CHAPTER - IX

Problem of Laon Repayment in Cooch Behar Region.

Introduction:

In recent times, the poor performance of loan repayment or high level of overdue has been a great cause of concern to the rural credit institutional agencies. Poor recovery performance of credit institutions constitutes the major factor inhibiting expansion of their coverage and lending on the one hand and impedes the progress of these institutions on account of their ineligibility to draw fresh finance from the refinancing agencies on the other. Thus, overdues have the effect of choking the credit channels. Rural credit institutions of our study area (Cooch Behar) are not of its exception. Most of the rural credit institutional agencies are plagued with the problem of non-recovery of credit extended. To study the problem of loan repayment in-depth and to arrive at any generalisation, the chapter has been divided into two sections viz., Section-I and Section-II. In Section-I, we have studied the recovery performances of different rural branches of Nationalised Commercial Banks, Uttarbanga Kshetriya Gramin Bank (a regional rural bank), Co-operative Banks and Agricultural Development Branch of State Bank of India, so far at Macro-level. In Section - II, we have studied the repayment performance at micro-level-consisting of field survey or sample survey.

Section - I

(a) Recovery of loans of different banks with special reference to Cooch Behar District.

The Commercial Banks are facing a deteriorating condition of repayment of loans. This is, because Commercial Banks did not have a uniform basis for computation of demand and recoveries. We have visited different rural branches of nationalised commercial banks and Uttarbanga Kshetriya Gramin Bank (a regional bank) and collected different data on the repayment of loans from the respective branch managers.

The table 9.1 shows that recovery position of the branches of Uttarbanga Kshetriya Gramin Bank is slightly better than that of branches of nationalised commercial banks. This is mainly because borrowing against gold loan by different branches of the U.B.K.G.B. make the borrowers almost bound to repay the loans to the bank. It is also pointed out that the staff of this regional rural bank has relatively a better familiarity with borrowers as well as with the local condition. This may also cause a slight better recovery.

Table - 9.1

Recovery position of different banks.

Name of the Bank	Name of the Branch.		1980	1981	1982	1983	1984	1985	1986	1987	1988
UBKGB	Baneswar	M.F.	48%	51%	55%	47%	46%	42%	40%	38%	33%
		S.F.	49%	50%	53%	50%	49%	42%	38%	35%	30%
UBKGB	Nilkuthi	M.F.	..	..	..	80%	81%	50%	66%	77%	..
		S.F.									
UBKGB	Chilakaha	M.F.	50%	45%	60%	65%	45%	50%	25%	45%	15%
		S.F.	70%	60%	65%	75%	35%	54%	20%	40%	20%
UBKGB	Maruganj	M.F.	..	60%	30%	30%	30%	20%	15%	12%	10%
		S.F.									
UBKGB	Baxirhat	M.F.	25%	27%	23%	20%	21%	22%	20%	21%	22%
		S.F.	10%	12%	11%	9%	7%	8%	7%	8%	9%
SBI	Gosanimari	M.F.	..	..	..	..	25%	24%	26%	21%	19%
		S.F.									
SBI	Balarampur	M.F.	..	..	..	20%	22%	26%	25%	32%	34%
		S.F.	..	..	..	25%	24%	20%	20%	23%	22%
CBI	Dewanhat	M.F.	..	..	..	..	..	23%	24%	21%	..
		S.F.									
CBI	Pundibari	M.F.	..	..	..	..	..	17%	11%	10%	..
		S.F.									
CBI	Tufanganj	M.F.	..	..	..	..	..	23%	17%	23%	..
		S.F.									
CBI	Sahebganj	M.F.	..	..	..	..	..	14%	10%	9%	..
		S.F.									

Source : Manager of respective rural bank branches.

Note: M.F. = Marginal Farmer.
S.F. = Small Farmer.
UBKGB = Uttarbanga Kshetriya Gramin Bank.
SBI = State Bank of India.
CBI = Central Bank of India.

Regarding repayment of loans we met 16 branch managers of different nationalised Commercial Banks and Uttarbanga Kshetriya Gramin Bank of Cooch Behar district and asked their opinion on low repayment position of some of the banks. We placed various reasons of low repayment and asked the actual reason of that particular bank. Only two managers (manager of Gosanimari branch of State Bank of India and manager of Sahebganj branch of Central Bank of India) mentioned the high rate of interest, 10 managers mentioned lack of banking mind as causes of poor repayment, 8 managers mentioned the cause of general poverty and dishonesty while 9 managers were of the opinion of political influence as a cause of low repayment.

The Managers of Chilakaha, Maruganj, Nilkuthi(Baburhat) and Baneswar of Uttarbanga Kshetriya Gramin Bank pointed out the following reasons responsible for poor recovery:-

I). Acute staff shortage in almost all rural branches - specially field staff.

II). Lack of banking habits among the borrowers.

III). Loan spent for unproductive purposes like social ceremonies, consumption, old debt cancellation etc.

IV). Dishonesty, lack of will and decipline among the borrowers.

V). Political pressure on the banks and misguidance to the beneficiaries by the Political leaders.

VI). Improper selection of beneficiaries.

VII). Lack of infrastructural facilities and proper follow - up of end use of credit.

VIII). Lack of training among the field staff of the banks.

IX). Insufficient quantum of loan to the borrowers to create surplus.

X). Untimely loan disbursement to the beneficiaries.(1)

According to the Report of CRAFICARD, appointed by the RBI on March 1979, the Principal reasons for overdues are :-

1) Failure to tie-up lending with development programmes.

II) Defective loaning policies including untimely loan disbursements, under-financing/over-financing and unrealistic scheduling of loan repayment.

III) Neglect of/or absence of efforts for marketing arrangements and linkage or credit recovery with sale of produce.

IV) Ineffective supervision.

V) Misapplication of loans.

VI) Apathy and indifference of management of societies to taking coercive measures for recovery.

VII) Foremost of all, want of a sense of decipline and responsibility among the loanees in regard to prompt repayment of debts while unforseen natural calamities such as drought, floods etc. have contributed in some measure to non-payment of dues, steps taken by State Governments in the name of these calamities have adversely affected the climate for recovery and accelerated the accumulation of overdues.(2)

b) Recovery problems of Co-operative Banks.

As regards to recovery performance of the co-operative banks, the malady is equally grave in case of the commercial and regional bank. The accumulation of overdues threatens to rob the co-operative credit institutions of their refinance abilities. If overdues increase out of proportion, the loanable resources at the disposal of credit institutions would dry up, thereby bring down the speed of agricultural development. The worst effect of this situation can be realised from the fact that the money lenders and traders drive the rural folk living so near to the brink of destitution deeper and deeper into morass of indebtedness.

According to the report on trend and progress of banking in India 1985-86, made by RBI, that the incidence of overdues has been rising at all levels of different financial institutions. In the case of primary agricultural credit societies, the amount of overdues has been continuously increasing and has reached the level of Rs. 1630 crores in 1984-85 from Rs. 1086 crores in 1981-82 and the percentage of overdues to the demand increased from 41.4% in 1980-81 to 42.9% in 1983-84. There is however a slight decline in the percentage of overdues in 1984-85 (42.1%). The amount of overdues in case of State/Central Co-operative Land Development Banks decreased from Rs.291 crores in 1980-81 to Rs. 268 crores in 1984-85. The percentage of their overdue to demand decreased from 43.9% in 1982-83 to 42.8% in 1984-85. The percentage of overdues to demand in case of commercial banks has been much higher than that of co-operatives. The percentage overdue of 47.3% in 1980-81 rose to 47.8% in 1981-82. Again the percentage rose to 48.4% in 1983-84. There is however, a decline in the percentage of overdue in 1984-85 (45.5%).(3)

Cooch Behar Unit of the West Bengal State Co-operative Bank Ltd., is functioning as the Central Co-operative Bank in this range. This bank is the Central institution of primary agricultural credit societies and catering the need of S.T./M.T. credit to the farmers. But the recovery position of this bank is very dissatisfactory.

Table - 9.2

Repayment position of the Unit of the West Bengal State Co-operative Bank Ltd. for the years 1974-75 to 1987-88.

(Amount in lakhs)

Year	Total Demand	Collection	% of Collection	% of overdue.
1975-76	161.47	60.59	37.52%	62.48%
1976-77	264.88	79.42	29.98%	70.02%
1977-78	261.76	35.04	13.38%	86.62%
1978-79	255.07	30.13	11.81%	88.19%
1979-80	264.03	58.07	21.99%	78.01%
1980-81	276.96	19.60	7.07%	92.93%
1981-82	460.91	185.93	40.33%	59.67%
1982-83	315.61	30.43	9.64%	90.36%
1983-84	357.51	41.91	11.72%	88.28%
1984-85	362.29	28.53	7.87%	92.13%
1985-86	349.63	4.49	1.28%	98.72%
1986-87	397.97	20.18	5.07%	94.93%
1987-88	446.86	26.21	5.86%	94.14%

Source - Unit Manager, the West Bengal State Co-operative Bank Ltd., Cooch Behar.

The above table 9.2 indicates that this bank increased loans to agriculture from year to year but percent of collection diminished rapidly and percent of overdues mounted up. It is

worthmentioning here that from the year 1982-83 onwards, the percent of collection had fallen significantly. The highest percentage collection was marked in the year 1981-82 and lowest in 1985-86. On the whole, there is a declining trend of percent collection (recovery). This may be corroborated by fitting a trend equation with the above data. The fitted function is $Y = 15.65 - 2.16t$. It clearly shows that the trend of percent collection is significantly negative for the period of our study. The calculated t value (t^*) for the slope of our equation is -2.91 while the table value of t is 1.79 at 5 percent level of significance for degree of freedom equal to 9. since $|t^*| > t$, the result is statistically significant. It is expected that this pitiful plight of percentage collection would reduce the refinance abilities of the institution in near future and agricultural development of the district.

The RBI's study team on overdues of co-operative credit institutions (1974) had come to the conclusion that defaults were by and large, wilful and that lack of will and decipline among cultivators to repay and the unhelpful attitude of state Governments in creating a favourable climate for recovery were the primary factors responsible for the prevalence of overdues. It had further observed that there was no positive relationship between the level of overdues and the extent and frequency of natural calamities. It, therefore recommended that

state governments should not condone wilful non-repayment and that coercive steps should be instituted for recovery of overdues. Some of its major recommendations were : automatic suppression of managing Committees/Boards of Directors if and when the overdues exceeded a specified level, denial of fresh credit and voting rights to defaulters and their sureties, amendments to the co-operative societies acts empowering the Registrar of Co-operative Societies to issue order suo moto for recovery of co-operative dues as arrears of land revenue and strengthening the government machinery concerned with recovery of dues.(4)

Cooch Behar Primary Land Development Bank has been catering to need of long term credit to the agriculturists. It is seen that it is the only source to provide credit for development objectives for the period of minimum 5 years and upto maximum 9 years (formerly upto 15 years). The bank has been suffering from the chronic disease of non-repayment of loans. The percentage collection of the bank is very poor. The recovery position of this bank is shown in table 9.3.

Table - 9.3

Recovery position of the Primary Land Development Bank of Cooch Behar for the years 1974-75 to 1986-87

Amount in lakhs

Year	Total Demand	Collection	% of collection	% of overdue
1974-75	4.09	2.74	66.50%	33.50%
1975-76	5.81	5.39	92.66%	7.34%
1976-77	13.13	11.23	85.53%	14.47%
1977-78	27.25	15.38	56.44%	43.56%
1978-79	42.34	22.96	51.86%	48.14%
1979-80	65.30	23.90	36.68%	63.32%
1980-81	100.06	19.68	19.67%	80.33%
1981-82	148.77	21.02	14.13%	85.87%
1982-83	195.62	22.62	11.56%	88.44%
1983-84	154.39	20.34	13.17%	86.83%
1984-85	175.25	13.63	7.70%	92.30%
1985-86	204.95	10.51	5.13%	94.87%
1986-87	234.00	16.67	7.12%	92.88%

Source - Office of the Cooch Behar Primary Land Development Bank, Cooch Behar.

The repayment position of this bank showed a downward trend. From the year 1979-80 onwards, there was noticed a rapid decline in percentage collection. Highest percentage collection was noticed in the year 1975-76 and lowest was in 1985-86. On the whole, there is a declining trend in percentage collection of loan. This may be corroborated by fitting a trend equation with the above data. The fitted function is $Y = 36.01 - 7.35t$. It clearly shows that the trend of percentage collection of loan of the bank is signficantly negative for the period of our study. The calculated t value (t^*) for the slope of our equation is -7.65. While the table value of t is 1.79 at 5 percent level of significance for degree of freedom equal to 9. Since $|t| > t$, the result is statistically significant. A large number of causes have been brought against the defaulter loanees.

Several factors have contributed to the rising trend of overdues. The most important of these are 1) faulty loan proposals and lending without an integrated programme.(II) Lack of technical guidance to the loanees (IV) Natural calamities (V) Wilful default. (VI) Unhelpful attitude of some of the state governments.(5)

During our field visits to the Cooch Behar district Primary Land Development Bank it is found that very little has been done to ensure that the investment credit borrowers reap the full benefit /

of their investment on completion of the project through the application of the needed production credit. As LDBs did not always furnish a list of their borrowers to PACS in their jurisdiction, long term loanees were not assured of production credit support as a matter of course. The absence of any operational link between PLDBs branches of SLDBs and short term credit wing has given rise to problems of inability of the co-operative credit system to assess the credit worthiness and credit servicing capacity of its clientele in a complete manner, taking note of the totality of credit support needed by the borrower and the additional income potential expected to be generated by the investment for servicing the loan.

The primary agricultural co-operative credit societies are also providing short-term and medium-term credit to the farmers of the district as a grass-root co-operative credit insitution . The societies are also suffering from the chronic problem of loan overdues. The table 9.4 glimpses on the overdue position of PACs in the district.

Table - 9.4

Loan due by individual and other societies of PACs in the district Cooch Behar for the years 1974-75 to 1985-86.

Rs. in thousand.

Year	1974-75	1975-76	1976-77	1977-78	1978-79
Loan due by Individual and other societies.	7236	10005	175	6094	24536

Year	1979-80	1980-81	1081-82	1982-83	1983-84
Loan due by individual and other societies.	31500	33000	24137	25162	30128

1984-85	1985-86
25441	34738

Source - ARCS office, Cooch Behar.

Loan due by individual and other societies showed a rising tendency over the period. During the year 1974-75 loan due by individual and other societies was Rs. 7236 thousand. It rose to Rs. 34738 thousand in the year 1985-86. So, there had been nearly 5 times increase in the loan due by individual and other societies over the period. This unwarranted increase in the loan due shows that some vital arrangements must be done to secure prompt repayment

of loan so as to mobilise funds more frequently and to make them into the most profitable pursuits.

The following reasons are responsible for the loan due by individual and other societies of PACS:-

1. Indifferent atttitude of the officials to initiate coercive action against the recalcitrant defaulters.

2. Inability to introduce arrangements for linking the recovery of credit with the marketing of produce.

3. Absence of a paid manager in most of the societies who could devote his time to persuade the borrowers to repay their dues by issuing them reminders, notices etc.

4. Lack of will among the borrower-members of the societies.

5. Widespread defaults in repayment of the dues by the managing committee members themselves and therefore inaction on their part for recovery have greatly affected the overall recovery position.

6. Inability of control by the Central co-operative banks over the field staff.

7. Higher political interference over the society members.(6)

C) Recovery performance of Agricultural Development Branch of State Bank of India with special reference to Cooch Behar.

The specialised Agricultural Development Branch/(ADB) of State Bank of India, situated in Khagrabari in the district of Cooch Behar, is providing development finance to the farmers generally on a project basis by preparing programmes of minor irrigation, land development, mechanisation, dairy development in its jurisdiction. The recovery position of the branch is slightly better than other rural bank branches of nationalised commercial banks. The recovery position of the bank is given in table 9.5.

Table - 9.5

Yearly recovery position of direct agricultural advance of Khagrabari ADB (Cooch Behar).

Rs. in '000

Year	Demand		Recovery		% of Recovery	
	ST	TL	ST	TL	ST	TL
1984	4360	3518	1569	822	36%	23%
1985	5541	3818	2398	1262	43%	33%
1986	5805	3890	1949	1146	34%	29%
1987	4016	3717	1590	1029	40%	28%
1988	4063	4617	1086	748	27%	16%

Source - Branch Manager, Khagrabari ADB, Cooch Behar.

Note : ST = Short term Loan (Agriculture)

TL = Term loan (Agriculture)

It is seen from the table 9.5 that recovery percentage in case of short-term agricultural loan is relatively better than term loan on agriculture. The recovery percentage of short term agricultural loan was 36% during 1984, the percentage increased to 43% in 1985 and then reduced to 34% in 1986. During 1987, again the recovery percentage increased to 40% and thenreduced to 27% in 1988. On an average, the percentage of recovery was 36% over the period. On the otherhand, the percentage recovery of term loan from the year 1985 onwards, was gradually declining. On an average, the term loan recovery percentage was 26% over the period.

According to the Report of CRAFICARD, the recovery performance of the specialised branches i.e. Agricultural Development Branches (ADBs) under SBI group is comparatively better; as against recovery of 50% of the demand in the commercial banking system, sample ADBs recovered 68% of demand. Recovery formed more than 60% of demand in 12 ADBs, between 50% and 60% in 3 ADBs and less than 50% in 7 ADBs. The comparatively better performance of ADBs in regard to recovery is attributable to the trained staff and technical support at their command which enabled them to provide supervised credit.

Of the 11 ADBs that had outstanding loans exceeding Rs. 1 crore, the establishment expenses per Rs. 100 of outstanding loans amounted to Rs. 4 or less in the case of 8. All the 8 had earned profits. Of the remaining 3 ADBS of this category, establishment

cost ranged between Rs. 4 and Rs. 5 in two and in third, it amounted to Rs. 9.36 per Rs. 100 of loans outstanding. The latter ADB seemed to be an exceptional case as it operated in difficult terrain. This ADB and one of the former category incurred loss. The remaining 11 ADBs had outstanding loans less than Rs. 1 crore. Six of them incurred losses. The establishment expenses per Rs. 100 of loans outstanding ranged between Rs. 4 and Rs. 5 in four of them, of which 2 earned profits and two incurred losses. In five others, of which three earned profits and two incurred losses, the establishment cost ranged between Rs. 7 and Rs. 8 per Rs. 100 of loan outstanding. Both the remaining ADBs having outstanding loans of less than Rs. 50 lakhs, each incurred losses and the establishment cost per Rs. 100 of outstanding loans ranged between Rs. 7 and Rs. 8. In this context, it is relevant to mention that the SBI has been following what it describes as "liberal transfer rate" policy with regard to ADBs.(7)

Section - II

Sampling design.

For the purpose of our study three-stage random sampling has been adopted, stage - I being the choice of blocks from district, Stage-II being the choice of villages from blocks and Stage - III being choice of borrowing households from villages.

In the first stage 12 blocks of the district have been classified into two categories viz. developed and underdeveloped. Thereafter, one block from each category has been selected randomly. Tufanganj-I and Cooch Behar-II have been selected from developed and underdeveloped category of blocks respectively.

In the second stage four villages, two from each selected block, have been chosen just randomly. The villages were Maradanga and Chhatoa from block Tufanganj-I, Baneswar and Siddheswari from block Cooch Behar-II.

In the third stage a borrowing households' list has been prepared for each selected village. A total of 200 borrowing households (50 in each village) have been selected also randomly.

Finally, relevant information, primary data have been collected from the borrowers through questionnaires and personal interviews.(8) The questionnaire prepared for survey has been given in appendix IXC. The sample unit of our study is shown in (designed in) Table 9.6.

Table - 9.6

The Break-up of Sample Unit.

Selected blocks	Selected villages	Numbering of borrowing households.
1. Tufanganj - I (developed)	1. Maradanga	50
	2. Chhatoa	50
2. Cooch Behar - II (Underdeveloped)	3. Baneswar	50
	4. Siddheswari	50
Total		200

(d) Survey results regarding repayment performance in sample villages.

(i) Distribution of Overdue by Source:

Table - 9.7

Distribution of Overdues by Source.

Source of credit.	No.of borrowing households	Amount of borrowing	No.of household with overdues.	Amt.of overdues Rs.	Col.4 as % of Col.2	Col.5 as % of Col. 3.
Institutional	178 (89.00)	365751 (93.83)	164 (90.10)	237574 (94.63)	92.13	64.95
Non-Institutional	22 (11.00)	24030 (6.17)	18 (9.90)	13480 (5.37)	81.81	56.09
Total	200 (100)	389781 (100)	182 (100)	251054 (100)	91.00	64.40

Source - Data collected from Survey.

Note : Figures in brackets are Percentages.

A close look into the table indicates that only a small number (9.00 percent) of borrowers rapid their loans in full, while a majority (91.00 percent) of them reported overdues. As regards the magnitude of overdues (Judged in terms of amount of loan remaining unpaid), it was considerably large at 64.40 percent of total lending. As far as the distribution of overdues according to source is concerned, the table indicates that a very vast majority (92.13 percent) of institutional borrowers reported overdues. That is, only 6.87 percent of institutional borrowers repaid their borrowings in full. As regards the amount of institutional loan remaining unpaid, it worked out to be 64.95 percent. The position of overdues towards the non institutional agency presents, though not very different from that of the institutional, somewhat better picture because in this case the percentage of amount remaining overdue came to be 56 percent as against 64.95 in case of institutional.

The percentage distribution of borrowers according to percent overdues is presented in table 9.8.

Table - 9.8

Percentage Distribution of Borrowers According to Non-repayment ratios

Percentage overdues to Borrowings.	Percentage of Borrowers with overdues to total Borrowers.
Nil	9
Less than 10	5
10 - 20	6
20 - 30	7

Contd.....

Contd.....Table - 9.8

30 - 40	7
40 - 50	8
50 - 60	9
60 - 70	8
70 - 80	7
80 - 90	6
90 - 100	7
100 & above	21
Total	100 (200)

Source: Data collected from Survey.

The above table 9.8 reveals that 9 percent of borrowers i.e. 18 borrowers have repaid their loan in full. 33 percent borrowers (i.e. 66 borrowers) was found to have not paid upto 49 percent of their loan. 58 percent borrowers (i.e. 116) was found to have not paid 50 to 100 and above percent of their loan. We have taken into consideration for identifying a defaulter, a borrower who was found to have not paid 50 percent of his loan even after the lapse of 2 - 3 years. Out of 200 borrowers, 84 were classified as non-defaulter and 116 as defaulter.

ii) Distribution of overdues by Social Groups.

A close scrutiny of data contained in table 9.9 shows that the borrowers belonging to higher castes/social groups having better education, awareness, social status and contacts with the high-ups in the government have higher overdue amounts to institutional agencies. On the otherhand, borrowers belonging to lower castes viz. the backward classes including scheduled castes having a lower status in the social hierarchy, showed a better repayment performance to institutional agencies. The percentage of amounts remaining overdue to institutional agencies was considerably lower in their case (48.96 as compared to 73.89, 81.90 and 91.12 with Brahmin, Muslim and middle caste respectively). Thus one who earns better repays less and one who earns less repays better. This is because the better-off group of borrowers have good contacts with lending agencies and this good contact acts not only in their better accessibility to credit but also to a considerable extent in covering up their defaulting behaviour towards repayment.

Table - 9.9

Distribution of overdue by Social Groups

Caste/ Social Group.	No. of borrowers			Amount of borrowing (Rs).			No.of Households with Overdues.			Amount of overdue.		
	Institutional	Non-Institutional.	Total	Institutional.	Non-Institutional.	Total	Institutional.	Non-Institutional.	Total	Institutional	Non-Institutional	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
Brahmin	10	2	12	31500	7000	38500	10	2	12	23277	4500	27777
Muslim	8	4	12	23043	6300	29343	8	4	12	18873	4820	23693
Middle-Caste	68	10	78	102080	6950	109030	66	8	74	93023	3514	96537
SC and Backward classes	92	6	98	209128	3780	212908	80	4	84	102401	646	103047
Total	178	22	200	365751	24030	389781	164	18	182	237574	13480	251054

Contd.....

Contd.....Table 9.9

Caste/ Social group	Col. 10 as % of Col. 4	Col. 8 as % of Col. 2	Col. 9 as % of Col. 3	Col.13 as % of Col.7	Col.11 as % of Col.5	Col. 12 as % of Col. 6.
1	14	15	16	17	18	19
Brahmin	100	100	100	72.14	73.89	64.28
Muslim	100	100	100	80.74	81.80	76.50
Middle Caste	94.87	97.05	80	88.54	91.12	50.56
SC & Backward Classes.	85.71	86.95	67	48.39	48.96	17.08
Total	91.00	92.13	81.81	64.40	64.95	56.09

Source: Data collected from Survey.

In order to have a better insight into the behavioural aspect of defaulting borrowers, gathered data from survey were further analysed with regard to the borrowing households' contacts/relations with the lending agencies/officials of the government. The responses from the 200 borrowing households are presented in table 9.10.

Table - 9.10

Borrowers' Scoial Origins and Degree of Relationship with Lending Agencies.

Contacts with the lending Agency and Officials of government.	Borrowers' Social Origin			
	Brahmin	Muslim	Middle Caste	Backward classes including SC.
Very good	8 (66.67)	7 (58.34)	24 (30.77)	10 (10.20)
Good	3 (25.00)	4 (33.33)	38 (48.72)	20 (20.40)
Poor	1 (8.33)	1 (8.33)	16 (20.51)	60 (61.23)
Very Poor	0 (-)	0 (-)	0 (-)	8 (8.17)
Total number of borrowers (200)	12 (100)	12 (100)	78 (100)	98 (100)

Source : Data collected from Survey.

Note: Figures in brackets are Percentages.

The table 9.10 shows that the better-off (social status-wise) borrowers have 'very good' and 'good' contacts/ relations with the lending agencies and other functionaries of government. These relations are used to cover up their defaulting behaviour in repayment of borrowed amount. If we see table 9.10 with table 9.9, we find a close nexus between the degree of relationship with the authorities and the degree of default in repayment.

iii) Distribution of Overdues by Income Level of the Borrower.

Table 9.11 proves that the borrowers belonging to higher income group have high overdues. As the income level rises, the outstandings to institutional agencies also go up i.e. the higher the income of the borrower, the more is the overdues. This close association of income and overdues makes a borrower to be a wilful defaulter. The better-off (in terms of income) group of borrowers has good contacts with the government functionaries and thus they may hold back payments to the institutional agencies.

The first two groups of borrowers with less than Rs. 3500 annual income are covered under schematic lending. The institutional overdue in this class of borrowers is found 52.30 percent of the borrowing. In case of non-institutional borrowing, the overdue of this class of borrowers is 60.55 percent. So,

it is observed that the borrowers belonging to lower income group has higher overdue to non-institutional loan and lower overdue to institutional loan. The higher income groups on the otherhand, display just the opposite behaviour. In their case, overdue to non-institutional loan is lower (57.11 percent) and overdue to institutional loan is higher (72.29 percent).

Table - 9.11

Distribution of Overdues by Income Level of the Borrower.

Income	No. of borrowers			Amount of borrowers(Rs)			No. of borrowers with overdues.			Amount of overdues(Rs)		
	Institutional	Non-Institutional	Total	Institutional	Non-Institutional	Total	Institutional	Non-Institutional	Total	Institutional	Non-Institutional	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
0 - 2000	36	4	40	14115	2250	16365	34	4	38	6776	1645	8421
2001-3500	68	4	72	152115	2600	154715	66	2	68	86099	1248	87347
3501-10,000	32	6	38	63874	5830	69704	28	6	34	45769	3615	49384
10,001-30,000	42	8	50	135647	13350	148997	36	6	42	98930	6972	105902
Total	178	22	200	365751	24030	389781	164	18	182	237574	13480	251054

Contd.....

Contd.....Table-9.11

Income	Col. 10 as % of Col.4	Col.8 as % of Co.2	Col.9 as % of Col.3	Col. 13 as % of Col.7	Col. 11 as % of Co.5	Col. 12 as % of Col.6
1	14	15	16	17	18	19
0 - 2000	95.00	94.44	100.00	51.45	48.00	73.11
2001-3500	94.44	97.05	50.00	56.45	56.60	48.00
3501-10,000	89.47	87.50	100.00	70.84	71.65	62.00
10001-30,000	84.00	85.71	75.00	71.07	72.93	52.22
Total	91.00	92.13	81.81	64.40	64.95	56.09

Source : Data Collected from Survey.

(iv) Overdues and Educational Background of the Borrower.

Educated borrowers comparatively have better awareness about the ways in which borrowed funds can be effectively utilised. In order to see the impact of borrower's education on his repayment behaviour, data collected from survey were tabulated and the results are presented in table 9.12. Table 9.12 shows that education of the borrower plays a significant role in the determining his repayment behaviour. The percentage of overdues to borrowings increases with the increase in the proportion of educated borrowers. This is because the educated borrowers have better contacts and relations with the lending agencies and other functionaries of the government. They utilise their contacts in protecting their defaulting behaviour.

Table - 9.12

Percentage Distribution of Overdues by Education of the Borrowers.

Percentage overdues to Borrowings	Number of Households with Overdues			Number of Heads of the Borrowing Households.	
	Institutional	Non-Institutional	Total	Uneducated	Educated
Nil	14 (7.87)	4 (18.19)	18 (9)	9 (50)	9 (50)
Less than 20	22 (12.35)	- (-)	22 (11)	11 (50)	11 (50)
20 - 40	26 (14.60)	2 (9.09)	28 (14)	13 (46.42)	15 (53.57)
40 - 60	30 (16.87)	4 (18.18)	34 (17)	12 (35.29)	22 (54.70)
60 - 80	24 (13.48)	6 (27.27)	30 (15)	10 (33.33)	20 (56.66)
80 - 100	22 (12.35)	4 (18.18)	26 (13)	10 (38.46)	16 (61.53)
100 and above	40 (22.48)	2 (9.09)	42 (21)	8 (19.04)	34 (80.95)
	178 (100)	22 (100)	200 (100)	73	127

Source : Data Collected from Survey.
Note : Figures in brackets are Percentages.

S U M M A R Y

In recent times, the Banking Institutions are facing a serious problems of poor recovery of loans. The recovery performance of banks has been deteriorating and has achieved a new dimension. This is true to all types of banks (Commercial, Co-operative and Rural). However, the recovery position of the branches of Uttarbanga Kshetriya Gramin Bank (U.B.K.G.B.) is marginally better than that of branches of nationalised commercial banks. Poor recovery performance is now a constraining factor in the way of efficient flow of institutional credit to productive lines.

According to the Report of CRAFICARD, appointed by RBI on March 1979, the principal reasons for overdues are:-

Failure to tie-up lending with development programmes, defective loaning policies, under-financing/over-financing, unrealistic scheduling of loan repayment, neglect of/or absence of efforts for marketing arrangements and linkage or credit recovery with sale of produce, ineffective supervision, misapplication of loans, apathy and indifference of management of societies to taking coercive measures, want of a sense of decipline and responsibility among the loanees in regard to prompt repayment of debts.

As regards to recovery performance of the Co-operative Banks and Primary Land Development Banks, the malady is equally grave as in the case of commercial and regional rural bank.

Table 9.2 shows the recovery position of the Central Co-operative Bank in this range. The recovery position of the bank is very dissatisfactory. On the whole, there is a declining trend of percent collection (recovery). This may be corroborated by fitting a trend equation with the available data of 13 years. The fitted function is $Y = 15.65 - 2.16\ t$. It clearly shows that the trend of percent collection is significantly negative for the period of our study. The calculated t value (t^*) for the slope of our equation is -2.91 while the table value of t is 1.79 at 5 percent level of significance for degree of freedom equal to 9. Since $|t^*| > t$, the result is statistically significant.

Similarly, table 9.3 shows the recovery position of the Primary Land Development Bank of Cooch Behar. The recovery position of this bank is also very dissatisfactory. On the whole, there is found a declining trend in percent collection (recovery) of loan. This may be corroborated by fitting a trend equation with the available data. The fitted function is $Y = 36.01 - 7.35t$. It clearly indicates that the trend of percent collection of loan of the bank is significantly negative

for the period of our study. The calculated t value (t*) for the slope of our equation is -7.65 while the table value of t is 1.79 at 5 percent level of probability for degree of freedom equal to 9. Since $|t^*| > t$, the result is statistically significant. The accumulation of overdue threatens to rob the co-operative credit institutions of their refinance abilities. If overdues increase out of proportion, the loanable resources at the disposal of credit institutions would dry up, thereby bring down the speed of rural development. The worst effect of this situation can be realised from the fact that the money lenders and traders drive the rural folk living so near to the brink of destitution deeper and deeper into the morass of indebtedness.

The RBI's Study Team on overdues of Co-operative credit institutions (1974) had pointed out that the following reasons are responsible for the rising trend of overdues:

Lack of will and discipline among the cultivators, unhelpful attitude of the state governments, faulty loan proposals and lending without an integrated programme, laxity in post credit follow-up and monitoring of end-use, lack of technical guidance to the loanees, natural calamities etc.. Regarding the recovery performance of Primary Agricultural credit societies, the important reasons responsible are:-

indifferent attitude of the officials to initiate coercive action against the recalcitrant defaulters, inability to introduce arrangements for linking the recovery of credit with the marketing of produce, absence of a paid manager in most of the societies who could devote his time to persuade the borrowers to repay their dues, widespread default in repayment of dues by the managing Committee members themselves, inability to control by the Central Co-operative Banks over the field staff, high political influence over the society members etc.

Field survey on repayment of loan gave us interesting results. Table 9.7 indicated that a vast majority (92.13 percent) of institutional borrowers did not repay their loans. The percentage of institutional loan remaining unpaid was 64.95 ~~percent~~ while this percentage to non-institutional agency showed somewhat better picture (56 percent). Regarding percentage distribution of borrowers (both institutional and non-institutional), according to non-repayment ratio, table 9.8 showed that only 9 percent of borrowers repaid their loan in full; 33 percent was found to have not paid loan upto 49 percent; 58 percent was found to have not paid loan 50 to 100 and above percent of loan. A borrower who was found to have not paid 50 percent of his loan even after the lapse of 2-3 years was classified as defaulter . Thus, out of 200 borrowers, 84 were classified as non-defaulter and 116 as defaulters. Further, the

defaulters were sorted out into wilful and non-wilful on the basis of 'family net surplus' available for each respondent and it was found that 68 were wilful defaulters and 48 were non-wilful defaulters.

Field survey on repayment of loan again showed that the borrowers having higher social status, good contats with the lending agency and officials of the government, higher income level and better education have poor repayment performance to institutional agencies. On the other hand, the borrowers having lower social status, poor contacts with the lending agency and official of the government, lower income level and less education showed better repayment performance to institutional agencies (Table 9.9, 9.10, 9.11 and 9.12).

R E F E R E N C E S.

1. Opinion of the Branch Managers of Uttarbanga Kshetriya Gramin Bank, Chilakana Branch, Maruganj Branch, Nilkuthi (Baburhat) Branch and Baneswar Branch. The opinion has been collected during our field survey. (Proforma of the questionnaire has been given in appendix).

2. Report of the CRAFICARD - Published by Dr. H.B. Shivamaggi on behalf of RBI (1981), pp.56-57.

3. Dr. J. P. Singh, Dr. M. L. Chakraborty, H. N. Atibudhi, Rural Banking (Published in 1988 by the Ashish Publishing House, New Delhi-110026), p. 151.

4. Report of the CRAFICARD - Published by Dr. H.B. Shivamaggi on behalf of RBI (1981), pp. 55-56.

5. Ibid., p. 78.

6. Dr. P. L. Joshi, Institutional Financing in India (Published in 1985 by Deep and Deep Publications, New Delhi), p. 115.

7. Report of the CRAFICARD - Published by Dr. H. B. Shivamaggi on behalf of RBI (1981), pp. 156-57.

8. Section - II of the Chapter is mainly based on field survey.