

Rural Credit Market Imperfections in Drought Prone Bolangir District in Orissa: Some Critical Issues and Policy Options

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The paper analyzes the nature of contractual arrangements, interlinkages and imperfections observed in the rural credit market today in drought prone Bolangir district in western Orissa. It examines the differential access of different farmer categories to formal and informal sources of credit, their purpose of borrowing and mode of credit utilization. It tries to trace out the different types of impediments faced by the farmers in availing credit from institutional sources and suggests some innovative measures to improve their access to credit. The study reveals that the benefits of credit reforms hardly reached the target group. The poorest of the poor still approach the village moneylenders and traders for credit. Though majority of loans were originally sanctioned for cultivation and other productive purposes, significant diversion occurred towards current consumption. Cumbersome and time consuming banking procedure, failure to supply credit at the time of need and rigid collateral requirement are the major hindrances causing poor access to formal credit institutions. The crop loss due to natural calamities and the unproductive utilization of borrowed funds resulted in rising default rate and delayed loan repayments. The study concludes that keeping in view the local socio-economic and ecological conditions, the rural credit policy needs to be revamped to make the rural credit market more efficient and responsive to the needs of the local population in the drought prone region.

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