

CHAPTER I

INTRODUCTION

It is heartening to note that the villages of the Third World have quite recently been the focal point of social science research.¹ The justification for studies on villages rests primarily on their being a significant administrative and social unit so close to the majority of the people in a developing country.² Amidst momentous changes all around the villages of the developing countries, particularly in Asia and Latin America, have preserved their traditional modes of living and thinking. In the majority of these countries, some 65 per cent of rural households were not earning "basic minimum incomes".³

Concept of Rural Development :

The term 'Rural' essentially means an area which is characterised by non-urban style of life, occupational structure, social organisation and settlement pattern. Rural is essentially agricultural, its settlement system consists of villages or homesteads; socially it connotes greater inter-dependence among people, more deeply rooted community life and a slow moving rhythm of life built around nature and natural phenomenon; and occupationally it is highly dependent on crop farming, animal enterprises, tree crops and related activities.⁴

Rural areas by the very nature of their peculiarities in relation to urban areas are in theory easily identifiable. In practice, there lies a vast transition zone between what is essentially rural and urban. It is true that urban areas are marked by the overwhelming presence of modern manufacturing industries, commerce and social facilities. They constitute large concentrations of human beings. However, not all urban areas are of this kind. There can be, and there indeed are, communities which are larger than villages but which depend on agriculture indirectly if not directly, having a number of processing industries, cottage industries and other activities such as commerce and trade which are built around local and regional agricultural produce.

The rural urban continuum one notices in activity patterns is equally manifest in other aspects too. In matters of settlement, one gets a continuum starting from a small hamlet of a few households to metropolitan cities of several million population. In between are villages, market centres and towns and cities of various sizes. While the villages present one pattern and style of life, the metropolitan centres present the other extreme. In between is a vast transition zone where the village and the town merge to provide a settlement pattern which can best be classified as "Rurban". This is equally true with respect to social organisation and other aspects which set rural areas aside from urban areas.

The concept of "development" as distinguished from "growth" is imbued with a sociological value. Development means quantitative as well as qualitative change. Since it means change, which has meaning only when seen against something at a particular time, it carries a meaning which is not only relative but also subjective. Only a given type of quantitative-cum-qualitative change is considered to be developed in a positive sense. If the change is not of desired quality, and quantity, it is either mal-development or negative development.

In the same sequence of thinking, rural development, would essentially mean desired positive change in the rural areas - both in a quantitative as well as a qualitative sense. Thus rural development is an areal concept. It is a complete term which integrates a variety of elements of human life and activities. We may broadly classify the numerous elements into the following broad dimensions :

- a. Social
- b. Economic
- c. Technological
- d. Natural.

Rural development means desired changes in all these components. But such changes should take place in a mutually supporting relationship so as to generate organic and optimum development. Organic development is one which maintains a healthy relationship among the various elements or components

of a system. If the development in one component overtakes those in other components and thus disturbs the organic relationship among the various components of a system, then such a development is designated as mal-development. In a mal-developed society, certain aspects of life specially economic and technological, may be highly advanced but other aspects specially social and natural may remain backward or even be marked by negative development.

Rural development thus means development of the rural areas in such a way that each component of rural life changes in a desired direction and in sympathy with other components. It also means development of rural areas within the framework of the national goals and objectives and without prejudices to the development of urban areas of the country, provided that urban development is not prejudicial to rural development. Furthermore, rural development means structural changes in the socio-economic situation in the rural areas in order that human welfare which is the prime goal of all development is secured at the earliest and that the society is able to absorb changes necessary in the field of technology, man-environment relationship, population growth etc.

"Credit", says an old French proverb, "supports the farmer as the hangman's rope supports the hanged". This proverb is specially applicable to Indian farmers, specially small and marginal farmers. Though credit is sometimes fatal,

it is often indispensable to the cultivators. The word "credit" can better be substituted for "development finance". The term 'development finance' connotes "a comprehensive approach in which investment credit blended with production credit serves to stimulate, sustain and promote the overall development of an area and higher income to the farmers. They are complementary in character".⁵

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

Review of Literature :

In presenting the background of the study, the current literature related to the problem is first discussed and the aspects on which this study focusses highlighted. This indicates the need for the study. Current literature has dealt with certain aspects of the problem related to rural development. Some of the studies in this direction which are worth mentioning are the study of S. Sharanappa, G. Parthasarathy, S. P. Majumdar, S. D. Banerjee, A. Datta, S. R. Sen, K. K. S. Chauhan and S. K. Chakraborty. S. Sharanappa has made some regional or district study on the economic development of rural areas in Karnataka,⁶ while G. Parthasarathy also has made some regional study in the state of Andhrapradesh on Small Farmers' Development.⁷ S. D. Banerjee

has made an interesting study on the relationship between rural leadership and rural development in Jalpaiguri District of North Bengal⁸ while S.P. Majumdar has made a comprehensive study on the problems of farm financing in six villages of Jalpaiguri District of North Bengal.⁹

Various issues and strategies of economic development have been made on innumerable directions by A. Datta,¹⁰ while S.R. Sen has focussed his attention on the strategies of Agricultural Development.¹¹ On the other hand, K.K.S. Chauhan has made some diagnostic views on problems and possibilities of development of small farmers in India,¹² while S.K. Chakraborty has made a study on the role of rural credit for agricultural development in the post-independence period in the hill areas of Darjeeling district of West Bengal.¹³ None of these studies focussed specifically on the role of financial institutions in relation to rural development with special reference to a backward district like Malda. To our knowledge, no research work in this area has yet been undertaken. The assumption underlying this study is that investigation of the role of financial institutions in relation to rural development in Malda would reveal the causes of rural indebtedness and the achievements of the financial institutions regarding rural development. It is expected that such an investigation would also provide the guidelines for successful implementation of rural development programmes.

Background of the study :

A striking feature in the planning process in India in recent times has been the increasing search for methodologies by which the growth of the economy, measured in aggregate terms, can get translated in a desirable manner into the incomes accruing to specific geographic areas in the country and to the weaker groups of the population.¹⁴ Since the commencement of the Five-year plans, interest and public concern about rural area development and policy have mushroomed impressively on our national scene and several approaches to rural development have been given a fair trial.

The Rural Area Development programme has been given a new light in this thesis and a new approach aiming at integrated rural development programmes reflecting the economic activity of the rural target group has been discussed. This new approach has been justified by the planning Commission of India in their Draft Five Year Plan (1978-83) for the development of rural areas. The plan document put it as follows :-

Experience of various rural development programmes in the earlier plans has shown that a mere project approach or a sectoral approach is not adequate to lead to an overall development of the area and distribution of benefits to local population, particularly the weaker sections of the society. The distribution of unemployment and poverty and the potential for development of

agriculture and related activities vary widely from region to region and also within regions. Different areas in the country are at different levels of development and have varying degrees of potential depending on local endowments. The efforts now will be to make the programmes area specific and utilise the local endowments for growth for social justice and full employment. It will, therefore, be necessary to plan for integration of various programmes and establish appropriate linkages for optimal utilisation of local endowments consistent with the plan objectives, local needs and environmental balance.¹⁵ This study is expected to lead to a better understanding of the nature of rural poverty in this area and would be useful in identifying the factors which are retarding economic development of this area.

"Banks constitute an important segment of the financial structure of any country. The economic history of many countries reveals that economic development and growth of financial infrastructure go hand in hand. There is interaction between two. Without the growth in the financial infrastructure, there can be no development and the latter in turn changes the shape and size of the financial institutions".¹⁶ The role of financial institutions in relation to rural development of a backward district like Malda is the main theme of this thesis. However, the study of economic development of a backward district like Malda, may be regarded as a function of multi-various factors. Some of the factors, such as infra-structural

facilities exogenously given to this area, will also be discussed in this thesis. District credit plan and co-ordination under multi-agency system along with supporting services and related action, such as general administrative support is essential for successful rural lending. This aspect will be discussed in the succeeding chapters. The framework for the sixth plan (1980-85) has also given the importance of such type of rural development programmes. The plan document runs as follows :-

"Experience has shown that uncoordinated efforts by a multiplicity of agencies do not lead to the desired results. The unexceptionable concepts underlying many of these programmes have often tended to remain unrealised. It has, therefore, become obvious that the goal of rural development designed to minimise rural poverty can be achieved to any satisfactory extent only through a multi-disciplinary apparatus at the local level. The infusion of extra funds alone may not carry us far, if all overlapping programmes are not made to coalesce functionally and generate a mass flow of developmental activity".¹⁷

Scope of the Thesis :

In explaining the objectives of "research" in relation to planning in India, Prof. P.C. Mahalanabis remarked, "our aim is to solve the problem of poverty, that is, to find a

feasible method of bringing about a continuing economic development of the country. It would be necessary to use much scientific and technical knowledge and also to organise continuing research at various levels for this purpose".¹⁸ In the light of this objective, the scope of this thesis would be a study of assessment of relationship between "development finance" and "economic development" of a backward region like Malda District which has peculiar geographical, social and economic characteristics. A study on population growth and different aspects of agriculture would be made to identify the factors which are retarding economic development of this area. Growth of different financial institutions since 1969 and their policies towards rural development with reference to Malda region would be studied. Emphasis would be given on the role of financial institutions in relation to rural development with special reference to a backward district like Malda. The peculiar characteristics of the priority sectors and their importance in the economy of Malda would be brought into light. This will be supplemented, where possible, by an evaluation of the role of financial institutions in lending to priority sectors of the region. This will ultimately explore the possibility of studying the extent to which credit of different financial institutions has been used or misused by the different borrowers. Not only that, the causes of overdues of different borrowers will be investigated. Moreover, the relationship between 'satisfactory development' and 'satisfactory repayment' will also be analysed. The role of the village Mahajans (Money

lenders) will also come into investigation.

Sources of data :

The Census reports of Malda and West Bengal (1951-81) have been of immense use. Annual Reports and Accounts on Rural Credit of Malda District Central Co-operative Bank, Malda District Co-operative Land Development Bank, Small Farmers' Development Agency/District Rural Development Agency, Malda, Lead Bank of Malda (United Bank of India), other commercial Banks, State Financial Corporation, Malda, and other financial institutions have been taken into consideration. These have been supplemented by the published data by the West Bengal and Central Governments and other local and public organisations on relevant issues. In many cases, Land Records and sketches of Junior Land Revenue offices and Panchayat Samities of different blocks have been used.

In case of sample villages, studies are based on "Field Survey" data to reflect the general feelings of the local people in the best possible way, specially in finding the relationship between credit and economic development, between satisfactory development and satisfactory repayment and in exploring the causes of poor recovery. Different Statistical Techniques, specially Purposive Sampling (see Appendix I), have been applied for the study.

During field study, we have mainly applied

Direct Interview method with some selected questions. A questionnaire was prepared and heads of the families were asked to answer the questions. Since most of the people were illiterate, we came into contact with most of the individuals to get required facts and their opinions. From this point of view, this method has obvious advantage over other methods.

Limitations of the Study :

The study was exploratory in nature. Data, collected through multiple channels and sources, are mainly a combination of primary and secondary types. Inadequacy of data and lack of initiatives from many branch managers of different financial institutions and officers of different government and semi-government agencies in many cases have made the scope of investigation limited. Incorrect information from the respondents in many cases has put the matter in an ambiguous situation. Moreover, the apprehensive and evasive nature of the village people seemed to be a great stumbling block in the way of getting meaningful collection of primary data from the field survey. Some of the people were unwilling to give information to a stranger on the plea that those informations might create complications leading to their sufferings. The existence of widespread illiteracy and ignorance appeared to create problems in getting precise information. Non-availability of required data has stood in the way of extending the scope of the thesis. For avoiding many complexities, summary

descriptive statistics have been used wherever it was found useful. The entire work has been motivated as positivist and diagnostic in nature.

Plan of the Research Project :

Chapter One starts with introducing the problem. It is followed by overview literature. The background of the study is discussed in the light of the National Policy of Economic Development of India with proper emphasis on the objectives of the Sixth Five Year Plan. The scope of the thesis, methodology applied in research work and the limitations of the study have been duly considered.

In the Second chapter, description of the Research Area, i.e. Malda has been given, identifying its position, climate, natural divisions, soils etc. The history of the district as an administrative unit has also been discussed with suitable illustrations of Radcliffe Award and Bagge Tribunal.

Chapter Three discusses on population and poverty of Malda. The main discussion centres around the growth of population over hundred years along with immigrants from neighbouring districts, Bihar and Bangladesh. Urban-rural composition, male-female ratio, density of population etc. have been taken into account for purposeful discussion. The occupational structure in the rural areas along with the per capita income of the rural people has been given in order to

reflect the idea on the degree and magnitude of poverty. Urbanisation and nature of small scale and cottage industries have also been discussed in this context.

Chapter Four analyses the nature of agriculture in Malda and different constraints of rural development. The different aspects of agriculture like land settlement system, agricultural pattern, area under crop, trend of production of principal crops including mango, jute and mulberry cultivation have been discussed. Different constraints of rural development such as lack of irrigation facilities and insufficient use of fertilisers have been brought into limelight.

Chapter Five deals with the growth of financial institutions, in the perspective of All-India level, State level and Malda district level, and their policies towards rural development with reference to the Region. The growth and policies of State Financial Corporation, different nationalised commercial banks, Regional Rural Bank like Gour Gramin Bank, the Malda District Central Co-operative Bank Limited and the Malda Co-operative Land Development Bank Limited have been discussed.

Chapter Six emphasises the role of banks (Commercial, regional and co-operative) in relation to rural development with special reference to a backward district like Malda and makes a critical evaluation of the performances of the different banks towards the rural poor. A special discussion on Co-operative movement of Malda district has been made. Various recommendations

and suggestions made through different commissions set up by the Government and Reserve Bank of India over time periods have been dealt with.

Chapter Seven has been used specially for the priority sectors. The peculiar characteristics of the priority sectors and their importance in the economy of Malda have been carefully analysed. In this connection, the role of financial institutions in lending to priority sectors of the region has been critically evaluated.

Chapter Eight analyses the problems of repayment of bank loans in Malda region. Recovery problem of the Co-operative banks and other branches of commercial and regional banks has been discussed with several case studies. Different causes of non-repayment have been analysed and different suggestions have been made in this context.

Chapter Nine is mainly concerned with the workings of S.F.D.A./D.R.D.A. and the survey conducted by D.R.D.A. However, some problems relating to the peculiarities of rural people have also been discussed in the light of the performance of commercial banks.

Chapter Ten includes a case study of sample village taken purposively from four blocks of Malda district in order to reflect the role of financial institutions on the village economy of this region. Different observations relating to rural development experienced from the study have been discussed.

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

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