ABSTRACT

The conflict between growth and social justice can only be eliminated by directing resources increasingly to rural sector through a strenuous pursuit of multipronged strategies. In spite of significant growth in major sectors of economy including science and technology, the limitation of trickle down theory allowed a large number of people in rural area to live in abject poverty — suffering from low productivity, low income generation and little employment opportunities. There has been a breakthrough in expansion of banking in rural areas in the last decade which played a significant role in achieving targets for development programmes launched by Government by converting the credit into services, which can (i) create infrastructure so essential for development of agriculture and cottage & small scale industries (ii) would make economic activities viable so that the farmers and entrepreneurs of rural society can increase their income and (iii) take care of producers’ and consumers’ interest by augmenting production and streamlining the distribution system. No doubt there has been a large expansion of rural credit during the last decade, however the economically and socially backward and weaker sections of the society are yet to reap the full benefit of the availability of the rural credit. More emphasis on the expansion of volume of credit without adequate attention to the economic potentials of the localities, their absorptive capacity for identified inputs and activities and backward and forward linkage effect may prove counterproductive for quantitative growth, may not itself lead to commensurate growth in rural productivities. And we are dangerously close to the ‘Alice in the wonderland’ situation — ‘keep on running to remain where you are.’ Rural credit in the ultimate analysis should increase productivity of Land, Labour, Livestock and crop on the one side and eradication of poverty and unemployment on the other. Both production and productivity will be enhanced with the inflow of credit to rural areas.
However low credit worthiness of rural farmers and lack of entrepreneurship still come in the way of their accessibility to institutional credit absorption and as such district Credit plans are not of much avail to them. The various forms of moneylender in our villages are as yet in dominating position for rural credit.

We observe that Banks' performance has been creditable but so far it has touched only the fringe of the problem and figures of the increasing number of poor families in rural areas do not reflect any consequence of such over their lives. To mitigate the production and consumption needs of the village community, bulk of credit is being provided by non-formal moneylenders and other private sources at an exorbitant rate of interest. Thus while informal sector comes forward in favour of credit extension, rural society failed to comply with such need by absorbing it from the formal sector of rural credits.

Therefore, it warrants an empirical study to examine the factors which are responsible for retarding the rural farmers and entrepreneurs from absorbing institutional credits in commensurate with their need and to highlight the constraints in sustaining its objectives.

The proposed study will emphasise on the following aspects.

1) The effectiveness of infrastructural and extension services provided for rural credit.
2) Organisational set up of formal Agencies for rural credit as also procedures and process followed for credit absorption.
3) Various development potentials and lending approach for rural credit.
4) Assessment of Credit potentials in various sectors of rural economy and need for credit by different segments of people.
5) Quantum of credit absorption by various sectors of rural economy and different segments of people.
6) Assessment of credit gap in absorbing credit from formal Agencies.
7) Impact of rural credit over Production, Productivity, technology and social justice.
8) Organisational, operational, social, infrastructural, economic and commercial factors influencing Project implementation.

9) Evaluation of present pattern of rural entrepreneurship, and necessary changes in the entrepreneurship for adopting progressive and commercial production theory replacing traditional and domestic one.

10) Role of Panchayati Raj system to act as a link agency for credit absorption by rural families.

11) Policies adopted by different agencies for supervision and monitoring of rural credit.

12) Essential requirements for recycling of fund e.g. Productivity, linkage and natural and commercial risk factors.

13) To forge a new regime of credit delivery system consistent with absorptive capacity involving ease of access, simplified procedures and practice of lending, effective monitoring and a whole range of advisory services.

We have purposively selected the Burdwan district as our reference, for the district itself has vast potentialities of credit extension in the diversified field of Agriculture, village and cottage industries, Allied Agriculture, Small businessman and Rural Artisans having regional disparities also. Moreover the period of our study being 1982 to 1992-93 has been preferred as Bank’s performance in rural lending got a momentum following announcement of New 20 Point Economic programme on 14.1.82 till the change in Banking scenario on submission of report on financial sector reforms by M. Narasimam in 1991 suggesting sectoral, procedural and structural change in Banking industry as well.

The study need not cover all the branches of different rural banks operating in the district. Rather it is a sample study to be confined to the sample areas. We had selected some specific areas for the study on the basis of purposive sample. However representativeness of the sample are statistically verified. Data and other information by and large have been collected from primary sources. A few case studies had also been conducted to make a thorough and in depth investigation of the research problem identified study. Besides, annual reports of different rural credit Agencies, RBI and IBA bulletins, reports and other periodicals has also been used for the study.
The proposed study is intended to have the following chapters.

1) Introduction – The rationale of the study. A short history of rural credit in India.

2) District profile with a socio-geographic transformation for attaining present economic system.

3) The socio-economic structure of rural segments and development approaches.

4) Sources of rural credit and apex bodies, various development programmes and lending approaches.

5) Potentials of rural credit and coverage by financial institutions.

6) Impact of credit expansion on production, productivity, technology and social justice.

7) Constraints of institutional credit absorption and project implementation. Functionings of supervising and monitoring agencies.

8) Analysis of the findings and to suggest effective policies for easy access to formal credit.

9) Summarization of the study and a conclusion report.