

Chapter- V

Small Borrowers and Credit Market in West Bengal

5.01. Backdrop: Money lending activities were very much present in the pre independence colonial period in Bengal. The Money lending activity in West Bengal has been running following the West Bengal Moneylenders Act 1940. Before the Tenancy Act, the Zaminders of Bengal had received good incentives by giving the land to the hands of tenants without any further cost but after the passing of tenancy legislation, the benefits of landlords weakened due to the difficulty in collection of rent or removing the tenants from the land.

The strengthening of tenant's right had given the result of greater confidence in profit-making from their investment though they had lack of access of fund. For the requirement of fund to be invested, the farmers of Madras could borrow against the tenant occupancy right. The Bengal Tenancy Act was passed in 1885 and observing the effect of Bengal Tenancy Act, the then Government of India observed that many raiyats of Bengal were affected by the Bengal Tenancy Act and were at the mercy of moneylenders. The Government of Bengal replied that after the passing of Bengal Tenancy Act, there was substantial increase in the number of transfer of occupancy right but most of these were not for moneylenders. The moneylenders of Bengal were not the outsiders of Bengal but the persons who were involved in agricultural activities with a little capital which they could lend out at the usury. The Government of Bengal had argued on the basis of a letter of a supporter of tenant right, M. Fanucane, who argued using data of 47000 transactions that land was going out to other peasants and only one in seven transfers was to moneylenders. Fanucane also argued that "*of these so called Mahajans, however, but a small portion, were probably other than substantial raiyats themselves, for these are the chief moneylenders in rural Bengal*" (Swamy & Roy, 2016).

5.02. Formal Credit Lenders Act- 1940: On 1st August 1940, an Act to regulate the transaction of money lending in Bengal was introduced. This act was the 'The Moneylenders Act-1940' (Bengal Act X of 1940). This Act still is still in operation for regulating the activity of moneylenders in West Bengal. This act has defined the bank, the borrowers, the moneylenders and the money lending businesses which are as follows:

- i) Bank means a banking company as defined in the Banking Regulation Act-1949 and included:
 - a. A bank included in the second schedule of the Reserve Bank of India Act-1934
 - b. 'A corresponding New Bank' as defined in banking Companies (Acquisition and Transfer of undertakings) Act 1970.
 - c. Any other Financial Institution which may be notified by the State Government.
- ii) Borrower means a person to whom a loan is advanced and includes a successor-in -interest and surety.
- iii) Commercial loan means a loan advanced to any person to be used by such person for the purpose of any business of concern relating to trade, commerce, transport, industry, mining, planting, insurance, banking or entertainment, or to the occupation of wharfinger, warehouse keeper or contractor or any other venture of a mercantile nature, whether as proprietor or principal or agent or guarantor.
- iv) Lender means a person who advances loans and includes moneylenders and the 'moneylenders' means a person who carries on the business of money lending in West Bengal or who has a place of such business in West Bengal and included a payee as defined in the Contract Act -1872.
- v) 'Money lending' business or the business of 'money lending' means the business of advancing loans either solely or in conjunction with any other business.

In West Bengal, no moneylender is permitted to run the activity without holding an effective licence for money lending issued by the sub-Registrar of whose jurisdiction the money lender has place of money lending business, otherwise , no court shall pass an order in favour of moneylender in any suit instituted by a moneylender for recovery of a loan or in any suit instituted by the money lender for the enforcement of an agreement entered into or security taken or for recovery of any security given, in respect of such loan. Any borrower in respect of any moneylender, who has advanced him loan, can file an application to the court for cancellation of licence of moneylender showing the grounds. On receipts of such application the court can start an inquiry if required.

This act states that every moneylender shall have to keep and maintain at least a cash book, a ledger and a receipt book and the same shall be written in Bengali or English in regular course of business and will have to give the borrower a statement written in Bengali or English as per the desire of the borrower showing the details of condition of the loan and other necessary information at the time of taking loan. After payments made by the borrower, the lender has to give a plain and complete receipt of such payments on account of the loan to the borrower and when the repayment of a loan is complete, the lender has to mark indelibly with words indicating full payment or cancel every paper signed by the borrower and discharge any mortgage, restore any pledge, return any note and cancel any assignment given by the borrower as security. This further directs the moneylender that within two months of the commencement of each year, the moneylender has to furnish each of his borrowers a statement to be written in Bengali and / or in English as the borrower desires, be signed by moneylenders or his agents showing the amount outstanding against the borrower and clearly indicating the following:

- i) The amount of the principal and interest due at the commencement.
- ii) The amount of any sum advanced to the borrower from time to time from the commencement of the year and the dates on which the loan was advanced.
- iii) The amount of any payment received from the borrower since the commencement of the year in respect of the loan outstanding and the dates on which the repayments were received.
- iv) The amount of every sum due from the borrower remaining unpaid and the date on which each sum becomes due and the amount of interest accrued due and unpaid in respect of every such sum.
- v) The amount of every sum not yet due which remains outstanding and the date upon which such sum becomes due.

On demand by the borrower, the lender is bound to provide the statement to the borrower within thirty days, if it was not provided by the lender within previous six months from the date of receiving of demand for statement. After receiving the statement, the borrower shall not be bound to acknowledge or deny its correctness and his failure to comply shall not be deemed to be an admission of correctness of the account which has been provided by the lender.

The Bengal Moneylenders Act-1940 has safeguarded the borrowers by prescribing a limit to the amount and the rate of interest recoverable as:

A. No borrower of loans other than borrower of commercial loan shall be liable to pay:

- i) Any sum in respect of principal and interest which together with any amount already paid or included in any decree in respect of a loan exceeds twice the principal of the original loan.
- ii) The interest outstanding on the date up to which such liability is computed, a sum greater than the principal outstanding on such date.
- iii) Any interest other than simple interest at a rate per annum not exceeding :
 - a) 12.5% p.a. in case of unsecured loans
 - b) 10% p.a. in case of secured loans.

B. No borrower of a commercial loan shall be liable to pay any interest other than simple interest at a rate per annum not exceeding in the case of:

- a) 20% p.a. in case of unsecured loans
- b) 17% p.a. in case of secured loans.

In case where loans were taken in kinds, the money value of the commodity at the time when loan was taken, the place where the loan was taken shall be deemed to be the principal of the loan and when the loan was repayable in kind, the market value of the commodity in the said locality at the date of repayment shall be considered. If any conflict arises between the borrower and the lender and if the lender refuses to receive the amount which has been paid by borrower to lender as principal or interest or where a borrower has sent to the lender a postal money order of any sum of money due from him in respect of a loan and the lender has refused to accept the same, the borrower may apply to the court to deposit the said sum in court to the account of the lender. The court shall keep the amount and will ask the lender about his willingness to accept the money so deposited and receive the sum, provided that in accepting any sum, a lender shall not be bound by any statement made by the borrower in depositing the same.

For recovering the debt or dues any molest or abets the molestation of a debtor for the purpose of recovering or attempting to recover a debt, shall be punishable, on conviction,

with imprisonment which may be for one year or with fine which may extend to one thousand rupees or with both.

It is very clear from the above discussion, in West Bengal, the act of borrowing and lending, the relation of borrowers and lenders, in case of formal market, depended heavily on this Act. But before passing the Bengal Money lenders Act-1940, there were some other acts on which the relations, acts and the behaviour of the borrowers and moneylenders depended. There were the following Acts:

- i) The Usury Laws Repeal Act-1855
- ii) The Usurious Loans Act- 1918
- iii) The Bengal Money Lenders Act-1933

5.03. Priority Sector Advance in West Bengal: The Reserve Bank of India set the target of 10% for nationalised banks and 12% for foreign bank of the ANBC (adjusted Net Banking Credit) for advance to weaker sections under Priority Sector credit and due to non availability of precise definition of the term ‘ Weaker Section’, banks used to interpret as they like to interpret and sometimes lending to SC/ST farmers up to certain limit was included in agriculture, weaker sections, micro credit, small business or self-employed. Due to this reason, from 2006-2007 (table No.5.01) , the advance to weaker section under Priority Sector lending has been shown by clubbing it to show a comparative study of Priority Sector lending between West Bengal and India .

Table 5.01: Distribution of number of accounts pertaining to Priority sector advance by all Schedule Commercial Banks for West Bengal and India as a whole (in Lakh)

	1980-1981		1990-1991		2000-2001		2001-2002	
	India	WB	India	WB	India	WB	India	WB
Agri& Allied :	112.0	6.66	120.8	12.2	193.2	6.61	163.5	6.34
Of which Direct:	99.1	5.34	120.2	11.2	190.4	6.51	158.5	6.12
SSI	9.61	0.77	27.0	4.78	20.7	3.66	19.3	3.31
Small Business	3.60	0.35	7.76	1.02	76.1	5.69	74.7	5.32
Weaker Section	NA	NA	NA	NA	0.75	0.01	0.37	0.08
Education	NA	NA	NA	NA	1.61	0.02	1.63	0.04

Housing	NA	NA	NA	NA	5.79	0.22	8.15	0.35
Other Priority sector	NA	NA	NA	NA	0.02	Neg	0.02	Neg
Total	NA	NA	NA	NA	298.3	16.2	269.4	15.5

	2002-2003		2003-2004		2004-2005		2005-2006	
	India	WB	India	WB	India	WB	India	WB
Agri& Allied :	173.5	6.92	199.0	7.26	216.7	8.03	260.5	9.51
Of which Direct:	170.55	6.60	196.3	7.20	209.3	7.72	242.3	8.82
SSI	18.2	3.21	18.1	3.85	14.8	2.72	18.1	3.09
Small Business	75.4	5.76	76.3	5.04	77.7	4.89	80.7	5.81
Weaker Section	0.70	0.03	0.29	0.01	0.51	0.01	0.29	0.01
Education	2.51	0.07	3.62	0.09	4.90	0.15	6.65	0.21
Housing	14.1	0.69	20.6	0.86	26.7	1.17	32.6	1.26
Other Priority sector	0.02	Neg	0.23	Neg	0.02	Neg	0.17	0.01
Total	286.9	17.0	320.9	17.5	342.6	17.0	400.3	19.9

	2006-2007		2007-2008		2008-2009		2009-2010	
	India	WB	India	WB	India	WB	India	WB
Agri& Allied :	296.9	9.62	307.2	11.1	341.0	13.7	392.3	12.2
Of which Direct:	261.9	9.02	302.2	10.6	335.1	12.8	385.8	11.4
SSI	18.2	3.05	38.2	3.7	40.1	4.0	67.1	5.5
Small Business	81.3	6.56	55.2	3.5	65.4	3.6	37.1	2.0
Education	8.3	0.35	12.5	0.4	16.2	0.5	19.7	0.6
Housing	33.5	1.64	42.2	2.3	44.4	2.4	44.5	2.2
Other Priority sector including Weaker								

section	0.3	0.02	0.2	0.04	0.8	0.1	2.5	0.1
Total	438.9	21.4	455.8	21.3	507.9	24.3	563.2	22.6

Note: From 2006-2007, Weaker section credit is shown in other relevant heads including other Priority sector.

Source: Generated from Dr. S.K. Rao (as cited in statistical table relating to Bank in India, RBI)

It is clear from the above table (5.01) which gives a comparative analysis of trend of accounts under priority sector lending for West Bengal and India, while observing the data it was found that data specifically on weaker section was available for 2000-2001. In 2000-2001, the number of accounts of weaker sections for India as a whole was 75000 and for West Bengal it was 1000 only that is 1.33 percent (i.e., $1000/75000 \times 100$) of total number accounts of priority sector lending of India. In 2001-2002, the total number of accounts of weaker section for all India was 37000 when Bengal was at 8000 only i.e., 21 percent of total number. In 2001-2002, the total number of weaker section, for all India, come down 37000 from 75000 in 2000-2001 and at the same time the number of accounts in West Bengal was gone up to 8000 from 1000. A considerable rise in accounts of weaker section (which was included in other priority sector) was observed in 2008-2009 and 2009-2010 when it was 80000 and 250000 for all India level and at the same time the number of accounts in West Bengal was 10000 and 10000 respectively. It was observed that from the year 2000 to 2010, the number of accounts of weaker section along with other priority sectors, for all India, was increased from 77000 to 250000 and in West Bengal it was increased from 1000 to 10000 during these years and but the year 2010 the percentage of weaker section loans reached to 4 percent (i.e., $10000/250000 \times 100$) of the total number accounts of priority sector lending of India.

5.04. Distribution of Banking Centres in West Bengal: The Banked Centre is a centre, which has at least one branch or office of commercial or co-operative bank. The population group of banking centres, as defined by the Reserve bank of India are: i) 'Rural' group includes all banked centres with population of 'less than 10000'; ii) 'Semi-urban' group includes all banked centres with population of '10000 and above but less than 1 lakh'; iii) 'Urban' group includes all banked centres with population of '1 lakh and above but less than 10 lakh'; iv) 'Metropolitan' group includes all banked centres with

population of '10 lakh and above' (Directory of Bank Offices, Reserve Bank of India).The distribution centres for disbursing the formal loans is normally commercial and other categories of bank in West Bengal. The picture of the distribution of banking centres in West Bengal in the year 2011 and 2012 can be understood from the following table (No.5.02):

Table 5.02: Banking Centres in West Bengal

Rural		Semi-Rural		Urban		Metropolitan		All Centres	
2011	2012	2011	2012	2100	2012	2011	2012	2011	2012
2155	2201	295	303	58	58	2	2	2510	2564

Source: BSR, RBI -41th Issue. (March 2, 2013, Table No 1.2)

5.05. Expansion of Bank Branch in West Bengal: The Branches of bank refer to those offices which are engaged in either; i) banking business (i.e., either accepting deposits and / or offering credit to their customer); or ii) banking and foreign exchange business; or iii) administration, banking & foreign exchange; or iv) administration and banking; or v) administration and foreign exchange; or vi) only foreign exchange business. The expansion of bank branches of Scheduled Commercial banks in West Bengal can be observed from the following table (No.5.03):

Table 5.03: Expansion of Bank Branch in West Bengal

Year	No of bank branch	Increase of branch	Percentage of expansion
1980	2143	-----	-----
1985	3268	1125	52.50
1990	4075	807	24.69
1995	4395	320	7.85
2000	4525	130	2.96
2005	4661	136	3.00
2013	6402	1741	37.35

Source: Generated from Basic Statistical return of scheduled Commercial banks, RBI

The expansion of branch of Scheduled Commercial Banks (SCB) displays a declining trend since 1985 till 2000. The percentage of growth of branches came down to 3.00 percent in year 2000 from 52.50 percent in the year 1985. During 2005-2013, the number of bank branches of SCB in all India expanded from 68355 in 2005 to 106584 in 2013, i.e. the rate of expansion of bank branches of SCB increased at rate of 55.92 percent (read with table 3.9 of chapter-III). Therefore, though the rate of expansion of bank branches of SCB in West Bengal was 37.35%, but still the expansion was much below the expansion rate of all India level.

5.06. Small Borrowal Accounts in West Bengal and India:

The comparative analysis of number of accounts and the amount outstanding of small Borrowal accounts for the year 2000-2001, 2003- 2004, 2005-2006 & 2007-2008 in respect of India and West Bengal as a whole can be understood from the table given below :

Table 5.04: The Comparative Analysis of Small Borrowal Accounts

Year ended on	India /WB	Small Borrowal Accounts					All Accounts		Percent share of SBAs in all accounts	
		No of accounts (in Thousand)	Amounts outstanding (Rs. Crore)	Average amount outstanding	Percent share		No of accounts (in thousand)	Amount outstanding (Rs. Crore)	No of accounts	Amount outstanding
					No of accounts	Amount outstanding				
31.03.2001	WB	3332	5971	17920	6.6	5.6	3422	30257	97.1	19.7
	India	50456	106294	21067	100	100	52364	538434	96.4	19.7
31.03.2004	WB	3270	7526	23013	503	4.6	3470	47599	94.3	15.8
	India	61900	162700	26284	100	100	66392	880312	93.2	18.5
31.03.2006	WB	3556	10607	29832	4.6	4.3	3899	70940	91.2	15.0
	India	77122	248493	32221	100	100	85435	1513842	90.3	16.4

31.03.2008	WB	3436	12742	37088	3.65	3.87	4104	125512	83.7	10.2
	India	94132	329396	34993	100	100	106990	2417007	88.0	13.6

Source: Generated from various Basic Statistical Return of RBI.

It is visible from the above table (No.5.04) that there has been a downward trend in the trend in the number of small borrowal accounts in West Bengal. The same declining trend was also observed in case of amount outstanding of SBAs in West Bengal during 2001 to 2008,

In case of percentage share of SBAs in all accounts in respect of amount outstanding, except in 2001, the percentage of West Bengal was always lower than the all India level. In 2001, the percent share of SBAs in all account was at 19.7% for both west Bengal and In India. But from 2004 a declining trend was observed in West Bengal. .

In respect of percent share of number of SB accounts in all accounts, In West Bengal, SBAccounts were at 97.1% in 2001; 94.3% in 2004; 91.2% in 2006 and 83.7% in 2008 were more than the percent share of SBAs in all India level except in 2008 and a declining trend was also observed in case of West Bengal, gradually from 2001 as the percentage of SBAs in all accounts were come down from 94.3% in 2001 to 83.7% in 2008.

5.07. Population group-wise classification of Small Borrowal Accounts in West Bengal:

The position of small borrowal accounts of scheduled commercial banks in West Bengal can be understood from the table (5.05) mentioned below to observe the specific head-wise distribution of SB accounts based on the regional specification such as Rural, Semi- Urban, Urban and metropolitan. The total number of small borrowal accounts in agriculture of scheduled commercial banks, in rural region, was 1611077 numbers which was the highest in number in comparison to the other regions. Out of these 1611077 number of SB accounts, 1553163 number of SB accounts, i.e. 96%, was directly financed agricultural accounts and 74.66% of total number of SB accounts of direct finance to agriculture in West Bengal as a whole.

In case of the Industry, the number of small borrowal accounts was highest in urban/ metropolitan region of West Bengal. In this region the number of SB account under

Industry was 24780 out of total 149561 number of SB accounts, i.e. 16.57% of total number of SB accounts under 'Industry'.

Table 5.05: Population Group-wise classification of outstanding credit of Small Borrowal accounts of Schedule Commercial bank of West Bengal according to occupation, for March 2015

Occupation	Rural		Semi Urban		Urban/ metropolitan		Total	
	No of accounts	Amount outstanding	No of accounts	Amount outstanding	No of accounts	Amount outstanding	No of accounts	Amount outstanding
1)Agri& Allied :	1611077	63585.66	355681	15016.37	190275	9600.53	2157033	88202.55
Of which								
Direct:	1553163	61544.85	346644	14650.19	180462	9057.58	2080269	85252.62
Indirect Finance:	57914	2040.81	9037	366.18	9813	542.94	76764	2949.93
2)Industry	101642	3406.53	23139	896.17	24780	1407.56	149561	5710.26
3) Transport	8564	273.78	7824	406.67	36653	1790.12	53041	2470.57
4)Professional & other services	43697	1832.91	20678	811.95	37747	1506.32	102122	4151.17
5)Personal Loans:	203733	9389.11	136107	6397.89	894326	27237.76	1234166	43024.75
I. Loan for Housing	16075	1082.53	14678	800.37	49816	3254.65	80569	5137.55
II. Loans for consumables & durables	7742	307.62	4776	159.82	7934	308.87	20452	776.31
III. Rest of Personal Loans	179916	7998.96	116653	5437.7	836576	23674.24	1133145	37110.89

6) Trade:	214604	9155.66	80793	3562.83	60034	3185.49	355431	15903.99
i) Wholesale trade	8078	396.26	2766	118.48	3930	134.15	14774	648.89
ii) Retail trade	206526	8759.4	78027	3444.35	56104	3051.35	340657	15255.1
7) Finance	19833	677.39	2595	102.71	1643	96.66	24071	876.76
8) All others	237560	6976.6	61448	1830.81	134102	1898.04	433110	10705.45
Total (WB)	2440710	95297.64	688265	29205.4	1379560	46722.47	4508535	171045.52
Total (India)	42922379	2378154.7	31606959	2139993.6	1950586.2	36595913	2329543.5	1346246.4

Source: Basic Statistical Return, March 10, 2016 of RBI

In case of SB accounts under the head of ‘Personal Loan’ which consist of housing, purchase of consumable and personal loan etc., the highest number of accounts (894326) was also in urban/ metropolitan region of West Bengal which claims 72.46% of total small borrowal account under the head ‘Personal Loan’ of Scheduled Commercial Banks. The ‘rest of personal loan’ category of SB account is 836576 numbers out of the total small borrowal personal loan account 1234166 numbers, i.e. 67.78%. **The interest rate differential, in case of personal loan for small borrowers, found in decreasing mode (table 3.24) but still 30% (i.e., 1234166/4508535 x 100) of the total SB loans account is personal loan account in West Bengal.**

In case of small borrowal account under the head ‘trade’, it was found that the highest number of accounts i.e. 214604 numbers were opened in rural regions of West Bengal. This region held 60.37% of the total SB accounts opened for borrowing for trade. In these 214600 numbers of trade SB accounts, ‘retail trade’ occupies 96.24% of the SB accounts. **The reason behind these huge loan account under ‘retail trade’ is the opportunity of getting the benefit of differential rate of interest, as it was found that the small borrowers borrowing under ‘retail trade’ always enjoyed positive rate differentials in interest and paid less interest than the large borrowers borrowing under the same head (read with table 3.24).**

5.08. Comparative Analysis of Bank Group-wise deposit and credit: This can be observed from the table (No. 5.06) as mentioned below:

Table 5.06: Comparative Analysis of the Bank Group-wise deposit and Credit (total credit and credit of small borrowal accounts) of Scheduled Commercial Banks of West Bengal for 2012 and 2016.

Banks	Year	No of office	Deposit		Total Credit		Of which credit to small borrower	
			No of account	Amount	No of account	Amount	No of account	Amount
SBI & its Associates	2012	1001	15611	823888.9	931	591774.2	694	31301.8
	2016	1296	35661	1460986	952	780247.4	646	33225
Foreign Bank	2012	35	336	90790.6	131	74624	122	5736
	2016	33	227	101277.3	54	98517.1	38	1527.8
Nationalised Bank	2012	3576	36645	218665.0	2005	1378095.8	1648	76560.6
	2016	4335	62271	3409081.8	2463	1776910.8	1968	90236.7
Regional Rural Bank	2012	930	7188	107653.2	1046	52889	980	27014.7
	2016	960	14403	174593.4	1172	86711	1037	37593.8
Private Bank	2012	519	3863	538454.1	535	290206.6	427	7657.0
	2016	1036	10021	953897.3	3611	616088.1	3425	86700.4
All Scheduled Commercial bank	2012	6061	63643	3739451.9	4648	2387590.9	3872	148270.8
	2016	7660	122583	6099836.5	8251	3358474.9	7114	249284.3

Note: Number of accounts is in thousand and amount is in million of rupees.

Source: BSR 41th Issue, March 20, 2013 and BSR data of March 2016, published by RBI

The observations from the above table (No.5.06) are as follows:

- i) During 2012 to 2016, the number of office of the SBI and its Associate Banks increased at a rate of over 29% but the loan account of small borrowers were decreased by over 6.91% , though the credit issued to small borrowers increased during this periods by over 6.14%.
- ii) In case of Foreign Banks the number of offices came down to 33000 in 2016 from 35000 in 2012. During these phase, the total number of credit account of Foreign Banks came down to 54000 in 2016 from 131000 in 2012. This

downward trend was also followed in case of the total number of credit account of small borrowers which came down to only 38000 in 2016 from 122000 in 2012. The rate of decrease of loan account of small borrowers over 2012 was more than 68% and the amount of loans to SBAs also decreased by Rs. 4208.2 millions i.e. over 73% was observed.

- iii) In case of Nationalized Bank , the increasing trend of number of office by 21.22% was observed during 2012 to 2016 , the total number of loan accounts in these Banks during the same periods increased by 22.84% and the number of small borrowal account increased by over 19.41%. The amount of credit released to small borrowers during 2012 to 2016 increased by 17.86%.
- iv) In case of Regional Rural Bank, the total number of offices decreased in 2016 from 2012 but the total number of credit account during these phase increased by over 12%, the amount of total loan issued was also increased by over 63.5% and the amount of loan issued to small borrowers increased by over 39%.
- v) During 2012 to 2016, the offices of Private commercial Banks increased by over 99%. The total number of loan account increased by over 574% and the loan account of Small borrowers increased at 702% over 2012. The amount of loans issued to small borrowers, during these phase, increased by above 1000% over the amount of loans issued to SBA in the year 2012.
- vi) While considering the data relating to all Scheduled Commercial banks, it was observed that during 2012-2016, the total number of offices of Scheduled Commercial Banks increased from 6061 in 2012 to 7660. The percentage of increase of 26.38% was observed. The total number of loan account was 4648,000 in 2012 and this was increased to 8251000 in the year 2016. The percentage of increase in loan account was 77.52%. The total number of loan account of small borrowers was 3872000 in 2012 which increased to 7114000 in 2016 , i.e. growth of loan account of small borrower by 83.73% was observed during 2012 to 2016 with a corresponding increase in amount of loans released was observed by over 68.12%.

5.09. Comparative analysis of Population group-wise total credit and credit to small borrowal account: This can be observed form the following table (5.07) as mentioned below:

Table 5.07: Comparative Analysis of the Population Group-wise total Credit and Credit to Small Borrowal Accounts of Scheduled Commercial Banks of West Bengal:

Banks	Year	No of office	Total Credit		Of which credit to small borrower	
			No of account	Amount	No of account	Amount
Rural	2012	2534	2325	180931.2	2137	73111.40
	2016	3162	4096	296893.9	3805	134029.4
% of growth in respect to 2012		24.78	76.17	64.09	78.05	83.32
Semi Urban	2012	830	658	84019.6	555	22431.4
	2016	1206	1719	158402.6	1554	50791.0
% of growth in respect to 2012		45.30	161.25	88.53	180	126.43
Urban	2012	1191	627	234210.7	422	20267.7
	2016	1594	1510	388916.7	1199	41220.9
% of growth in respect to 2012		33.84	140.83	66.05	184.12	103.38
Metropolitan	2012	1506	1037	1888429.4	759	32460.3
	2016	1698	925	2514261.7	556	23242.6
% of growth in respect to 2012		12.75	(-10.80)	33.14	(-26.75)	(-28.40)

Source: Generated from BSR various issues published by RBI

Note: Number of accounts is in thousand and amount is in million of rupees.

It was observed from the above table (5.07) that in 2016, except in Metropolitan, a positive growth has been observed in respect to 2012 in rural, semi urban and urban populations. In Metropolitan, during 2012 to 2016, a negative growth of number of account of credit in total and in small borrowal was observed along with a negative growth in amount of credit in small borrowal account.

5.10. Comparative Statement between West Bengal & other State showing the State-wise & population Group-wise classification of Small Borrowal Accounts: One can also observe the position of small borrowal accounts of West Bengal in respect of total number of accounts, amount outstanding in rural, semi urban and urban and metropolitan regions in comparison to other states of India to get some interesting result. The table below (5.08) has been given to show the state-wise comparison between West Bengal and

other states of India, keeping the data of small borrowal accounts of West Bengal at 100% level, the achievements of other states have been derived:

Table 5.08: State-wise & Population Group-wise classification of Small Borrowal Accounts of Scheduled Commercial Bank - March 2015.

State	Rural		Semi Urban		Urban/ Metropolitan		Total	
	No of accounts	Amount outstanding	No of accounts	Amount outstanding	No of accounts	Amount outstanding	No of accounts	Amount outstanding
WEST BENGAL	2440710	95279.64	688265	29025.4	1379560	46722.47	4508535	171045.52
%	100	100	100	100	100	100	100	100
Haryana	602837	47133.8	323335	25646.61	965379	35213.69	189551	107994.1
% in respect of Bengal	24.699	49.46	46.98	88.36	69.98	75.37	41.95	63.14
Himachal Pradesh	371026	24148.67	73775	3705.03	19224	1039.79	464045	2289.48
% in respect of Bengal	15.20	25.34	10.72	12.76	1.39	2.23	10.29	13.38
Jammu & Kashmir	457611	28152.01	163051	10392.41	84381	4109.91	705043	42654.33
% in respect of Bengal	18.75	29.54	23.69	35.80	6.12	8.80	15.64	24.94
Punjab	513649	39674.68	480926	32218.86	648714	26010.32	1643289	97903.86
% in respect of Bengal	21.05	41.63	69.88	111	47.02	55.67	36.45	57.24
Rajasthan	1572293	124703.01	1027884	75824.28	764159	32999.09	3364336	233526.38
% in respect of Bengal	64.42	130.86	149.34	261.23	55.39	70.63	74.62	136.53
Chandigarh	2915	185.07	-----	-----	183532	6258.26	186447	6443.33
% in respect of Bengal	0.12	0.19	-----	-----	13.30	13.39	4.14	3.77
NCT of Delhi	11441	629.4	4699	307.56	2890340	58591.6	2906480	59528.56
% in respect of Bengal	0.47	0.66	0.68	1.06	209.51	125.40	64.47	34.80

Bengal								
Arunachal Pradesh	19093	927.03	20289	1168.01	-----	-----	39382	209505
% in respect of Bengal	0.78	0.97	6.27	4.02	-----	-----	0.87	122.48
Assam	1000015	44080.62	556698	29421.74	259435	9627.79	1816148	83130.15
% in respect of Bengal	40.97	46.26	80.88	101.37	18.81	20.61	40.28	48.60
Manipur	21864	1097.6	26371	1342.4	22843	1340.35	71078	3780.35
% in respect of Bengal	8.93	1.15	3.83	4.62	1.66	2.87	1.58	2.21
Meghalaya	92551	4183.88	22657	1249.71	18069	1047	133277	6480.56
% in respect of Bengal	3.79	4.39	3.29	4.31	1.31	2.24	2.96	3.79
Mizoram	23731	1306.23	29731	1845.02	26626	1583.16	80080	4734.41
% in respect of Bengal	0.97	1.37	4.32	6.36	1.93	3.39	1.78	2.77
Nagaland	24681	1211.16	44270	2382.07	-----	-----	68951	3593.23
% in respect of Bengal	1.01	1.27	6.43	8.21	-----	-----	1.53	2.10
Tripura	198920	5705.16	143071	5384.8	38875	1820.4	380966	12910.36
% in respect of Bengal	8.15	5.99	20.79	18.55	2.82	3.90	8.45	7.55
Andaman & Nicobar Island	9494	620.66	14147	1023.82	-----	-----	23641	1644.48
% in respect of Bengal	0.39	0.007	2.06	3.53	-----	-----	0.524	0.96
Bihar	3445100	153571.98	1235644	63998.01	542419	23844.35	5223163	241414.33
% in respect of Bengal	141.15	161.15	179.53	220.49	39.32	51.03	115.85	141.14
Jharkhand	1201784	38064.95	351426	14143.45	268903	11523.69	1822113	63732.09
% in respect of Bengal	49.24	39.94	51.06	48.73	19.49	24.64	40.41	37.26

Sikkim	13547	760.26	8203	500.2	-----	-----	21750	1260.46
% in respect of Bengal	0.56	0.80	1.19	1.72	-----	-----	0.48	0.74
Chhattisgarh	506519	23180.07	233946	13344.73	180383	8467.4	920848	44992.21
% in respect of Bengal	20.75	24.32	33.99	45.9	13.08	18.12	20.42	26.30
Madhya Pradesh	1661011	114358.11	1324.145	90216.89	1012393	44776.78	3997549	249351.77
% in respect of Bengal	68.05	120	0.19	310.82	73.39	95.84	88.67	145.78
Uttar Pradesh	6209188	349605.56	2016382	132390.01	2226674	91890.72	10452244	573886.28
% in respect of Bengal	254.40	366.86	292.97	456.12	161.40	196.67	231.83	335.52
Uttarakhand	332366	18710.67	170894	11336.02	119850	4992.42	623110	35039.12
% in respect of Bengal	13.62	19.63	24.83	39.06	8.69	10.69	13.82	20.48
Goa	123526	3541.42	169473	6455.38	-----	-----	292999	9996.79
% in respect of Bengal	5.06	3.72	24.62	22.24	-----	-----	6.50	5.84
Gujarat	1081177	68605.52	879451	49590.71	1406289	44902.68	3366917	163098.9
% in respect of Bengal	44.30	71.99	127.78	170.85	101.94	96.12	74.68	95.35
Maharashtra	2510224	151485.4	1925139	120414.58	7212668	166157.2	11648031	438057.17
% in respect of Bengal	102.85	158.96	279.71	414.85	522.82	355.63	258.36	256.106
Dadar & Nagar Haveli	1722	49.22	18469	489.37	-----	-----	20191	538.58
% in respect of Bengal	0.071	0.052	2.68	1.69	-----	-----	0.45	0.003
Daman & Diu	145	5.39	12219	424.09	-----	-----	12364	429.48
% in respect of Bengal	0.006	0.006	1.78	1.46	-----	-----	0.27	0.25
Andhra Pradesh	4717089	257378.59	3179770	193166.43	1983399	107728.96	9880258	558273.98
% in respect of Bengal	193.27	270.10	462	665.51	143.77	230.57	219.15	326.39

Bengal								
Karnataka	3279705	207590.53	1923733	131458.22	3509764	136165.77	8713202	475214.52
% in respect of Bengal	134.38	217.83	192.33	452.91	254.41	291.44	193.26	277.83
Kerala	665117	37528.88	5009996	306248.15	1536394	75819.62	7211507	419596.64
% in respect of Bengal	27.25	39.38	727.92	1055.10	111.37	162.28	159.95	245.31
Tamil Nadu	7122760	411491.51	6185225	394556.53	4975292	247412.21	18283277	1053469.25
% in respect of Bengal	291.83	431.80	898.67	1359.35	360.64	529.54	405.53	615.90
Lakshadweep	2835	171.41	1726	102.1	-----	-----	4561	273.51
% in respect of Bengal	0.116	0.180	0.25	0.35	-----	-----	0.10	0.16
Pondicherry	99845	5763.55	91523	5533.89	163752	8455.64	355120	19753.09
% in respect of Bengal	4.90	6.05	13.30	19.07	11.87	18.10	7.88	11.55
Telangana	2867748	155190	1441398	82324.64	2340102	78865.03	6649248	316379.67
% in respect of Bengal	117.50	162.85	209.42	283.62	169.63	168.79	147.48	184.97

Source: Basic Statistical Return, March -10, 2016 (table No 5.8, accessed on 25.01.2017)

(-) implies Non availability of data

'%' Generated by the Researcher.

It is found from the above table (5.08) that Uttar Pradesh, Maharashtra, Andhra Pradesh, Tamil Nadu and Telangana were ahead than West Bengal in respect of total number of SB account and amount outstanding in all the three regions viz rural, semi urban, urban and metropolitan regions. In rural region, Tamil Nadu held 191.83% more SB account and 331.80% more amount outstanding than West Bengal. In semi-urban region, Tamil Nadu is ahead by 798.67 in case of existence of SB account and 1259.35% more amount outstanding than West Bengal.

5.11. Position of Small Borrowal Account of other States in respect to West Bengal:

The achievement of states which are ahead than West Bengal has been summarized in the table (5.09) as mentioned below:

Table 5.09: Position of Small Borrowal Account of Other States in respect to West Bengal

State	Rural		Semi Urban		Urban/ metropolitan	
	No of accounts (ahead by % than WB)	Amount outstanding (ahead by % than WB)	No of accounts (ahead by % than WB)	Amount outstanding (ahead by % than WB)	No of accounts (ahead by % than WB)	Amount outstanding (ahead by % than WB)
Uttar Pradesh	154.40	266.86	192.97	256.12	61.40	96.67
Maharashtra	2.85	58.96	179.71	314.85	422.82	255.63
Andhra Pradesh	93.27	170.10	362	565.51	43.77	130.57
Karnataka	34.38	117.83	92.33	352.91	154.41	191.44
Tamil Nadu	191.83	331.80	798.67	1259.35	260.64	429.54
Telangana	17.50	62.85	109.42	183.62	69.63	68.79

Source: Generated From Basic Statistical return, RBI, March 10, 2016.

Apart from above mentioned states, Bihar is ahead in rural and semi-urban region and Kerala is ahead in Semi-urban and urban & metropolitan region in respect of number of SB account and the amount outstanding than West Bengal.

5.12. Informal Credit in West Bengal

It is difficult to get data regarding informal credit in any simple way as the person who is in debt to any informal lender do not utter their names and the informal lenders also keep their business secret, as far as possible, from the general people due to their nature of business. But they keep the information about the borrower and the borrower somehow

knows the address of informal lenders. Unlike the data on formal credit, data regarding informal credit can only be collected through primary survey.

Some studies can be found on the informal credit situation of West Bengal which has shown the increase of demand of informal credit in the field of agriculture since 1970 due to the high growth of production of agriculture. This increased need of credit of the farmer made them dependent on easy available informal credit in the market of West Bengal. This dependence on informal credit is visible not only in the agricultural sector of West Bengal but also seen as prime source of credit in all other purposes like consumptions, medical, education, meeting need of traders for input purchase etc.

Ashok Rudra (1975) surveyed 81 villages spread over the whole state of West Bengal and also included the Santal Parganas district of Bihar to find the contribution of loans in agrarian relations i.e., the role of loans played in the relational matrix of landowner and their tenants or farm servants. His findings were:

i). In case of production loans (most often given in kinds) to tenants and farm labour, it was found that out of 77 number cases arising from 15 districts, 51 number of cases were found where owner advanced tenant's share of cost for some items and 32 number cases were found where such advance was interest free. The incidence of taking production loan was not common among farmers and farm servants as most of them were without any land. These findings rejected the proposition that '*landowners extend loans primarily by way of usury and not out of their interest in increasing production*'.

ii) In case of consumption loans, which was normally taken, most often, in kind and repaid in kind by poor tenants and farm servants from their landlords, suppliers, food suppliers during the pre harvest session for dealing with their consumption needs. The findings were that out of 60 numbers of cases arising from 15 districts, 50 numbers of cases where farm servants received loans for consumption need from his employers and 34 numbers of cases where such loans were interest free. According to the author, the findings, from the data of consumption loans suggested also to reject the proposition that '*most landowner indulge in giving consumption loans and these at a high rates of interest*'.

iii). In case of loans to casual labourers, his findings were that the prevalent user of this loan was casual labourers and the giver of the loan was a farmer. The repayments of these loans were made in terms of unpaid labour to be supplied on demand to the farmer as per the discretion of the farmer at any point of time. The author found that out of 61 cases arising from 15 districts, in 36 number of villages where the labourer availed loans from

the farmers, in 29 villages labourers got their loans from moneylenders, and in 7 cases, he found that there was no source of providing credit to the casual labourers.

iv). In case of loans for general purpose other than production or consumption loans , it was found that out of 67 villages, professional money lenders existed in 33 villages. In 26 numbers of villages the indulgence of farmer in giving such loans were found. In 12 numbers of villages borrowers got loans from shops from where they purchased their thing on credit. The table (5.10) below has been given to show the general purpose loans open to different categories of Borrowers:

Table 5.10: The purpose of loans

Sources of credit for general purposes	Open to				Total number of villages observed
	Tenants	Farm servants	Casual labour	All categories	
Money lenders	30	6	18	33	67
Farmers	26	6	-----	26	67
Shops	12	2	3	12	67
Others	36	19	13	36	67

Note: Figure represents the number of cases (villages) observed for a particular category of lender lending to a particular category of borrower. Neither the rows nor the columns are additive due to obvious reasons.

Source: Ashok Rudra (1975)

D. Banerjee (1996) conducted a survey in the districts of Coochbehar, Dinajpur, Malda, Birbhum and Murshidabad of West Bengal and found the following kinds of agreement of credit in these five districts:

- i). Borrowing in Cash and the repayment is also in cash
- ii). Borrowing in cash but repayment in Kind
- iii). Borrowing in kind and repayment is also in kind
- iv). Borrowing in cash but repayment is with labour
- v). Borrowing in kind and repayment in cash

He observed that out of 136 sample case studies, 'borrowing in cash and repayment in cash' was 60 percent of the credit agreement followed by 'borrowing in cash but repayment in credit' type agreement was at 28.7 percent. The 'borrowing in kind and repayment in kind' type of credit agreement was at 6.6 percent and 'borrowing in cash and repayment was made with labour was at 2.15 percent. He did not calculate the percentages of the 'borrowing in kind and repayment in cash' type credit agreement though this type was very wide spreaded in rural economy of West Bengal. He further pointed out that there were two types of credit agreements with land as collateral:

1. **Khay Khalasi System:** In this case the lender allows one year to the borrower for repayment of loan taking the usufructuary rights of land. The size and the productivity of lands determined the quantum of the credit. Normally, a land owner of one bigha of land could get only Rs. 2000/- credit from the lender. All the work i.e., from sowing to harvesting had to be done by the borrower but the produce of land would have been taken by the lender as repayment of principal and interest of loan.
2. **Leasing of land:** In this type of collateral, the amount of credit varies with the market value of land .The usufructuary rights of land is enjoyed by the lender till the principal of credit remains unpaid. The Interest is the produce of the land. But, In this case, the borrowers need not to give his free labour for the production. This leasing system was less economic for the lender than the khay khalasi system.

According to Vikas Rawal (2001), the land reforms, the political environment, the reorganisation of local government influenced the rural market functioning of West Bengal significantly. The increased need of credit of the farmers made them dependent on the easy available informal credit in the market of West Bengal. This dependence on informal credit is visible not only to the agricultural sector of West Bengal but also seen as a prime source of credit in all other purposes like consumptions, medical , education , meeting need of traders for input purchase, etc.

In a socio economic survey in Burdwan district of West Bengal, on 203 households, was conducted by Laha & Kuri in 2006-2007 found that among total different categories 94 percent participated in the rural credit transactions. Following table (5.11) has been given to show the participation of household in rural credit markets.

Table 5.11: Participation of household in Rural Credit

Category of households	No of Households	Households		Borrowing households under		
		Borrowing	Not borrowing	Formal only	Informal only	Both
Agricultural labour	44 (21.67)	43 (97.73)	1 (2.27)	2 (4.65)	31 (72.09)	10 (23.26)
Marginal Farmers	121 (59.60)	114 (94.21)	7 (5.79)	11 (9.65)	62 (54.39)	41 (35.96)
Small farmers	25 (12.32)	23 (92.00)	2 (8)	10 (43.48)	8 (34.78)	5 (21.74)
Medium Farmers	11 (5.42)	10 (90.91)	1 (9.09)	6 (60.00)	0 (0.00)	4 (40.00)
Large farmers	2 (0.99)	1 (50.00)	1 (50.00)	1 (50.0)	0 (0.00)	0 (0.00)
All	203 (100.00)	191 (94.09)	12 (5.91)	30 (15.71)	101 (52.88)	60 (31.41)

Source: Laha&Kuri

Note: Figures in parenthesis indicate percentage

From the above table (5.11) it is clear that the farmers of Burdwan district of West Bengal are prone towards credit. Out 230 sample households of different categories, 191 households participated in borrowing activities (i.e. 94.09%) and only 12 households did not borrow (i.e., 5.91%). Out of 191 borrowing households 15.71 percent borrowed from formal sources and 52.88% borrowed informal sources and 31.41% borrowed from both formal and informal sources. according to author, the institutional credit was not able to meet the demand of 31.41% borrowing households so they had to show their dependence on informal lenders for the remaining amount of credit demand which was not met by institutional sources. The author pointed out that the demand of credit placed by the middle and large farmers were almost met by the institutional sources which indicated that

there has been a positive association between availability of institutional credit and landownership pattern applying the assumption that poor households with no collateral had to face obstacle for getting credit from institutional sources

From the study of A. Pandit *et. al.* (2007) on potato cultivation in West Bengal and Bihar, the sources of loans of the farmers in some district of West Bengal can be observed from the following table (No. 5.12):

Table 5.12: Sources and Quantum of loan Invested in Potato Cultivation in some District of West Bengal

Sources		Jalpaiguri	Burdwan	Hooghly	Paschim Medinipur	West Bengal
Friends & Relatives	Amount *	742	-----	108	-----	186
	Percent**	6.67	-----	1.59	-----	2.05
Fellow Farmer	Amount	793	-----	-----	-----	169
	Percent	5.00	-----	-----	-----	1.23
Potato Trader	Amount	2175	2728	151	936	1419
	Percent	8.33	5.00	1.59	4.92	4.92
Input Trader	Amount	731	1065	2234	3298	1967
	Percent	5.00	6.67	9.52	18.03	9.84
Moneylenders	Amount	3839	3986	270	3655	2920
	Percent	8.33	13.33	3.17	14.75	9.84
Non Institutional loan	Amount	8281	7778	2763	7889	6661
	Percent	30.00	25.00	14.29	34.43	25.82
Bank	Amount	4172	9970	4415	15590	9046

	Percent	15.00	20.00	11.11	49.18	23.77
Co-operative	Amount	4300	11823	13517	6114	8932
	Percent	13.33	28.33	60.32	27.87	32.79
Self Help Group	Amount	307	-----	-----	-----	65
	Percent	3.33	-----	-----	-----	0.82
Institutional Loan	Amount	8779	21794	17932	21705	18043
	Percent	31.67	48.33	69.84	70.49	55.33
Total	Amount	17059	29572	20695	29594	24704
	Percent	61.67	65.00	80.95	81.97	72.54

*Average (among the loan takers) loan (in Rs.) per farmer invested in potato cultivation per hector.

**Percentage of total farmers who availed loan.

Source: Arun Pandit *et. al.* (2007)

From the above vivid picture (table5.12), the non institutional credit for West Bengal, as a whole is 25.82% but the investment for potato cultivation from non institutional sources were as: for Paschim Medinipur, it was 34.43%; for Jalpaiguri, it was 30.00%; for Burdwan, it was found to be 25% and for Hooghly district, it was found at 14.29%. The main sources of these non-institutional credit in these districts were found to be moneylenders, input and output (potato) traders. The charge of supplying credit i.e., rate of interest was found to be exorbitant and sometimes it reached 70 percent also. One most important point was observed by them was that the potato trader extended credit to the farmer in cash i.e., cash loan was given to them and in return the farmer had to give assurance of selling his product to the input creditor. It was also found that sometimes, these loans were given without charging any interest on loan but the charge of input i.e. fertiliser, chemical was always higher than the market price. The most interesting point was that knowing the charge of input is higher than the market price, still the farmer preferred to take loans from these input creditors. The reason of this popularity of input creditors among the farmers was due to the following nature of the loan: i) hassle-free, ii) familiarity, iii) unlimited amount, iv) low or no transaction cost, v) easy and timely

availability. The major constraint that these farmers faced in some district of West Bengal while taking credit from institutional sources and which make them bound to go to non-institutional credit providers and the problem faced by them while taking loans from non-institutional credit providers can be understood from the table (No. 5.13) given below:

Table 5.13: Major Constraints faced by farmers in availing Credit (percent)

Constraints	Jalpaiguri	Burdwan	Hooghly	Paschim Medinipur	West Bengal
Institutional Credit					
Delay in disbursement	18.33	11.67	7.94	9.84	11.89
Complicated formalities	10.00	13.33	12.70	18.03	13.52
Insufficient amount	18.33	11.67	12.70	14.75	14.34
Risk of being defaulter	11.67	11.67	7.94	3.28	8.61
Lack of insurance	-----	-----	-----	-----	-----
Lack of knowledge	10.00	6.67	4.76	4.92	6.56
Lack of individual insurance claim	5.00	5.00	11.11	13.11	8.61
Lack of guarantor	8.33	8.33	3.17	3.28	4.51
Neglected being poor	-----	-----	-----	-----	-----
Corruption	-----	-----	-----	1.64	0.41
Official harassment	1.67	5.00	1.59	3.28	2.87
Does not give to the defaulters	3.33	1.67	1.59	4.92	2.87
Non-institutional credit					

High interest rate for non-institutional loan	11.67	6.67	3.17	3.28	6.15
Nil	31.67	35.00	41.27	26.23	33.61

Source: Source: Arun Pandit *et.al.* (2007).

The potato farmers in the state faced various problems as stated above in the table (5.13) for availing the credit facility. It was found that some farmers do not want to go for taking the institutional loans due to their lack knowledge about the formalities and the complex procedure of taking formal loans, delay in disbursement, less amount of loan etc. It clearly suggests that the procedure should be simple so that the accessibility of formal credit can be to the illiterate farmers also. The risk of defaulting is also one of the reasons of unwillingness of taking formal credit. These constraints of taking formal credit send the farmers for considering the easy available informal credit from moneylenders. The major constraint of taking loans from non-institutional sources has been the interest rate which found higher than the formal sources and sometimes 70 percent also.

S. Bhattacharya (2010) has cited the work of Bhaumik and Rahim who showed that the structural and the actual operational nature of rural credit in West Bengal through their survey work on eight villages in Hooghly and Bankura District. It was found that ninety percent of the borrowing households had the extreme need of credit and two third of the total loan taken by the households were from informal sources due to inadequacy and unequal distribution of formal credit in the region. It was also found in the study region that the dependence of agricultural labour was on informal sources heavily and the formal loans were taken mostly for the purpose of production but informal loans were taken for meeting the purpose of consumption.

In a study conducted by B.K. Pramanik (2012), on the bank credit accessibility of the Muslim minorities in west Bengal revealed that in Howrah District, out of 838 households, 92.84% were the borrowing households and only 7.15% were non borrowing households. This study was conducted on the people engaged in zari work, embroidery and tailoring work, shop and grocery and engaged in profession and others. Out of these 838 households 34.19% had taken loan from formal sector and 92.93% had taken loans from informal sources and 27.89% took loans from both the sources. The author showed that out of the total loans from informal sources, the loan from ostager was 5.13%, from

moneylender was 49.18%, from friends and relatives was 40.76% and other informal sources was 4%. The friend and relatives provided loans mainly for consumption need. The loans from moneylenders and ostagers were for productive purposes. The author pointed out that moneylenders and friends and relatives emerged as the two most important informal sources of getting credit for Muslim households in the Howrah district.

Table 5.14: Participation of households in Credit Market in Howrah District

Activity wise category of households	No of Households	Percentage of household		Percentage distribution of borrowing households under:		
		Borrowing	Not borrowing	Formal	Informal	Both
Zari	382	94.76	5.23	29.83	92.54	22.37
Embroidery & tailoring	246	95.12	4.88	39.74	97.86	33.76
Shop & Grocery	29	89.65	10.34	34.64	65.38	34.61
Profession	28	85.71	14.28	33.33	95.83	29.16
Others	153	90.19	9.8	36.36	90.15	31.06
All	838	92.84	7.15	34.19	92.93	27.89

Source: B.K. Pramanik (2012)

Table 5.15: Distribution of Informal loans based on Borrower Lender type in Howrah District

Type of Borrower	Type of Lenders				
	Ostager	Moneylender	Friend & Relatives	Others	Total
Zari	5.88	53.92	37.45	2.75	100(500)
Embroidery & Tailoring	2.71	44.75	46.10	6.44	100(295)

Shop & Grocery	0.00	47.18	45.99	6.82	100 (44)
Profession	0.00	42.63	44.38	12.90	100(32)
Others	3.23	43.01	44.09	9.06	100 (93)
All	5.13	49.18	40.76	4.93	100 (974)

Source: B.K. Pramanik, (2012)

Note: Figure in parenthesis indicates the loan cases

But in the study of Murshidabad District, it was found that out of 160 Muslim households 84.28% were the borrowers and 15.71% were non borrowers. Out of the borrowing households 17.14% took loans from formal sources and 81.42% took loans from informal sources and 14.28% of the borrowing households took loans from both formal and informal sources. The author showed that 100% of the weaving households took loans from informal sources. In case of people who were engaged in silk spinning, more than 90% showed their dependence on informal sources for getting credit. The main two informal sources that came from the study were 'moneylenders' and 'friend & relatives'. The informal sources used by the households engaged in weaving is 100% and out of these 48.36% took loans from money lenders and 30.32% took loans from friend and relatives and 21.32% of the households took loans from other informal sources. In case of people engaged in silk trading in Murshidabad district, 55.39% depend on the money lenders. Here also the author pointed out that the informal sources 'friends & relatives' was the highest loan provider for production purpose and for consumption purpose but the loans from 'moneylenders' were mostly taken for the purpose of production.

Another study conducted by Mazumder & Sarkar (2015) on the determinant of credit accessibility in the unorganised sector of Kolkata. They found that gender, age between 31 to 50 years, marital status, personal income, number of dependents, household income and other assets possessed by the borrowers were the significant factors of accessibility of credit for unorganised workers. The age above 50 years category, level of education and occupation were found insignificant factors of getting credit. The accessibility of credit for male borrower is higher due to their high risk taking ability and the responsibility towards their family than a female borrower. They pointed out that in an organised sector, workers in between 31 to 50 years of age were more likely to receive

loans as compared to the lower age category due to their confidence of repaying loans and their responsibility towards the family. It was found that the large households where the number of dependents was more than two demanded more credit than others. The chances of getting loans for unorganised workers increased with the increase in personal income, household income as the lender's confidence on the borrowers' regarding repayment of loan increased. It was further observed that providing loan to unorganised workers were always risky in nature and the accessibility became smoother when the previous loan was repaid in due time. The above result came out from the survey on 130 samples. Out of these 130 samples of workers, 106 workers took loans from bank, relatives & friend, professional moneylenders, traders and commission agents and 24 workers did not demand or accessed loan from any sources. Out of these 130 workers, 26.2% took loan from formal institutions like public and private banks. 55.3% of the workers had taken loan from informal credit sources. The interesting findings which had been cited by them was that though 90% of the unorganised workers had their bank account but only 26.2% of the unorganised workers took loans from formal institutions. The 55.3% of the workers of unorganised sector took credit from informal lenders such as relative and friends, professional moneylenders, traders and commission agents. It was found that 31.5% of the workers took loans from relatives & friends, 16.9% had taken from professional moneylenders, and the traders and commission agents provided credit to 6.9% of the workers. The study also pointed out the constraints of taking credit by the unorganised workers and found that only 17.7% of the unorganised workers were unable to take the credit due to inadequate collateral and 8.5% of the workers were unable for the high rate of interest on the loan charged by the informal lenders.

Deb and Rajeev (2007) experienced another type of creditors in the Hooghly district of West Bengal. While surveying they felt that the agricultural production in West Bengal increased the demand for credit in agricultural sector of West Bengal and they found that input creditors emerged as a new type of creditor of the then time who served the small farmer's and marginalised farmer's demand of credit by replacing the traditional moneylenders in the rural sector of West Bengal. The reason of flourishing informal credit market was the inadequacy of formal lending institutions in the district and the role played by these formal lending institutions for issuing formal loans to the rural poor. The poor rural people had to visit multiple times for getting their loans sanctioned and disbursed. Due to these reasons, the farmers of West Bengal started to depend on upon the "Input

creditor”- a new class of lender of the then time for their need of fund. Input creditors supplied credit to poor farmers in terms of input, in time, without any formal collateral as the main motive of input creditors was to run their trading business. The rate of interest that was charged by the input creditors was not too high like traditional moneylenders. There was also a binding of Gram Panchayets on these input creditors as the trade licence was issued by the Gram Panchayet so the input traders were bound to abide the norms of Gram Panchayet. The author noticed that these input traders were not monopolist, duopolist and they had to face competitions among various traders who used to act as input creditors beside their normal trading business. On this issue, S. Bose (2005) has stated reviewing the Rawal that in West Bengal, transformation of rural credit market was due to the two major initiatives of the Left front government i.e., land reform and strengthening of local government institutions in West Bengal. The higher rate of repayment of bank loan was observed in West Bengal due to the involvement of panchayat in the process of releasing loan and repayment of loan. According to P. Basu (2006) also, in West Bengal where land reforms were done in a good manner and due to land reforms the scope of money lending was more and the village moneylenders and other types of informal financiers had been around for as long as the village had existed.

In context of formation of interest in informal credit market, Bhattacharjee and Rajeev (2010) found that in West Bengal, the variable security has a negative relation with rate of interest in case of professional moneylenders. It implies that asymmetry of information about borrowers exists in the market or the borrowers are mostly unknown. The relation between the variable security and interest rate is positive in case of non professional moneylenders. It indicates that the borrowers are known to each other.

A clear picture can be drawn regarding the non institutional/ informal credit in rural West Bengal from the following Table (5.16) where the source wise distribution of outstanding credit (%) for farmer’s households in the rural area of West Bengal during 1971- 2003 has been shown:

Table 5.16: Source wise distribution of Outstanding Credit (%) for farmer’s households in the rural area of West Bengal during 1971- 2003

Source	West Bengal				India			
	1971	1981	1991	2003	1971	1981	1991	2003

I. Total Institutional credit	33.0	65.30	82.00	58.00	31.70	63.20	66.30	57.70
II. Total non-Institutional Credit	67.00	34.70	17.80	42.00	68.30	39.80	30.60	42.30
i). Landlord	3.70	1.10	0.20	.00	8.10	3.70	3.70	.00
ii).Agricultural moneylender	12.50	5.10	2.90	00	23.00	8.30	6.80	.00
iii).Professional moneylender	15.60	5.30	3.40	13.00	13.10	7.80	10.70	25.70
iv). Trader	9.40	5.10	1.50	10.70	8.40	3.10	2.20	5.20
v. Relative & Friend	24.10	15.00	8.90	15.40	13.10	8.70	4.60	8.50
vi. Others	1.70	3.10	0.80	0.70	2.60	5.20	2.60	0.90
vii. Doctors, lawyers etc	0.00	0.00	0.00	2.30	.00	.00	.00	2.10
viii. Unspecified	0.00	0.00	0.20	0.00	0.00	0.00	3.10	0.00

Source: Dr. S. Bhattachariya (2013)

From the above table (5.16), the following interesting facts have come out:

- i) The non institutional credit outstanding in West Bengal was at 67% in 1971 which came down to 17.8% in 1991 but again had gone up to 42% in 2003. That was almost equal to the percentage of non institutional credit at Indian level i.e. 42.3% in the then time. The fall of this source during 1981 and 1991 was due to spreading of formal sector credit through the opening of new bank branches in the rural areas.
- ii) The credit outstanding of 'agricultural moneylender' and the 'landlord' had shown a steady declining state since 1971 to 2003.
- iii) 'Professional moneylender' was at 15.60% in 1971 which declined heavily during 1981 and 1991 but by 2003, which again climbed to 13%.
- iv) Loan outstanding from 'trader' was at 9.4% in 1971 which came down to 5.10% in 1981 and 1.50% in 1991 but by 2003 that again had risen to 10.70%

and that was due to the introduction of new category of credit supplier in rural West Bengal. The new category of creditors had been known as the 'Input Creditor' and they basically the traders who supplied goods etc. to the rural poor people at credit at a low rate of interest than the 'professional moneylenders'. This input creditor supplied credit in kind and with almost no collateral securities and had become the one of the major and popular source of non institutional credit in rural West Bengal (Deb & Rajeev-2007).

- v) The share of credit outstanding of the 'relatives & friends' was at 24.10% of the total credit in 1971 which was the major non institutional sources at that time. During 1981 to 1991, the credit outstanding from this source had come down to 15% and 8.9% respectively. But by 2003, it again climbed up to 15.40% which was much higher than the all India level i.e. 8.5% of that time. It must be mentioned that in rural West Bengal the loans from 'relatives & friends' was found to be the main source of interest free credit but some authors raised questions regarding the actual intention of the relatives. It was seen that interest free loans were not always interest free that is the attachment of some implicit valuation to the interest free loans were there for the maximum time. The market interlinked in rural West Bengal was almost disappeared in consequence of the emerging influence of capitalism in agriculture and an active pro-poor state government intervention. A comparatively higher share of 'relative and friends' in respect of credit does not always mean that it is not good or the economy (Bhattachariya-2013).

An idea of the distribution of amount borrowed in cash from the informal credit lending sources (non institutional) can be drawn from table (No.5.17) mentioned below with a comparison of the situation of West Bengal with Indian level as a whole during period from 1971 to 2002-2003:

Table 5.17: Comparative Analysis of Institutional and Non-Institutional Credit of West Bengal and India (as a whole during period from 1971 to 2002-2003)

Source	West Bengal				India			
	1971	1981	1991	2003	1971	1981	1991	2003
I. Total Institutional credit	17.17	46.52	57.80	57.30	21.69	56.20	55.00	59.50
II. Total non-Institutional Credit	82.83	51.39	41.40	45.7	78.31	42.91	40.60	40.5
i). Landlord	3.05	2.16	1.00	0.10	5.84	3.59	3.40	0.60
ii).Agricultural moneylender	11.36	2.20	2.90	5.20	19.06	9.65	8.70	11.20
iii).Professional moneylender	19.17	9.52	13.30	14.40	15.63	7.57	11.80	17.90
iv). Trader	8.32	4.95	1.10	6.60	14.47	5.77	3.90	3.00
v. Relative & Friend	23.51	27.80	20.50	16.00	10.73	11.53	8.70	6.20
vi. Doctors, lawyers etc	17.42	4.76	2.70	3.50	12.56	4.80	4.10	1.60
vii. Unspecified	0.00	2.09	0.80	0.00	0.00	1.20	4.50	0.00

Source: Dr. S. Bhattachariya (2013)

In 1971 the proportion of borrowed cash from institutional credit sources was 17.17% and the proportion of borrowed cash from informal (non-institutional) sources was 82.83% in West Bengal. The trend of informal sources, as a whole, decreased during 1971 to 1981 by 31.44% when the institutional credit sources increased by 29.35% in West Bengal. By

2002-2003, the total institutional credit in West Bengal rose up to 54.30% but this was also unable to reach the then Indian level of proportion of borrowed cash from institutional credit sources which then stood at 59.60%. The non institutional cash borrowing in West Bengal during 2002-2003, came down to 45.7% but that was above the Indian level (proportion of the then time which stood at 40.5% as a whole). The share of cash borrowing from landlord came down to 0.10% in 2002-2003 from 3.05% in 1971. Agricultural moneylender and professional moneylender had to give up their share, from 1971 to 2002-2003, by 6.16% and 4.77% respectively in West Bengal. In 1971, the share of credit of one of the informal source 'relatives and friends' was the main source of informal credit which stood at 23.51% but that came down to 16.00% by the year 2002-2003 by losing 7.51% during 1971 to 2002-2003. This source was the main source of informal credit and was holding the highest percent share among all other informal sources in West Bengal, whereas, in India as a whole, the percent share of this source in 2002-2003 was only 6.20%. This implies that in West Bengal poor people still depend on this source heavily.

S. Mukherjee (2015) surveyed Murshidabad and Jalpaiguri districts of West Bengal and the survey result revealed that out of 146 households in Murshidabad, more than 36% took loans from informal sources and only 13% of total loans were taken from formal sources and the remaining percent of households took loans from both the sources. In Jalpaiguri district, out of 164 households, 14% took credit from formal sources while 16% had taken the loans from the informal sources. 70% of the households took loans from both the sources. In these two districts, she noticed, the coexistence of formal and informal credit without any superseding evidence of one over other. The entrepreneurs' choice of source of credit mainly depend upon the interest rate, political affiliation to local Panchayet, time taken for getting the loans, purpose of loans, transaction cost etc. The author observed that very rarely, the producers used formal credit when the effective interest rate of same exceeded the price of the informal credit. In these two districts, as per the author, informal credit was found as the more accessible and efficient to a great extent for productivity and eventually accommodates potential borrowers rationed from formal sector.

One interesting study on non institutional credit for small business was conducted by Chakraborty (2015), in two districts, Kolkata and North 24 Parganas of West Bengal. He observed, through his study, the role of non institutional loans for the development of

small business in the study region. He stated that the following features of small business can attract the non institutional credit provider:

- i) Trustworthiness
- ii) Flexibility
- iii) Flexible collateral
- iv) Presence of brokers
- v) Instant credit need.

He pointed out that trustworthiness of borrower generates the chances of getting credit from informal sources. A trustworthy borrower can able to make a good bonding with the lender and can maintain a good personal relation with the lender, third party and with the guarantor. The personal relation in business helps small wholesalers' to get loans from the large wholesalers'. The author observed that the vegetable sellers charged high price from frequent customers and charged low price from regular customers and they tried to sell all their stock by this price discrimination to ensure the repayment of loans of non institutional lenders. He further observed that the collateral used in small business was not fixed rather flexible in nature. Small business owners offered their ornaments, personal cell phone, bi-cycle, motor-cycle etc as collateral which was completely mismatch for formal institutional loans. It was observed that in vegetable market and fish market, that the two most important collaterals were future loan and self respect. The borrower's specific nature of collateral fitted with non-institutional lenders acceptance. It was also observed that the presence of brokers helped borrowers by solving the problems of asymmetric information as the new small borrower requires the recommendation of brokers for getting credit facilities from the large whole sellers. Brokers for their own interest bring borrowers and suppliers in the same platform. Informal lenders extend credit at a very high rate and fix the condition of repayment of credit in the next day by giving a threat to the borrower regarding denial of future loan. This is just the common feature of credit markets as reported in the World Development Report 1989 while discussing issues in informal finance. Besides of the above characteristic of small business borrowers in West Bengal, the author has identified the following five forms of informal credit which have been in operation in the market:

- i) Trade credit arrangement
- ii) Unregistered chit fund
- iii) Individual money lending system

- iv) Trader association
- v) Hundi system

He pointed that alike other places, in Kolkata and North 24 paraganas, the individual money lender system had been playing the most important role in forming the financial back bone of district's economy. The numbers of unregistered money lenders have been more in number than registered individual moneylenders in these two districts of West Bengal. The Kabuliwalas, Housewives and the unemployed persons are the individual moneylenders whose primary activity is to provide loans. Whereas, working men, women, tailors, teachers, and retired government servants provide loan as a secondary activity. The important characteristic of money lending, according to author, is that the money is multiplied by their operation. Normally for a 100 days loan, rate of interest that has been charged by the lender is 10% on day basis in Sealdah area. The borrower of the loan required to repay the loan on daily basis by giving equal amount of instalment. Through the multiplication process of money the loan amount becomes very large after completion of the loan period. The process of multiplication of money, extended as loan, can be understood from the following table (No.5.18).

Table 5.18: Multiplication process of money in Informal Credit

Original amount of loan (Rs)	Amount lent (Rs)	Likely deduction (Rs)	Repayment (Rs)
500	450	50	100 days X 50 = 500
1000	900	100	100 days X 100 = 1000
10000	9000	1000	100 days X 1000 = 1000

Source: Chakraborty, July 2015

The comparison of West Bengal with other States in respect of the share of moneylender and other non-institutional sources can be observed from the table (5.19) as shown below:

Table 5.19: Comparison of West Bengal with other States in respect of the share of Moneylenders and Other Non-institutional Sources during 2004-05 to 2009-10 (Taking the position of West Bengal at 100%) for rural labour households.

States	Money Lender 2004-05 =100%	Position in respect of West Bengal 2004-05(=100%)	Money lender 2009-10	Position in respect of West Bengal 2009-10 (=100%)	Other non-Institutional 2004-05	Position in respect of West Bengal 2004-05 (=100%)	Other non-institutional 2009-10	Position in respect of West Bengal 2009-10 (=100%)
Jammu & Kashmir	0	-----	5	1.22	14	2.68	33	3.68
Himachal Pradesh	5	1.89	10	2.44	44	8.43	21	2.34
Punjab	326	123.48	245	59.76	381	72.99	738	82.27
Uttaranchal	23	8.71	82	20	13	2.49	120	13.38
Haryana	330	125	512	124.88	286	54.79	573	63.88
Rajasthan	581	220.08	1102	268.78	415	79.50	475	52.95
Uttar Pradesh	978	370.45	973	237.32	626	199.92	1023	114.05
Bihar	222	99.11	138	33.66	154	29.50	193	21.52
Assam	20	7.58	11	2.68	40	7.66	72	8.03
West Bengal	264	100	410	100	522	100	897	100
Jharkhand	10	3.79	13	3.17	43	8.24	28	3.12
Orissa	113	42.80	56	13.67	84	16.09	220	24.53
Chattisgarh	141	53.40	49	11.95	165	31.61	58	6.47
Madhya Pradesh	298	112.88	188	45.85	348	66.67	470	52.40
Gujarat	177	67.05	129	31.46	545	104.41	556	61.98
Maharashtra	331	125.38	208	50.73	816	156.32	803	89.52
Andhra Pradesh	3703	1402.65	4031	983.17	958	183.52	2506	279.38
Karnataka	340	128.79	599	146.10	262	50.19	752	83.84

Kerala	2100	795.45	937	288.54	1011	193.68	603	67.22
Tamil Nadu	1804	683.33	2314	564.39	411	78.74	814	90.75
Other States	62	23.48	13	3.17	42	8.05	81	9.03
Total	11827	4479.92	12026	2933.17	7180	1375.48	11035	1230.21

Source: Generated from Chandrasekhar- 2014 (Read with table 4.19 of chapter-IV)

Note: The quantum of outstanding debt in Rs. Crore.

From the above table (5.19) some interesting points can be observed by comparing the position of different states with the Position of West Bengal in respect of moneylenders and other non-institutional sources:

In 2004-2005, the share of moneylender in respect of quantum of money, Punjab was ahead by 123.48% from West Bengal but the scenario have been reversed in 2009-10 when Punjab was at 59.76% of the amount credit provided by of moneylender in West Bengal. The same was also happened in case of the state Maharashtra which was 125.38% of West Bengal in 2004-2005 but in 2009-10, it came down to 50.73% of West Bengal in respect of share of moneylender (quantum of money).

In both 2004-05, the share of moneylender in respect of quantum of money, Haryana was 125% of West Bengal and the same position held by the state in 2009-10 also.

The position of Rajasthan in respect of moneylender was 220.08% than West Bengal in 2004-05 but the percentage increased in 2009-10 when it was found 268.78% than the share of moneylender in respect of quantum of money in West Bengal.

In case of Madhya Pradesh, in 2004-05, the state was at 112.88% of West Bengal's share in respect of quantum of money of moneylenders but in 2009-10, the share of the moneylenders was gone down and stayed at 45.85% of West Bengal's share.

The massive fall was seen in case of the state Kerala, which was at 795.45% of West Bengal in respect of share of moneylender in 2004-2005 but in 2009-10, the state came down at 288.54% of West Bengal's share of moneylender in respect of quantum of money.

5.13. Outreach of Microfinance in West Bengal:

As per the position of microfinance penetration index -2014, the MPI value of West Bengal is 1.54 with a rank of 5 (jointly with Odisha) among all states in India. The first four ranks were held by the states of Andhra Pradesh, Puducherry, Karnataka and Tamil Nadu respectively. The MPI value more than one indicated that the penetration of microfinance is more than the population as MPI is calculated on the basis of division of state's share of microfinance including SHGs by the share of households the state. The MPI value 1.54 for West Bengal stated there has been a good penetration of microfinance in the state.

5.13.01. Outreach of Microfinance through banks:

The microfinance status report 2016-17 (NABARD) stated that the total number of SHGs (as on 31.03.2017) which linked with the public sector commercial banks, private sector commercial banks, regional rural banks and Cooperative banks was 945056 with their savings amount in these four categories of banks was Rs. 195270.76 lakh and these 945056 number of SHGs outreach to 9793112 members in the state of West Bengal.

Table 5.20: Outreach of Microfinance in West Bengal (as on 31.03.2017) in respect of Savings

No of banks	Categories of banks	SHGs		No of SHGs members		SHGs Savings	
		Number	%	Number	%	Amount	%
20	Public Sector Commercial banks	294113	31.12	3369490	34.41	42231.90	21.63
06	Private Sector Commercial banks	7911	0.84	100093	1.02	795.50	0.41
03	Regional Rural banks	270596	28.63	2814479	28.74	70048.63	35.87
18	Cooperative banks	372436	39.41	3509050	35.83	82194.73	42.09
47	Total	945056	100.0	9793112	100.0	195270.76	100.0

Source: Generated from the data of Status of Microfinance in India 2016-2017

This outreach was the outcome of the activities of twenty numbers of public sector commercial banks, six numbers of private sector commercial banks, three numbers of regional rural banks and eighteen numbers of cooperative banks of West Bengal. These

banks mobilized the savings from the members of their SHGs. It was found that (table 5.20) the cooperative banks had the highest number of SHGs (372436) for savings activity with highest members (3509050) and having the highest accumulation of savings fund of Rs. 82194.73 lakh as on 31.03.2017. The cooperative banks of West Bengal held 39.41% of savings SHGs, 35.83% of total members and 42.09% of total amount of savings fund as on 31.03.2017 of these four categories of banks.

While considering the disbursement of loans by these above mentioned four categories of banks it can be observed that total bank loans outstanding was Rs. 484172.92 as on 31.03.2017, in West Bengal, against 669469 number of SHGs. Out of these 669469 SHGs, the exclusively women SHGs were 585077 in number, i.e. 87.39% of the total SHGs of the above mentioned institutions in West Bengal. The percentage of holding of these institutions, in West Bengal, in respect of number of SHGs and the amount of outstanding can be observed from the table (5.21) as shown below:

Table 5.21: Percentage of holding of SHGs and the amount outstanding in West Bengal (as on 31.03.2017)

No of banks	Categories of banks	SHGs		Outstanding against SHGs	
		Number	%	Amount	%
20	Public Sector Commercial banks	217992	32.56	134335.77	27.75
06	Private Sector Commercial banks	3113	0.46	2528.49	0.52
03	Regional Rural banks	215048	32.12	244833.00	50.57
18	Cooperative banks	233316	34.86	102455.66	21.16
47	Total	669469	100.0	484152.92	100.0

Source: Generated from the data of Status of Microfinance in India 2016-2017

Note: .01 has been adjusted 34.86 to make the total as 100%.

It was found that the cooperative banks in West Bengal, as on 31.03.2017, were holding the highest share i.e. 34.86% in respect of number of SHGs against whom the loans were outstanding in these banks but RRBs of West Bengal had the highest share (50.57%) of the total amount outstanding against their SHGs. It was found that an average of above Rs.1,13,850/- was outstanding against every SHGs in RRBs of West Bengal. The average loans outstanding in West Bengal against each SHGs of: Public sector commercial bank was Rs. 61,624/-; Private sector commercial banks was Rs. 81224/-.

While analysing the disbursement of loan during 2016-2017, it was observed that in West Bengal twenty number of Public sector banks, six number of private sector commercial banks, three number of RRBs and eighteen number of Cooperative banks, as a whole issued loans to 250586 number of SHGs and the amount of total loans disbursed to these SHGs was Rs. 2,33,580.55 lakh. Out of the 250586 SHGs, 205892 SHGs was exclusively women SHGs and the amount of disbursement of loans to these women SHGs was Rs. 1,85,865.3/- lakh as a whole. In West Bengal, the share of exclusive women SHGs in terms of number was 82.16% and in terms loans disbursement was 79.57% of total loans disbursed to SHGs in 2016-2017 by these above four categories of institutions. The table (No.5.22.) has been given to show the distribution of loans to SHGs in West Bengal during 2016-2017 (bank category-wise)

Table 5.22: Disbursement of bank loans to SHGs in West Bengal during 2016-2017

No of banks	Categories of banks	SHGs		Disbursement of loans to SHGs		Exclusive Women SHGs		Disbursement of loans to exclusive women SHGs	
		Number	%	Amount	%	Number	%	Amount	%
20	Public Sector Commercial banks	84700	33.80	72196.93	30.91	62126	30.17	54657.25	29.41
06	Private Sector Commercial	2505	1.00	5285.77	2.26	2503	1.22	5284.97	2.84

	banks								
03	Regional Rural banks	54211	21.63	75307.11	32.24	37209	18.07	54248.49	29.19
18	Cooperative banks	109170	43.57	80790.74	34.59	104054	50.54	71674.59	38.56
47	Total	250586	100.0	233580.55	100.0	205892	100.0	185865.3	100.0

Source: Generated from the data of Status of Microfinance in India 2016-2017

The bank-wise distribution of SHGs in West Bengal can be observed from the following table (5.23) which revealed that in total 47 banks participated in the microfinance activities like savings from SHGs and loans disbursement to SHGs. A detailed analysis of SHGs savings linked to banks and the total banks loans outstanding against SHGs in West Bengal:

Table 5.23: Details of SHGs savings linked with Commercial banks, RRBs and Cooperative Banks and the loans outstanding against SHGs.(Amount in Lakh)

Sl. No	Name of the Banks	Details of savings linked with the bank			Total Bank loans outstanding against SHGs	
		No of SHGs	No of members	Savings amount	No. of SHGs	outstanding Amount
Public sector commercial banks:						
1	Allahabad Bank	37272	432896	9393.47	31098	23651.00
2	Bank of Baroda	11445	141117	1058.46	3068	1285.84
3	Bank of India	16532	188565	671.00	5575	2599.00
4	Bank of Maharashtra	23	230	47.98	3	0.39
5	Canara Bank	4600	73053	901.00	1923	1595.00

6	Central Bank of India	30197	410130	5295.71	25211	13817.00
7	Corporation Bank	43	430	6.78	43	20.00
8	Dena bank	609	7320	104.62	24	13.00
9	IDBI Bank	3223	40588	182.94	2684	3422.00
10	Indian Bank	6691	86983	755.25	1216	1348.00
11	Indian Overseas Bank	1553	23295	358.14	2097	1313.00
12	Oriental bank of Commerce	979	8811	95.69	280	17.26
13	Punjab and Sind Bank	182	2007	7.67	0	0.00
14	Punjab National Bank	15100	151000	4093.67	13304	8202.59
15	State Bank of India	47759	597788	6637.00	33903	27228.00
16	Syndicate Bank	1610	20415	20.94	1798	1966.00
17	UCO Bank	21725	274551	3875.88	19788	13464.09
18	Union bank of India	2037	25271	282.00	3459	1205.00
19	United bank of India	91997	879144	8383.00	72372	33081.00
20	Vijaya bank	536	5896	60.70	146	107.60
Total		294113	3369490	42231.90	217992	134335.77
Private sector commercial banks:						
1	Bandhan Bank Limited	310	310	128.51	0	0.00
2	Federal Bank Limited	0	0	0.00	1	0.00
3	HDFC bank Limited	512	7680	40.23	26	48.49
4	ICICI Bank Limited	10	130	9.71	0	0.00

5	Karnataka Bank Limited	38	440	1.40	1	3.00
6	YES bank Limited.	7041	91533	615.65	3085	2497.00
Total		7911	100093	795.50	3113	2548.49
Regional Rural Banks:						
1	BangiyaGraminVikash Bank	128946	1418405	35722.79	107272	118506.72
2	PaschimBangaGramin Bank	62834	607616	16355.00	46928	81743.14
3	Uttar bangaKshetriyaGramin Bank	78816	788458	17970.84	60848	44583.14
Total		270596	2814479	70048.63	215048	244833.00
Cooperative Banks :						
1.	Balageria Central Co-operative Bank Ltd	1831	17356	108.07	524	550.05
2	Bankura District Central Co-operative Bank Ltd	16971	156658	3075.76	12070	5502.66
3	Birbhum District Central Co-operative Bank Ltd	3302	30393	343.44	3000	140.32
4	Darjeeling District Central Co-operative Bank Ltd	348	4256	171.70	44	45.98

5	Hoogly District Central Co-operative Bank Ltd	25971	180962	5378.30	24895	7141.99
6	Howrah District Central Co-operative Bank Ltd	6580	57810	2110.51	4881	2295.08
7	Malda District Central Co-operative Bank Ltd	20608	191562	2475.34	3172	2061.85
8	Murshidabad District Central Co-operative Bank Ltd	15425	134039	3990.77	13052	6702.11
9	Nadia District Central Co-operative Bank Ltd	29691	290770	8959.09	22845	13652.72
10	Purulia District Central Co-operative Bank Ltd	5587	57391	619.60	2138	193.30
11	Raiganj Central Co- operative Bank Ltd	8440	85411	1038.37	2930	1696.94
12	TamlukGhatal Central Co-operative Bank Ltd	9483	85686	2526.23	6912	3120.59
13	The Burdwan District Central Co-operative Bank Ltd	12507	100134	1723.28	8267	1179.99
14	The DakshinDinajpur District Central Co- operative Bank Ltd	1879	17437	417.79	1371	271.99
15	The Jalpaiguri Central Co-operative Bank Ltd	2731	18884	278.32	2107	304.34

16	The Mugberia Central Co-operative Bank Ltd	7658	62602	2251.54	5961	4108.67
17	The West Bengal State Co-operative Bank Ltd.	199287	1974934	42589.62	116933	51364.37
18	Vidyasagar Central Co-operative Bank Ltd	4137	42765	4137.00	2214	2122.71
Total		372436	3509050	82194.73	233316	102455.66

Source: Generated from status of microfinance in India 2016-17, NABARD.

The observation from the above table (No. 5.23) is as follows:

The highest number of SHGs for savings i.e. 199287 was linked to the West Bengal State Co-operative Bank Ltd. The quantum of savings of these SHGs was Rs. 42589.62 lakh which was generated from 1974934 members of the said Co-operative bank. It was also found that in case of outstanding amount of loan as on 31.03.2017, the said co-operative bank had also the highest quantum of outstanding loans of Rs. 51364.37 lakh against 116933 numbers of SHGs. The average amount of savings, per member of that SHGs was Rs. 2157/- [42589.62 lakh / 1974934] and per SHG was Rs. 21370/-. The average amount of loan outstanding per SHG was Rs. 43926.

In case of Public Sector Banks, the United Bank of India was having the highest number of SHGs for savings in West Bengal, i.e. 91997 as on 31.03.2017, among all other Public Sector Commercial Banks. The total number of SHGs for savings in this bank in West Bengal was 897114 with amount of Rs. 8383.0 lakh as savings. The average savings per SHG was Rs. 9112/- and per member was Rs. 954/- but Allahabad Bank in West Bengal, had the highest amount of savings of SHGs, i.e. Rs. 9393.47 lakh. The average amount of savings: per SHG was Rs.25204/- and per member of SHG was Rs. 2170/- in Allahabad Bank of West Bengal. The highest quantum of loan outstanding was Rs. 33081.0 lakh was against 72372 SHGs in United Bank of India of West Bengal. The average amount of loan outstanding per SHG was Rs. 45710/- in this bank.

In case of Private Sector Commercial Banks in West Bengal, it was found that the highest number of SHGs for savings, i.e. 7041, was in YES Bank Ltd. The amount of

saving of these SHGs in this bank was Rs. 615.65 lakh. The average amount of savings: per SHGs was Rs. 8743/- and per member of SHG was Rs. 673/-. This bank had also the highest quantum of outstanding loans (Rs. 2497 lakh) among all other private sector commercial banks. The average amount of outstanding loans per SHG was Rs. 80940/- in this bank.

In case of RRBs of West Bengal, the Bangiya Gramin Vikash Bank was having the highest number of SHGs, i.e. 128946 with 1418405 members. The quantum of savings of SHGs was amounted to Rs.35722.79 lakh as on 31.03.2017. The average number of savings: per SHG was Rs. 27703/- and per member of SHG was Rs. 2519/-. This Gramin bank was also having the highest amount of outstanding loans, i.e. Rs 118506.72 lakh, among all other RRBs against 107272 SHGs. The average amount of loan outstanding SHG was Rs. 1,10,473/-.

The average loans outstanding per SHG in State bank of India in West Bengal was Rs. 80311/- and in case Allahabad Bank, the average loan outstanding per SHG was Rs. 46053/-.

In West Bengal, as on 31.03.2017, the average loan outstanding against each SHGs of: Public sector commercial banks was Rs. 61624/-; Private Sector Commercial Banks was Rs. 81866/-; RRBs was Rs. 1,13,850/- and Co-operative Banks was Rs. 43913/- .

5.13.02. Progress of Microfinance through the Micro Finance Institutions in West Bengal:

As per the report of Bharat Microfinance 2016, the total number of microfinance institutions which are operating in 20 districts of the state of West Bengal is 45 and out these 45 MFIs, 32 numbers of MFIs have their head quarters in the state. The names of the MFIs which operates in West Bengal are : Agradut Polly Unnayan samity, Arohan, ASA International, Bagaria Relief Welfare, Barasat Sampark, Barasat Prostuti, Basix, BJS, Boys' Recreation Club, BURS, BWWA, DakshinBudhakali, Destiny, Dhosa, DISA, ESAF, Jagaran, Janalakshmi, KDS, MESP, NABARD, Purba Barasat Prerana, Sahara Utsarga, Sampurna, Sarala, Satin Creditcare, Seba Rahara, SKS, SMGBK, Swayamsampurna, Ujjivan, Unacco, Uttarayan, Vedika, Village Fin, VSSU, BagnanMahila, Barasat Grameen Society, Parama Mahila Samity, Helping Nation, Jamalpur Panchyajanya, Barasat Society, Sreema Mahila Samity, AML, SML.

5.14. District-wise number of MFIs operating in West Bengal:

It was found that twenty districts of West Bengal were covered by the MFIs through their activities. The number of MFIs which operates in every district can be observed from the table (5.24) as shown below:

Table 5.24: District-wise operation of number of MFIs in West Bengal

SI No	Name of the District	No. of MFIs operating	%, (in respect of total MFIs operating in State = 45)
1	North 24 Parganas	22	48.89
2	South 24 Parganas	20	44.44
3	Kolkata	16	35.36
4	Nadia	15	33.33
5	Bardhaman	14	31.11
6	Howrah	12	26.67
7	Murshidabad	12	26.67
8	Birbhum	11	24.44
9	Hooghly	11	24.44
10	Malda	10	22.22
11	Uttar Dinajpur	10	22.22
12	DakshinDinajpur	8	17.78
13	Medinapore (Purba)	8	17.78
14	Bankura	7	15.56
15	Cooch Behar	7	15.56
16	Medinapore (West)	7	15.56
17	Darjeeling	6	13.33

18	Jalpaiguri	6	13.33
19	Purulia	6	13.33
20	Alipurduar	2	4.44

Source: Generated from the Bharat Microfinance Report-2016

It was observed that highest number of MFIs (22 nos.) operate in North 24 Parganas district and in Alipurduar district only 2 MFIs operate. It is found that the activities of MFIs are more in the districts of South Bengal than in the districts of North Bengal.

5.15. List of MFIs with Loan Portfolio and Legal Form:

The Portfolio and the legal form of MFIs which have their head quarters in the State of West Bengal can be observed from the table (5.25). On the basis of the size of loan portfolios, the MFIs have been termed as Tiny, Small, Medium, Moderately large, Large, Giant. The segregation of these MFIs on the basis of their loans portfolio are as : i) Tiny- MFIs with loan portfolio of less than Rs. 1 crore ; ii) Small- MFIs with loan portfolio of more than Rs. 1 crore but less than Rs. 10 crore; iii) Medium- MFIs with loan portfolio of more than RS. 10 crore but less than Rs. 50 crore'; iv) Moderately large- MFIs with loan portfolio of more than Rs. 50 crore but less than Rs. 100 crore; v) Large - MFIs with loan portfolio of more than Rs. 100 crore but less than Rs. 500 crore; vi) Giant- MFIs with loan portfolio of more than Rs. 500 crore.

Table 5.25: MFIs according to Loan portfolio and Legal form (in West Bengal)

SI No.	Loan portfolio	Name of the MFIs	Legal form
01	Less than Rs.1 crore	Barasat Society of Self Employment for Rural and All Liberal	Society
02.		Agradut Polly Unnyan samity	Society
03.		Bagaria Relief Welfare Ambulance Society	Society
04		Barasat Grameen Society	Society
05		Barasat sampark	Society

06	More than Rs. 1 crore but less than Rs 10 crore	Bengal Women Welfare association	Sec. 8 Comapny
07		Boys' Recreation Club	Society
08		BURS	Society
09		Dakshin Budhakali Improvement Society (DBIS)	Society
10		Destiny FincoPvt. Ltd	NBFC
11		Dhosa Chandaneswar Bratyajana Samity (DCBS)	Society
12		Duttapukur Institute of Social Advancement	Society
13		Parama Mahila Samity	Society
14		Purba Barasat Prerana	Society
15		Sampurna Training Entrepreneurship Programme	Sec. 8 Company
16		Swayamsampurna	Trust
17		Vivekananda Sevakendra- O- sishu Uddyan (VSSU)	Society
18		More than Rs.10 crore but less than Rs. 50 crore	Bagnan Mahila Bikash Cooperative Credit Society Ltd
19	Belghoria Janakalyan Samity		Society
20	Kotali Para Development Society		Society
21.	Sahara Utsarga Welfare Society		Society
22.	Seba Rahara		Society
23.	Society for Model Gram Bikash Kendra		Society
24.	Sreema Mahila Samity		Society
25.	More than Rs. 50 crore but less than Rs. 100 crore	Uttran Financial Service Pvt. Ltd	NBFC-MFI

26.	More than Rs. 100 crore but less than Rs. 500 crore	ASA International India Microfinance Pvt. Ltd	NBFC-MFI
27		Jagaran Microfin Private Ltd	NBFC-MFI
28.		Sarala Development and MicrofinPvt.Ltd	NBFC-MFI
29.		Village Financial Services Pvt. Ltd	NBFC-MFI
30.	More than Rs. 500 crore	Arohan Financial Pvt. Ltd	NBFC-MFI

Source: generated from the Bharat Microfinance Report-2016.

From the above table (5.25), it was revealed that the MFIs having their loan portfolios between ‘less than Rs. 50 crore’ have been running their microfinance business on the legal form as ‘Society’. Out of 24 microfinance institutes in between the loan portfolios ‘less than 50 crore’, the legal form of 19 MF Institutions are ‘Society’, two number of institutions have their legal form as ‘Section 8 Companies’. In case of MF Institutions having their loan portfolio ‘more than Rs. 50 crore’, it was found that all of them (six MFIs) are working under the legal form of ‘NBFC-MFI’. Apart from these, in West Bengal, number of MF institution running their microfinance activities under the legal form of: NBFC is one, MACS or Co-operative is one, Trust is one.

5.16. Progress of Microfinance in West Bengal as reported by the Association of Microfinance Institution - West Bengal:

The microfinance institutions in West Bengal have come under one umbrella and created an association of microfinance institution which have been working in the state of West Bengal to address the issues of microfinance business jointly. The association is known as ‘Association Micro Finance Institutions- West Bengal’ and formed in the year 2006. The performance report of their showed that their member institutions of AMFI-WB were operating in 23 districts of West Bengal and serving through a total channel of 1870 branch offices. The progress report of MFIs (28 MFIs) which have been working in West Bengal, in a consolidated form, can be observed from the table (5.26) as shown below:

Table 5.26: Consolidated Yearly Performance Report of MFIs in West Bengal for 2011- 2012 to 2016-2017.

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Organisational profile :							
1	Number of Branches	1913	1713	1781	1547	764	1870
2	Number of District covered	18	19	19	19	20	23
3	Number of block covered	287	294	341	341	338	341
4	Total Number of Municipality covered	104	113	121	121	121	121
5	Total Number of Employees/ staff	13098	11717	11630	10910	6118	14640
Outreach:							
6	Number of borrowers	4500000	3531877	3991404	4586097	2110268	6074674
7	Loan outstanding (in Rs. Crore)	3177.14	3123.70	4119.82	6202.76	3427.96	14685.04
Portfolio Quality:							
8.	Average Loan size in Rs.	10017.00	10105.00	10737.00	11862.91	15112.00	16510.00
9.	Loan Repayment rate (%)	99.00	99.00	99.11	99.19	99.78	98.22

Source: Annual report of AMFI-WB (2016-17)

Note: data of 2011-12 to 2014-15 include the data of Bandhan Bank and the data of 2015-16 and 2016-17 exclude the data of Bandhan Bank.

It was found from the above table (5.26) that the number of borrowers of the MFIs which work under AMFI-WB reached to 6074674 and the total loans outstanding against these borrowers was Rs. 14685.04 crore with an average loan size of Rs. 16510/- as on 31.03.2017. In the year 2015-16, it was seen that there was huge reduction of number of borrowers, number of branches from 2014-15 and the main reason was that during the period Bandhan has been upgraded to Bank from the status of microfinance institution. The loan repayment rate has decreased from 99% in 2011-12 to 98.22 in 2016-17 but the average loan size increased to Rs. 16510/- in 2016-17 from Rs. 10017/- in 2011-12.

5.17. Conclusion: Based on the above discussions of formal and informal credit in West Bengal, the following can be summarized as conclusion:

i). During pre-independence period the money lending activity was operative in the then Bengal depending on: a). The Usury Laws Repeal Act-1855, b). The Usury Loans Act-1918 and iii) The Bengal Moneylenders Act-1933. The present money lending in formal sector depends upon the West Bengal Moneylenders Act-1940.

ii). The expansion of Bank branches during 1980 to 2013 in West Bengal grew at a lower rate in compared to all India growth rate of bank branched of scheduled commercial banks and the number of account of the priority sector credit under the head of account 'weaker section' was also found low during 2000 to2010. In case of small borrowal account, a declining trend in percent share of number of account in all accounts as well as in amount outstanding was also observed during 2004 to2008.

Iii). In population group-wise classification of small borrowal accounts of Scheduled Commercial Banks in West Bengal it was found that the small borrowers of rural region of West Bengal depend heavily for their agricultural activity on scheduled commercial banks whereas the small borrowers of urban West Bengal depends for their 'personal loans' from Scheduled Commercial Banks. The maximum trade related small borrowers account opened in the rural region of West Bengal.

iv). The effect of Nationalisation of Scheduled Commercial bank in 1969 decreased the share of informal credit in West Bengal, but still, cash and kind both type of borrowing from informal lender have been observed. The 'relative and friend' emerged as major source of informal credit. The input creditors also found as one of the most important sources of borrowing who extend credit to borrowers in kind without taking collateral security. The repayment of credit taken from informal lender have been made in cash or/ and kind or by giving manual labour in favour of lenders. The Khai Khalasi System and leasing of land have been found as two ways which supplement the collateral security of issuing loans by informal lenders.

v). The forms of informal credit found dominant in West Bengal are: i) Trade credit arrangements, ii) Unregistered chit fund, iii) Individual money lending system, iv). Traders Association and, v). Hundi.

vi) In comparison with other states in respect of quantum of money given as loan by moneylenders, it is observed that that the involvement of moneylenders in the credit market of West Bengal is high and the rank of West Bengal is after the following states: Rajasthan, Madhya Pradesh, Kerala, Hariyana, Andhra Pradesh, Uttar Pradesh, Karnataka, Tamil Nadu. In case of share of other non-institutional sources except moneylenders, it is observed that only Uttar Pradesh and Andhra Pradesh are ahead than West Bengal. This implies that other non-institutional sources are also very much involved in providing credit to the small borrowers of West Bengal.

vii). In case of microfinance outreach in West Bengal, it was found that the value of Microfinance Penetration Index (MPI) for West Bengal in 2014 was found to be 1.54 (Tankha & Nair, 2014) indicated that good progress had been done by the initiative of the microfinance institutions along with public and private commercial banks, RRBs, Cooperatives etc. The MPI value of more than one indicated that the penetration of microfinance is more than the population of the state as MPI is calculated on the basis of division of state's share of microfinance including SHGs by the share of households of the state.

In the previous four chapters (chapter 2 to chapter 5) the issues of small borrowers in formal and informal credit markets in India (including West Bengal) have been discussed. The outreach of microfinance in West Bengal has also been discussed. Before

discussing the issues like assessment of rate of interest, the preference shifting of loan sources in the study area, it is necessary to look into the socio-economic condition of small borrowers. In the next chapter- VI, the socio-economic condition of small borrowers in the study region has been discussed.