

42 Agrarian Services Committees in Anuradhapura District 2023

1. Audit Opinion

The audit of the financial statements of the 42 Agrarian Service Committees in Anuradhapura District for the year ended 31 December 2023 comprising the statements of financial position as at 31 December 2023 and the statements of financial performance, cash flow statements for the year then ended and notes to the financial statements, including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018 and Section 58(1) of the Agrarian Development Act, No. 46 of 2000. My comments and observations which I consider should be report to Parliament appear in this report.

In the 42 audit reports issued in relation to 42 Agrarian Service Committees in Anuradhapura district, a qualified opinion has been expressed for 41 Committees and the opinion of one Committee has been disclaimed and material deficiencies that had been caused to these are shown below.

1.1 Financial Statements

1.1.1 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
(a) 04 non-current assets, chopping machines / compost shredders machines , 8000 trays received for 12 planters, amounting to Rs.23,790 received by 41 Agrarian Service Committees, and the value of the television set received in the year 2023 had not been identified and accounted for in the year under review too.	That the value of the machine will be taken from district office and accounted.	The value of machinery and equipment owned by the Agrarian Service Committee should be identified and accounted for.
(b) 09 committees had under-accounted fixed deposit interest income amounting to Rs.674,587 in the financial performance statement in respect of the year under review.	That will be corrected	Fixed deposit interest income should be properly accounted for.

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| (c) | In 04 Agrarian Service Committees, a stock of expired vegetable seeds and phosphate fertilizers totaling Rs.182,688 was shown under current assets, so the current assets were overstated by that amount. | That the corrective action will be taken. | Stock values should be correctly identified and accounted for. |
| (d) | In 07 Agrarian Service Committees, total non-current assets amounting to Rs.2,254,693 had been under-taken to the statement of financial position. | That will be corrected. | Non-current assets should be properly accounted for in the financial statements. |
| (e) | In relation to the year under review, Farmers Bank Dividends receivable amounting to Rs.622,065 of 03 Committees had not been shown as income in the financial performance statements and as an asset receivable in the statements of financial position. | That the farmer's bank dividends will be accounted in the future. | All income and expenses related to the year should be taken in to the financial statements, and current assets should also be accurately stated in the statement of financial position. |
| (f) | In 07 Committees, the total amount paid for software was Rs.156,786 due to accounting as an expense related to the year, the surplus of the year was understated by that amount. | That will be corrected. | Capital expenses and recurrent expenses should be properly identified and accounted for. |
| (g) | The surplus and current assets were understated by showing the fertilizer usage expenses of Rs.363,635 to be reimbursed by the Agrarian Development District Office of 03 Agrarian Service Committees as expenses in the financial statements. | That will be corrected. | As these expenses are reimbursed by the Agricultural Development District Office, they should be recognized in the statement of financial position as current assets. |
| (h) | As the annual depreciation allocation of 02 Agrarian Service Committees totaled Rs.1,943,286 state under current liabilities, the current liabilities were overstated by that amount. | That will be corrected. | Assets and liabilities should be accurately identified and accounted. |

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| (i) | The expenditure of Rs.194,205 incurred by Adiagala Agrarian Bank for accounting software in the year under review was not accounted as a capital expenditure and the said amount was written off to the accumulated fund. | That will be corrected. | Capital expenditure should be properly accounted. |
| (j) | Although the accumulated fund of the Negampaha Agrarian Service Committee in the year under review was Rs.19,388,271, the total net assets of the year under review had been understated due to the fact that it did not match the statement of financial position. | No comments received. | The accumulated fund balance should be reconciled in the statement of financial position. |
| (k) | Although the bank interest income of Padavi Parakramapura Agrarian Service Committee for the year under review was Rs.1,927,440, in the financial performance statement it had been over-accounted by Rs.596,501 as Rs.2,523,941. | That will be corrected. | Bank interest income should be correctly identified and accounted. |
| (l) | The stock balance value of subsidized fertilizers urea and M.O.P of Rs.2,017,341 and Rs.4,091,962 respectively in Pemaduwa Agrarian Service Committee had not been in the Statement of the Financial Position. Due to that current assets were understated by that amount. | That will be corrected. | Stock values should be taken into financial position statement. |
| (m) | The amount paid and settled for the tractor premium money and water level gauge installation expenses of Rs. 245,000 by the Kallanchiya Agrarian Service Committee in the year under review as shown in the statement of financial position, current liabilities had been overstated by that amount. | That will be corrected in the future. | Arrangements should be made to preparation of financial statements after correct updating of ledger accounts. |

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| (n) | Rs.400,000 of installments of tractors and agricultural implements payable by Muriyakadawala Agrarian Service Committee had been stated under non-current liabilities without settlement. | The tractor has been auctioned for Rs.475,000 but till now the responsibility has not been released and the remaining amount has not been handed over to the committee. | Non-current liabilities should be properly identified and accounted for. |
| (o) | Although the fixed deposit interest income of Kabithigollewa Agrarian Committee for the year under review was Rs.3,017,966, the profit for the year under review had been overstated by Rs.1,630,979 by accounting for it in the financial statements as Rs.4,648,945. | No comments received. | Interest income on fixed deposits should be properly accounted for. |
| (p) | Capital expenditure of Rs.1,948,765 incurred by 02 Agrarian Service Committees during the year under review had been accounted as recurring expenditure in the year under review. | It happened by mistake. | Capital and Recurrent expenses should be accurately identified and accounted for. |
| (q) | The profit of the reviewed year was over-accounted by Rs. 153,676 due to not correctly calculating the gross profit related to the fertilizers of Kabithigollewa Agrarian Service Committee. | It happened by mistake. That the arrangements will be made to correct. | The gross profit related to sales should be calculated accurately. |
| (r) | During the year under review, Kabithigollewa Agrarian Service Committee had repaired the entrance gate to the fertilizer store at a cost of Rs.161,484, but that value had not been accounted for. | No comments received. | The relevant repair cost should be recognized correctly in the financial statements. |
| (s) | According to the Commercial Fertilizer Trading Account prepared for the current year of the Gambirigaswewa Agrarian Service Committee, the overpriced fertilizer final stock of Rs.3,926,242 had not | That will be corrected. | Closing inventory balances should be recognized correctly in the statements of financial position. |

been stated in the statement of financial position.

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| (t) | Although the accounts should be settled before the end of the year, 03 outstanding account balances worth Rs.641,090 of the Ranorawa Agrarian Service Committee had not been settled by 31 December 2023. | That the advice of the Deputy Commissioner of Agricultural Development will be taken. | Suspense account balances should be settled during the year. |
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1.1.2 Un-reconciled Control Accounts or Reports

Audit Observations	Comments of the Management	Recommendation
(a) A balance of Rs.441,509 had not been included in the stock verification report in relation to 03 fertilizer items in the statement of financial position of 03 Agrarian Service Committees.	I will be corrected it in the future.	Arrangements should be made to correct the mismatches.
(b) There was a discrepancy of Rs.314,444 between the value of dividend payable by the bank in 02 Agrarian Service Committees and the 2 Financial Statements of Farmers Bank according to the books of the committee and the dividend received by Farmers Bank.	I will be tried to correct.	Arrangements should be made to correct the mismatches.
(c) There was a discrepancy of Rs.928,000 between the sales revenue and the trade account sales revenue as per the ledger account of the higher price fertilizer sales of the Eppawala Agrarian Service Committee.	I would like to inform you that it has been corrected.	The correct balance should be identified and adjustments made to the accounts.
(d) In the financial statements of the Palagala Agrarian Service Committee, there was Rs.1,488,800 as the balance due from the Adialaga Agrarian Service Center and the Farmer's Bank, but there was a discrepancy of Rs.1,488,800 as the balance was not	An internal audit has been conducted in this regard and after its completion necessary further adjustments may be made.	Mismatches should be corrected.

shown in the financial statements of the Adialaga Agrarian Service Committee.

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| (e) | There was a difference of Rs.645,084 in 04 items between the quantitative wholesale account and the trade account in the financial statements of the Padaviparakramapura Agrarian Service Committee. | I will be corrected it in the future. | Mismatches should be corrected. |
| (f) | According to the trade account presented for subsidized fertilizer in the financial statement of the Attakada Agrarian Service Committee, there was a discrepancy of Rs.2,690,939 between the value of the subsidized fertilizer stock on the last day of the previous year and the value of the starting stock of the year 2023. | That will be corrected. | Mismatches should be corrected. |

1.1.3 Lack of Written Evidence for Audit

Audit Observations	Comments of the Management	Recommendation
Due to the non-availability of fixed assets register, confirmation letters of ownership, stock register, balance confirmation letters and age analysis for the 05 non-current assets subjects of Rs.17,819,896, 25 current assets subjects of Rs.143,877,199, 02 non-current liabilities subject of Rs.2,359,992 and 22 current liabilities subject of Rs.96,728,127 stated in the financial statements relevant to the 28 agrarian services, they could not be satisfactorily verified in the audit.	That these deficiencies have been corrected in the year 2024 accounting reports and instructions have been given to include notes, reports, documents etc. necessary to present the information correctly.	Arrangements should be made to submit relevant evidence to verify the balance of assets and liabilities.

1.1.4 Non-compliances with Laws, Rules, Regulations and Management Decisions etc.

Instances of non-compliance with the following laws, rules and regulations were observed.

Reference to Laws, Rules and regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) Section 14(3) of Agrarian Development Act, No. 46 of 2000	The land owner's inheritance money of Rs.1,295,922 deposited in the committee to be paid to the land owners of the disputed fields of the Shravastipura Agrarian Service Committee had been kept in the committee fund for many years.	That will be corrected	Provisions of the act should be followed.
(b) Section 53(1) of Agrarian Development Act, No. 46 of 2000	An agro-industrial program related to the 2023 crop seasons of 03 Agrarian Service Committees was not submitted for audit.	That will be corrected	Provisions of the act should be followed.
(c) Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
i. Financial Regulation 110	18 Agrarian Service Committees had not maintained a register of damages and losses.	That will be corrected	Financial Regulations should be followed.
ii. Financial Regulation 156 (5)	Instances were observed changes were made using erasing liquids where the ledger, daily cash receipt register, daily cash payment register, stock books, cash book were of 08 Agrarian Service Committees.	That will be corrected	- do -
iii. Financial Regulation 264	For the payment vouchers of Rs.206,056 and Rs.34,000	That will be corrected	- do -

respectively paid by 02 Agrarian Service Committees during the year under review, there was no signature of the contributor that the amount mentioned in the voucher was received or any written proof of payment was made with the voucher.

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| iv. Financial Regulation 316 | Although all government money should be kept in a safe place such as a safe, a safe box, a safe room, but the money of 09 Agrarian Service Committees was not kept in such a safe place. | That will be corrected | Financial Regulation should be followed. |
| v. Financial Regulation 342(5) | In 03 Agrarian Service Committees, it was observed that the used receipt books had been re-issued without taking them back. | That will be corrected | - do - |
| vi. Financial Regulation 454 (2) | There was no record of electrical equipment in 02 Agrarian Service Committees. | Kornwewa - A register of electrical equipment is maintained and it will be updated.
Parangiyawadiya - Not answered. | - do - |
- (d) Treasury Circulars
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| Paragraph 21.2 of the circular No. 107 dated 16 October 1981 | Although the Executive Secretary should check the stock books at least once in a fortnight and be satisfied that the facts therein are correct and sign the stock books, 15 committees had not performed the monitoring activities accordingly. | That will be corrected | - do - |
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- (e) Circulars of the Commissioner General of the Agrarian Development
- Paragraph 01 of the circular No. 264 dated 21 October 1986
- As of 31 December of the year under review, due to non-payment of room rent in 12 Committees, an outstanding balance of Rs.894,329 had to be recovered.
- That will be corrected
- Financial Regulations should be followed.
- (f) State Finance circular No. 05/2016 dated 21 March 2016
- By 26 April 2024, 05 Agrarian Service Committees had not conducted the Board of survey and submitted the reports to the Auditor General.
- Palagala - Although the board of survey has not been carried out, Common 44 and Common 66 forms have been completed.
- Padawi Parakramapura and Gambiriswewa Agrarian Service Committees - That will be corrected.
- (g) Agrarian Development Department circular No. 12/2018 (Edited)
- 02 committees had made a payment of Rs.804,202 and Rs.4,610,262 to Commercial Fertilizer Company without the approval of the Deputy Assistant Commissioner of Agrarian Development.
- Palagala - The payment was submitted for approval but approval not received.
- Thanthirimae - That a new voucher will be submitted for approval as the approved voucher is missing.

2. Financial Review Financial Results

The total operating result of the 42 Agrarian Service Committees of Anuradhapura District for the year under review was a surplus of Rs.61,641,523 and correspondingly that, surplus of the previous year was Rs.24,029,369. In the year under review, the total financial result of 41 agrarian banks was a surplus of Rs.20,166,421 and one bank had a deficit of Rs.21,291.

Correspondingly that, the surplus of the previous year was Rs.19,977,580. The growth in financial results was mainly due to increase in committee fertilizer income and fixed deposit interest income.

3. Operating Review

3.1 Management Inefficiencies

Audit Observations	Comments of the Management	Recommendation
(a) 31 Agrarian Service Committees had not taken over the land where Agricultural Service Centers are located to the Department of Agricultural Development.	That the necessary arrangements are being made to take over the ownership of the lands.	Arrangements should be made to take over the legal ownership of the lands.
(b) 2636 liters of organic liquid fertilizer, 810 kg of bio-liquid fertilizer, 1797 liters of bio-liquid fertilizer, 650 kg of special fertilizer, 1200 kg of organic fertilizer and a stock of liquid fertilizer valued at Rs.37,050 , 1290 packets of organic fertilizers whose value is not mentioned, 02 types of organic liquid fertilizers worth Rs.37,050 in 06 Agrarian Service Committees had not been used properly before expiry.	Since the farmers did not get this fertilizer, the company has been informed that it is left in the relevant warehouse and that the company has been informed to accept back to the company.	Arrangements should be made to use before expiration.
(c) The fingerprint machines of 03 Agricultural Service Committees had been put out of use due to inactive, and no repairs had been made.	That the inactive fingerprint machine will be repaired	Inactive fingerprint machines should be repaired as soon as possible.
(d) It was observed that 7050kg of fertilizer (ERP) given to the Kahatagasdigiliya Agrarian Service Committee, an uncalculated amount of organic fertilizer/organic liquid fertilizer were being idled in the committee's warehouse since several years.	That the 81 bundles of 50kg of ERP fertilizers have been referred to approval for removal due to expiry and that the organic fertilizers, organic liquid fertilizers will be removed due to expiry.	Arrangements should be made to use fertilizers before they expire.
(e) The amount of Rs.100,000 to be paid for the installation of water level	That will be settled in this year.	Arrangements should be made to settle the

meters of the Kapugollewa Agrarian Service Committee had not been settled by the end of the year under review.

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| (f) | <p>Except from the inclusion in the accounts of Rs.680,000 and Rs.336,000 received respectively as deposit money by Shravastipura and Alayayapattu Agrarian Service Committee for removing silt from one lake in the jurisdiction, other provisions of the Commissioner General of Agricultural Development's Circular No. 05/2021 dated 12 May 2021 for granting permission to remove silt from minor irrigation tanks were not implemented.</p> | <p>The committee will arrange to receive the relevant amount as a profit and That in the future, the money received for the removal of sludge will be handled in the correct contractual manner
Elayapaththuwa - That the necessary steps will be taken as per circular instructions.</p> | <p>Circulars should be followed.</p> |
| (g) | <p>In 2012, the Anuradhapura High Court had ordered that an amount of Rs.1,025,642 should be paid in loan installments of Rs. 30,000 each, which should have been charged from a loan given to a private institution by the Shravastipura Agrarian Development Committee for the purchase of paddy in the 2005/2006 season, no information was submitted to the audit that the money was collected.</p> | <p>That the relevant loan amount will be recovered.</p> | <p>Quick action should be taken to recover the loan amount.</p> |
| (h) | <p>Although the Agrarian Service Committee should try to reduce fallow fields as much as possible in the agrarian service area, There were about 101.1 acres of fallow fields within the jurisdiction of 02 Agrarian Service Committees.</p> | <p>That the causes of fallow fields will be investigated and those fallow fields will be harvested in the future.</p> | <p>Actions should be made to minimize the amount of fallow fields as much as possible.</p> |

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| (i) | The stock deficiency value of Rs.327,110 which should be recovered from a former regional officer of Kallanchiya Agrarian Service Center and the stock deficiency of Rs.77,995 which has existed for many time in 02 Agrarian Service Centers had not been recovered in the year under review too. | I will fix it in the future. | Necessary steps should be taken promptly to recover the stock deficiency value. |
| (j) | Cash deficiency in hand of Rs.1,265,740 identified in 03 Agrarian Service Committees, investigations had not been conducted and recovered as per the Financial Regulations. | The department has conducted an audit in this regard. | As per the financial regulations, preliminary investigations should be conducted promptly. |
| (k) | 67 bundles of 50kg of ERP fertilizer had been received to the Muriyakadawala Agrarian Service Center on 12 January 2022 for free distribution to farmers related to organic fertilizer program and the same stock of fertilizer remained in the warehouse as on 07 February 2024, which was the date of audit. | That this amount of fertilizer will be distributed to the farmers. | Necessary steps should be taken to distribute fertilizers to farmers. |
| (l) | According to the Financial Regulation 104(a) investigation conducted in 2013 related to the Mihintale Agrarian Service Center, out of the amount of Rs.2,858,551 to be collected from two officers, a further amount of Rs.1,958,551 was to be collected on 31 October 2023. | Although the concerned persons have been informed to pay the money, since the money cannot be recovered, they will act on the instructions of the head office. | Necessary steps should be taken to recover the relevant amount promptly. |
| (m) | Due to the crediting of a cheque worth Rs.450,000 from the fertilizer investment account to a private fixed account on 12 August 2011 by a former regional development officer of Muriyakadawala Agrarian Service Center, an amount of Rs.928,684 with the related interest of Rs.478,684 was to be recovered. | That the legal actions have taken to recover that amount. | Arrangements should be made to recover the relevant money through the legal action. |

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| (n) | In the new stock book that was prepared after the old stock book of Palugaswewa Agrarian Service Committee went missing, the opening balance on 16 January 2023 did not deal with the short stock of 5998 kg of urea with a sales value of Rs.1,199,600 | Comments not received. | Stock records of the Agrarian Service Commission should be kept safe and stock records should be regularly updated. Also, the causes of shortages should be identified through a formal investigation. |
| (o) | The amount of Rs.736,800 which should have been recovered from a former agricultural research and production assistant officer of the Yakalla Agrariaan Service Center for getting higher price fertilizer to the center in the 2014/15 season was not recovered in the year under review. | That the Financial Regulation 104 investigation is underway currently. | Arrangements should be made to recover outstanding balances promptly. |

3.2 Operating Inefficiencies

Audit Observations	Comments of the Management	Recommendation
(a) 53 accounts receivable worth Rs.26,344,644 and 55 accounts payable balances totaling Rs.13,018,377 that remain unsettled for a long period of time were not settled in 16 Agrarian Service Committees even in the year under review,	That these balances will be settled on the advice of the Deputy Commissioner of Agricultural Development	Arrangements should be made to settle the respective loan balances.
(b) In the year 2019, the 28 water level gauges given to the Kabithigollewa and Medawachchiya Agrarian Service Committee by the Department of Agricultural Development remained in the warehouse premises without being fixed or delivered to the farmers' organizations by the date of audit, 10 May 2024.	I will be settled it in the future.	Steps should be taken to settle the outstanding balance.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observations	Comments of the Management	Recommendation
(a) Compost shredder machine / compost chopper machine had been received by 39 Agrarian Service Committees in the year 2021 remained idle.	That the center does not have a tractor required to operate the compost shredder machine / compost chopper machine.	Arrangements should be made to fully utilize the assets.
(b) The plant stalls and organic fertilizer houses owned by 04 agrarian service centers had been idle for several years.	That in the future arrangements will be made to use that stall for another purpose.	- do -
(c) 04 seedling planting machines and 8000 Rice Seeding Trays that were received at Ratmalgahava Agrarian Service Centers on 09 March 2022 remained unused and idle.	These machines have not been used so far due to farmers' reluctance to use them.	- do -
(d) Under the Climate Smart Irrigation Agriculture Project, 02 paddy cutting machines, 04 weeding machines, 05 paddy planting machines and 02 paddy cutting machines had been received for 02 agrarian service committees remained idle.	That the District Agricultural Development Department has been informed in writing to inform that these machines are not suitable for this area and to give the relevant machines to another center.	- do -
(e) In the year 2021, the Helabojun shop, which was built by the Agricultural Development District Office at a cost of Rs.2,202,965 in the Parakramapura Agrarian Service Committee, remained idle as it did not make use of it.	A fence is being built around Hela Bojunhala and separation work is being done, and it is planned to complete the work and start operations in the next few months.	- do -
(f) 02 ground scales, 04 hand tractors, 03 planters and 04 harvesting machines in 03 Agrarian Service Committees remained idle for many years.	That it will be used in the future.	Arrangements should be made to fully utilize the assets.

- (g) Under the SAAP project, a parking garage had been constructed at the Alayapattu Agrarian Service Center site, but the related project had become inactive due to the absence of any vehicle in the custody of the Agrarian Service Committee. That the equipment will be given by the relevant Project in the future, so building is set up to park the equipment. A formal evaluation should be done and the need of the projects should be identified.

4 Agrarian Banks

Audit Observations	Comments of the Management	Recommendation
(a) During the period from 01 January to 31 December 2023, among the 282 domains related to 17 Agrarian Service Committees, 115 domains had not issued any cultivation loans and project loans had not been issued by the 244 domains.	That they are working to correct it and Agricultural Research & Production Assistant officers are informed and people say that the loans given are not enough	Officers should be act to achieve the objectives of the organization.
(b) Although it is the responsibility of the Assistant Agricultural Research and Production Officer in charge of the domains to form small groups in the domains and actively involve them with the Agrarian Bank, out of a total of 100,071 farm families in 24 Agrarian Committee jurisdictions, the number of small groups associated with agrarian banks was the least at 3360.	That the arrangements will be made to grow the quantity of the accounts of small group.	Agricultural Research and Production Assistant Officers should be work to establish small groups in the domain and actively involve them with the Agrarian Bank.
(c) It was observed that the amount of Rs.1,085,264 recovered by the court in relation to the court cases in the Magistrate's Court in 2004 and 2007 for the recovery of member loans of 05 Agricultural Banks had not been taken back to the Agrarian Bank by the date of audit.	No answers provided.	Arrangements should be made to get the relevant money from the court.

- (d) A total of Rs.6,945,000 loans were issued in relation to 117 incomplete loan applications of 06 farmer banks. That will be corrected in the future. Disbursement of loans should be done in a formal manner.
- (e) As of 31 December 2023, an amount of Rs.6,071,541 was to be recovered from 130 farmers from the special maize loans had been issued by 04 agrarian banks in the years 2015/2016, 2019/2020 and 2020/2021. These debtors have been referred to the Agrarian Tribunal. Arrangements should be made to recover the arrears promptly.
- (f) A loan balance of Rs.480,722 out of Rs.500,000 Sara Lanka project loan given in the year 2017 by Gambirigaswewa Agrarian Bank had not been recovered by 31 December 2023. That the arrangements will be made to recover the loans. - do -
- (g) A total of Rs.3,514,673 arrears had to be recovered from 69 farmers related to the issuance of agrarian loans, rice harvesting loans, and enterprise loans of 03 agrarian banks. That an appropriate program will be prepared. - do -
- (h) Out of the loans issued by 08 agrarian banks to the farmers, the amount of loans that had not been recovered as of 31 December 2023 was Rs.12,543,678. Agrarian tribunals and courts have been referred for recovery of overdue arrears. - do -
- (i) Although the total number of farming families in Saliyapura Agrarian Committee area is around 3870, out of which only 2041 farmer families are involved in farmer banking activities and the farmers' bank had failed to attract 1829 or 47 percent of the farmers' families for further farmers' banking activities.. In the future, I will take necessary measures to contact the farmer families who have not joined the Farmers Bank. Formal steps should be taken to expand banking activities.