

A Critical Study of Rural Credit in the Down Trodden People Of the Society

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Abstract

India's overall development is not possible without developing the rural areas. The problems of poverty in rural and urban areas, more particularly amongst the backward classes, are due to lack of access for the poor to the basic services like education, health, sanitation, etc. The main reason for the same is economic dependence, rapid increase in population after independence, disempowerment and lack of access to credit. However, conventional financial institutions seldom lend down market to serve the needs of such poor sections of the society. They are very often denied access to credit for any purpose.

Cooperative banks in India have been doing a commendable job in the field of rural credit, particularly agricultural credit. Given the fact that cooperative banks primarily cater to the needs of the common man, their role is quite vital in ensuring that economic growth is inclusive, balanced and equitable. However, most of the cooperative banks have their own share of problems and shortcomings which in turn deter them from playing their mandated role effectively. The performance and financial viability of many cooperative banks in India being a matter of concern, the nature and extent of the exact problems that they face, their operational bottlenecks etc. need to be studied so as to formulate prudent remedial strategies. Taking the case of Kannur District Cooperative Bank (KDCB) that caters to the Kannur district in northern Kerala; this paper delves into the above issues connected with cooperative and makes some remedial strategies.

Introduction

India is a country of villages and its development is synonymous with the development of the people living in rural areas. India is a vast and second most populous country of the world. (According to the 1991 census, 74.28 per cent population of our country reside in the countryside). But a big part of this population has been leading an uncertain economic life due to non-synchronization of employment opportunities in agriculture sector because of the

fast growing population. Rural development has been receiving increasing attention of the governments across the world. In the Indian context rural development assumes special significance for two important reasons. First about two thirds of the population still lives in villages and there cannot be any progress so long as rural areas remain backward. Second, the backwardness of the rural sector would be a major impediment to the overall progress of the economy. India is predominately an agricultural country and farming is their main occupation. In terms of methods of production, social organisation and political mobilization, rural sector is extremely backward and weak. Moreover, technical developments in field of agriculture have increased the gap between the rich and poor, as the better off farmers adopted modern farm technology to a greater extent than the smaller ones. The all India Rural Credit Review Committee in its report warned "If the fruits of development continue to be denied to the large sections of rural community, while prosperity accrues to some, the tensions social and economic may not only upset the process of orderly and peaceful change in the rural economy but even frustrate the national affords to set up agricultural production." It was therefore felt necessary to make arrangements for the distribution of fruits of development to the rural weak and backward section of society it is rightly pointed out that a purely agricultural country remains backward even in respect of agriculture. Most of the labour force in India depends on agriculture, not because it is remunerative but because there are no alternative employment opportunities. This is a major cause for the backwardness of Indian agriculture. A part of the labour force now engaged in agriculture needs to be shifted to non-agricultural occupations. Literacy, another growth indicator, is more acute in rural than in the urban areas. It is 44 per cent in villages and 73 per cent in cities. Again, more poor people live in the rural than the urban areas. Out of the estimated 210 million poor persons in the country, 168 million are located in villages and 42 million in urban areas. Out of 108 million rural household, 30 per cent are agricultural labour households. Fifty eight per cent of households in the villages are marginal farmers, having less than 1 hectare of land and 18 per cent having less than 2 hectares. These figures show that there is wide degree of diversity in some of the basic socio indicators of development between the rural and urban areas and call for concerted action to alleviate this disparity. The stress on rural development is also due to many constraints facing the rural areas, which generally suffer from inadequate infrastructure facilities and technological advancements. The rural areas are not well placed in

terms of even minimum needs like safe drinking water, primary health and road transport. This apart, the rural population suffers from indigence, ignorance and illiteracy. Their traditional outlook towards development has been preventing them from taking full advantage of the incentives offered by the Government. Also, the ownership of land and other assets has been heavily concentrated in hands of a few. It is precisely for this reason that the benefits of rural development programmes failed to reach the rural population targeted for these benefits to the extent expected.

Literature Review

Review of literature is an important aspect of research work as it helps in understanding specific problems and in drawing some hypotheses. Keeping in this view, literature connected with the problem in hand has been reviewed gleaning it from various sources, viz., relevant books, journals, dissertations, reports, research projects, surveys, etc. This part of the present chapter takes into consideration the conclusions and views of various scholars regarding the overall performance of Integrated Rural Development Programme (IRDP) and causes of its success or otherwise, and various drawbacks associated with the programme. Thus, the major issues related to the criteria of identification of the poor and its related aspects, viz., fairness/genuineness of procedure for selection of rural poor, various loopholes, technical flaws, suggestions for improvement, utilization of loan and bribe given for loan, etc., have been given due attention in the review. Kulkarni et al (1989)¹⁶ carried out a study in Bijapur district of Karnataka. They find that different socio-economic factor affect the success of failure of different schemes of IRDP. According to them the success of IRDP mainly depends upon the level of education, family size, ownership of livestock, durable assets and occupational structure. The study highlights that one of the reasons for poor performance of IRDP was the delay in actual sanctioning of loans and releasing of the subsidy amount by the development authorities. They suggested that single window approach both for subsidy and loan would reduce the time gap and transaction cost of borrowing for the beneficiaries. Calling it the world's most ambitious credit-based poverty alleviation effort, the World Bank (1989:5) attributes the failure of India's Integrated Rural Development Programme (IRDP) to its inability to ensure continued access to institutional credit for disadvantaged rural households. Unless constraints, which continue to block access of the poor to institutional finance, are not removed effectively, the window of opportunity to banking services offered

by the IRDP will remain closed. Welfare gains derived thus far by beneficiaries of their IRDP are likely to be short lived without the opportunity to replenish working capital and undertake additional investment, using term credit.

Concept of Rural Development:

The term is used to mean 'organizing things' so as to change existing conditions in favour of a better state. There may be many variants of development drawing their nomenclature from the sphere of activity where the change is managed or the type of change or the 'method' how the desired change is attained. For several decades the term was used, solely, for economic change, inclusive of the conditions which affect betterment. The concept was later extended to its wider meaning to embrace 'changes' of political, social, cultural, technological, economic and also the psychological frame of society. In its current meaning 'development' is used to express animated change for reaping utmost human potential. Technically, development is the name of a 'Policy' and its 'Consequent programmes', designed to bring about a desired change' in social, economic, political, or technological spheres of life. It is concerned with the promotion of human capacities: Physical or mental, to attain the cherished social goals. Development is potential-related, and it can be attained to the extent of the existing development potential, which is measured by then-exploited resources, talents, margin of sophistication and the 'will power' which implements development policy. Development is the conditioning of progress, and when efforts are laid towards the use of Growth potentials in rural economy and Society, it is rural development. Rural development is not a charity programme and its objective is to raise the capacity of producing more crops, better crops, variety crops, greater output per unit of input and higher quality of output. It is concerned with creation of increased incentives for putting more efforts and investments for raising efficiency per worker. Therefore education, information, training, research, and application of research is within the range of rural development .Rural development has attracted the attention of the economists right from the Mercantilist era and Adam Smith down to Mares and Keynes, yet they were mainly interested in the problems which were essentially static in nature and largely related to a western European framework of social and cultural institutions.

Rural Development in India pre-independence:

Rural development traces back its history to the Seventeenth Century when voluntary efforts to serve the mankind were initiated. A religious society of people known as 'Friends' or 'Quakers' had emerged as a movement in this direction for the first time in England and then in other parts of the world in rapid strides. It aimed at providing service to mankind transcending bonds of religion, territory and culture. The Quaker was a kind of rebel. In the mid of the seventeenth century, the main plank of the Quaker movement was that every human being has infinite dignity, that he is worthy of reverence simply because he is a human being and therefore, a temple of God. The main spirit behind this movement has been one of the selfless service and sacrifice and it runs like a wire, as it were among the exponents of the Quaker faith. The Quakers constituted the international group, functioning on a global level. Since the very inception of their movement, the Quakers devoted themselves to the alleviation of human miseries, resulting from wars and natural calamities like famines, earthquakes, etc. The Quaker service to India was brought by Rachel Metcalfe. She left England in the year 1866 and came to India with meagre resources and with no previous arrangements for launching a project of social reconstruction. In last quarter of the nineteenth Century, a few more Quakers arrived in India to actively participate in reconstruction of the society. But the unfortunate part was that the famines of 1895-96 and 1899-1900 converted these Quakers into simple relief workers. It was at the beginning of the twentieth century that a training point was recorded in the history of rural reconstruction work when the Rasulia compound at the outskirts of Hoshangabad was acquired and the Rasulia workshop for learning was established. It was in this compound that a popular Hoshangabad was later developed. The trainees of the workshop manufactured furniture and supplied the same to the local market. Even today some of the furniture available in the Collect orate office and on the Hoshangabad railway station was manufactured in that workshop in those early days. A stage then arrived in 1920 when the Rasulia workshop had to be closed down mainly on account of an exit of the then grown up children from it. Besides, the Quakers had also carved out the two villages of Laki and Makoria from jungle in nearby areas of Hoshangabad and were pre-occupied with problems of inhabitants of these settlements. A new phase started in the year 1932 when Hilda Cush more visited India and opened a new chapter in the history of rural development. Using her profound knowledge of working as a Warden of a university 'settlement' in Bristol

and Manchester and as a Quaker relief worker in France and Poland she conceived of the idea of an Indian rural settlement which could be named as Quaker Ashram.

Methodology

Objectives:

The objective of the present study are the followings

1. To make comparative study of various schemes of poverty evaluation in Charotar area of the Gujarat state.
2. To search out characteristics of rural poverty.
3. To identify the factors, which are affecting to the rural poverty.
4. To review in the exacting poverty alleviation programme in Gujarat and find out the major constraint in its implementation.

Economists have divided economic analysis into two branches to the first branch they have given the name of microeconomic or partial analysis while the second is called the macroeconomic or aggregative analysis. Micro economics takes as the unit of study particular individuals, households, firms, industries or prices of different goods and services. In other words, microeconomics is concerned with the 'elements' of economic activity, the firm and the consumer. Its goal is to study given the level of aggregate output in the economy. Macroeconomics, on the other hand is the study of economy as a whole; of the aggregate national income; of the total consumption and demand; of total saving. Investment and employment in the system. It deals with the great aggregate and averages of the system rather than with particular parts of it and attempts to define these aggregate in a useful manner and to examine how they are related and determined. It studies the behaviour of the aggregate price level. Booms and slumps which cause economic instability in the economy from the subject of macro-economic analysis. In this study, the researcher would try to get and analyse alleviation programmes for poverty would review various schemes and its strategies for the future of India and particularly Gujarat. At micro level, the researcher has selected two districts of central Gujarat i.e. Annand and Kheda, the area which is broadly famous as Charotar to study the various elements related to poverty. I have explained here major objectives of the study. We have considered this type of objective which purely depends on availability of data. Therefore we have dropped some items of analysis in our study. As per review of the study on particularly poverty we have decided above objectives in our study.

These objective are based on following hypothesis or assumption. Our purpose is, as stated earlier to study poverty alleviation programme implemented by Central and State Govt. of last fifteen years. Hence the inquiry will be conducted in the towns and villages of Anand and Kheda districts. Primary and Secondary data will be collected and, analysed its inferences, results, and suggestions will be summarised in the last chapter of the thesis. The social characteristics of the sample would include age, caste, religion, marital status, yearly income, urban or rural occupation, Education and whether occupy land or landless labourer. The Qualitative and quantitative techniques of data collection would include (1) interview schedule (2) case study (will not be mentioned in the written report) (3) observation (4) documentary facts.

Conclusion

Rural credit is the engine of rural development. But merely providing credit is not enough, but the importance lies in channelizing rural credit and making rural credit flow towards weaker sections. The term priority sector indicates those activities, which have national importance and have been assigned priority for development. The experience of priority sector lending has been unique in the realm of banking business. The obstinate adherence to the norms and policies requires to be modified in the light of experience gained so far. While, to begin with, stipulation of mandatory lending targets at macro level was the only expedient course available to planners to increase the flow of credit to the neglected sectors. Over the years it has become increasingly evident that the targeting system has not taken into account the regional variations in resource endowments and credit needs, as also the branch network and capacity of different banks operating in different regions. There is a gap between demand and supply of priority sector advances. Hence, present RBI's norms in respect of priority and weaker sections should be continued. IRDP and other programme of rural development launched by central and state governments should be continued with suitable modifications.

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