

CHAPTER - VII

Priority Sector and Role of Banking in Cooch Behar Region.

A. Characteristics of Rural poor.

Abject poverty is one of the main characteristics of the rural poor of an underdeveloped country like ours. It is very difficult to assess the precise dimensions of poverty of the rural poor. The rural labour households form the hard core of rural poverty and most of the socially backward classes such as scheduled castes and scheduled tribes fall in this category. The characteristics of rural poor will be better understood, if we throw light on some of the important ingredients of poverty.

1) Poor resource or capital base as an indicator of poverty.

The poor resource or capital base is one of the significant characteristics of poverty of the rural poor. Inequalities in the ownership of income earning assets (i.e. land, livestock, tools, equipments and skills) which are the result of certain social and economic process, have acted as serious constraint on the rural poor. According to AIDIS (1) 20% of rural households, each having assets of less than Rs. 1000 account for less than 1% of all rural assets while 4% of the households with asset value of

Rs. 50000 or more own 31.2% of the total. Generally speaking, in the rural areas where a large proportion of households is engaged in cultivation, a large part of the value of assets is accounted for by land. In the case of marginal farmers, the income from land is small or negligible and wages from casual labour is an important source of income. Similarly, agricultural labourers and artisans who have very little productive assets, derive their meagre incomes from casual employment. These three categories of rural households constitute the lowest asset groups. The numbers of rural households owning assets valued at less than Rs. 2500 each was 27.1 million or 35.1% of the total rural households of these cultivator households accounted for 38.1% agricultural labourers 37.3% and artisans 5.0%. In terms of actual numbers in each of these classes, one fifth of the total number of cultivators, nine-tenths of agricultural labourers and more than seven tenths of artisans owned assets below Rs. 2500 each. Even within the groups of poor household, nearly one-third were owning assets below Rs. 500 each, about one-fourth between Rs. 500 and Rs. 1000 and over two-fifths between Rs. 1000 and Rs. 2500. The AIDIS report analysed the data on average debt per household and debt burden according to the purpose of debt and stated that debt was lowest in case of lower asset groups, thereby emphasising the close link between the level of debt and level of assets. The statewise distribution of assets reveals significant disparities

as between different parts of the country.

II) Consumption as an indicator of poverty.

As regards consumption as an indicator of
poverty, we may quote the Draft Plan 1978-83 (Revised).⁽²⁾

"Various ways of measuring absolute poverty have been suggested under Indian condition and depending on the norms used, 40 to 60 percent of the population fall below the minimum acceptable standard. For the purpose of this plan the "Poverty line" is assumed to be consumption of Rs. 65 per capita per month in rural areas and Rs. 75 in urban areas at 1977-78 prices. (These trends have been derived from NSS income and consumption studies and assume minimum necessary daily calorie consumption of 2400 per person in rural areas and 2100 in urban areas). On this basis in 1977-78, 306 million people in India were living below the poverty line of whom 240 million in rural areas and 57 million in urban areas gross inequalities continue to persist in the distribution of both income and wealth. Using consumption as a proxy for income, it may be noted that according to the NSS (28th round) in 1973-74, the consumption of the two lowest declines was 95 percent of the total consumption in rural areas and 9.2 percent in urban areas, while the two highest declines accounted for 38 percent and 40 per cent respectively."

III) Indebtedness as an indicator of poverty.

The important features of indebtedness of these
(3)
households are as follows :-

a) Average debt per rural labour household rose from Rs. 148 in 1964-65 to Rs. 396 in 1974-75; the figures per indebted household are much higher at Rs. 251 and Rs. 605 respectively. In case of scheduled caste and scheduled tribes, average debt per indebted household was Rs. 251 and Rs. 172 respectively in 1964-65. The corresponding figures for 1974-75 were 566 and Rs. 379 respectively.

b) Inherited loan per indebted rural household increased from Rs. 14 in 1964-65 to Rs. 31 in 1974-75 whereas the contracted loan rose from Rs. 236 to Rs. 574 between 1964-65 and 1974-75.

c) Debt incurred for consumption purposes accounted for 48.2% of the indebtedness in 1974-75 compared to 53.3% in 1964-65. However, the average amount of debt per labour household for this purpose increased from Rs. 130 in 1964-65 to Rs. 281 in 1974-75.

d) In 1974-75 the share of ceremonial expenses at 18.8% was somewhat lower and of productive purposes at 12.7% i.e.

fractionally higher than in 1964-65.

e) Of the debt incurred in 1974-75, 47.9% was borrowed from money lenders as against 30.6% in 1964-65. Co-operative societies and commercial banks accounted for 5.3% and 4% respectively; compared to 1964-65 the share of co-operatives had only fractionally improved. Other sources comprising employers, shopkeepers and other provided another 43.4%.

B) Priority Sector:- Small and Marginal farmers, agricultural labourers, rural artisans, scheduled caste and scheduled tribes.

The broad contours of rural poverty outlined in the preceding paragraphs clearly indicate that the poorest sections of the rural population belong to the families of small and marginal farmers, agricultural labourers, rural artisans, scheduled caste and scheduled tribes. These categories of rural poor have to be the target groups for purposes of policy, and for a successful implementation of the programmes for the rural poor, it is necessary to focus attention on the special nature of their problems.

Small and Marginal farmers:-

It is difficult to define the small and marginal farmers precisely and uniformly for all purposes and for all areas. The All India Rural Credit Review Committee 1969 (RCRC) which originated the concept of SFDA/MFAL did not give any specific defini-

tion of small farmers either in terms of income or in terms of acreage. Hence, different agencies follow different definitions depending upon their objectives and purposes. Besides, these definitions are revised from time to time. Thus, the government of India definition, adopted for purposes of subsidy to SFDA^s treats all those cultivators with landholding below 5 acres (2.5 acres in the case of irrigated land) as small farmers.⁽⁴⁾ Somewhat higher figures have been adopted in some drought-prone areas where land productivity is especially low. Thus the farmers having landholdings below 2.5 acres (1.25 acres in the case of irrigated land) will be treated as marginal farmers.

Later on in 1973 the following additional criteria were adopted to avoid diversion of resources of the agencies to those farmers who can not really be deemed to be small and marginal farmers:-

a) Such farmers can be identified on the basis of landholding but have income from non-agricultural sources exceeding the income from the land may be excluded from the purview of SFDA/MFAL programme.

b) Farmers who have a steady income of Rs. 200 and above per month from non-agricultural sources may not be considered for any assistance in the programme.

c) Such farmers who have not engaged in culti-

vation themselves (partly or fully) may also be excluded from the programme, even if found eligible on the basis of land holding limits. Besides the size of holding or income, there are other characteristics of small farmers which have also to be taken note of. The more important of these are:-

a) Utilisation of higher proportion of land for growing food crops of subsistence (b) lower proportion of marketable surplus (c) inability to take risks (d) borrowing more for consumption than for production (e) predominance of labour among inputs and (f) inability to offer security first due to smallness of holdings and secondly, due to lack of proper recording of their rights.

(5) (6)
As per district plan of Cooch Behar of 1987-88, total number of small and marginal farmers were 91050 and 132916 respectively which constitute 5.52% and 8.05% respectively of rural the total/population of the district. Blockwise, the number of small and marginal farmers are shown in table 7.1.

Table - 7.1

Blockwise the number of small and marginal farmers in the district of Cooch Behar.

Name of the Block	Number of Rural population.	Number of small farmers.	Number of Marginal Farmers.
Cooch Behar - I	184979	8400	14800
Cooch Behar - II	202211	14800	8400
Tufanganj - I	161556	6400	13300
Tufanganj - II	121773	4000	8900
Dinhata - I	180847	6400	13400
Dinhata - II	157516	6000	11300
Sitai	69355	4800	6660
Mathabhanga - I	144058	6800	12700
Mathabhanga - II	135105	7400	13500
Sitalkuchi	125634	16750	13356
Mekliganj	98656	6500	9500
Haldibari	66832	2800	7100
Total	1649222	91050	132916

Source : District Plan (1987-88) Cooch Behar District, Office of the District Magistrate, Govt. of West Bengal.

Agricultural Labourer:-

A person was considered as an agricultural labourer if he/she followed one or more of the following agricultural occupations in the capacity of manual labour on hire:

(a) farming (b) dairy farming (c) production of any horticultural commodity (d) raising of livestock, bees or poultry (e) any work performed on a farm as incidental to or in connection with farm operations.

Agricultural labour accounts for one-fifth of the rural work force and 50% of agricultural labour is landless. The more important characteristics of them are that they have very little or no productive assets and their meagre incomes are derived from casual or irregular employment available in villages. Consequently, they have to rely entirely on wage employment both on the farm and outside. They require credit for acquisition of productive assets such as dairy animals and for self employment, particularly in such activities as forestry, animal husbandry, fisheries etc. It is only by financing these activities that the credit institutions can promote the interest of the agricultural labourers.

The need of this group for institutional support has increased of late with the drying up of traditional source of credit as a result of the progressive release of bonded labourers

from their bonds and the resort to debt relief through state action.

As per 1981 census, about 66.01% of the main workers are engaged in agricultural activities. But the most disquieting feature is that whereas the growth of agricultural labourers in West Bengal as a whole was 18.93% over the decade 1971-81, the five districts of North Bengal experienced a growth rate of about 65.56%. The growth rate of agricultural labourers in each of the five districts surpassed the state-average with Cooch Behar showing a rate as high as 129.76% followed by Jalpaiguri with 105.62% over the decade 1971-81. Among the five districts, Darjeeling had the lowest rate of growth of 24.58%, preceeded by Malda with 28.31%.
⁽⁹⁾

As per district development plan 1987-88, total number of agricultural labourers is 138015. Blockwise position is shown in table 7.2.

Table - 7.2.

Blockwise position of Total Rural Population and number of agricultural labourers in the district Cooch Behar.

Name of the Blocks	Number of Rural Population.	Number of Agricultural labourers.
Cooch Behar - I	184979	19013
Cooch Behar - II	202211	13400
Dinhata - I	180847	14816
Dinhata - II	157516	14300
Sitai	69355	6869
Tufanganj - I & II	283329	23655
Mathabhanga - I	144058	12012

Contd.....

Contd.....Table-7.2

Mathabhanga - II	135105	10400
Sitalkuchi	125634	10803
Mekliganj	98656	5885
Haldibari	66832	5862
Total	1649222	138015

Source : District Plan (1987-88), Cooch Behar District.

Rural artisan:-

Own-account workers were those who operated their enterprise without hiring any one on salary or wages, except occasionally. Own-account skilled workers and the handicraftsmen engaged in any one of the following occupations were considered as artisans : (a) weavers, knitters, carpet makers etc. (b) dress makers, upholsterers etc. (c) shoe makers and other leather workers (d) blacksmiths, goldsmiths, coppersmiths and other metal workers (e) carpenters, painters etc. (f) stone carvers, masons, plasterers, glaziers, cement finishers etc. (g) printers (Paper and textiles), engravers, blockmakers etc. (h) potters, brick makers, glass and ceramic workers (i) basket and mat weavers and related workers and (j) makers of musical instruments, toys,

(11)
sports goods etc..

As per the Draft Plan 1978-83 (revised), the traditional rural industries like khadi, village industries, hand-looms, sericulture, coir and handicrafts provided employment to 14 million persons in 1977-78 and the value of their production aggregated Rs. 2125 crores. They accounted for about 56.5% of the total contribution by the manufacturing sector to the net domestic product. The present position is that like the agricultural labourers, the rural artisans also lack improved or modern productive assets, though they possess some basic skills. An additional factor is the lack of an assured market for their goods. Consequently, the rural artisans have to rely on wage employment to some extent. Though they may require consumption credit initially and during some periods, their real need is for investment credit (i.e. credit for acquiring modern productive assets) supported by input supplies and marketing facilities.

The district of Cooch Behar does not have any large or medium scale industry and the district has been declared as a "Backward District" in "A" category so far as Central subsidy is concerned. The industrial advancement of the district in the small scale sector is also very slow. This is mainly due to locational disadvantage and dearth of other infrastructural facilities and inputs. In the handicrafts, tiny and cottage sector,

abundant local skill is observed in a few trades only.e.g. Pati (both artistic, superfine and ordinary quality), Bamboo craft including Bamboo matting, pottery, Dhokra and Fatia, Handloom, Bidi making, Carpentry, Bakery etc.. Some other skills are also developing e.g. Tailoring, Ready made garments, Machine Wool-knitting etc.. The areas of trade where local skills are existing are unfortunately not having wider scope for expansion. In the annual action plan of IRDP, a list of updated, identified bankable projects has been incorporated along with break-up of project cost for the economic upliftment of the targeted group.

(13)

Scheduled Castes and Scheduled tribes:

The age-old social and economic suppression of the scheduled caste and scheduled tribe people have resulted into deep-rooted frustration and apathy in their minds. Even after having enjoyed various concessions for three decades, the community largely suffers from lack of initiative and confidence and has badly failed to emerge out of its economic and social misery. Their annual income is very low. They are easy prey to the so-called village money lenders and rich peasants. That is why they should be brought under the purview of the credit-worthy programme so that they may get loan for consumption and different productive purposes.

(14)

As per 1981 Census, North Bengal contributes 17.31% of the total population of West Bengal; but its population mix is somewhat different from that of West Bengal as a whole because the proportion of scheduled castes as well as scheduled tribes population is much higher than the West Bengal average. Thus, whereas percentage of scheduled castes population to total population for the state is nearly 22%, it is about 30% for North Bengal (in 1981). In the total population for each of the five districts, the proportion of Scheduled Castes and Scheduled tribes population (in percentage) is as below:-

North Bengal Districts	Scheduled Caste	Scheduled Tribes
Cooch Behar	49.85%	0.57%
Jalpaiguri	34.61%	10.79%
West Dinajpur	28.57%	10.82%
Malda	16.89%	7.54%
Darjeeling	14.25%	14.75%

There is marked a high concentration of Scheduled Caste population in the district of Cooch Behar. On the other hand, scheduled tribe population is highest in Darjeeling. Rajbansis form the major scheduled castes population with Kami, Bagdi, Sarki, Namasudra, Kaibarta etc. coming in seriatum in North Bengal. On the otherhand, the Mundas, Oraons and

Santhals constitute the major tribal population of the tea gardens of Terai and Western Duars regions of North Bengal while Lepchas form the major tribal group in the Himalayan region.

Most of the Scheduled Caste and Tribe population are living below the poverty line so far as their annual income is concerned. Bank has a big role to play to raise their economic condition on granting credit for different productive and consumption purposes according to National priorities.

C) Credit for the rural Poor.

The pattern of indebtedness of the rural poor shows that consumption loan forms a larger part of the debt of the rural poor. Loan for medical and educational expenses and ceremonial demands accounts for a substantial portion of the debt. Production loans are often a small fraction of the indebtedness. It has to be remembered that these classes depend for their credit substantially on the money lenders and the rich farmers. Consumption credit is usually taken by small and marginal farmers to meet the cost of foodgrains for personal consumption and for payment of "wages in kind" till the harvest comes in. The money lender/rich farmer exploits this necessity by paying low for the produce of the harvest by collecting a large part of it through exorbitant interest charges. In the case of agricultural labour, this is almost the bonded labour

system which still defies solution. One significant feature of the situation is that even at times consumption credit and productive loans disappear in the case of farmers and the land is ultimately taken over and in the case of labour, the family is bonded to perpetuity.

The lack of assets coupled with lending policies based on assets, leads to reduced opportunities of the rural poor to avail of credit facilities for improving their incomes. This rural poverty is the result of an inequitable access to resources and lack of institutional backing. A landless labour household has only labour as its resource. Similarly, the small farmers have assets in the form of their land holding but these can generate increased incomes with the application of new technology provided there is access to other resources. So also is the case of rural artisans who have the skill but not capital (in the form of modern tools) or other resources. The capital base and productive capacity of the rural poor (i.e. land, water, inputs, skills) can be improved and strengthened with the aid of institutional support.

The basic cause of exploitation of the rural poor to-day is the heavy underemployment and unemployment in this sector. As a result, labour is in a buyers' market and the wages are very low. Labour being the most important resource of this

class, it has to be given a fair price. This can not happen without a pressure being created on the labour market. The National Commission on Agriculture (NCA) has pointed out in its chapter on "Employment" that even with a 4 to 4.5 percent growth in the comprehensive agricultural sector by 2000 A.D., there will still be more than 50 million persons seeking employment opportunities.⁽¹⁸⁾ So the NCA has suggested exploiting in full the rural sector. This is the background and the justification for the emphasis on employment promotion programmes, the village and small industries and the services and the supply sectors in the five year plans. The role of State Development Administration for implementing Integrated Rural Development Programme (IRDP) is paramount in this sector. Unless State support is complete and adequate, efforts to solve these problems purely by credit methods are bound to fail. The Committee will specially emphasize this aspect as one is apt to forget relative responsibilities in the wrangle on who is responsible.

The Banking Commission, 1972 has emphasized the responsibility of the banker to support the farmers by lending for production and also by lending to develop the necessary infrastructure, supply structure and marketing structure without which credit for production by itself may be self-defeating. It was thinking more of the organised sector of production. The NCA followed this up, emphasising a similar role in the rural sector

for credit institutions. No doubt, the latter is much more difficult than the former. Yet, whatever the credit institutions can do to support their production, lending has to be done without waiting for perfect condition. The development role of banking has come into effective play in identifying the items of support and the methods to exploit them. What the state is already providing through its administrative and technical organisations can, to some extent, be augmented and furthered by the private sector through credit.

The household will remain the basic unit of poverty eradication programme oriented to target groups. Hence, each household below the poverty line will have to be assisted through an appropriate package of technologies, services and asset-transfer programmes. The creation of productive assets (both physical assets and skills) for the rural poor has to be achieved through capital transfers and credit and in this, the credit institutions have an important role to play. The rural poor are not one mass. They have to be categorised into different groups if they are to be served effectively. While the broad categorisation of the rural poor into landholdings and non-landholdings classes may be valid, from the point of view of credit institutions, it will be useful to classify rural assets and skills, actual or potential:-

- a) those who can become viable with loan assistance.
- b) those who may require some capital subsidy in addition to loan assistance to become viable and
- c) those who are non-viable and require special assistance from the state, more or less in the nature of social security.

This manner of identification of the right target groups would enable the financial institutions to avoid diffusion of efforts and concentrate their attention so that lending becomes purposive and fruitful. Thus viewed, the first two categories are within the purview of institutional finance while the third will have to be dealt with separately outside the purview of credit institutions.

The rural poor consists of disparate groups (i.e. small and marginal farmers, tenants, landless labourers, rural artisans) and are engaged in diverse activities in different sectors of the rural economy. Because of the difficulties in dealing with these groups as one, it may be necessary to organize them into functional groups for purposes of financing them. Such a "group approach" may minimise the difficulties for lending institutions in reaching the various categories of the poor. For instance, the location of the rural poor differs from district

to district and even within the same district, which raises the question of distance and cost involved for the lending agency in reaching the poor. Besides, there are such problems as the coverage of the rural poor by lending agency, supervision over credit utilisation, monitoring etc. all of which have a bearing on the economies of scale and the efficiency of operations of lending institutions. In otherwords, different methods of reaching the poor need to be evolved. Some sections of the poor may have to be approached as well-organised groups such as co-operative societies, some others have to be dealt with as informal groups so as to facilitate group activity and group lending and yet others have to be approached individually. This underlines the need for a Multi-agency approach to rural lending and a better and more purposeful spread of credit agencies at the ground level.

D) Commercial Banks and Priority Sector.

I) Commercial Banking and Priority Sector; Pre & Post Nationalisation era.

The policy of priority sector lending assumed great significance after nationalisation of commercial banks in 1969. Before nationalisation, commercial banks did not take up the challenge of playing catalyst in speeding up the pace of deve-

lopment. It was because they remained basically commercial in nature, operating more as financers than as agents of change. They confined their operations largely to a few sectors such as industry and trade. Agriculture, small scale industries etc. which constitute the foundation of our economy, by and large, were not able to receive the desired financial support. Moreover, commercial bank operations had essentially an urban bias and maximisation of profit was their main principle. Large areas of the country, particularly the rural and semi-urban, were either sparsely banked or not at all banked. The co-operative banks which were entrusted with the task of looking after the credit requirement of the agricultural sector did not fully succeed except in a few states. Farmers and artisans were either starved of credit or were reeling under the heavy burden of accumulated interest on loans from traditional sources. This situation more or less, continued till 1969.

The first operationally significant step taken by the government after nationalisation was the identification of certain productive sectors, namely agriculture, small scale industries, retail trade, small business, road and water transport operators, self employed and professionals, exports and education, as priority sectors which were to be given loans at concessional terms. Credit allocation was deliberately changed in favour of these sectors.

The risk of default was bound to be high as a result of the shift in favour of unorganised small and scattered sectors. In order to alleviate the banks' fears of increased risks, the RBI promoted a public limited company, the Credit Guarantee Corporation of India limited on January, 1971 "as a part of policy to promote the extension of credit to borrowers of small means in the priority and other relatively neglected sectors. This Corporation provides guarantee cover for small loans and other credit facilities extended by scheduled commercial banks and other eligible institutions to transport operators, retail traders, self-employed persons, professionals, other business entrepreneurs and small farms." Regarding credit to export sector, the RBI formulated various measures such as enlarging the scope of the Export Risks Insurance Corporation (set up in 1957) from merely insuring exporters against various risks to the offer of guarantee to banks for the finance given by them to exporters in addition to providing insurance cover for exporters under the new Export Credit and Guarantee Corporation. Moreover, the RBI had fixed concessional rates for export credit and the loss to the banks due to this was covered by a subsidy given by the Government of India. As a result of the various steps taken by the authorities, the above mentioned sectors were brought within the compass of Commercial Banks. Significant changes were taking place in the banking sector on many fronts. It has been rightly said that

"class banking" was converted into "Mass banking" after nationalisation.
(23)

II) Norms on priority sector lending by Commercial Banks.

After the announcement of 20-point economic programme, it was recognised that the banking system has a vital role to play in implementation of the programme by providing financial assistance to its beneficiaries in order to remove poverty and attain equitable distribution of bank advances, not only among different sections within the respective sectors but also among different sectors among the priority sectors. The policy pertaining to priority sector lending has been modified from time to time. The public sector banks in India were advised in 1977 to enlarge the flow of credit to the priority sectors, so as to raise their shares in the aggregate credit to 33.3% by end March, 1979. Subsequently, in 1980, this ratio has been raised (24) to 40% by March, 1985.

The RBI set up a working group on March, 1980 under the chairmanship of Dr. K. S. Krishnaswamy, Deputy Governor, RBI, on the modalities of the implementation of the priority sector lending and the 20-point economic programme by Banks. The group considers it necessary to introduce the concept of "Sub-sectors" representing the "weaker sections" within the two main priority sectors viz., agriculture and small scale industries

to focus the attention of the Banks on the need to give increasing finance to such sub-sectors. Accepting the recommendations of the working group, the following guidelines are made by the
(25)
RBI for priority sector lending:

1. Provide 40% of total credit for priority sector by 1985.
2. Out of total advances to the priority sector, at least 40% should be extended to agricultural sector.
3. Provide direct advance at least 50% of total direct lending for agriculture and allied activities to weaker sections i.e. small and marginal farmers with landholdings of 5 acres or less, landless labourers and the persons engaged in other allied activities where borrowing limits for such activities do not exceed Rs. 10000.
4. All small-scale industries with limits upto and inclusive of Rs. 25000 should be treated as the "weaker section" in this category. Advances to this "weaker section" should constitute 12.5% of total advances to small scale industries by 1985.
5. Disburse a minimum of 1% of total advances at the end of the previous year under the "Differential rate of

"interest" scheme at least 40% of which should go to scheduled castes/tribes and at least 2/3rds of such advances being made through rural/semi urban branches.

The above mentioned guidelines issued by RBI are in conformity with the 12 points declared in 20-point programme in order to cope up the basic needs of the poor. The following 12 points have direct relevance to commercial banks. (26)

<u>Point No.</u>	<u>Details</u>	<u>Beneficiaries.</u>
1.	Increase in irrigation potential and investment in dry land Agriculture.	1. Individual farmers 2. Co-operative Societies. 3. Corporate entities/ State Government agencies.
2.	Increase in production of pulses and vegetable oil seeds.	1. Farmers engaged in production of pulses and oil seeds. 2. Units engaged in production, processing and marketing of pulses.

<u>Point No.</u>	<u>Details</u>	<u>Beneficiaries</u>
3.	Integrated Rural Development.	1. Individual farmers. 2. Artisans, persons engaged in village and cottage industries. 3. Persons engaged in retail trade, small-business etc.
4.	Distribution of surplus land.	1. Small farmers and others who have been allotted surplus land, share-croppers etc. given recorded rights in land.
6.	Rehabilitation of Bonded labour.	1. Identified and released bonded labour.
7.	Development of SC/ST.	1. Cultivator belonging to SC/ST. 2. Members belonging to SC and ST undertaking traditional occupations such as leather work, weaving, tiny, cottage and village

<u>Point No.</u>	<u>Details</u>	<u>Beneficiaries.</u>
		industries and under various self employment programmes.
9.	House sites to rural families.	1. Allottees of house sites.
10.	Improvement of slums	1. Slum dwellers.
11.	Power generation and electrification of villages.	1. Farmers for energisation of pumpsets under the rural electrification schemes.
12.	Afforestation, development of bio-gas and other alternative energy sources.	1. Organisations engaged in raising industrial plantations for commercial exploitation with the objective of meeting the industrial raw materials requirements. 2. Individual farmers or farmers organisations engaged in Farm Forestry.

E) Role of Banking institutions in lending to priority sectors with special reference to Cooch Behar.

Before Nationalisation, the priority sector lending of Commercial Banks was very negligible. After nationalisation, priority sector lending received an increasing attention keeping a close view on National priorities. In this context, the major thrust of the U.B.K.G.B. is rightly placed on extending credit to priority sector, particularly to the weaker sections. The overall performance of the U.B.K.G.B. is impressive towards financing the priority sectors. The only shortfall is that of DRI advances. On this count, they are late starters, rather non-starters. Within the priority sector, Agriculture constitutes a large share and the Bank's clientele in agriculture and allied sector consists of agricultural labourers, share croppers, marginal and small farmers. The picture of priority sector advance of this bank among the three underdeveloped districts of West Bengal viz. Cooch Behar, Jalpaiguri and Darjeeling, is given in Table 7.3.

Table - 7.3

Advance to priority sector.

(Amount in Thousand)

Year 1st Jan. to 31st Dec.	Total Advance	Total Advance to priority Sector.	Total Advance to Agriculture & Allied within priority sector.	% of priority sector advance to total Advance.	% of Agri. Advance to total priority sector Advance.
1977	327	..	..	..	..
1978	672	..	..	..	..
1979	1027	..	..	..	..
1980	6886	6807	3365	98.85	49.43
1981	26600	26376	11126	99.19	42.16
1982	64415	63777	27425	99.00	43.00
1983	94610	92735	41287	98.01	44.52
1984	142349	139204	62308	97.79	44.76
1985	180516	176554	78837	97.80	44.65
1986	210506	204507	92000	97.15	44.98
1987	245324	234826	106643	95.72	45.41

Source : Annual reports of U.B.K.G.B. from 1977-87.

The above table 7.3 shows that the share of priority sector advance to total advance is very satisfactory. As national object was to attain by March 1985 a level of 40% of total lending to priority sector advances, while this figure for the bank was

98.09% (an average percentage share of priority sector advance to total advance for the period 1980-87). The table also shows another good feature in respect of share of agriculture in total priority sector advances. The average percentage share of agriculture within the priority sector advance for the period (1980-87) was 44.9% which was also higher than National target of 40%.

Most of the loans by this bank had been advanced to different sectors belonging within the priority sectors. The table 7.4 will speak the truth.

Table - 7.4

Advance to different sectors within priority sector
(1981-87)

(Amount in Thousand)

Year 1st Jan. to 31st Dec.	Agriculture & Allied Activities.	SSI & R.A.	Road Transport.	Service.
1981	11126	605	..	14645
1982	27425	1755	..	34597
1983	41287	2460	..	48987
1984	62308	4315	4082	68499
1985	78837	5571	4863	87283
1986	92000	7096	5336	100075
1987	106643	8863	6003	113317

Source: Annual reports of U.B.K.G.B. from 1981-1987.

Purposively we have visited 5 branches of U.B.K.G.B. for collecting their financial and lending position. These branches are Baneswar and Baburhat (Nilkuthi) of Cooch Behar block-II and Maruganj, Chilakana and Baxirhat of Tufanganj block-I & II. We found that most of the branches have tried their best for lending to priority sectors. The lending position (27) of the branch Baneswar is given in table 7.5

(a) Baneswar branch (opened on 31.3.1980) Cooch Behar Block-II

Loan sanctioned in different years
(Amount in '000)

Table - 7.5

Year	Total Loan san- ctioned.	Loan to priority sector (Rs. in '000)				
		Agricul- ture.	Transport	SSI & Cottage Industry.	Self em- ployment	Others
1980	149	27	70	..	19	33
1981	424	108	191	..	28	97
1982	1145	525	525	..	43	52
1983	1698	854	788	..	36	20
1984	1939	927	933	..	45	34
1985	2104	891	1101	..	22	90
1986	2205	867	1197	..	22	117
1987	2196	763	1280	..	22	131
1988	2080	687	1207	..	21	165

Source: Manager of Baneswar Branch, U.B.K.G.B.

The table 7.5 shows that most of the loans were distributed to transport sector. The agricultural sector also got a substantial amount of loan. Total loan sanctioned by this branch showed a steady rise over the years i.e. from 1980 to 1986. Subsequently, in the year 1987 and in 1988 total loan sanctioned decreased. According to the opinion of the Manager of the branch, poor repayment of loan by the borrowers is responsible for this declining tendency.

(b) Baburhat (Nilkuthi) Branch (opened on 28.2.83) Cooch Behar Block - II.

The branch also lent most of its loan to priority sector. Moreover, this branch sanctioned the bulk of the total loan for the small retail traders. The statement of loan in table 7.6 will speak for itself.

Table - 7.6

Loan sanctioned to different years

(Amount in '000)

Year	Total Loan san- ctioned	Loans to priority sectors (Rs. in '000)				
		Agricul- ture	Trans- port	SSI & Cott- age indus- try.	Self Employ- ment.	Retail trade.
1983	1241.30	80.20	33.50	..	35.70	1091.90
1984	2178.60	81.90	111.30	1.50	28.30	1955.60
1985	1948.60	50.10	42.10	0.50	..	1855.90
1986	481.00	66.00	..	82.0	133.0	281.0
1987	850.0	77.0	1.0	60.0	10.0	702.0
1988	851.0	131.0	12.0	92.0	41.0	575.0

Source: Manager of Baburhat (Nilkuthi), U.B.K.G.B.

All of the agricultural loans of the branch were sanctioned to marginal and small farmers. Big and other farmers did not get any loan from this branch. Table (7.7) shows the picture.

Table - 7.7
Loan to Agriculture (Rs. in '000)

Type of farmers	1983	1984	1985	1986	1987	1988
Marginal farmers	80.20	81.90	50.10	66.0	77.0	131.0
Small farmers						
Big farmers	..	..	..	..	..	..
Other farmers	..	..	..	..	..	..
Total loan to agriculture.	80.20	81.90	50.10	66.0	77.0	131.00

(C) Maruganj branch (Opened on 29.6.81), situated at Tufanganj
Block-I.

Most of the loans of this branch were sanctioned to agriculture and other services within priority sector. Table 7.8 will show the picture.

Table-7.8

Loan sanctioned in different years

(Rs. in thousands)

Year	Total loan sanctioned	Loan to priority sectors (Rs. in '000)				
		Agricul- ture.	Trans- port	SSI & cottage industry	Self employ- ment.	Others
1981	169	60	..	20	39	50
1982	910	268	20	70	188	364
1983	587	272	2	..	93	220
1984	514	272	2	9	134	97
1985	495	294	..	2	44	155
1986	648	249	2	..	32	365
1987	395	180	..	..	35	180
1988	264	52	..	..	5	207

(Upto June)

Source: Manager Muruganj Branch, U.B.K.G.B.

Most of the loans of this branch were distributed among the small, big and marginal farmers. But one interesting point of this branch is that loans sanctioned to big farmers are higher to marginal farmers. Other farmers received no loan from this bank. This is an exceptional branch.

Table - 7.9

Loan to Agriculture

Types of farmers.	1981	1982	1983	1984	1985	1986	1987
Marginal Farmers	15	40	40	40	35	35	30
Small Farmers	25	168	182	180	199	149	110
Big Farmers	20	60	50	52	60	65	40
Other Farmers	..	..	..	..	..	..	..
Total loan to Agriculture.	60	268	272	272	294	249	180

(d) Chilakana branch (opened on 8.7.80) : Tufanganj Block - I

This branch almost lent most of its loan to priority sector. The branch sanctioned the bulk of the total loan for agriculture.

Table - 7.10

Loan sanctioned in different years

(Amount in '000)

Year	Total Loan sancti- oned.	Loan to priority sectors (Rs. in '000)				
		Agricul- ture.	Trans- port	SSI & cottage industry	Self employ- ment.	Others.
1980	630	210	5	20	20	375
1981	850	360	10	30	10	440
1982	1020	570	25	20	10	395
1983	1739	1158	..	128	..	453
1984	330	147	..	20	..	163
1985	241	137	..	29	..	75
1986	245	78	1	13	..	153
1987	858	318	..	69	..	471
1988	702	341	..	213	..	148

Source : Manager, Chilakana Branch, U.B.K.G.B.

This branch also distributed most of its agricultural loan to marginal and small farmers. Big farmers could not receive any loan from the bank.

Table - 7.11

Loan sanctioned to Agriculture

(Rs. in thousand)

Types of Farmers	1980	1981	1982	1983	1984	1985	1986	1987	1988
M.F.	100	210	320	650	60	60	40	150	200
S.F.	110	150	250	508	87	77	38	168	141
Big Farmer	..	..	..	..	..	..	..	..	..
Total loan to Agriculture.	210	360	570	1158	147	137	78	318	341

(e) Baxirhat Branch (opened on 17.9.79) Tufanganj Block-I

It is one of the oldest branches of U.B.K.G.B..

Total loan sanctioned by this branch shows an increasing trend. The volume of business of this branch is good. The recovery position of this branch is also satisfactory. Within the priority sector, loan sanctioned to different sectors is satisfactory. Table 7.12 shows the picture.

Table - 7.12

Loan sanctioned in different years.

(Amount in thousand)

Year	Total loan sancti- oned.	Loan sanctioned to priority sectors (Amt. in Rs.'000)				
		Agricul- ture.	Trans- port.	SSI & cottage industry	Self employ- ment.	Misc.
1979	434	434	-	..	..	..
1980	500	200	50	25	200	25
1981	1175	550	54	125	410	36
1982	1710	805	70	190	600	45
1983	2275	1075	82	210	805	103
1984	3190	1350	90	250	1200	300
1985	3820	1850	140	300	1230	300
1986	5105	1960	145	350	1850	800
1987	6824	2064	149	425	3100	1086
1988	9110	3125	150	600	3700	1535

Source: Manager Baxirhat branch, U.B.K.G.B.

A total picture of priority sector advance of different banks of Cooch Behar district is shown in table 7.13.

Table - 7.13

Bankwise priority sector advance in Cooch Behar District as on
31.12.1987

(Amount in lacs)

District	Name of the Bank	Total Advance	Priority sector advance	% of Priority sector advance to total advance
Cooch Behar	Central Bank of India.	1619.42	1268.58	78.33%
	Bank of India	16.24	15.62	96.18%
	United Bank of India	171.13	141.06	82.42%
	United Industrial Bank Ltd.	47.83	15.60	32.61%
	Allahabad Bank	89.91	85.87	95.50%
	Bank of Baroda	79.27	60.92	76.85%
	UCO Bank	97.29	67.86	69.75%
	State Bank of India	789.90	743.45	99.13%
	Uttar Banga Kshetriya Gramin Bank.	847.93	832.49	98.17%
Total		3758.92	3231.45	85.96%

Source: District credit plan 1988-90, Cooch Behar district, Central Bank of India.

The above table shows that Bankwise priority sector advance is highly satisfactory in case of State Bank of India,

Uttarbanga Kshetriya Gramin Bank, Bank of India and Allahabad Bank in the district Cooch Behar.

S U M M A R Y

Before nationalisation, Commercial banks did not take up the challenge of playing the catalyst in speeding up the pace of development. It was because they remained basically commercial in nature, operating more or less as financers than as agents of change. After nationalisation, in the matter of deployment of bank credit to the development needs of the economy, based on the recommendations of different committees, various schemes of lending have been introduced and targets for advances to priority sectors and different sub-groups particularly the weaker sectors, have been introduced. Thus commercial banks, with multiple objectives, are helping the priority sectors, i.e. the assetless poor of the rural economy. Cooch Behar region is no exception to this attempt.

The performance of U.B.K.G.B. in regard to priority sector advance is highly satisfactory. As national object was to attain by March, 1985 a level of 40% of total lending to priority sector advances, while this figure for the bank was 98.09% (an average percentage share of priority sector advance to total advance for the period 1980-87). Another good feature is

observed in respect of share of agriculture within priority sector in case of total priority sector advances. The average percentage share of agriculture within the priority sector advance for the period (1980-87) was 44.9% which was also higher than National target of 40%.

However, the performance of different banking institutions regarding the priority sector advance in the district Cooch Behar is unequal. Bankwise, priority sector advance is highly satisfactory in case of State Bank of India, Uttarbanga Kshetriya Gramin Bank and Allahabad Bank (as shown in table 7.13).

The important ingredients of poverty and the need of assetless poor are the important criteria for commercial banks to reach the priority sector. But commercial banks are facing serious bottlenecks to serve them satisfactorily. The bottlenecks are increasing unemployment and chronic poverty among the poor, increasing gap in income and living conditions of rich and poor, lack of proper infrastructural facilities, lack of organised marketing system in rural areas, absence of organisation of the vast masses and the rural poor, educational backwardness, under-utilised local resources, lack of development and application of village technology and non-existence of centralised administrative machinery etc.

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