

CHAPTER - I

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

(a) General outline:

Development of rural sector is one of the main concerns of the successive five year plans in India and social Justice has been a basic objective of development planning ⁽¹⁾. More than 76 percent of country's population live in villages. Majority of them are living under abject poverty, ignorance, exploitation, malnutrition and unhygienic living conditions. Ignorance and poverty are the two stumbling blocks in the way of socio-economic development in rural areas ⁽²⁾. The most pressing problem is that of improving the economic and social life of rural populace who are ignorant of many modern developments.

One of the major reasons for rural backwardness has been the lack of financial infrastructure and non-availability of credit in time at reasonable rate especially to the weaker sections of the rural community. Schumpeter spoke of credit as a 'phenomenon of development' and regarded banking system along with entrepreneurship as being the key agent in the process of development ⁽³⁾. The inadequate institutional financial support in the past forced majority of rural popula-

tion to depend heavily on village money lenders and they were caught under the grip of indebtedness⁽⁴⁾ .

Realising the true nature of the problem of rural credit, the government of India, with the adoption of multi-agency approach has been following a policy of encouraging the development of institutional credit structure in rural areas.

(b) Conceptual distinctions.

In the context of third world country like ours, 'economic development' essentially means rural development. The definition 'rural' is residuary because all over the world, what is defined is an urban area and whatever is not urban is known as rural. In India, a settlement is defined as urban if it fulfils either of the following conditions : (a) the place should enjoy a statutory label of local government administration - corporation, municipality, notified area etc. (b) the following three-item-test should be simultaneously satisfied :

- (i) a population of at least 5000;
- (ii) a density of at least 400 persons per square Kilometre ;
- (iii) at least 3/4s of the working males should be engaged in non-agricultural occupations.

Thus, places which do not satisfy the conditions

either (a) or (b), fall into rural category ⁽⁵⁾ .

The term 'rural' essentially means an area which is characterised by non-urban style of life, occupational structure, social organisation and settlement pattern. As Mishra and Sundaram put it "Rural is essentially agricultural, its settlement system consists of villages or homesteads; socially it connotes greater interdependence among people, more deeply rooted community life and a slow moving rhythm of life built around nature and natural phenomenon; and occupationally it is highly dependent on crop farming, animal enterprises, tree crops and related activities". ⁽⁶⁾

The word 'development' carries a wide variety of meanings. In our context development means "an activity or a series of activities or a process which either improves the immediate living conditions -- economic, social, political, cultural and environmental, or increases the potential for future living or both." ⁽⁷⁾

Now the term "rural development" has also been viewed from different perspectives by various scholars, socio-⁽⁸⁾logists, social scientists and institutions. Copp has defined it a process through collective efforts, aimed at improving the well-being and self-realisation of people living outside the urbanised areas. He further contends that the ultimate target

of rural development is people and not infrastructure and according to him one of the objectives of rural development should be to "widen people's ranges of choices". The efforts should be towards preservation and improvement of the rural environment and rural development planning may be conceived of identifying the complex of factors which contributes to the creation change or development of a rural area or community.

A more comprehensive concept and method of rural development has been suggested by the World Bank. Rural development has been defined as a strategy to improve the economic and social life of a specific group of people i.e. the rural poor including small and marginal farmers, tenants and the landless. The report of the Bank says, "A national programme of rural development should include a mix of activities including projects to raise agricultural output, create new employment, improve health and education, expand communications and improve housing The nature and content of any development programme or project will reflect the political, social and economic circumstances of the particular country or region"⁽⁹⁾

In the same sequence of thinking, 'rural development' would essentially mean desired positive change in the rural areas -- both in a quantitative as well as a qualitative sense. Thus rural development is an area concept. It is a

complete term which integrates a variety of human life and activities which can broadly be classified into the broad dimensions of social, economic, technological and natural. Rural development means desired changes in all these dimensions. But such changes should take place in a mutually supporting relationships so as to generate organic and optimum development. Organic development is one which maintains healthy relationships among the various components of a system.

"Rural banking" in its narrower but precise sense, essentially means Commercial Banks and Regional Rural Banks at the rural Centres notified as such by the State Governments. (10) Rural banking specially is being perceived more as "development banking" than mere lending and accepting deposits, as has been the general notion connected with commercial banking.

The basic concept of 'development banking' is that credit is consciously used as a lever of development. It is difficult from lending against individual applications as and when they come. It assumes anticipation and adoption of a plan of action. It calls for initiative and energetic involvement on the part of the bank in developing the potential opportunities of the underdeveloped sections or sectors, through selective and strategic input of credit. The development banker has to ensure : (i) that his credit institution will

have tailor-made loans according to the needs of specific areas and specific target groups; (ii) that the loans are linked to the credit-worthiness of the purpose rather than credit-worthiness of the borrowers; (iii) that the loans will be disbursed as part of an overall integrated programme which provided the necessary backward and forward linkages; (iv) the loans are disbursed in kind to the extent possible towards the agreed package of inputs and extension service. (11)

Thus, "development banking in the context of rural development would mean that each credit disbursing agency, besides disbursing credit, must establish its credibility with the rural masses and act as a friend, philosopher and guide as the rural masses need to be counselled, guided, educated and enlightened in numerous ways." (12)

In this chapter, first the background of the study has been presented on the basis of review of relevant literature. In the light of this review, the problem is more specifically formulated and a methodological framework is set up.

(c) Review of literature.

In presenting the background of the study, the

current literature related to the problem is first discussed and the aspects on which this study focusses, highlighted. This indicates the need for the study. Current literature has dealt with certain aspects of the problem related to rural development. Some of the studies in this direction which are worth mentioning are the study of Bhargava and Shah, Saha and Dutta, Pati, Singh et al, Chowdhury and Sharma, Rajput and Singh, Agarwal, S. Sharanappa, G. Parthasarathy, A. Dutta, S. R. Sen, K.K.S. Chauhan, Charan D. Wadhva, S. C. Gupta, Satyasundaram, S. P. Majumder, S. K. Chakraborty and A. Razzaque. Bharagava and Shah⁽¹³⁾ have made some regional study of Terai region of Uttarpradesh on credit needs of small farmers while Saha and Dutta⁽¹⁴⁾ have made their study on high yielding variety programme and problems of finance for small farmers in Assam. Pati⁽¹⁵⁾ has conducted a study in Cuttack Sadar Block of Cuttack district, Orissa on the extent of financing agriculture by Commercial banks. Singh et al⁽¹⁶⁾ has made a case study on distribution and utilisation of co-operative credit in Lucknow district while Chowdhury and Sharma⁽¹⁷⁾ have worked crop loan system in two states, Andhra Pradesh and Punjab. Rajput and Singh⁽¹⁸⁾ in their study enlightened utilisation of agricultural credit in Agra district, Uttarpradesh. Agarwal⁽¹⁹⁾ has conducted a study on the role of nationalised banks in financing agriculture in the district of

South Kanara, Karnataka State. S. Sharanappa⁽²⁰⁾ has made some regional or district study on the economic development of rural areas in Karnataka, while G. Parthasarathy⁽²¹⁾ made some regional study in the state of Andhra Pradesh on small Farmers' Development.

A. Dutta⁽²²⁾ has made a study of various issues⁽²³⁾ and strategies of economic development, while S. R. Sen has focussed his attention on the strategies of Agricultural development. On the otherhand, K. K. S. Chauhan⁽²⁴⁾ has made some diagnostic views on problems and possibilities of development of small farmers in India. Charan D. Wadhva⁽²⁵⁾ has conducted a study on the working of Regional Rural Banks in India with two case studies in 1980. S. C. Gupta⁽²⁶⁾ has made a comprehensive study on Development Banking for rural development in the rural areas of Union territories of Delhi. Satyasundaram⁽²⁷⁾ presented a picture of rural India, identifying the various constraints on rural development. S. P. Mazumder⁽²⁸⁾ has made a study on the problems of farm financing in six villages of Jalpaiguri District of North Bengal, while S. K. Chakravorty⁽²⁹⁾ has made a study on the role of rural credit for agricultural development in the post-independence period in the hill areas of Darjeeling district of West Bengal. A. Razzaque⁽³⁰⁾ has made a comprehensive study on the role of Financial Institutions in

relation to rural development with special reference to a backward district like Malda since nationalisation of Commercial banks (1969). None of the studies focussed specifically Rural Banking and Economic Development with Special Reference to Uttarbanga Kshetriya Gramin Bank (a regional bank) for a Backward District like Cooch Behar. The assumption underlying the study is that the investigation would reveal the achievements of rural banking institutions especially U.B.K.G.B. in the light of development banking for rural development of a backward district like Cooch Behar. It is expected that such an investigation would also provide the guidelines for successful implementation of rural development programmes.

(d) Background of the study.

Some agents are considered to be Catalyst of development. North Bengal especially Cooch Behar district of North Bengal is a poor and backward area. Cooch Behar is a no industry district, its per capita income is lower than state average; its rate of urbanisation is lower than both State and All India average; per capita road Kilometre infrastructure is one of the lowest in India, communication system is extremely primitive; railway lines have a poor mileage; it has a large scheduled caste population; the proportion of scheduled caste population is higher than the West Bengal State average; infant

mortality rate is higher than State average; and consequently it may be treated as a very poor backward rural area of West Bengal and India.

It is in this context, Cooch Behar district symbolises the poverty of India - poverty in all its manifestations. No proper attempt has ever been made to study its rural developmental programme and the establishment of regional rural bank over there has created an expectation among the rural poor who are burdened with debt and drudgery. Therefore, establishment of regional rural bank is an important milestone in economic history of a backward region. Everybody is interested to know whether this type of "new banking" can bring a sustainable growth of a poor rural economy with certain amount of direction, supervision and financial investments under the control of Nationalised Banks. Therefore this type of study is important and to the best of our knowledge the problems and prospects of RRBs have not been satisfactorily studied. In this background we have attempted to make an indepth study of regional rural bank in a backward area. The study, it is needless to mention, suffers from various limitations and constraints. The major constraint is a lack of proper data and choice of proper data from mass of inessential and irrelevant information. Further the study suffers from lack of contact with the beneficiaries in proper time and

in proper mood because of lack of communications. In spite of these limitations which are known to all researchers we have attempted to study the impact of RRB on rural development so that its success and failure can be examined by economic Yardstick so that suggestions and recommendations can be given to improve its functions. It is in this background we have studied the problem.

(e) Scope of the Study.

At the outset it should be mentioned that the approach to rural development is necessarily a "multi-agency". In other words, various agencies are operating with different objectives and functions. In this multi-agency approach, regional rural bank may be considered as the kingpin of development because it mobilises the resources and invests it for rural development. Some agencies are biased towards social development for example I.C.D.S.. But the RRB wants to change the economic base. It may be presumed like all materialistic interpretations that changing of economic base alters the superstructure. The superstructure includes class-caste relations, ethnic co-ordination and social, legal, psychological and intellectual atmosphere in the rural areas. Since we consider that RRB is a most important engine of growth in rural areas we have con-

centrated on the activities of this financial institution more in comparison to other. Not that other institutions were overlooked in our study but we have related them to the major thrust of the RRB so that a comprehensive and wholesome picture would emerge. Therefore, there is a certain amount of "essentialist approach" in our study. To a certain extent this essentialist approach is also reductionist. This means that we have looked at the problem essentially from a financial institution like RRB and reduced all other parameters to serve this particular end. Therefore our scope is to study not all financial institutions operating in the rural area but mainly the regional rural bank with its diversities of functions and complexities of its operation. Further we have attempted to study an area which is proverbially backward namely Cooch Behar. Therefore the scope of our study is modest namely the working of RRB in Cooch Behar district.

(f) Methodology.

The census reports of Cooch Behar and West Bengal (1951-81) have been of immense use. Annual reports, official records and accounts on rural credit of Cooch Behar district of Uttarganga Kshetriya Gramin Bank, Cooch Behar unit of the West Bengal State Co-operative Bank, Cooch Behar district Co-operative Land Development Bank, Rural Development Agency, Cooch Behar,

Lead Bank of Cooch Behar (Central Bank of India), different rural branches of nationalised Commercial and Regional Banks and Primary Agricultural Credit Societies have been taken into consideration. In many cases, different information have been collected from the offices of Zilla Parisad, Bureau of applied and economic research, Cooch Behar. These have been supplemented by the published data by the West Bengal and Central Governments, several journals, reports, circulars and other publications of various agencies.

To study the problems of accessibility and impact of credit and repayment performance, a micro-level study consisting of field survey or sample survey has been conducted. For the purpose, three-stage random sampling has been adopted where stage-I is the choice of blocks from district, stage-II is the choice of villages from blocks and stage-III is the choice of borrowing households from villages. In the first stage, 12 blocks of the district have been classified into two categories viz. developed and underdeveloped. Thereafter, one block from each category has been selected randomly. Tufanganj-I and Cooch Behar - II have been selected from developed and underdeveloped category of blocks respectively. In the second stage, four villages two from each selected block have been chosen just randomly. The villages are Maradanga and Chhatoa from block

Tufanganj-I, Baneswar and Siddeswari from block Cooch Behar-II. In the third stage, a borrowing households' list has been prepared for each selected village. A total of 200 borrowing households (50 in each village) have been selected also randomly. Finally, relevant information, primary data have been collected from the borrowers through questionnaires and personal interviews. The questionnaire prepared for survey has been given in appendix IXC.

Data so gathered were tabulated and analysed through general statistical tools and interpreted accordingly. The study also makes use of a sophisticated technique by the help of Computer - discriminant analysis - which is more accurate and reliable in segregating the most important factors to study the repayment behaviour of the borrowers.

(g) Limitations of the Study.

The study was explanatory in nature. Data, collected through multiple channels and sources, are mainly a combination of primary and Secondary types. Inadequacy of data and lack of initiative from many branch managers of different banks and officers of different government and Semi-government agencies in many cases have made the scope of investigation limited. To get relevant information from the

borrowers at village level, difficulties of varying nature were faced. Incorrect information from the respondents in many cases have put the matter in an ambiguous situation. Moreover, the apprehensive and evasive nature of the village people seemed to be a great difficulty in the way of getting meaningful collection of Primary data from field survey. The existence of widespread illiteracy and ignorance appeared to create problems in getting precise information. But most of the difficulties were overcome with the help of panchayats, local people, school teachers and students. In some cases, the branches of regional rural banks and co-operative societies were visited to varify the facts relating to credit obtained/indebtedness as reported by the respondents.

For avoiding many complexities, summary descriptive statistics has been used wherever it was found useful. The entire work has been motivated as positivist and diagnostic in nature.

(h) The Schematic Arrangement.

Keeping in view the objective of the study the theme of the research work has been chapterised as follows:

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Chapter I starts with introducing the problem. It is followed by overview literature. The background of the study is discussed in the light of the National Policy of Economic Development of India with proper emphasis on the objective of the sixth five year plan. The scope of the thesis, methodology applied in research work and the limitations of the study have been duly considered.

Chapter II gives a physical description of the research area i.e. Cooch Behar identifying its location and boundary, administrative units, soil, climate etc. The short history of the district as an administrative unit has also been discussed.

Chapter III discusses population and poverty of Cooch Behar. The main discussion centres around the growth of population over hundred and ten years along with immigrants from across the neighbouring international border i.e. Bangladesh. Urban-rural composition, Male-Female ratio, composition of scheduled caste and tribe population, density of population, literacy level etc. have been taken into account for purposeful discussion. Per capita income, transport infrastructure, electricity consumption, occupational distribution have been discussed in order to reflect the degree and magnitude of poverty or backwardness of the region. Urbanisation and nature of cottage and small-scale industries have also been discussed in this context.

Chapter IV analyses the nature of Agriculture and land revenue settlements in Cooch Behar. The different aspects of agriculture like land revenue settlements, land utilisation pattern, cropping pattern, growth rates in area, yield and production of principal crops including tobacco have been discussed. Different constraints of economic development such as insufficient use of fertiliser and lack of irrigation have been brought into lime-light.

Chapter V deals with the growth of Banking Institutions in the perspective of All India Level, State Level and Cooch Behar district level, and their policies towards rural development with special reference to the region. The growth and policies of different nationalised commercial banks, regional rural bank like U.B.K.G.B., the Cooch Behar unit of the West Bengal State Co-operative Bank Ltd., and the Cooch Behar co-operative Land Development Bank have been discussed. It is worth-mentioning here that the growth and policies of UBKGB (a regional rural bank) towards economic development have been discussed in greater details.

Chapter VI emphasises the role of banks (regional, commercial and co-operative) in relation to economic development with special reference to that of a backward district like Cooch Behar and makes a critical evaluation of performances of the

different banks towards the rural poor. A special discussion on co-operative movement of Cooch Behar district has also been made. Various recommendations and suggestions made by different commissions set up by the Government and Reserve Bank of India from time to time have been dealt with.

Chapter VII has been used specially for the priority sectors. The peculiar characteristics of the priority sectors and their importance in the economy of Cooch Behar have been carefully analysed. In this connection, the role of regional rural bank (U.B.K.G.B) and other commercial banks in lending priority sectors of the region has been critically evaluated.

Chapter VIII is mainly concerned with the working of SFDA/DRDA and the sample survey conducted by A.P.O. (monitoring) DRDA, Cooch Behar. However, some problems relating to the peculiarities of rural people have been discussed in the light of the performance of regional rural bank and other nationalised commercial banks. In this chapter accessibility of credit and impact of credit, performances of village adoption scheme and specialised branches have been discussed. The urban bias of commercial banks and problems of rural credit are also enlightened here.

Chapter IX analyses the problems of repayment of bank loan in

Cooch Behar region. To study the problem in-depth and to arrive at any generalisation, the Chapter has been divided into two sections viz. section-I and section-II. Section-I analyses the recovery performances of different rural branches of Nationalised Commercial Banks and Uttarbanga Kshetriya Gramin Bank (a regional rural bank), co-operative banks and agricultural development branch of State Bank of India, so far at macro level. Section-II analyses the repayment performance at micro level consisting of field survey or sample survey.

Chapter X makes an attempt through the application of discriminant function to highlight the factors that stand out in determining repayment performance behaviour. As repayment performance behaviour of the beneficiaries depends on a very wide variety of factors, the knowledge of their relative strength in determining this behaviour is of paramount significance for the policy makers and planners.

Chapter XI presents some conclusions experienced from the entire study and also gives some tentative recommendations for the proper economic development of the rural poor with the help of banking institutions.

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