

Rural Credit and Development in Darjeeling

Roshan P Rai

Darjeeling NGO Network on 2004

“Participatory development process in the Darjeeling Hills”

Whether there is external intervention or not there will always be rural credit. Darjeeling rural area is no different. Informal rural credit in Darjeeling is given at interest of 60 to 120% per annum. In many cases the person providing is also the person who collects the agricultural produce.

This is as an issue crops up at every community meeting yet the vicious cycle continues.

Thus it can be deduced that however exploitative the structure of rural credit, its relevance cannot be denied. A closer look reveals that informal rural credit perpetuates due to its informal nature. Informal credit is available from a person next door in a house, which is similar in structure to the rest of the village. The credit is made available with minimum fuss and security deposits. No applications forms and collateral is needed except a word of mouth and trust. The person who provides credit is also multi-faceted in the service delivery with services provided as varied as a barber, a shopkeeper, seed buyer and seller to a person who buys the entire agricultural produce. One can also observe that rural credit required is not for large amounts of money but small sums, which are available with minimum of fuss. Another observation is that the credit is not always used for increasing income levels.

The summary of it is that rural credit is not a new concept. Informal rural credit is prevalent even at very high interest rates due to its easy availability and accessibility. The service provider is also multi-faceted in the delivery. The rural credit is not always used for economic purposes.

Rural credit is an important tool for community economic development as it provides initial working capital for economic development.

With this background we would like to discuss the role of rural credit in development especially with reference to grass roots experience on government interventions.

With the Grameen Bank, Bangladesh success story, micro-finance is being used as a development paradigm more and more today. The core of the Grameen experience is that savings and credit is essential for economic development and accessibility is the key indicator for its people friendliness. Institutionalisation has meant an alternative banking system, which is a community based or community accessible bank irrespective of the economic status of the community.

With adaptations and adoptions, the general term used today is Micro-Finance, which is taken up at the institutional level or at the community level. At the institutional level, banks are making credit available to the communities irrespective of their assets. In such an arrangement the banks have drawn up criteria for credit and the common ones being – credit is given on the basis of savings and always in a group. The savings indicate the capacity and willingness of the group for

credit, while the group pressure ensures reimbursement of loans. At the governmental level this is being encouraged and banks like NABARD work through various models of micro-finance commonly known as Self Help Groups in India.

The most commonly used model in the NGO world is NABARD to Bank, Bank to NGO, NGO to Community scheme. In this model the NGO organises the community into SHGs (according to NABARD specifications – group size between 5 – 20 members) where regular savings are initiated at designated banks. According to the ideology of the NGO the groups are facilitated to work out their governance structure. In many instances a number of SHGs are federated to form a credit union. The governance structure decides the everyday and policy issues of the SHG including meetings, savings and credit criteria, Ex. Co. members, membership etc. SHG is a process of decentralisation and power sharing.

Once the SHGs are deemed credit worthy credit is disbursed by the bank at a ratio of 1:2, 1:3 or 1:4 of the saved amount in consensus with the bank and the NGO. In this chain, the credit is reimbursed to the bank by NABARD and the credit is given through the NGO. Thus, at each stage, interest is levied at varying rates, which again is decided on consensus. In this case there are certain minimum standards to be followed.

With increasing credibility, credit facility is increased for the community and the NGO. In certain cases NABARD finances the NGO to initiate SHG programmes.

In this model the community is left free to decide the usage of the credit and the reimbursement pattern. Also, the savings and governance is left up to the SHG. The scheme lays a minimum standard of regularity of meetings and its proof in minutes. The governance pattern is facilitated by the NGO in accordance to its ideology.

In Darjeeling the District Rural Development Cell is pursuing the concept of rural credit as a basis for community development and poverty reduction with the introduction of Swarnajayanti Gram Swaroggar Yojna(SGSY). SGSY works specifically with below poverty line self-help groups.

Likewise most social departments today are promoting self-help groups.

Many development practitioners have gone beyond just savings and credit and today the savings and credit in the SHG is just an entry point for the practitioners to initiate community development programmes. Many a times SHG's are involved in community analysis, problem identification and solving. Thus, it creates an environment of community building a true grass roots level organisation. SHGs today address a range of issues besides savings and credit, which include health, environment, HIV/AIDS, TB, sanitation, community based disaster preparedness, Panchayati Raj, organic farming, education...

Based on the above backdrop, we would like to present some grassroots scenario, the lacunae in the letter and practice and then propose some recommendations on interventions made in rural credit.

The notion that SHGs are the only foundation for savings is a misnomer in the Darjeeling Hills. People of the Darjeeling Hills come under *Samajs* or traditional community based organizations. The *Samajs* have a system of membership savings, which is used for welfare activities. Thus, with the central drive to promote SHGs, we in Darjeeling do not take into account existing traditional bodies that do have a form of savings. The challenge is to use it for productive purposes as well as to use it as a pool to provide rural credit. But, since external interventions deny the existence of *Samajs*, SHGs today are formed as parallel bodies within the community. What is needed is the merger of the *Samaj* with the SHG ideology. This would enable the *samaj* to contextualize to today's issues as they are welfare in orientation; gender, class, age biased with centralized power system in the hands of few. This would also contextualize SHGs to Darjeeling Hills.

The formation of SHGs is based on the notion that people will come together and save on equal terms. But, in practice the economically more advantaged group have power over the other due to their status.

The next step, once the SHG is formed, is the bank linkage. In letter the SHG should have minimum fuss while opening accounts but banks easily accessible to rural communities are the most inaccessible to open accounts. The geography of the hills does not facilitate easy access to banks. In many cases the rural banks are not aware of SHGs.

Once the bank linkage is made credit is provided to the groups not always based on the savings of the groups but on the discretion of the bank manager. In many cases the groups are subtly hinted at, on the use of the credit provided. Again, the reimbursement time period is not always left to the discretion of the group, with re-circulation of credit available to the group not provided till the entire sum is not reimbursed.

Once the credit is made available skill building is also based on stereo-typical concepts without real in-depth analysis.

On a larger note, there is diverse understanding of Self Help Groups. Thus, promoting agencies have different approaches ranging from real facilitation of groups to carrot and stick approach to group formation. Groups have been formed for community development as well as to access subsidies. There is also a huge competition between the various promoting agencies.

Today, the concept savings and credit of an SHG is a means to integrated community development but many a times we have compartmentalized SHG into a single project exclusive of other activities.

To enable rural credit as a tool for development we have recommendations based on the above stated observations and analysis:

1. Sensitize banks on their role on rural credit and SHGs and improve linkage
2. Co-ordinate activities of all SHG promoting activities.
3. Capacity building of SHG promoters on facilitation techniques and conceptual background of SHGs
4. Move from target oriented approach to a process and product oriented approach
5. SHGs go beyond saving and credit to integrated development activities
6. Strengthen *Samajs* with the concept of SHGs.

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***Darjeeling Ladenla Road Prerna,
42 Ladenla Road, Hayden Hall Complex,
Darjeeling 734101,
West Bengal, India.
Phone no. 0354 –22 55894
e-mail: darjeelingprerna@gmail.com***