

The study of co-operative sector excluded from the scope of present study, since their nature of problems is different.

#### 9.1.3 Methodology :

For present study, the financial information of 60 units engaged in cotton handloom industry in household sector were collected. Besides this, 10 units from non-household sector were also studied for comparison. These units are scattered both in rural and urban areas. Information were also collected from the United Bank of India, the lead bank of West Dinajpur, the branches of State Bank of India and Gour Gramin Bank (the Regional Bank), the D.I.C. and the Industrial Extension Officer of Blocks. An effort was also taken to meet maximum number of mahajans and dadans who were operating in the concentrated belt.

### 9.2.1 SOURCES OF FINANCE :

Sources of finance are gradually expanding. Basically there were two types of source :

i) Institutional Source - Comprises of commercial bank operating in the district (Annexure - 7), regional bank, co-operative bank and the government. ii) Non-Institutional Sources - Comprises of mahajan, dadan, money lender, friends and relatives.

9.2.2 So far institutional finance is concerned, it has passed through a process of evolution. The present state of affairs are the outcome of government policies, taken from time to time. The history of institutional finance to industry - particularly to unorganised industry needed to be discussed under three dimensions of time. The first stage - 1951 to July 19, 1969, when major banks were nationalised; second stage - 1969 to September 25, 1975, when an Ordinance was passed for setting up of regional banks and the third stage - afterwards.

1951 TO JULY 19, 1969 : Before the nationalisation of banks, the general source of finance in the district was limited. In the district there were two Central Co-operative Banks, operating in two sub-division (Balurghat and Raiganj), three branches of State Bank of India and one Co-operative land-mortgaged bank.

These banks were mainly concerned with the finance of traders, big businessmen and agricultural sector. They had even no attention to the vast producers in the unorganised sector, since this sector has little credit worthiness. Thus source of finance available to the artisans

was the government assistance under 'State Aid to Industries' Act of 1938. But the amount available under this scheme was so limited that, did not even constitute a fractional percent of the credit requirements. Thus only source of finance to the artisans was non-institutional source; mainly mahajan and dadan. In fact hardly an artisan can be traced, who had got financial assistance from any source other than mahajan.

1969 TO 1975 : During this period, the bank situation came to a change due to nationalisation of commercial banks. Reserve Bank of India introduced Lead Bank Scheme for planned development - region-wise. Moreover certain social responsibilities were imposed on banks. As a result a few number of branches set up in the district. No doubt, banking facilities came to larger number of peoples, but no phenomenal change has been noticed till 1975 as to the finance of small artisans in unorganised sector. The event which made the situation more critical was discontinuation of 'Government Aid to Industries' Act in 1968. The government also took a policy that "aid to artisans of handloom industry will be no longer available unless they organise themselves under Co-operative Society." The indifference of commercial banks, the government policy, all together threw the artisans on to the foot of mahajan. In this context, it is important to note that the 'Khadi and Village Industries' Commission, which was set up to improve the condition of artisans in Cottage Sector, nation wide, in 1957 had no counterpart bodies operating in the district till 1981.

Hence the cottage industries of the district have not find any boost or support or benefit of policies, like financial assistance, subsidies, supply of raw materials at a reasonable price, etc. In fact, the benefit of central policies not yet reached the artisans of this district,

be it in cotton handloom industry or in other sector. Though the problem of the district of West Dinajpur was acute, but this was not the only district. This phenomena existed in most of the backward regions. Hence Government taken a policy of establishing 'Gramin Bank' region wise, solely for rural development programmes. The Regional Bank has proved successful in the district, though they have yet to make a significant beginning in this regard.

1975 TO 1981 : During the period, we find a significant departure, in the activity of the institutional financial organisations in relation to the earlier period. Large number of branches were established to provide banking facilities to larger population. Banking facilities even reached to remote rural area through regional bank branches. As on 31.3.1981, there were 59 branches of bank in total, serving population of 24, 02, 763, i.e. 40724 people per branch. Though the number of branches were insufficient in relation to the requirements, yet the situation showed a phenomenal improvement.

### 9.3 SURVEY FINDINGS :

9.3.1 Composition of borrowings by source of the artisans engaged in handloom industry both in household sector and non-household sector studied separately. The results and analysis are given in table T 9.3.1 and T9.3.2. The analysis of the artisans in household sector shows the following :

\* Percentage of borrowings to total requirements 20.66%

Table T 9.3.1

## COMPOSITION OF BORROWINGS BY SOURCE IN HHI SECTOR

Source of Borrowings	No. of Artisans who Borrowed	Percentage of Artisans who Borrowed	Amount Borrowed	Percentage of total amount Borrowed
Commercial Banks (UBI, SBI & GGB)	3		9,000	
Co-operative Banks	3		6,000	
Government Agencies	-		-	
Total of Institutional Borrowing	6	11.11%	15,000	8.06%
Mahajans and Dadans	39	72.22%	1,26,000	67.75%
Money Lenders	-		-	
Others	09		45,000	24.19%
Total of Non-Institutional Borrowings	48		1,71,000	
Total of Institutional and Non-Institutional Borrowings	54	100%	1,86,000	100.00

## Artisans not responded 06

1. Percentage of Borrowings to aggregate sales	11.80%
2. Percentage of Artisans depends on Borrowed fund	90.00%
3. Percentage of Institutional finance to total requirements	1.6%
4. Percentage of Non-Institutional finance to total requirements	17.33%
5. Percentage of total credit to total requirements	20.66%

Note : Total requirements determined on the basis of estimation per loom.

Source : Field Survey.

* Percentage of institutional borrowings to total requirements	1.60%
* Percentage of non-institutional borrowings to total requirements	17.33%
* Percentage of artisans depend on borrowed fund	90.00%
* Percentage of borrowings to aggregate sales	11.30%
* Percentage of institutional borrowings to total borrowings	8.06%
* Percentage of borrowings from mahajan and dadan to total borrowings	67.75%
* Percentage of artisans covered by institutional bodies	11.11%
* Percentage of artisans covered by mahajan and dadan	72.22%

It appears from the above findings that institutional facilities to artisans is meagre and constitutes only 8.06% inspite of the different government policies which were ought to be implemented through them. After 13 years of nationalisation this performance is not satisfactory. The mahajans and dadans after 40 years of independence and 35 years of planning, playing the same role as that of past.

9.3.2 The study of awareness of artisans in household sector about the credit facilities was conducted to highlight their propensity to borrow. It is interesting to note that 60% of the artisans were not aware of the existing credit facilities. It also appears from the study that the artisans having moderate and high turnover were better aware of the credit facilities (Table T 9.3.3). The degree of awareness also differs from urban to rural area. Urban artisans are

Table T 9.3.2

## COMPOSITION OF BORROWINGS BY SOURCE IN NON-H.H.I. SECTOR

Source	No. of entrepreneurs	Percentage of total	Amount Borrowed	Percentage of total
Institutional finance	04	40%	78000	26.70%
Mahajans & Dadans	05	50%	196000	67.12%
Others	01	10%	18000	6.17%

1. Total Credit to total requirements 58.4% Source : Field Survey
2. Institutional finance to total requirements 15.6%
3. Non-Institutional Finance to total requirements 42.8%

Table T 9.3.3

## AWARENESS OF THE CREDIT FACILITIES

Turnover (per annum)	No. of Artisans	Awareness		Unawareness	
		No. of Artisans	% of group total	No. of Artisans	% of group total
10,000-15,000	6	-	-	6	100.00%
15,001-20,000	6	-	-	6	100.00%
20,001-25,000	9	3	33.33%	6	66.66%
25,001-30,000	18	9	50%	9	50.00
30,001-35,000	18	9	50%	9	50.00%
35,001-above	3	3	100%	-	-

Source - Field Survey

Table T 9.3.3A  
AWARENESS OF CREDIT FACILITIES BY URBAN/RURAL

Zone	No. of Artisans	Awareness		Unawareness	
		No. of Artisans	Percentage	No. of Artisans	Percentage
URBAN	21	18	85.71%	3	14.28%
RURAL	39	06	15.38%	33	84.61%
TOTAL	60	24	40.00%	36	60.00%

Source : Field Survey

Table T 9.3.4  
PATTERN OF WILLINGNESS TO BORROW FROM BANKS

TURNOVER Rs.	No. of Artisans	Willing to Borrow		Unwilling to Borrow	
		No. of Artisans	Percentage of group	No. of Artisans	Percentage of group
10,000-15,000	6	3	50%	3	50%
15,001-20,000	6	3	50%	3	50%
20,001-25,000	9	6	66%	3	37%
25,001-30,000	18	15	84%	3	16%
30,001-35,000	18	18	100%	-	-
35,001-above	03	03	100%	-	-

Source : Field Survey

more conscious than rural artisans (Table T 9.3.3A).

9.3.4 To prove the potentialities for institutional credit, the willingness of the artisans to borrow from commercial bank has been studied. According to responses, 80% of the artisans (Table T 9.3.4) are willing to borrow. The degree of willingness is higher in case of artisans having good turnover. The artisans having lower turnover are less interested for bank facilities. The reasons for unwillingness are

- i) Insufficiency of property to be pledged.
- ii) The complexities of bank financing and
- iii) The time factor.

It also appears from the study (Table T 9.3.5) that 75% of the artisans 'willing to borrow' need funds for working capital. The artisans are also ready to offer securities for bank finance. Categorically the securities are (Table T 9.3.6) :

* Immovable properties	13.75%
* Finished goods	62.50%
* Equipment	12.50%
* Others	6.25%

Thus it follows that, every artisan willing to borrow has a genuine desire to utilize the institutional credit, if made available. Since most of the artisans are poor and migrated people, they have little property to be pledged. Though the artisans are willing to pledge the finished goods and equipment, but bank prefer immovable properties. Hence a change in banking policies as to their security pattern is desirable. So that the credit can be made available to these artisans.

Table T 9.3.5  
PURPOSE-WISE CLASSIFICATION OF WILLINGNESS

Purpose	No. of Artisans	% of total
Working Capital	36	75.00%
Fixed + Working Capital	09	18.75%
Consumption	-	-
Workshed	03	6.25%
Total	48	

Source : Field Survey

Table T 9.3.6  
PATTERN OF SECURITIES OFFERED

Name of Securities	No. of Artisans	Percentage of total
Immovable properties	9	18.75%
Finished goods	30	62.50%
Equipments	06	12.50%
Others	03	6.25%
Total	48	

Source : Field Survey

Table T 9.4.1  
DISTRIBUTION OF OWNED CAPITAL

Size	Units	Percentage	Capital Turn-over Ratio
Upto Rs. 1000	6	10%	8.3
Rs. 1000-3000	6	10%	9.5
Rs. 3001-5000	18	30%	10.66
Rs. 5001-7000	24	40%	12.06
Rs. 7001-above	06	10%	12.73
Total	60		

Source : Field Survey

9.3.5 To conclude this part, the artisans engaged in cotton handloom industry in unorganised sector in the district are suffering from acute shortage of finance, specifically for working capital purpose. In spite of several government policies, the total credit available in comparison to requirements was insignificant in one hand, on the other, lion's share of assistance came from mahajan and dadan, who are supposed to exploit the artisans. Having vast potentialities for expansion of institutional credit, the same has not been very popular.

#### 9.4 CAPITAL STRUCTURE AND CAPITAL REQUIREMENTS :

9.4.1 To apprise the financial condition of an industry, existing of future requirements, a knowledge of composition of productive capital is essential. Having a clear knowledge of requirements one can criticise on the availability. Here we have tried to work out the capital structure of existing units on the basis of sample study and then estimated the capital requirements at expected level of operation on the basis of costing and technical information.

9.4.2 Every industry, so also the handloom industry needs capital investment in two type of assets, namely fixed assets and working assets (i.e. in other words fixed capital and working capital). Like all cottage industries, in handloom industry also the importance of working capital is more than fixed capital that needs a little investment. The fixed assets of a handloom unit consists of :

- \* Establishment (workshed)
- \* Loom (TAT)
- \* Accessories :
  - a. Warping frame (Drum)
  - b. Cloth beam and reed (Tana)

- \* Accessories :
  - c. Heald (baw)
  - d. Charka
  - e. Sley (Natha) etc.

All these accessories are made of wood, having longivity of 5 to 7 years. The working assets consists of :

- \* Yarn (Suta)
- \* Dye (Rang)
- \* Bleach
- \* Arrowroot
- \* Lubricants and
- \* Miscellaneous

9.4.3 The Survey result of 60 units operating in household sector given in table T 4.4.1 and T 4.4.2 and Table T 4.4.1 shows the distribution of units by total capital and their capital turnover ratio. It appears from the table that 30% of the units have their capital within Rs.3000 to 5000 each and 40% have within Rs.5000 to 7000. The table also shows that capital turnover ratio with a minimum of 8 times moves upward with the increase in total capital. This indicates that low capital often caused in discontinuation of work and thus affected sales and thereby their capital turnover ratio.

Table T 4.4.2 shows the distribution of units by working capital and working capital turnover ratio. It appears from the table that 55% of units have working capital of Rs.500 to Rs.1000 each and 30% have less than Rs.500. Here also the capital turnover ratio shows an upward movement. Fixed assets to working capital ratio of the existing units has not been carried out, since this would

Table T 9.4.2  
DISTRIBUTION OF WORKING CAPITAL

Size	Units	Percentage	Capital Turnover Ratio
Upto Rs. 500	18	30%	10.62
Rs.501-1000	33	55%	10.75
Rs.1001-2000	06	10%	11.96
Rs.2001-4000	03	05%	14.33
Rs.4001-above	-	-	-
Total	60	-	-

Source : Field Survey

Table T 9.5.1  
AGGREGATE FINANCE\* BY COMMERCIAL BANKS (Rs.in Thousands)

Bank	1977-78			1978-79			1979-80		
	No. of Account	Amo-unt	%	No. of A/c	Amo-unt	%	No. of A/c	Amo-unt	%
S.B.I.	22	80	36.3	28	96	28.2	50	156	33.4
U.B.I. (Lead Bank)	28	125	56.8	55	209	61.4	68	237	50.6
G.G.B. (Regional Bank)	10	15	6.9	25	35	10.4	47	75	16.0
Total	50	220		108	340		165	468	

Source : District Lead Bank Office

Percentage denotes - Percentage of total

\* ( In handloom Industry in H.H.I. Sector)

not serve any purpose, as these units were not operating at optimum or expected level, (i.e. most of the units were suffering from chronic disease of financial problem).

9.4.4 The total capital requirements of a handloom unit has been estimated per loom basis at 100% level of capacity utilization on the basis of costing and technical information at 1986-87 prices. Once per-loom requirement is find out, total requirements of the industry as a whole in the district at any point of time can easily be find out (if number of loom and price index is known) by multiplying the perloom requirements (subject to adjustment of price index) with total number of looms in the district.

Here we have estimated the capital requirements at three operative level, namely -

- \* Minimum requirements,
- \* Standard requirements and
- \* Maximum requirements.

According to our estimation (Section 9.4.5)

Fixed Capital (excluding workshed) is	Rs. 5000/=
Working Capital is	Rs.11138/=
and	
Work Shed is	Rs.10000/=

Accordingly maximum total capital requirements estimated at Rs.26138/= which includes the cost of fixed assets, working assets and workshed, minimum requirements Rs.11138/=, the cost of working capital only and standard requirements Rs.16138/= the cost of fixed and working assets.

## 9.4.5 ESTIMATION OF TOTAL CAPITAL REQUIREMENTS (PER LOOM) :

## \* Fixed Capital :

Loom (Tat)	Rs.3200.00
Beem & Reed	Rs. 500.00
Warper (Drum)	Rs.1200.00
Accessories	Rs. 100.00
	<u>Rs.5000.00</u>

## \* Working Capital :

135 Kg. <sup>1</sup> @ Rs.26.02 (per Kg.)	Rs.3538.00
Dye (Gross)	Rs.1000.00
Rs.50 wages per day for 60 days	Rs.3000.00
	<u>Rs.7538.00</u>

Stock of finished goods  
30 days production value Rs.3600.00

Total working capital Rs.11138.00

\* Cost of workshed 250 Sq.feet  
made of wood, bamboo and  
tin roof Rs.10000.00

\* Total requirements Rs.26138.00

- 
1. Per day maximum consumption 1.5 Kg. for 90 days.  
Price Rs.119 for per bale of 4.54 Kg. The price quoted  
in commodity market report as per Economic Times of  
India, taken for consideration. It is the average  
price of 40 to 60 counts yarn of standard quality.  
The price is subject to transportation cost.

## 9.5 ROLE OF COMMERCIAL BANK :

9.5.1 After nationalisation, the commercial banks were given a special role to play for the economic development of the country. In view of the government policy, the Reserve Bank of India issued guidelines from time to time to these banks, to channel their funds in the direction of government policy. In the context of cottage industries and in view of their short-comings, R.B.I. has issued a guideline to commercial banks during Sixth Plan which was as follows :

" Artisans or units engaged in small industrial activities (manufacturing, processing and servicing) in villages and small towns, with a population not exceeding 50,000, often involving utilization of locally available natural resources and human skill, with maximum total credit requirements upto Rs.25,000 are eligible for loan from banks on every liberal terms."

In these cases, credit upto Rs.25,000 should be sanctioned as a composite term loan for purchase of machinery or working capital or for both. While sanctioning loan, the bank should assess liberally the actual requirements of the borrower in a given period and add 10 to 20 percent in the original itself, to be disbursed in any unforeseen contingency due to operational bottlenecks or for some essential consumption requirements.

The repayment should be spread over seven to ten or even more years and it should not be less than seven years in any case. The repayment schedule should be so drawn that the instalment amounts repayable are not normally more than one percent of the principal per month. Actual repayment of principal and payment of interest should commence only after

Table T 9.5.2

## COMPARISON OF WORKING CAPITAL NEED AND BANK FINANCE

Particulars	Amount 1977-78	Amount 1978-79	Amount 1979-80
1. No. of loom <sup>1</sup>	1,696	1,722	1,973
2. Working Capital per loom <sup>2</sup>	7,000	7,000	7,000
3. Total Requirements (1 x 2)	11872000	12054000	13811000
4. Total Bank Finance	220000	340000	468000
4 as a percentage of 3	1.85%	2.82%	3.38%

1. Source : District Handloom Development Centre

2. Estimated figure

Table T 9.5.3

## NATURE OF OVERDUES IN COMMERCIAL BANKS

1	2	3	4	5
Year	Demand	Collection	Balance	4 as percentage of 3
1977-78	187000	99860	87140	46.59
1978-79	256000	124648	131352	51.30
1979-80	316000	176712	139288	44.07

Source : Report of Divisional Office of  
Commercial Banks.

18 months .... No margin or collateral security or guarantee should be insisted upon.<sup>1</sup>

9.5.2 We have already noted the banks operating in the district. Their performance from 1977 to 1980 given in table T 9.5.1. It appears from the table that bank credit to cotton handloom sector was undoubtedly minimum. Table also shows that finance by regional bank gradually increasing, though lead bank finance was the highest.

A comparison of estimated working capital requirements and available bank finance worked out in the table T 9.5.2. It appears from the comparison that bank finance was only 1.85% of working capital requirements in the year 1977-78. In 1978-79 and 1979-80 that was only 2.82% and 3.38% respectively. In view of total number of artisans, the coverage by banks may be considered negligible.

9.5.3 The Commercial banks usually feel shy to finance small artisans. The main reasons responsible for this state of affairs may be analysed under two heads :

- i) Limitation of small artisans, and
- ii) Attitude of banks.

Limitation of small artisans : Firstly, the depressed condition of small artisans is not conducive to the granting of credit. Secondly, artisans can not offer adequate security for loans. Thirdly the unawareness of rural artisans and lastly the wide dispersion of artisans in remote villages.

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1. Special Credit Schemes of Banks : Guidelines.  
Reserve Bank of India.

Attitude of banks :

- i) The banks, generally prefer 1st class security, which the artisans can not offer.
- ii) The resources at the disposal of banks are limited in relation to the actual demand for money.
- iii) The high rate of overdues (Table T 9.5.3) is also one of the major factors responsible for inverse attitude of banks. The overdues as worked out shows that about 45% to 50% of the demand remains uncollected, thus preventing the growth of finance by commercial banks. Though larger part of the overdues is attributable to the slackness on the part of the recovery staff, some of the overdues possibly resulted from natural calamities.
- iv) The vast procedural requirements, time gap and lack of expert hands in bank, were also responsible for non-popular of bank finance.

Thus it appears that a total re-organisation of credit system is necessary, if they like to play a even role in the development of cotton handloom sector in particular and small artisans in general.

9.5.4 The Role of Regional Bank (Gour Gramin Bank) :

In view of the failure of commercial banks to provide finance for development of rural sector and in mobilising savings of rural peoples, an ordinance for setting up of Regional Banks was passed in 1975, on 25th September. The objectives of these banks are :-

- \* to provide banking facilities to the rural peoples, living even in remote villages.

- \* to channelise small savings of rural peoples for development of rural sector (both agriculture and unorganised industries).
- \* to provide funds at the door step of villagers.
- \* to create banking habits among the villagers and
- \* to create habit of saving.

In view of <sup>the above</sup> objectives, these banks primarily and only operate in villages. That is why these banks are also termed as Village Bank or Gramin Bank. Initially capital of these banks was fixed at Rs.1 Crore in which Central Government (RBI) contributes 50%, sponsoring bank 35% and State Government 15%. These banks provide finance of small quantity (upto Rs.25000) for short duration, with inadequate security at minimum interest rate. The important function of these banks is follow-up — be it for repayment of instalments or utilization of funds or execution of projects. The philosophy of these banks is "bank behind man than man behind bank".

These banks were created for every or every two or three districts. The area of operation made limited to attain efficiency and for indepth service to peoples; since large area of operation may result in inefficiency in the way of service proposed.

Accordingly Gour Gramin Bank - the regional bank set up for Malda, Mursidabad and West Dinajpur (3 adjacent) districts and came into existence in November 1975. Upto 31 December 1986, this bank has opened 106 branches all over the districts, of which 49 branches are in Malda district, 26 in Murshidebad and 51 in West Dinajpur. All

the branches are situated in remote villages. Somewhere even no communication facilities are available.

During a span of 10 years of actual functioning (1986) the bank has proved its worth. The following statistics will speak for itself.

* Capital (1st January, 1976)	Rs. 1,00,00,000
* Total deposits as on 31.12.1986 (excluding staff security deposits)	Rs.21,30,37,973
* Growth rates in savings and deposits.	
1982 -	27.56%
1983 -	38.75%
1984 -	55.46%
1985 -	36.75%
1986 -	29.05%

Average growth rate - 37.51%

Savings and deposits in rural sector is closely linked with the production of commercial crops, namely jute and mango. Since production goes up and down, a steady rate of growth in savings and deposits is unexpected. In spite of the ups and downs the average rate of mobilization of savings by this bank is worth mentioning.

* Total advances as on 31.12.86	Rs.19,68,31,495
* Growth rate in advances	
1982 -	37.75%
1983 -	21.52%
1984 -	27.28%
1985 -	27.48%
1986 -	33.42%

Average growth rate - 29.49%

\* Credit - Deposit ratio (C.D. ratio)

1982	-	1.33
1983	-	1.16
1984	-	0.95
1985	-	0.89
1986	-	0.92

\* Distribution of advances in between different sector :

Agriculture and allied (short & medium term)	-	62%
Industry (cottage & village)	-	11%
Service (grocery & village transport)	-	27%

\* Share of village and cottage industry in incremental finance :

1984	-	6.25%
1985	-	9.00%
1986	-	13.82%
1987	-	15.25%

\* Average rate of overdues is 56.58%. But rate of overdues in industrial sector was only around 32%, which is much better than that of commercial banks.

The bank's priority sector are agriculture and allied activities ; village artisans and craftsmen and village service sector. This bank also implements different policies of the government for rural development and poverty ameliorating programmes like, IRDP, DRDA, IFP etc. and the schemes of NABARD (National Bank for Agriculture and Rural Development).

## Anx-7.

MAJOR COMMERCIAL BANKS AND THEIR  
NUMBER OF BRANCHES AS ON 1980 IN  
THE DISTRICT OF WEST DINAJPUR

State Bank of India	22 Nos.
United Bank of India	27 Nos.
Gour Gramin Bank	10 Nos.
<b>Total</b>	<b>59 Nos.</b>

Source : District Lead Bank Office.

DEPOSITS AND ADVANCES BY GOUR GRAMIN BANK  
( TOTAL AMOUNT OF THREE DISTRICTS )

Year	Rs. in Lakhs.	
	Deposits	Advances
1981	439	543
1982	560	748
1983	777	909
1984	1,208	1,157
1985	1,652	1,475
1986	2,132	1,968

Source : Annual Reports of Gour Gramin  
Bank.

It appears that this bank has made a good start, but it has to go a long way. Overall savings mobilisation and advances is worth mentioning. Though the share of village and cottage industries in total advances was minimum, but its share gradually increasing as it appears from the incremental finance (Source : Annual Report G.G.B.)

#### 9.6.1 THE ROLE OF MAHAJANS AND DADANS :

Mahajans and dadans provide an important source of working capital to village artisans. Mahajans are those, who advance money for finished goods and dadans - who supplies raw-material and finance, both for finished products. It is important to note here that mahajans do not charge any interest on their advance, but is included in the price settled for finished goods. During fifties, sixties and first half of seventies, the mahajans and dadans did controlled 100% of artisans. The present study shows that about 70% of finances to the artisans came from these sources. Though no records are available as to the number of mahajans and dadans operating in the district and the amount of finance advanced by them, still, in course of investigation, in the major concentrated area of artisans, we find 22 of such mahajans and dadans, who are actually controlling the entire handloom industry in the district of West Dinajpur, be it in respect of raw-materials or marketing of finished goods. These persons have an average of Rs. 2 lakhs to Rs. 3 lakhs as capital. What is peculiar is that they got finances from banks.

We noticed a sound popularity of mahajans and dadans among artisans. The reasons are :

- \* Instant supply of raw-materials or finance;
- \* No procedural requirements;

- \* Assured marketing of products and
- \* Close informal relation.

#### 9.7.1 SUMMARY :

This chapter brings out the following facts :

- \* The hand-loom industry in the district of West Dinajpur, suffering from acute shortage of capital;
- \* There are credit potentialities;
- \* Artisans are mostly unaware of institutional credit facilities;
- \* The role of mahajans and dadans is commanding;
- \* The finances by commercial bank is limited;
- \* The role of regional bank is worth mentioning.

The banks have to come forward to rescue the small artisans. Banks should immediately undertake the task of supplying credit to the needy artisans. In this regard, the banks have to take initiative, because the artisans, on account of their illiteracy, poverty and simplicity have developed a sense of inhibition towards approaching the banking institutions. The Banking personnel should make a direct approach to the artisans and help them in obtaining the needed credit, which is so indispensable for the welfare of the artisans in one hand and development and expansion of cottage industries on the other.

The study also suggests the creation of a special cell in the major concentrated area of industry, particularly for this sector in the light of Agriculture Development Bank.