

Rural Credit in West Bengal: Distribution by Holding Class and Social Group

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The focus of this study is on the inequality in access to credit by different landholding classes and social groups in rural West Bengal by utilizing 59th round household level data on Situation Assessment Survey (Schedule 33) of farmers conducted by the National Sample Survey Organisation (NSSO), Ministry of Statistics and Programme Implementation, Government of India. West Bengal is one of the major agricultural states in India where land reforms have been introduced in a comprehensive manner. Operation Barga, launched by the Government of West Bengal in October 1978, is an attempt to implement the legal provisions of tenure security for bargadars and control over the crop-share between landlords and tenants. West Bengal, having the background of permanent settlement, accounts for the largest concentration of landless or land-poor households. The average holding size in West Bengal has been considerably smaller

than in other agricultural states in India, and, indeed, the incidence of marginalization of landholdings is the highest in this state. Marginal farmers and even registered sharecroppers in the state are legally entitled to apply for agricultural loans from formal credit institutions. In an agrarian economy dominated by marginal farmers, we need to investigate the extent of access to credit of the land-poor households from institutional sources. The decline of institutional credit in the phase of financial liberalization has forced peasants to depend on moneylenders more for their credit needs. Non-institutional credit puts some additional pressures on farmers. In many cases, an indebted farmer has a compulsion to sell his product to the agent to whom he is indebted at a lower price than the prevailing market price due to the pressure to clear the debts. The extreme tragic manifestation of agrarian distress in the so called high growth phase of the Indian economy under neo-liberal reforms has been the starvation death in some regions and the spate of farmers' suicides in others.

As is well documented, the agrarian reforms in West Bengal have had an appreciable effect on land distribution as well as on the nature of tenancy right in the state. Roughly one-fourth of the land area in the state was occupied by the marginal farmers in 1970-71 and this share increased to more than 58 percent in 2002-03. The patterns of distribution of landholdings and land area among different size classes indicate that agriculture in West Bengal has been dominated by the marginal farming class.

The NSS report based on 59th round survey revealed that around 49 percent of the farmer households in India were indebted in 2003. The incidence of indebtedness varied widely across

the major agricultural states in India: it was the highest in Andhra Pradesh (82.0 percent), followed by Tamil Nadu (74.5 percent) and Punjab (65.4 percent). The average outstanding loan per farmer household was the highest in Punjab, followed by Kerala, Haryana, Andhra Pradesh and Tamil Nadu. In West Bengal, roughly 50 percent of the farming households were indebted and 55 percent of them were cultivators in 2003. The marginal farmers with land size between 0.01 and 0.40 hectare suffered from the highest level of incidence of indebtedness followed by those with landholdings lying between 0.4 and 1 hectare. The incidence of indebtedness declined with the rise in landholding size. The degree of indebtedness was very low for land-poor households with land size less than 0.01 hectare simply because they had limited access to credit.

Agriculture in West Bengal has been predominated by food grains, mainly rice. The higher share of food grains area in total cropped area in the state is largely accounted for by the larger share of marginal farmers in operational holdings. The marginal farmers normally allocate a major part of their holdings for the production of food crops to meet their own consumption needs. However, a marked diversification of cropping pattern away from food grains has occurred since the early 1990s. The changes in cropping pattern in West Bengal has been associated with the changes in the forms of tenancy and the distribution pattern of agricultural credit by sources across different holding classes. As the marginal farmers have little access to institutional credit as mentioned above, they can hardly bear the higher cost and also risk associated in cultivation of non-food

value added crops. Thus the changes in cropping pattern in favour of non-food crops are propelled mainly by the medium and rich farmers.

Small is Big

Stuti Oberoi

World over, small and medium enterprises (SME) have been recognized as oil for the machinery of economy. The existence of millions of such companies together creates a force to reckon with. Large and super large companies take the limelight due to their size, money flow, influential strength, etc. But it is being argued that in the present scenario of collapsing industries, the role of small businesses is very significant.

Countries like USA and UK already have an established administration for small businesses. However countries like Japan and India have the real potential. With the technological revolution, knowledge and skill intensive industrialization is replacing material and energy intensive industrial development. But presently, if we compare the growth of SME in India with other countries in South East Asia, we lag far behind.

Policy makers have been tapping the employment potential of SME as the primary advantage. The development of small enterprises is being considered as a safety net, which eases the government's burden of creating employment opportunity of a massive scale. Some extremists also advocate total liberalization and deregulation of small