

## **Chapter IV**

# **Nature of Agriculture and The Role of Banking Institutions : Malda District**

## I N T R O D U C T I O N

This study aims at presenting a coherent report on agricultural development in the area of Malda District for the period 1980 to 1990. The main focus of the study is on crop production which is the major activity in the primary sector accounting for about 70 percent of the output in this sector. The present study is also concerned with the agricultural sector, the emphasis is on the small farmers and the focus is on their credit aspects. The size and nature of the credit market largely depend upon the economic conditions of the borrowers and the lenders, which, in turn, depend upon their major profession - agriculture in this case. Agriculture of a region is largely determined by physical factors like temperature, rainfall, irrigation, soil conditions, etc.

### a) Analysis Regarding Sample Villages

From our survey design we choose six villages of six blocks out of 15 blocks of Malda. We have drawn our samples in such a way that paddy and jute, apart from other cereals and pulses, are reflected in our samples in proportion to their significance. The villages were selected in such a way that the agro-climatic and agro-economic conditions of the villages broadly conform to those of the districts. The sample villages have the usual geographical and demographic features shown in the table 4.1. and Appendix - IV.

Table : 4.1

Geographical and Demographic Features of the Sample Villages

Villages	Population	Total no. of major population caste wise	Total geographical areas (hectare)	Total cultivated areas (Acre )	Net Irrigated area (acres)	Source of Irrigation	Rainfall (mm)	Average size of farms (bigha)	Area Shown more than once
i) Boro Sujapur	6598	4280 (Muslim)	593	387 (65.26)	252 (65.11)	Tubewell (with Electricity)	1211	11.22	265 (68.47)
ii) Chotto Mahadipur	2614	1725 (Muslim)	392	222 (56.63)	-	Tubewell (with Electricity)	728	7.10	112 (50.45)
iii) Chakseherdi	1151	528 (Muslim)	260	135 (51.02)	45 (33.33)	River	1681	5.12	62 (45.92)
iv) Lakshipur	2823	2140 (Hindu)	680	242 (35.58)	185 (76.44)	Tubewell (with Electricity)	1082	12.82	152 (62.80)
v) Khempur	2480	1992 (Hindu)	1500	420 (28.00)	389 (92.61)	Tubewell (with Electricity)	1056	10.22	220 (52.38)
vi) Bagdol	1476	1398 (SC/ST)	377	252 (93.36)	292 (82.95)	River	1281	12.92	265 (75.28)

The table 4.1 shows that the villages chosen represent average characteristics in terms of area, population, agricultural practices and yields. They have some interesting sociological characteristics. For example, while Boro Sujapur and Chotto Mahadipur are predominated by Muslim population, Khempur and Lakshmipur is predominated by Hindu population and also Bagdol is predominated by SC and ST population. The villages were chosen in such a manner that both irrigated and unirrigated areas are covered for study.

Thus the table 4.1 also shows that Khempur and Bagdol are highly irrigated, Lakshmipur and Boro Sujapur are partly irrigated and Chakseherdi is mainly unirrigated. Although Khempur and Bagdol are mostly irrigated, percentage of total cultivated area sown more than once is higher in Chakseherdi than Khempur or Bagdol, which indicates that apart from irrigation, other factors influencing cropping intensity, for example, rainfall, farm size, availability of credit facilities could be important.

Out of these six villages, Lakshipur ( Ratua - I block ) and Bagdol ( Gazole Block ) are primarily rice producing areas whereas Chakseherdi ( Kaliachak -III Block ), Boro Sujapur ( Kaliachak - I Block ), Chotto Mahadipur ( Kaliachak - II Block ) and khempur ( Chanchal Block ) are producing rice and wheat - West Bengal's two major crops. Of course, wheat has become important crops. in the table 4.3 we can show the percentage of cultivated area under major crops in the selected villages of Malda District . Before analysing the particular villages, we at first show the area

on HYV in Malda District as a whole in table 4.2.

Table : 4.2  
Area on HYV ( in Hectare )

Year	Aus	Aman	Boro	Wheat
1976-77	12024	13864	23854	39878
1977-78	10198	18528	24577	33535
1978-79	10182	19124	25354	34072
1979-80	3719	18580	20966	38581
1980-81	5588	23840	23372	39092
1981-82	7660	28956	28000	33688
1982-83	6928	32058	30305	35850
1983-84	8728	31892	33125	40930

Source : Principal Agricultural Officer, Malda.

Compared to the above table, now we can show the percentage of cultivated area under major crops in our sample villages of Malda district in table 4.3 .

From the table 4.3 it is seen that in the Rabi Season of West Bengal is assuming importance with the spread of wheat. In the case of rice, boro, that is summer paddy-cultivation has spread much more under the impact of new technology than Aus and Aman. Apart from these crops, several other crops like potato, mango, mulberry, sugarcane, vegetables etc. are also produced in these villages.

Table : 4.3

Percentage of Cultivated Area Under Major Crops

Villeges	Percentage of cultivated area under selected crops							
	Aman		Aus		Boro		Wheat	
	Local	HYV	Local	HYV	Local	HYV	Local	HYV
Boro								
Sujapur	68.42	15.18	38.22	11.81	-	13.28	-	26.82
Chotto								
Mahadipur	48.72	7.31	-	-	-	14.27	-	20.82
Chakseherdi	20.12	3.18	12.28	2.12	-	2.91	-	2.20
Kshempur	72.01	18.22	36.12	-	-	52.82	-	32.28
Lakhipur	58.22	12.28	-	-	-	3.32	-	25.18
Bagdol	70.11	16.22	40.52	3.37	-	51.11	-	30.12

Source : Village papers.

From the villages we got the household level. In each village, a complete list of households was collected from the village papers and stratified into the following seven size groups of ownership holdings

1. Below 5.0 bighas ( 1 bigha = 0.33 acres )
2. 5.1 to 10.0 bighas
3. 10.1 to 15.0 bighas
4. 15.1 to 20.0 bighas
5. 20.1 to 25.0 bighas
6. 25.1 to 40.0 bighas
7. Above 40.0 bighas.

In determining the number of households we make an intensive study of the small farmers who constitute the bulk of peasantry. The number of households thus fixed purposively for each size-group, the actual households for study were chosen at random from the list of households belonging to each group. The details of the distribution of the land-owning sample households are shown in table 4.4 .

The collection of data has been done through personal interviews with the help of the questionnaire. A pilot field survey was carried out in August, 1990 in Malda District and thereafter the questionnaire was altered and improved in the light of the experience gained. We made a major field survey carried out from 20th October 1990 to 12th December 1990. This survey had done among 436 land owners.

Apart from this survey, another sample of 209 from

Table : 4.4

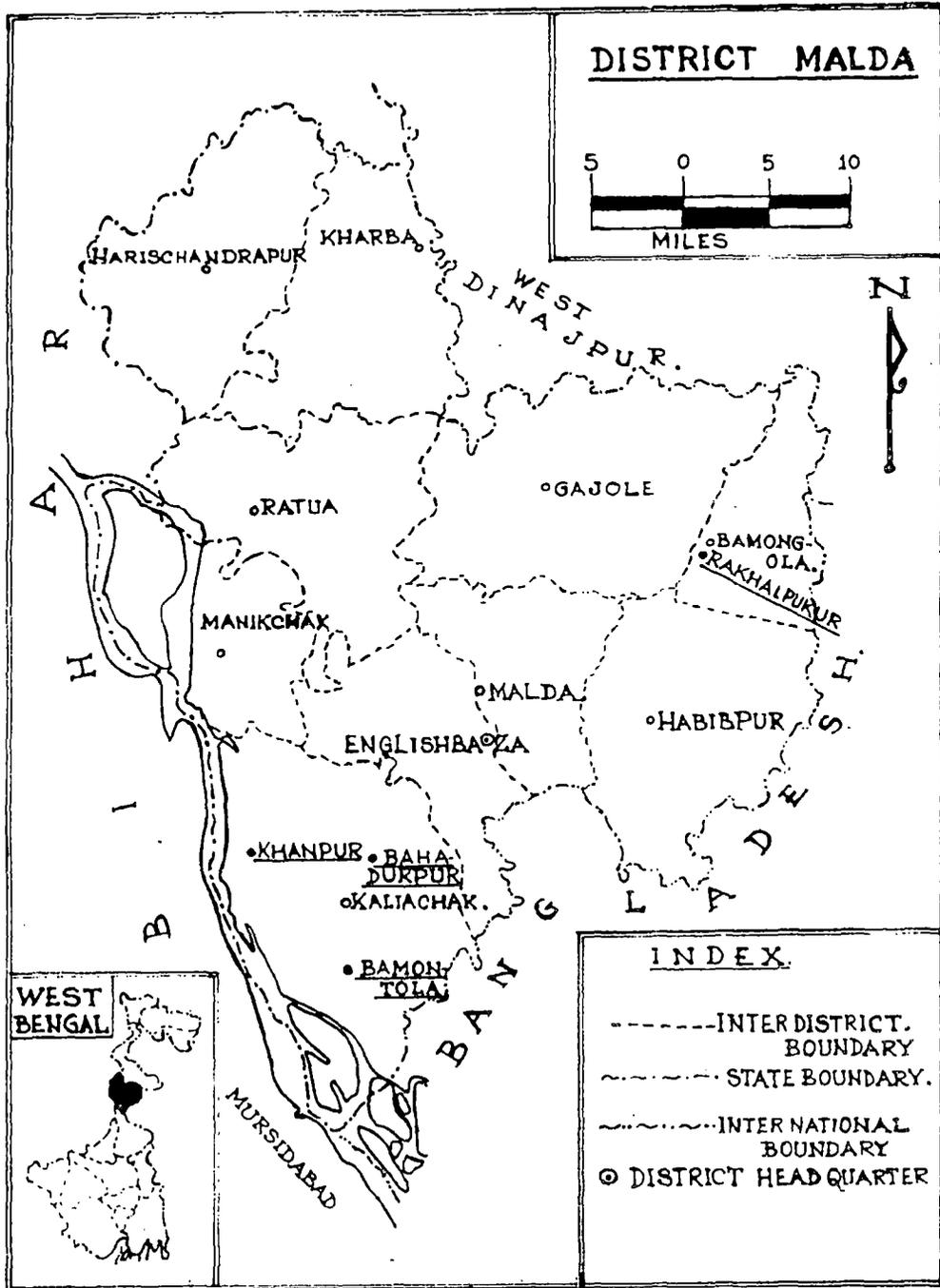
## Village Wise Distribution of Land Owning Sample Households

Ownership holding (bigha)	Boro Sujapur		Chotto Mahadipur		Chaksherdī		Khempur		Lakshipur		Bagdol		All	
	Total no. of house- holds	No. of sample house- holds												
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
0.1-5.0	108	40	80	24	40	27	85	35	48	19	52	38	413	183 (44.30)
5.1-10.0	32	10	41	28	18	07	38	19	30	22	22	08	181	94 (51.93)
10.1-15.0	25	08	35	15	15	11	39	22	27	08	33	12	174	76 (43.68)
15.1-20.0	13	05	09	05	09	05	14	04	20	07	18	09	83	35 (42.17)
20.1-25.0	10	04	08	02	03	03	07	03	09	05	11	04	48	21 (43.75)
25.1-40.0	08	05	08	04	06	04	05	03	07	04	05	02	39	22 (56.41)
Above 40.0	05	01	03	01	-	-	06	02	-	-	03	01	17	05 (29.42)
All	201	73	184	79	91	57	194	88	141	65	144	74	955	436 (45.65)

Source : Field Survey.

Note : Figures in brackets in last col. are the percentage figures of the total number of households shown in col. 14.

Map showing Sample Villages



non-land owners was drawn for study. They are pure share-croppers, kishani and agricultural labourers. The details of this sample are given in table 4.5 .

These three categories of non-land owners were asked questions about area leased in, purchase of grain and market disposal, subsistence consumption items, output and by products, their shares in cost of production, other off-farm income and credit (1).

Out of 436 land owning households, 32% leased in and 6% leased out some portions of land, while 62% were totally owned and self operated. The average size of ownership as well as operational holding and the area leased in and leased-out as percentage to owned area for different categories of ownership holdings are shown in table 4.6 .

From table 4.6 it shows that the average sizes of ownership holdings are not significantly different from those of the operational holdings. In both the cases it reveals 22 bighas. This is also shows from the above table that the area leased in constitutes 16.12 percent to the owned area in the selected villages whereas 4.81 percent constitute of the owned area was leased out. With the increase in the ownership holdings, the area leased in as a percentage to the area owned falls, whereas the percentage of owned area leased out increases.

Table : 4.5

Village-wise Distribution of the Non-land Owning Sample Households

Villages	No. of landless households in the village	No. of pure share cropping households studied	No. of Kishani households studied	No of agricultural labour households studied	Total No of landless households studied ( 3+4+5 )
1	2	3	4	5	6
Boro Sujapur	32	5	7	16	28 (87.50)
Chotto Mahadipur	65	3	12	25	40 (61.53)
Chakseherdi	160	4	-	92	96 (60.00)
Lakshmipur	42	2	3	5	10 (23.81)
Khempur	58	-	4	-	04 (6.89)
Bagdol	70	10	3	18	31 (44.28)

Source : Field Survey data.

Note : Figures in parenthesis in col.6 are percentage figures to total landless households shown in col. 2 .

Table : 4.6

Average Size of Holding and Land Tenure Structure  
of the Sample Households

Ownership holding (bigha)	Average size of holding ( Bigha )		% to owned area	
	Ownership	Operational	Area leased in	Area leased out
0.1-5.0	3.28	6.12	150.12	8.42
5.1-10.0	7.12	9.17	40.26	0.82
10.1-15.0	13.08	14.15	7.72	1.72
15.1-20.0	20.72	18.32	2.20	2.82
20.1-25.0	24.62	23.42	2.82	3.59
25.1-40.0	34.18	33.05	3.18	6.22
Above 40.0	42.22	48.28	-	7.12
All	22.12	22.54	16.12	4.81

Source : Field data.

b) Agricultural Credit

Agricultural credit is an old problem and yet largely an unsolved one, especially in relation to the small farmers. The importance of well-functioning credit market in the process of economic development of a country needs hardly any emphasis. Prior to the All-India Rural Credit Survey, 1953-54, the problem attracted the attention of the politicians and intellectuals and several committees and commissions were instituted from time to time to go into the problem of rural indebtedness and the related issues and as a result many of the crucial aspects of the credit market were indeed highlighted. After the All-India Rural Credit Survey which is a landmark in the annals of agricultural credit in India and which threw up colossal amount of information about the credit market, interest in agricultural credit was revived. The rates of interest in the case of many private loans were suspected to be high but such rates were rarely computed systematically to arrive at how high they are. This is, however, understandable in view of the enormously complicated terms and conditions of individual loans in the informal sector of the credit market consisting of different kinds of lenders. Moreover, no attempt has been made to explain why the different systems of lending co-exist in the agricultural credit market<sup>(2)</sup>.

The banking industry in India in the last two decades has carved a niche for itself in the matter of agricultural and rural development finance through with co-operatives with its 'multi agency approach'. According to the former eminent Reserve Bank

Governors, " the best way to develop and improve the credit delivery system would be to look back and remove the bottlenecks and impediments, consolidate and plan for the future.

The concepts of " development lending ", conforming to the idea of looking back and consolidating the progress in the future are worth examining. The imperatives of development lending are loans should be production- oriented and banks should made away from tangibles to treating production as the basis of security for lending and they should result in incremental income generation. To achieve these objectives an effort at sophistication of technology on a continuing basis should be made in the context of scarce resources and competing demands. The loans should result in the creation of additional employment potential, direct and induced and be self-liquidation. Conversion of " credit into agro-services " basic to the production-oriented system of lending should be ensured. Efforts should be made to integrate " social inputs " into the lending process.

Once the normal agricultural operations and rural clientele are covered, attention must turn to potentially viable clientele. These are now languishing below subsistence levels and need help. They have to be provided technology, organisation, extension and credit support in taking up economically viable activities. The institutional approach will, therefore, have to upgrade the operational levels of efficiency of the grass roots level institutions such as Primary Agricultural credit societies ( PACS ), FSS, large-sized multipurpose societies ( LAMPS ) and the branches of nationalised

banks and Regional Rural Banks (RRBs).

In the context of devolution of powers, in particular to the Panchayati Raj institutions, micro level planning assumes importance. "Perripatetic teams" in the dominant components of development of the area concerned must formulate projects or proposals or schemes for funding the grass-roots level instruments of credit dispensation. These should meet the 'Maximum credit demand' of the Panchayat, to be backed up by higher tiers of finance. This micro level planning and institutional approach will ensure timely and adequate financing which would help the borrowers achieve the rate of return computed in the farm plans and/or project proposals.

"Social inputs' should be built into the agricultural and rural development credit policy. Efforts of the credit institutions should be to ensure healthier and more hygienic Conditions particularly for the poor target groups. It is necessary to design a system under which the insurance premia, for health and hygiene cover for the weaker sections, will be paid for initially by the credit agency and recovered out of the incremental generation consequent to the adoption of the new package of practices and credit support provided.

The bottomline for the command area concept and/ or 'the service area' approach is to bring in the concept of "total development". While trying to remove regional imbalances, by supporting a particular economic activity of a group, which would push them up the economic ladder, leaving others behind, imbalances are created within the community or the Panchayat. The financial institutions may have to devise a system under which "total develop-

ment" of the area should be attempted. The bedrock of development banking is "innovation". Instead of making a fetish of "Operational co-ordination" which is inbuilt, inherent and automatic in any system of lending under the multi-agency approach, co-ordination for 'Innovation' has to be tried. It is estimated that by 2000 AD the average holding may be less than 0.4 hectare. To sustain the growth rate in agricultural production, efforts at tissue culture and biotechnology may have to be made. Financial institutions, especially the NABARD, may have to support innovation in this direction<sup>(3)</sup>

Co-operatives have made significant contribution towards stimulating the rural economy of the State. At present all the 1,615 inhabited villages in the district covered by one or the other type of farm sector Co-operative Societies. About 52 percent of rural adult population has been covered by the Primary Agricultural Service Societies to help the farmers in increasing agricultural production.

Now we can discuss the various system of loans practised by different lending agents in the agricultural credit market of West Bengal as well as the Malda District. At first we want to analyse the case of land owning borrowers.

#### The Professional Money Lenders

The distinctive feature of their definition is that their other professions are subsidiary to lending. As between urban and rural professional money lenders, the former do not have much informal control over their clients and the later also extend

loans only against security despite a perceptible informal control over a large majority of their clients. The professional urban money lenders mostly hold licenses whereas their rural counterparts rarely do so, charge exorbitant rates and operate surreptitiously<sup>(4)</sup>.

Since the security is a must, the availability of these loans is restricted to those who can afford to offer such securities. From our survey report some features of the loans outstanding to the professional urban and rural money lenders in the selected villages of the district of Malda is shown in table 4.7 .

From the table 4.7 it is seen that the average rate of interest paid by the small farmers is higher than that paid by the larger farmers. This is due to that the small farmers often borrow against their securities carrying high rates.

#### The Agricultural Money Lenders

An agricultural money lender has two sources of income— income from agriculture and income from usury. At first we concentrate our analysis in case of cash to cash system. This system is similar to that practised by the professional money lenders. We can show the cash to cash system of loans in the selected villages of this District in the table 4.8 .

It should be observed from table 4.8 that these loans are mostly insecured and the rates of interest charged on them are very high.

Table : 4.7

Some Features of the Outstanding to the Professional Urban and Rural Money Lenders in the  
Selected Villages of the Malda District.

Ownership Holding (bigha)	Number of Loans <u>reported</u>			Average size of the <u>loans</u>			Average rate of interest <u>PER ANNUM (%)</u>			Average Principal as percent of the <u>value of security</u>			Average life Spans <u>of the loans (month)</u>		
	Urban	Rural	Both	Urban	Rural	Both	Urban	Rural	Both	Urban	Rural	Both	Urban	Rural	Both
0.1-5.0	4	32	36	352	134	243.00	36	91.23	63.62	32.0	28.0	30.00	42.0	31.61	36.81
5.1-10.0	5	34	39	420	102	261.00	36	81.24	58.62	36.0	35.0	35.50	42.0	27.22	34.61
10.1-15.0	9	12	21	431	220	325.50	36	63.82	49.91	33.0	42.0	37.50	48.0	36.28	42.14
15.1-20.0	7	9	16	325	225	275.00	36	58.15	47.15	34.0	45.0	39.50	82.02	35.21	58.62
20.1-25.0	8	-	08	390	-	390.00	36	-	36.00	32.0	-	32.00	58.80	-	58.8
25.1-40.0	12	-	12	280	-	280.00	36	-	36.00	32.0	-	32.00	72.60	-	72.60
Above 40.00	5	-	05	285	-	285.00	-	-	-	32.0	-	32.00	108.02	-	108.02
All :	50	87	137	2483	681	2,059.50									

Source : Field data.

Table : 4.8

Outstanding Cash to Cash Loans from the Agricultural Money Lenders in the  
Selected Villages of Malda District.

Ownership holding (bigha)	No. of households reporting	No. of loans reported	Average size of loans (RS)	Average duration of loans (Month)	Average rates of interest per annum ( % )
0.1-5.0	15	38	120	9.0	81
5.1-10.0	9	27	295	11.4	85
10.1-15.0	10	19	420	7.8	48
15.1-20.0	8	8	151	6.9	52
20.1-25.0	6	6	109	-	-
25.1-40.0	-	-	-	-	-
Above 40.0	-	-	-	-	-
All	48	98	219	8.77	67

Source : Field data.

This is actually kind of loan converted to cash and an interest in cash is levied.

c) The Role of Commercial Banks and RRBs in Case of Agricultural credit in Malda District

Historically as well as economically one of the purposes of establishing the financial institutions like credit system was to help the poor people for survival of their economic life and for their development. In this case; commercial banking and the regional rural banking came up on the traditional lines and to boost up the rural development and as well as the urban development. But the leadership and ethos in commercial banks were urban. The gradual change started in 1954 following the recommendations of the All-India Rural Credit Survey Committee. The Commercial and Rural banks do play a dynamic attitude in the development process of rural and backward areas and for the uplift of the poorer sections of society.

One of the objective of the commercial banks is to support integrated rural development with the necessary credit from the institutional sector. Their credit should be sufficiently widespread so as to cover the poorer sections of the population. These sections so far did not get a fair deal in the matter of credit. The emphasis was laid on development-oriented lending and the institutional credit system continued to suffer from certain basic shortcomings. Over the years, the Co-operatives which had an earlier start in this field, have tended to go the way of private commercial banks. In this sense the lending operations of commercial and co-operative banks had tended, by and large, to be more money lending, but without satisfactory organisational, procedural and operational

arrangements for planned and systematic dovetailing with the overall national development policies and objectives <sup>(5)</sup>.

Village adoption scheme ( VAS ) was accepted by banks and they framed its own guidelines regarding selection of villages, activities to be financed, identification of beneficiaries etc. The general criteria followed by banks in the selection of villages for adoption are good potential for development, easy accessibility and non-susceptibility to recurrent natural calamities.

By December 1989, Commercial banks had adopted 20,172 villages in the country. In Malda District, to start with the programme of adoption the sum of Rs. 3.45 lakh was distributed under Integrated Rural Development programme. The allotment for IRDP for the year 1989-90 was fixed for Malda District at Rs. 274.80 lakhs and this amount was shared equally by both the Govt., i.e. Govt. of India and the Govt. of West Bengal. In 1989-90, the Malda District has been assigned with the target of 10,710 new families only. There is no target for old cases. As there is no scope for old cases in 1989-90, the DRDA has instructed all Panchayat Samities not to sponsor and not to sanction the old cases at all in 1989-90. The DRDA has assessed the spill over cases on IRDP for all categories of caste for which subsidy had to be provided in 1989-90. Considering the all circumstances and the availability of fund for the release of subsidy for the family oriented programme in 1989-90 and the poverty incidence in the concerned Panchayat Samities in this district, the new families to be covered in 1989-90 for each category of caste by the concerned Panchayat

Samity has been finalised and each Panchayat Samity has been advised to sponsor the cases of new families only as per assigned target of SC/ST and General Caste to be covered in 1989-90.<sup>(6)</sup> Now we can show the spill over IRDP cases of Panchayat Samity and new families to be covered further under IRDP in 1989-90 by each Panchayat Samity in the table 4.9 .

From the table 4.9 it is seen that the coverage of SC/ST performance was not satisfactory at all by this district during the last four years in the Seventh Plan. It was stressed in the last year and the District Rural Development Agency improved the matter by achieving the stipulated target for Sc/ST. It is noted from table 4.9 that from the beginning of the Seventh Plan, the women coverage was most and it was fixed that beneficiaries to be benifitted must be 30% women out of the total beneficiaries to be covered under IRDP. From the analysis of year-wise performance during the four years of the Seventh Plan it is noted that 5.5% in 1985-86, 10.8% in 1986-87, 30.18% in 1987-88 and 44.5% in 1988-89, women beneficiaries were covered only<sup>(7)</sup> .

The members of the CRAFTICARD, however, observed, during their field survey to the adopted Villages, that VAS did not led to any intensive financing in the adopted villages in the sense that the work actually done and results accomplished in the adopted villages are by no means impressive. But in case of West Bengal this picture is more or less better than that of other many provinces.

#### d) Role of Developmental Banking Institutions

The role of development banking is mainly depends on

Table : 4.9

Statement of Spill over IRDP Cases of Each Panchayat Samity and New Families to be Covered Further under IRDP in 1989-90 by Each Panchayat Samity in the District of Malda.

Name of Panchayat Samity	Total number of spill over cases pending for release of subsidy including new and old cases under IRDP				No. of women beneficiaries involved	Total nos. of new families to be covered further by Panchayat Samity in 1989-90	Categories of families caste-wise to be covered further of new families in 1989-90 under IRDP				Nos of further women beneficiaries to be covered out of total families in 1989-90.
	Gene ral caste	SC	ST	Total			Gene ral caste	SC	ST	Total	
Harishchandrapur-I	716	196	-	912	774	520	135	350	35	520	450
Harishchandrapur-II	342	55	03	400	348	540	285	200	55	540	430
Chanchal -I	572	48	21	641	608	480	150	310	20	480	380
Chanchal - II	354	56	60	470	289	420	180	130	110	420	350

Contd.....

Contd.....

Ratua -I	595	97	12	804	475	600	210	300	90	600	480
Ratua - II	916	05	11	932	687	560	160	375	25	560	480
Manikchak	387	53	-	440	421	560	250	300	10	560	480
Englishbazar	405	116	-	521	211	560	310	200	50	560	480
Old Malda	424	201	21	646	470	480	120	200	160	480	380
Habibpur	228	350	80	658	241	880	220	360	300	880	700
Bamongola	94	88	12	194	47	480	120	240	120	480	380
Gazole	724	122	39	835	556	1200	300	500	400	1200	1000
Kaliachak - I	763	03	-	766	694	560	200	360	-	560	480
Kaliachak - II	606	72	-	678	591	400	150	250	-	400	320
Kaliachak - III	173	01	-	174	113	560	300	260	-	560	480
<b>Total</b>	<b>7399</b>	<b>1463</b>	<b>259</b>	<b>9192</b>	<b>6525</b>	<b>8800</b>	<b>3090</b>	<b>4335</b>	<b>1375</b>	<b>8800</b>	<b>7270</b>

N.B. : Old Cases : 1207  
New Cases : 7922  
9129

Source : DRDA Report on IRDP, 1989-90.

The credit used as a lever of development. This means that this bank assumes anticipation and adoption of a plan of action. It calls for initiative and energetic involvement on the part of the bank in development the potential opportunities of the undeveloped or underdeveloped sections or sectors, through selective and strategic input of credit. The role of credit institutions has, therefore, to be tuned to meet the requirements of specific areas and specific target groups. This point has also been emphasised in the Sixth Five Year Plan 1980-85 ; A framework, as under :

"Given the diversity in resource endowments, agroecological conditions and socio-cultural milieu of different areas in the country, it is obvious that no uniform model of rural development would be adequate. However, if the basic aim, namely that the real benefit to be derived by the poorest person should be the primary yardstick for measuring the utility of plan proposals and investment decisions is rigorously adhered to, we would have taken the first step essential for an accelerated rural regeneration movement"<sup>(8)</sup>.

For proper planning of rural credit, there is a District Consultative Committee (DCC) in most of the district. In Malda District there is the District Development Office and Lead bank Officer, UBI in this district is the convenor of the DCC. Membership of the Committee is open to all the credit institutions operating in the district<sup>(9)</sup>.

From our continuous visits and discussions with different members of DCC of Malda we noticed a general indifference towards ensuring that the loan disbursed led to the contemplated production.

The Co-operative system uniformly admitted that they are not investing in the follow-up of programmes. But in case of IRDP, they had done something for better-off the economic position of this district. From our field survey and from the direct interrogation of the different branch manager of Commercial Banks and Rural Banks, the achievement on IRDP is given in the table 4.10 .

From table 4.10 it is seen that the credit disbursement through the banks though is not sufficient but they all tried to help the rural poor for their better economic living. The rural banks, specially GGB had done a lot. The credit position by this bank is higher than the other commercial banks. It is also seen from our survey that the repayment position of GGB is not satisfactory.

#### Credit Delivery System

Banking in the rural sector for the benefit of the rural households has to be tuned up, to the maximum extent, with the social and economic environment in which the rural people live. Credit institutions engaged in providing credit to poorer sections in the rural areas. Therefore banking for the vast majority of rural people has to become a supervised and personalised service.

While Commercial banks are not fully accustomed to deal with rural households, the latter are also not familiar with the ways of banks. As Shri B.K.Dutta, long-time Chairman of United Bank of India, puts it :

" The so-called neglected sector requires complete under-

Table : 4.10

Achievement on IRDP in 1988-89 Bank-wise statement.

Sl. No.	Name of the Financial Institutions	Subsidy (Rs)	Credit limit (Rs.)	Families benefitted	Beneficiaries covered	ST	Female	SC
1.	Gour Gramin Bank	12751891	23892455	6282	9073	405	2844	2563
2.	United Bank of India	4075357	8007278	1954	3136	48	1015	661
3.	State bank of India	2659810	5375012	1369	2091	26	771	397
4.	Allahabad Bank	1110688	2191833	474	606	71	68	133
5.	Central Bank of India	964232	1961976	391	520	13	205	109
6.	United Commercial Band	509566	1074503	405	461	-	150	24
7.	Union Bank of India	473562	981392	237	344	-	143	11
8.	Bank of India	363440	774704	224	224	-	55	18
9.	Panjab National Bank	96703	205832	71	80	-	47	-
10.	United Industrial Bank	1700	3400	1	1	-	-	-
11.	Malda Co-op. Land Dev. Bank	1386937	3047365	653	670	4	48	71
Total		23393886	47515750	12011	17206	567	5346	3987

Source : DRDA Report 1989-90 and Field Report.

standing of not only its need for finance but also of its problems and potentialities. Plenty of zeal and attention, innovation and development is required of the bank staff in this area " .

The All-India Rural Credit Review Committee ( 1969 ) referred to the problem of the reluctance of bank staff to work in the rural areas and suggested that the problem " be tackled by recruiting persons who are residing in rural areas, by building up a cadre of staff exclusively to manage rural branches with provision for promotion or transfer to urban cadres in due course, or by making it obligatory on the staff who are newly recruited to serve for a minimum number of years in the rural areas before they are confirmed in service " . One reason for the reluctance of bank staff to work in the rural centres is that these centres do not have satisfactory facilities in respect of housing, education and medical care. The second point is that since the poorer among the rural households are not literate enough to deal with banks the forms and procedures adopted by banks whether for lending or for deposit mobilisation have to be as simple as possible. <sup>(10)</sup>

e) Co-operative Credit to the poor

The primary agricultural credit societies functioning at the base of the co-operative credit system constitute the major retail outlet of short and medium-term credit to the rural sector. Attempts have been made to strengthen them through structural reorganisation and rationalisation of their operations, particularly in respect of financing seasonal farm activities, through a produc-

tion-oriented system of lending called the crop loan system.<sup>(11)</sup>

Since the beginning of this decade, a significant shift has been effected in the loan policies of Co-operatives for meeting the credit needs of the small and marginal farmers and other weaker sections of the rural community. The Reserve Bank stipulated in 1970-71, that 10 percent of the drawals on its short term credit limits granted to Central Co-operatives Banks (CCBs) should be for financing small and marginal farmers defined for this purpose as those having operational holdings of 1.2 hectares ( 3 acres) or less. In 1971-72 this percentage was raised to 20 in 1975-76, this norm was linked to the loans issued to small farmers during the year instead of loans out standing. In 1976-77, the parameters for identification of small farmers for this purpose were revised so as to range from 01 hectare to 3.2 hectares (2.5 acres to 8 acres), taking note of the geo-physical and agro-climatic conditions of each district in the country. Thus the flow of credit to the weaker sections increased from Rs. 213 crores in 1973-74 to about Rs. 490 crores in 1977-78 in India. Comparing with the Malda District, the total Co-operative loan from Rs. 7.51 lakhs in 1971-72 to Rs. 220.76 lakhs in 1989-90. The landless labourers, rural artisans and marginal farmers holding lands of not more than 0.5 acres each, numbering 2 crores in all, were assisted with consumption credit by 2324 PACs to the extent of Rs. 1 crore in 1989-90.

The Commercial bank had also played a vital role in case of rural credit. They had done immense help to the rural

poor because of they began with the conversion of the Imperial Bank of India into the State Bank of India (SBI) in accordance with the recommendation of the Rural Credit Survey Committee Report ( 1954 ) which proposed that " the new institutions should draw up, in collaboration with the Reserve Bank, and undertake a much larger programme of branch extension to rural areas ". The Commercial banks have tried to reach and finance farmers not only individually through direct loans but also through the medium of primary societies. Two schemes of financing through Co-operatives have been in operation for sometime. According to the first scheme, introduced in June 1970, some of the PACS in the jurisdiction of weak CCBs are ceded to Commercial banks. Under the second scheme, commercial banks organised GSS. In the tribal areas they financed LAMPS.

#### Deposit Mobilisation

The primary agricultural credit societies, as first organised, were primarily conceived as people's institutions for promoting thrift and mutual aid among their members. The principles of State Partnership in share capital and management of societies enunciated by the Rural Credit Survey Committee ( 1954 ), was intended to boost their image and prestige so that they could attract rural savings and build up their own financial strength through deposit resources. However, by and large, this objectives has remained unfulfilled and the societies have come to be perceived as mere lending agencies. A large deposit base provides a count-

ervailing force of depositors which is extremely desirable as a balancing factor against the group of borrowers, pure and simple.

#### Short term loans

The short term and medium term Co-operative credit structure conforms to a broad pattern of SCBs at the State level, and AACs at the lease level. In case of smaller States or Union territories with the SCB at the apex level directly financing PACS at the lease level. We can show the agricultural loans given by the Malda District Central Co-operative Bank Ltd. in the table 4.11.

From the table 4.11 it is seen that the total investment of this bank rises high as much as before.

#### Long term Loans

The long term Co-operative Credit structure is federal in some States and unitary in others. Bihar, Gujrat, Jammu and Kashmir, Maharastra and Uttar Pradesh have unitary structure where the SLDB concerned finances individuals through directly at network of its branches. Incase of Himachal Pradesh and West Bengal which have a mixed pattern, the structure is federal with PLCBs as affiliates. The Malda Co-operative Land Development Bank Ltd. has the sole authority to give Long term Co-operative loan to farmers and they give loans in the minor irrigation, Fisheries, Bullock and Bullock-Cart, purchase of agricultural implements, Tractor, Power-tiller etc. The total amount of Loans issued by this bank in different years is shown in table 4.12.

Table : 4.11

Some Amount of Outstanding in Crop Loan by DCCB in 1986

( Rs. in '000 )

Sectors/ Schemes	W.C/ST Crop		Term Loan		Total		Of which under spl. component (Col.3)		Of which under share crop (Col.3)		Of which under IRDP (Col.3)		Of which under IRDP SC/ST(Col.4)	
	A/C	Amount	A/C	Amount	A/C	Amount	A/C	Amount	A/C	Amount	A/C	Amount	A/C	Amount
<b>1. Agriculture</b>														
a) Crop loan	15684	15684	-	-	15684	15684	8000	7200	2276	2276	3250	3250	2872	1525
	Of which under SCP (Col.3)		Of which under TSP (Col.3)											
b) Minor Irrigation														
c) Farm Mech	-	-	222	236	222	236	47	125	-	-	-	-	-	-
<b>Total</b>	<b>15684</b>	<b>15684</b>	<b>222</b>	<b>236</b>	<b>15906</b>	<b>15920</b>	<b>8047</b>	<b>7325</b>	<b>2276</b>	<b>2276</b>	<b>3250</b>	<b>3250</b>	<b>2872</b>	<b>1525</b>

Source ; DCCB, Malda Head Office.

Table : 4.12

Amount of Loan Issued by Malda District Central Co-operative

Land Development Bank Ltd.

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Year	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Amount of loans ( Rs. in lakhs )	15.10	13.22	4.18	0.10	1.22	11.01	40.30

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Source : Office of the Malda Co-operative Land Development Bank Ltd.

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f) Improvement in Loaning Policies

Under the crop loan system adopted by the societies, a part of the loan is dispensable in kind mainly in the form of fertilisers. This presupposes the existence of satisfactory arrangements for procurement of fertilisers/seeds/pesticides in adequate quantities. But in many years, the Co-operatives have not been able to proceed timely and adequate supply of fertilisers/seeds/pesticides.

The Committee's quiry of SCBs as to the most suitable method of simplification of the existing loaning system, they have generally favoured the introduction of a cash credit type of loaning in primaries. Under the Cash Credit System the farmer will be sanctioned a credit limit, operative for the crop seasons, to be drawn upon as and when required and to be repaid as and when income accrues to him. The Working Group on Co-operation for the Fifth Five Year Plan ( 1973 ) recommended that the cash credit system be progressively introduced in all areas where multiple cropping as well as subsidiary occupations are common among members. Later, the Study Team on overdues ( 1974 ) also recommended the extension of cash credit facility by well established PACS having full time paid Secretaries to select cultivators who adopted an intensive form of cultivation and whose past repayment report is satisfactory. The RBI too has been suggesting that cash credit lending may be introduced in multi-cropped areas. Henceforth, all the pros and cons considered, the cash credit system may be introduced only gradually, in areas having viable and well

established primaries with full time staff at their disposal and where cultivation of Cash/Plantation crops like sugarcane, banans, mulberry is predominant.

g) Comparative Differences Between sector-wise/scheme-wise Distribution in crop Loan by Different Banks

The efficiency and effectiveness of the flow of credit, for accelerating integrated rural development, will depend on the delivery mechanism at the beneficiary level. At first we made an survey on DCCB<sup>(12)</sup>, Malda District in case of agricultural credit and this is shown in the table 4.13.

From table 4.13 it is seen that the District Central Co-operative Bank give loans to the agricultural sector mainly.

Table 4.14 shows the agricultural Loan by the L.D.B.Ltd.<sup>(13)</sup>

From table 4.14 it is seen that purpose-wise, minor irrigation accounted highest mainly of the total lending. Evidently has main thrust in the lending activities of LDBs continues to be on financing Land-leased activities. Even in the State, West Bengal, where LDBs are legally entitled to lend for non-land leased purposes, financing of such activities which would benefit the rural poor has not been taken up in a big way, due presumably to lack of expertise and technical know-how with the LDBs for such lending.

In case of commercial banks, namely United Bank of India give some information about agriculture during 1988 in the table 4.15.

Table : 4.13

Some Feature of Outstanding Short-term crop Loans by the DCCB, Malda District during 1984-89.

Year	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Amount (Investment) of Loans (Rs. in crores)	122.58	135.49	92.98	101.59	107.28	211.16	220.76
outstanding collection	109.17	116.12	276.82	109.46	89.97	133.57	150.00
(recovery)	239.05	276.96	97.00	272.77	268.00	298.50	401.03

Source : Assistant Manager, DCCB, Malda.

Type of Loan	Category of borrowers	Purpose of loan
a. Short-term	1. Small farmers upto Rs. 2500/-	Agriculture
	2. Others	Do
	A. All farmers	SSI
	B. Do Small farmers upto Rs. 2500/-	Do
	C. Other farmers.	

Table : 4.14

Some Measure of Sector-Schemes-wise Distribution by LDB

Sectors/ Schemes	S.C/ST Crop		Term Loan		Total		Of which under spl. component Plan (Col.3)		Of which under share crop (Col.3)		Of which under IRDP (Col.3)		Of which under IRDP SC/ST(Col.4)	
	A/C	Amount	A/C	Amount	A/C	Amount	A/C	Amount	A/C	Amount	A/C	Amount	A/C	Amount
1. Agriculture														
a) Crop Loan	18228	18228	-	-	-	-	-	-	-	-	-	-	-	-
	Of which under SCP (Col.3)		Of which under TSP (COL.3)											
b) Minor Irrigation	-	-	930	5892	930	5892	930	5772	240	1000				
c) Farm Mech	-	-	161	971	161	971	147	294	-	-				
<b>Total</b>	<b>18228</b>	<b>18228</b>	<b>1091</b>	<b>6863</b>	<b>1091</b>	<b>6863</b>	<b>1077</b>	<b>6066</b>	<b>240</b>	<b>1000</b>				

Source : Office of the LDB.

Table 4.15

Some Features of Sector-wise or Scheme-wise Statement on Agriculture during 1988 by UBI

Sectors/ Schemes	SC/ST A/C	Crop Amount	Term Loan		Total		Of which under spl. comp.(COL3) A/C Amt.		Of which under share crop(col3) A/c Amt.		of which under IRDP(col3) A/C Amt.		of which under IRDP SC/ST (col4) A/C Amt.		of which under (col.3) A/C Amt.		of which under TSP (col.3) A/C Amt.		
			A/C	Amount	A/C	Amount	A/C	Amount	A/C	Amt.	A/C	Amt.	A/C	Amt.	A/C	Amt.	A/C	Amt.	
a. Crop Loan	6049	6049	-	-	6049	6049	3620	2896	129	129	-	-	-	-	-	-	-	-	-
b. Minor Irrigation.	-	-	287	1495	287	1495	-	-	-	-	219	1257	73	300	14	7	25	15	-
c. Farm Mach.	-	-	450	1121	450	1121	-	-	-	-	183	188	60	59	190	190	65	65	-
<b>Total</b>	<b>6049</b>	<b>6049</b>	<b>737</b>	<b>2616</b>	<b>6786</b>	<b>8665</b>	<b>3620</b>	<b>2896</b>	<b>129</b>	<b>129</b>	<b>402</b>	<b>1445</b>	<b>134</b>	<b>359</b>	<b>204</b>	<b>197</b>	<b>90</b>	<b>80</b>	

Source : Lead Bank Office, Malda Regional Office of UBI.

From the table 4.15 it is seen that in case of non-land leased activities, particularly artisans and craftsmen, the problems are far more complex. So the State Govt. will have to play a more direct and active role in the sphere of inputs/supplies, services and marketing by building suitable supporting organisations for all the three items. In these cases, therefore, identification of beneficiaries may better be done by Govt's own agencies.

In case of RRBs, specially Gour Gramin Bank of Malda district had done immense help through the agricultural loan to the rural poor. The Dantwala Committee, 1978, recommended that RRBs should become an integral part of the rural credit structure and priority for establishing RRBs should be given to those districts where CCBs are weak. Institutional arrangements for credit have to ensure the widest coverage possible of the rural households. In case of GGB,<sup>(14)</sup> the agricultural loan position is given in table 4.16 .

From the table 4.16 it is seen that GGB gives credit facilities to the rural poor-small and marginal farmers, agricultural labourers and rural artisans. But certain minor relations have been made allowing them to finance big farmers in land-leaded compact area schemes of the ARDC in order to ensure that benefit of development is not denied to bulk of small farmers as a result of this restriction.

Table : 4.16

Some Measures of Sectors/Schemes wise Report by GGB in Case of Agricultural Loan during 1988

Sector/Schemes	SC/ST Crop		Term Loan		Total		of which under spl. comp. (col 3)		of which under share crop (col. 5)		of which under IRDP (col 3)		of which under IRDP SC/ST (col. 4)		of which under SCP (col 3)		of which under TSP (col. 3)	
	A/C	Amount	A/C	Amount	A/C	Amt.	A/C	Amt.	A/C	Amt.	A/c	Amt.	A/c	Amt.	A/C	Amt.	A/C	Amount
1. Agriculture																		
a) Crop Loan	10801	10801	-	-	10801	10801	5000	6250	471	471								
b) Minor Irrigation.	-	-	761	4206	761	4206	-	-	-	641	3823	198	825	42	28	30	18	
c) Farm Mach.	-	-	968	1000	968	1000	-	-	-	380	412	114	120	393	393	195	195	
Total	10801	10801	1729	5206	12530	16007	5000	6250	471	1492	4235	312	945	435	421	225	213	

Source : GGB, Head Office, Maida.

S U M M A R Y

The study seeks to understand the nature of the agricultural credit market in the Malda District. The economic improvement of Malda depends upon certain key factors like existence of resources, physical and human infrastructural facilities like existence of communication and transport net work, industrial accommodation, water, power and financial institutions and on the motive forces generating overall enthusiasm among people to explicit the situation. In fact one of the most important reasons of the nationalisation fo commercial banks is to increase the tempo of rural development. In India nearly 60% or more live in the villages and the condition of rural people has virtually remained unaltered.

In case of the sample villages, it is seen that Khempur and Bagdol are highly irrigated, Lakshipur and Boro Sujapur are partly irrigated and Chaksherdi is mainly unirrigated. From our Survey in case of Sample Villages it is also seen that Lakshipur ( Ratua-I ) and Bagdol ( Gazole ) are primarily rice producing areas, whereas Chaksherdi ( Kaliachak III ), Boro Sujapur ( Kaliachak-I ), Chotto Mahadipur ( Kaliachak-II ) and Khempur ( Chanchal ) are producing rice and wheat. These are the West Bengal's two major crops. From an intensive survey of 200 land owners are pure share-croppers, Kishans and agricultural laourers. Out of 500 land owning households, 32% leased in and 5% leased out some portions of land, while 63% were totally owned and self-operated.

In case of crop productivity, growth rates of area,

production were analysed with a view to finding out the contributions of area and productivity towards the growth of crop output. Irrigation along with complementary increases in capital, labour, fertilisers and HYV seeds in the most important factor determining the growth in productivity. In other words, irrigation seems to be the most vital factor ( as revealed by II Set of equations ) for providing an impetus to crop productivity because other complementary factors are found to be increasing along with.

In case of strategy for agricultural development, Malda has a farm dominated economy. Nearly 48 percent of State's gross national product is contributed by this sector and about 59 percent of the population is dependent upon it in one way or other. The district of Malda has failed to adopt any major irrigation project due to its both geographical and topological position. Out of the total agricultural land only 24% of such land has come under irrigation system.

The increase in the ratio of cultivated area to total area from 62 percent in 1950-51 to 78 percent in 1988-89 has been mainly due to the reclamation of waste and Miscree grooves land. It is seen that east of the Mahananda which bisects the district roughly along a north-south line found older ( Pleistocene ) alluvium forming the Barind. The soil of this tract is red soil of old alluvium formation. On the West of the Mahananda, the ( Soil ) land is light loam called " Do-ash ". It is a latter alluvium formation and consists of an admixture of clay and sand. On the eastern side the proportion of clay is more but farther

western one goes towards the Ganges, the greater becomes the proportion of sand. The soil reaction is neutral. A third type of land is a dark loam called metal. It has a greater admixture of clay.

Soil is the most important factor in case of an agricultural development. More the soil is fertile, more production is expected. The district is situated on the western part of the alluvium filled gap between the Rajmahal hills on the west and Garo hills on the east. East of the Mahananda is composed of stiff clay, containing iron and lime and become extremely hard in the cold weather. On the west of Mahananda the soil reaction is neutral.

Quantity and quality for various agricultural inputs such as seeds, fertilizers, pesticides and machinery affect agricultural productivity, to a considerable extent. Setting up of seed farms processing units for supply of certified seeds. Arrangement for supply of fertilizers indicating the quantity and the agencies responsible for distribution. About 955 numbers of Registered Dealers have been appointed throughout the district to supply fertilizer to the intending farmers on demand at concessional rates fixed by the Govt. Arrangement for supply of pesticides and other chemicals to control pest and disease and plant protection equipments and for organising demonstration programme etc. for their use. There are so many schemes are in operation for the development of pulses and oil seed production in this district. The important schemes are State Plan Oil seeds Demonstration 0.33 acre demonstration at a cost of 155.00 per unit, normal oil seed development

Scheme, centrally sponsored Minikit projects and National Oil Seed Development Project.

The State Govt. has set up soil testing laboratories and these laboratories render free services to farmers and guide them regarding efficient and optimum use of fertilisers. Plant protection measures also contribute much towards enhancing agricultural production. In view of high cropping intensity and judicious use of fertilisers, weeds have appeared in abundance, this adversely affected the yield. Improvement on control of weeds in wheat crop has been made a more effective weedicides. Mechanisation also plays a vital role in enhancing the agricultural production. It adds efficiency to the various agricultural operations so that more crops can be grown and the intensity of cropping increases. Electricity is also a major constraint to enhancing the agricultural production. In some cases, with the installation of more and more tubewells, the use of electric power started spreading in the rural areas.

We know that the poorest sections of the rural population belong to the families of small and marginal farmers, agricultural labourers, rural artisans, scheduled caste and scheduled tribes. The Govt. of India introduced the Small Farmers' Development Agency in different districts in India. In Malda, the SFDA was opened in 1974-75, but it started its functions from 1975-76. In April 1981, the Malda District Small Farmers' Development Agency was merged with Malda District Rural Development Agency and now many development programmes have been undertaken by the DRDA. In

Malda District the Panchayat Institutions have been given a great role in the matter of IRDP, DRDA, Malda is trying its best and is to some extent, successful in raising the consciousness of the people generally, with small schemes beneficiaries cannot cross the poverty line. So DRDA, Malda suggested that a family may be given package of schemes depending on their capabilities of management. Although overall atmosphere was congenial for implementation of IRDP schemes desired result could not be achieved for some important drawbacks. But DRDA, Malda has performed valuable service in applying some inputs for some IRDP schemes.

Historically, one of the purpose of establishing the financial institutions like credit system was to bring together people of small means for promoting thrift and mutual help for development. Commercial banking, on the other hand, came up on the traditional lines and was not tuned to rural lending ( except lending to plantation ) even within the framework of their adherence to security-oriented lending. The leadership and ethos in commercial banks were urban. However, gradual change started following the recommendation of the All India Rural Credit Survey Committee in 1954. The conversion of the Imperial Bank of India into the State Bank of India in 1955, introduction of social control over banks in 1967, and the subsequent nationalisation of the major banks in 1969 had one important aim, namely, to ensure that the banks do play a dynamic role in the development process of rural and backward areas and for the uplift of the poorer sections of society.

Banking in the rural sectors for the benefit of the rural

households has to be in tune, to the maximum extent, with the social and economic development in which the rural people live. According to the members of CRAFTICARD, credit institutions, engaged in providing credit to poorer sections in the rural areas have, therefore, to recognise the facts and factors relating to rural India. Since the beginning of the last decade, a significant shift has been effected in the loan policies of Co-operatives for meeting the credit needs of the small/marginal farmers and other weaker sections of the rural community. The SFDA and also some of the State Govts provide, whenever necessary, loans to small farmers agricultural labourers to enable them to contribute the initial share capital required for enrolment in co-operatives.

The PACS, as first organised, were primarily conceived as people's institutions for promoting thrift and mutual aid among their members. The members of the CRAFTICARD argued that it is high time that PACS should correct the attitude of their work and take steps to spread banking habit and mobilise deposits in rural areas. A large deposit base provides a countervailing force of depositors which is extremely desirable as a balancing factor against the group of labourers, pure and simple. Such balancing of forces will help in evolving sound lending policies and practices and ensuring prompt repayments, besides bringing in larger resources.

Generally short term and medium term co-operative credit structure conforms to broad pattern of SCBs at the State level, and PACS at the village levels. The long-term co-operative credit

structure is federal in some States and unitary in others. Malda Co-operative Land Development Bank Ltd. has the sole authority to give long-term Co-operative loan to farmers. This bank is financed mainly by the newly opened NABARD. In spite of the important role played by LDB in the provision of investment credit or agriculture and allied activities, there are several short-comings and deficiencies in their workings.

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