CHAPTER VII

PROBLEMS CONFRONTED BOTH BY
RURAL ARTISANS AND INSTITUTIONAL CREDIT AGENCIES

A - On the borrower's side

B - On the institutional side
CHAPTER - VII

PROBLEMS CONFRONTED BOTH BY RURAL ARTISANS AND INSTITUTIONAL CREDIT AGENCIES

The primary objective of this chapter is to highlight the problems encountered by rural artisans in course of their working. Besides, problems came across by institutional financing agencies in course of their lending operations with rural artisans is also ferreted out.

As revealed from the foregoing chapters, rural artisans occupy an important position in promoting the development of village and cottage industries in the state in general and the district in particular. As observed the sample selected artisans belong to both traditional and modern types of village and cottage units. In course of their operation, they have come across with certain problems. These problems are many and varied in nature. An attempt is made in this chapter to analyse these problems.

It is noticed from the analysis made in the previous chapters that there is a good deal of mismatch between the demand for and supply of finance in sample selected artisan units. On account of the prevailing credit gaps, most of the artisans, under force of circumstances, depended upon sources other than institutional to meet the credit needs. Again, it is further observed that even whatever credit was available to the artisans by the institutional financing agencies that is
not fully utilised by the sample artisans. In other words, there is the mismatch between credit supplied to sample artisans for various purposes and utilisation of credit by them for the said purposes. The utilisation gap, though not serious and alarming, yet its presence is a matter of great concern. It is further noticed that the rural artisans had utilised the funds with the good intention of generating more output, income and employment in their trade. However, it is noticed that the impact is not uniformly spread amongst all the artisan units. Out of 10 artisan craft units selected for study, the impact of institutional finance is well felt by only 3 to 4 artisan units. In case of other units the impact is marginal only. It is surprising to notice that in case of two units the impact of institutional finance is negative. It is against this background that problems faced by rural artisans and institutional financing agencies are discussed.

In order to collect information from sample artisans, an opinion survey was made through a questionnaire. The information so collected broadly suggest the nature of problems confronted by sample artisans. At the same time, views of bank officials and other officials in charge of development agencies have also been collected through personal interview method. This rapport with bank officials and other has helped to elicit views regarding the type of problems they come across in course of lending. The discussions made in the following paragraphs broadly exhibit the views as expressd
by rural artisans and the bank officials operating in the district.

The problems faced by rural artisans indicate that these borrowers come across with multiplicity of difficulties in course of their working. The most important problem faced by rural artisans is that, the amount of finance supplied by institutional credit agencies is inadequate and not available in time.

(A) ON THE BORROWER'S SIDE

Inadequate and untimely supply of finance: It is thus noticed that in case of about 85.8 per cent of the artisan borrowers studied, the loan supplied to them is not sufficient to meet their entire credit needs. It is also revealed that nearly 40.1 per cent of the credit amount demanded by the rural artisans have remained unfulfilled. It is again noticed from the field study that not only the supply of finance to the artisan units is less than the amount required, but the amount financed is mostly not given for the purpose for which it is required. It is noticed that almost all the artisans studied requires working capital to operate their trade. Moreover, it was noticed that almost all of them also required consumption loan for the purpose of maintaining their family in time of their actual engagement in work. But it was noticed that financing institutions have only engaged in supplying working capital and term capital. So it is noticed that they are not meeting all the type of credit need of the artisan units.
It is noticed that finance is also not available in time. Artisans also expressed that the financing is not generally given at the peak season of their trade, when they require the financing most. As a result of which they have to depend upon local money lenders who supply cash loan and raw materials loan not only in time but as required by the artisans. In this situation the artisans are being exploited by paying interest at a usurious rate. To maintain the sequence of production, financing from non-institutional sources become a must for the sample artisans. About 90 sample artisan units studied who constitute about 75 per cent of the total has expressed that the loan sanctioned to them is not given at the time of requirement.

Loan policy and credit procedures inflexible and cumbersome:
Not only that the artisan units also face various other problems while borrowing from institutional sources. They face various problems at various stages, starting from submission of application forms to getting the actual loan amount. Being illiterate and ignorant enough in this matter they do not know how to fill up the application forms and to furnish the feasibility report for quick disposal of loan. The loan policy and credit procedures of banks are generally seen to be cumbersome and inflexible. The application form not only contain a number of details, but also it requires to be supported by various documents, collected from various sources. For a rural artisan it is not even possible to obtain
all those documents. Again this is very much time consuming and beyond his capacity to procure those documents. So, it becomes a problem for the artisan units. They have expressed that, borrowing from institutional sources is a tedious job for them. It is noticed from the field study that about 27.0 per cent of the artisans have hold the opinion that, financing from institutional sources is more time consuming and a delayed affair. Though it was noticed that almost all the artisans surveyed have shown a great preference for getting financial help from the institutional sources, yet it was noticed that 17.0 per cent of the sample artisans have still hold the opinion that taking loan from the non-institutional sources is less time consuming and easy to get and is available at the time of necessity.

Higher rate of interest on loans: It is seen that some artisans also face problem due to the high rate of interest charged by credit institutions. Banks generally charge rate of interest at a rate of 12.5 per cent per annum from the rural artisans. However, the artisans financed under DRI scheme are charged at a rate of interest of 4 per cent per annum. But it is true that all the artisans studied are not being financed under the DRI scheme. So artisans are mostly charged with four per cent to 12.5 per cent rate of interest per annum. It is noticed from the field study that about 65 per cent of the artisans units studied have opined that the rate of interest charged is very high and it should be made
low; while only 5 per cent expressed that the rate is not very much high. However, 25 per cent of the artisans studied hold an indifferent opinion about the rates charged by institutional credit agencies. It shows that a major portion of artisan units studied face a problem due to high rate of interest and they state that, it should be made lower. It is further noticed that the sample artisans at times are supplied with block capitals. But the artisans who have received term capital assistance not in cash, but in way of tools and equipment generally put forward a complain about their bad quality.

Delay in the disbursement of loan: Furthermore, the artisans face difficulty due to certain delay in disbursement of loans. It is a matter fo principle that, advancement under $25 thousands, is to be disbursed, within 3 to 4 weeks. But it is revealed from the field study that artisans mostly complain about considerable delay in the sanction of loan and final disbursement. About 75 per cent of the sample artisans studied have faced problem due to this type of delay. However, about 25 per cent of total sample artisans are fully satisfied about the time and process of loan disbursement. The artisans who are financed after a considerable lapse of time, expressed that, they have received the loan after paying so many repeated visits to the financial institutions. Artisans have also expressed that the loan is sanctioned to them after repeated requests and approach to the bank officials. About 23
per cent of the artisans have expressed that they have got the loan amount through middlemen or local head man or pressure group and have paid commissions to them. So a bulk of the artisans hold the opinion that the availability of bank finance take a considerable time. In this situation when the bank is located at a distant place, the problem becomes more greater. Because a repeated visit to bank branch results in loss of work for some days. This is ultimately responsible for reducing income and output in the unit.

Illiteracy and ignorance of Artisan borrowers: Artisans are mostly seen to be illiterate. They are illiterate in the sense that they do not even know the simple alphabets. It is noticed that about 49.1 per cent of the artisans studied have not received any type of education and they do not even able to read and write. Furthermore, about only 26.6 per cent of the artisans studied have got a primary level education. The problem is quite remarkable in case of sample artisans belonging to women category. This has led to improper utilisation of fund in the industrial occupations, poor repayment of dues and inadequate marketing of product etc. They mostly undertake their trade in an unplanned manner and do not reap the desired benefit.

Being illiterate and ignorant the sample rural artisans are not able to know about the various schemes and policies
adopted by different organisations and institutions for purpose of financing and promoting them. It is noticed under field study that about 45.0 per cent of the total sample artisans studied have got even no knowledge about these schemes under implementation at present like IRDP, ERRP and others. Absence of publicity and extension networks in rural centres mainly contribute for this ignorance. Besides these the artisans mostly face difficulty when they do not get sufficient co-operation and help from the banking staff while getting credit from them. Being small borrowers in nature they feel that they do not get that much of co-operation and help from banking institutions. About 42 artisans studied which constitute 35 per cent of the total artisans have faced difficulty of this type. Being illiterate, untrained and ignorant enough about various schemes, they need co-operation and help of banking staff at every stage from filling up of the application form to actual receipt of loan amount.

Absence of Training and guidance: Furthermore, another important problem related to rural artisan units, is the lack of training facility. The artisans are seen to be not only uneducated, but are also untrained. It is noticed that only about 2.5 per cent of the total artisans studied have received training. It reveals that sufficient training facilities are not been given to the sample artisans. Due to which new innovative ideas, and creative outlook have not been properly injected into the artisan sector. Furthermore, it is also
noticed that the training courses and programmes are also not rendering any benefit to the artisans who are undertaking it. It is further seen that the master artisans or craftsmen are mostly given training about certain traditional aspect of the craft which the artisans are well aware of it.

**Raw materials:** The other important problems faced by the rural artisans are the problems related to raw materials, marketing, storage facilities, and power supply etc. However, due to lack of proper financing and lack of proper utilisation of loan the artisans generally face one of the most important problems, like that of lack of adequate supply of raw materials. Artisans generally use locally available raw materials. The raw materials they use are mostly of agro based, marine based, forest based and mineral based in nature. Due to reasons like deforestation and restrictions imposed from time to time by the government the collection of required quantities of raw materials from local areas has become a difficult job for the sample artisans. As for example pottery artisans, do not get adequate quantities of raw materials like soil, fuel and other required materials due to soil erosion and deforestation. So also bamboo basket makers have to face serious problems due to non-availability of bamboos in local areas. Likewise, other artisans units engaged in the trade like stone carving are also facing problems like this. The short supply of red and granite stones has also affected their trade. Other artisans engaged in the trade like
applique, also mostly face problem due to high price rise of raw materials. Due to high cost involved in the price of raw materials, they could not afford to purchase, according to the requirement. In case of beads making artisans, the raw materials are generally available in a particular season, but due to shortage of financing they are not able to purchase the entire quantity required at that harvesting time. It is noticed that about 65 sample artisan units, who constitutes about 83.4 per cent of the total number of artisans units studied, have got some sort of problems regarding collection of raw materials. Among them who faced difficulty of getting raw materials, about 22.4 per cent are facing shortage of raw materials due to non-availability caused by governmental restrictions and policies. And about 40.0 per cent have reported that they are not able to purchase the raw materials due to high price. Furthermore, about 21.0 per cent have got problems due to irregular supply of raw materials from the sources like co-operative societies. The weaving and bell metal artisans are working under industrial co-operative societies. At times the artisans do not get raw materials for full part of the year. Due to any problem in the management of co-operative society or emergency of any problem in the implementing agency like Orissa State Handloom Co-operative Society Ltd., the supply of raw materials is interrupted. Due to which, the artisans remain out of job and face with a reduced income.
To meet these problems coming out of shortage and non-availability of raw materials, the artisans engaged in the trade like bell metal, applique, stone carving and beads making, at times have to depend upon local money lenders, traders and commission agents, for meeting raw materials requirements. The borrowing is made in terms of raw materials and repayment is scheduled to be made in terms of finished products, produced by the artisans. It is seen that under this system, items to be produced and price to be charged and other things are pre-fixed at the time of borrowing. Even if the price is fixed by the agents or middlemen, the latter purchase the entire product at a throw away price on the ground of bad quality, and design. But whatever the case may be, the artisans are seen to be exploited to a great extent.

So it is noticed that artisans face a lot of problems due to shortage of raw materials. The shortage of raw materials experienced by various sample artisans is being discussed in the following table (Table 7.1).

The table 7.1 shows that the artisan units in general face difficulty in generating income, output and employment due to shortage of raw materials. It is noticed that they in general require raw materials up to ₹142.2 lakhs for the whole year. But actually they are receiving raw materials worth of ₹78.8 lakhs. It shows deficit of raw materials worth ₹63.4 lakhs. In percentage term the deficit is upto 44.6 per cent to the total raw materials required.
TABLE 7.1

CRAFTWISE DEMAND FOR AND SUPPLY OF RAW MATERIALS

(Value in ₹.)

<table>
<thead>
<tr>
<th>Category of Artisan Units</th>
<th>Raw materials required per year</th>
<th>Raw materials received per year</th>
<th>Surplus or deficit</th>
<th>% to the total requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Pottery</td>
<td>70,900</td>
<td>35,950</td>
<td>34,950</td>
<td>49.3</td>
</tr>
<tr>
<td>2. Bamboo Works</td>
<td>37,860</td>
<td>20,160</td>
<td>17,700</td>
<td>46.8</td>
</tr>
<tr>
<td>3. Weaving</td>
<td>4,95,840</td>
<td>4,24,320</td>
<td>71,520</td>
<td>14.4</td>
</tr>
<tr>
<td>4. Bell metal</td>
<td>129,24,000</td>
<td>67,30,500</td>
<td>61,93,500</td>
<td>47.9</td>
</tr>
<tr>
<td>5. Stone carving</td>
<td>21,000</td>
<td>21,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6. Applique</td>
<td>8,15,300</td>
<td>5,83,900</td>
<td>2,31,400</td>
<td>28.4</td>
</tr>
<tr>
<td>7. Pattachitra</td>
<td>3,024</td>
<td>3,024</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8. Papier machie</td>
<td>15,060</td>
<td>15,060</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>9. Beads making</td>
<td>1,06,260</td>
<td>42,000</td>
<td>64,260</td>
<td>60.4</td>
</tr>
<tr>
<td>10. Coir works</td>
<td>550</td>
<td>550</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total :-</strong></td>
<td><strong>142,19,794</strong></td>
<td><strong>78,76,464</strong></td>
<td><strong>63,43,330</strong></td>
<td><strong>44.6</strong></td>
</tr>
</tbody>
</table>

Source: Data compiled from the field study.

N.B.: For convenience, demand and supply of raw materials are expressed in value terms.

It is further noticed that artisan units like beads making, bell metal, pottery, bamboo works and applique artisans are not getting their required amount of raw materials. The non-availability of raw materials stood at upto 60.4, 49.3, 47.9, 46.8 an 14.4 per cent in case of above mentioned units respectively. However, the artisan units like that of stone carving, pattachitra, papier machie and coir works face no difficulty in relation to raw materials. As against this all other artisan units face problem due to deficit of raw materials.
Marketing: It is not only that artisans come across a lot of difficulties due to shortage and high cost of raw materials, but also face difficulties in marketing their products. It is noticed that the artisans either market their products by self, through agents and middlemen, to government organisations or through Co-operative Societies. However, it is noticed that the artisans mostly sell their products by their own individual effort in the local markets in the nearby villages, or sometimes in their own houses. The self marketing gives the artisans prospects for a good return, but it involves loss of some days of work. However, they expressed the view that customers are not paying proper price for their product. They opined that the customers are not considering the labour and skill involved in producing that product. This is very much true with the products produced by handicraft artisans. They expressed the view that the price charged by them is rarely accepted by the customers. It is noticed that the artisans who sell their products through government marketing agencies like Orissa State Handicraft Corporation, Khadi and Village Industries Board, Orissa State Handloom Weavers Co-operative Society, and other agencies, also face a problem of similar type. The artisans fail to receive the expected price for their product from these quasi-government bodies. Furthermore, in the situation, when the products are sold through middlemen, commission agents and money lenders, the price received by artisans is considerably much lower. About 32 of the total sample artisans which constitute about 27 per cent
of the total artisans studied, faced problem of selling their product at a unremunerative price. Consequently, this has affected the zeal and enthusiasm of workers in pursuing the trade any more. It is also noticed that at times the problem of deficit in raw materials is very much linked with that of marketing. Artisans at times take raw material loan from local traders and land lords. The condition is to repay the loan not in cash but through finished products produced by the artisan. Due to which the artisan do not get the remunerative price. It was noticed from the study that applique and bell metal artisans face problem of this type.

Inadequate Storage Facilities: While undertaking their trade the artisans also face certain setback due to lack of proper storage facility, which is very much required to store up the raw materials and the finished products. Artisans carry out almost all their industrial work in their own house premises, which is mostly of very small in size. In case when raw materials are collected in large quantity and productions are made in large bulk, the house premises of the artisans do not accommodate the entire quantity and the stock. It is noticed that nearly 18 per cent of the artisans studied have expressed the problem of storage facilities. The problem is mostly experienced by the artisan units engaged in this trade like stone carving, and pottery. In case of pottery, processing of earthen utensils requires a wide space and moreover a kiln is required to make their earthen products burned. It is
observed that every artisan is not having a kiln of his own. So he is forced to share a common bhati or kiln. Most of the times the artisans have to wait for other co-artisans, to use a kiln together. Besides due to lack of required space, pottery work is mostly stopped in the rainy season and this ultimately led to a fall in the production of pottery items. The artisans like weavers also require not only a large space, to manufacture their products, but require a fire proof space to store up raw materials and finished products. As against this the artisans are mostly found living in traditional thatched houses. It is noticed that 18.0 per cent of the artisan units face the problem of pursuing their trade due to lack of proper storage facilities.

Absence of use of Power: Absence of electricity in sample villages is one of the important hurdles. Most of the artisans, accordingly, prefer to work in the day time only. In the night most of the artisans do not work regularly. In the peak season when there is greater demand and the artisans are required to work day and night to meet the part of demand, most of them fail to meet the challenge due to absence of power or electricity. The artisans also need to switchover from traditional machines and tools to power driven appliances. This is particularly, more important for handloom artisans. Accordingly adequate supply of power is the need of the hour.

Inadequate supply of skilled labour: In the matter of employment generation the artisans also face certain problems.
It is noticed that the artisans who want to employ more hired labourers in their trade, do not get them easily. It is a fact that the artisan units like bell metal, stone carving and pattachitra face a lot of difficulties in engaging hired labours in their trade. The reason is mostly attributed to the fact that, labour in these trades mean a skilled labour in the field. As the trade is mostly confined within a particular caste; which is very much limited in that location, the artisans interested in employing hired labour face a lot of problems. Again in case they are available, they demand high wages which the artisans are not able to meet from his available resources.

Improper definition of Artisan Class: Overlapping of definition of artisan class often put the artisans in difficult position. It is noticed that some artisans are included both under Khadi & Village Industries and Handicraft category. As for example the cane and bamboo artisan units are included under both the above mentioned categories. It leads to either double financing or at time no financing, at all. At times these artisans, are not clear enough about their actual status and the agencies to which they are linked. Consequently, they fail to procure desired amount of finance to pursue their trade.

Furthermore, the artisans face a lot of trouble due to functioning of so many financial and promotional agencies in the field. Being illiterate and ignorant they do not really know about the functioning of these agencies. It is noticed
from the field study that the artisans are mostly unaware about their presence and their functioning.

(B) ON THE INSTITUTIONAL SIDE

It is not that the artisan units only face certain problems while undertaking their trade, and procuring financing from the financial institutions, but the institutions engaged in financing these units, also face certain problems.

The most important problem faced by these institutions is that the artisans, do not come forward by themselves for procuring finance. As they are mostly unaware about the schemes and lending policies and procedures followed by institutional financing agencies, their participation in the process of lending operation is marginal only.

Lack of implementation of rural development programmes: On the institutional front the most important problem from which the banks suffer is the inadequate administrative machinery for implementing effectively the rural development projects. Investments are mostly undertaken in the villages towards the rural artisans, without creating the other supporting arrangements. The banks feel that their duty is mostly over with the advancement of loans only. But supply of loan is also required to be linked with other facilities available in the area for the artisans units for which the financing is made. Otherwise financing made for the benefit of artisans is likely
to be leaked out to other better off borrowers in the locality. This puts a greater burden on the success of the schemes or programmes meant for the artisans. But the fact is that the institutional financing agencies who supply credit do not get inter sectoral linkages and coordination in decision making process and monitoring of activities. Due to which corrective measures are not being adopted and the sickness and failures among the schemes are not being checked. The problems becomes more greater due to the fact that the institutions, organisations, agencies and boards functioning in the field are quite a large in number. There is no co-ordination and co-operation among these institutions.

Unscientific scale of finance: Another problem faced by the institutional financing agencies is about the scale of financing which is adopted for supplying credit to the rural artisans. It is noticed that the scale of financing and the method of financing to them is seen to be quite faulty and inadequate. The method which take the anticipated production into consideration, is again confronted with a number of difficulties. Moreover, the operating cycle method which take into consideration, the time period beginning from purchasing of raw materials to the selling of finished goods and realising of cash, is again very difficult to calculate accurately on the part of the financing agencies. Artisan units do not go step by step. So fixation of a lead time for an artisan unit, is very difficult to estimate.
Lack of proper identification of borrower: The steps leading to identification of an appropriate borrower are also not devoid of difficulties. Moreover, verification from Government and institutional records is also both time consuming and expensive. So lack of proper identification of this potential beneficiaries put a serious problem in the matter of financing the borrowers. But it is realised from the field study that, identification of artisans is often handicapped by lack of intimate knowledge of the areas, people and their problems etc. Moreover, the decision of financing is often affected by political influence, resulting in lopsided flow of funds. It is also noticed that banks are mostly interested to finance, under certain popularly known activities. This type of lending led to the concentration of financial assistance among the influencial borrowes, of good economic background. At present, identification is mostly undertaken by DRDA and block officials with the assistance of village level workers. Banks are rarely associated in the process of identification. As a result, it is noticed that viable rural artisans with good economic background are found identified as eligible borrowers to procure institutional loan meant for weaker section artisans.

Demerit of target oriented credit: It is reported by the bank officials that there is a rush of applications to the banks at the fag end of the financial year. This causes a problem for the bankers. Again this irregular flow of applications causes
improper assessment of credit. Furthermore, the application form contains a number of cumbersome details and it requires the artisan borrowers, to submit various documents collected from different authorities. However, in most of the cases the artisans without procuring proper documents from concerned agencies and no dues certificates from lending agencies submit the application forms at the time of the closure of the financial year with the hope of getting loan sanctioned quickly, puts the lending agencies in a tight corner. The desire to meet the targets set for lending a particular scheme often leads to misdirection of credit in wrong channels. This is the cause of wrong portfolio choice and inefficiency in banking system.

Lack of rural orientation of bank staff: It is noticed in the course of field study that, the financing to the rural artisans have increased both in quantities and dimension. The management of bank credit has thus called for an increased business expertise by the staff working in rural credit institutions. But it is noticed that the banking staff mostly originated from the urban areas. They generally got their education and training in towns and urban areas. So they do not fit into the rural circumstances where they are posted. This leads to a situation of ineffectiveness in field operation. It affects field supervision and managerial efficiency. Furthermore, supervision and follow up action
becomes impossible in the case of rural artisans living in remote rural centres.

Field Supervision and follow up action: The objective of institutional credit is the proper use of credit for the purpose for which it is given. Mere sanction of loan is not sufficient. It is necessary to make use of the credit effectively and properly left to the borrower artisans, the sanctioned may not likely to be utilised purposefully in different uses. There is, therefore, the need for assessing the end use of credit. For this, supervision and follow up action by bank staff is essential. This has two important merits. First, this encourages borrowers to earn a surplus for repaying the loan received from institutional credit agencies. This will encourage recycling of funds in the banking system. Secondly, the artisan borrowers will be more sincere and attentive to use credit purposefully to generate higher output, income and employment in the trade in which they are engaged. This will reduce misutilisation and unnecessary diversion of credit to unproductive channels. This responsibility is mostly shouldered by the field staff working in the bank. For this, the field staff enjoy certain facilities in the form of vehicle advance, conveyance allowance and extra requisites etc. However, it is noticed that except in commercial banks, in co-operative banks and Regional Rural banks field personnels are conspicuous by absence. Even in commercial banks, except in some big rural
branches, the field staff are non-existent in other branches. Wherever there are field staff, again, they do not discharge the responsibilities properly. As a result of this, the borrowers are not properly monitored and directed for efficient use of credit. This is responsible for improper use of credit in most cases.

Extension and Guidance: Closely following the issue of follow up and supervision is the problem of extension and guidance. It is noticed that sample artisans are rarely provided with extension and guidance facilities. They are essential in the sense they encourage borrowers to receive adequate information relating to various aspects of trade like sources of availability of raw material, cost of inputs, types of finance, non-credit facilities like marketing, storage and training, availability of subsidies and other benefits, and information relating to type and source of upgraded technology etc. In the absence of extension and guidance artisan borrowers mostly rely upon their common sense and advice of others. The problem appears to be critical because institutional credit agencies do not have credit information cells in the rural branches. These cells are more frequently seen, on the other hand, in urban centres.

Poor recovery of loan: Bad recovery of loan is perhaps the most important problem confronted by the credit agencies. It is required that the loan sanctioned to the borrowers, must be
recovered and recycled. If it does not happen the ability of the credit institutions to create credit is seriously interrupted. It is observed from the field study that most of the artisans studied have not repaid the loan properly. It is noticed that 65.5 per cent of the loan financed to the artisans units are not being repaid. The bad recovery position faced by the financial institutions is revealed from Table 7.2.

### TABLE 7.2

**SOURCEWISE DISTRIBUTION OF AMOUNT OVERDUES, 1989**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount demanded</th>
<th>Amount repaid</th>
<th>Balance unrecovered</th>
<th>Col.4 as % to Col.2</th>
<th>Overdue outstanding as % to Col.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Co-operative Bank</td>
<td>103,750</td>
<td>45,375</td>
<td>58,375</td>
<td>86.3</td>
<td>15,210</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>14.7</td>
</tr>
<tr>
<td>2. Commercial Bank</td>
<td>113,400</td>
<td>27,595</td>
<td>85,805</td>
<td>75.7</td>
<td>14,520</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12.8</td>
</tr>
<tr>
<td>3. Regional Rural Bank</td>
<td>200,600</td>
<td>70,954</td>
<td>129,646</td>
<td>64.6</td>
<td>22,066</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11.0</td>
</tr>
<tr>
<td>Total:</td>
<td>417,750</td>
<td>143,924</td>
<td>273,824</td>
<td>65.5</td>
<td>51,796</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>14.4</td>
</tr>
</tbody>
</table>

Source: Data compiled as per Institutional Financing Agencies.

The table 7.2 shows that a significant portion of loan advanced to the artisans have remained unpaid. It is noticed that the artisans have received 4.18 lakhs of loan from institutional sources of which they have repaid about 1.4 lakhs of loan. In percentage term, it
stood at 34.5 per cent over the total demand outstanding. As a result, an amount of ₹2.8 lakhs is still lying outstanding with the artisan borrowers. In other words, 65.5 per cent of the total demand for loan still remaining outstanding with the borrowers. Bad recovery position is mostly due to faulty lending policies and procedure adopted by the bank. However, various reasons are expressed by the artisans in course of field study. It is noticed that about 24.0 per cent of the artisans' units expressed that due to shortage of sufficient surplus at their hand, they are not able to repay the loan. Furthermore, due to seasonal unemployment and underemployment caused on account of shortage of raw materials and marketing facilities, the artisans do not undertake the trade in a successful manner and do not earn more to pay for the loans. They opined that they do not get sufficient resources even to maintain their own family. Due to lack of employment and low standard of living, they have no alternative except to remain as defaulters. About 70 per cent of the artisans surveyed reported this type of problem existing out of unemployment. Furthermore, it is also noticed that 20 per cent of the artisan units who have not repaid the loan hope that the loan amount will be waived in future with the change in party in power. They are mostly influenced by the exemption policy adopted by the Central Government in recent past. Even if they are having a profit and earning a surplus, they are not in a mood to undertake the repayment. However, 10 per cent of the
Artisans are not intended to repay although they feel the economic necessity of repayment. They are the willful defaulters. Due to deliberate negligence on their part the loan amount is not repaid. The sample study shows that about 14.4 per cent of the total loan outstanding has remained as overdue which is mainly caused by defaulters among the borrowers.

These are the major drawbacks being faced by the financial institutions and the artisans units functioning in the district.

Accordingly, urgent steps are called upon to remove the obstacles so as to improve the performance of institutional credit agencies and artisan borrowers pursuing different types of crafts.

**SUMMARY**

While undertaking their trade the artisan borrowers face certain problems. The important problems faced by these artisans borrowers in the district are inadequate and untimely supply of credit, inflexible loan policies and cumbersome procedure, lack of adequate supply of raw materials and marketing facilities, absence of storage facilities for stocking raw materials, semi-finished products, absence of field supervision and follow up action, lack of extension and guidance facilities, inability of the lending agencies to meet the full requirement of credit staff in banks etc.
As against these problems faced by the artisan borrowers, lending agencies too come across with certain problems. These problems include, illiteracy and ignorance of the borrowers, low credit worthiness, lack of training, improper identification of beneficiaries, delay in the release of subsidy of government, poor recovery of loan, influence of politicians and middlemen, unwillingness of bank staff to serve in the rural centres and lack of co-operation among credit agencies etc.