

**Rural Credit and Class Differentiation - West Bengal under
Left Interventionist Regime By Sudipta Bhattacharyya, K.P.
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Indebtedness of peasantry is considered as the root cause of backwardness in agriculture, which in turn gives rise to class differentiation. One of the most important reasons for indebtedness/miseries among the peasants of rural India is the dependence on the usury capital. In order to give relief to the indebted peasantry from the burden of high interest rates, banks were nationalised in 1969 and 1980. Regional Rural Banks (RRBs), also came into being in 1975 in order to facilitate institutional credit for the rural sector. Institutional credit now occupies the dominant position in respect of agriculture sector. Hence, it is pertinent to ask the question as to what extent the small and marginal farmers have really been benefited from the institutional credit. Most importantly, after the recommendations of the Narasimham Committee, the nature of banking activities has undergone a drastic change. Earlier, the major objective of the banking system was to provide credit to different sectors in such a way that the economy could achieve high growth with stability. However, after the Narasimham Committee Report, the main aim of the banking system has been to maintain sound health of the banks, which was earlier neglected. Therefore, there is a dichotomy between the objectives of maintaining growth with stability, on the one hand, and sound health of the banking system by providing credit in a restrictive manner, on the other.

Against this backdrop, it is worth noting as to how far the institutional credit helped the small and marginal farmers to facilitate the production process in the country. The book entitled “Rural Credit and Class Differentiation – West Bengal under Left Interventionist Regime” by Sudipta Bhattacharyya has addressed this issue. It has tried to relate the role of institutional credit in a differential structure characterised by the inequality in the structure of asset, irrigation, output and marketed product.

The book has six chapters in total. At the outset, it has outlined the recent growth experience of West Bengal agriculture in the theoretical framework of agriculture-led development theorised by Bukharin and Kalecki. The main thrust of such concept is that if there is no scope for

a radical land reform in a mixed economy, agricultural growth can still be possible by means of a reform within the system, which could curb the power of feudal landlords and moneylenders. In the following chapter, it has been verified, whether the agricultural credit flow assists the process of agriculture-led development in the State. A brief history of the evolution of rural credit from the colonial period to the Left Front period in West Bengal has been explained. The chapter deals as to how the usurious capital in Bengal was born and flourished with the introduction of the differentiation of the peasantry during the colonial period. It has argued that the factors like de-industrialisation, commercialisation, subinfeudation, demographic change contributed to the process of differentiation on the one hand, and rise and growth of moneylenders, traders and landlords on the other. It has opined that while in India, the bulk of credit injection after the bank nationalisation has gone with the decline in the growth of capital formation and stagnant agricultural growth during the 1980s, in case of West Bengal a much higher growth was observed. It has been claimed that West Bengal has shown an egalitarian pattern of distribution of agricultural credit. The rural credit flow in West Bengal is found to be positively related with the agriculture-led development in the State.

In the following chapter, it is stated that with the advent of the capitalist relation in agriculture, the peasant society got bifurcated into two broad classes in the State *viz.*, bourgeois and proletariat. While the labour hiring household, accounting for 29 per cent of the sample households, corners about 60 per cent or more of productive resources, 39 per cent of total households belonging to the exploited classes have nearly 11 per cent of resources. However, credit market appeared to be more of egalitarian pattern. It has been observed that compared to all classes of exploited and self-employed, the labour hiring classes registered nearly double the yield level. It is against the populist view that family labour based farms are more efficient in respect of high yield than hired labour based farms implying a capitalist pattern of production. The author argues that substantial tenancy reforms through Operation Barga in West Bengal has provided a conducive environment in agriculture sector, which has led to the increase in investment in agriculture by the small and middle peasants in the State, unlike other States. On the credit front, it is shown that although there has been

substantial improvement in institutional credit, this has gone in favour of the labour hiring classes, while the exploited classes are still largely dependent on the non-institutional credit. It is argued that inadequacy of institutional credit keeps the private money lending classes still alive in the State in particular, and India in general.

Further more, it is shown that labour hiring classes obtain the major share of loan at lower rates of interest. This is because, this class has sufficient amount of property, which can be kept with the moneylenders as the mortgage. The picture is quite different in case of the poorer classes who have little assets and hence, unable to provide adequate collateral. That means the average rate of interest has an inverse relationship with the ascending economic classes and size groups. It is observed that wealthy labour hiring classes who have the ability to provide high-value collateral can sense the low interest loans, which is mainly used for unproductive purposes. On the other hand, due to their inability to provide adequate collateral, the poorer class do not get this facility. Hence, they are forced to borrow from the local moneylenders for survival. Therefore, a typical method of usurious exploitation is used against this class through this process. The author has further shown that labour-hiring classes, mostly belonging to the recorded tenants cornered a higher proportion of both institutional and non-institutional credit.

Finally, the author argues that although institutional credit has been able to lift the landless class above the poverty line, labour hiring classes has been benefited more than the marginal farmers. It has been observed that a large proportion of borrowers waived under Agricultural and Rural Debt Relief Scheme, 1990 (ARDRS,1990), belongs to the labour hiring class. It is observed that while the reason behind the default was poverty in case of the poor farmers, it is the willful default or unproductive use in case of the large farmers. The author concludes that if the free market related interest is adopted in case of institutional credit, large farmers will take the control of institutional credit, which would jeopardise the system in the long run.

Although the author argued that land reform in West Bengal has led to the emergence of a substantial proportion of hired labour using tenants who captured the substantial proportion of rural institutional

credit, he did not make any distinction between the tenants using hired labour and landlords who are basically supplying usurious capital to the rural poor. The author claims that the land reforms in the State was successful but land lords are still dominant in the State and exploiting the poor class. This seems to be contradictory. The author has shown that in the advanced region where capitalist form of structure has developed, the labourers are better off due to their high wage, while they are worse off in the backward region, because of low wage and demand for labour. In the case of self-employed class this is just the reverse. The author has made the capitalist structure in the advanced region responsible for this state. This seems to be not true. Here the role of the Government is important. Some sort of parity has to be brought in wage rates between the advanced and backward region of the State by adopting proper wage legislations in order to reduce the inequality. On the other hand, so far as self-employed class is concerned it is not the question of capitalist structure because of which they are worse off in the advanced region. It is the land holding pattern, which is responsible for its weak condition. The size of land holding perhaps is not viable, which needs to be looked into. Of course, institutional credit does have an important role to play. But this is also true that due to large number of defaulters as has been shown in the study, banks are skeptical in providing credit to the farmers specifically after the reforms took place in the banking sector. However, micro finance with the help of Self-Help Groups (SHGs) can play a major role in this respect. This aspect has not been discussed in the study.

Overall, the book is very interesting and worth reading. The author rightly touches upon, how the peasant class was developed in the State and how this structure is related to credit structure of the State. From this angle it has thrown a new light in the area of agricultural credit in West Bengal.

Sadhan Kumar Chattopadhyay*

* Shri Sadhan Kumar Chattopadhyay is Research Officer in the Department of Economic Analysis and Policy of the Reserve Bank of India.