

# C H A P T E R I

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

### General Outline:

The concept of 'development' as distinguished from 'growth' is imbued with a sociological value. The quantitative aspect of such value rests in the notion of 'equity'. Removal of poverty thus constitutes the primary object of developmental administration. Development Finance to small and marginal farmers has been an elusive concept in our agricultural development policies for the first three Five Year Plans. 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." (1) In accordance with this concept of development the national plan for implementing "New Agricultural Strategy" since the Fourth Five Year Plan includes endeavours for bringing a parity in regional growth. Viewed in this perspective, there seems to have been hardly any agricultural development in this area of Darjeeling District during pre-independence era. The study proposes that the agricultural development is a major factor for rural development. As such the structural transformation of this area is not its main concern.

In this chapter first the background of the study is

presented on the basis of a survey of relevant literature. In the light of this review the problem is more specifically formulated, a methodological framework is set up and the procedure followed in investigating the problem is described in details.

Survey 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 focuses 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 G. Parthasarathy, K. K. S. Chakhan, Prof. A. K. Sen and Prof. Ashok Rudra (2). G. Parthasarathy makes some regional study in the State of Andhra Pradesh on small farmers' development while K. K. S. Chakhan has made some diagnostic views on problems and possibilities of development for the small farmers in India. Various issues of agricultural development of small farmers have been made on innumerable directions by the different authors like Prof. A. K. Sen on 'size of land holding and productivity', Prof. Ashok Rudra on 'More on Return to Scale in Indian Agriculture'. None of these studies focused specifically on the Role of Rural Credit in relation to agricultural development. To my knowledge, no research work in this area has yet been undertaken. The assumption underlying this study is that investigation of the role of rural credit in agricultural development in Dasjooling hill areas would reveal the causes of

agricultural backwardness. It is expected that such an investigation would also provide the guidelines for exploring the natural potentialities of this region for agricultural development.

Background of the Study The efforts to study the impact of rural credit on agricultural development of this region is justified from the following observation of the Planning Commission : 'An important characteristic of Indian agriculture, especially in the Eastern parts of the country is the high level of indebtedness of the share croppers and tenants. While considered abstractly, indebtedness does not necessarily represent an undesirable state of affairs, coupled with extremely low standards of living and primitive conditions of production, it is suggestive of a certain mode of cultivation which inhibits productivity of land and labour (3). Thus the 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 that are retarding progress in agriculture and are responsible for the low productivity of labour and income. The study of agricultural development of hill areas of Darjeeling District which is the focus of the present investigation may be regarded as a function of multi various factors. Some of the factors such as the wider infra structural facilities organically given to this area, financial implications of the proposals in terms of their execution will remain as the scope of the thesis. In this section the need for investigation will be considered with special reference to geographical, social and economic aspects.

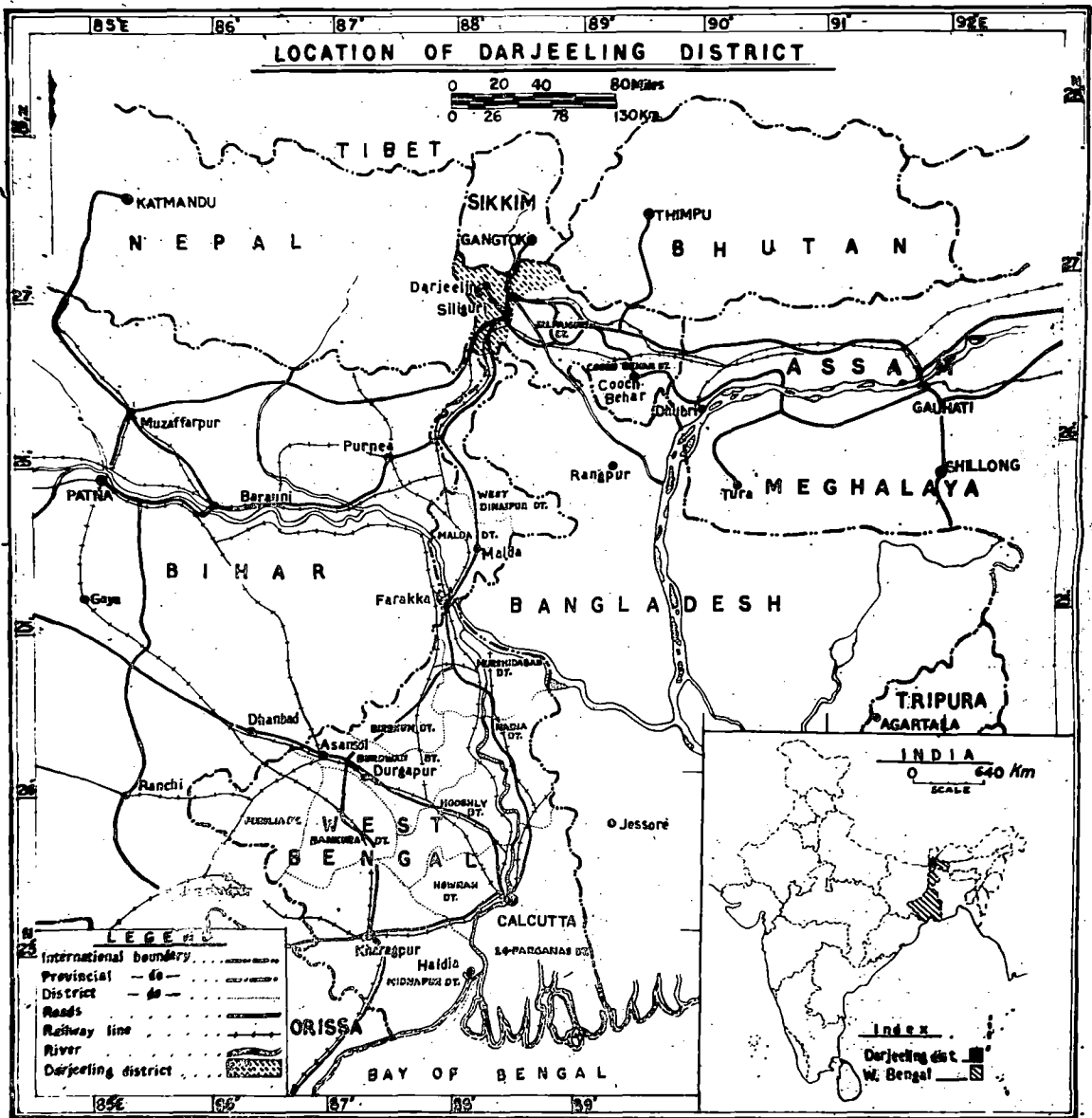


Plate I  
 Map showing location of Darjeeling District, West Bengal,  
 India.

The district of Darjeeling with special reference to its three hill sub-divisions namely, Darjeeling Sadar, Kalimpong and Kurseong has a peculiar geographical character and personality of its own. The morphology, kinetic pattern, soils, natural vegetations on the one hand and the ethnic composition and racial character of cosmopolitan type on the other hand makes Darjeeling different from any other district. The human response to the natural environment is distinct in quality and makes this district a separate ecological region of the state. This northern most region of West Bengal has special strategical characteristics so far as its location is concerned. This region, being incapable, so far, of providing sufficient food grains required for its own population, requires to import food stuffs from the rest of its district and other parts of Bengal and the neighbouring States. The hill areas, endowed with natural potentialities is to be brought under realistic planning from grass roots. The hill region of this district, because of its ruggedness, humidity, natural hazards, natural vegetation encourage the growth of dispense settlement only in some selected areas. The availability of low land surface in relation to general growth of population in hilly parts causes a serious imbalance and thereby invites the people to accept agriculture as their main way of life. Ecological system, farming methods, farm implements, size distribution of land holding, cropping intensity, cropping pattern and non-availability of high yielding inputs are major causes of low farm output of this area. Better intensive cultivation along with scope to develop allied

agricultural activities like horticulture, floriculture, sericulture, dairy farming, poultry-keeping, bee-keeping, goat-rearing and others to supplement the non-farm income of farmers are urgently needed. For topographical reasons, rainfall in hill parts usually drain from the fields as soon as it falls. Much of this could be checked and very profitable, if bunding were taken up on a large scale. By increasing the moisture content of the soil, in many cases, will help to substitute less remunerative crops (e.g. millet) by more remunerative ones (e.g. oil seeds). Returns on this type of investment, allowing zero or minimal opportunity cost of labour, would be of quite high. The present cropping pattern results in a net loss of income. Proper rotation of cropping along with soil conservation techniques would restore agricultural productivity. Thus it is found that suitable crop combinations yielding greater economic returns and an appropriate organisational structure to provide integrated credit-services to small farmers is needed. Given the credit and marketing facilities along with other inputs, the vegetable production should be made popular because high altitude climate is best suited to produce disease free seeds and specialised crops.

The importance of market places as commercial foci in the economic fabric of the region must be significantly stressed. The origin and development of market places are greatly influenced by transportation facilities, relief and others which, in general, are not conducive for the development of market places. The numerical analysis showing characters of market places within the region

indicates, that distribution of market centres are not uniform, leaving the scope of middlemen traders, especially Marwari people, to control local economy on financing the production purchasing and despatching the commodities to demand locations. Although it is difficult to get an accurate picture regarding the role of played on the part of indigenous money lenders but still it is accepted that despite high rate of interest charged by them, the money lenders advance loans to the agriculturists, get them into the coils of debt, forcing them to offer the minimum that they had.

Scope of the thesis The scope of the thesis would be a study on assessment of relationship of farm credit with respect to agricultural development of the region of Darjeeling District which have peculiar geographical, social and economic characteristics. This will ultimately explore the possibility of studying the extent to which formal credit plays a strategic role in desired direction for the betterment of small and marginal farmers. In other words, the present study is focussed to discuss the issue of viability of small farmers vis-a-vis viability of different credit agencies of the area concerned.

Methodology The census reports have been of immense use. Reports and accounts on Rural Credit kept by co-operatives, S.F.D.s, Lead Bank and other Commercial Banks, Land Development Bank and other agencies have been taken into consideration. This has been supplemented by the published data by the governments, Municipalities and

other local and public organizations on relevant issues. In many cases studies are based on "Survey or Cross Section" data to reflect the general findings in the best possible way, especially in measuring rural indebtedness in this area. Statistical tools are applied for the study. During village survey 'participation-observation' system has been used in a few cases.

Limitation of the study The study was of an exploratory nature. Data, collected through multiple channels and sources, are mainly a combination of primary and secondary types. Lack of data and lack of initiatives from many field officials in many cases, delimited the scope of investigation. Incorrect information from the respondents, in many cases, put the author in ambiguous situations. For avoiding any complication, summary descriptive statistics have been used wherever it was found useful. The entire work has been motivated as positivist and diagnostic in nature. As the census reports of Darjeeling District, 1981 has not yet been published, data based on census reports of 1971 has been used in various fields, specially in demographic study.

Chapter one starts with introducing the problem. It is followed by overview literature. The background of the study is discussed in the perspective of limited information on geographical, economic and social matters of this region. With a view to this locality of this area along with geographical considerations, the extent of poverty, the role of money lenders and market mechanism have been incorporated. The scope of the thesis, methodology applied in research and the limitations faced by the researcher have been duly considered.

Chapter two makes the discussion on identifying the areas for understanding the local economy. The main discussion centres around the growth of population over time period along with immigrants from Nepal causing the cultivable land scarce and in-distinguishable for them in this region. How the early settlers in Darjeeling preferred to accept agriculture as main occupation has been discussed in the light of the then existing and changing land tenure system. Terrace cultivation and Jhum cultivation as distinctive features of the Himalayan Agriculture have been taken into account for purposeful discussion. Progressive land tenure system and absence of rural credit facilities through modern banking methods have ultimately left the poorer to be impoverished.

Chapter three analyses the various types of settlement, both rural and urban in character. The different aspects of agriculture like land use pattern, cropping pattern, Evolution of farming methods and technology, farm implements, size and distribution of land holding, Cropping intensity and problems of rural credit have been brought into limelight.

Chapter four discusses on Revenue System introduced by the Britishers. The extent to which different land tenure systems have caused land - man ratio to deteriorate and claimed as one of the main factor for causing rural poverty in this locality has been given priority in the process of analysis. The occupation structure in the rural areas along with the per capita income of the rural people have

been chosen to reflect the idea on the degree of poverty. The extent of rural indebtedness has been studied with the help of sample households in a few selected villages of this region.

Chapter five deals with the existing credit structure, in the perspective of All-India level and Barjooling District level, which proposes the credit necessary to tackle the problems of rural farmers. 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 six emphasizes the role of credit plan and the manner in which it is executed after the independence for meeting the minimum needs of small and marginal farmers. A critical evaluation in connection with the activities of different money lending institutions and recommending authorities and agencies like SFDA/BBDA, CASP and Panchayats has been made.

Chapter seven makes the scope for giving information on available infra structural facilities in relation to agriculture and its allied service sectors. Marketing constraints and non-availability of farm credit are regarded as vital factors of agricultural backwardness.

Chapter eight is divided into two sections. Section one ultimately makes a discussion on understanding the economic profile of small farmers on the basis of sample survey on three

different villages belonging to three hill sub-divisions. Some statistical methods are used to reach at conclusions on impact of integrated credit system. In section two a case study on potato research activities is made where credit in the form inputs along with technical advices are provided to the selected farmers for a period of three years. In otherwords this chapter will give a scope to study on viability of rural credit in this region.

Chapter nine includes a village study to reflect the nature of the village economy of this region. Existing tenancy system, the impact of rural credit on farmers and other economic issues have been taken into consideration. This chapter has been treated as a micro study to understand the problem of the thesis.

Chapter ten infers some *valuable* conclusions experienced from the entire study.

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#### N O T E S:

- 1.1. Dr. N. Mohanan : Development Finance for Small Farmers, p.4.
- 1.2. i) G. Parthasarathy : Agricultural Development and Small Farmers : A Case Study of Andhra Pradesh (Delhi : Vikash Publications, 1971).

- 1.2. ii) K.L.S. Chaudhri et al : Small Farmers : Problems and possibilities of Development (Ahmedabad : Indian Institute of Management, Centre for Management in Agriculture, 1973.
- iii) A. K. Sen : Size of holding and Productivity, Economic weekly, Annual number, Feb. 1964.
- iv) Ashok Mehta : Move on Return to Scale in Indian Agriculture, EPRU, Vol. 3, No. 43, October, 33, 1968.
- 1.3. Draft Fifth Five Year Plan, Planning Commission, Govt. of India, (New Delhi), Vol. 1, Pt. 2, Para. 274.