

CHAPTER VIII

Problems of Agricultural Credit in Assam.

8.1: Introduction

Finance is the prime requirement for all developmental activities of an economy. Agricultural sector plays a key role in the process of development of an economy. Agriculture (including allied activities) is the highest provider of employment to the rural people. In India about 65 percent working population are engaged in agricultural sector. Hence, agriculture is the major source of livelihood of majority of people and it has a great importance as a source of earning foreign currencies by the way of exporting agricultural products. Raw materials for agro-based industries are also provided by agricultural sector.¹

The majority of the farmers are poverty stricken with pitiable economic condition. They are living below poverty line and can maintain their family just at a subsistence level. Thus, the basic importance of credit is to satisfy the requirement of farmers for operating the agricultural sector. The agriculturists need financial assistance to purchase expensive modern inputs. Thus, the development of institutional structure is the basic pre-requisite for providing adequate and timely credit to farmers. In the absence of institutional credit, the cultivators borrow funds from village money lenders at exorbitant rate of interest. These private money lending agencies do not monitor the proper utilisation of credit amount of borrowers. As a result, loans are diverted from main scheme to unproductive purposes. In time, the farmers are unable to recover the loan and they are indebted. To overcome these difficulties, farmers sell their tiny plots of land or even work as a bonded labour. Thus, financial assistance is basic necessary for the rural poor.²

In India, the major portion of farmers is marginal or small farmers. Their cultivatable land is also small and scattered. They earn meagre amount of income which is not sufficient to maintain their family budget and ultimately suffer from deficit family budget. Hence, farmers require finance not only to meet production expenditure but also to meet consumption expenditure which is indirectly productive. Consumption expenditure increases the mental satisfaction of farmers which increases the production capacity of farmers.³

There are large numbers of problems associated with agricultural credit in rural areas which are discussed as under:

8.2: Non Institutional Sources of Agricultural credit are Exploitative in Character

Financial institutions provide loans to farmers through various hard and fast rules against security of loan which is not easy matter for a poor agriculturist. Illiterate and financially poor farmers are not able to avail credit from financial institutions and they need to borrow funds from village money lenders (professional money lenders, traders, commission agents, land lords, relatives). In the absence of financial institutions in backward and remote areas, private money lending agencies are playing a crucial role in providing finance to farmers. The village money lenders charge high rate of interest from cultivators. Thus, the poor cultivators are exploited by money lenders. Another shortcoming of village money lenders is that they are advancing only short term loan to farmers which are generally used to purchase seeds, fertilizers, bullocks, small implements of agriculture and to perform some social and religious functions.

In backward areas, private agencies advance loans against security such as land, gold, silver, house etc. Sometimes, they provide loans to farmers on the basis of faith or personally known cultivators without any security or mortgage of property. Normally, village money lenders carry on their lending activities in local areas among known persons and they have adequate knowledge about the attitude of debtors. Hence, money lenders change their norms of granting loans as per the nature of borrowers.

In village areas, shop-keepers and businessmen advance loans to farmers for operating their agricultural activities on condition that the farmers have to purchase their daily needs from their shops. Money lenders are socially and economically strong and they are enjoying a monopoly power in all spheres such as religion, political, social, cultural and economical activities in rural areas. In the absence of institutional credit, money lenders play a dominant role in advancing loans to rural sectors. They are doing some ill practices such as pressurizing the borrowers to give their thumb impressions on blank paper with a threatening of put down large figure

than the actual amount. Money lenders keep blank cheque leaf as a security of loan, advance payment of interest, mortgage of land, house and jewellery of borrowers. Farmers confronted a serious problem of failure of crop production or low productivity which may be due to outdated technique of production or natural calamities such as flood, drought, earthquake, etc. The income of cultivator is very low and cannot return the loan in time. Thus, poor recovery of loan is one of the serious problems of farmers. Ultimately, the farmers sell their land or jewellery to the money lenders and finally, agree to do works as a bonded labour in the home of money lenders. Hence, farmers are exploited by the village money lenders. Banking institutions should be available in rural areas to remove the activities of money lenders which are socially undesirable.

8.3: Lack of Agricultural Marketing Facilities in Assam Aggravates the Problems of Agricultural Financing

The structure of agricultural marketing facilities should be sound and enlarged because the farmers can sell their surplus agricultural products at a reasonable price in an organised market. Development of socio-economic conditions of farmers and modernisation of agricultural sector highly depend on proper arrangement of agricultural marketing facilities⁴

In Assam, there are four types of marketing facilities to sell the surplus produce of farmers. The first method market structure is to sell the surplus amount of farmers to the private agencies and traders at very low prices which reduces the income level of cultivators. The second system of market structure is that the agriculturists can also sell their agricultural products in the weekly village markets which is known as 'hat'. The third system of market structure is mandis where agricultural products of farmers can be sold through mandis located at a distance of several kilometers. In mandis, the farmers can sell the produces with the help of brokers or dalals who take away a part of income of cultivators. In this way, farmers suffer from lower income level and they aren't free from debt. The fourth method of market structure is co-operative marketing and these co-operative marketing societies are formed by agriculturists to take the opportunities of collective bargaining and to sell the produces collectively for getting a fair and reasonable price⁵

Assam is basically an agrarian state and the production of foodgrains, vegetables, fruits and jute are available in Assam. The state is recognised as a surplus producer of rice and jute. But, the organised market for agricultural products is located at far distance from agricultural field. Poor market structure is a serious problem for farmers.

There are some major factors associated with the problems of agricultural marketing in Assam which are discussed as under:

i) Lack of Storage/Cold Storage Facilities

There are no available storage facilities for cultivators in the village areas of Assam. A significant portion of crop is damaged by rats, insects and rains due to lack of proper storage facilities in Assam. During the time of harvest of Rabi vegetables, the market in Assam is covered with excess supply of Rabi vegetables and cultivators fail to receive reasonable price of their crops due to scarcity of cold storage facility.

ii) Inadequate Capacity of Holding the Stocks of Crops

Most of the cultivators in Assam are financially very weak and they are not able to wait long time for high prices. Farmers are compelled to sell their agricultural output at a very low price to the village money lenders or traders after harvesting of crops.

iii) Poor Transport Facilities

Assam is very backward in case of transport and communication facilities. During the period of rainy seasons, some backward places are remain disconnected with other places due to worse road conditions in Assam and farmers cannot bring their agricultural produces to mandis. They are obliged to sell their outputs in the village market at a very minimum price.

iv) Multiplicity of Intermediaries

In Assam, large numbers of intermediaries exist between seller and buyer. Farmers are obliged to sell their outputs with the help of middleman or dalal in mandis who exploit and take away a major portion of profit of illiterate farmers.

v) **Inadequate Institutional Credit**

In the absence of availability of institutional credit, farmers seek finance from village money lenders and they come under the grip of village money lenders. After harvest, they have to sell their produces to the village money lenders at a very low price.⁶

Thus, defective agricultural market structure in Assam is one of the problems of rural finance indirectly because due to inadequate agricultural marketing facilities in Assam, cultivators are obliged to sell their agricultural produces to the village money lenders at a very low price which, in turn, creates a problem of repayment of loan and there is a problem of overdues in agricultural credit.

8.4: Problems of Multi-agency Approach Regarding Agricultural Finance

The Multi-agency Approach was introduced as per the direction of All India Rural Credit Survey Committee in 1969. On the recommendation of this committee, the reserve Bank of India took various steps to strengthen the co-operative movement. In 1955, the State Bank of India was established with a view to develop the rural sector after nationalisation of Imperial Bank of India. In 1969, 14 major commercial banks were nationalised and Regional Rural Banks in every places of the country were established to provide rural credit.

The Multi-agency Approach has been advancing loans to agricultural sector since independence. The Multi -agency Approach is known as institutional credit. The co-operatives, commercial banks and Regional Rural Banks constitute the multi-agency approach which has been adopted to supply cheaper and sufficient credit facilities to farmers. The major policy of the government is that financial institutions have to supply available credit at the right time with a view to assist the weaker sections and to develop the backward region of the country.

The government thought that the multi-agency approach was the only way of solution for the small farmers to come out from the grip of village money lenders. But some problems of multi-agency approach were pointed out by the working group under the chairmanship of C.E.Kamath which are discussed as under:

- i) One of the main problems of multi-agency approach is that the share of disbursement of agricultural finance of co-operative banks has been decreasing over the years. It was reducing to 28 percent in 2004-05 from 40 percent in 1999-2000 and 55 percent in 1984-85. This represents the requirement of reforming these financial institutions.
- ii) Problems arising in the field of disbursement of agricultural credit due to lack of co-operation among the different agencies which may be the problems of multi financing, double or excess financing in some sectors and under financing or absence of financing in other sectors.
- iii) In spite of imposition of lead bank scheme and district credit plans, the problems of inabilities of different agencies to adopt and improve fruitful credit programme in agricultural sector in given blocks and districts are found.
- iv) The different agencies applied different rules and regulations for providing finance and at the time of recovery of it caused unhealthy competition among them and unnecessary expenditure on it.
- v) There are problems of recovery of the loans in time because different agencies provide loans to the same person against same securities and problems of overdues increases.

The main problems of financial institutions are the excessive level of overdues, particularly in case of co-operatives. The burden of overdues is around 40 to 42 percent in co-operatives and 47 percent in case of regional rural banks.⁷

8.5: Indebtedness of Farmers- a big Problem

Rural indebtedness is a big problem of Assam. In Assam, majority of cultivators are living in poor conditions and there is an extreme poverty in village areas of Assam. The cultivators borrow heavy amount of loans from different sources year after year. But they are not able to repay the loans regularly because either the borrowing amount is large or their income is not adequate to payback their past loans. Thus, the burden of debt passes from one generation to another generation. The farmers are usually taking loans to fulfil the requirement for the purpose of production, consumption and for meeting the expenditure on social ceremonies such

as marriage, death, birth, litigation etc. The loans spent for social commitment is unproductive and thus, they are not in a position to return the loans. Thus, the burden of debt of cultivators increases day by day which is the result of high degree of indebtedness of farmers in Assam. Thus, the real picture of the economic conditions of farmers is reflected in the proverb, “The Indian farmer is born in debt, lives in debt and dies in debt.”⁸ The small farmers face a serious problem of heavy indebtedness because they cultivate a small plot of land and their production amount is also small. The surplus quantity is almost zero. Thus, the requirement of financial assistance for operating agricultural activities and household needs are comparatively high. Their expenditure exceeds their earnings from agricultural sector. Hence, the small farmers borrow from village money lenders at very high rate of interest which they are unable to repay the loans. As a result, heavy burden of debt falls on the head of farmers and indebtedness of farmers increases year after year.⁹

There are large numbers of factors which are responsible for everincreasing rural indebtedness of Assam. These factors are discussed as under-

i) Poverty

Rural poverty is one of the serious causes of indebtedness of cultivators. The farmers are very poor and they are not able to maintain their family expenditure with their meagre income. So, they borrow from both institutional and non institutional sources which they find very difficult to return because they spend major part of loans on medical treatment, to purchase utensils, clothes, and for some unproductive purposes such as marriages, births and deaths, social ceremonies, etc. Thus, poverty leads to rising debt burden of farmers and ultimately, burden of indebtedness continue to falls on agriculturists.

ii) Inherited debt

Inherited debt is one of the serious causes of rural indebtedness. Inherited debt means burden of debt is shifted from ancestors to the present generation automatically which increases the burden of debt on present generation. The farmers are not able to return the entire present and past burden of debt in their life time and after death, leave it to next generation as well. Thus, inherited debt increases the forces of debt.

iii) Litigation

Majority of farmers are illiterate and they are frequently involved in small disputes which may lead them to go to judicial court for justice. The farmers are bound to borrow to continue litigation which is a long drawn out affair. These litigations are heavy expensive of money and time. To manage the expenditure, the farmers take loans which increase the burden of indebtedness. Thus, litigation is one of the main factors which raise the requirement of finance, unproductive expenditure and reduces the income of farmers.¹⁰

iv) Natural factors

Natural factors such as irregular monsoons, over flood, attack from pest and insect etc are responsible for low productivity of agricultural sector in Assam. Thus, backward irrigation facilities and natural calamities are responsible for increasing indebtedness of farmers in Assam.

v) Defective system of private money lending agencies

Poor farmers generally take loans from village money lenders who charge very high rate of interest. Private money lending agencies are exploitative. Farmers are obliged to sell their produces at low price to money lenders and they need to purchase their requirements at high price. As a result, the burden of debt increases the indebtedness of farmers.

vi) Inadequate marketing facilities

An adequate marketing facility is essential for the development of agricultural sector. In Assam, marketing facilities is not sufficient for which farmers are compelled to sell their product to money lenders at a very low price just after harvest. Thus, the cultivators need to borrow money from different sources and increases their indebtedness day by day.

Thus, rural indebtedness is a serious problem of financing agricultural sector. The heavy burden of debt reduces the will power of debtors. It reduces the productivity and income levels of farmers. The heavy burden of debt also leads to poor conditions of living and poverty amongst them which are the main causes of inadequate production of agricultural sector. Apart from that a major part of produces

are diverted from the hands of cultivators to the hands of money lenders by way of repayment of interest and the principal amount of loans. Thus, a cultivator fails to invest sufficient amount for the development of agricultural sector. The cultivator is also deprived from getting fair and reasonable price because they are compelled to sell their produces at predetermined price for the repayment of debt which is actually lower than market price. Sometimes, farmer sells his property and land to be free from heavy burden of debt and in this way, a farmer becomes landless labourer or even may be bonded labour under the grip of mahajan or village money lenders.

There are large numbers of problems associated with the disbursement of agricultural credit which are facing by the cultivators in the process of taking loans particularly from financial institutions. In the same way, the financial institutions are also confronting various difficulties in advancing loans to farmers. These problems which are standing as barriers in the path of agricultural credit procedures can be analysed in the following heads-

8.6: Cultivators Facing Problems in the Process of Agricultural Finance

The farmers are getting some inconveniences at the time of taking loans which are discussed below-

8.6.1: Need to Submit Heavy Security

Deposit of security is an important requirement for getting loan from banks. The financial institutions do not provide finance without getting proper security. Majority of cultivators are living below poverty line and they do not have available property to deposit in banks as a security of loans. Hence, they find problems to take loans from banks due to paucity of their property as a security of loans. Small and marginal farmers are not able to submit any property as a security except their tiny plot of land for which they are deprived of getting loans from banks. The cultivators even sell their tiny plots of land for the purpose of returning the loan amount which is already deposited as a security of loans and eventually, they become landless agricultural labourers.

Another problem faced by the cultivators is that they find trouble in relation to third party guarantee because financial institutions always demand guarantee of loans from influential persons. Particularly, marginal farmers are facing a number of problems in relation to present a guarantor because people refuse to be a guarantor against the loans of poor farmers. Sometimes bank authority may also take informal feedback of borrowers from neighbours and if banks get any negative information about the borrower, then the proposal of the borrower is rejected.

8.6.2: Evil Practices Done by Officials, Brokers and Commission Agents

The farmers need to submit various documents to banks for sanctioning a loan. The cultivators need to collect landholding and other land related documents from land revenue office and they are able to collect these documents against payment to officials. Sometimes, many bank officials demand money from farmers for sanctioning the loan which is actually unbearable to small and marginal farmers and as a result, they do not take loans from banks. It is observed that in some areas brokers and commission agents are very active in case of sanctioning loans from banks. Sometimes, illiterate farmers do all the formalities of loans through brokers or commission agents for which farmers need to pay them and in this way a part of loans is taken away from poor farmers. Eventually, the cultivators confront the problem of inadequate investment for agricultural operation.

8.6.3: Inadequate Volume of Loan Sanction

In spite of enlarging rural credit structure in Assam, the total volume of credit for agricultural sector is still inadequate in comparison to increased requirement of funds for purchasing expensive modern agricultural inputs. Thus, the volume of loan sanctioned to cultivators by various financial institutions is insufficient for performing all activities of agricultural sector. As a result, the poor farmers may divert such little amount of loan for unproductive purposes and they find themselves under the grip of village money lenders.

8.6.4: Neglect of Poor Farmers

The economic conditions of most of the farmers are pathetic. Their unit of cultivation is very small. Thus, there is an urgent financial need of marginal and small farmers for operating their agricultural activities. But the various schemes of financial

agencies have failed to meet the requirement of small farmers. The asset position of small farmers is not sufficient which would be required to banks as a security for loans. Hence, small farmers are not able to take loan from institutions. They seek loan from village money lenders who charge exorbitant rate of interest. The poor farmers also divert these funds for unproductive purposes. As a consequence, they cannot return the loans in time and these loans are passed from one generation to another generation. The small farmers' families, ultimately, fall in to vicious circle of indebtedness¹¹.

8.6.5: Inadequate Branches of Banks in Rural Areas

Although, the network of banking institutions has been increased in the recent past, yet, there are still many backward areas where there is no any branch of bank. In Assam, various branches of commercial banks, regional rural banks and co-operative banks have expanded and have been covering almost all the corners of the state of Assam, but there are some hilly areas and char areas where there is no any financial institution. As a result, village money lenders provide loans to poor farmers at a high rate of interest. The farmers find difficulties to repay the loan and they are in debt-trap¹².

8.6.6: Heavy Expenditure on Formalities of Loans

The cultivators have to incur heavy expenditure on various formalities to sanction loan. The farmers need to purchase loan forms, revenue stamps, Guarantors' form, expenditure on photographs, expenditure on tea party, payment made to brokers or dalals, need to manage bank officials, reduction of income due to loss of earning days etc. The farmers have to come several days to banks from the day of application for loan to the day of collection of loan for which they need to spend money for transportation cost.

8.6.7: Strict Rules and Regulations of Banks

The banking institutions follow some strict rules and regulations regarding finance for agricultural operation. The majority of farmers are illiterate. They do not understand the various rules and regulations of banks. They do not know about the schemes of loan, rate of interest, about subsidy, system and time of repayment etc. The illiterate farmers are getting problems to maintain such complex procedure of

loans and finally, they take loan from village money lenders at a high rate of interest and bear heavy burden of debt.

8.6.8. The Credit Delivery System is a Complex and Long Time Procedure

The loan sanction process is a complex and long time procedure. The agricultural loan is required for performing agricultural activities during the peak seasons. If the farmers do not get credit at the right time due to delay in sanctioning loan, then, the impact of agricultural finance is not fruitful in productive activities of agricultural sector. The farmers require finance for purchasing agricultural inputs during the time of cultivation. But, un-timely supplied finance is utilised for unproductive purposes or otherwise needs to wait for the next seasons. Thus, the loan for agricultural sector should be sanctioned at the right time for the development of agricultural sector. It is shown that the delay in sanctioning loan by the financial institutions, the farmers take loans from mahajans or village money lenders at an exorbitant rate of interest and they are exploited by the private money lending agencies. The financial institutions are not able to provide adequate quantities at proper time due to various reasons. The main reasons of late supply credit are negligence of bank officials, lack of branches of banks, inadequate staff, official red-tapisism, complex and long time procedure of credit delivery system, delay in producing required documents to banks by the borrowers, illiteracy and ignorance of cultivator about the scheme of credit etc. These problems should be minimised and agricultural loans should be adequate at the peak time of agricultural operation.

8.6.9: Problems of Recovery

The loan recovery in time is more difficult than taking a loan. The small and marginal farmers are always staying under tension or pressure for repayment of loan amount. Thus, they want to return the interest and the principal amount of loans after harvest and sell their produce at lower price or may even sell their tiny plots of land for the repayment of loans in time. Hence, small and marginal farmers are afraid of taking loans for which they cannot cultivate their land properly.

8.7: Problems in the Process of Agricultural Finance

The financial institutions are also facing innumerable problems in the process of disbursement of loans to farmers. These problems are adversely influenced in the efficient and effective disbursement of finance to farmers for agricultural activities which are discussed as under

8.7.1: Increasing Requirement of Loans for Operating Agricultural Sector

The agricultural sector in Assam requires huge amount of funds for investment due to adoption of modern scientific method of production. The farmers need available financial assistance for purchasing expensive modern inputs of production in agricultural sector. To supply the loans to agricultural sector as per demand is a great challenge in front of the financial institutions, mainly, commercial banks, co-operative banks and regional rural banks. But these financial institutions have failed to meet the supply of credit as per requirement of farmers.

8.7.2: Lack of Schemes of Subsidy

The Government sanction of subsidy in agricultural credit for limited amount at a particular time. The cultivators do not agree to take loans without subsidy rate which is an endless problem faced by the banking institutions. For that reason, some schemes of loans without subsidy have failed totally to satisfy the poor farmers.

8.7.3: Delay in the Submission of Necessary Documents by the Farmers

The farmers need to submit some necessary documents to banks for sanctioning a loan for agricultural sector. The illiterate and poor farmers find it very difficult to collect these documents from different sources. The banks cannot provide loans to agricultural sector in peak time of requirement due to delay in the submission of required documents by the borrowers and eventually, the farmers borrow from the village money lenders at a high rate of interest.

8.7.4: Political Pressure

Heavy political pressure is one of the extra burdens needed to bear by the financial institutions. Sometimes, politicians direct the bank managers to provide loan to particular person and to carry out their direction, financial institutions are

compelled to break the norms of rural credit. Particularly, commercial banks are working under undesirable pressure of powerful politicians. Thus, banking institutions should be free from political pressure and then only, banks provide loans to farmers in the proper way at a fair and reasonable price.

8.7.5: Shortage of Staff

The maximum banking institutions are suffering from inadequacy of competent staff for which banks cannot provide sufficient service to customers and unable to implement some important schemes for the benefit of the people in proper way. The shortage of staff of banks has increased the negligence to people and as a result, the farmers take loans from private agencies which are not desirable from economic and social point of view.

8.7.6: Lack of Investigating Staff to Observe the Proper Utilisation of Credit

The banking institutions should investigate and check, whether the loan amounts have been utilised in the proper way or not as per scheme for which the loan is granted. Usually, the poor farmers divert the loan amount to unproductive purposes and they are not able to return the interest and the principal amount in time. Thus, it is the prime duty and responsibility of the banking authorities to appoint a special staff for monitoring the utilisation of loan amount which are provided to farmers. But, majority of financial institutions have faced the problem of shortage of staff and they are not able to control the misutilisation of the loan amount by the borrowers.

8.7.7: Unnecessary Competition

There is an unnecessary competition between private institutions and nationalised institutions. The private institutions charge some extra fees from people for which they lose their confidence on banks and take loans from village money lenders at a very high rate of interest.

8.7.8: Problems of Overdues in Agricultural Credit

The qualitative improvement of rural credit structure is highly dependent on timely delivery system of credit and recovery of loan on due time. When the loan amount is properly utilised and repayment of installment amount is completed within the stipulated time period, then the credit system is regarded as successful credit

system and recycling of funds will be possible among the cultivators. Overdue is one of the vital problems in agricultural finance for which financial position of banks will be deteriorated. Overdue refers to unrecovered amount of loan within a particular period of time. When a borrower does not return his loan instalment on due date and pending the repayment of loan for a long period, then the unpaid amount is known as overdue and the debtor is recognised as a defaulter.

The problem of overdues in rural credit is standing as a barrier in path of development of financial structure. Increasing level of overdues in credit can weaken the banking institutions in their business activities. The borrowers and the lenders both are badly affected from overdues of loans. When a borrower keeps default his instalment of loan, he is bound to pay fine to banks and he is rejected from getting a fresh loan. But, if the default is done by the borrower un-willingly due to natural calamities, then the due date of repayment of loan may be extended and he may be sanctioned a new loan. For example, if a farmer is not able to recover his crop loan due to failure of crop production in a severe drought and if the area is announced as a drought hit area by the Government, then the schedule date of repayment of loan is postponed and a fresh loan may be sanctioned for him. Thus, the entire rural credit structure is deteriorated due to excessive overdues in agricultural credit.¹³

The increasing overdues will stop the stream of credit in rural areas and ultimately affect the rural economic development.

There are large numbers of factors responsible for overdues in agricultural credit. These factors are discussed as under

i) Natural Calamities

Natural calamities such as flood, drought, earthquake etc are the causes of failure of crop production and these are beyond the controlling capacity of human beings. The failure of crop production or inadequate production of crops reduces the abilities of a farmer to repay the installment of agricultural loan in time.

ii) Misutilisation or unproductive utilisation of credit

The farmers divert the borrowed fund for unproductive purposes in social functions such as religious function, birth, death, marriage etc and litigation. The

farmers are spending their loan amount in performing these activities which are totally uncontributive in production. Thus, the borrowers cannot return the loan within the stipulated time period.

iii) Increasing Cost of Investment in Production Activities

The farmers are required to invest huge amount of funds for the adoption of modern scientific technique of production in agricultural sector. The farmers spend a major part of loans for purchasing costly agricultural inputs and for that reason, the farmers are not able to repay the installment of loans in time.

iv) Sudden Variation of Price of Agricultural Produce

The market price of agricultural produce has changed frequently due to inadequate and inappropriate market condition in Assam and market price of produces maybe reduced to the level which is actually less than cost of production. Thus, the farmers cannot return the loan amount in correct time.

v) Insufficient Income Generation of Farmers

When the income generating assets of farmers are damaged in devastating natural calamities and if the production of crops is inadequate due to lack of irrigation facilities, improper use of fertilizers, pesticides, insecticides and insufficient rain, then farmers' income decreases to the level that he is compelled to default his loan amount.

vi) Willful Default

If an individual has the sufficient income from agricultural activities and from other sources to repay the installment of loan, but, he is pending repayment of installment of loans due to diversion of his income for household activities or consumption function, on social function, reinvest on the development of agricultural sector etc. which is known as willful default.¹⁴

vii) Lack of Supervision

The banking institutions should supervise the farm activities and about the proper utilisation of loan amount because the borrowed funds may be diverted by the borrowers for unproductive purposes for which the farmers cannot repay the loan

amount in time. Thus, lack of supervision due to shortage of staff is one of the main factors responsible for increasing overdues of credit.

viii) Economic Conditions of Farmers

Majority of the farmers are economically very poor. Their income level is low which is actually inadequate to maintain their family at minimum standard. They are suffering from indebtedness. Thus, the poor farmers are unable to utilise the loan amount in proper way as per scheme and the loan amount is diverted for unproductive purposes. Hence, they cannot return the credit in time and which creates a problem of overdues in agricultural credit.

ix) Political Influence

Agricultural credit system is highly influenced by some strong political persons. Political intervention is one of the main factors for enlarging overdues problem in agricultural credit. The government may postpone the date of recovery of loan or may declare subsidy rate. Politicians direct the bank officials to sanction loan for a person who is actually not fitted to take loan and as a result, the problem of overdues is increasing in agricultural sector.

x) Lack of Marketing Facilities

Proper marketing facilities are very important for the development of agricultural sector because farmers can sell their surplus produces in the organized market at a reasonable price at the right time; otherwise, they sell their produces to traders or commission agent at a very low prices. Thus, the farmers don't have the capacity to repay the debt in proper time and the burden of overdues problem increases in agricultural sector.

8.8 Problems of Agricultural Credit in the Sample District

Barpeta district is an agrarian district of Assam. Agriculture is the main occupation of the majority of people. But the infrastructural facilities are insufficient and backward in agricultural sector. The density of population in the district is very high which is 742 persons per sq. km. as against 398 in Assam as a whole as per census report 2011. The district produces various types of crops such as paddy, wheat, mustard oil, pulses, potato, vegetables, jute etc. and horticultural crops are mainly

coconut, betel-nut, pine-apple, banana, lemon etc. Pisciculture is one of the sources of income in the district. The farmers earn extra income from various allied activities of agriculture such as dairy farm, poultry farm, goat rearing and piggery etc. Barpeta is the supplier district of vegetables to different states of India and the district is famous for supery market at Howly town from where supery is supplied to different states of India.

There are total 83 branches of banks in the district of which 19 branches of Assam Gramin Vikash Bank, 60 branches of commercial banks (14 branches of State Bank of India) and 3 branches of co-operative banks. Thus, Assam Gramin Vikash Bank contains the highest operating branches in the district. The case deposit ratio shows a satisfactory ratio of 45 percent. The banking institutions have provided total crops loan of an amount of 42.09 crore with 9956 KCC. The State Bank of India provided the highest KCC loan of 14.71crore and Assam Gramin Vikash Bank is the highest ground level credit provider bank in the district which was 32.69 crore in 2014-15 as per district report of 2016-17. There are also other 7 private sector banks in the district.

In the process of disbursement of credit, large numbers of problems are faced by the borrowers as well as banking institutions which are discussed as under

- i) There are many remote places in 'char' areas of the district where there is not a branch of banking institutions and very backward transport facilities. Thus, the farmers in those areas are always taking loans from the village money lender at a very high rate of interest.
- ii) It has been observed in the field survey that most of the farmers do not know about the official record of their land and the majority of them do not have any land registration record in their hand for which they cannot submit any required documents of their land in banks as a security of loan. As a result, the farmers are not able to take loan from banks due to lack of land registration record..
- iii) Illiteracy is another problem of the cultivators in Assam. During field survey, it was found that in Barpeta district, majority of the farmers are illiterate and they find it difficult to collect and submit the required documents in banks. Thus, they seek finance from village money lender. The illiterate farmers also do not know how to

utilise the loan amount. They generally use the loan in wasteful way and for meeting various social ceremonies. As a result, they cannot repay the loan in right time.

iv) During personal investigation, it has been found that land holding position of maximum cultivators are small and scattered for which they are not able to use modern inputs for cultivating their land. There is no irrigation facility in maximum areas of Barpeta district. Hence, they need to depend on nature for water. Thus, agricultural produces are not available and as a result, farmers cannot return the loan amount and enter in to vicious circle of indebtedness.

v) During field survey, it has been seen that the poor farmers are not satisfied totally on banks' service because they need to discuss many times with banks officials and they do not get the loan during the peak season due to delay in sanctioning loan. Sometimes, they face another problem of brokers. The poor farmers need to take the help of brokers in sanctioning a loan and as a result, a part of loan is taken away from the poor farmers to the brokers.

vi) There is not sufficient marketing facilities and cold storage in Barpeta district for which farmers sell their produces at a low price. As a result, they are getting low income and they cannot repay the instalment of loan amount to banks.

vii) Frequently occurring flood in Barpeta district is another problem faced by the farmers. In devastating flood, crops are damaged and the poor farmers are getting loss for which they are not able to return the loan amount in proper time.

viii) During field investigation in the bank branches, it is noted that the bank officials are facing problems in advancing loan to farmers due to delay in the submission of necessary documents by the borrowers and even unable to submit the required documents in banks. For that reason, bank branches delay in sanctioning agricultural loans to farmers.

ix) The banking institutions are confronting a big problem of huge amount of non-performing assets (NPA) of previous sanctioned loans which may deteriorate the financial position of banks.

x) At the time of field survey, it is found that in comparison to service area of a branch of bank, there is a shortage of staff. The bank branches cannot provide sufficient service facilities to borrowers due to inadequate man power.

xi) Lack of adequate knowledge and lack of banking habitations of borrowers is another problems faced by banks. The illiterate farmers do not have the adequate knowledge to follow up loan procedure and they do not know how to maintain and finance the loan account properly. Misutilisation of loan amount is also due to ignorance of the farmers. At last, they cannot repay the credit in proper time.

xii) From the personal investigation of bank managers, it has been found that Government loan relief scheme is also another factor responsible for low recovery of loan because they do not return the loan amount and they are waiting for government loan relief scheme announcement. As a result, loan instalments are pending and eventually, tremendous overdues problem in agricultural credit.

The study shows that though the banking services have been increasing and the network of banks branches are expanding very rapidly in Assam, but still now, there are so many places in remote areas without any institutional credit facilities and various mal-practices done by village money lenders are still prevailing in many places of Assam. Thus, the proper co-ordination between government and financial institutions is very much essential to remove all the problems associated with agricultural credit. The financial institution should monitor the utilisation of loan amount by the borrowers at an interval time period and awareness programmes should be organized by the banks to remove the ignorance of cultivators. After all, the agricultural credit facilities should be sufficient in proper time to farmers as they can improve their agricultural activities and can develop the economy of Assam within short period of time.

References

1. Rajkumar, K. P., Agricultural Finance in India, New Century Publications, New Delhi, July, 2008, pp- 3-4.
2. Agarwal, H.S., Simple Indian Economics, Lakshmi Narayan Agarwal Educational Publishers, Agra, 2007, pp-219-220.
3. Desai, S.S.M., Agriculture and Rural Banking in India, Himalay Publishing House, 1990, p. 219.
4. Dhar, P. K., The Economy of Assam, Kalyani Publishers, 2016, p. 209.
5. Ibid 4, pp. 209-210.
6. Ibid 2, pp. 206-208.
7. Datt, G., & Mahajan, A., Indian Economy, S. Chand & Company PVT. LTD., New Delhi, 2016, pp. 624-625.
8. Ibid 4, p. 202.
9. Agrawal, A. N., Indian Economy, New Age International Publishers, New Delhi, 2006, p. 311.
10. Ibid 9, pp. 312-313.
11. Ibid 9, p. 306.
12. Dhar, P. K., Indian Economy, Kalyani Publishers, 2006, p. 282.
13. Veerashakarappa, Institutional Finance for Rural Development, Rawat Publication, Jaipur and New Delhi, 1997, pp. 171-173.
14. Ibid 13, pp. 181-183.