CHAPTER VIII

Problems of Repayment in Malda Region

(a) Recovery of loans of different banks, with special reference to Malda District.

The commercial banks are facing a detoriorating condition of repayment of loans. There is no standardised data on the overdues of agricultural loans of commercial banks. This is because commercial banks do not have a uniform basis for computation of demand and recoveries. On the whole, the picture of recovery is not at all encouraging. We visited different branches of commercial banks and Gour Gramin Banks and collected different data on the repayment of loans from the respective branch managers.

Table 8.1

Repayment Position of different banks.

Name of the Bank	Name of the Branch		Year (as % of collection) 1976	1977	1978	1979	1980	1981	1982
G.G.B.	Pakuahat	M.F.	80%	70%	60%	60%	65%	65%	65%
		S.F.	75%	68%	60%	60%	55%	60%	60%
G.G.B.	Nalagola	M.F.	-	-	-	-	-	5%	51%
		S.F.	-	-	-	-	-	2.4%	49%
G.G.B.	Mothabari	M.F. / S.F.	Combined 47%	41%	45%	51%	66%	58%	62%
G.G.B.	Sujapur	M.F. / S.F.	Combined -	11.7%	157%	70%	32%	46%	68%
G.G.B.	Sershahi	M.F. / S.F.	Combined -	-	-	36%	31%	52%	50%
G.G.B.	Baisnab-nagar	M.F.	23%	51%	27%	33%	43%	19%	23%
		S.F.	38%	18%	38%	37%	31%	22%	8%

Table Contd.

Table 8.1 continued

Name of the Bank	Name of the Branch		Year (as % of collection) 1976	1977	1978	1979	1980	1981	1982
Bank of India	Sattari	M.F. S.F.	Combined -	-	-	-	-	40%	15%
Bank of India	Panchanandapur	M.F. S.F.	Combined -	-	-	-	-	40%	40%
Allahabad Bank	Bahla	M.F. S.F.	- -	- -	- -	- -	- -	13% 9%	Very insignificant.
Do	Golapganj	M.F. S.F.	-	-	-	-	-	Very poor	Very poor
Do	Silampur	M.F. S.F.	Combined -	-	-	-	-	16.7%	81%
Do	Demongola	M.F. S.F.	Combined -	-	-	-	17.4%	46%	45%

M.F. - Marginal farmers
S.F. - Small farmers.
G.G.B. - Gour Gramin Bank.
Source : Managers of the different banks.

Table 8.1 represents that the repayment position of the branches Gour Gramin Bank is slightly better than that of the branches of the commercial banks. This mainly due to the introduction of gold loan in various branches of G.G.B. The borrowers are allowed to borrow a certain amount of money against the security of gold ornaments and the loan is sanctioned in proportion to the security of gold ornaments. In this case, the borrowers are bound to repay the loans. Otherwise, they will not be able to bring back the ornaments.

According to the RBI's Study Team on Overdues of

Co-operative Credit Institutions (1974) and CRAFICARD, the principal reasons for overdues are (i) failure to tie-up lending with development programmes (ii) defective loan 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 of 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 and (vii) foremost of all, want of a sense of discipline and responsibility among the loanees in regard to prompt repayment of debts.[1] While unforeseen 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.

On the question of repayment of loans, we met 15 branch managers of different nationalised commercial banks and Gour Gramin Bank of Malda district and asked their opinion on the low repayment position of the banks. We placed various reasons of low repayment and asked the actual reason of that particular bank. Only one manager (Manager of Panchanandapur Branch of Bank of India) mentioned

the high rate of interest, 4 managers mentioned lack of banking mind as causes of poor repayment, 9 managers mentioned the cause of general poverty and dishonesty while 8 managers were of the opinion of political influence as a cause of low repayment.

The managers of Bahla and Jhaljhalia branches of Allahabad Bank mentioned the following reasons of low repayment :-

(i) Most of the banks are under-staffed, this affects the proper and sincere identification of huge rural borrowers who have peculiar character. Wrong information, lack of decision and lack of experience are also reasons for non-repayment of loans.

(ii) Role of the Panchayats are disappointing in identification of the borrowers and ascertaining the actual need of the borrowers and in repayment of loans,

(iii) Lack of infrastructural facilities for proper follow-up measures,

(iv) Misuse of loans for non-productive purposes, such as consumption, marriage and other social functions etc.

(v) Serious and dangerous cause of low repayment is dishonesty and wilful default. The borrowers willingly avoid repayment and announce their motives to the other borrowers and prevent them from repaying the loans.[2]

Regarding repayment of loans, we made an interview

with 200 borrowers, 50 from village Bahadurpur (Kaliachak I), 50 from village Khanpur (Kaliachak II), 50 from Bamontola (Kaliachak III) and 50 from Rakhalpur (Banongola). Out of 200 borrowers, the repayment position of 100 borrowers was satisfactory, while 100 borrowers (i.e. 50%) have not repayed their loans. Some of the borrowers have repaid not a single paise to the financial institutions. In this respect, the village Bamontola of Kaliachak III tops the list, where the repayment of 80% of the borrowers was unsatisfactory, and most of them were wilful defaulters.

(b) Recovery problem of the Co-operative Banks.

From the period 1970-71, recovery performance of Commercial banks, Co-operative banks and Regional banks shows a deteriorating trend. As on 30th June, 1978 there were 12 million defaulting members of PACS accounting for 53 p.c. of the indebted membership all over India. The overdues increased from Rs. 322.40 crores in 1970-71 to Rs.809.62 crores in 1977-78, consisting of 43.3 per cent and 45 p.c. of the demand and outstanding loans, respectively, at the end of June, 1978. The overdues further rose to Rs.908 crores at the end of June, 1979, forming 45.2 p.c. of the total loans outstanding.

The Malda District Central Co-operative Bank Ltd. which supply agricultural loans to Primary Agricultural

Societies in Malda District, also suffers from poor repayment problem. The repayment position of this bank is shown in the following schedule :-

Table 8.2

Repayment Position of Malda District Central Co-operative Bank Ltd.

(Amount in lakhs of Rupees)

	1975	1976	1977	1978	1979	1980	1981	1982
Total loans to agriculture	54.31	65.35	106.79	168.38	214.37	223.20	216.91	211.13
Amount of collection	32.56	56.28	39.62	88.99	84.99	61.01	106.38	84.61
Percentage of collection	59.95	86.12	83.92	52.85	39.65	23.62	49.04	40.07

Source : Executive Officer, Malda District Central Co-operative Bank Ltd.

The above table indicates that this bank increased loans to agriculture from year to year, but percentage of collected diminished rapidly. That is why, the bank is not interested in increasing its loan, rather it curtails the amount of loan in latter years.

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 discipline 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.[3] It had further been observed

that there was no positive relationship between the level of overdues and the extent and frequency of natural calamities. Some major recommendations were regarding repayment of loan. This relates to automatic supersession 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 orders Suo moto for recovery of Co-operative dues as arrears of land revenue and strengthening of the government machinery concerned with the recovery of dues.

During our visit to the Malda District Central Co-operative Bank Ltd., the Deputy Manager of this Bank made some serious comment on the functioning and weakness of the Bank. According to him, there is a general idea of the borrower-member of the Co-operative societies that the Government would exempt them not only from the interest but also from the actual loan from the Co-operative societies. This attitude had been made more dangerous after the announcement of the West Bengal Government in 1981. The announcement exempted all the Co-operative loans from interest, if the loan was repaid upto 31st December, 1981. Under the circumstances, the borrowers are oversure that Government

would be kind enough to exempt them from their repayment of loans. Different political parties are active in this case and they try their best to force the Government to exempt from their loans. Some political leaders, cheat the people and the Government in the "attempt of the betterment of the rural people" through Co-operative societies.

Malda Co-operative Land Development Bank Ltd. generally gives long-term loans to agriculturists against security. The lands, under possession of the agriculturists, are generally treated as security of loans and in case of non-repayment of loans, the land of the loanee may be used as a weapon of loan-repayment. In such a case also, the repayment position of this bank is not satisfactory, as is shown from the following schedule :-

Table 8.3

Repayment Position of the Malda Co-operative Land Development Bank Ltd.

Year	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
% of collection	70.4	80.3	76.2	77.5	62.33	44.5	28.2	29.2	32.4	46.0

Source : Executive Officer, The Malda Co-operative Land Development Bank Ltd.

The repayment position of this bank showed a downward tendency till 1981 and 1982 showed a break in this

respect. This is due to different measures taken by this bank. A large number of cases have been brought against the defaulter loanees.

Mounting overdues is a major problem confronting the Land Development Banks in many states. The overdues are primarily caused by bad programming of investments, faulty loan appraisals, slackness in post-disbursement follow-up and supervision, lack of sufficient internal control over accounts, inadequacy of staff for recovery work and above all wilful default on the part of the borrowers. Added to these are factors like natural calamities, lack of co-operation and assistance from the state governments in creating a proper recovery climate, political tendencies to render the recovery machinery ineffective at the time of elections to state legislatures, local bodies etc.[4]

Leaving aside such external factors which are outside the control of LDBs, it is necessary to draw attention to one important internal factor within the control of LDBs. During our field visit to the local Malda District Co-operative Land Development Bank Ltd., we noticed that insufficient attempt has been made to ensure that the investment credit can reap the full benefit of their investment on completion of the project through the application of the needed production unit. As LDBs do not always furnish a list of their borrowers to Primary Agricultural Credit Societies in their jurisdiction,

long-term loanees are assured of production credit support as a matter of course.

Poor recoveries have resulted not only in the inability of some of the SLDBs in meeting their sinking fund commitments, but also in curtailing the eligibility of many primary level units to undertake lending to the extent programmed. The high level of overdues, if unchecked, may eventually destabilise the entire long-term credit structure. This calls for sustained, earnest and serious efforts in planning and executing the recovery drive in a concerted manner.

(c) Weakness of the Co-operative Societies.

During our visit to the different Co-operative Societies, we find that the main weakness of the co-operative societies lies in its organisational set up. The Board of Directors are solely responsible for the rise or fall of a co-operative society. In most cases, Co-operative societies have failed due to dishonest behaviour of the secretary and manager of the co-operative societies. They use the fund of the society in their own vested interest and do not like to invest any time for the betterment of the credit position of the members. In most cases, they do not give receipt to the borrowers for their repayment of loans. They use the cash for their self-interest and later on refused that they have

got the money from the borrower. The lack of efficient and honest secretary and Manager is the main cause of the failure of the co-operative societies.

There are numerous example of such failure of co-operative societies in Malda district due to dishonesty of the secretary and managers. The Secretary of the Alomtola Jagatguru Co-operative Society (in Kaliachak II) is one of the dishonest Secretaries who have borrowed a large share from the society but repaid nothing. The same is the case of Utter Lakshmipur Co-operative Society of Kaliachak Block II, where the Secretary and Manager, the father and the son of the same family have received lion's share of the total loan of the society, but repaid nothing. Total outstanding of this society is Rs.1,81,310.00. The Co-operative Society of Ekhorabad Khanpur had been ruined by the former Secretary; but later on, Abdus Salam, has taken the charge as Secretary and has made a drastic effort to revive the society and now the position of the society is best in Kaliachak II Block. Numerous example of the dishonest performance of the Secretaries can be found in Malda district.

The overseers and inspectors of the Co-operative Societies are the next persons who are responsible for the failure of the Co-operative Societies. In many cases, the dishonest supervisors, in consultation with dishonest Secretaries and Managers often satisfy their self-interest

and do not pay heed to the interest of the members of the Co-operative Societies. They, with their friends, seldom go to inspect the societies and behave in a manner which is very similar to go to a picnic party. Sightseeing, good food and other entertainments are their first job and inspection of the society becomes very casual.

It has been mentioned earlier that the one of the major weaknesses of the Co-operative societies are huge amount of the outstanding dues. Practically, the repayment position of 50% of the societies are below 10%. A large number of the co-operative societies have ceased to function due to non-repayment of loans. The financial position of 25 primary Co-operative Societies from Bamongola Block and 25 Co-operative Societies from Kaliachak II and III blocks are given in the appendix.VIII. This will show the tragic position of the Co-operative Societies. In Bamongola Block, Adadanga Samabay Krishi Unnayan Samity (SKUS) had total outstanding of Rs.3,97,737 on 30.6.83. Nabahnagar SKUS had total outstanding of Rs.2,59,920 on the same date. Moreover, other 5 SKUSs had total outstanding of more than one lakh rupees.

The position of Co-operative Credit Societies of Kaliachak III is very pathetic. Bedrabad SKUS of the same Block had total outstanding of Rs.5,22,970 on 30.6.83. In the same Block, three SKUSs had outstanding of more than Rs.2 lakhs and seven other SKUSs more than Rs. 1 lakh on on the same date.

In Kallachak Block II, two SKUSs had total outstanding of Rs.2,66,700.00 and 2,00,679.00 respectively on 30.6.83. Two other SKUSs had outstanding of more than Rupees 1 lakh on the same date.

The above facts and figures show that Co-operative Credit Societies are suffering from the chronic disease of poor recovery.
(The detailed position of defaulting Co-operative societies are given in the Appendix VIII A)

(d) Security for loans

In a majority of cases, crop loans are now secured against personal surety and/or a charge on land created by the borrower in favour of the lending institution. Owner-cultivators and registered tenants may not have any problem in offering the type of security required of them for crop loans. But, in the case of an "oral lessee" or share-cropper whose interests in his cultivated holdings are unidentifiable, the existing arrangements to extend short-term production credit to him, in terms of the guidelines contained in the Reserve Bank's "Manual on Production-Oriented System of Lending for Agriculture" are as follows :-[5]

(i) He should produce solvent sureties who are owners of land or are registered tenants;

(ii) He may be asked to provide collateral tangible

security in the form of gold or silver ornaments sufficient to cover the loan;

(iii) Where even solvent sureties are not forthcoming as guarantors or collateral security as indicated above cannot be provided, he can be advanced loans only in kind, in the form of fertilisers, improved seeds, and other inputs upto an aggregate value of not more than Rs.500 against the surety of another member who may or may not be a landowner or a registered tenant, provided the guarantor is acceptable to the Managing Committee of the Society.

Experiencing various difficulties regarding security of loans, the CRAFICARD considers that, by and large, the problem of "oral tenants" and sharecroppers, is one of land reforms and that PACs can assist these groups purposefully with adequate credit support, only when they are registered as actual tillers of the lands cultivated by them. Action towards this end has to come from the state governments. In this context, the Committee observes that the West Bengal Government has moved to record the names of bargadars in the state under a crash programme launched in 1978.

RBI Guidelines on Security Norms

The Reserve Bank of India, in a letter DRDD No. BP.EC.115/C 453-79, dated 14.8.79 to all scheduled

commercial banks, circulated the following rules for security.[6]

Security norms

Type of credit facility	Loan amount	Security to be furnished
1. Crop loan	(i) Upto Rs.1,000	DPn/loan agreement
	(ii) Rs.1,001 to Rs.5,000	Hypothecation of crops.
	(iii) Over Rs.5,000.	(a)Hypothecation of crops and (b) Mortgage of land * or Third party guarantee.
2. Investment loan :		
(i) Where moveable assets are created out of loan.	(i) Upto the cost of economic unit (where applicable or Rs.5,000 whichever is less)	Hypothecation of assets.
(ii) Where moveable assets are not created out of loan.	Rs.1,000 and over.	Mortgage of land.*

*Mortgage of land at bank's discretion.

(3) Recovery experience from the interview of 300 defaulting borrowers in Malda District.

In an attempt to find out the causes of poor recovery of different banks, we made a field survey in four villages of four blocks out of 15 blocks of Malda District. The villages are Bahadurpur (East and West) of Kaliachak Block I, Khanpur (East and West) of Kaliachak Block II, Bamontola of Kaliachak Block III and Rakhalpukur of

Bamongola Block. An interesting result was obtained from these villages. Village Khanpur of Kaliachak I and Bamontola of Kaliachak III are of opposite character. While 33 persons (out of 50) of Khanpur repaid their loans, 33 persons (out of 50) of Bamontola did not repay their loans. Similarly while only 17 persons (out of 50) of village Bahadurpur repaid their loans, only 17 persons (out of 50) of village Rakhalpukur did not repay their loans.

We received information regarding defaulting cases of different banks and made an interview with each of them to find out the main reasons of non-repayment. The number of persons (defaulting cases) were as follows :-

1.	Village Bahadurpur (Kaliachak I)	- 33
2.	" Khanpur (Kaliachak II)	- 11
3.	" Bamontola (Kaliachak III)	- 39
4.	" Rakhalpukur (Bamongola)	- 17
5.	Malda District Co-operative Land Development Bank	- 10
6.	Gour Gramin Bank, Pakuahat Branch	- 10
7.	Do , Mothabari Branch	- 25
8.	Bank of India, Panchanandapur Branch	- 25
9.	Do , Sattari Branch	- 16
10.	Allahabad Bank, Silampur Branch	- 30
11.	Do , Bablla Branch	- 45
		300

Among these borrowers, few of them stated more than one reason for their non-repayment or poor repayment of loan, but among them, major reasons are more or less clear. On the basis of personal interviews, the following interesting observations were found out.

Table 8.4

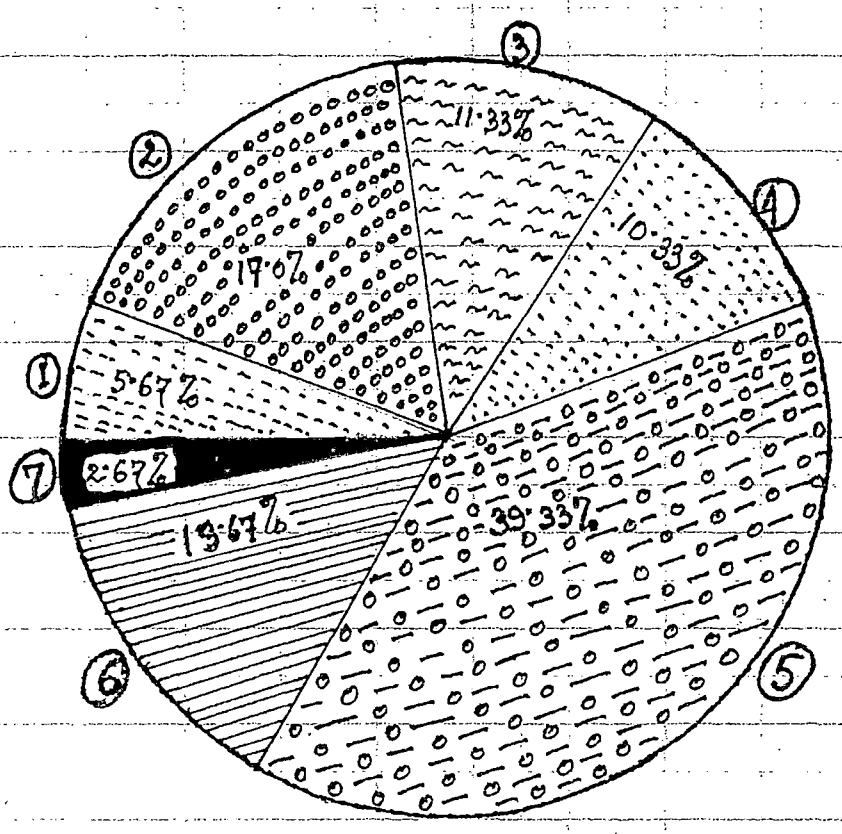
Reasons for default (Major reasons)

Reasons	Number	Percentage
1. High rate of interest	17	5.67
2. General poverty	51	17.00
3. Political influence	34	11.33
4. Expected liberal attitude of the Government	31	10.33
5. Lack of sincerity (Wilful default)	118	39.33
6. Low productivity and the failure of the project	41	13.67
7. Miscellaneous	8	2.67
Total	300	100

The above table shows that the number of wilful defaulters topped the list, 118 cases (39.33%). This indicates how the borrowers were insincere about repayment of loans. However, general poverty is a cause of poor recovery. This is natural in an underdeveloped district like Malda, 51 persons (17%) could not repay their loans due to their poverty. 41 persons (13.67%) could not repay their loans due to low productivity of their lands caused by natural calamities

Figure 8.1

Pie-chart showing the different causes of non-repayment.



1. High rate of interest (5.67%) - 20.4° -
2. General poverty (17.0%) - 61.2° -
3. Political influence (11.33%) - 40.8° -
4. Expected liberal attitude of the Government (10.33%) - 37.2° -
5. Lack of sincerity (39.33%) (Wilful default) - 141.6° -
6. Low productivity and failure of the project (13.67%) - 49.2° -
7. Miscellaneous (2.67%) - 9.6° -

such as food, drought etc. and failure of the project for which the loan was sanctioned. There are so many village political leaders who, influenced others not to repay their loans. About 34 persons (11.33%) who repaid nothing of their bank loan constituted Panchayat Members or village leaders backed by state or district level political leading. Expected liberal attitude of the Government was also one of the causes of poor recovery of banks, specially co-operative societies. A few years earlier, Government of West Bengal exempted the interest of the Co-operative societies and most of the borrowers from co-operative banks (including Land Development Banks) believed that in the coming days, Government would take liberal attitude and exempt their interest and actual loan. High rate of interest is not a very prominent factor in cases of defaulting, because only 17 persons,(5.67%) mentioned the name of high rate of interest as poor repayment. 8 persons (2.67%) reported several interesting causes which we shall discuss elaborately in case studies.

(f) Case Study

Experience of different defaulting borrowers :

Case No.1. Hamid Ali, Vill. Khanpur, P.O.Utter Lakshmipur, Kaliachak Block No.II, Dt. Malda.

This man borrowed Rs.4,560 from Malda Co-operative Land Development Bank on 10.7.77 and from this loan, he purchased a shallow Tubewell which he used for lurigating his

lands and also for hiring to others. By these activities, he increased his productivity and made a huge profit from this investment. Yet he did not repay his loan, total outstanding was about Rs.7,000/- in 1983. Instead of repaying loan, he bought a scooter for merry-making. He was a school-teacher and a solvent man and he had no problem of repaying loans; but he was waiting for Government's circular of exemption.

He was a borrower not from Land Development Bank only, but also from Allahabad Bank of Bahla Branch and local Co-operative society. He borrowed Rs.1,700/- from Bahla Branch of Allahabad Bank. He bought a bullock and repaid Rs.400/- only to the bank. He had also misguided the other loanees of this locality, who borrowed the same amount of money and repaid nothing.

<u>Case No.2.</u> Ahid Ali SK., Vill. Michhutola, P.O. Utter Lakshmipur, Block - Kaliachak II, Malda.

The borrower apparently looked honest, but it is strange enough that he repaid nothing to the Malda District Co-operative Land Development Bank, from where he borrowed Rs.5,500/- on 24.2.78 to buy shallow tube-wells. He was very much astonished when we met him and asked caused of non-repayment of loans. We were also astonished when he

told us that he gave the borrowed money as bribe to a political leader to get a service for his eldest son. That leader cheated the borrower and the borrower, in its turn, cheated the Co-operative Bank. However, the borrower felt ashamed for his inability of repaying the loans.

Case No. 3. Md. Kalimuddin, Vill. Sukurditola, P.O. Uttar Lakshmipur, Block - Kaliachak II, Dt. Malda.

The borrower was a primary school teacher and a shrewd person who know very well how to manage loan from a bank and willfully refused to pay the loan. He along with other three persons of the same village submitted forged clearance certificate from the local Co-operative Society and borrowed Rs.4,000/- each for the purpose of constructing Rearing houses from Dabla Branch of Allahabad Bank on 3.3.82, but repaid nothing. The honourable teacher constructed a brick-built house for his own dwelling and not for silk-worms. He advised other three borrowers to follow him. It is needless to say that others followed their village political leader and repaid nothing.

Case No.4. Gudar Sheikh, Vill. Benutola, P.O.Panchanandapur, Block - Kaliachak II, Dt. Malda.

Panchanandapur Branch of Bank of India is perhaps the pioneer in lending money to the borrowers for water transport. This branch lent 25 boat-men, but according to

the branch manager, repayment had become uncertain. Gudar Sheikh was one of the borrowers who borrowed Rs.1,500/- from this bank in April, 1981, but paid Rs.100/- only. This man was, however, eager to repay loans, but according to him, due to recent clash of Bengalee and Bihari Boatmen at RajMahal Ghat on the issue of sharing of loading stones, his project had failed. These stones were required to gather near Ganga bank for checking its erosion. He requested us and the bank manager not to file a case against him. He promised that he would repay his loan after a good return.

Case No. 6. Moslemuddin Ahmed, Vill. Pataldanga, P.O.Mothabari, Block - Kaliachak II, Dt. Malda.

A borrower may play hundred tricks for getting loans and cheating the bank. Moslemuddin Ahmed is one of the examples of such borrower who received Rs.400/- for Kharif production in the name of Moslemuddin Ahmed and Rs.984/- for sericulture in the name of Kalthu Munshi, his village name from Gour Gramin Bank, Mothabari. It is needless to say that he is black-complexioned and his religious faith had turned him "Munshi" (a religious person in Islam). It is strange enough that such type of religious person repaid nothing to the bank in spite of frequent reminders.

Case No.6. Md. Samsur Rahman, Vill. & P.O.Gangaprasad, Block Kaliachak II, Dt. Malda.

Bank has played an important part in the economic

development of many borrowers, yet, they are so ungrateful that they also cheat the bank and repay nothing. Sansur Rahman and his brothers are such borrowers who borrowed Rs.6,350/- from Gour Gramin Bank, Mothabari branch for buying pumpset and sinking shallow Tubewell on 10.1.79, but repaid nothing. Their total outstanding was more than Rs.10,000/-. They had T.V. sets, schooters and all other luxury goods of modern life. They were political leaders of the village Gangaproged.

Case No.7. Sri Nobendranath Sarkar, Vill. & P.O.Mandadulalpur, Block - Kaliachak III, Dt. Malda.

This person borrowed Rs.4,000/- from Gour Gramin Bank, Baishnabnagar branch on 9.11.76 for installing a reeling Ghani (sericulture). He served his purpose satisfactorily, but his repayment of loan is quite unsatisfactory. He repaid nothing and his total outstanding exceeds Rs.8,000/-. He had been inspired by his fellowmen not to repay loan.

Case No.8. Hosenmat Amina Khetun and Abdul Jabbar, Vill. & P.O. Krishnapur, Kaliachak Block III, Dt. Malda.

The sister and brother of village Krishnapur borrowed Rs.3,732/- on 16.3.76 from Gour Gramin Bank, Baishnabnagar for sericulture. They got 33$\frac{1}{3}$% of the

loan as subsidy, yet, they repaid nothing. I heard on the spot during my visit, that they were backed by political leaders and that is why, they were not interested in repaying the loan.

Case No.9. Saidur Rahman, Vill. Silampur, P.O.Bahadurpur, Block - Kaliachak I, Dist. Malda.

There is a tradition of organising a credit camp on the opening date of a branch and the borrowers generally come from the influential political party. Naturally, they are not interested in repaying loans. Such type of borrower is Saidur Rahman who was given a loan of Rs.1,500/- by Silampur Branch of Allahabad Bank on its opening date (20.1.81). The borrower borrowed money not only from Silampur Branch of Allahabad Bank, but also from the local Co-operative society. In both cases, his repayment was nil.

Case No.10. Benoy, Sudhir and Madhu Barman, Vill.Gournandan Bati, P.O. Pakuahat, Block & P.S. Bamongola, Dt.Malda.

These three brothers borrowed Rs.400/- for purchasing Bullock and Rs.300/- for Aus production on May, 1978 from G.C.B., Pakuahat. Benoy and Madhu alleged that Sudhir himself used the loan for his own purpose and kept a plot of land as security. The three brothers had equal share on that plot of land and now they had separated the land in

three parts. Under the circumstances, according to Benoy and Madhu, only Sudhir should repay the loan. On the other hand, Sudhir alleged his other two brothers that they were not co-operating him in repaying loans. Their total outstanding loan is above Rs.1,200/-.[6]

Case No.11. Manindranath Pramanik, Vill. & P.O.Alipur, Block - Kaliachak I, Dt. Malda.

He was a village artisan, the name of the project was silk-reeling. Total cost of the project was Rs.1,800/-. He borrowed Rs.1,200/- from United Bank of India, Kaliachak Branch and got Rs.600/- as subsidy. The total annual income before loan was only Rs.1,000/-. Bank loan had increased his income to Rs.3,600/- per year, net increment of income being Rs.2,600/-. He himself was satisfied with his project, but made the bank unsatisfied regarding repayment of loan. He was wilfully avoiding the repayment of loan.[7]

Case No.12. Rajendra Lal Ghosh, Vill. Piasbari, P.O. Gour, Block- Englishbazar, Dt. Malda.

The person, a marginal farmer, borrowed Rs.4,788/- from Central Bank of India, Mohdipur Branch to install a shallow tube-well with pumpset in his land. Total cost of the project was Rs.7,800/-. He got subsidy of Rs.2,394/-. His project was successful. Total yearly income was Rs.3,500/-, income after loan was Rs.7,800/-, so net increment of yearly income was Rs.4,300/-. Instead of this increment of income, his total outstanding was

Rs.4,633/-. It was also a case of wilful default and the borrower expected liberal attitude from the Government.[9]

SUMMARY

The financial institutions are facing a deteriorating condition of repayment of loans. This is true to all types of banks (commercial, co-operative and rural). However, the repayment position of the branches of Gour Gramin Bank is slightly better than that of the branches of the nationalised commercial banks. The main causes of overdues are : failure to tie-up lending with development programmes, defective loan policies, neglect of efforts for marketing arrangements, ineffective supervision, misapplication of loans, want of a sense of discipline and responsibility among the loanees in regard to prompt repayment of debts etc.

Recovery position of the Co-operative banks and Land Development banks are also disappointing. Table 8.2 and 8.3 shows that recovery performance of these banks are not at all satisfactory. For the poor recovery position, the banks are not interested in increasing their loans.

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 discipline 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. Poor recoveries have created many financial problems of the banks. The high level of overdues, if unchecked, may eventually destabilise the entire long-term credit structure.

Regarding the weakness of co-operative societies, we are of the opinion that the Board of Directors, the secretary and the manager, the overseers and inspectors etc. of the co-operative societies are responsible for the failure of the co-operative societies. Moreover the huge amount of outstanding dues stands in the way of the improvement of the co-operative societies. To check poor recovery, security for loans should be sufficient.

Field Survey on repayment of loans gave us interesting result on the causes of poor repayment. The result (Table 8.4) shows that about 39.33% borrowers were wilful defaulters. The other causes of poor recovery were :-
general poverty (17%), low productivity and the failure of the project (13.67%), political influence (11.33%), expected liberal attitude of the Government (10.33%), high rate of interest (5.67%) and miscellaneous (2.67%). Experiences of 12 defaulting borrowers with their peculiar attitude and performance have been stated. All these lead us to the conclusion that peculiar psychological and economic factors work behind the cause of poor repayment.

References

1 Report of the CRAFICARD - published by Dr.H.B.Shivamaggi on behalf of R.B.I.(1981),pp.56-57.

2 This report had been collected from the Managers of Babla and Jhaljhalia branches of Allahabad Bank during our Field Survey. (Proforma of questionnaire has been given on Appendix VIII B)

3 Report of the CRAFICARD,p.55.

4 Op.cit.,p.342.

5 Report of the CRAFICARD, p.135.

6 RBI letter DBOD No.BP.BC.115/C 453-79, dated 14.8.1979 to all scheduled commercial banks. Reprinted in the Report of the CRAFICARD,p.169.

7 Experiences of Case no.1 to 10 were collected from Field Study. First of all, a defaulter list was collected from the managers of different banks under Survey and the critical cases were interviewed.

8 D.R.D.A., Malda - "Dinesh Pal O Amora" (Dinesh Pal and we) - a Bengali Review published by D.R.D.A.,Malda in 1984. Case number 12 of this book.

9 Op.cit.,Case Number 5.